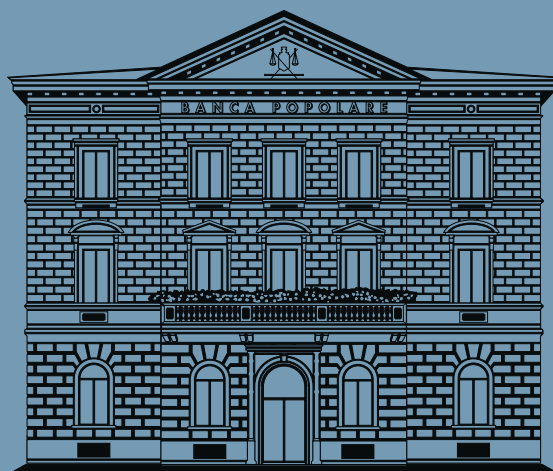




Banca Popolare di Sondrio



CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 JUNE 2016



**Banca Popolare
di Sondrio**

CONSOLIDATED
I N T E R I M
F I N A N C I A L
R E P O R T
AT 30 JUNE 2016



Banca Popolare di Sondrio

Founded in 1871

CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 JUNE 2016

Società cooperativa per azioni

Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy

Tel. 0342 528.111 - Fax 0342 528.204

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: € 942,519,617 (Figures approved at the shareholders' meeting of 23 April 2016)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 24 June 2016:
 - Long-term: BBB
 - Short-term: F3
 - Viability rating: bbb
 - Outlook: Negative
- Rating given by Dagong Europe Credit Rating to Banca Popolare di Sondrio scpa on 22 February 2016:
 - 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 CECILIA CORRADINI LORETTA CREDARO* FEDERICO FALCK ATTILIO PIERO FERRARI GIUSEPPE FONTANA CRISTINA GALBUSERA * ADRIANO PROPERSI ANNALISA RAINOLDI SERENELLA ROSSI RENATO SOZZANI* DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Auditors	DONATELLA DEPPERU MARIO VITALI
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

Financial Reporting Officer

MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

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

BRANCH NETWORK

BANCA POPOLARE DI SONDRIO

Joint-Stock Cooperative Company - Founded in 1871
Sondrio Companies Register no. 00053810149
Official List of Banks no. 842
Parent Bank 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

GENERAL MANAGEMENT AND HEAD OFFICE

Sondrio, piazza Giuseppe Garibaldi 16
tel. +39 0342 528111 - fax +39 0342 528204
www.popsito.it - info@popsito.it

FIELD OFFICES

ORGANISATION AND IT SYSTEMS: "F. Morani" Service Centre -
via Ranée 511/1 - Berbenno di Valtellina (So) - fraz. S. Pietro
INTERNATIONAL UNIT: lungo Mallero Luigi Cadorna 24, Sondrio
COMMERCIAL UNIT - PUBLIC ENTITIES AND TREASURY
OFFICES - SUPPLY OFFICE - TECHNICAL, HEALTH AND SAFETY
DEPARTMENT: corso Vittorio Veneto 7, Sondrio
PERSONNEL DEPARTMENT: corso Vittorio Veneto 36, Sondrio

VIRTUAL UNIT

corso Vittorio Veneto 7, Sondrio

BRANCHES AND TREASURIES

PROVINCE OF SONDRIO

ALBOSAGGIA via al Porto 11
APRICA corso Roma 140
ARDENNO via Libertà
BERBENNO DI VALTELLINA - fraz. **San Pietro** - via Nazionale Ovest 110
BIANZONE piazza Ezio Vanoni 11
BORMIO
Head Office, via Roma 131 - ang. via don Evaristo Peccedi
Branch no. 1, via Roma 64
BUGLIO IN MONTE piazza della Libertà 1
CAMPODOLCINO via Corti 67
CASPOGGIO piazza Milano 13
CEDRASCO via Vittorio Veneto 15
CEPINA VALDISOTTO via Roma 13/E
CHIAVENNA via Francesco e Giovanni Dolzino 67
CHIESA IN VALMALENCIO via Roma 138
CHIURO via Stelvio 8
COLORINA via Roma 84
COSIO VALTELLINO - fraz. **Regoledo** - via Roma 7
COSIO VALTELLINO - fraz. Cosio Stazione - piazza San Martino 14
DELEBIO piazza San Carpofo 7/9
DUBINO - **Nuova Olonio** - via Spugna 83
DUBINO via Valeriana 39
GORDONA via Scogli 9
GORSO via Roma 67
GROSIO - fraz. **Ravoleto** - via Pizzo Dosdè
GROSOTTO via Statale 73
ISOLACCIA VALDIDENTRO via Nazionale 31
LANZADA via Palù 388
LIVIGNO
Head Office, via Sant'Antoni 135
Branch no. 1, via Saroch 728/730
LIVIGNO via Dala Gesa 557/A
MADESIMO via Giosuè Carducci 3
MADONNA DI TIRANO piazza Basilica 55
MAZZO DI VALTELLINA via Santo Stefano 20
MELLO piazza San Fedele 1
MONTAGNA IN VALTELLINA via Stelvio 336
MONTAGNA IN VALTELLINA via Ciaci 36
MORBEGNO
Head Office, piazza Caduti per la Libertà 7
Branch no. 1, via V. Alpini 172
NOVATE MEZZOLA via Roma 13
PASSO DELLO STELVIO località Passo dello Stelvio
PIANTEDO via Colico 43
PONTE IN VALTELLINA piazza della Vittoria 1
SAMOLACO - fraz. **Era** - via Trivulzia 28
SAN CASSIANO VALCHIAVENNA via Spugna 108
SAN NICOLÒ VALFURVA via San Nicolò 82
SEMOGO VALDIDENTRO via Cima Piazz 28
SONDALO via Dr. Ausonio Zubiiani 2
SONDRIO
Head Office, piazza Giuseppe Garibaldi 16
Branch no. 1, via Bernina 1
Branch no. 2, via Tomaso Nani 32
Branch no. 3, Ingresso Ospedale Civile - via Stelvio 25
Branch no. 4, piazzale Giovanni Bertacchi 57
Branch no. 5, Galleria Campello 2
Branch no. 6, via Giacinto Sottorelli 2
TALAMONA via Don Giuseppe Cusini 83/A
TEGLIO piazza Santa Eufemia 2
TEGLIO - fraz. **San Giacomo** - via Nazionale
TIRANO piazza Cavour 20
TORRE SANTA MARIA via Risorgimento 5
TRAONA via Valeriana 88/A
TRENDA DI TEGLIO via Nazionale 57
TRESIVIO piazza San Pietro e Paolo 24
VALFURVA - fraz. **Madonna Dei Monti** -
piazza Madonna Del Carmine 6
VILLA DI CHIAVENNA via Roma 38
VILLA DI TIRANO traversa Foppa 25
VERCEIA via Nazionale 118/D

AUTONOMOUS REGION OF VALLE D'AOSTA
AOSTA corso Battaglione Aosta 79
PONT SAINT MARTIN via Emile Chanoux 45
SAINT-VINCENT via Duca D'Aosta 9

PROVINCE OF ALESSANDRIA

ALESSANDRIA corso Crimea 21
NOVI LIGURE corso Romualdo Marengo 59

PROVINCE OF BERGAMO
ALBANO SANT'ALESSANDRO via Vittorio Emanuele II 6
ALME via Campofiori 36
BARIANO via Umberto I

BERGAMO
Head Office, via Brosetta 64/B
Branch no. 1, via Vittore Ghislandi 4
Branch no. 2, via Guglielmo D'Alzano 3/E
BERGAMO - Ospedale Papa Giovanni XXIII - piazza Oms 1
BONATE SOTTO via Vittorio Veneto - ang. via Antonio Locatelli
BREMbate via Vittore Tasca 8/10
CARVICO via Giuseppe Verdi 1
CISANO BERGAMASCO via Giuseppe Mazzini 25
COSTA VOLPINO via Nazionale 92
GAZZANIGA via IV Novembre 3
GHISALBA via Roma 41/43
GRUMELLO DEL MONTE via Roma 133
MAPELLO via Giuseppe Bravi 31
MOZZANICA piazza Antonio Locatelli
NEMBRO piazza Umberto I
OSIO SOTTO via Monte Grappa 12
ROMANO DI LOMBARDIA via Balilla 20
SARNICO via Giuseppe Garibaldi 1/C
SCANZOROSCIATE corso Europa 23
SERIATE piazza Caduti per la Libertà 7
TRESORE BALNEARIO piazza Cavour 6
TREVIGLIO via Cesare Battisti 8/B
TREVIGLIO - Ospedale - piazzale Ospedale 1
VERDELLINO largo Luigi Einaudi 5
VILMINORE DI SCALVE piazza Vittorio Veneto 8

PROVINCE OF BOLOGNA BOLOGNA via Riva di Reno 58/B

PROVINCE OF BOLZANO
BOLZANO viale Amedeo Duca D'Aosta 88 / Amedeo Duca D'Aosta Allee 88
MERANO corso della Libertà 16 / Freiheitsstrasse 16
MERANO - Comune di Merano - via Portici 192

PROVINCE OF BRESCIA
ANGOLO TERME piazza Caduti 3
BERZO DEMO via Nazionale 14
BIENNO via Giuseppe Fantoni 36
BORNO via Vittorio Veneto 25
BRENO piazza Generale Pietro Ronchi 4
BRESCIA
Head Office, via Benedetto Croce 22
Branch no. 1, via Crociffisa di Rosa 59
Branch no. 2, via Solferino 61
Branch no. 3, viale Piave 61/A
Branch no. 4, via Fratelli Ugonesi 2
CAPO DI PONTE via Aldo Moro 26/A
CEVO via Roma 15
CHIARI via Consorzio Agrario 1 - ang. viale Teosa 23/B
COCCAGLIO via Adelchi Negri 12
COLLEBEATO via San Francesco d'Assisi 12
CORTE FRANCA piazza di Franciacorta 7/C
CORTENO GOLGI via Brescia 2
DARFO BOARIO TERME
Branch no. 1, corso Italia 10/12
Branch no. 2, piazza Patrioti 2
DESENZANO DEL GARDA via Guglielmo Marconi 1/A
EDOLO piazza Martiri della Libertà 16
ERBUSCO via Provinciale 29
ESINE via Chiosi 79
GARDONE VAL TROMPIA via Giacomo Matteotti 300
GANICCO piazza Roma 3
ISEO via Roma 12/E
LONATO DEL GARDA corso Giuseppe Garibaldi 59
LUMEZZANE - fraz. **Sant'Appollino** - via Massimo D'Azeglio 108
MALONNO via Valle Canonica 6
MANERBA DEL GARDA via Valtenesi 43
MANERBIO via Dante Alighieri 8
MARONE via Zanardelli 5
MONTE ISOLA frazione Siviano 116
MONTICHIARI via Mantova - ang. via 3 Innocenti 74
ORZINUOVI piazza Giuseppe Garibaldi 19
OSPITALETTO via Brescia 107/109
PALAZZOLO SULL'OGLIO via Brescia 23
PIAN CAMUNO via Agostino Gemelli 21
PISOGNE via Trento 1
PONTE DI LEGNO piazza Legge Europa 8
PONTE DI LEGNO - loc. Passo Del Tonale - via Case Sparse 84
REZZATO via Broli 49
SALE MARASINO via Roma 33/35
SALO viale Alcide De Gasperi 13
SALÒ via Giuseppe Garibaldi 21
SAREZZO via della Repubblica 99
TOSCOLANO MADERNO piazza San Marco 51
TOSCOLANO MADERNO viale Guglielmo Marconi 9
VEZZA D'OGLIO via Nazionale 80
ZONE via Orti 1

PROVINCE OF COMO
ALBIOLO via Indipendenza 10
ALSERIO via Carcano 10
APPIANO GENTILE piazza della Libertà 9
ARGEGNO piazza Guglielmo Testi
AROSIO piazza Montello 1
BELLAGIO via Vallassina 58
BINAGO via Roma 9
BIZZARONE via Roma 14
BREGNANO via Giuseppe Mazzini 22/A
BRUNATE via Alessandro Volta 28
BULGAROGASSO via Pietro Ferloni 2
CAMPIONE D'ITALIA piazza Roma 1/G

CANTÙ via Milano 47
CANZO via Alessandro Verza 39
CAPIAGO INTIMIANO via Vittorio Emanuele II
CARATE URIO via Regina 58
CARIMATE - fraz. **Montesolaro** - piazza Lorenzo Spallino
CARLAZZO via Regina 125
CARUGO via Luigi Cadorna 32
CASNATE CON BERNATE via Roma 7
CASTELMARTE largo Armando Diaz 1
COMO
Head Office, viale Innocenzo XI 71
Branch no. 1, via Giorgio Giulini 12
Branch no. 2, via Statale per Lecco 70 - fraz. Lora
Branch no. 3, via Asiago 25 - fraz. Tavernola
Branch no. 4, ACSM - via Vittorio Emanuele II 93
DOMASO via Statale Regina 77
DONGO piazza Virgilio Matteri 14
ERBA via Alessandro Volta 3
FINO MORNASCO via Giuseppe Garibaldi - ang. piazza Odescalchi 5
GARZENO via Roma 32
GERA LARIO via Statale Regina 18
GRAVEDONA ED UNITI piazza Giuseppe Garibaldi 11
GUANZATE via Giuseppe Garibaldi 1
LAMBROGO piazza Papa Giovanni II 4/7
LANZO INTELVI piazza Lanfranchi 22
LURAGO D'ERBA via Roma 58
MASLIANICO via XX Settembre 47
MENAGGIO via Annetta e Celestino Lusardi 62
MERONE via San Girolamo Emiliani 5/C
MONTORFANO via Brianza 6/B
MUSSO via Statale Regina 30
OSSUCCIO via Statale 72
PARÈ piazza della Chiesa 5/6
PIANELLO DEL LARIO via Statale Regina 32
PLESIO via Grona 85
PORLEZZA lungolago Giacomo Matteotti 15
PUSIANO via Giuseppe Mazzini - Complesso Pusiano 2000
SALA COMACINA via Statale 14/A
SAN FEDELE INTELVI via Provinciale 79
SAN NAZZARO VAL CAVARGNA via Don Luigi Gabbani 237
SAN SIRO loc. Santa Maria - via Statale Regina
SCHIGNANO via Roma 8
SORICO piazza Cesare Battisti 1/A
TREMEZZO via Regina 26
TURATE via Vittorio Emanuele 14
VALSOLDA - fraz. **San Mamete** - piazza Roma 7/9
VENIANO via Alessandro Manzoni 5
VERCANO via Vico 3
VILLA GUARDIA via Varesina - ang. via Monte Rosa

PROVINCE OF CREMONA
CREMA via Giuseppe Mazzini 109
CREMONA
Head Office, via Dante Alighieri 149/A
Branch no. 1, piazza Antonio Stradivari 9
PANDINO via Umberto I/3
RIVOLTA D'ADDA via Cesare Battisti 8

PROVINCE OF CUNEO
ALBA viale Torino 4
CUNEO piazza Tancredi Duccio Galimberti 13

PROVINCE OF GENOVA
CAMOGLI via Cuneo 9
CHIAVARI piazza Nostra Signora dell'Orto 42/B - ang. via Doria
GENOVA
Head Office, via XXV Aprile 7
Branch no. 1, piazza Tommaseo 7 rosso
Branch no. 2, via Sabotino 32/34 rossi
RAPALLO via Gen. A. Lamarmora 4 - ang. via San Filippo Neri
SANTA MARGHERITA LIGURE piazza Giuseppe Mazzini 40

PROVINCE OF LECCO
AIRUNO via San Giovanni 11
ABBADIA LARIANA via Nazionale 140/A
BALLABIO via Ambrogio Confalonieri 6
BARZAGO viale Rimebranze 20
BARZIO via Milano 21
BELLANO via Vittorio Veneto 9
BOSISIO PARINI via San Gaetano 4
CALOLZIOCORTE corso Europa 71/A
CASATENOVO via Roma 23
CASSAGO BRIANZA via Vittorio Emanuele II 2
CASTELLO DI BRIANZA via Roma 18
COLICO via Nazionale - ang. via Sacco
COLLE BRIANZA via Cantù 1
DERVIO via Don Ambrogio Invernizzi 2
ESINO LARIO piazza Gulli 2
IMBERSAGO via Contessa Lina Castelbarco 5

LECCO
Head Office, corso Martiri della Liberazione 65
Branch no. 1, viale Filippo Turati 59
Branch no. 2, piazza XX Settembre 11
Branch no. 3, corso Emanuele Filiberto 104
Branch no. 4, viale Montegrappa 18
LECCO - Comune di Lecco - piazza Lega Lombarda 1
LECCO - Ospedale di Lecco - via dell'Eremo 9/11
LOMAGNA via Milano 24
MANDELLO DEL LARIO piazza Sacro Cuore 8
MALGRATE via Gaggio 14
MERATE via Don Cesare Cazzaniga 51
MERATE piazza Giulio Prinetti 6
MERATE - fraz. **Pagnano** - via Rimebranze 3
MERATE - Ospedale di Merate - largo Leopoldo Mandic 1
MONTE MARENZO via Colombara Vecchia 2
MONTICELLO via Provinciale 57
NIBIONNO - fraz. **Cibrone** - via Montello 1
OGGIONO via Lazzaretto 50
PESCATO via Roma 98/E

Banca Popolare di Sondrio

PRIMALUNA via Provinciale 66
SUELLO via Roma 10/12
VALGREGENTINO piazza Roma 2
VALMADRERA via San Rocco 31/33
VARENNA via Corrado Venini 73

PROVINCE OF LODI

CODOGNO via Giuseppe Verdi 18/C
LODI via Francesco Gabba 5

PROVINCE OF MANTOVA

CASTIGLIONE DELLE STIVIERE piazza Ugo Dall'ò 25
GAZOLDI DEGLI IPPOLITI via Guglielmo Marconi 74/76

MANTOVA

Head Office, corso Vittorio Emanuele II 154
Branch no. 1, piazza Broletto 7
MARMIROLO via Tito Speri 34
SAN BENEDETTO PO via Enrico Ferri 15
SUZZARA piazza Giuseppe Garibaldi 4
VIADANA piazza Giacomo Matteotti 4/A

PROVINCE OF MILANO

ABBIATEGRASSO piazza Giuseppe Garibaldi 2
BASiglio piazza Monsignor Rossi 1
BUCCINASCO via Aldo Moro 9
CERNUSCO SUL NAVIGLIO viale Assunta 47/49
CINISELLO BALSAMO via Giuseppe Garibaldi 86
LEGNANO via Alcide De Gasperi 10
MELEGNANO via Clateo Castellini 19

MILANO

Head Office, via Santa Maria Fulcorina 1
Branch no. 1, *Porpora*, via Nicola Antonio Porpora 104
Branch no. 2, *Barona*, viale Faenza 22
Branch no. 3, *a2a*, corso di Porta Vittoria 4
Branch no. 4, *Regione Lombardia*, piazza Città di Lombardia 1
Branch no. 5, *Bovisa*, via degli Imbriani 54
Branch no. 6, *Corvetto*, via Marco d'Agiate 11
Branch no. 7, *Caneva*, via Monte Ceniso 50
Branch no. 8, *Quarto Oggiaro*, via M. Lessona - ang. via F. De Roberto
Branch no. 9, *A.L.E.R.*, viale Romagna 24
Branch no. 10, *Solari*, via Andrea Solari 15
Branch no. 11, *Università Bocconi*, via Ferdinando Bocconi 8
Branch no. 12, *Baggio*, via delle Forze Armate 260
Branch no. 13, *Repubblica*, viale Monte Santo 8
Branch no. 14, *Palazzo di Giustizia*, via Colonnetta 5 - ang. via C. Battisti
Branch no. 15, *Murat*, via Gioacchino Murat 76
Branch no. 16, *Ortomercato*, via Cesare Lombroso 54
Branch no. 18, *Fiera*, viale Ezio Belisario 1
Branch no. 19, *Giambellino*, via Giambellino 39
Branch no. 20, *Sempione*, via Edoardo Canova 39
Branch no. 21, *Politecnico*, via Edoardo Bonardi 4
Branch no. 22, *Santa Sofia*, via Santa Sofia 12
Branch no. 23, *Certosa*, viale Certosa 62
Branch no. 24, *Piave*, viale Piave 1
Branch no. 25, *Zara*, viale Zara 13
Branch no. 26, *Lodi*, corso Lodi - ang. via S. Gerolamo Emiliani 1
Branch no. 27, *Don Gnocchi*, via Alfonso Capecelatro 66
Branch no. 28, *Corsica*, via privata Sanremo - ang. viale Corsica 81
Branch no. 29, *Bicocca*, piazza della Trivulziana 6 - edificio 6
Branch no. 30, *De Angeli*, piazza Ernesto De Angeli 9
Branch no. 31, *Isola*, via Carlo Farini 47
Branch no. 32, *Venezia*, viale Luigi Majno 42 - viale Piave 43
Branch no. 33, *Porta Romana*, corso di Porta Romana 120
Branch no. 34, *San Babila*, via Cino del Duca 12
Branch no. 35, *Loreto*, piazzale Loreto 1 - ang. viale Brianza
Branch no. 36, *Monti*, via Vincenzo Monti 41
Branch no. 37, *Vercelli*, corso Vercelli 38
Branch no. 38, *Università Cattolica del Sacro Cuore*, largo A. Gemelli 1

MILANO - CCIAA di Milano - via Meravigli 9/B
MILANO - Istituto Nazionale Tumori - via Giacomo Venezian 1
MILANO - ASP Golgi Redaelli - via Olmetto 6
MILANO - Bicocca - piazza dell'Ateneo Nuovo 1 - Edificio U 6
MILANO - Istituto Neurologico - via Giovanni Celoria 11
MILANO - I.U.L.M. - via Carlo Bo 1
MILANO - Pio Albergo Trivulzio - via Antonio Tolomeo Trivulzio 15
MILANO - Pirelli - via Fabio Filzi 22
MILANO - Taramelli - via Torquato Taramelli 12

PERO

via Mario Greppi 13
SEGRATE via Rodolfo Morandi 25
SEGRATE via Fratelli Cervi 13 - Residenza Botteghe

SESTO SAN GIOVANNI

Branch no. 1, piazza Martiri di via Fani 93
Branch no. 2, piazza della Resistenza 52

TREZZO SULL'ADDA via Antonio Gramsci 10
TURBIGO via Allea Comunale 17

PROVINCE OF MONZA E BRIANZA

ALBIATE via Trento 35
BELLUSCO via Bergamo 5
BERNAREGGIO via Michelangelo Buonarroti 6
BRIOSCO piazza della Chiesa 5
BOVISIO MASIAGO via Guglielmo Marconi 7/A
CARATE BRIANZA via Francesco Cusani 10
DESIO via Porticchetto - ang. via Pio XI
GIUSSANO via Cavour 19
LISSONE via Trieste 33
MACHERIO via Roma 17
MEDA via Yuri Gagarin - ang. corso della Resistenza

MONZA

Head Office, via Galileo Galilei 11
Branch no. 1, via Alessandro Manzoni 33/A
NOVA MILANESE via Antonio Locatelli
SEREGNO
Head Office, via Cavour 84
Branch no. 1, via Cesare Formenti 5
SEREGNO - Gelsia S.r.l. - Ronzoni - via Cardinal Minoretto 18/B

SEVESO via San Martino 20
VAREDO corso Vittorio Emanuele II 53
VILLASANTA - fraz. San Fiorano - via Amatore Antonio Sciesa 7/9
VIMERCATE piazza Papa Giovanni Paolo II 9

PROVINCE OF NOVARA

ARONA via Antonio Gramsci 19
NOVARA via Andrea Costa 7

PROVINCE OF PADOVA

PADOVA via Ponte Molino 4

PROVINCE OF PARMA

PARMA via Emilia Est 3/A

PROVINCE OF PAVIA

BELGIOIOSO piazza Vittorio Veneto 23
BRONI via Giuseppe Mazzini 1
CANNETO PAVESE via Roma 15
CASTEGGIO piazza Cavour 4
CILAVEGNA via Giuseppe Mazzini 2/8
CORTEOLONA piazza Giuseppe Verdi 8
MEDE corso Italia 2
MORTARA via Roma 23

PAVIA

Head Office, piazzale Ponte Coperto Ticino 11
Branch no. 1, corso Strada Nuova 75
PAVIA - DEA - via Privata Campeggi 40
PAVIA - Policlinico San Matteo - viale Camillo Golgi 19
RIVANAZZANO TERME piazza Cornaglia 41
ROBBIO piazza della Libertà 33
STRADELLA via XXVI Aprile 56
VIGEVANO piazza IV Novembre 8
VOGHERA via Emilia 70

PROVINCE OF PIACENZA

CASTEL SAN GIOVANNI corso Giacomo Matteotti 27
PIACENZA

Head Office, via Raimondo Palmerio 11
Branch no. 1, via Cristoforo Colombo 18

PROVINCE OF ROMA

ARICCIA via Laziale 1
CIAMPINO viale del Lavoro 56
FRASCATI via Benedetto Cairoli 1
GENZANO DI ROMA viale Giacomo Matteotti 14
GROTTAFERRATA via XXV Luglio 1
MONTE COMPATRI piazza Marco Mastrofini 11

ROMA

Head Office, *Eur*, viale Cesare Pavese 336
Branch no. 1, *Monte Sacro*, via Val Santerno 27
Branch no. 2, *Ponte Marconi*, via Silvestro Gherardi 45
Branch no. 3, *Prati Trionfale*, via Trionfale 22
Branch no. 4, *Bravetta*, piazza Biagio Pace 1
Branch no. 5, *Portonaccio*, piazza S. Maria Consolatrice 16/B
Branch no. 6, *Appio Latino*, via Cesare Baronio 12
Branch no. 7, *Aurelio*, via Baldo degli Ubaldi 267
Branch no. 8, *Africano Vescovio*, viale Somalia 255
Branch no. 9, *Casal Palocco*, piazzale Filippo il Macedone 70/75
Branch no. 10, *Laurentina*, via Laurentina 617/619
Branch no. 11, *Esquilino*, via Carlo Alberto 6/A
Branch no. 12, *Boccea*, circonvallazione Cornelia 295
Branch no. 13, *Tuscolano*, via Foligno 51/A
Branch no. 14, *Garbatella*, largo delle Sette Chiese 6
Branch no. 15, *Farnesina*, via della Farnesina 154
Branch no. 16, *Monte Sacro Alto/Talenti*, via Nomentana 925/A
Branch no. 17, *San Lorenzo*, piazza dei Sanniti 10/11
Branch no. 18, *Infernetto*, via Ermanno Wolf Ferrari 348
Branch no. 19, *Nuovo Salaria*, piazza Filattiera 24
Branch no. 20, *Tuscolano/Appio Claudio*, via Caio Canuleio 29
Branch no. 21, *Nomentano*, via Famiano Nardini 25
Branch no. 22, *WFP - Sportello Interno* - via Cesare Giulio Viola 68/70
Branch no. 23, *Ostia*, via Carlo Del Greco 1
Branch no. 24, *San Clemente/Colosseo*, via di S. Giovanni in Laterano 51/A
Branch no. 25, *Parioli*, viale dei Parioli 39/B
Branch no. 26, *Tritone*, via del Tritone 207
Branch no. 27, *Prati*, piazza Cavour 7
Branch no. 28, *Prenestino/Torpignattara*, piazza della Marranella 9
Branch no. 29, *FAO - Sportello Interno* - viale delle Terme di Caracalla 1
Branch no. 30, *IFAD - Sportello Interno* - via Paolo Di Dono 44
Branch no. 31, *Camp Bio-Medico di Roma - Policlinico*, via A. del Portillo 200
Branch no. 32, *Monteverde Vecchia*, via Anton Giulio Barrili 50/H
Branch no. 33, *Trastevere*, piazza Sidney Sonnino 40
Branch no. 34, *Gregorio VII*, via Gregorio VII 348 - ang. piazza Pio XI 40
Branch no. 35, *Parione*, corso Vittorio Emanuele II 139
Branch no. 36, *CONSOB - Sportello Interno* - via G. B. Martini 3
Branch no. 37, *Trieste/Salaria*, via Tagliamento 37
ROMA - Biblioteca Nazionale Centrale - viale Castro Pretorio 105
ROMA - Università Foro Italico - piazza Lauro De Bosis 15

PROVINCE OF SAVONA

ALBISSOLA MARINA via dei Ceramisti 29
SAVONA via Antonio Gramsci 54
VAREZZE via Goffredo Mameli 19

PROVINCE OF TORINO

CANDIOLIO via Torino 3/A

TORINO

Head Office, via XX Settembre 37
Branch no. 1, via Luigi Cibrario 17/A bis

PROVINCE OF TRENTO

ARCO via delle Garberie 31

CLES piazza Navarino 5
RIVA DEL GARDA viale Dante Alighieri 11
ROVERETO corso Antonio Rosmini 68 - ang. via Fontana
TRENTO piazza di Centa 14

PROVINCE OF VARESE

AEROPORTO DI MALPENSA 2000 Terminal 1 - FERNO

BESNATE via Libertà 2
BISUSCHIO via Giuseppe Mazzini 80
BRUSIMPIANO piazza Battaglia 1/A
BUSTO ARSIZIO piazza Trento e Trieste 10
CARNAGO via Guglielmo Marconi 2
CASTELLANZA corso Giacomo Matteotti 2
CUGLIATE FABIASCO via Pagliolico 25

GALLARATE

via Torino 15
GAVIRATE via Guglielmo Marconi 13/A
LAVENA PONTE TRESA via Luigi Colombo 19
LNATE POZZOLO via Vittorio Veneto 27
LUINO via XXV Aprile 31
MARCHIROLO via Cavalier Emilio Busetti 7/A
PORTO CERESIO via Giacomo Matteotti 12

SARONNO

via San Giuseppe 59
SESTO CALENDE piazza Giuseppe Mazzini 10
SOLBIATE OLONA via Vittorio Veneto 5
SOMMA LOMBARDO via Milano 13

VARESE

Head Office, viale Belforte 151
Branch no. 1, piazza Monte Grappa 6
Branch no. 2, via San Giusto - ang. via Malta
VARESE - Comune di Varese - via Luigi Sacco 5
VEDANO OLONA via Giacomo Matteotti - ang. via Cavour 12
VIGGIU via Saltrio 2

PROVINCE OF VERBANO-CUSIO-OSSOLA

CANNOBIO viale Vittorio Veneto 2/bis
DOMODOSSOLA piazza Repubblica dell'Ossola 4
GRAVELLONA TOCE corso Guglielmo Marconi 95
VERBANIA - Intra, piazza Daniele Ranzonei 27
VERBANIA - Pallanza, largo Vittorio Tonolli 34

PROVINCE OF VERCELLI

VERCELLI piazza B. Mazzucchelli 12

PROVINCE OF VERONA

BARDOLINO via Mirabello 15
PESCHIERA DEL GARDA via Venezia 40/A
VERONA corso Cavour 45
VILLAFRANCA DI VERONA corso Vittorio Emanuele II 194

TEMPORARY BRANCH

NUOVO POLO FIERISTICO - Corso Italia Est
 Strada Statale del Sempione 38 - Rho/Però tel. +39 02 45402082

MOBILE BRANCH

Autobanca

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 - **BELGIQUE** (Bruxelles) - **BRASIL** (Sao Paulo) - **BULGARIA** (Sofia)
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 (Aarhus) - **FINLAND** (Helsinki) - **FRANCE** (Lyon, Marseille and
 Perpignan) - **GREECE** (Athens) - **GUATEMALA** (Ciudad de Guatemala)
 - **HUNGARY** (Budapest) - **INDIA** (Mumbai) - **MEXICO** (Ciudad de
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 (Moscow) - **SERBIA** (Beograd) - **SOUTH AFRICA** (Johannesburg)
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 - **TURKEY** (Istanbul) - **UNITED ARAB EMIRATES** (Dubai) - **UNITED**
KINGDOM (London) - **UNITED STATES OF AMERICA** (Chicago and
 Miami) - **UZBEKISTAN** (Tashkent)

BANCA POPOLARE DI SONDRIO (SUISSE) SA

SWITZERLAND

www.bps-suisse.ch - contact@bps-suisse.ch

GENERAL MANAGEMENT

LUGANO via Giacomo Luvinini 2A tel. +41 58 8553000
 fax +41 58 8553015

HEAD OFFICE

LUGANO via Maggio 1 tel. +41 58 8553100

BRANCHES AND AGENCIES

LUGANO - LUGANO Cassarate - PARADISO - BASEL - BELLINZONA
 - BERN - BIASCA - CASTASEGNA - CELERINA - CHIASSO - CHUR -
 LOCARNO - MENDRISIO - NEUCHÂTEL - PONTRESINA - POSCHIAVO -
 SAMEDAN - ST. MORITZ - ZÜRICH
 Principality of Monaco: MONACO

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Factoring - working capital solutions, credit risk protection and accounts receivable book-keeping - Branch offices in Milano, Torino, Padova, Bologna, Siena and Roma. Member of Factors Chain International with over 400 foreign correspondents in the most important international markets. Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.
Head Office: Milano, via Cino del Duca 12
 tel. +39 02 58150.1 - fax +39 02 58150.205
 www.factorit.it - info@factorit.it

PIROVANO STELVIO SPA - The Ski University

Albergo Quarto - Passo dello Stelvio (m. 2.760-3.450)
 Sondrio, via Delle Prese 8 - tel. +39 0342 210 040 - fax +39 0342 514 685
 www.pirovano.it - info@pirovano.it

"LUIGI CREDARO" LIBRARY

Sondrio, lungo Mallerio Armando Diaz 18
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 www.pops.bibliotecacredaro.it - info@pops.bibliotecacredaro.it

THE BANKING GROUP IN THE HEART OF THE ALPS

Banca Popolare di Sondrio | BPS (suisse) | Factorit | Pirovano Stelvio

BRANCH NETWORK OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP



Banca Popolare di Sondrio Founded in 1871

BRANCHES

- 51 in the province of SONDRIO and 15 Treasuries
- 2 in the province of ALESSANDRIA
- 15 in the province of BERGAMO and 13 Treasuries
- 1 in BOLOGNA
- 2 in the province of BOLZANO and 1 Treasury
- 32 in the province of BRESCIA and 18 Treasuries
- 31 in the province of COMO and 29 Treasuries
- 5 in the province of CREMONA
- 2 in the province of CUNEO
- 6 in the province of GENOVA and 1 Treasury
- 20 in the province of LECCO and 20 Treasuries
- 2 in the province of LODI
- 5 in the province of MANTOVA and 3 Treasuries
- 38 in MILANO and 9 Treasuries
- 11 in the province of MILANO and 3 Treasuries
- 17 in the province of MONZA E BRIANZA and 4 Treasuries
- 2 in the province of NOVARA
- 1 in PADOVA
- 1 in PARMA
- 7 in the province of PAVIA and 10 Treasuries
- 3 in the province of PIACENZA
- 38 in ROMA and 2 Treasuries
- 4 in the province of ROMA and 2 Treasuries
- 1 in the province of SAVONA and 2 Treasuries
- 2 in the province of TORINO and 1 Treasury
- 4 in the province of TRENTO and 1 Treasury
- 18 in the province of VARESE and 7 Treasuries
- 5 in the province of VERBANO CUSIO OSSOLA
- 1 in VERCELLI
- 4 in the province of VERONA
- 1 in the Autonomous Region of Valle d'Aosta and 2 Treasuries

Representative offices and desks abroad:

- ARGENTINA (BUENOS AIRES) • AUSTRALIA (PERTH AND SYDNEY) • BELGIQUE (BRUXELLES) • BRASIL (SAO PAULO) • BULGARIA (SOFIA) • CANADA (TORONTO AND VANCOUVER) • CHINA (SHANGHAI) • DANMARK (AARHUS) • FINLAND (HELSINKI) • FRANCE (LYON, MARSEILLE AND PERPIGNAN) • GREECE (ATHENS) • GUATEMALA (CIUDAD DE GUATEMALA) • HUNGARY (BUDAPEST) • INDIA (MUMBAI) • MÉXICO (CIUDAD DE MEXICO) • MONGOLIA (ULAANBAATAR) • MOROCCO (CASABLANCA) • PERÚ (LIMA) • POLAND (WARSZAWA) • PORTUGAL (LISBOA) • REPUBLICA MOLDOVA (CHISINAU) • ROMÂNIA (BUCURESTI) • RUSSIA (MOSCOW) • SERBIA (BEOGRAD) • SOUTH AFRICA (JOHANNESBURG) • SOUTH KOREA (SEOUL) • THAILAND (BANGKOK) • TUNISIA (TUNIS) • TURKEY (ISTANBUL) • UNITED ARAB EMIRATES (DUBAI) • UNITED KINGDOM (LONDON) • UNITED STATES OF AMERICA (CHICAGO AND MIAMI) • UZBEKISTAN (TASHKENT)



BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

Branches in:

- LUGANO Via G. Luvini
- LUGANO Via Maggio
- LUGANO Cassarate
- PARADISO
- BASEL
- BELLINZONA
- BERN
- BIASCA
- CASTASEGNA
- CELERINA
- CHIASSO
- CHUR
- LOCARNO
- MENDRISIO
- NEUCHÂTEL
- PONTRESINA
- POSCHIAVO
- SAMEDAN
- ST. MORITZ
- ZÜRICH

Principality of Monaco:
• MONACO



Factorit

GRUPPO Banca Popolare di Sondrio

Factoring – working capital solutions, credit risk protection and accounts receivable book-keeping

Branch offices in:

- MILANO • TORINO • PADOVA
- BOLOGNA • SIENA • ROMA

Member of Factors Chain International with over 400 foreign correspondents in the most important international markets. Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.



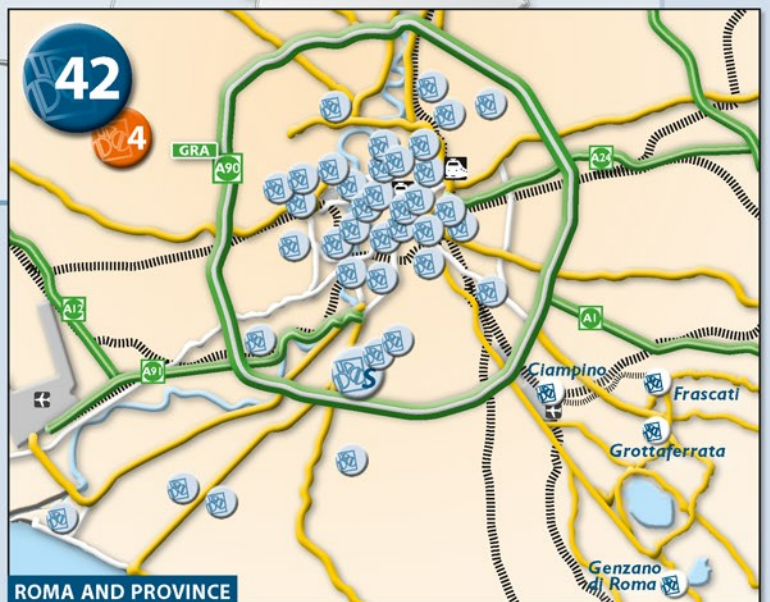
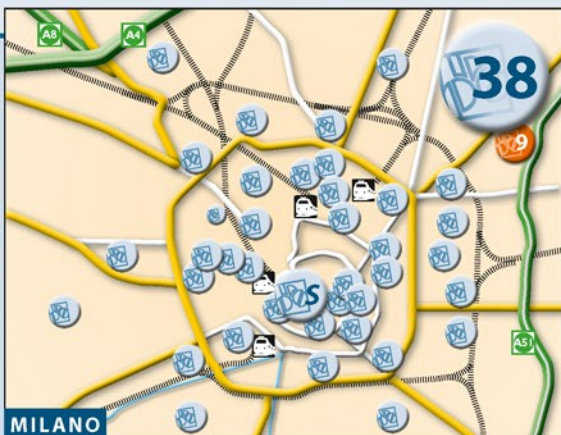
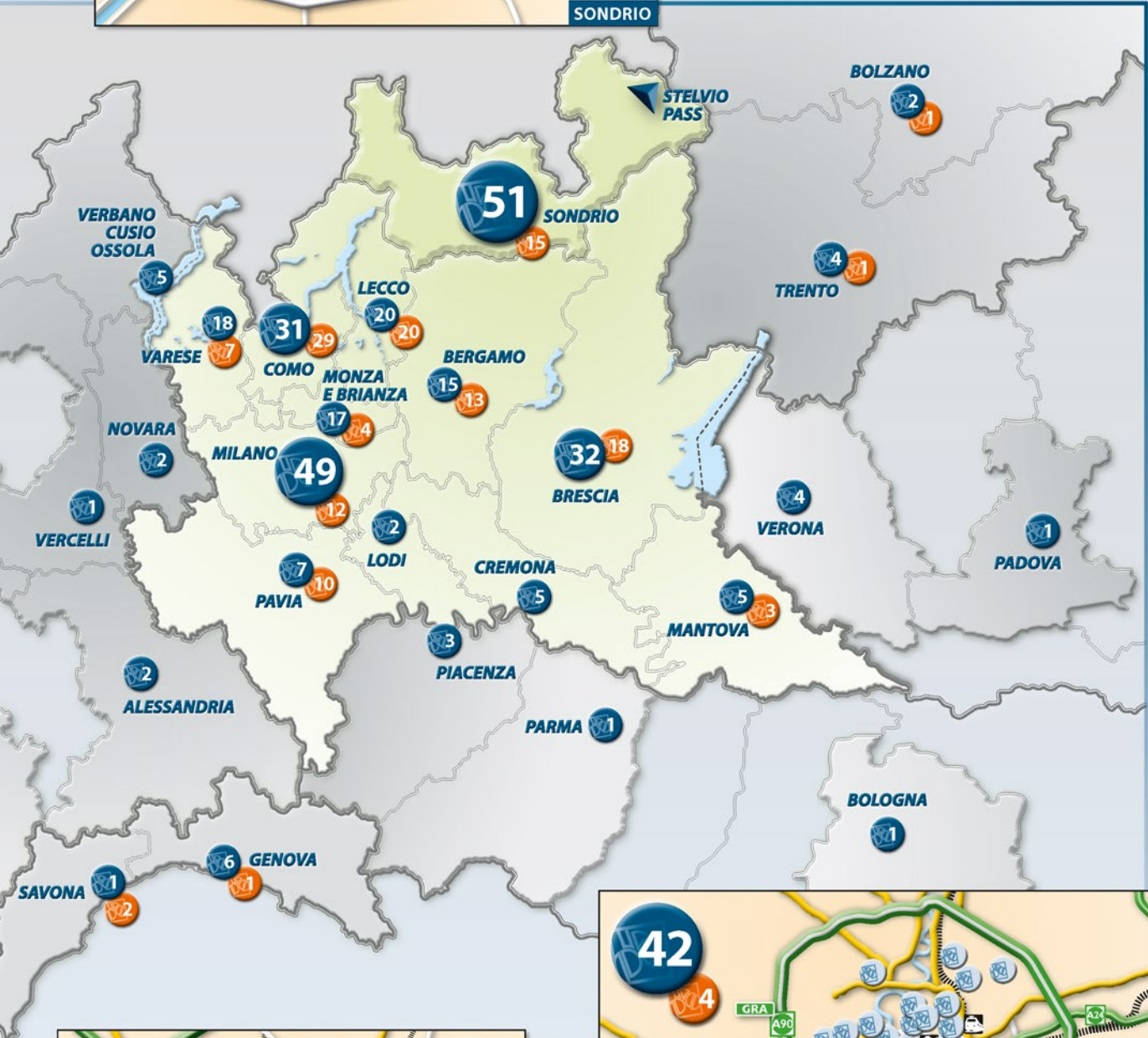
PIROVANO

L'UNIVERSITÀ DELLO SCI
L'UNIVERSITÀ DELLA MONTAGNA

PASSO DELLO STELVIO
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- Number of branches in each province
- Treasuries in each city
- Branches in each city



INFORMATION ON OPERATIONS

***Note.** The figures contained in this interim report on operations are stated in euro; the percentage changes refer to comparable balance sheet data at the end of 2015 and to comparable income statement data for the period to 30 June 2015, unless specified otherwise.*

Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of amounts expressed in different units.

INTERIM REPORT ON OPERATIONS AT 30 JUNE 2016

INTRODUCTION

The consolidated interim financial report at 30 June 2016 has been prepared pursuant to article 154 ter, paras 2, 3 and 4 of Decree Law 58 of 24 February 1998 and in accordance with the recognition and measurement criteria of the international accounting standards (IAS/IFRS) adopted by the European Community and currently in force.

The Condensed Consolidated Interim Financial Statements have been prepared in compliance with IAS 34.

Accordingly, the interim report gives priority to information prepared at a consolidated level. Given the predominance of Banca Popolare di Sondrio s.c.p.a. within the Group, most of the comments are on its activities.

THE BANCA POPOLARE 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, CHF 180,000,000, which is fully paid-up.

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.

Popso Covered Bond srl – Conegliano.

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



FULLY CONSOLIDATED SHAREHOLDINGS:

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
Pirovano Stelvio spa *	Sondrio	2,064	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 srl

SHAREHOLDINGS MEASURED USING THE EQUITY METHOD:

Name	Head office	Share capital (in thousands)	% held
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Banca della Nuova Terra spa	Milan	31,315	19.609
Arca SGR 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
Rajna Immobiliare srl	Sondrio	20	50.00

* held by Banca Popolare di Sondrio (SUISSE) SA

Further information about the reporting treatment of equity investments is provided in the «scope and methods of consolidation» section of the explanatory notes.

SUMMARY OF RESULTS

(in millions of euro)	2016	2015*	% change
Balance sheet			
Loans and receivables with customers	24,706	23,997	2.96
Loans and receivables with banks	695	980	-29.10
Financial assets	8,092	8,401	-3.68
Equity investments	200	198	1.09
Total assets	35,623	35,538	0.24
Direct funding from customers	29,144	29,528	-1.30
Indirect funding from customers	26,799	28,237	-5.09
Direct funding from insurance premiums	1,248	1,100	13.48
Customer assets under administration	57,191	58,865	-2.84
Other direct and indirect funding	5,303	4,762	11.35
Equity	2,547	2,563	-0.61
Income statement			
Net interest income	247	277	-10.70
Total income	418	558	-25.09
Profit from continuing operations	65	149	-56.61
Profit for the period	46	97	-52.31
Key ratios (%)			
Cost/income ratio	56.08	38.29	
Net interest income/Total assets	0.69	0.76	
Net financial income/Total assets	0.82	0.98	
Net interest income/Total income	59.12	49.60	
Administrative expenses/Total income	60.56	43.23	
Profit for the period/Total assets	0.13	0.27	
Bad loans/Loans and receivables with customers	3.05	3.06	
Loans and receivables with customers/Direct funding from customers	84.77	81.27	
Capital ratios			
CET 1 capital ratio	10.75%	10.49%	
Total Capital ratio	13.38%	13.44%	
Free capital	1,260	1,265	
Other information on the banking group			
Number of employees	3,124	3,112	
Number of branches	354	354	

* 2015 figures and capital ratios are at 31 December, while those relating to the income statement refer to 30 June.

INTERNATIONAL FACTORS

Let's start from the end, i.e. from the Brexit referendum towards the end of June when a slim majority of the British people voted to end the UK's membership of the European Union. This unexpected outcome gave rise to a situation of uncertainty which reflected heavily on financial and currency markets. Being shielded by the ECB, Eurozone government bond yields were not affected.

As a result, the storm discharged all of its energy onto the various stock exchanges, which were submerged by a wave of sales, with banking stocks being hit particularly hard.

A negative end to the half year which confirmed that the advanced economies around the world were still sluggish, whereas emerging countries continued their period of uncertainty, with economic situations that were undoubtedly varied, but overall still fairly weak. India seems to be continuing its sustained growth, China is struggling with lower GDP growth than planned, Russia seems to have mitigated its recession thanks to the recovery in oil production, while Brazil is going through a severe crisis.

This has affected international trade, which still features a lack of dynamism, while oil prices have shown signs of a significant recovery. Nevertheless, inflation is still at an all-time low, suggesting that there are various factors underlying this situation.

The Eurozone, which has remained the same, given that the UK has never been a member, continued its strenuous development, mainly supported by domestic demand, i.e. household spending and capital investment. The trend is not at all dynamic, in any case, and it seems to have slowed down yet again in the second quarter. On the other hand, there has been no lack of risk factors and reasons for uncertainty. Suffice to recall the still very low level of inflation, persistent geopolitical tensions, weak demand from emerging economies and, going back to the start of our comments, the Brexit phenomenon, with all its destabilizing potential.

THE SCENARIO FOR OUR GROUP

Italy

In line with the general trend of our leading European partners, Italy has been showing measured progress in its business cycle.

The fall in demand from non-EU markets was offset by growth in household consumption, brought about by higher disposable income and better employment conditions, as well as by more capital investment.

With reference to the latter, it should be pointed out that enterprises' propensity to invest has gradually increased, thanks to better access to credit, bolstered by the expected improvement in domestic demand.

Positive signs have also come from the real estate sector, which seems able to maintain a certain recovery after years of extreme difficulty.

The growth in GDP, which is in any case reckoned to be slowing down in the second part of the period under review, is still a long way from where it was prior to the crisis. To be precise, as of 30 March 2016 GDP continued to be 8.5 percentage points below the level reached in early 2008.

Inflation has continued to dip into deflation, so much so that in June it was again negative for the fifth month in a row (-0.2%).

As mentioned previously, the upward trend in the number of people employed and the downward trend in youth unemployment have been confirmed.

Even though the economic situation was a mix of light and shadow, it seemed to be heading towards growth; but then rising financial market tensions following the Brexit vote, above all speculation against the banking sector of the Milan Stock Exchange, all reflected critical conditions, while also creating others.

Switzerland

The Swiss economy posted a fairly positive trend in the first half of the year, tending towards a slight improvement in the last three months despite the difficult international scenario.

Companies' turnover marked an appreciable expansion, though obviously there were differences from sector to sector. Exports are directed in particular to the USA, Europe and Japan, while the poor economic situation in Russia, Brazil, China and the Middle East has affected the luxury sector above all.

Important steps were taken by the Swiss National Bank to stabilize the exchange rate between the franc and the euro, while the interest curve in Swiss francs continued to be negative, with repercussions on the banking sector that can easily be imagined. Prices have also suffered a mild deflationary pressure. The SMI stock index declined by about 9% during the first half of 2016.

For the current year, GDP is expected to grow by around 1%, a slight increase on 2015.

THE ITALIAN BANKING MARKET

The main figures for the banking system at the end of June 2016 are as follows (with comparative figures from the previous year).

While the ECB has set its reference rate at zero, down from an already symbolic figure of 0.05%, the average cost of Italian banks' funding in euro from households and non-financial companies went from 1.32% to 1.07%.

At the same time, the average rate on interest-bearing assets decreased from 3.20% to 2.85%.

As a result, the interest spread decreased from 1.88% to 1.78%.

The negative trend in deposit and loan volumes has gradually declined.

As regards deposits, the overall change (-1.6%) was brought about by a fall in bonds, partially offset by an increase in short-term funding sources.

On the other side of the balance sheet, the now marginal decline in loans (-0.1%) does not reflect the consolidation of a very positive development in lending to households. The problems of the business sector are reflected in the drop in short-term loans (-4.7%), partly offset by the positive trend in longer-term loans (+2.2%).

However, the deterioration in loans granted was mitigated to a certain extent; this is the proportion of bad loans to total loans, which in May stood at 4.72%, only slightly above the figure of a year earlier of 4.62%.

FUNDING

In the period under review, the trend in deposits at system level showed an adjustment (-1.1%), which was the result of diverging trends in its main components. The positive trend in customer deposits (+3.4%) was offset by the hefty drop in bonds (-15.1%).

Because of the very expansionary policy of the European Central Bank, there has always been plenty of liquidity, so always at minimum rates with yields on government bonds declining. Suffice to look at one fact: in the period May/June 2016 the annualised average gross yield on Italian treasury bonds went from -0.22% to -0.16%.

In a general scenario that was certainly not easy, our Group made every effort to strengthen the confidence of customers and, at the same time, to limit the cost of funding at a time of positive liquidity, on the one hand, and interest spreads permanently under pressure, on the other.

This was reflected on the trend in deposits, which remained stable during the period, despite an outflow in time deposits, particularly towards alternative forms of investment.

Direct funding from customers amounted to 29,144 million, a decrease of 1.30% on the end of 2015 and -2.85% y/y.

Indirect funding from customers came to 26,799 million at market values, -5.09% on the year-end and -12.26% on twelve months earlier.

Direct funding from insurance premiums has risen to 1,248 million, +13.48% on the year-end and +22.91% on the first half of 2015.

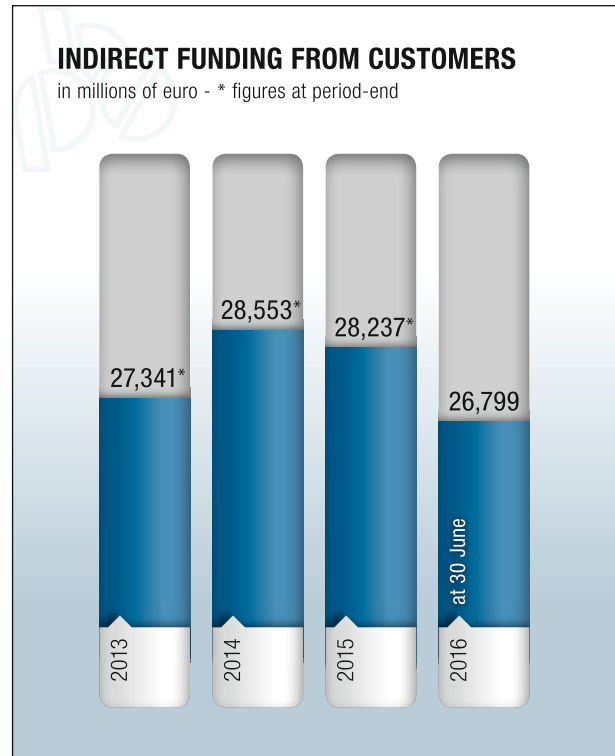
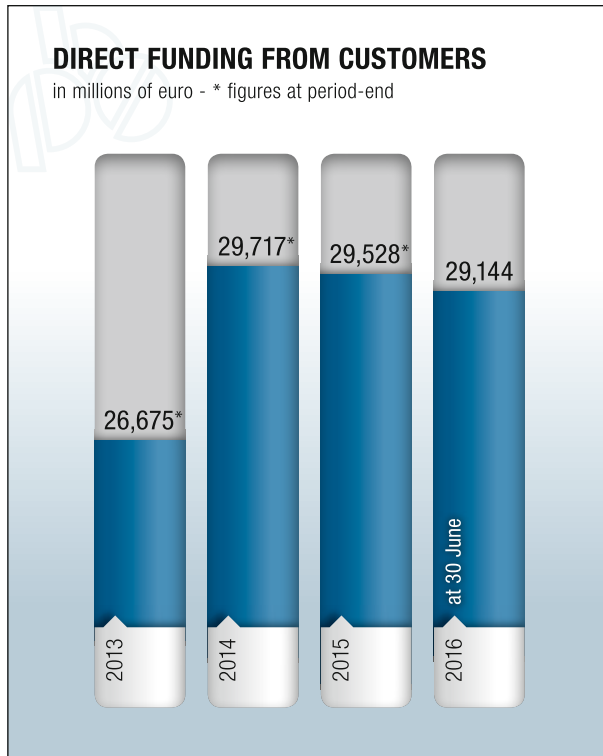
Total funding from customers came to 57,191 million, -2.84% on December 2015 and -7.09% y/y.

Amounts due to banks totalled 2,427 million, +5.41%. They include the refinancing operations with the European Central Bank for a total of 1,100 million, as explained in the chapter on «Treasury and trading operations».

Indirect deposits from banks amount to 2,876 million, +16.91%.

Total funding therefore came to 62,494 million, compared with 63,628 million at the end of the year, -1.78%.

The «Direct funding from customers» table shows the various components in greater detail than in the notes and with short comments on the main items.



DIRECT FUNDING FROM CUSTOMERS

(in thousands of euro)	30-06-2016	%	31-12-2015	%	Change
Savings deposits	549,357	1.88	571,509	1.94	-3.88
Certificates of deposit	5,566	0.02	5,395	0.02	3.17
Bonds	3,418,327	11.73	3,111,549	10.54	9.86
Repo transactions	741,483	2.54	727,070	2.46	1.98
Bank drafts and similar	78,930	0.27	64,242	0.22	22.86
Current accounts	21,304,463	73.11	21,277,751	72.05	0.13
Time deposit accounts	507,891	1.74	1,253,473	4.24	-59.48
Current accounts in foreign currency	2,537,920	8.71	2,517,406	8.53	0.81
Total	29,143,937	100.00	29,528,395	100.00	-1.30

TOTAL FUNDING

(in thousands of euro)	30-06-2016	%	31-12-2015	%	Change
Total direct funding from customers	29,143,937	46.64	29,528,395	46.41	-1.30
Total indirect funding from customers	26,799,313	42.88	28,237,275	44.38	-5.09
Total insurance-related deposits	1,248,012	2.00	1,099,735	1.73	13.48
Total	57,191,262	91.52	58,865,405	92.52	-2.84
Due to banks	2,426,745	3.88	2,302,136	3.62	5.41
Indirect funding from banks	2,875,944	4.60	2,460,008	3.86	16.91
Grand total	62,493,951	100.00	63,627,549	100.00	-1.78

Among the elements of direct funding, euro and currency current accounts have risen to 23,842 million, +0.20%, while time deposit accounts have fallen to 508 million, -59.48%, largely due to higher taxation. Euro and currency accounts represent 81.82% of total direct deposits. Bonds have increased by 9.86% to 3,418 million, helped by the Parent Company's successful issue of 500 million covered bonds in April. Savings deposits have declined by 3.88% to 549 million, whereas repo transactions have risen by 1.98% to 742 million. Certificates of deposit have not changed at 6 million and remain entirely marginal. Bank drafts amounted to 79 million, +22.86%.

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

LENDING

The trend in loans was influenced by the economic cycle, which showed a timid recovery, and by capital investment which, despite some signs of improvement, continued to run well below the pre-crisis level.

On the supply side, interest rates remained at all-time lows, but this was clearly not enough to stimulate what was already a lower level of demand.

The deceleration in the growth of bad bank loans was significant.

In a general context made up of light and shadow, our Group's priority was to maintain a close relationship with the local economies in the areas that we serve.

The amounts due from customers came to 24,706 million at 30 June 2016, increasing by 2.96% with respect to six months earlier and more or less stable y/y, -0.11%.

The various types have contributed to total customer loans to a different extent. These items are shown in greater detail in the «Loans to customers» table and are based on other criteria compared with the notes.

Mortgage loans amount to 9,280 million, +0.74%, and are the largest item of total loans and receivables with customers (37.57%). They show a recovery due to the purchase of homes by families. This balance includes loans sold but not derecognised of 1,275 million in relation to two covered bond issues by the Parent Company. These loans were not derecognised because the requirements of IAS 39 were not met. Current accounts, which are the second largest component of loans (21.10%), have decreased by 0.93% to 5,213 million. The trend in other unsecured loans was also significant, coming in at 4,767 million, +17.33%. Personal loans also increased, +7.26% to 214 million, as well as advances, +4.76% to 448 million.

There was a decrease in foreign currency loans, 1,241 million, -8.45%; advances subject to collection decreased by 7.90% to 200 million; repo transactions, representing the temporary employment of excess liquidity, have decreased from 706 to 694 million, -1.66%.

Factoring loans, granted by Factorit spa, have increased slightly to 1,533 million, +1.81%. Debt securities amounted to 296 million, +20.22%, and relate

to customer loan securitisations carried out by the affiliates Banca della Nuova Terra spa and Alba Leasing spa.

The ratio of loans and receivables with customers to amounts due to customers has risen to 84.77% from 81.27% at the year end.

As regards credit quality, the overall trend in doubtful loans showed a significant slowdown in the growth trend, even though the economic recovery is still weak. The related gross amount came to +0.83%, compared with +16.73% at the end of 2015 and +8.89% in the first half of 2015. Substantial provisions have again been made, but far lower than in the comparative period. This reflects what the Group has done to improve the quality of credit in relation to the findings in the Asset Quality Review and Comprehensive Assessment.

Total doubtful loans remained substantially unchanged and amounted to 2,364 million, +0.07%, representing 9.57% of loans and receivables with customers, compared with 9.84% at the end of 2015. Writedowns of impaired loans totalled 1,925 million, representing 44.89% of the gross amount, compared with 44.47% at the end of 2015. The table gives an overview of doubtful loans.

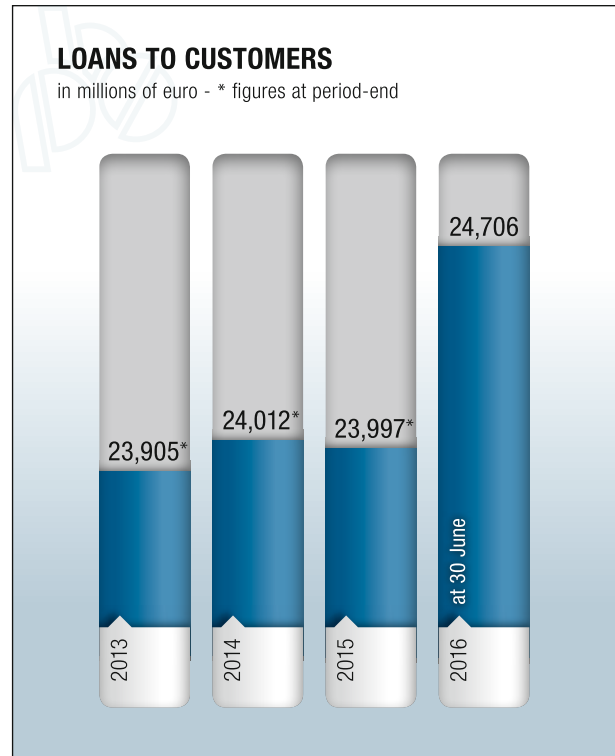
Net bad loans, after writedowns, came to 754 million, +2.56% in the period, or 3.05% of total customer loans, compared with 3.06% at 31 December 2015 and 2.73% at 30 June 2015. Net bad loans confirmed a sharp contraction in their growth trend, which was 19.56% at 31 December 2015 and 9.72% in mid-2015.

Adjustments to cover estimated losses on bad loans have risen to 1,215 million, +1.84%, representing 61.72% of the gross amount compared with 61.89% at the end of 2015. 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 bad loans that are still tracked, in view of possible future recoveries, the coverage of such loans amounts to 71.60%.

Likely defaults, which are credit exposures, other than non-performing, 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, have risen to 1,326 million, +9.66%, or 5.37% of total customer loans, while the related adjustments amount to 663 million, +5.14%, with a level of coverage of 33.33%, compared with 34.27% at the end of December 2015.

Past due and/or impaired overdrawn exposures, other than bad loans or unlikely-to-pay loans, which, at the reporting date, have remained unpaid





LOANS AND RECEIVABLES WITH CUSTOMERS

(in thousands of euro)	30-06-2016	%	31-12-2015	%	Change
Current accounts	5,212,679	21.10	5,261,348	21.93	-0.93
Foreign currency loans	1,240,775	5.02	1,355,350	5.65	-8.45
Advances	447,946	1.81	427,592	1.78	4.76
Advances subject to collection	200,313	0.81	217,489	0.91	-7.90
Discounted portfolio	6,300	0.03	6,459	0.03	-2.46
Artisan loans	35,221	0.14	36,047	0.15	-2.29
Agricultural loans	25,758	0.10	25,867	0.11	-0.42
Personal loans	214,210	0.87	199,710	0.83	7.26
Other unsecured loans	4,766,997	19.29	4,062,907	16.93	17.33
Mortgage loans	9,279,764	37.57	9,211,530	38.39	0.74
Bad loans	753,501	3.05	734,682	3.06	2.56
Repo transactions	694,346	2.81	706,060	2.94	-1.66
Fixed-yield securities	295,515	1.20	245,802	1.02	20.22
Factoring	1,533,002	6.20	1,505,700	6.27	1.81
Total	24,706,327	100.00	23,996,543	100.00	2.96

LOANS AND RECEIVABLES WITH CUSTOMERS - IMPAIRED AND PERFORMING LOANS

(in thousands of euro)		30-06-2016	31-12-2015	(+/-)	% change
Impaired loans	Gross exposure	4,289,218	4,253,913	35,305	0.83
	Adjustments	1,925,436	1,891,705	33,731	1.78
	Net exposure	2,363,782	2,362,208	1,574	0.07
- Bad loans	Gross exposure	1,968,361	1,927,608	40,753	2.11
	Adjustments	1,214,860	1,192,926	21,934	1.84
	Net exposure	753,501	734,682	18,819	2.56
- Unlikely to pay loans	Gross exposure	1,989,496	1,840,192	149,304	8.11
	Adjustments	663,020	630,597	32,423	5.14
	Net exposure	1,326,476	1,209,595	116,881	9.66
- Past due and/or impaired overdrawn exposures	Gross exposure	331,361	486,113	-154,752	-31.83
	Adjustments	47,556	68,182	-20,626	-30.25
	Net exposure	283,805	417,931	-134,126	-32.09
Performing loans	Gross exposure	22,501,507	21,793,988	707,519	3.25
	Adjustments	158,962	159,653	-691	-0.43
	Net exposure	22,342,545	21,634,335	708,210	3.27
Total loans and receivables with customers	Gross exposure	26,790,725	26,047,901	742,824	2.85
	Adjustments	2,084,398	2,051,358	33,040	1.61
	Net exposure	24,706,327	23,996,543	709,784	2.96

and/or overdrawn for more than 90 days and which exceed a certain materiality threshold, amount to 284 million, -32.09%, and represent 1.15% of the total compared with 1.74% at the end of 2015, with a level of coverage of 14.35% compared with 14.03% at year-end.

Performing loans amounted to 22,343 million, +3.27%, with writedowns of 159 million, corresponding to 0.71% of them, compared with 0.73% at year-end.

Adjustments totalled 2,084 million overall, +1.61%, a value considered adequate.

In accordance with the terms established by Consob Communication no. DEM/RM11070007 of 5 August 2011, we inform you that the amount of loans to customers included loans made to central and local government for 224 million, local and state-owned enterprises for 555 million and to various other entities for 228 million.

TREASURY AND TRADING OPERATIONS

The considerable uncertainty and high volatility that characterised the first quarter of the year also took place in the second quarter as well. In particular, the outcome of the referendum at the end of June on the UK's exit from the European Union was a major blow in terms of potential repercussions on the economy and for so-called «political» risk.

Liquidity in the system remained very high in the period under review as a result of the ECB's expansionary measures, either through long-term refinancing auctions (T-LTRO) and continuing purchases of government bonds.

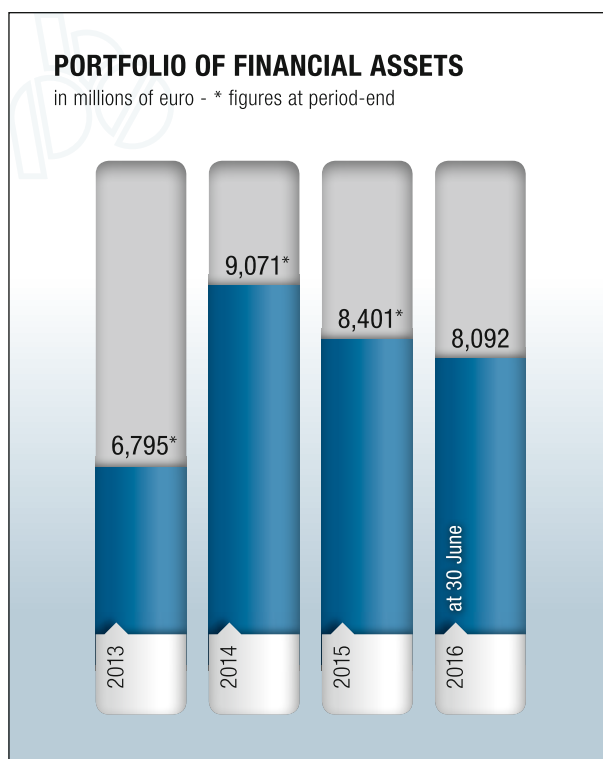
At 30 June 2016, the Group's net interbank borrowing amounts to 1,732 million, up by 410 million from 1,322 million at the end of 2015.

Net of Targeted Longer-Term Refinancing Operations (T-LTROs), which the Parent Company has entered into with the ECB and which amount to 1,100 million, the balance would have been a net negative interbank position of 632 million. The Group has benefited from good liquidity throughout the period. Treasury activity during the quarter was intensive, 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.

On 23 June we decided to take part in the first of the second series of targeted longer term refinancing operations (T-LTRO) by the ECB for an amount of 1,100 million and the simultaneous repayment of the operations carried out in September and December 2014 for a total of 1,098 million, which would have expired in September 2018. The new operation will expire on 24 June 2020, with an early redemption option from 27 June 2018.

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 8,014 million, down by 4.20% on the end of 2015, of which 5,496 million available and 2,518 million committed.

The total of all portfolios of financial assets amounts to 8,092 million at 30 June 2016, a decrease of 3.68% compared with the end of 2015 when it came to 8,401 million, and a decrease of 9.72% compared with 12 months ago (8,963 million).

There were no transfers of financial assets between portfolios during the period. The following table summarises the various amounts.

FINANCIAL ASSETS

(in thousands of euro)	30-06-2016	31-12-2015	% change
Financial assets held for trading (HFT)	1,568,335	1,859,435	-15.66
<i>of which, derivatives</i>	64,896	64,058	1.31
Financial assets at fair value through profit or loss (CFV - Carried at Fair Value)	90,404	94,495	-4.33
Available-for-sale financial assets (AFS - Available For Sale)	6,327,358	6,321,023	0.10
Held-to-maturity investments (HTM - Held to Maturity)	105,845	125,777	-15.85
Hedging derivatives	-	-	-
Total	8,091,942	8,400,730	-3.68

The decrease is the net result of a series of intense inflows and outflows which mainly affected the HFT and AFS portfolios. Management policies reflect long-standing guidelines and, as always, have given preference to government bonds, which represent the bulk of the portfolio. We sold securities, mainly government bonds, resulting in the recognition of substantial trading/

disposal gains and the subsequent purchase of newly issued securities. New investments mainly involved BTPs, CTZs and CCTs, which are securities with a relatively short duration. The composition of the portfolio remains dominated by government securities, with a duration of just over 4 years and 6 months, slightly up on the end of 2015.

In accordance with the requirements of Consob Communication no. DEM/RM11070007 of 5 August 2011, we inform you that these portfolios include bonds that form part of the sovereign debt (i.e. issued by local and central governments) totalling 7,051 million, almost entirely relating to issues made by the Italian Government.

Financial assets held for trading

Financial assets held for trading (HFT), details of which are shown in the following table, amount to 1,568 million, down by 15.66% as a result of sales of government securities close to maturity and the different criteria used in the allocation to various portfolios of similar securities, but with longer maturities, which partially replaced the previous ones.

(in thousands of euro)	30-06-2016	31-12-2015	% change
Floating-rate Italian government securities	777,989	810,126	-3.97
Fixed-rate Italian government securities	215,953	492,905	-56.19
Bank bonds	229,973	222,632	3.30
Bonds of other issuers	77,069	55,260	39.47
Bonds of other issuers in foreign currency (USD)	-	-	-
Securitisations	27,371	31,265	-12.45
Variable-yield securities and mutual funds	175,084	183,189	-4.42
Net book value of derivative contracts	64,896	64,058	1.31
Total	1,568,335	1,859,435	-15.66

There have not been any substantial changes in the structure of the HFT portfolio, which has remained quite straightforward. Preference has again been given to Italian government securities: despite the fact that they have decreased as a result of sales, at the end of the period they amounted to 994 million, making up 63.38% of the portfolio. Of these securities, 778 million were floating rate, down by 3.97%, and 216 were fixed rate (BOTs, BTPs and CTZs) which were also down by 56.19%, given that sales were higher than the replacements of newly issued securities. As for their composition, the former account for 49.61% of the portfolio, while the latter account for 13.77%.

The derivatives component has increased from 64 to 65 million, +1.31%.

The corporate bonds held are all of high standing, comprising bank bonds of 230 million, +3.30%, and bonds of other issuers of 77 million, +39.47%.



Securities deriving from securitisations have decreased by 12.45% to 27 million and are all classified as senior. The component represented by equities and mutual funds remains marginal with respect to the portfolio as a whole, amounting to 175 million, -4.42%.

During the half year, various purchases of US Treasury were also carried out, with a peak of up to 350 million and subsequent sale realising capital gains.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss (CFV), which entirely consist of units in mutual funds, amount to 90 million, -4.33%, with this decrease being mainly attributable to period end measurement.

Available-for-sale financial assets

The portfolio of available-for-sale financial assets (AFS) - in which certain securities are classified with the objective of containing, at least in part, the impact on the income statement of any volatility affecting the securities portfolio as a result of turbulence in financial markets - rose by 6,327 million compared with 6,321 million, +0.10%.

Even though the period-end balance on the portfolio has remained more or less the same as last year, it featured intensive trading in both purchases and sales. This made it possible to realise substantial capital gains, even though they were less than in the first half of 2015.

Available-for-sale financial assets consist of Italian government bonds, 5,977 million, -0.63%; funds and sicavs, 229 million, +16.49%; bank bonds, not present at the end of 2015, 9 million; bonds of other issuers of 12 million, +126.20%; equities of 100 million, -3.83%.

Impairment writedowns were recognised for 2.273 million, of which 1.955 million on unlisted securities and 0.318 million on funds.

The portfolio includes amounts paid into the closed-end Atlante fund for 29.800 million, compared with the 50 million that make up the overall commitment entered into by the Parent Company in respect to that Fund, established for the stabilisation of the Italian credit system.

(in thousands of euro)	30-06-2016	31-12-2015	% change
Floating-rate Italian government securities	1,484,556	1,513,876	-1.94
Fixed-rate Italian government securities	4,492,695	4,501,533	-0.20
Bank bonds	9,243	-	-
Other bonds	12,129	5,362	126.20
Variable-yield securities	99,491	103,454	-3.83
Mutual funds in euro	229,244	196,798	16.49
Mutual funds in foreign currency (USD)	-	-	-
Total	6,327,358	6,321,023	0.10

Held-to-maturity investments

The HTM portfolio, comprising solely fixed-yield securities, has decreased to 106 million, -15.85%, as a result of redemptions. Unrealised gains at the end of June amount to 19 million.

Asset management

The first half of the year showed a positive trend for the asset management industry in general. This result, which was achieved despite the uncertainty that characterised financial markets, was undoubtedly helped by the ongoing effect of low interest rates. At the end of June, the various forms of asset management amounted to 4,549 million, -1.20% on December 2015, a decline essentially due to market volatility.

EQUITY INVESTMENTS

Equity investments total 200 million at 30 June 2016, up by 2 million since the end of 2015. The change is mainly due to the effect of using the equity method.

TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATED COMPANIES

Balance at 30/06/2016 (in thousands of euro)

	Associated companies of the parent company		Associated companies of subsidiaries	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
ASSETS				
Loans and receivables with banks	-	-		
Loans and receivables with customers	658,231	564,683	781	784
Other financial assets	-	-	-	-
LIABILITIES AND EQUITY				
Due to banks	2,262	2,333		
Due to customers	178,793	165,322	430	281
Other financial liabilities	-	-	-	-
GUARANTEES AND COMMITMENTS				
Guarantees given	109,327	105,413	98	98
Commitments	73,750	126,481	-	-

Related-party transactions

Transactions with related parties are governed by the «Regulation on related-party transactions» issued by Consob with resolution no. 17221 dated 12 March 2010 and subsequent amendments, with the information required by this regulation provided below, as well as by the Bank of Italy's instructions on «Risk-taking activities and conflicts of interest with related parties» of 12 December 2011.

Related-party transactions, as identified in accordance with IAS 24 and the Consob Regulation, form part of the banking Group's ordinary operations and are settled at market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

In compliance with the disclosure obligations laid down in article 5 of the Consob Regulation, during the period 1 January to 30 June 2016, the Parent Company's corporate bodies alone approved the following transactions of greater relevance:

- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a financial credit limit for commercial guarantees to be given to non-residents of € 65,000,000 repayable on demand; renewal of lines of credit totalling € 2,105,916,197 repayable on demand; resolutions of 23/4/2016;
- Factorit spa, subsidiary; grant of revolving facility for guarantees of € 100,000,000, repayable on demand; renewal of lines of credit totalling € 2,315,000,000 repayable on demand; resolutions of 29/6/2016.

During the period 1 January-30 June 2016, no transactions of greater or lesser relevance were carried out with related parties, which could have had a significant impact on the banking Group's balance sheet or results. We would also point out that there have not been any developments or modifications that had or could have a significant effect on the 2016 balance sheet or results of the Banking Group with regard to the related-party transactions carried out during 2015; in any case none were atypical, unusual or not on market terms.

In relation to Consob communication DEM/6064293 of 28 July 2006, note that transactions or balances with related parties, as defined by IAS 24 and the Consob Regulation, have a limited incidence on the balance sheet and financial position, as well as on the Banking Group's economic results and cash flows. In the explanatory notes to the financial statements, the section entitled «Related-party transactions» includes a table that summarises the effect of these relations.

During the first half of 2016 and in the current period, no positions or transactions deriving from atypical and/or unusual operations have arisen. According to Consob Circulars DAC/98015375 of 27 February 1998 and DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are those - not arising in the ordinary course of business - that may raise doubts about the completeness of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the methods for determining the transfer price or the timing of the transaction.



**Banca Popolare
di Sondrio**

Founded in 1871

I - 23100 Sondrio SO
piazza Giuseppe Garibaldi 16

tel. +39 0342 528111
fax +39 0342 528204



www.popso.it
info@popso.it

BRANCHES:

- 51 in the province of SONDRIO and 15 Treasuries
- 2 in the province of ALESSANDRIA
- 15 in the province of BERGAMO and 13 Treasuries
- 1 in BOLOGNA
- 2 in the province of BOLZANO and 1 Treasury
- 32 in the province of BRESCIA and 18 Treasuries
- 31 in the province of COMO and 29 Treasuries
- 5 in the province of CREMONA
- 2 in the province of CUNEO
- 6 in the province of GENOVA and 1 Treasury
- 20 in the province of LECCO and 20 Treasuries
- 2 in the province of LODI
- 5 in the province of MANTOVA and 3 Treasuries
- 49 in the province of MILANO and 12 Treasuries
- 17 in the province of MONZA E BRIANZA and 4 Treasuries
- 2 in the province of NOVARA
- 1 in PADOVA
- 1 in PARMA
- 7 in the province of PAVIA and 10 Treasuries
- 3 in the province of PIACENZA
- 42 in the province of ROMA and 4 Treasuries
- 1 in the province of SAVONA and 2 Treasuries
- 2 in the province of TORINO and 1 Treasury
- 4 in the province of TRENTO and 1 Treasury
- 18 in the province of VARESE and 7 Treasuries
- 5 in the province of VERBANO CUSIO OSSOLA
- 1 in VERCELLI
- 4 in the province of VERONA
- 1 in the Autonomous Region of Valle d'Aosta and 2 Treasuries

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THE BANKING GROUP IN THE HEART OF THE ALPS



BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

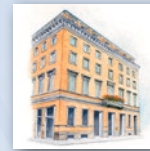
CH - 6900 Lugano
via Giacomo Luvini 2a

tel. +41 58 8553000
fax +41 58 8553015

www.bps-suisse.ch
contact@bps-suisse.ch

LUGANO via Giacomo Luvini 2a
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Factorit
GRUPPO Banca Popolare di Sondrio

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tel. +39 02 58150.1
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I - 23100 Sondrio SO
via Delle Prese 8

tel. +39 0342 210040 - 515450
fax +39 0342 514685

www.pirovano.it
info@pirovano.it



PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets total 345 million, -0.50%. The former totalled 321 million, -1.12%, the decrease being due to depreciation for the period. The latter came to 24 million, +8.46%, and include 8 million of goodwill.

Goodwill is tested annually for impairment. The most recent test was performed when preparing the consolidated financial statements at 31 December 2015. It was not deemed necessary to repeat the procedure at 30 June 2016.

PROVISIONS

These comprise post-employment benefits of 46 million, +6.58%, and provisions for risks and charges totalling 172 million, +4.06%.

RISK MANAGEMENT

Ensuring effective monitoring of risks is a strategic activity, which affects the entire organisation in the development of structured systems of measurement, management and control of the risk taken on.

Incisiveness in identifying, assessing, controlling and managing risk profiles likely to affect the bank's capital and financial equilibrium is in fact considered a guarantee of sustainability of a bank's business model and its ability to operate sustainably and profitably on the market.

Because of this, during the period under review, we decided to make improvements to processes to assess the adequacy of the Group's capital, also prospectively and under stress (ICAAP, Internal Capital Adequacy Assessment Process) and liquidity (ILAAP, Internal Liquidity Adequacy Assessment Process) in relation to the risks potentially able to erode their consistency. Processes which, today, can be considered strengthened in terms of organisation and documentation, also featuring a greater predictive ability which is very useful for management purposes and in line with the increased expectations of Supervisory Authorities.

The distinctive element of the revisions we have made is an enhancement of the internal risk measurement techniques, methodologically more advanced than those used from a regulatory perspective; this last improvement has helped to increase the extent to which the estimates reflect the bank's reality, as well as their usefulness in the decision-making process.

Targeted adjustments to the general framework for the definition of risk targets (Risk Appetite Framework, or RAF, for short) have further accentuated the links, upstream, with the corporate strategies and, downstream, with the risk monitoring procedures. Risk appetite, in its various meanings, becomes an essential judgement parameter for assessing

the management implications of strategic and tactical decisions or unexpected changes of context.

As regards monitoring credit risks, the Group has continued its comprehensive review of the methodological and procedural architecture of internal rating models, used to classify loans according to the customer's level of risk and to estimate their probability of default (PD) with reference to SMEs, Large Enterprises and Public Sector Enterprises, Private Individuals, Small Businesses and Micro-Enterprises.

After the start-up, towards the end of 2015, of the new PD models for «Corporate» counterparties (SMEs, Large Enterprises, Public Sector Enterprises, Non-Resident Non-Financial Companies, Non-Profit Institutions) and, during the first half of the year, of the valuation of companies classified in the «Specialised Lending» category, the calibration of the new internal models for «Retail» counterparties (Private Individuals, Small Businesses, Micro-Enterprises, Non-Profit Institutions) was completed. They are now about to be released and integrated into the various business processes.

These steps are expected to lead to even more selective and efficient assessments of creditworthiness.

As part of the management of non performing loans, a complex design has been completed, aimed at revising the pertinent monitoring model with a view to strengthening risk controls and to improve the effectiveness and timeliness of the action taken to sort out credit anomalies. The first concrete initiatives involved rationalisation of the centralised control structure, which will feature different management methods and approaches according to the customer type: more specific for «Corporate» counterparties, through the provision of appropriate management functions located in the territory, to support branches in the definition of the correct risk containment strategies and proactive maintenance of relationships with companies that show signs of deterioration in their credit quality; more standardised for «Retail» customers, also through operational activities in support of the network, making use of external companies, if necessary.

New and better performing IT infrastructure is also being developed to monitor credit which will make it possible, on the one hand, to introduce an advanced system of predictive indicators of potential credit deterioration and, on the other, to classify and select abnormal positions in specific subsets or portfolio portions on which management has to intervene, with priority being given to relationships with higher levels of risk.

With reference to the recognition of credit risk (i.e. counterparty and issuer risk) involved in the financial activity, in the first few months of the year, the risk limit system, which is subject to daily monitoring, was extended, with reference to the Group's scope of consolidation, to include the operations with banking and financial organisations carried out by the subsidiary BPS (SUISSE).

As regards the market risks of trading portfolios and available-for-sale financial assets, we regularly monitored on a daily basis the exposure limits expressed in terms of VaR (Value at Risk), with evidence of sporadic excesses relating to acute stages of financial market turbulence. This metric is due to

be extended to consolidated level, with consequent adjustments of the IT platform dedicated to it.

At the same time, in line with the concept of mapping persistent risks on proprietary financial portfolios introduced for the last ICAAP, we have refined the internal methods for measuring these risks, the objective being to evaluate more precisely the risk factors relating to exposures in securities depending on their type and the reason for holding them. A separate treatment has been reserved for the «sovereign risk» associated with the Italian government as an issuer, representing a separate category of risk regardless of which portfolio the securities are assigned to for accounting purposes. The purpose of this treatment, which is still being transposed into the monitoring devices used for management purposes, is to quantify the capital requirement.

As regards the identification and management of operational risks, measures were taken during the period to upgrade tools and methodologies, both to assess the potential risk and to quantify the exposure.

Regarding the collection of operational loss events that the Bank has suffered, especially with reference to the verification of the maturity and completeness of the figures collected, which began during the previous year, guidelines have been defined and procedures implemented to make the improvements that were identified, especially as regards legal risk.

As regards the aspects of recognition based on quantitative criteria, we have developed an internal model for calculating the exposure based on statistical techniques, which was firstly used in determining the impact of operational risks on capital adequacy. How the related risk would evolve in stress conditions was also analysed.

Work has continued on strengthening the model used for analysing operational risks and its integration with the systems for managing IT risks, with specific regard to systems for the detection and treatment of incidents affecting ICT components.

Control over reputational risk during the period under review was the subject of specific attention through the design and testing of a new approach for risk assessment that combines in a structured format the processing of external information relating to the Group's reputation, also obtained through systematic analysis of the media, with a process of internal evaluation of possible risk factors.

In turn, the measurements of interest risk exposure detected on the entire banking book have been enhanced with a new indicator (NIEAR – Net Interest Earning at Risk); this is able to quantify the impact on net interest income, over an annual horizon, of an unfavourable change in the market interest rate curve, a measure that has joined that of sensitivity of the net value of assets and liabilities already integrated in the process of risk monitoring and management.

Other developments in the calculation procedures involve the gradual full implementation of a model, called «pre-payment», designed to complete the existing measurement techniques with an analysis dedicated to the particular case of interest risk deriving from customers exercising their early repayment option on loans.

With the intention of having the first reliable estimates of the materiality of this phenomenon, a basic version of the statistical model was designed and built, featuring a smaller but still significant number of explanatory variables, which in the second half of the year will be subject to extensions and refinements until its final configuration is reached.

In relation to liquidity risk, the usual monitoring activities for management and supervisory purposes on the short and long term position have not shown any signs of particular problems, remaining at levels consistent with the Group's chosen risk appetite throughout the first half.

The short-term Liquidity Coverage Ratio (LCR) and the long-term Net Stable Funding Ratio (NSFR) foreseen by the «Basel 3» regulations are both significantly higher than the minimum required. At 31 March 2016, the LCR indicator is estimated at 165%, compared with a minimum requirement of 70% in force during the year; the NSFR indicator comes to 127%; the 100% minimum requirement will take effect from 2019.

The large amount of high-quality securities that are available provides good support for the net short-term liquidity position, which is subject to daily monitoring.

The more important interventions in the field of liquidity risk management included the successful review of the annual assessment and reporting of the Group's liquidity situation (ILAAP). This has been radically updated after the simplified implementation requested last year, because of changes in the EU regulatory framework which required more timely and informative content in line with the ICAAP process.

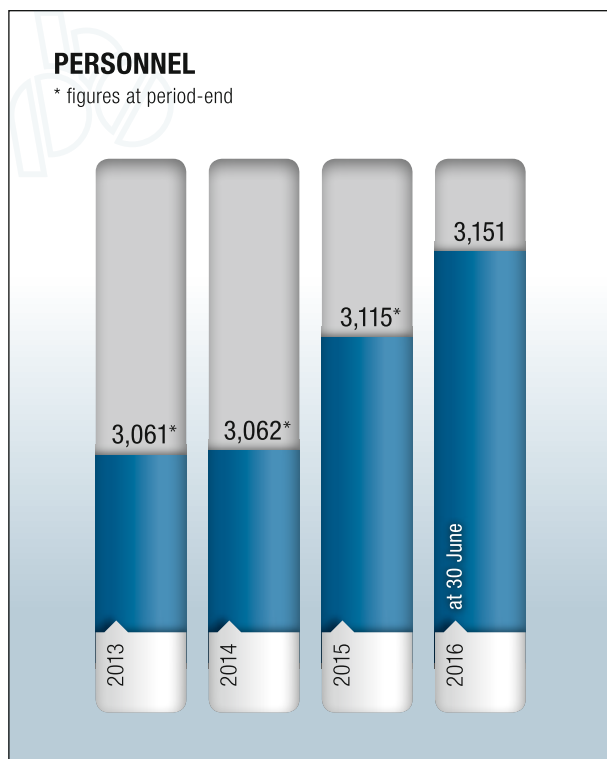
Also worth noting were the considerable efforts made to comply with the new monthly reporting requirements, referred to as «Additional Liquidity Monitoring Metrics», introduced by the European regulator from the end of April, relating to particular phenomena that characterise liquidity risk; in particular, this involves the price and degree of concentration of funding sources, the ability to renew borrowings that are about to expire and the level of concentration of the Bank's securities portfolio.

HUMAN RESOURCES

At the end of the period, the Banking Group's workforce consisted of 3,124 people, of whom 2,655 are employed by the Parent Company, 303 by Banca Popolare di Sondrio (SUISSE) SA and 166 by Factorit spa. The total number of employees has increased by 12 (+0.39%) compared with 31 December 2015 and by 48 (+1.56%) compared with 30 June 2015. A significant figure, especially in light of the general trend in the sector, which tends to be in the opposite direction.

At 30 June 2016, 70% of the Banking Group's staff operated in the distribution network with the rest employed at the central offices of the respective companies.

The average age was 40 years and 2 months, with an average period of service of 14 years and 6 months.



In addition to the Banking Group's staff, there is also the personnel of the subsidiary Pirovano Stelvio spa: 27 people at 30 June 2016, 24 of whom are employed seasonally, for a total of 3,151 persons.

PROMOTIONAL AND CULTURAL ACTIVITIES

Our Group devotes attention and commitment to promotional activity, but without exaggerating: the Company's results are its best propaganda.

It is worth mentioning the activities of Pirovano Stelvio spa, known as the «Ski and Mountain University». The initiatives promoted at this structure, located at almost 2,800 metres above sea level, are intended, among other things, to help raise awareness of this prestigious alpine area, which has

significant environmental and historical value, and is a source of pride for the entire province of Sondrio.

We are also happy to recall the «Guido Carli/Lombard Prize», which was awarded to the Parent Company as the best Italian bank for the promotion of the cooperative spirit by the financial daily newspaper Milano Finanza, as part of «Milano Finanza Global Awards 2016». This is an important attestation, which follows the «Creators of Value» prize, awarded to us by the same Milan newspaper in recent years.

Banca Popolare di Sondrio is also a promoter of culture, stressing quality over quantity. This was again the case in the first half of 2016.

Firstly, worth noting is the Company's newsletter, of which the April issue was dedicated to a series of articles on our late honorary chairman, Piero Melazzini, who died at the end of November 2015. The same issue included a number of contributions on the special Jubilee of Mercy, decided by Pope Francis, and on Ezio Vanoni, the Finance Minister in the Fifties, who came from Morbegno and who was the inventor of «tax equalisation», on the sixtieth anniversary of his death.

At the annual general meeting, a cultural exhibition was set up inside the Pentagono in Bormio, where it was possible to see, among other things, antique documents on the initial years of Banca Popolare di Sondrio.

As always, the annual report of the Parent Company and the subsidiary BPS (SUISSE) SA - 2015 financial year - was enriched with a literary review: the first was embellished with articles on the artist Bartolomeo Pinelli (1781-1835), the renowned illustrator of *The Betrothed*; the financial statements of

the Swiss subsidiary included a monograph on the teacher and Swiss educator Johann Heinrich Pestalozzi, of Italian origin, who lived between the eighteenth and nineteenth century.

Numerous students, professionals, pensioners, culture lovers in general have frequented the Parent Company's library, named after Luigi Credaro.

EQUITY

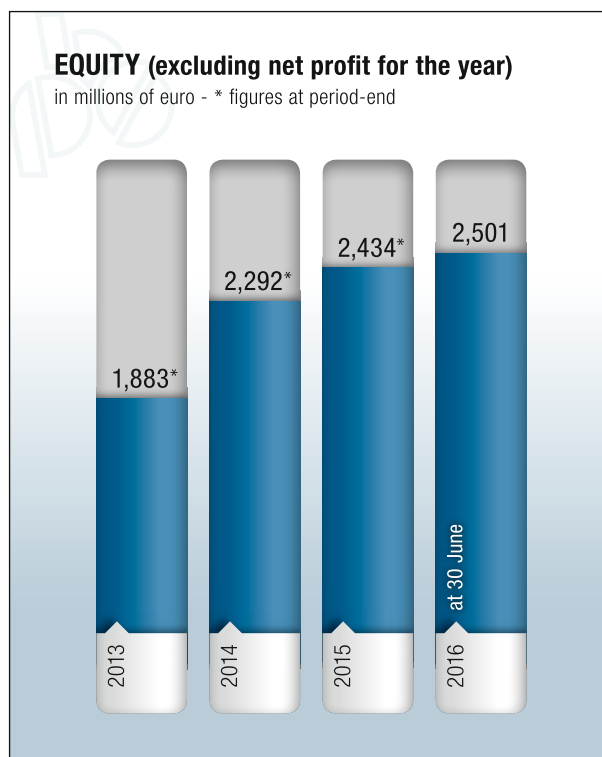
Consolidated shareholders' equity at 30 June 2016, inclusive of valuation reserves and the profit for the period, amounts to 2,547.307 million, -0.61%.

The Parent Company's share capital, which consists of 453,385,777 ordinary shares with a par value of 3 euro, amounts to 1,360.157 million, unchanged with respect to the comparative period. The share premium reserve remained unchanged at 79.005 million.

The line item reserves rose to 1,027.986 million, +10.50%, due to the allocation of a significant portion of the 2015 profit for the year. The Ordinary Shareholders' Meeting of 23 April 2016 approved the distribution of a dividend of 0.07 euro for each of the 453,385,777 shares outstanding at 31 December 2015.

The valuation reserves, representing the net unrealised gains and losses recorded on AFS financial assets and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a net positive balance of 59.110 million, down 33.89% from the positive balance of 89.416 million reported at the end of 2015. The decline is related in large part to the reversal to income statement of gains previously calculated on securities, which have since been disposed of.

As regards capital adequacy, as of 1 January 2014 new harmonised rules for banks and investment firms came into force as implemented by Regulation (EU) no. 575/2013 (CRR) and by EU Directive 2013/36 (CRD IV). Based on this, Bank of Italy Circular 285/13 introduced new limits for capital ratios of 7% for CET1 Ratio, of 8.50% for Tier 1 Capital Ratio and of 10.50% for Total Capital Ratio. Based on the outcome of the SREP process, on 20 November 2015 the European Central Bank raised the level of capital required to guarantee appropriate coverage of the Group's risks. In particular, the minimum Common Equity Tier 1 ratio was raised to 9.25%, but no increases were made to the general regulatory requirements for the Tier 1 Capital Ratio and the Total Capital Ratio.





Consolidated own funds for supervisory purposes, including the share of profit for the period, amount to 3,132 million at 30 June 2016.

Set out below are the Group's adequacy requirements at 30 June 2016 and the minimum requirements:

Group's capital ratios Minimum capital ratio requirement:

	Group's capital ratios	Minimum capital ratio requirement
CET 1 Ratio	10.75%	9.25%
Tier 1 Capital Ratio	10.78%	8.50%*
Total Capital Ratio	13.38%	10.50%*

* Minimum requirements.

The leverage ratio at 30 June 2016 came to 6.41%, applying the Phased In transitional criteria in force for 2016 and 6.38% based on the Fully Phased criteria. These figures rank among the best when compared with those of the main Italian and European banking groups.

The following ratios of capital and reserves, including profit for the period, to the principal balance sheet aggregates are presented in comparison with those 31 December 2015:

- *capital/direct funding from customers*
8.74% v. 8.68%
- *capital/customer loans*
10.31% v. 10.68%
- *capital/financial assets*
31.48% v. 30.51%
- *capital/total assets*
7.15% v. 7.21%
- *Net bad loans/capital*
29.58% v. 28.67%

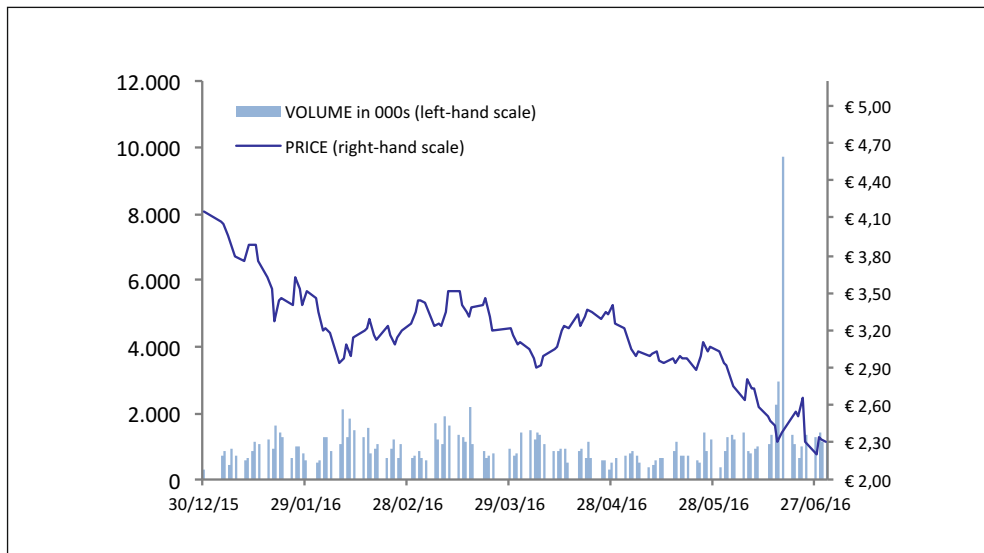
BPS STOCK

At 30 June 2016, Banca Popolare di Sondrio stock stood at 2.306 euro, a decrease of 44.46% from the end of 2015. The decline follows the worsening of the crisis that has long affected the banking sector, though the BPS stock has stood out as one of those that were best able to cushion the downward trend. In fact, the FTSE Italia All Share Banks index closed the half-year at -53.35%.

As shown in the graph below, the dynamics of the period shows an almost constant downward trend, with the high of the year posted on 4 January (4.14 euro) and the low on 24 June (2.164 euro).

Trading volumes marked a peak on 20 June, when the stock left the Stoxx Europe 600 index, a circumstance which required several institutional investors to close their positions.

BPS stock



In the first half of 2016 there was a slight decrease (1,133) in the shareholder base, with the total number of members coming to 184,346.

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. The Parent Company holds 3,650,000 treasury shares with a carrying amount of 25.322 million, which is unchanged since the end of 2015. There are also 8,792 shares held by Banca Popolare di Sondrio (SUISSE) SA under the share-based compensation plan foreseen in the Group Remuneration Policies.

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 in greater detail in the following tables, has been assessed by the rating agencies Fitch Ratings and Dagong Europe Credit Rating.

These ratings refer to the date of update of the assessments by Dagong Europe Credit Rating on 22 February 2016 and to the periodic review by Fitch Ratings on 24 June 2016.



FITCH RATINGS – issued on 24 June 2016

	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 the «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».	Negative

DAGONG EUROPE CREDIT RATING – issued on 22 February 2016

	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.

(in thousands of euro)

	Equity	of which: Profit for the period
Equity of the Parent Company as of 30.6.2016	2,314,204	42,335
Consolidation adjustments	(11,842)	(11,842)
Difference with respect to carrying values of equity investments in:		
- companies consolidated on a line-by-line basis	225,540	9,630
- companies valued using the equity method	19,405	6,275
Balance as of 30.6.2016, as reported in the consolidated financial statements	2,547,307	46,398

INCOME STATEMENT

The general context in which the Group has operated is explained briefly in the introductory chapters of this report. Beyond the tensions in the financial and stock markets, which have heavily influenced stock prices, especially for bank shares, there remains a great deal of uncertainty about this economic cycle which has still not consolidated, still being exposed to tensions and risks. For the credit segment, we have to mention the persistence of minimum levels of interest rates, which then affect profitability, while non-performing loans (NPL) continue to have a certain weight.

In this difficult context, the profit realised by the Group at 30 June 2016 of 46.398 million is undoubtedly positive, even if it marks a decrease of 52.31% compared with 97.295 million in the comparative period. In this regard, it should be stressed that one of the main features of the comparative period was a result of financial activities made possible by a particularly positive trend in the markets, totally different from what happened in the first half of 2016.

Net interest income fell from 276.592 to 246.984 million, -10.70%, with the interest spread still on the decline. The reduction in the cost of funding was not sufficient to cope with the drop in lending rates: those charged to

customers are on all-time lows, while they are even negative for those on government bonds and interbank deposits with short maturities. These are the effects of the continued highly expansionary monetary policy aimed at supporting the economic cycle.

Net fee and commission income has fallen from 149.154 million to 143.190 million, -4%.

The decrease is due in particular to the reduction in commissions on order collection and loans granted.

Dividends collected amounted to 5.969 million, compared with 2.197 million, +171.69%.

Income from financial activities, including that from the securities portfolio, foreign exchange and derivatives, came to 21.594 million, -83.36%.

This, as we said, was due to lower trading/disposal gains, together with a significant negative difference between capital gains and capital losses.

Among the financial activities, the net trading income associated with the HFT portfolio was negative for 19.954 million compared with the positive amount of 43.747 million in the comparative period. This is due to the sharp decline in trading income, as well as the substantial losses incurred.

The contribution made by available-for-sale financial assets, held-to-maturity investments and financial liabilities amounted to 44.931 million, compared with 77.932 million, reflecting the disposal of AFS securities.

The result of financial assets carried at fair value was negative by 4.093 million compared with a profit of 6.603 million. Net hedging gains was a profit of 0.710 million, compared with 1.460 million in the comparative period.

Total income fell to 417.737 million, -25.09%.

Within this aggregate, the weighting of net interest income increased from 49.60% to 59.12%.

The tentative economic recovery that is currently underway has led to a further deceleration in the trend of impaired loans. Despite the extreme rigour with which our Group has continued to evaluate loans and receivables with customers, this has resulted in lower adjustments.

Net adjustments to loans, available-for-sale financial assets, held-to-maturity investments and other financial transactions came to 125.417 million compared with 200.640 million (-37.49%). The loans element has fallen from 190.658 million to 123.856 million, -35.04%. This has benefited from the improved economic environment and from the attention that has long been dedicated to the quality of the loan portfolio.

The ratio of net adjustments to customer loans/total customer loans - the so-called annualised cost of credit - again showed a significant improvement, coming to 1% compared with 1.54% at 30 June 2015, and 1.63 % at the end of 2015.

Adjustments to available-for-sale financial assets amounted to 2.273 million, virtually unchanged from the comparative period, of which 1.955 million relating to equities and 0.318 million to mutual funds.

Adjustments to other financial transactions, which amounted to 5.066 million in the comparative period, entirely due to the 5.300 million

provision for charges in connection with possible intervention of the Interbank Deposit Protection Fund, recorded a positive difference of 0.712 million from the release of prior year provisions and provisions for the period for impairment losses on endorsement loans. There are no adjustments on held-to-maturity investments, which in the comparative period came to 2.192 million.

Net financial income was therefore 292.320 million, compared with 357.045 million, -18.13%.

Operating costs amounted to 234.254 million, compared with 213.553 million, +9.69%. The incidence of operating costs on total income, the «cost/income ratio», has risen to 56.08% from 38.29% in the comparative period and 44.11% at the end of 2015.

Considering the individual components, administrative expenses, for which we proceeded to a reclassification regarding the allocation of the income of the pension fund, amounted to 252.133 million, +5.96%, and consist of

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	30/06/2016	30/06/2015	(+/-)	% change
Net interest income	246,984	276,592	-29,608	-10.70
Dividends	5,969	2,197	3,772	171.69
Net fee and commission income	143,190	149,154	-5,964	-4.00
Results of financial activities	21,594	129,742	-108,148	-83.36
Total income	417,737	557,685	-139,948	-25.09
Net adjustments to loans and financial assets	-125,417	-200,640	75,223	-37.49
Net financial income	292,320	357,045	-64,725	-18.13
Personnel costs	-114,668	-114,384	-284	0.25
Other administrative expenses	-137,465	-123,575	-13,890	11.24
Other operating income/expense	34,579	42,860	-8,281	-19.32
Net accruals to provisions for risks and charges	-1,575	-3,819	2,244	-58.76
Adjustments to property, equipment and investment property and intangible assets	-15,125	-14,635	-490	3.35
Operating costs	-234,254	-213,553	-20,701	9.69
Operating profit (loss)	58,066	143,492	-85,426	-59.53
Net gains (losses) on equity investments and other investments	6,470	5,235	1,235	23.59
Profit (loss) before tax	64,536	148,727	-84,191	-56.61
Income taxes	-16,777	-47,466	30,689	-64.65
Profit (loss)	47,759	101,261	-53,502	-52.84
Profit pertaining to minority interests	-1,361	-3,966	2,605	-65.68
Profit pertaining to the Parent Company	46,398	97,295	-50,897	-52.31

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.

The allocation of revenues from investments in Pension and similar obligations has been reclassified from «Personnel costs» to «Other operating income/expense».

personnel expenses, +0.25%, 114.668 million, and other administrative expenses, which rose by 11.24% to 137.465 million. These include the ordinary contribution of 11.170 million to the Resolution Fund provided for the entire current year and an estimate of 2.800 million for the contribution to the Interbank Deposit Protection Fund; the large increases in legal and consulting fees, as well as IT costs relating to constantly changing regulations also had an impact.

Net movements on provisions for risks and charges amount to 1.575 million, compared with 3.819 million.

The depreciation of property, equipment and investment property and amortisation of software amounted to 15.125 million, +3.35%.

Other operating income, net of other operating expenses, totalled 34.579 million, -19.32%.

Profits/losses from equity investments and other investments amounted to 6.470 million, +23.59%.

Profit before income taxes totalled 64.536 million, -56.61%. After deducting income taxes of 16.777 million, -64.65%, and the non-controlling interest of 1.361 million, the profit attributable to the shareholders of the Parent Company amounted to 46.398 million, -52.31%, compared with 97.295 million in the prior period.

The effective tax rate, i.e. the ratio between income taxes and the result of current operations, is 26% compared with 31.91% in the comparative period.

SIGNIFICANT SUBSEQUENT EVENTS

No significant events have taken place since 30 June 2016.

OUTLOOK

The weak economic recovery is continuing, supported by domestic demand, while exports have been marking time. Growth prospects appear more uncertain after the unexpected outcome of the Brexit referendum in the UK. In this situation, the ECB appears geared to maintaining a highly expansionary monetary policy, which aims to promote a recovery in the real economy.

As for our Banking Group, there is the expectation that the faint dynamics of the general economic situation may strengthen the tendency towards an improvement in credit quality, which will then benefit the income statement.

The trend in net interest income, linked to the general dynamics referred to above, with a forecast of interest rates still at low levels, is expected to be one of further compression. The easing of tensions in financial markets is expected to reduce the volatility of securities prices.

For the second half of the year, while taking account of a physiological increase in costs, we can reasonably expect a better result than in the first half, barring external events that are not foreseeable at present.

Sondrio, 9 August 2016

THE BOARD OF DIRECTORS

**BOARD OF DIRECTORS
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTHS
ENDED 30 JUNE 2016**



STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSET ITEMS	30-06-2016	31-12-2015
10. CASH AND CASH EQUIVALENTS	746,492	766,097
20. FINANCIAL ASSETS HELD FOR TRADING	1,568,335	1,859,435
30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	90,404	94,495
40. AVAILABLE-FOR-SALE FINANCIAL ASSETS	6,327,358	6,321,023
50. HELD-TO-MATURITY INVESTMENTS	105,845	125,777
60. LOANS AND RECEIVABLES WITH BANKS	695,079	980,339
70. LOANS AND RECEIVABLES WITH CUSTOMERS	24,706,327	23,996,543
100. EQUITY INVESTMENTS	200,338	198,176
120. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	320,560	324,180
130. INTANGIBLE ASSETS	24,129	22,246
of which:		
- goodwill	7,847	7,847
140. TAX ASSETS	444,121	491,938
a) current	24,246	64,592
b) deferred	419,875	427,346
b1) of which as per Law 214/2011	370,081	379,570
160. OTHER ASSETS	393,712	357,399
TOTAL ASSETS	35,622,700	35,537,648

CHAIRMAN
Francesco Venosta

THE BOARD OF
STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Donatella Depperu - Mario Vitali

EQUITY AND LIABILITY ITEMS		30-06-2016	31-12-2015
10.	DUE TO BANKS	2,426,745	2,302,136
20.	DUE TO CUSTOMERS	25,641,113	26,347,209
30.	SECURITIES ISSUED	3,502,824	3,181,186
40.	FINANCIAL LIABILITIES HELD FOR TRADING	82,460	48,709
60.	HEDGING DERIVATIVES	54,498	53,483
80.	TAX LIABILITIES	58,338	68,208
	a) current	3,253	4,059
	b) deferred	55,085	64,149
100.	OTHER LIABILITIES	1,006,031	678,166
110.	POST-EMPLOYMENT BENEFITS	46,228	43,374
120.	PROVISIONS FOR RISKS AND CHARGES	172,452	165,725
	a) pension and similar obligations	129,703	117,912
	b) other provisions	42,749	47,813
140.	VALUATION RESERVES	59,110	89,416
170.	RESERVES	1,027,986	930,273
180.	SHARE PREMIUM RESERVE	79,005	79,005
190.	SHARE CAPITAL	1,360,157	1,360,157
200.	TREASURY SHARES (-)	(25,349)	(25,322)
210.	MINORITY INTERESTS	84,704	86,623
220.	PROFIT (LOSS) FOR THE PERIOD (+/-)	46,398	129,300
TOTAL LIABILITIES AND EQUITY		35,622,700	35,537,648

MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti



INCOME STATEMENT

(in thousands of euro)

ITEMS	30-06-2016	30-06-2015
10. INTEREST AND SIMILAR INCOME	341,988	415,683
20. INTEREST AND SIMILAR EXPENSE	(95,004)	(139,091)
30. NET INTEREST INCOME	246,984	276,592
40. FEE AND COMMISSION INCOME	152,445	159,999
50. FEE AND COMMISSION EXPENSE	(9,255)	(10,845)
60. NET FEE AND COMMISSION INCOME	143,190	149,154
70. DIVIDENDS AND SIMILAR INCOME	5,969	2,197
80. NET TRADING INCOME	(19,954)	43,747
90. NET HEDGING GAINS (LOSSES)	710	1,460
100. GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	44,931	77,932
b) available-for-sale financial assets	45,442	78,611
d) financial liabilities	(511)	(679)
110. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(4,093)	6,603
120. TOTAL INCOME	417,737	557,685
130. NET IMPAIRMENT LOSSES ON:	(125,417)	(200,640)
a) loans and receivables	(123,856)	(190,658)
b) available-for-sale financial assets	(2,273)	(2,724)
c) held-to-maturity investments	-	(2,192)
d) other financial transactions	712	(5,066)
140. NET FINANCIAL INCOME	292,320	357,045
170. BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT	292,320	357,045
180. ADMINISTRATIVE EXPENSES:	(252,981)	(241,063)
a) personnel expenses	(115,516)	(117,488)
b) other administrative expenses	(137,465)	(123,575)
190. NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(1,575)	(3,819)
200. DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(8,917)	(8,644)
210. AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(6,208)	(5,991)
220. OTHER OPERATING CHARGES/INCOME	35,427	45,964
230. OPERATING COSTS	(234,254)	(213,553)
240. NET GAINS (LOSSES) ON EQUITY INVESTMENTS	6,275	5,690
250. NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	160	(458)
270. NET GAINS ON SALES OF INVESTMENTS	35	3
280. PRE-TAX PROFIT FROM CONTINUING OPERATIONS	64,536	148,727
290. INCOME TAXES	(16,777)	(47,466)
300. POST-TAX PROFIT FROM CONTINUING OPERATIONS	47,759	101,261
320. PROFIT (LOSS) FOR THE PERIOD	47,759	101,261
330. PROFIT (LOSS) FOR THE PERIOD OF MINORITY INTERESTS	(1,361)	(3,966)
340. PROFIT (LOSS) FOR THE PERIOD OF THE PARENT COMPANY	46,398	97,295

STATEMENT OF COMPREHENSIVE INCOME

Items	30/06/2016	30/06/2015
10. Profit for the period	47,759	101,261
Other income items net of income taxes that will not be reclassified to profit or loss		
40. Defined-benefit plans	(9,977)	1,484
60. Share of valuation reserves of equity investments valued at net equity	118	(50)
Other income items net of income taxes that may be reclassified subsequently to profit or loss		
100. Available-for-sale financial assets	(21,010)	1,432
120. Share of valuation reserves of equity investments valued at net equity	506	(316)
130. Total other income items net of income taxes	(30,363)	2,550
140. Comprehensive income (Item 10+130)	17,396	103,811
150. Consolidated comprehensive income pertaining to minority interests	(1,304)	(3,975)
160. Consolidated comprehensive income pertaining to the Parent Company	16,092	99,836



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2015	Change in opening balances	Opening balance at 1.1.2016	Allocation of prior year results		Changes in reserves	Issue of new shares
				Reserves	Dividends and other allocations		
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	965,679	-	965,679	102,696	-	(6)	-
c) other	5,186	-	5,186	-	-	-	-
Valuation reserves	89,310	-	89,310	-	-	-	-
Equity instruments	-	-	-	-	-	-	-
Treasury shares	(25,322)	-	(25,322)	-	-	-	-
Profit for the period	137,500	-	137,500	(102,696)	(34,804)	-	-
Equity attributable to the Group	2,562,829	-	2,562,829	-	(31,581)	(6)	-
Equity attributable to minority interests	86,623	-	86,623	-	(3,223)	-	-

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2014	Change in opening balances	Opening balance at 1.1.2015	Allocation of prior year results		Changes in reserves	Issue of new shares
				Reserves	Dividends and other allocations		
Share capital							
a) ordinary shares	1,393,746	-	1,393,746	-	-	-	-
c) other shares	-	-	-	-	-	-	-
Share premium reserve	83,365	-	83,365	-	-	-	-
Reserves							
a) from earnings	859,315	-	859,315	94,169	-	36,959	-
c) other	5,186	-	5,186	-	-	-	-
Valuation reserves	47,834	-	47,834	-	-	-	-
Equity instruments	-	-	-	-	-	-	-
Treasury shares	(25,031)	-	(25,031)	-	-	-	-
Profit for the period	125,282	-	125,282	(94,169)	(31,113)	-	-
Equity attributable to the Group	2,407,234	-	2,407,234	-	(27,084)	36,959	-
Equity attributable to minority interests	82,463	-	82,463	-	(4,029)	-	-



Changes during the period							Equity attributable to the Group at 30.06.2016	Equity pertaining to minority interests at 30.06.2016
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		
-	-	-	-	-	-	-	1,360,157	33,579
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	79,005	4,358
-	-	-	-	-	-	-	1,024,757	43,612
-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	(30,363)	59,110	(163)
-	-	-	-	-	-	-	-	-
(27)	-	-	-	-	-	-	(25,349)	-
-	-	-	-	-	-	47,759	46,398	1,361
(27)	-	-	-	-	-	16,092	2,547,307	-
-	-	-	-	-	-	1,304	-	84,704

Changes during the period							Equity attributable to the Group at 30.06.2015	Equity pertaining to minority interests at 30.06.2015
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		
-	-	-	-	-	-	-	1,360,157	33,589
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	79,005	4,360
-	-	-	-	-	-	-	951,808	38,635
-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	2,550	50,482	(98)
-	-	-	-	-	-	-	-	-
(291)	-	-	-	-	-	-	(25,322)	-
-	-	-	-	-	-	101,261	97,295	3,966
(291)	-	-	-	-	-	99,836	2,516,654	-
-	-	-	-	-	-	3,975	-	82,409



STATEMENT OF CASH FLOW (Indirect method)

	30-06-2016	30-06-2015
A. OPERATING ACTIVITIES		
1. Cash generated from operations	252,559	344,895
- profit for the period (+/-)	46,398	97,295
- gains/losses on financial assets held for trading and financial assets/liabilities carried at fair value (-/+)	43,000	(20,288)
- net hedging gains (losses) (-/+)	(710)	(1,460)
- net impairment losses (+/-)	134,267	203,166
- depreciation and amortisation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	15,125	14,635
- provisions for risks and charges and other costs/revenues (+/-)	17,649	17,451
- unpaid taxes and duties (+)	16,777	47,466
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	(19,947)	(13,370)
2. Cash generated/absorbed by financial liabilities	(332,223)	(63,253)
- financial assets held for trading	264,813	330,544
- financial assets at fair value through profit or loss	-	(3,958)
- available-for-sale financial assets	(39,947)	(175,698)
- loans and receivables with banks: sight	98,758	109,450
- loans and receivables with banks: other receivables	188,109	110,421
- loans and receivables with customers	(850,137)	(440,614)
- other assets	6,181	6,602
3. Cash generated/absorbed by financial liabilities	84,730	222,456
- due to banks: sight	178,415	118,156
- due to banks: other payables	(48,168)	78,166
- due to customers	(699,319)	23,329
- securities issued	314,875	(163,134)
- financial liabilities held for trading	19,999	(592)
- financial liabilities carried at fair value	-	-
- other liabilities	318,928	166,531
Net cash generated/absorbed by operating activities	5,066	504,098

	30-06-2016	30-06-2015
B. INVESTING ACTIVITIES		
1. Cash generated by	33,240	14,265
- sales of equity investments	-	-
- dividends collected from equity investments	5,770	7,255
- sales and reimbursements of held-to-maturity investments	27,453	7,000
- sale of property, equipment and investment property	17	10
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by	(20,970)	(56,278)
- purchases of equity investments	-	-
- purchases of held-to-maturity investments	(7,686)	(2,596)
- sale of property, equipment and investment property	(5,181)	(45,388)
- sale of intangible assets	(8,103)	(8,294)
- sale of business divisions	-	-
Net cash generated/absorbed by investing activities	12,270	(42,013)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	(27)	(290)
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(34,705)	(31,232)
Net cash generated/absorbed by financing activities	(34,732)	(31,522)
TOTAL NET CASH GENERATED/ABSORBED IN THE PERIOD	(17,396)	430,563

Key:

(+) generated (-) absorbed

RECONCILIATION

Line items	30-06-2016	30-06-2015
Cash and cash equivalents at beginning of period	766,097	264,482
Total net cash generated/absorbed in the period	(17,396)	430,563
Cash and cash equivalents: effect of change in exchange rates	(2,209)	25,281
Cash and cash equivalents at end of period	746,492	720,326

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Form and content of the report on the first half of 2016

The consolidated interim report for the first half 2016 has been prepared in accordance with art. 154-ter of Legislative Decree 58 of 24 February 1998 «Consolidated Law on financial intermediation under arts, 8 and 21 of law 52 of 6/2/1996» and the provisions issued by Consob, Account has also been taken of the instructions issued by Consob with resolutions 15520 of 27/7/2006 and Communication DEM/6064293 of 28/7/2006 and Communication DEM/11070007 of 5/8/2011.

The consolidated interim report at 30 June 2016 has been prepared in accordance with IAS 34 and comprises:

- interim directors' report on operations;
- balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement;
- explanatory notes that describe the amounts contained in the consolidated financial report for the half-year and contain the information required by current regulations.

General information

Declaration of compliance with International Financial Reporting Standards

Banca Popolare di Sondrio, società cooperativa per azioni, confirms that this consolidated interim report has been prepared in accordance with IAS 34.

Basis of preparation

This consolidated interim-year report has been prepared in accordance with the following general criteria specified in IAS 1:

- 1) Going concern. The consolidated interim report has been prepared on a going-concern basis: assets, liabilities and «off balance sheet» transactions have been measured at their value in use. In this regard, we would point out that the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention. The underlying assumption is fully justified and there is no need for detailed supporting analyses, in addition to the information provided in the consolidated interim report and the report on operations.
Considering the structure of deposits based essentially on customer current accounts, repurchase agreements and loans, mainly to retail customers and SMEs which the Group monitors constantly, as well as the prevalence of government securities and prime corporate bonds, even considering the difficulties encountered by sovereign debt securities in the recent past, management is of the opinion that there are no critical areas that could negatively influence the Group's capital solidity and profitability, which are key assumptions for adopting the going-concern basis.
- 2) Accruals basis. Costs and revenues are matched in the accounting periods to which they relate, regardless of when the related transactions are settled.
- 3) Consistency of presentation in the consolidated interim report. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless changes are required by an international accounting standard or



related interpretation, or a different presentation or classification would be more appropriate for the meaningful and reliable disclosure of information.

If the presentation or classification of items is changed, the comparative amounts are also reclassified, if feasible, and the nature of the reclassification is explained together with the related reasons. The format of the financial statements and the explanatory notes complies with the Bank of Italy's Instructions dated 22 December 2005 and subsequent amendments.

- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or related interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the consolidated financial statements.

The consolidated interim report is prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, this consolidated interim report reflects the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the regulations contained in the Consolidated Finance Law for listed companies regarding the report on operations (art. 2428 c.c.) and the audit (art. 2409-bis c.c.).

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

Scope and methods of consolidation

The consolidated interim report presents the economic and financial position at 30 June 2016 of the Banca Popolare di Sondrio banking group, which comprises the Parent Company, Banca Popolare di Sondrio (Suisse) SA, Factorit S.p.a. Sinergia Seconda, Popso Covered Bond S.r.l. and the entities that are controlled by the Group pursuant to IFRS 10.

The following companies have been consolidated on a line-by-line basis:

Name	Location	Type of relationship ⁽¹⁾	Share capital (in thousands)	% held	% of votes
Banca Popolare di Sondrio (Suisse) S.A.	Lugano	1	(CHF) 180,000	100	100
Factorit S.p.a.	Milan	1	85,000	60.5	60.5
Sinergia Seconda S.r.l.	Milan	1	60,000	100	100
Pirovano Stelvio S.p.a. **	Sondrio	1	2,064	100	100
Immobiliare San Paolo S.r.l. **	Tirano	1	10 *	100	100
Immobiliare Borgo Palazzo S.r.l.**	Tirano	1	10 *	100	100
Popso Covered Bond srl	Conegliano V.	1	10	60	60

⁽¹⁾ 1 = majority of voting rights at ordinary shareholders' meeting.

4 = other form of control

* held by Sinergia Seconda S.r.l.

** equity investments not included in the banking group

In addition, Fondo Immobiliare Centro delle Alpi Real Estate, which is 100% held by the Parent Company, has been consolidated. As defined by IFRS 10, control exists when the

investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control may therefore be obtained in various ways, including via exposure to risks and rewards, and not just as a consequence of the power to influence financial and operating policies.

The joint venture shown below is valued at equity:

Name	Location	Type of relationship ⁽¹⁾	Share capital (in thousands)	% held	% of votes
Rajna Immobiliare S.r.l.	Sondrio	7	20	50	50

⁽¹⁾ 7 = joint control.

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:

- the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;
- the Bank takes part in the decision-making process, including decisions regarding dividends;
- there are significant transactions between the parent company and the affiliate;
- there is an exchange of managers;
- essential technical information is being provided.

These holdings 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 pertaining to the group is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Location	Share capital (in thousands)	% held
Alba Leasing S.p.a.	Milan	357,953	19.264
Arca Vita S.p.a.	Verona	208,279	14.837
Banca della Nuova Terra S.p.a.	Milan	31,315	19.609
Arca SGR S.p.a.	Milan	50,000	21.137
Unione Fiduciaria S.p.a.	Milan	5,940	24.000
Polis Fondi Srgpa	Milan	5,200	19.600
Servizi Internazionali e Strutture Integrate 2000 S.r.l.	Milan	75	33.333
Sofipo S.A.	Lugano	(CHF) 2,000 *	30.000
Bormio Golf S.p.a.	Bormio	631	25.237
Acquedotto dello Stelvio S.r.l.	Bormio	21 **	27.000
Sifas S.p.a.	Bolzano	1,209 **	21.614

* 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 income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The financial statements of these group companies are reclassified appropriately and, where necessary, restated in accordance with the accounting policies adopted 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.

The significant evaluations and assumptions adopted to establish the existence of control are also given in paragraph 7 «Equity Investments» in the «Part relating to the main line items in the financial statements» of these explanatory notes.

There are no restrictions concerning Group assets/liabilities referred to in paragraph 3 of IFRS 12.

Translation of financial statements in currencies other than the euro

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

Subsequent events

No events have taken place between the reporting date of this consolidated interim report and its approval by the Board of Directors on 9/8/2016 that would require an adjustment to the approved information, and nothing of significance has occurred that would require additional disclosures.

Other aspects

The accounting policies applied during the period under review are consistent with those of the year 2015.

The consolidated interim report, accompanied by the report on operations, consists of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the financial statements.

Preparing the consolidated interim report requires making estimates and valuations that can have a significant impact on the figures shown in the balance sheet and income statement, especially as regards loans and receivables, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, and the use of valuation models for identifying the fair value of instruments that are not listed on active markets.

These estimates and valuations were made on a going concern basis, without considering the unlikely forced sale of the assets measured. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements; however, as allowed by IAS 34, this consolidated interim report does not include all of the information provided in an annual report.

The Parent Company and other Group companies have defined the estimation processes that support the carrying amounts of the more significant items recognised in the consolidated interim report at 30 June 2016, as required by the prevailing accounting standards and relevant regulations.

These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e, valuations are not based on the assumption of a forced sale.

The outcome of this work supports the carrying amount of these items at 30 June 2016. It should be said, however, that this valuation process was particularly complex in view of the continuing macroeconomic and market context, characterized by a reduced growth and high levels of uncertainty about the prospects for recovery, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used to verify the above figures have been heavily affected by the particularly uncertain macroeconomic and market environment which could, as in the past, experience rapid changes that are currently unforeseeable, with effects - even significant effects - on the amounts stated in the interim report at 30 June 2016.

The consolidated interim report is subject to a limited audit by KPMG in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine-year period from 2008 to 2016.

Analysis of the principal captions contained in the consolidated interim report

1. Financial assets held for trading

Classification

This caption comprises fixed-yield and variable-yield securities and units in mutual funds held for trading. It also includes derivative contracts with a positive fair value, excluding hedges but including those recorded separately from the underlying structured financial instrument, when the requirements for making this distinction are met. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index; it is settled on maturity and requires a limited initial net investment. A derivative is separated from a complex financial instrument when its economic characteristics and risks are not strictly related to the characteristics of the underlying contract.

When the embedded instruments comply with the definition of a derivative even after separation, and the hybrid instruments to which they belong are not measured at fair value through the income statement.

Recognition

Assets held for trading are recorded at the settlement date with reference to their fair value, usually represented by the consideration paid, while the transaction costs and revenues are reflected directly in the income statement.

Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

Accounting policies

Subsequent to initial recording, trading financial instruments are stated at their fair value at the reference date. With regard to instruments listed on official markets, fair value is calculated with reference to their official bid price at the close of trading, while the fair value of instruments not listed on official markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters.

If this is not possible, estimates and valuation models that take account of market data are used, where available; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If the fair value of equity instruments cannot be determined on a reliable basis, they are stated at cost.

Recognition of components affecting the income statement

The components of income generated by financial instruments held for trading are recognised in the income statement for the period in which they arise as «Net trading income». An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. The original value is not reinstated, even if the losses no longer exist. Realised gains and losses from the sale or reimbursement and unrealised gains and losses deriving from the change in the fair value of the trading portfolio, as well as the impairment of financial assets carried at cost are booked to the income statement under «net trading income».

Interest income and dividends are reported in the income statement under «Interest and similar income» and «Dividends and similar income» respectively.

Derecognition

Financial assets held for trading are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

2. Available-for-sale financial assets

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Held-to-maturity assets.

In particular, this caption includes securities not held for trading and equity interests, also not held for trading, that do not represent investments in subsidiary companies, associated companies or companies under joint control.

Recognition

The assets classified in this caption are recorded on the settlement date. Available-for-sale securities are initially recognised at their fair value, which is usually represented by the fair value of the consideration paid to acquire them.

Aside from the exceptions allowed under IAS 39, it is not possible to transfer assets from the available-for-sale portfolio to other portfolios, or vice versa. The value recorded on any reclassification from Held-to-maturity assets reflects the fair value of the asset concerned at the time of transfer.

Accounting policies

Subsequent to initial recording, available for-sale financial assets are stated at their fair value, determined on the basis described in relation to financial assets held for trading.

Variable-yield securities whose fair value cannot be determined reliably are stated at cost. These comprise equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Group operates. These instruments show that equities represent the majority in this portfolio. The fair value of these investments

cannot be reliably determined, given that the valuation techniques applied to them would have to make significant use of discretionary, non-market factors.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

The rules adopted by the Bank prescribe that an impairment test has to be carried out on variable-yield securities in one of the following cases:

- a cumulative reduction in the fair value exceeding 20% of the original cost gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test.

In any case, a cumulative reduction in fair value exceeding 50% of the original cost automatically leads to an impairment test.

- a cumulative reduction in the fair value of the instrument for at least 9 months gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in the fair value of the original cost for more than 18 months has to be considered permanent and automatically leads to an impairment.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the difference between cost and redemption value, is recorded in the income statement.

Income and charges deriving from changes in fair value, net of the related deferred tax effect, are recorded in specific equity reserves, known as «Valuation reserves», until the asset is derecognised or its value is impaired; the accumulated gains or losses are released to the income statement at the time of derecognition or the recognition of impairment. Dividends are shown under «dividends and similar income». If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to variable-yield securities are recorded in a specific «valuation reserve» within equity.

Derecognition

Available-for-sale financial assets are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

3. Held-to-maturity investments

Classification

These are almost entirely unlisted fixed-yield securities that the Group has the capacity and the willingness to hold to maturity.

Recognition

Assets due to be held to maturity are initially recorded on the settlement date at their fair value, which normally coincides with the amount paid, including transaction costs.

Any assets booked under the terms of the amendment to IAS 39 regarding the application of fair value, as adopted by the European Union with EC Regulation 1004/2008 of 15/10/2008 are measured at their fair value as of 1 July 2008, providing they were on the books as of



31 October 2008; those booked subsequently are shown at their fair value at the date of reclassification.

Accounting policies

After initial recognition, they are measured at amortised cost using the effective interest method, subjecting such assets to impairment testing if there are any signs of a deterioration in the solvency of the issuers.

Recognition of components affecting the income statement

Components affecting the income statement are recognised according to the process of financial amortisation.

Derecognition

Held-to-maturity investments are derecognised on expiry of the contractual rights over the related financial flows.

4. Receivables

4.1 Cash loans and deposits

Classification

Receivables comprise deposits with banks and loans to customers, made directly or acquired from third parties, which have fixed or determinable payments, not listed on an active market. Receivables also include trade receivables, repo transactions, loans originating from finance leases and securities not listed on an active market that were acquired as a result of subscriptions or private placements, with payment amounts that are known or determinable.

Recognition

Receivables and loans are classified in the receivables portfolio when they are paid out or acquired and cannot be transferred to other portfolios subsequently.

Loans include the advances made on the assignment of receivables with recourse or on a without-recourse basis, but without transferring substantially all of the related risks and benefits. They also include receivables assigned to the company and booked in the name of the assigned debtor for which the related risks and benefits have all been substantially transferred to the assignee.

Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method. Loans are initially recorded at their fair value when they were paid out or acquired, which usually corresponds to the amount paid out or the current value paid to acquire them.

The initially recorded value includes any transaction costs and revenues directly associated with each loan.

Accounting policies

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net of any repayments of principal, as uplifted or decreased by writebacks or writedowns and the amortisation of the difference between the amount paid and that recoverable on maturity.

The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans without a specific repayment date and loans repayable on demand are booked at their historical cost, as the calculation of the amortised cost does not produce significant differences with respect to this value. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount the expected cash flows, even if the loan is later restructured and changes are made to the contractual rate.

Loans are subjected to impairment testing at each reporting date to check for any loss in value due to deterioration in the solvency of borrowers.

For measurement purposes, loans are classified into two macro categories: impaired loans and performing loans.

The European Banking Authority issued Implementing Technical Standards (ITS) on 24 July 2014 that have amended the definition of non-performing exposure (NPE). On 9 January 2015, the European Commission approved amendments to the definition of impaired financial assets for consistency with the new notions introduced by implementing technical standards for harmonised supervisory reporting purposes established by the European Banking Authority. According to the new definitions, impaired financial assets are categorised as «bad loans», «unlikely to pay loans» and «past due and/or impaired overdrawn exposures»; the sum of these categories corresponds to the total Non-Performing Exposures in the ITS. The previous watchlist and restructured exposures categories have been eliminated.

Bad loans reflect the exposure to parties that are insolvent or in essentially equivalent situations, regardless of any loss forecasts made by the Group. Accordingly, no account is taken of any guarantees received in support of such exposures.

Exposures classified as unlikely-to-pay loans are credit exposures, other than non-performing, for which the Group deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees.

Impaired past due and/or overdrawn exposures are exposures, other than non-performing or likely default, which, at the reporting date, have remained unpaid and/or overdrawn for more than 90 continuous days and which exceed a set materiality threshold. Impaired past due and/or overdrawn exposures may be determined with reference to the position of the individual debtor or, alternatively, solely for exposures to retail customers, with reference to a single transaction.

Loans may be measured on a detailed or an overall basis. Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. In the case of detailed analysis, recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- a) value of contractual cash flows net of any expected losses, estimated with reference to both the ability of the borrower to meet its obligations and the value of any secured or unsecured guarantees assisting the loan;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

Bad loans are assessed on either a detailed or an overall basis. The specific analysis of bad loans takes the following parameters into account:

- a) recoveries forecast by the account managers;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates or the actual contractual rates applying at the time of classifying the loans as doubtful.

Overall assessments are made of positions with limited total exposures that do not

exceed given «threshold values». These thresholds are determined from time to time, using simple processes that mainly involve the automatic application of specific coefficients defined internally with reference to detailed quantitative analyses.

Unlikely-to-pay loans, which include loans subject to restructuring agreements, are also assessed on either a detailed or an overall basis. The detailed analysis takes the following parameters into account:

- a) recoveries forecast by the offices concerned;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates represented by the actual contractual rates applying at the time the loans were classified as unlikely-to-pay or, with specific reference to loans subject to restructuring agreements, in force before signing the agreement with the debtor.

Overall writedowns are made using similar methodology to that applied in relation to the overall writedown of bad loans for which no specific estimate has been made of the loss attributable to each individual relationship. These loans are adjusted on an overall basis with reference to specific historical/statistical analyses of the related losses incurred in the past.

Past due/overdrawn exposures are identified using automated procedures that extrapolate anomalous positions with reference to specific parameters identified by the Supervisory Authorities. They are subject to a detailed assessment attributed to each risk position. In the absence of specific forecasts of the losses attributable to each individual relationship, the assessment takes into account the losses recorded historically in the category of exposures, as well as their technical form, existing guarantees and the ageing of the past due position. The responsible offices prepare appropriate statistical analyses to determine adjusting factors suitable for the loan category concerned.

Performing loans that do not show any objective signs of impairment are valued on a collective basis. Such loans aggregated in homogeneous classes with similar characteristics have applied to them impairment coefficients that are estimated on the basis of statistical data and expressed as the probability of default (PD) by the customer and the extent of the loss given default (LGD). The expected loss on these loans (nominal amount of the loan multiplied by the PD and the LGD) is adjusted by the LCP (Loss Confirmation Period), which reflects for the various homogeneous classes of loan the delay between the deterioration in the financial situation of the customer and the recognition of that situation by the Group.

Recognition of components affecting the income statement

Interest on loans is shown under «Interest and similar income».

Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

Any writebacks do not exceed the (specific and general or «portfolio») impairment adjustments recorded previously.

Derecognition

Loans are derecognised when substantially all the related risks and benefits have been transferred and no control over them is retained.

4.2 Endorsement loans

Classification

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form loan, taking into account the creditworthiness of the borrower.

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under «fee and commission income», Impairment losses, and subsequent write-backs, are booked to the income statement under «net impairment losses on other financial assets» with the contra-entry to other liabilities.

5. Financial assets at fair value through profit or loss

The portfolio of «Financial assets at fair value through profit or loss» comprises the securities for which the «fair value option» has been applied. The recognition, measurement and derecognition criteria applied are the same as those adopted in relation to financial assets held for trading.

The income elements relating to instruments classified as financial assets at fair value through profit or loss booked to the income statement in the period when they arise to «net gains on financial assets and liabilities at fair value through profit or loss».

6. Hedging transactions

Classification and recognition

The portfolio of hedging derivatives comprises the derivative instruments used by the Group to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- a) fair value hedges of the exposure to changes in the fair value of a balance sheet item attributable to a specific risk;
- b) cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

A transaction can be recorded as a «hedge» if it satisfies the following conditions: a) the hedging relationship must be formally documented; b) the hedge must be effective at its inception and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end. If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio.

Hedging instruments are recorded using the «contract date» method.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- 1) hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the «Net hedging gains (losses)» caption of the income statement to match the change in the carrying value of the hedged item;

- 2) hedged positions are stated at their fair value and any gains or losses attributable to the hedged risk are also recorded in the «Net hedging gains (losses)» caption of the income statement.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

Cash flow hedges are measured and recorded on the following basis:

- 1) derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the «Valuation reserves» within equity and only released to income when the hedged change in cash flows takes place;
- 2) the hedged item continues to be valued on the basis applicable to the category concerned.

Derecognition

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated early, or when they cease to satisfy the recognition criteria.

7. Equity investments

Classification

The portfolio of equity investments comprises the holdings in subsidiary companies, associated companies and companies under joint control. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is therefore deemed to exist in the following circumstances:

- a) availability of actual and potential voting rights at a shareholders' meeting and/or other contractual rights, relations or other elements that guarantee influence over the relevant activities of the investment;
- b) exposure to the variability of results, for example in terms of an overall economic interest in the investment;
- c) with regard to the above points, existence of an ability to influence the economic results of the investment by the power exercised over it.

A company is an associated company if the Group exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights 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) exposure to the variability of results, for example in terms of an overall economic interest in the investment;
- 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.

Joint control exists when control over the investment is shared equally with others, is agreed contractually and only exists if the decisions about relevant activities require the unanimous consent of the parties sharing control.

Recognition

Equity investments are initially recorded at cost on the settlement date, which normally coincides with the amount paid, including transaction costs.

Accounting policies

Investments are subsequently valued at equity, determined with reference to the value indicated in the latest approved financial statements.

The initially-recorded value of each equity investment is increased or decreased in proportion to the profit or loss for the year of the company concerned, and is reduced by the amount of any dividends collected. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value.

Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Measurement and recognition of components affecting the income statement

The negative differences on initial recognition, the interest in profits or losses for the year, gains and losses on disposal and impairment losses are recorded in the «share of profit/loss of equity investments» caption of the income statement, except for «profit (loss) from disposal of subsidiaries» which are recorded under caption «Net gains on sales of investments».

Derecognition

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

8. Property, equipment and investment property

Classification

This caption includes buildings, land, installations, furniture, equipment, furnishings and machinery.

As required by IAS 17, assets held under finance leases are also classified in this caption.

In addition, this caption includes buildings held for investment purposes in order to earn rentals or enjoy capital appreciation.

Recognition

Property, equipment and investment property are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Accounting policies

Following initial recognition, property, equipment and investment property are stated at cost net of accumulated depreciation and any permanent impairment of value, except for property held for investment purpose, which are valued at fair value. Depreciation is provided on a systematic basis over the useful lives of the various categories of asset.

The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, equipment and investment property are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying value with respect to their recoverable value is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks do not exceed the impairment losses recorded previously.

Recognition of components affecting the income statement

Periodic depreciation, impairment losses and writebacks are recorded in the «depreciation and net impairment losses on property, equipment and investment property» caption of the income statement.

It is not permitted to book any subsequent recoveries in value.

With regard to buildings held for investment purposes, the net result of their measurement at fair value is recorded separately in the income statement.

Derecognition

Property, equipment and investment property are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

9. Intangible assets

Classification

This caption comprises identifiable, intangible, non-monetary assets that will benefit future years.

Intangible assets comprise software and goodwill.

Recognition

Intangible assets are recorded at purchase cost plus any related charges, only if it is probable that the future economic benefits attributable to such assets will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned.

Goodwill is booked to assets when it derives from a business combination according to the criteria laid down in IFRS 3 as the residual surplus between the overall cost incurred for the operation and the net fair value of the acquired assets and liabilities that constitute businesses or business units.

If the cost incurred is lower than the fair value of the assets and liabilities acquired, the negative difference («badwill») is booked directly to the income statements.

Accounting policies

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment in value.

Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned.

If there is evidence of impairment at the reporting date, the recoverable amount of the asset is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Once booked, goodwill is not amortised but tested periodically to ensure that the book value is holding up. This test is carried out once a year or more frequently if there are signs of impairment. For this reason, cash generating units (CGUs) to which the individual amounts of goodwill can be allocated are identified. The amount of any reduction in value is determined on the basis of the difference between the carrying value of the goodwill and its recoverable value, if this is less. This recoverable value is equal to the higher of the fair value of the CGU, net of any costs to sell, and the related value in use, represented by the present value of the estimated cash flows for the years that the CGU is expected to operate, including those deriving from its disposal at the end of its useful life.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «amortisation and net impairment losses on intangible assets» caption of the income statement.

It is not permitted to book any subsequent recoveries in value.

Derecognition

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

10. Non-current assets held for sale and discontinued operations

Non-current assets are only included in this item when it is considered very probable that they will be sold.

They are measured at the lower of book value and fair value, net of selling costs. Differences arising on valuation are booked to the income statement.

11. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the period. Tax liabilities are determined by applying the current tax rates and regulations. Tax assets and liabilities also include a reasonable estimate of the risks deriving from outstanding tax disputes.

Taxable or deductible timing differences give rise to the recognition of deferred tax assets and liabilities. No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation since, at present, the conditions for the payment of such taxation in future do not apply. Deferred tax assets are recognised using the liability method, only if their recovery in future years is reasonably certain.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in this case, the matching entries are also recorded within equity.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Provisions for other long-term employee benefits. These are included in «Provisions for risks and charges» based on the valuation of liabilities at the date of preparation of the

financial statements using the «projected unit credit method» as in the case of post-employment benefits; once again, the actuarial gains and losses deriving from actuarial estimates are treated in accordance with the provisions of the revised version of IAS 19 endorsed by EC Regulation 475 of 5 June 2012, i.e. booked to equity as shown in the statement of comprehensive income. These are:

- 1) Pension and similar obligations. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Parent Company is responsible for any unfunded liabilities.
- 2) Provision for long-service bonuses. This represents the liability for bonuses to employees who reached a period of service of 30 years. It is recorded under «other provisions».
- b) Other provisions. This caption comprises the provision for long-service bonuses mentioned above and provisions recorded for liabilities whose timing and extent cannot be determined, which can be recognised in the financial statements when:
 - 1) the bank has a current obligation (legal or implicit) at the reporting date, as a result of a past event;
 - 2) it is likely that settlement of the obligation will involve the use of economic resources;
 - 3) a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

13. Payables and securities issued

Classification

Amounts due to customers and banks and securities issued comprise the financial instruments (other than trading instruments) that represent the normal funding of the Group's activities by customers and other banks, or by the issue of securities. This caption also includes the liability deriving from finance lease transactions and the value of the consideration still to be paid to the assignor in factoring transactions that involve an assignment of receivables with the transfer of the related risks and benefits versus the assignee.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected. The amount initially recorded includes any transaction costs and revenues that are directly related to each liability; this amount does not include the charges made to creditors in order to recover administrative costs.

The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Accounting policies

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Short-term liabilities are stated at the amount collected. Liabilities covered by effective hedges are valued in accordance with the regulations applying to such transactions.

Recognition of components affecting the income statement

Interest expense linked to funding instruments are booked to the income statement under «Interest and similar expense».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses from sales or repurchases of financial liabilities».

Derecognition

Financial liabilities are derecognised when they expire or are settled.

Funding liabilities that are subsequently repurchased are eliminated from the financial statements.

14. Financial liabilities held for trading

This caption comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, cancellation, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

15. Financial liabilities carried at fair value

The financial statements do not include any financial liabilities at fair value.

16. Currency transactions

Classification

They include all assets and liabilities denominated in currencies other than Euro.

Recognition

Assets and liabilities denominated in currencies other than the euro are recognised initially using the spot exchange rates applying on the transaction dates.

Accounting policies

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period.

Exchange differences on non-monetary assets defined as available for sale are recorded under valuation reserves.



Derecognition

The policies applied are those indicated for the corresponding line items. The exchange rate used is the one ruling on the date of payment.

17. Termination indemnities

Termination indemnities are treated as a defined-benefit plan or a defined-benefit obligation. Accordingly, pursuant to IAS 19, the value of this obligation is determined by extrapolating the current liability, using actuarial assumptions, in order to estimate the amount that will be paid upon termination of the employment relationship and determine the present value of this amount.

The actuarial calculations are performed using the projected unit credit method, under which each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses and the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out every six months by an independent actuary.

As a result of the reform of supplementary pensions by Decree 252 of 5 December 2005, the termination indemnities accrued up to 31 December 2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

Gains and losses arising from changes in actuarial assumptions are booked to equity as shown in the statement of comprehensive income.

18. Other information

A share-based compensation plan has been devised for top management, in the context of which any variable remuneration exceeding the threshold of significance determined by the Board of Directors is subject to rules regarding its deferral and payment with financial instruments that are considered suitable for ensuring compliance with the Bank's long-term business objectives.

Revenues are recorded as received or when collection becomes likely and a reasonable estimate can be made of the amount to be received. In particular, the default interest accrued on doubtful accounts is only credited to the income statement upon collection.

Dividends are recorded upon collection.

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

Covered bonds

On 6 November 2013, the Board of Directors of the Parent Company authorised a 5-year covered bond programme for a maximum amount of € 5 billion, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company.

On 30 May 2014, pursuant and consequent to the combined provisions of arts. 4 and 7-bis of law 130 of 30 April 1999, a portfolio of performing loans totalling € 802 million was assigned without recourse to «POPSO Covered Bond s.r.l.», the vehicle company, in relation to the issue on 5 August 2014 of the first series of 5-year covered bonds for € 500 million.

A second assignment of performing loans totalling € 202 million took place on 4 December 2015.

On 1 February 2016, a portfolio of performing loans totalling € 576 million was assigned without recourse to POPSO Covered Bond s.r.l., the vehicle company, in relation to the second series of covered bonds amounting to € 500 million issued on 4 April 2016. Given that the Parent Company maintained all of the risks and benefits of the securitised loans, they have not been derecognised and have therefore been retained on the balance sheet.

INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS

Reclassified financial assets: book value, fair value and the impact on comprehensive income

Type of financial instruments (¹)	Portfolio of origin (²)	Portfolio of destination (³)	Net book value as of 30.06.2016 (⁴)	Fair value at 30.06.2016 (⁵)	Income items without any transfer (pre-tax)		Income items recorded during the year (pre-tax)	
					Valuation (⁶)	Others (⁷)	Valuation (⁸)	Others (⁹)
A. Debt securities	HFT	HTM	29,120	29,079	177	67	183	67

Income items include securities service employees' pension and similar obligations.

The valuation items relate to the amortised cost differential for those booked during the year and to differences in fair value for those not transferred.

Transfer of financial assets held for trading

As in the previous year, the Group did not carry out any reclassifications of financial assets. A reclassification was made on the basis of the amendment to IAS 39 approved by EU Regulation 1004 of 15/10/2008. In very particular circumstances, this amendment makes it possible to reclassify certain financial instruments from one portfolio to another. Its purpose is to reduce the volatility in the income statement (or in equity) of financial institutions and companies that apply IAS/IFRS in situations of illiquid markets and/or characterised by prices that do not reflect the realisable value of financial instruments. The previous table shows the profits and losses that would have been made if the Bank had not taken advantage of this possibility.

INFORMATION ON FAIR VALUE

Qualitative information

IFRS 13 Fair Value Measurement came into force on 1 January 2013. This standard collects in one document the rules governing the determination of fair value that were previously contained in several accounting standards. IFRS 13 essentially does not change the concept of fair value, but provides new application guidelines and envisages additional disclosures.

The information about fair value required by IFRS 13 is provided below. This standard defines fair value as the price that would be received from the sale of an assets or that would be paid for the transfer of a liability in a orderly transaction between market operators on the measurement date. Fair value is a criterion based on market value; however, while transactional or observable market information may be available for certain assets and liabilities, such information may not be available for other assets and liabilities. When the price of an identical asset or liability cannot be found, it is necessary to use measurement techniques that maximise the use of significant observable inputs and minimise the use of unobservable inputs.

The principal innovations introduced by IFRS 13 include clarification about the measurement of counterparty credit risk when determining the fair value of OTC derivatives. This risk relates

to changes in the credit rating of both the counterparty and the issuer. Accordingly, a model for the measurement of this component of risk has been devised and is used to adjust the simple market value of the instrument.

With regard to derivatives with positive mark-to-market adjustments, the risk component is known as the CVA (Credit value adjustment) and represents the potential loss associated with the counterparty credit risk, while the DVA (Debit value adjustment) quantifies the issuer risk in relation to instruments with negative mark-to-market adjustments.

Fair value levels 2 and 3: measurement techniques and inputs used

Level 2 inputs exclude the listed prices used in Level 1 and include: prices for similar assets or liabilities listed in active markets, prices for identical or similar assets or liabilities listed in inactive markets, and information other than observable listed prices, such as routinely listed interest rates and yield curves observable at intervals, implicit volatility, credit spreads and inputs corroborated by the market.

This information is usually supplied by providers or determined with reference to prices calculated with reference to the market parameters of similar financial assets.

Level 3 inputs consist of unobservable inputs for the asset or liability concerned and are used to determine fair value to the extent that significant observable inputs are not available. They must reflect the assumptions that market operators would use to determine the price of the asset or liability, including those regarding the related risk. The inputs not observable in the marketplace derive from internal estimates and valuations based on pricing models that take account of expected cash flows and pricing and spread information, as well as of historical data and series of data concerning the risk factors, and relevant specialist reports.

Processes and sensitivity of the measurements

The Group determines the fair value of assets and liabilities using various methodologies defined in the corporate policies. Based on the inputs available for use, financial instruments are classified into Level 1, Level 2 and Level 3.

Level 1 financial instruments are those listed in active markets, whose fair value is determined with reference to official market prices. If there is more than one active market, reference is made to the principal market; failing this, the most advantageous market is used. Level 1 inputs cannot be adjusted in normal circumstances. The concept of active market does not coincide with that of official market; rather, as envisaged in IAS 39, it refers strictly to the financial instrument concerned. It follows that a listing in an official market is not sufficient to be considered as listed in an active market. Listed prices are obtained from price boards, dealers, brokers etc, and reflect transactions carried out on an orderly basis.

Level 2 financial instruments are those whose inputs do not include the listed prices included in Level 1 that are directly or indirectly observable for the asset or liability concerned. In this case, the measurement techniques used include the market value method, the cost method and the income method which, in turn, is based on present value techniques and models for measuring the price of options. The use of present value techniques involves determining:

- a) the future cash flows deriving from the asset or liability to be measured;
- b) the uncertainty inherent in the cash flows, given possible changes in their amount and timing;
- c) the rate applicable to risk-free monetary assets of similar duration;
- d) the risk premium;

e) for liabilities, the related non-performance risk, including the credit risk associated with the debtor.

Level 3 financial instruments are those whose inputs are not observable. In this case, the best information available in the specific circumstances is used, including all reasonably available information about the assumptions adopted by market operators.

If a financial instrument is measured by recourse to inputs from various levels, it is allocated to the level of the input considered least meaningful.

With regard to Level 3 financial assets, IFRS 13 requires the disclosure of information about the sensitivity of the reported results to changes in one or more of the unobservable parameters used to measure their fair value.

Given the limited weighting of such instruments within the Group's portfolio of financial assets and considering that the Level 3 instruments contained in the AFS portfolio largely comprise securities carried at cost, or through prices of previous transactions, or information from third parties without further adjustments (for which no quantitative information is required about the sensitivity of their valuation), any changes in unobservable inputs would not have a significant economic impact.

For those Level 3 instruments whose fair value is determined using unobservable quantitative inputs, the economic results are not significantly affected by changes in one or more of the unobservable parameters, such as the credit spreads associated with the counterparties that were used for measurement purposes.

The fair value does not alter significantly on changes of +/- 1 basis point in the credit spread and other input parameters.

Fair value hierarchy

For the measurement of fair value, IFRS 13 makes use of the hierarchy of criteria concept introduced in an amendment to IFRS 7, adopted by Regulation 1165 of 27/11/2009, which required the classification of measurements using a hierarchy of levels that reflect the meaningfulness of the inputs used. These levels are:

- a) prices (without adjustments) on active markets - according to the definition of IAS 39 - for the assets and liabilities being measured (level 1);
- b) inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- c) inputs not based on market observable data (level 3). In this case, the fair value is determined using measurement techniques based on estimates and assumptions by the relevant offices of the Group.

Allocation to the levels is not optional and is carried out in hierarchical order, giving priority to the official prices in active markets; in the absence of such inputs, reference is made to other methods that rely on observable parameters, and then to measurement techniques that use unobservable inputs.

An asset or liability is transferred between different levels of the fair value hierarchy when, following changes, their previous classification is no longer consistent with the inputs used.

Other information

The information provided above together with that contained in the following tables represents appropriate disclosure pursuant to paras. 91 and 92 of IFRS 13. The disclosures envisaged in paras. 51, 93 (i) and 96 of that standard are not required.



QUANTITATIVE INFORMATION

Fair value hierarchy

Assets and liabilities carried at fair value on a recurring basis: allocation to fair value levels

Financial assets/liabilities carried at fair value	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,478,188	62,556	27,591	1,752,896	64,058	42,481
2. Financial assets at fair value through profit or loss	90,404	-	-	94,495	-	-
3. Available-for-sale financial assets	6,162,888	-	164,470	6,197,700	2,613	120,710
4. Hedging derivatives	-	-	-	-	-	-
5. Property, equipment and investment property	-	-	62,960	-	-	62,765
6. Intangible assets	-	-	-	-	-	-
Total	7,731,478	62,556	255,021	8,045,091	66,671	225,956
1. Financial assets held for trading	5,077	77,383	-	-	48,709	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	54,498	-	-	53,483	-
Total	5,077	131,881	-	-	102,192	-

There were no significant transfers between the various levels during the period.

Annual changes in assets carried at fair value on a recurring basis (Level 3)

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial asset	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	42,481	-	120,710	-	62,765	-
2. Increases	375	-	50,067	-	285	-
2.1. Purchases	-	-	46,046	-	-	-
2.2. Income booked to:						
2.2.1. Income statement	236	-	2	-	250	-
of which realized gains	-	-	-	-	250	-
2.2.2. Equity	-	-	677	-	-	-
2.3. Transfers from other levels	-	-	2,613	-	-	-
2.4. Other increases	139	-	729	-	35	-
3. Decreases	15,265	-	6,307	-	90	-
3.1. Sales	-	-	9	-	-	-
3.2. Reimbursements	13,934	-	136	-	-	-
3.3. Losses booked to:						
3.3.1. Income statement	1,149	-	2,227	-	90	-
of which realized losses	1,149	-	2,227	-	90	-
3.3.2. Equity	-	-	285	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	182	-	3,650	-	-	-
4. Closing balance	27,591	-	164,470	-	62,960	-

Changes during the year in financial liabilities carried at fair value (level 3)

There are no financial liabilities carried at a level 3 fair value.

Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis: allocation to fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2016				31/12/2015			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	105,845	119,125	-	5,744	125,777	126,712	-	14,689
2. Loans and receivables with banks	695,079	-	-	695,079	980,339	-	-	980,339
3. Loans to customers	24,706,327	-	-	25,288,354	23,996,543	-	-	24,800,997
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	25,507,251	119,125	-	25,989,177	25,102,659	126,712	-	25,796,025
1. Due to banks	2,426,745	-	-	2,426,745	2,302,136	-	-	2,302,136
2. Customer deposits	25,641,113	-	-	25,641,113	26,347,209	-	-	26,347,209
3. Securities issued	3,502,824	1,508,102	2,050,954	-	3,181,186	984,991	2,237,886	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	31,570,682	1,508,102	2,050,954	28,067,858	31,830,531	984,991	2,237,886	28,649,345

Key:

BV: book value

L1: Level 1

L2: Level 2

L3: Level 3

INFORMATION ON THE SO-CALLED «DAY ONE PROFIT/LOSS»

The «day one profit/loss» provided for in IFRS 7 and IAS 39 para. AG. 76 derives from the difference at the time of initial recognition between the transaction price of the financial instrument and its fair value. This difference can generally be found for those financial instruments that do not have an active market. This difference is charged to the income statement over the useful life of the financial instrument concerned.

We do not have any transactions outstanding which could generate significant income that could be defined as «day one profit/loss».



Information on the balance sheet

Assets

Financial assets held for trading - line item 20

Financial assets held for trading: breakdown by sector

Items/Amounts	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Fixed-yield securities	1,300,768	-	27,587	1,570,794	-	41,394
1.1 Structured securities	29,413	-	27,371	15,317	-	41,175
1.2 Other fixed-yield securities	1,271,355	-	216	1,555,477	-	219
2. Variable-yield securities	118,822	-	4	124,999	-	1,087
3 Mutual funds	56,258	-	-	57,103	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,475,848	-	27,591	1,752,896	-	42,481
B. Derivatives						
1. Financial derivatives:	2,340	62,556	-	-	64,058	-
1.1 for trading	2,340	62,556	-	-	64,058	-
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	2,340	62,556	-	-	64,058	-
Total (A+B)	1,478,188	62,556	27,591	1,752,896	64,058	42,481

The fixed-yield securities included in Level 3 principally comprise bonds deriving from the securitisation of loans, measured using price information received from external infoprovaders and for which the market cannot be considered active.

Financial assets at fair value through profit or loss - line item 30

Financial assets at fair value through profit or loss: breakdown by sector

Items/Amounts	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	90,404	-	-	94,495	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	90,404	-	-	94,495	-	-
Cost	94,495	-	-	87,876	-	-

This portfolio includes all securities, other than those booked to the trading portfolio, which the Parent Company has decided to measure at fair value, charging any gains or losses to the income statement, in line with a documented system of risk management based on a board resolution passed on 27/7/2005. Information on the performance of these securities is provided regularly to the managers in charge.

Available-for-sale financial assets - line item 40

Available-for-sale financial assets: breakdown by sector

Items/Amounts	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	5,992,166	-	6,458	6,015,408	-	5,362
1.1 Structured securities	725,263	-	3,742	622,751	-	3,293
1.2 Other fixed-yield securities	5,266,903	-	2,716	5,392,657	-	2,069
2. Variable-yield securities	-	-	99,490	12,660	2,613	88,182
2.1 Carried at fair value	-	-	87,717	12,660	2,613	74,510
2.2 Carried at cost	-	-	11,773	-	-	13,672
3. Mutual funds	170,722	-	58,522	169,632	-	27,166
4. Loans	-	-	-	-	-	-
Total	6,162,888	-	164,470	6,197,700	2,613	120,710

Given the difficulties in determining a precise fair value, unlisted variable-yield securities are usually retained at cost, as adjusted for possible losses where applicable. During the previous year, an exception was made to this approach with regard to the interests held in Istituto Centrale delle Banche Popolari Italiane spa and Cartasi spa. In particular, following the sale of the ICBPI Group to a consortium of investment funds by the controlling shareholders, these interests were revalued with reference to the sale price.

A comparison between the cost and net equity of other unlisted equities based on the latest available financial statements only identified impairment losses for € 1.955 million in relation to three equities.

Held-to-maturity investments - line item 50

Held-to-maturity investments: breakdown by sector

Type of transaction/Amounts	30/06/2016				31/12/2015			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed-yield securities	105,845	119,125	-	5,744	125,777	126,712	-	14,689
- structured	2,979	-	-	2,939	11,989	-	-	11,963
- other	102,866	119,125	-	2,805	113,788	126,712	-	2,726
2. Loans	-	-	-	-	-	-	-	-

In 2008 the Parent Company transferred securities held for trading to this portfolio for a total par value of € 242.686 million, taking advantage of the amendment issued by IASB on 13/10/2008 and adopted by the European Commission with Regulation 1004/2008 on 15/10/2008.

If the securities transferred, which are currently in portfolio at an amount of € 39.372 million at par, had been carried at fair value at the date of the financial statements, they would have been worth € 29.079 million, practically the same as their book value, namely € 29.120 million.



Loans and receivables with banks - line item 60

Loans and receivables with banks: breakdown by sector

Type of transaction/Amounts	30/06/2016				31/12/2015			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Deposits with central banks	53,861	-	-	53,861	260,704	-	-	260,704
1. Time deposits	-	-	-	-	-	-	-	-
2. Compulsory reserve	51,189	-	-	-	258,395	-	-	-
3. Repurchase agreements	-	-	-	-	-	-	-	-
4. Other	2,672	-	-	-	2,309	-	-	-
B. Loans and receivables with banks	641,218	-	-	641,218	719,635	-	-	719,635
1. Loans	641,218	-	-	641,218	719,635	-	-	719,635
1.1 Current accounts and sight deposits	265,258	-	-	-	360,372	-	-	-
1.2 Time deposits	279,397	-	-	-	254,036	-	-	-
1.3 Other loans:	96,563	-	-	-	105,227	-	-	-
- Repurchase agreements	-	-	-	-	-	-	-	-
- Financial leases	-	-	-	-	-	-	-	-
- Other	96,563	-	-	-	105,227	-	-	-
2. Fixed-yield securities	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other fixed-yield securities	-	-	-	-	-	-	-	-
Total	695,079	-	-	695,079	980,339	-	-	980,339

These receivables are not specifically hedged.

Their fair value is equal to their book value as they are short-term loans repayable on demand.

Loans and receivables with customers - line item 70

Loans and receivables with customers: breakdown by sector

Type of transaction/ Amounts	30/06/2016						31/12/2015					
	Book value			Fair Value			Book value			Fair Value		
	Not impaired	Impaired Purchased	Other	Level 1	Level 2	Level 3	Non impaired	Impaired Purchased	Other	Level 1	Level 2	Level 3
Loans	22,047,031	-	2,363,782	-	-	24,992,433	21,388,533	-	2,362,208	-	-	- 24,554,600
1. Current accounts	4,588,678	-	1,023,435	-	-	-	4,646,985	-	1,046,578	-	-	-
2. Repurchase agreements	694,347	-	-	-	-	-	706,060	-	-	-	-	-
3. Mortgage loans	11,111,117	-	1,117,145	-	-	-	10,959,808	-	1,083,562	-	-	-
4. Credit cards, personal loans and assignments of one-fifth of salary	207,561	-	12,118	-	-	-	193,963	-	11,582	-	-	-
5. Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
6. Factoring	1,515,969	-	33,067	-	-	-	1,479,180	-	28,277	-	-	-
7. Other loans	3,929,359	-	178,017	-	-	-	3,402,537	-	192,209	-	-	-
Fixed-yield securities	295,514	-	-	-	-	295,921	245,802	-	-	-	-	246,397
8.1 Structured securities	295,514	-	-	-	-	-	245,802	-	-	-	-	-
8.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	22,342,545	-	2,363,782	-	-	25,288,354	21,634,335	-	2,362,208	-	-	- 24,800,997

These receivables are specifically hedged in part.

Loans include € 1.275 million of performing residential mortgages, which were the subject of covered bonds issued by the Parent Company.

The covered bond transactions involved the sale to the SPV POPSO Covered Bond s.r.l. of the first portfolio of performing residential mortgage loans as part of the issue of covered bonds reserved to institutional customers.

Given that the Parent Company maintained all of the risks and benefits of these loans, they have not been derecognised and have therefore been retained on the balance sheet.

The fair value of loans with a contractual duration that extends beyond the short term is determined using measurement models that discount the flow of future repayments, net of any expected losses. The discounting rate is determined with reference to expected market interest rates, as well as to other specific components that take account of direct operating costs and the actual financing costs incurred by the Group.

The difference between fair value and book value is mainly attributable to the difference between market rates and the rates used to value fixed-rate loans.

Equity investments - line item 100

Equity investments: changes during the year

	30/06/2016	31/12/2015
A. Opening balance	198,176	155,986
B. Increases	2,900	45,435
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	2,900	45,435
C. Decreases	738	3,245
C.1 Disposals	-	-
C.2 Adjustments	-	-
C.3 Other changes	738	3,245
D. Closing balance	200,338	198,176
E. Total revaluations	-	-
F. Total write-downs	(276)	(277)

Other increases and decreases derive from the measurement of affiliates under the equity method.



Property, equipment and investment property - line item 120

Property, equipment and investment property used for business purposes: analysis of assets valued at cost

Assets/Values	30/06/2016	31/12/2015
1. owned	230,270	233,576
a) land	61,200	61,208
b) buildings	144,851	147,391
c) furniture	6,616	7,014
d) IT equipment	4,081	4,512
e) other	13,522	13,451
2. purchased under finance leases	27,330	27,839
a) land	6,803	6,803
b) buildings	20,527	21,036
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total	257,600	261,415

Investment property: analysis of assets carried at fair value

Items/Amounts	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	-	-	62,960	-	-	62,765
a) land	-	-	-	-	-	-
b) buildings	-	-	62,960	-	-	62,765
2. Assets purchased under finance leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	62,960	-	-	62,765

These include assets belonging to Fondo Immobiliare Centro delle Alpi Real Estate, which is 100% held by the Parent Company.

Intangible assets - line item 130

Intangible assets: breakdown by type

Assets/Values	30/06/2016		31/12/2015	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill -	7,847	-	7,847	-
A.1.1 Attributable to the banking group	-	7,847	-	7,847
A.1.2 Pertaining to minority interests	-	-	-	-
A.2 Other intangible assets:	16,282	-	14,399	-
A.2.1 Carried at cost:	16,282	-	14,399	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	16,282	-	14,399	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	16,282	7,847	14,399	7,847

Intangible assets comprise the cost of purchasing software with a finite life, normally 3 years, which is amortised over that period, and goodwill relating to the acquisition of Factorit spa. Goodwill booked for € 7.847 million refers to the acquisition of Factorit Spa. The accounting treatment is in accordance with IFRS 3 on business combinations. This standard requires that the acquisition and therefore the first consolidation of the acquired entity has to take place on the date when the purchaser effectively obtains control over the other business.

Based on IFRS 3, the allocation took place according to the purchase method, which says that allocation of the identifiable assets and liabilities acquired has to 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.

It is particularly important to identify as accurately as possible the fair value of the assets and liabilities so that only the residual portion of the purchase cost that cannot be allocated to specific assets or liabilities gets booked 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. The Parent Company therefore booked a provisional figure of € 7.847 million, which was the difference between the price paid and the book net equity at the acquisition date, with the possibility of establishing a more accurate fair value for the assets and liabilities within 12 months of the acquisition date.

From a careful review, there were no differences in fair value attributable to assets and liabilities which involved corrections of the values attributed at the time of the acquisition, which meant that there was no need to adjust the value of goodwill booked on a provisional basis.

For this goodwill, which was subject to impairment testing in the 2015 financial statements, there has been no reason to repeat it.

Other assets - line item 160

Other assets: breakdown

	30/06/2016	31/12/2015
Advances paid to tax authorities	87,664	56,409
Withholdings on interest due to customers	-	843
Tax credits and related interest	45,438	28,031
Current account cheques drawn on third parties	486	26,205
Current account cheques drawn on Group banks	62,590	11,173
Transactions in customers' securities	8,201	1,590
Inventories	13,660	13,518
Costs pertaining to the subsequent year	-	805
Advances to suppliers	880	851
Advances to customers awaiting collections	11,014	18,817
Miscellaneous debits in transit	22,894	53,515
Liquidity of pension fund	22,838	13,527
Accrued expenses not allocated	32,465	35,927
Prepayments not allocated	20,935	9,102
Guarantee deposits for the purchase of property	29	-
Differences on elimination	4,179	1,473
Residual items	60,439	85,613
Total	393,712	357,399

Liabilities and equity

Due to banks - line item 10

Due to banks: breakdown by type

Type of transaction/Amounts	30/06/2016	31/12/2015
1. Due to central banks	1,117,231	1,099,856
2. Due to banks	1,309,514	1,202,280
2.1 Current accounts and sight deposits	428,602	251,887
2.2 Time deposits	388,286	343,978
2.3 Loans	486,497	598,765
2.3.1 Repurchase agreements	-	-
2.3.2 Other	486,497	598,765
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	6,129	7,650
Total	2,426,745	2,302,136
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	2,426,745	2,302,136
Total Fair value	2,426,745	2,302,136

These payables are not specifically hedged.

Amounts due to central banks comprise a loan from the ECB as part of its «Targeted Longer-Term refinancing operations» (T-LTRO) for € 1.100 million, obtained in June 2016 and repayable in June 2020, subject to early repayment in June 2018. This loan is secured by bonds, mainly Government bonds, and receivables.

The loans obtained from the ECB as part of the first series of TLTRO for € 350 million in September 2014 and for € 748 million in December 2014, both maturing in September 2018, were repaid in June 2016.

«Other loans» principally comprise funding from the EIB in connection with loans granted by the bank under agreements signed with the EIB, as well as special forms of loan drawn down by Factorit Spa.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.

Due to customers - line item 20

Due to customers: breakdown by sector

Type of transaction/Amounts	30/06/2016	31/12/2015
1. Current accounts and sight deposits	24,016,896	23,918,440
2. Time deposits	813,618	1,585,576
3. Loans	763,211	795,509
3.1 Repurchase agreements	741,483	727,070
3.2 Other	21,728	68,439
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	47,388	47,684
Total	25,641,113	26,347,209
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	25,641,113	26,347,209
Fair value	25,641,113	26,347,209

These payables are not specifically hedged.

Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

Securities issued - line item 30

Securities issued: breakdown by sector

Type of security/Amounts	30/06/2016				31/12/2015			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	3,418,328	1,508,102	1,966,458	-	3,111,549	984,991	2,168,249	-
1.1 structured	208,924	-	208,924	-	223,382	-	223,382	-
1.2 other	3,209,404	1,508,102	1,757,534	-	2,888,167	984,991	1,944,867	-
2. Other securities	84,496	-	84,496	-	69,637	-	69,637	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 Other	84,496	-	84,496	-	69,637	-	69,637	-
Total	3,502,824	1,508,102	2,050,954	-	3,181,186	984,991	2,237,886	-

The fair value of the «other securities» is equal to the book value as this item includes bankers' drafts and similar documents as well as short-term bearer certificates of deposit.

Level 1 securities refer to covered bonds issued and to a subordinated loan issued in March 2015.

Financial liabilities held for trading - line item 40

Financial liabilities held for trading: breakdown by sector

Type of transaction/ Members of the Group	30/06/2016					31/12/2015				
	NV	Fair Value			FV*	NV	Fair Value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial derivatives	-	5,077	77,383	-	-	-	-	48,709	-	-
1.1 For trading	-	5,077	77,383	-	-	-	-	48,709	-	-
1.2 Connected with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total B	-	5,077	77,383	-	-	-	-	48,709	-	-
Total A+B	-	5,077	77,383	-	-	-	-	48,709	-	-

FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = Nominal or notional value



Hedging derivatives - line item 60

Hedging derivatives: breakdown by type of hedge and by level

Type of derivatives/ Underlying assets	Fair Value 30/06/2016			Nominal Value	Fair Value 31/12/2015			Nominal Value
	Level 1	Level 2	Level 3	30/06/2016	Level 1	Level 2	Level 3	31/12/2015
A. Financial derivatives	-	54,498	-	1,016,012	-	53,483	-	1,146,377
1) Fair value	-	54,498	-	1,016,012	-	53,483	-	1,146,377
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	-	54,498	-	1,016,012	-	53,483	-	1,146,377

Other liabilities - line item 100

Other liabilities – breakdown

	30/06/2016	31/12/2015
Amounts at the disposal of third parties	329,253	235,311
Taxes to be paid on behalf of third parties	71,586	57,502
Taxes to be paid	1,077	1,648
Employee salaries and contributions	27,676	12,937
Suppliers	16,235	15,173
Transit accounts for sundry entities	2,625	10,162
Invoices to be received	2,059	12,555
Credits in transit for financial transactions	2,300	3,968
Value date differentials on portfolio transactions	331,224	151,261
Directors' and statutory auditors' emoluments	198	1,179
Loans disbursed to customers to be finalised	6,225	18,039
Miscellaneous credit items being settled	73,558	71,868
Accrued expenses not allocated	11,896	9,619
Deferred income not allocated	16,343	13,798
Allowance for risks on guarantees and commitments	19,448	20,160
Differences on elimination	43,508	6,246
Residual items	50,820	36,740
Total	1,006,031	678,166

This line item shows an increase of € 327.865 million mainly due for € 179.963 million in value date differentials on portfolio transactions and for € 93.942 million in amounts at the disposal of third parties.

Termination indemnities - line item 110

Termination indemnities: changes during the year

	30/06/2016	31/12/2015
A. Opening balance	43,374	44,915
B. Increases	6,360	7,609
B.1 Provisions	3,762	7,609
B.2 Other changes	2,598	-
C. Decreases	3,506	9,150
C.1 Payments made	302	1,214
C.2 Other changes	3,204	7,936
D. Closing balance	46,228	43,374

Provisions for risks and charges - line item 120

Provisions for risks and charges: breakdown

Items/Components	30/06/2016	31/12/2015
1. Pension and similar obligations	129,703	117,912
2. Other provisions for risks and charges	42,749	47,813
2.1 Legal disputes	30,247	29,054
2.2 Personnel expenses	9,996	16,676
2.3 Other	2,506	2,083
Total	172,452	165,725

The Parent Company's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Parent Company and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The value of the fund is adjusted with reference to its membership, which was closed on 28/4/1993. This closed group comprises 409 employees and 242 pensioners.

Pursuant to current internal agreements, employees hired after 28/04/1993 have been given the chance to enrol in an open-ended supplementary pension fund, for which Arca Previdenza F.P.A. had been chosen.

The adequacy of the fund with respect to the present value of the obligation at the reference date is periodically verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in remuneration and benefits. The technical assessments made reference to dynamic economic and financial assumptions.

The discounting rate reflects the yield on prime bonds.

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off, and other disputes that have arisen in the ordinary course of business. The Group makes provisions in these cases when, considering the opinion of legal advisors, it appears likely that payments will be made and a reasonable estimate can be made of the amount concerned. No provisions are made in relation to disputes considered to be without merit.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice.

The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims and using market rates of interest at 30/06/2016 as the discount rate.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses.

Other provisions include the provision for charitable donations consisting of an allocation of profits authorised by the shareholders which is used to make approved payments.

Group equity - Line items 140, 170, 180, 190, 200 and 220

Share capital comprises 453,385,777 issued and fully-paid ordinary shares, par value € 3 each, totalling € 1,360.157 million. Shares in circulation have dividend and voting rights from 1 January 2016.

At the period-end, the Bank held treasury shares with a carrying value of € 25.349 million.



Other information

Guarantees given and commitments

Operations	30/06/2016	31/12/2015
1) Financial guarantees	407,541	364,786
a) Banks	18,728	13,561
b) Customers	388,813	351,225
2) Commercial guarantees	3,219,593	3,273,270
a) Banks	84,585	84,946
b) Customers	3,135,008	3,188,324
3) Irrevocable commitments to make loans	1,641,219	1,310,888
a) Banks	93,822	31,031
i) certain to be called on	80,426	18,298
ii) not certain to be called on	13,396	12,733
b) Customers	1,547,397	1,279,857
i) certain to be called on	513,804	357,833
ii) not certain to be called on	1,033,593	922,024
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets lodged to guarantee the commitments of third parties	27,110	28,092
6) Other commitments	71,438	23,651
Total	5,366,901	5,000,687

Guarantees include an amount of € 4.081 million versus the Interbank Deposit Protection Fund - Voluntary Scheme for the action resolved by the Fund in favour of Cassa di Risparmio di Cesena.

Management and intermediation for third parties

Type of service	30/06/2016
1. Execution of orders on behalf of customers	
a) Purchases	399,317
1. settled	396,933
2. not settled	2,384
b) Sales	325,046
1. settled	324,139
2. not settled	907
2. Portfolio management	
a) Individual	1,741,747
b) Collective	-
3. Custody and administration of securities	
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	1,441,214
1. securities issued by consolidated companies	-
2. other securities	1,441,214
b) Third-party securities on deposit (excluding portfolio management): other	16,826,821
1. securities issued by consolidated companies	3,109,804
2. other securities	13,717,017
c) Third-party securities on deposit with third parties	18,542,982
d) Own securities on deposit with third parties	8,131,595
4. Other transactions	-

Information on the income statement

Interest - line items 10 and 20

Interest and similar income: breakdown

Items/technical forms	Fixed-yield securities	Loans	Other transactions	Total 30/06/2016	Total 30/06/2015
1. Financial assets held for trading	5,746	-	-	5,746	8,375
2. Financial assets at fair value through profit or loss	-	-	-	-	1
3. Available-for-sale financial assets	18,493	-	-	18,493	30,746
4. Held-to-maturity investments	250	-	-	250	394
5. Loans and receivables with banks	-	1,546	-	1,546	2,360
6. Loans and receivables with customers	934	315,019	-	315,953	373,807
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	-
Total	25,423	316,565	-	341,988	415,683

Interest and similar income: other information

Interest and similar income on foreign currency assets

	30/06/2016	30/06/2015
Interest and similar income on foreign currency assets	42,357	46,574

Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other liabilities	Total 30/06/2016	Total 30/06/2015
1. Due to central banks	(845)	-	-	(845)	(848)
2. Due to banks	(1,738)	-	-	(1,738)	(2,589)
3. Due to customers	(46,007)	-	-	(46,007)	(83,959)
4. Securities issued	-	(36,863)	-	(36,863)	(43,013)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	(30)	(30)	(4)
8. Hedging derivatives	-	-	(9,521)	(9,521)	(8,678)
Total	(48,590)	(36,863)	(9,551)	(95,004)	(139,091)

Interest and similar expense: differentials on hedging transactions

Items	30/06/2016	30/06/2015
A. Positive differentials on hedging transactions	-	-
B. Negative differentials on hedging transactions	(9,521)	(8,678)
C. Balance (A-B)	(9,521)	(8,678)



Interest and similar expense: other information

Interest and similar expense on foreign currency liabilities

	30/06/2016	30/06/2015
Interest and similar expense on foreign currency liabilities	(12,247)	(13,351)

Interest expense on finance lease transactions

	30/06/2016	30/06/2015
Interest expense on finance lease transactions	(7)	(15)

Commissions - line items 40 and 50

Fee and commission income: breakdown

Type of service/Amounts	30/06/2016	30/06/2015
a) guarantees given	14,494	14,458
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	42,603	46,168
1. trading in financial instruments	4,474	7,163
2. trading in foreign currencies	5,451	5,587
3. portfolio management	4,613	4,307
3.1. individual	4,613	4,307
3.2. collective	-	-
4. custody and administration of securities	4,104	5,091
5. custodian bank	1,085	952
6. placement of securities	10,645	9,729
7. order receipt and transmission	5,078	6,884
8. consultancy	-	-
8.1 investments	-	-
8.2 corporate finance	-	-
9. distribution of third-party services	7,153	6,455
9.1 portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	5,803	4,644
9.3 other products	1,350	1,811
d) collection and payment services	34,309	33,685
e) services for securitisation transactions	-	-
f) services for factoring transactions	10,815	12,234
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	14,112	14,420
j) other services	36,112	39,034
Total	152,445	159,999

Fee and commission expense: breakdown

Services/Amounts	30/06/2016	30/06/2015
a) guarantees received	(171)	(225)
b) credit derivatives	-	-
c) management and intermediation services:	(1,695)	(2,090)
1. trading in financial instruments	(824)	(1,148)
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1 own	-	-
3.2 delegated by third parties	-	-
4. custody and administration of securities	(871)	(942)
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	(4,700)	(4,946)
e) other services	(2,689)	(3,584)
Total	(9,255)	(10,845)

Dividends and similar income - line item 70

Dividends and similar income: breakdown

Items/Income	30/06/2016		30/06/2015	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	2,878	54	586	16
B. Available-for-sale financial assets	3,015	-	1,267	315
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	22	-	13	-
Total	5,915	54	1,866	331



Net trading income - line item 80

Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	17,520	16,018	(53,928)	(2,295)	(22,685)
1.1 Fixed-yield securities	7,223	2,761	(2,569)	(1,624)	5,791
1.2 Variable-yield securities	295	2,019	(45,628)	(566)	(43,880)
1.3 Mutual funds	45	1,178	(4,263)	(105)	(3,145)
1.4 Loans	-	-	-	-	-
1.5 Other	9,957	10,060	(1,468)	-	18,549
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	789
4. Derivatives	8,619	19,322	(11,872)	(14,093)	1,942
4.1 Financial derivatives:	8,619	19,322	(11,872)	(14,093)	1,942
- On debt securities and interest rates	8,415	6,318	(8,931)	(6,264)	(462)
- On equities and equity indices	-	12,070	(2,737)	(6,928)	2,405
- On currency and gold	-	-	-	-	(34)
- Other	204	934	(204)	(901)	33
4.2 Credit derivatives	-	-	-	-	-
Total	26,139	35,340	(65,800)	(16,388)	(19,954)

Net trading income has decreased from € 43.747 million to a negative balance of € 19.954 million, with a particularly significant decline in net trading income on securities and a negative difference between gains and losses, again on securities.

The income from trading in «other financial assets» is mainly made up of exchange gains.

This table does not include the result of the securities in the pension fund, which is shown under another item.

Net hedging gains (losses) - line item 90

Net hedging gains (losses): breakdown

Income items/Amounts	30/06/2016	30/06/2015
A. Income from:		
A.1 Fair value hedging derivatives	-	-
A.2 Hedged financial assets (fair value)	2,604	10,154
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedges	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total income from hedging activities (A)	2,604	10,154
B. Charges from:		
B.1 Derivatives hedging fair value	(1,894)	(8,694)
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedges	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total charges from hedging activities (B)	(1,894)	(8,694)
C. Net hedging gains (losses) (A-B)	710	1,460

Gains (losses) from sales or repurchases - line item 100

Gains (losses) from sales or repurchases - breakdown

Items/income items	30/06/2016			30/06/2015		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	47,041	(1,599)	45,442	78,755	(144)	78,611
3.1 Fixed-yield securities	43,640	-	43,640	66,371	(144)	66,227
3.2 Variable-yield securities	3,390	(1,599)	1,791	349	-	349
3.3 Mutual funds	11	-	11	12,035	-	12,035
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	47,041	(1,599)	45,442	78,755	(144)	78,611
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	662	(1,173)	(511)	823	(1,502)	(679)
Total liabilities	662	(1,173)	(511)	823	(1,502)	(679)



**Net change in value of financial assets and liabilities
at fair value - line item 110**

Net change in value of financial assets/liabilities at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	508	-	(4,090)	-	(3,582)
1.1 Fixed-yield securities	-	-	-	-	-
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	508	-	(4,090)	-	(3,582)
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Customer deposits	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	(511)
4. Credit and financial derivatives	-	-	-	-	-
Total	508	-	(4,090)	-	(4,093)

The gains and losses recognised mainly concern mutual funds.

Net impairment losses - line item 130

Net impairment losses on loans and receivables: breakdown

Transactions/ Income items	Adjustments (1)			Write-backs (2)				Total 30/06/2016	Total 30/06/2015
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other			A	B	A	B	
A. Loans and receivables with banks									
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(5,749)	(221,744)	(29,298)	3,534	72,281	-	57,120	(123,856)	(190,658)
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
Other receivables	(5,749)	(221,744)	(29,298)	3,534	72,281	-	57,120	(123,856)	(190,658)
- Loans	(5,749)	(221,380)	(29,298)	3,534	72,281	-	56,932	(123,680)	(189,194)
- Fixed-yield securities	-	(364)	-	-	-	-	188	(176)	(1,464)
C. Total	(5,749)	(221,744)	(29,298)	3,534	72,281	-	57,120	(123,856)	(190,658)

Key:

A = interest

B = other write-backs

Net impairment losses on available-for-sale financial assets: breakdown

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 30/06/2016	Total 30/06/2015
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Variable-yield securities	-	(1,955)	-	-	(1,955)	(2,033)
C. Mutual funds	-	(318)	-	-	(318)	(691)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(2,273)	-	-	(2,273)	(2,724)

Key:

A = interest

B = from write-back

Net impairment losses on held-to-maturity investments: breakdown

Transactions/ Income items	Adjustments			Write-backs				Total 30/06/2016	Total 30/06/2015
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Debt securities	-	-	-	-	-	-	-	-	(2,192)
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	-	-	-	-	-	-	-	-	(2,192)

Key:

A = interest

B = from write-back

Net impairment losses on other financial transactions: breakdown

Transactions/ Income items	Adjustments			Write-backs				Total 30/06/2016	Total 30/06/2015
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	-	(345)	(4)	-	1,041	-	20	712	(5,066)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to make loans	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	(345)	(4)	-	1,041	-	20	712	(5,066)

Key:

A = interest

B = from write-back



Administrative expenses - line item 180

Personnel expenses: breakdown

Type of expense/Amounts	30/06/2016	30/06/2015
1) Employees	(114,112)	(114,880)
a) Wages and salaries	(75,585)	(74,281)
b) Social security contributions	(18,227)	(18,291)
c) Termination indemnities	-	-
d) Pension expenses	(2,227)	(2,163)
e) Provision for employee termination indemnities	(3,762)	(3,623)
f) Provision for pension and similar obligations:	(1,809)	(4,114)
- defined contribution	-	-
- defined benefits	(1,809)	(4,114)
g) Payments to external supplementary pension funds:	(1,674)	(1,693)
- defined contribution	(1,674)	(1,693)
- defined benefits	-	-
h) Costs deriving from payment agreements based on own capital instruments	-	-
i) Other personnel benefits	(10,828)	(10,715)
2) Other working personnel	(279)	(1,559)
3) Directors and Statutory auditors	(1,125)	(1,049)
4) Retired personnel	-	-
Total	(115,516)	(117,488)

Average number of employees by category

	30/06/2016	31/12/2015
1) Employees	3,138	3,098
a) Managers	36	31
b) Officials	750	739
c) Other employees	2,352	2,328
2) Other personnel	59	80
	30/06/2016	31/12/2015
- Actual number of employees	3,151	3,115
- Other personnel	87	80
BRANCHES	354	354

Other administrative expenses: breakdown

Type of service/Amounts	30/06/2016	30/06/2015
Telephone, post and data transmission	(7,889)	(7,855)
Maintenance of property, equipment and investment property	(4,940)	(4,937)
Rent of buildings	(13,780)	(13,875)
Security	(3,194)	(3,192)
Transportation	(1,763)	(2,009)
Professional fees	(16,073)	(11,191)
Office materials	(1,271)	(1,241)
Electricity, heating and water	(2,748)	(3,077)
Advertising and entertainment	(1,866)	(1,859)
Legal	(9,154)	(8,008)
Insurance	(983)	(975)
Company searches and information	(3,039)	(2,722)
Indirect taxes and dues	(26,713)	(27,820)
Software and hardware rental and maintenance	(7,431)	(7,455)
Data entry by third parties	(909)	(861)
Cleaning	(2,911)	(2,768)
Membership fees	(898)	(979)
Services received from third parties	(1,785)	(1,168)
Outsourced activities	(8,725)	(13,642)
Deferred charges	(1,676)	(1,574)
Goods and services for employees	(478)	(452)
Other	(19,239)	(5,915)
Total	(137,465)	(123,575)

Other expenses include € 13.985 million comprising the contributions paid to the National Resolution Fund and the Interbank Deposit Protection Fund.

Net accruals to provisions for risks and charges - line item 190

Net accruals to provisions for risks and charges: breakdown

The line item amounts to € 1.575 million.



Net gains (losses) on equity investments - line item 240

Net gains (losses) on equity investments: breakdown

Income item/amount	30/06/2016	30/06/2015
1) Joint-ventures		
A. Income	8	8
1. Revaluations	8	8
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Impairment write-downs	-	-
3. Loss from disposals	-	-
4. Other charges	-	-
Profit (loss)	8	8
2) Associated companies		
A. Income	6,526	6,130
1. Revaluations	6,526	3,128
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	3,002
B. Charges	(259)	(448)
1. Write-downs	(259)	(448)
2. Impairment write-downs	-	-
3. Loss from disposals	-	-
4. Other charges	-	-
Profit (loss)	6,267	5,682
Total	6,275	5,690

Net gains on sales of investments - line item 270

Net gains on sales of investments: breakdown

Income items/Amounts	30/06/2016	30/06/2015
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	35	3
- Gains on disposal	35	3
- Losses on disposal	-	-
Profit (loss)	35	3

Earnings per share

Average number of ordinary shares (fully diluted)

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in profit is 453,385,777.

The number of shares shown in the table below is the weighted average for the year.

	30/06/2016	30/06/2015
number of shares	453,385,777	453,385,777

Other information

IAS 33 requires that earnings per share (EPS) be reported in accordance with the following definitions:

«Basic EPS», determined by dividing the profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no circumstances under which earnings can be diluted and there are no activities to be sold for which basic and diluted EPS must be stated separately.

	30/06/2016	30/06/2015
Basic EPS - €	0.102	0.215
Diluted EPS - €	0.102	0.215

Information on risks and related hedging policy

The information provided in this part may be based on internal management figures and, therefore, may not coincide with the tables showing the balance sheet and income statement figures.

Risks of the Banking Group

Credit risk

QUALITATIVE INFORMATION

Qualitative information about credit risk is provided in the financial statements at 31/12/2015. With reference to impaired financial assets, please refer to the information in the report on operations, in the paragraph on «Lending», and in the notes, in the «Loans» section.



QUANTITATIVE INFORMATION

Asset quality

Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/quality	Bad loans	Unlikely-to-pay loans	Past due exposures, impaired	Past due exposures, not impaired	Not impaired exposures	Total 30/06/2016
1. Available-for-sale financial assets	-	317	-	-	5,998,306	5,998,623
2. Held-to-maturity investments	-	-	-	-	105,845	105,845
3. Loans and receivables with banks	-	599	-	-	694,480	695,079
4. Loans and receivables with customers	753,502	1,326,476	283,805	637,363	21,705,181	24,706,327
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-
6. Financial assets being sold	-	-	-	-	-	-
Total 30/06/2016	753,502	1,327,392	283,805	637,363	28,503,812	31,505,874
Total 31/12/2015	734,682	1,210,337	417,931	811,401	27,949,078	31,123,429

The word exposures is understood as excluding equities and mutual funds.

Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/quality	Impaired assets			Not impaired assets			Total net exposure
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Available-for-sale financial assets	317	-	317	5,998,306	-	5,998,306	5,998,623
2. Held-to-maturity investments	-	-	-	105,845	-	105,845	105,845
3. Loans and receivables with banks	10,564	9,965	599	694,480	-	694,480	695,079
4. Loans and receivables with customers	4,289,219	1,925,436	2,363,783	22,501,507	158,963	22,342,544	24,706,327
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
6. Financial assets being sold	-	-	-	-	-	-	-
Total 30/06/2016	4,300,100	1,935,401	2,364,699	29,300,138	158,963	29,141,175	31,505,874
Total 31/12/2015	4,264,621	1,901,671	2,362,950	28,920,133	159,654	28,760,479	31,123,429

With reference to financial assets held for trading, those at fair value and hedging derivatives, the gross exposure is shown at the value resulting from the valuation at period-end.

**Banking Group - Cash and off-balance sheet exposures to banks:
gross and net values and past due bands**

Type of exposure/Amounts	Gross exposure				Not impaired assets	Specific adjustments	General portfolio adjustments	Net exposure
	Impaired assets							
	Up to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year				
A. Cash exposures								
a) Bad loans	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
b) Unlikely-to-pay loans	10,564	-	-	-	-	9,965	-	599
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
c) Impaired past due exposures	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
d) Not impaired past due exposures	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
e) Other not impaired exposure	-	-	-	-	950,198	-	-	950,198
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
Total A	10,564	-	-	-	950,198	9,965	-	950,797
B. Off-balance sheet exposures								
a) Impaired	-	-	-	-	-	-	-	-
b) Not impaired	-	-	-	-	215,259	-	6	215,253
Total B -	-	-	-	215,259	-	6	215,253	
Total (A+B)	10,564	-	-	-	1,165,457	9,965	6	1,166,050

Cash exposures include the loans and receivables with banks, shown under item 60, as well as other financial assets consisting of bank securities included in items 20, 30, 40, 50 of assets, excluding variable-yield securities. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to variable-yield securities).



Banking Group – Cash exposures to banks: dynamics of gross impaired loans

Categories	Bad loans	Unlikely-to-pay loans	Past due exposures, impaired
A. Opening gross exposure	-	10,391	-
- of which: sold but not eliminated from the balance sheet	-	-	-
B. Increases	-	279	-
B.1 transfers from performing loans	-	-	-
B.2 transfers from other categories of impaired exposure	-	-	-
B.3 other increases	-	279	-
C. Decreases	-	106	-
C.1 transfers to performing loans	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	106	-
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposure	-	-	-
C.7 other decreases	-	-	-
D. Closing gross exposure	-	10,564	-
- of which: sold but not eliminated from the balance sheet	-	-	-

Banking group – Impaired cash exposures to banks: dynamics of total writedowns

Categories	Bad loans		Unlikely-to-pay loans		Past due exposures, impaired	
	Total	of which: exposures subject to forbearance	Total	of which: exposures subject to forbearance	Total	of which: exposures subject to forbearance
A. Total opening adjustments	-	-	9,965	-	-	-
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-	-
B. Increases	-	-	-	-	-	-
B.1 adjustments	-	-	-	-	-	-
B.2 losses on disposal	-	-	-	-	-	-
B.3 transfers from other categories of impaired exposure	-	-	-	-	-	-
B.4 other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 write-backs on valuation	-	-	-	-	-	-
C.2 write-backs due to collections	-	-	-	-	-	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-	-	-
C.6 other decreases	-	-	-	-	-	-
D. Total closing adjustments	-	-	9,965	-	-	-
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-	-

**Banking group – Cash and off-balance sheet exposures to customers:
gross and net values and past due bands**

Type of exposure/Amounts	Gross exposure				Not impaired assets	Specific adjustments	General portfolio adjustments	Net exposure
	Impaired assets							
	Up to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year				
A. Cash exposures								
a) Bad loans	6,701	27,438	55,875	1,878,347	-	1,214,859	-	753,502
- of which: exposures subject to forbearance	58	666	2,258	33,781	-	22,326	-	14,437
b) Unlikely-to-pay loans	669,080	163,699	167,722	989,312	-	663,020	-	1,326,793
- of which: exposures subject to forbearance	302,928	11,477	32,120	100,113	-	146,678	-	299,960
c) Impaired past due exposures	47,668	54,975	73,752	154,966	-	47,556	-	283,805
- of which: exposures subject to forbearance	3,433	10,389	12,833	8,748	-	4,749	-	30,654
d) Not Impaired past due exposures	-	-	-	-	645,654	-	8,291	637,363
- of which: exposures subject to forbearance	-	-	-	-	35,951	-	432	35,519
e) Other not impaired exposure	-	-	-	-	29,031,620	-	150,671	28,880,949
- of which: exposures subject to forbearance	-	-	-	-	364,223	-	7,463	356,760
Total A	723,449	246,112	297,349	3,022,625	29,677,274	1,925,435	158,962	31,882,412
B. Off-balance sheet exposures								
a) Impaired	74,900	-	-	-	-	14,216	-	60,684
b) Not impaired	-	-	-	-	5,104,370	-	5,231	5,099,139
Total B	74,900	-	-	-	5,104,370	14,216	5,231	5,159,823
Total (A+B)	798,349	246,112	297,349	3,022,625	34,781,644	1,939,651	164,193	37,042,235

Cash exposures include the customer loans shown in item 70 as well as other financial assets represented by non-bank securities included in items 20, 30, 40, 50 of the assets side of the balance sheet, excluding variable-yield securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to variable-yield securities and mutual funds).



**Banking group – Cash exposures to customers:
dynamics of gross impaired loans**

Categories	Bad loans	Unlikely-to-pay loans	Past due exposures, impaired
A. Opening gross exposure	1,927,607	1,840,510	486,113
- of which: sold but not eliminated from the balance sheet	725	952	1,768
B. Increases	250,723	564,800	214,803
B.1 transfers from performing loans	52,865	252,685	193,398
B.2 transfers from other categories of impaired exposure	156,725	172,664	-
B.3 other increases	41,133	139,451	21,405
C. Decreases	209,969	415,497	369,555
C.1 transfers to performing loans	61	31,792	101,870
C.2 write-offs	106,048	123	-
C.3 collections	102,909	244,677	77,368
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposure	827	138,245	190,317
C.7 other decreases	124	660	-
D. Closing gross exposure	1,968,361	1,989,813	331,361
- of which: sold but not eliminated from the balance sheet	-	1,869	2,320



**Banking group – Cash exposures to customers:
dynamics of total writedowns**

Categories	Bad loans		Unlikely-to-pay loans		Past due exposures, impaired	
	Total	Of which: exposures subject to forbearance	Total	Of which: exposures subject to forbearance	Total	Of which: exposures subject to forbearance
A. Total opening adjustments	1,192,925	18,929	630,599	109,878	68,182	2,728
- of which: sold but not eliminated from the balance sheet	177	-	157	-	223	-
B. Increases	167,807	5,376	110,155	51,342	6,996	2,161
B.1 adjustments	110,420	1,575	90,206	51,337	6,991	2,161
B.2 losses on disposal	-	-	-	-	-	-
B.3 transfers from other categories of impaired exposure	57,279	3,801	19,924	5	-	-
B.4 other increases	108	-	25	-	5	-
C. Decreases	145,873	1,979	77,734	14,542	27,622	140
C.1 write-backs on valuation	34,859	1,361	14,910	5,206	4,734	40
C.2 write-backs due to collections	4,235	618	7,379	5,393	1,213	95
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	106,048	-	123	5	-	-
C.5 transfers to other categories of impaired exposure	609	-	55,100	3,801	21,494	5
C.6 other decreases	122	-	222	137	181	-
D. Total closing adjustments	1,214,859	22,326	663,020	146,678	47,556	4,749
- of which: sold but not eliminated from the balance sheet	-	-	316	-	301	-



Distribution and concentration of lending

Banking group – Distribution by sector of the cash and off-balance sheet exposures to customers (book value)

Exposures/Counterparties	Government			Other public entities		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures						
A.1 Bad loans	-	-	-	-	-	-
- of which exposures subject to forbearance	-	-	-	-	-	-
A.2 Unlikely-to-pay loans	8,156	4,544	-	-	-	-
- of which exposures subject to forbearance	-	-	-	-	-	-
A.3 Past due exposures, impaired	-	-	-	125	12	-
- of which exposures subject to forbearance	-	-	-	-	-	-
A.4 Not impaired exposures	7,175,847	-	897	303,921	-	64
- of which exposures subject to forbearance	-	-	-	-	-	-
Total A	7,184,003	4,544	897	304,046	12	64
B. Off-balance sheet exposures						
B.1 Bad loans	-	-	-	-	-	-
B.2 Unlikely-to-pay loans	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Not impaired exposures	99,021	-	-	29,295	-	-
Total B	99,021	-	-	29,295	-	-
Total (A+B) 30/06/2016	7,283,024	4,544	897	333,341	12	64
Total (A+B) 31/12/2015	7,420,194	4,649	-	162,704	34	66

Banking group – Territorial distribution of cash and off-balance sheet exposures to customers (book value)

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total writedowns	Net exposure	Total writedowns
A. Cash exposures				
A.1 Bad loans	731,079	1,158,952	22,414	52,228
A.2 Unlikely-to-pay loans	1,290,838	643,554	35,117	19,044
A.3 Past due exposures, impaired	281,563	47,192	2,235	363
A.4 Not impaired exposures	25,752,721	145,426	3,709,662	13,490
Total A	28,056,201	1,995,124	3,769,428	85,125
B. Off-balance sheet exposures				
B.1 Bad loans	11,335	8,348	-	-
B.2 Unlikely-to-pay loans	41,448	5,857	29	1
B.3 Other impaired assets	7,872	10	-	-
B.4 Not impaired exposures	4,622,517	4,233	473,687	996
Total B	4,683,172	18,448	473,716	997
Total A+B 30/06/2016	32,739,373	2,013,572	4,243,144	86,122
Total A+B 31/12/2015	32,112,168	2,001,667	4,215,262	65,805

Financial companies			Insurance companies			Non-financial companies			Other parties		
Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
8,774	39,005	-	-	-	-	615,479	1,014,113	-	129,248	161,742	-
-	-	-	-	-	-	13,244	21,535	-	1,193	791	-
17,835	15,999	-	-	-	-	1,062,553	566,363	-	238,250	76,113	-
9,434	6,349	-	-	-	-	255,533	124,533	-	34,993	15,796	-
882	134	-	-	-	-	187,548	31,771	-	95,250	15,639	-
55	10	-	-	-	-	27,497	4,239	-	3,102	500	-
2,913,847	-	12,580	8,509	-	-	12,780,804	-	128,544	6,335,384	-	16,877
402	-	3	-	-	-	345,781	-	7,775	46,096	-	117
2,941,338	55,138	12,580	8,509	-	-	14,646,384	1,612,247	128,544	6,798,132	253,494	16,877
-	-	-	-	17	-	11,094	8,032	-	241	299	-
802	67	-	-	-	-	39,495	5,505	-	1,180	286	-
-	-	-	-	-	-	5,720	7	-	2,152	3	-
564,218	-	125	3,193	-	4	4,040,958	-	4,681	362,447	-	421
565,020	67	125	3,193	17	4	4,097,267	13,544	4,681	366,020	588	421
3,506,358	55,205	12,705	11,702	17	4	18,743,651	1,625,791	133,225	7,164,152	254,082	17,298
3,073,862	54,559	13,771	11,798	17	5	18,700,222	1,609,060	132,816	7,028,176	238,298	18,244

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
8	22	-	3,634	-	24
696	332	143	89	-	-
5	1	-	-	2	-
42,137	31	11,076	13	2,716	2
42,846	386	11,219	3,736	2,718	26
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,387	2	382	-	159	-
2,387	2	382	-	159	-
45,233	388	11,601	3,736	2,877	26
54,778	256	12,273	3,761	2,475	32



Banking group – Territorial distribution of cash and off-balance sheet exposures to banks (book value)

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total writedowns	Net exposure	Total writedowns
A. Cash exposures				
A.1 Bad loans	-	-	-	-
A.2 Unlikely-to-pay loans	599	9,965	-	-
A.3 Past due exposures, impaired	-	-	-	-
A.4 Not impaired exposures	633,677	-	261,570	-
Total A	634,276	9,965	261,570	-
B. Off-balance sheet exposures				
B.1 Bad loans	-	-	-	-
B.2 Unlikely-to-pay loans	-	-	-	-
B.3 Other impaired assets	-	-	-	-
B.4 Not impaired exposures	92,314	6	113,448	-
Total B	92,314	6	113,448	-
Total A+B 30/06/2016	726,590	9,971	375,018	-
Total A+B 31/12/2015	983,600	9,965	345,874	-

Significant risks

	30/06/2016	31/12/2015
Number of positions	10	8
Exposure	12,316,266	12,021,007
Risk position	3,530,241	2,885,046

The exposure limit of 10% of own funds - the threshold for inclusion of a counterparty in the category of «significant risks» - has to be measured in terms of the «nominal amount» of the exposure, i.e. the sum of cash risk assets and off-balance sheet transactions with a customer or a group of related customers. On the other hand, the «risk position», on which the maximum limits are measured for the assumption of each individual significant risk, is given by the same aggregate weighted according to a system that takes account of the nature of the debtor and any guarantees that have been obtained.

The above positions include the Republic of Italy (nominal exposure, 7,176 million; risk position, 51 million), solely in relation to the sovereign securities held in the Bank's portfolios, and Cassa di Compensazione e Garanzia - Clearing House (nominal exposure, 1,689 million; risk position, 186 million), principally in relation to lending and funding repo transactions.

The number of large risks and the related exposures differ from those reported for supervisory purposes, since art. 4 of Regulation 575/2013 CRR allows the existence of a group of related customers to be considered separately for each company or entity that is controlled directly.

Banking group - Market risk

Qualitative information about interest rate, price and exchange rate risks is provided in the financial statements at 31/12/2015.

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,472	-	24,353	-	5,126	-
25,472	-	24,353	-	5,126	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,370	-	7,844	-	277	-
1,370	-	7,844	-	277	-
26,842	-	32,197	-	5,403	-
32,042	-	36,001	-	6,947	-



Derivative instruments

Financial derivatives

Trading portfolio for supervisory purposes: notional amounts at period end and average amounts

Underlying assets/Type of derivative	Total 30/06/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	2,376,545	-	1,495,825	-
a) Options	21,293	-	23,821	-
b) Swaps	2,355,252	-	1,472,004	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	11	378,573	11	-
a) Options	11	378,573	11	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	4,144,536	-	4,063,344	-
a) Options	89,828	-	113,143	-
b) Swaps	-	-	-	-
c) Forwards	4,054,708	-	3,950,201	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	22,213	-	15,378	-
5. Other underlying assets	-	-	-	-
Total	6,543,305	378,573	5,574,558	-

Bank book: notional amounts at period end and averages

For hedging

Underlying assets/Type of derivative	Total 30/06/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	1,016,012	-	1,146,377	-
a) Options	-	-	-	-
b) Swaps	1,016,012	-	1,146,377	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	1,016,012	-	1,146,377	-



Financial derivatives: gross positive fair value - breakdown by product

Underlying assets/Type of derivative	POSITIVE FAIR VALUES			
	Total 30/06/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	62,557	2,340	64,058	-
a) Options	1,810	2,340	2,067	-
b) Interest rate swap	30,678	-	19,509	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	29,339	-	41,955	-
f) Futures	-	-	-	-
g) Other	730	-	527	-
B. Bank book - for hedging purposes	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	62,557	2,340	64,058	-

Financial derivatives: gross negative fair value - breakdown by product

Underlying assets/Type of derivative	NEGATIVE FAIR VALUES			
	Total 30/06/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	77,384	5,077	48,709	-
a) Options	1,711	5,077	1,944	-
b) Interest rate swap	31,094	-	19,231	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	43,874	-	27,033	-
f) Futures	-	-	-	-
g) Other	705	-	501	-
B. Bank book - for hedging purposes	54,498	-	53,483	-
a) Options	-	-	-	-
b) Interest rate swap	54,498	-	53,483	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	131,882	5,077	102,192	-



Over the Counter financial derivatives - trading portfolio for supervisory purposes: notional values, gross positive and negative fair value by counterparty - contracts which are not part of settlement agreements

Contracts which are not part of settlement agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Fixed-yield securities and interest rates							
- notional value	-	-	2,213,272	285	-	156,751	6,236
- positive fair value	-	-	18,955	16	-	11,534	213
- negative fair value	-	-	31,124	-	-	10	-
- future exposure	-	-	12,876	1	-	218	12
2. Variable-yield securities and stock indices							
- notional value	-	-	-	11	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currency and gold							
- notional value	27,833	-	3,185,693	303,733	813	442,141	184,321
- positive fair value	171	-	23,407	3,656	-	2,222	1,652
- negative fair value	-	-	29,400	8,028	-	5,841	2,276
- future exposure	278	-	33,467	4,747	8	4,267	1,847
4. Other assets							
- notional value	-	-	11,106	-	-	11,106	-
- positive fair value	-	-	531	-	-	199	-
- negative fair value	-	-	190	-	-	514	-
- future exposure	-	-	1,115	-	-	1,115	-

OTC financial derivatives - bank book: notional values, gross positive and negative fair values for counterparties - contracts which are not part of settlement agreements

Contracts which are not part of settlement agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Fixed-yield securities and interest rates							
- notional value	-	-	1,016,013	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	54,498	-	-	-	-
- future exposure	-	-	5,183	-	-	-	-
2. Variable-yield securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Residual life of OTC financial derivatives: notional values

Underlyings/residual life	Within 12 months	1 to 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes				
A.1 Financial derivatives on fixed-yield securities and interest rates	4,228,955	1,296,128	1,018,220	6,543,303
A.2 Financial derivatives on variable-yield securities and stock indices	154,434	1,203,890	1,018,220	2,376,544
A.3 Financial derivatives on exchange rates and gold	-	11	-	11
A.4 Financial derivatives on other instruments	4,052,715	91,821	-	4,144,536
B. Bank book	303,489	550,473	162,051	1,016,013
B.1 Financial derivatives on fixed-yield securities and interest rates	303,489	550,473	162,051	1,016,013
B.2 Financial derivatives on variable-yield securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 30/06/2016	4,532,444	1,846,601	1,180,271	7,559,316
Total 31/12/2015	4,329,821	2,063,983	327,131	6,720,935



Banking group - Liquidity risk

Qualitative information about liquidity risk is provided in the financial statements at 31/12/2015.

Securitisation transactions and disposal of assets

Covered bonds

On 6 November 2013, the Board of Directors of the Parent Company authorised a covered bond programme for a maximum amount of € 5 billion, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company.

On 30 May 2014, pursuant and consequent to the combined provisions of arts. 4 and 7-bis of law 130 of 30 April 1999, a portfolio of performing loans totalling € 802 million was assigned without recourse to «POPSO Covered Bond s.r.l.», the vehicle company, in relation to the issue on 5 August 2014 of the first series of 5-year covered bonds for € 500 million.

Under the same contract, a second assignment of performing loans totalling € 202 million took place on 4 December 2015. On 1 February 2016, a portfolio of performing loans totalling € 576 million was assigned without recourse to POPSO Covered Bond s.r.l., the vehicle company, in relation to the second series of covered bonds amounting to € 500 million issued on 4 April 2016.

The above securitisation involved the sale of residential mortgages to the SPV, which was simultaneously granted a subordinated loan in order to settle the sale price. Since the Bank retains all the risks and benefits relating to those loans, the operation is not treated as an assignment without recourse pursuant to IAS 39. Therefore, these mortgages were not derecognised.

The principal strategic objectives for this issue including equipping the Parent Company with instruments that can be placed on the market, even via public transactions. In addition, the activation of instruments of this type can contribute to:

- extending the maturities of funding and therefore strengthening its correlation with the medium/long-term loans granted;
- diversifying the long-term sources of funding;
- obtaining favourable conditions, with respect to those available via the routine placement of unsecured bonds.

A complex and detailed process has been established for complying with the related regulatory requirements. The process involves, in particular, calculating and monitoring the tests required by law and contracts, checking compliance with the requirements governing the suitability of the assets assigned, preparing the reports required by the regulations and the rating agency, and performing all the related control activities. Among the various counterparts involved for various reasons, BDO Italia Spa, the independent auditing firm and «asset monitor», is responsible for verifying the tests.

The operations are proceeding smoothly and no issues have emerged with respect to the contractual requirements.

The regulations also require assessment of the objectives, legal, reputational and other risks, and controls put in place by the corporate bodies responsible for strategic supervision and control.

The following information is provided about the bonds issued by Banca Popolare di Sondrio S.C.p.A. for which the vehicle company, POPSO Covered Bond s.r.l., acts as Guarantor:

Series and Class	Series 1
ISIN Code:	IT0005039711
Issue date	05/08/2014
Maturity Date	05/08/2019
Extended maturity	05/08/2020
Value date	Euro
Amount	500,000,000
Type of rate	Fixed
Parameter	1.375%
Annual	Coupon
Applicable law	Italian

Series and Class	Series 2
ISIN Code:	IT0005175242
Issue date	04/04/2016
Maturity Date	04/04/2023
Extended maturity	04/04/2024
Value date	Euro
Amount	500,000,000
Type of rate	Fixed
Parameter	0.750%
Annual	Coupon
Applicable law	Italian

Banking group - Operational risks

Qualitative information about operational risks is provided in the financial statements at 31/12/2015.

Information on exposure to sovereign debt

CONSOB with communication no. DEM/11070007 of 05/08/2011 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 30/06/2016 amounted to € 8,059 million and was structured as follows:

- a) Government securities: € 7,017 million;
- b) Other issuers securities: € 34 million;
- c) Loans to public administrations: € 159 million;
- d) Loans to local administrations: € 66 million;
- e) Loans to local or state-owned enterprises: € 555 million;
- f) Loans to other public administrations and other entities: € 228 million.



Information on consolidated equity

Consolidated capital

QUALITATIVE INFORMATION

A healthy banking system is absolutely in the public interest, and the solvency and reliability of banks requires them to maintain appropriate capital resources. Such resources must be sufficient for the Group to absorb any losses without prejudicing the rights of depositors, bearing in mind that the existence of losses also affects its reputation.

The need for capital adequacy has been made even more evident by the crisis and the actions of the Supervisory Authorities, which now operate on a transnational basis. Indeed, the economic/financial crisis has brought the equity levels of banks into sharp focus following the large losses recorded, the explosion of expected losses caused by the recession, the deterioration of loan quality and the uncertain value of assets. Without forgetting, at the same time, the need to support the economy in order to stimulate a recovery.

The Group has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and to protect against risk in accordance with the requirements of the supervisory regulations. In line with its status as a cooperative bank, the capitalisation policy has been identified as the instrument that, by creating the role of shareholder/customer, makes it possible to pursue the strategy of autonomous growth decided by Management. This is why the history of the Group features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation. Based on this premise, we have never issued innovative capital instruments and the repeated increases have always been taken up en masse, as reflected in the total number of shareholders that we have reached.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Group to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The crisis and the adverse effects on the financial statements of banks have hit their self-financing capability that, in the past, contributed substantially to the capitalisation of lending institutions. The tensions in the financial markets in recent years, hit by crisis, have not left room for the Bank to further strengthen its equity position, despite constant operational growth that, in 2010, included the acquisition of control over Factorit Spa with a view to providing specialist tools in support of the real economy. The last increase in share capital took place in 2014 through a combined bonus and rights issue with the receipt for the cash portion of € 343 million.

The responsibilities that the bank has versus its shareholders and that derive from its status as a cooperative bank have led to an extremely prudent style of management of the company's capital, as can be seen from the mix of assets and liabilities in the balance sheet.

QUANTITATIVE INFORMATION

The component parts and amounts of the Group's equity are described in the following tables.

Consolidated equity broken down by type of businesses

Equity items	Consolidated				Total 30/06/2016
	Banking group	Insurance companies	Other businesses	eliminations and adjustments	
1. Share capital	1,393,736	-	-	-	1,393,736
2. Share premium reserve	83,363	-	-	-	83,363
3. Reserves	1,064,127	-	1,098	8,330	1,073,555
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(25,349)	-	-	-	(25,349)
6. Valuation reserve	53,957	-	192	4,798	58,947
- Available-for-sale financial assets	91,930	-	-	-	91,930
- Property, equipment and investment property	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash-flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Actuarial profits (losses) on defined-benefit plans	(37,973)	-	-	-	(37,973)
- Share of valuation reserves of equity investments valued at net equity	-	-	-	4,798	4,798
- Special revaluation regulations	-	-	192	-	192
7. Profit (loss) of the year (+/-) of the Group and of minority interests	46,472	-	649	638	47,759
Total	2,616,306	-	1,939	13,766	2,632,011

Valuation reserves for available-for-sale financial assets: breakdown

Assets/Values	Banking group		Insurance companies		Other businesses		Consolidated eliminations and adjustments		Total 30/06/2016	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	40,050	-	-	-	-	-	-	-	40,050	-
2. Variable-yield securities	39,554	-	-	-	-	-	-	-	39,554	-
3. Mutual funds	12,922	(596)	-	-	-	-	-	-	12,922	(596)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 30/06/2016	92,526	(596)	-	-	-	-	-	-	92,526	(596)
Total 31/12/2015	115,143	(2,203)	-	-	-	-	-	-	115,143	(2,203)



Valuation reserves for available-for-sale financial assets: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	57,859	43,538	11,543	-
2. Positive changes	13,322	-	1,710	-
2.1 Increases in fair value	13,265	-	1,678	-
2.2 Release to the income statement of negative reserves	57	-	32	-
- from impairment	-	-	32	-
- from disposals	57	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	31,131	3,984	927	-
3.1 Reductions in fair value	2,459	-	901	-
3.2 Impairment writedowns	-	-	26	-
3.3 Transfer to income statement from positive reserves: from disposals	28,672	3,984	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	40,050	39,554	12,326	-

Valuation reserves relating to defined-benefit plans: changes during the year

The valuation reserve relating to the defined-benefit plans is negative by € 37.973 million. This amount derives from the recognition of the related actuarial gains and losses and the associated taxation.

Capital and capital adequacy ratios

Scope of application of the regulations

The new harmonised rules for banks and investment firms contained in Regulation (EU) no. 575/2013 (Capital Requirement Regulation - CRR) and Directive 2013/36 EU (Capital Requirement Directive - CRD IV) came into force on 1 January 2014, adopting in the European Union the standards established by the Basel Committee on Banking Supervision (Basel 3).

The CRR applies directly at national level, while the CRD IV must be adopted at that level: these measures were implemented via the issue of Bank of Italy Circular 285 of 17 December 2013 «Supervisory instructions for banks», which also set out the regulatory decisions made at national level in relation to own funds during the transition period. The Circular adopted the CRD IV regulations that the Bank of Italy was required to implement and redesigned the overall reporting framework for consistency with the related EU instructions.

Own funds

QUALITATIVE INFORMATION

Pursuant to art. 4, para. 1, nos. 71 and 118, and art. 72 of Regulation (EU) 575/2013 (CRR), own funds (previously, capital for supervisory purposes being the sum of «core capital» and «supplementary capital») comprise:

- Tier 1 Capital;

- Tier 1 Capital.
The Tier 1 capital (art. 25 CRR) consists of:
- Common Equity Tier 1 - CET1;
- Additional Tier 1 - AT1.

The Tier 1 capital (CET1) is made up of the following positive and negative components:

- Share capital;
- Share premium reserve;
- Retained earnings;
- Negative valuation reserves - OCI;
- Other reserves;
- Previous CET 1 instruments subject to transitional instructions (grandfathering);
- Prudential filters;
- Deductions.

The prudential filters are regulatory adjustments of the carrying amount of (positive or negative) elements of the Tier 1 capital.

The deductions are negative elements of the Tier 1 capital.

Additional Tier 1 capital (AT1) consists of the following positive and negative components:

- Equity instruments and related premiums;
- Previous AT1 instruments subject to transitional instructions (grandfathering);
- Deductions.

Tier 2 capital (T2) consists of the following positive and negative elements:

- Equity instruments, subordinated loans and related premiums;
- Positive measurement reserves - OCI;
- Previous T2 instruments subject to transitional instructions (grandfathering);
- Deductions.

The new supervisory regulations envisage a transition period from 2014 to 2017, with the gradual introduction (phase in) of part on the new rules on own funds and capital requirements, as well as safeguard clauses that allow the partial inclusion, with gradual exclusion by 2021, of previous equity instruments that do not meet all the requirements specified by the CRR for inclusion in CET 1, AT1 or T2.

The «Transitional instructions regarding own funds» section of the Bank of Italy's Circular 285 allows banks an option to exclude from their own funds any unrealised gains or losses on exposures to central administrations classified as «available-for-sale financial assets» pursuant to IAS 39. This option had to be exercised by 31 January 2014. The Parent Company has opted not to include in its own funds the positive and negative reserves arising on exposures to central administrations that are classified as «Available-for-sale financial assets», consistent with the approach settled pursuant to the Bank of Italy instruction dated 18 May 2010. This decision has resulted in not recognising as part of own funds capital gains of about 39 million, net of tax effect.



QUANTITATIVE INFORMATION

	30.06.2016	31.12.2015
A. Common Equity Tier 1-CET1 before the application of prudential filters	2,522,780	2,456,138
of which: CET1 instruments subject to transitional instructions	-	-
B.1 Prudential filters of CET1 (+/-)	-	-
C. CET1 gross of the elements to be deducted and the effects of the transitional instructions (A +/- B)	2,522,780	2,456,138
D. Elements to be deducted from CET1	24,125	50,135
E. Transitional instructions - Impact on CET1 (+/-), including minority interest subject to transitional instructions	17,448	34,669
F. Total Common Equity Tier 1-CET1 (C - D +/- E)	2,516,103	2,440,672
G. Additional Tier 1 - AT1, gross of the elements to be deducted and the effects of the transitional instructions	9,430	5,480
of which: AT1 instruments subject to transitional instructions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional instructions - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the transitional instructions	-3,772	-3,288
L. Total Additional Tier 1 - AT1 (G - H +/- I)	5,658	2,192
M. Tier 2 - T2, gross of the elements to be deducted and the effects of the transitional instructions	486,723	508,996
of which: T2 instruments subject to transitional instructions	12,574	34,847
N. Elements to be deducted from T2	14,481	6,153
O. Transitional instructions - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the transitional instructions	137,637	180,312
P. Total Tier 2 - T2 (M - N +/- O)	609,879	683,155
Q. Total Own funds (F + L + P)	3,131,640	3,126,019

Capital adequacy

QUALITATIVE INFORMATION

The capital ratios are calculated under the new Basel 3 rules.

The regulation introduced by the Bank of Italy in Circular 285/2013 establishes the following minimum ratios for banking groups for 2016:

- CET 1 of 4.50%;
- Tier 1 of 6%;
- Total Capital Ratio of 8%.

In addition to the above, the following additional restrictions have been introduced:

- Capital Conservation Buffer (CCB), comprising an additional 2.5% of Common Equity Tier 1 capital, intended to safeguard the minimum level of regulatory capital under adverse market conditions;
- Anti-cyclical capital reserve, intended to protect the banking sector at times of excessive lending growth; this is currently not implemented but, following instructions from the Supervisory Bodies, could be established during times of economic growth to set aside capital of primary quality to cover possible losses during a downturn, by applying a specific coefficient established at national level;
- Additional reserves set aside using capital of primary quality by entities of global significance and other entities of systemic importance. The buffer for entities of global

significant may vary from a minimum of 1% to a maximum of 3.5%, while a non-binding maximum threshold of 2% is envisaged for the others;

- Capital reserves against systemic risk, to be established by each member State with a minimum of 1%.

The sum of the regulatory requirements and the additional reserves gives the minimum capital requirement, which is indicated below:

- CET 1 of 7%;
- Tier 1 of 8.5%;
- Total Capital Ratio of 10.5%.

Banks that do not hold sufficient reserve capital are subject to restrictions on the distribution of resources that would otherwise be included in own funds, such as profits; in addition, the Group must adopt a capital conservation plan that indicates the measures to be taken in order to re-establish, within a reasonable period, the level of capital needed to maintain the required level of capital reserves.

During the course of 2015, the European Central Bank carried out a new Supervisory Review and Evaluation Process (SREP), after which the bank was asked to maintain a minimum Group CET 1 ratio of 9.25%.

At 30 June 2016, the parameters of the Group under the new regulations are as follows:

- CET 1 Capital ratio 10.75%;
- Tier 1 Capital ratio 10.78%;
- Total Capital ratio 13.38.

The leverage ratio required by Basel 3, calculated as the ratio of Tier 1 to total on- and off-balance sheet assets, is 6.41%.



QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts/ requirements	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
A. ASSETS AT RISK				
A.1 Credit and counterparty risk				
1. Standardised approach	35,560,376	35,125,439	20,503,634	20,385,032
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	295,515	245,802	246,806	220,738
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			1,660,035	1,648,462
B.2 Loan adjustment risk			2,597	896
B.3 Regulation risks			-	-
B.4 Market risks			-	-
1. Standard methodology			55,852	57,910
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			-	-
1. Basic method			153,722	153,722
2. Standardised approach			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	-
B.7 Total precautionary requirements			1,872,206	1,860,990
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			23,402,575	23,262,375
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			10,75	10,49
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			10,78	10,50
C.4 Total Own funds/Risk-weighted assets (Total capital ratio)			13,38	13,44

Related-party transactions

Related party disclosures

In accordance with Consob Resolution 17221 of 12.3.2010 and subsequent amendments, by resolution of the Board of Directors on 11 November 2010 the Parent Company adopted its own «Internal procedures on related party transactions». A related party is understood as being a person in a certain position who could exercise an influence over the Group such as to condition, directly or indirectly, the way that it operated to favour their own personal interests.

Related parties have been identified in accordance with IAS 24 and with the above mentioned Consob Regulation. Related parties are:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control and companies subject to significant influence by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the spouse (not legally separated) or companion of the person concerned; the children and dependant relatives of the person concerned, of the spouse (not legally separated) and of the companion; the parents, second degree relatives and others living with the person concerned.

Considering the Bank's status as a cooperative bank in accordance with Title II, Chapter V, Section I of the Consolidated Banking Act (CBA), shareholders are not considered related parties of the Group just because they own shares in it.

No atypical or unusual transactions have been carried out with related parties during the year.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arm's-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the directors and statutory auditors is authorised at the shareholders' meeting; the Board of Directors establishes the compensation of Directors who hold particular offices laid down in the Articles of Association.

The compensation paid to directors and managers can be found in the «Remuneration Report of Banca Popolare di Sondrio» pursuant to art. 123-ter CFA, which is also available on the bank's website.

For related parties with administration, management and control functions, there is a special approval procedure for the granting of bank credit laid down in art. 136 of the CBA. This makes the transaction subject to the unanimous approval of the Board of Directors and the consent of all members of the Board of Statutory Auditors.



	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	1,221	5,592	18	21	-	480
Statutory auditors	240	324	4	2	-	-
Management	10	1,170	-	5	8	-
Family members	3,085	19,116	34	77	23	10,555
Subsidiaries	2,345,091	371,623	13,726	- 55	939,804	10,822
Associated companies	659,011	181,485	1,478	326	109,425	2,886
Other related parties	214,430	52,535	1,518	57	14,460	32,679

Loans to subsidiaries are represented mainly by interbank relations with Banca Popolare di Sondrio (Suisse) SA and Factorit spa, while loans to associated companies relate for € 572 million to Alba Leasing spa and for € 76 million to Banca della Nuova Terra spa; assets with other related parties include loans of € 137 million granted to the affiliate Release spa.

Segment information

Primary format

Distribution by business segment: income statement

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 30/06/2016
Interest income	217,956	172,299	-	90,563	480,818	-138,830	341,988
Interest expense	-51,491	-105,032	-	-77,311	-233,834	138,830	-95,004
Net interest income	166,465	67,267	-	13,252	246,984	-	246,984
Fee and commission income	74,511	35,583	37,148	5,743	152,985	-540	152,445
Fee and commission expense	-3,276	-3,651	-2,346	237	-9,036	-219	-9,255
Dividends and similar income	-	-	-	5,969	5,969	-	5,969
Net trading income	-	-	-	-20,696	-20,696	742	-19,954
Net hedging profit (loss)	-	1,480	-	-770	710	-	710
Gains/losses from sales or repurchases	-	-	-	44,931	44,931	-	44,931
Net change in financial assets and liabilities carried at fair value	-	-	-	-4,093	-4,093	-	-4,093
Total income	237,700	100,679	34,802	44,573	417,754	-17	417,737
Adjustments to the net value of financial assets	-108,729	-14,416	-	-2,272	-125,417	-	-125,417
Net financial income	128,971	86,263	34,802	42,301	292,337	-17	292,320
Administrative expenses	-65,765	-79,445	-27,307	-57,735	-230,252	-22,729	-252,981
Provisions for risks and charges	-4,172	2,597	-	-	-1,575	-	-1,575
Depreciation and net impairment losses on property, equipment and investment property	-2,225	-3,190	-1,074	-2,428	-8,917	-	-8,917
Amortisation and net impairment losses on intangible assets	-1,791	-2,482	-820	-1,115	-6,208	-	-6,208
Other operating income/expense	5,855	3,756	-34	3,104	12,681	22,746	35,427
Share of profit/loss of equity investments	-	-	-	6,275	6,275	-	6,275
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	160	160	-	160
Gains/losses on disposal of investments	-	-	-	35	35	-	35
Gross profit	60,873	7,499	5,567	-9,403	64,536	-	64,536

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 30/06/2015
Interest income	275,434	240,791	-	144,129	660,354	-244,671	415,683
Interest expense	-83,451	-147,071	-	-153,240	-383,762	244,671	-139,091
Net interest income	191,983	93,720	-	-9,111	276,592	-	276,592
Fee and commission income	77,275	37,135	40,262	5,758	160,430	-431	159,999
Fee and commission expense	-4,133	-4,066	-2,631	266	-10,564	-281	-10,845
Dividends and similar income	-	-	-	2,197	2,197	-	2,197
Net trading income	-	-	-	43,057	43,057	690	43,747
Net hedging profit (loss)	-	1,679	-	-219	1,460	-	1,460
Gains/losses from sales or repurchases	-	-	-	77,932	77,932	-	77,932
Net change in financial assets and liabilities carried at fair value	-	-	-	6,603	6,603	-	6,603
Total income	265,125	128,468	37,631	126,483	557,707	-22	557,685
Adjustments to the net value of financial assets	-149,989	-45,711	-	-4,940	-200,640	-	-200,640
Net financial income	115,136	82,757	37,631	121,543	357,067	-22	357,045
Administrative expenses	-64,008	-79,207	-27,625	-44,048	-214,888	-26,175	-241,063
Provisions for risks and charges	3,230	-6,552	-	-497	-3,819	-	-3,819
Depreciation and net impairment losses on property, equipment and investment property	-2,131	-3,117	-1,072	-2,324	-8,644	-	-8,644
Amortisation and net impairment losses on intangible assets	-1,710	-2,415	-806	-1,060	-5,991	-	-5,991
Other operating income/expense	5,852	4,062	-14	9,867	19,767	26,197	45,964
Share of profit/loss of equity investments	-	-	-	5,690	5,690	-	5,690
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-458	-458	-	-458
Gains/losses on disposal of investments	-	-	-	3	3	-	3
Gross profit	56,369	-4,472	8,114	88,716	148,727	-	148,727

Distribution by business segment: balance sheet

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 30/06/2016
Financial assets	15,467,613	10,449,374	-	7,776,699	33,693,686
Other assets	-	-	-	1,584,325	1,584,325
Property, equipment and investment property	55,033	76,482	25,319	163,726	320,560
Intangible assets	4,816	6,481	2,106	10,726	24,129
Financial liabilities	6,534,835	22,619,624	-	2,553,181	31,707,640
Other liabilities	29,637	6,467	-	1,028,265	1,064,369
Provisions	69,538	92,031	22,772	34,339	218,680
Guarantees given	3,087,140	463,791	-	103,313	3,654,244
Commitments	1,072,743	504,266	41,826	93,822	1,712,657



Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 30/06/2015
Financial assets	15,377,842	9,532,593	-	8,665,353	33,575,788
Other assets	-	-	-	1,615,434	1,615,434
Property, equipment and investment property	55,311	78,516	26,050	164,303	324,180
Intangible assets	4,158	5,797	1,894	10,397	22,246
Financial liabilities	7,327,760	22,201,521	-	2,403,442	31,932,723
Other liabilities	32,853	6,837	-	706,684	746,374
Provisions	62,797	92,216	21,714	32,372	209,099
Guarantees given	3,134,114	433,526	-	98,508	3,666,148
Commitments	939,857	339,665	23,984	31,033	1,334,539

Secondary format

Distribution by geographical area: income statement

Items	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 30/06/2016
Interest income	404,363	46,546	31,092	482,001	-140,013	341,988
Interest expense	-183,603	-37,883	-14,234	-235,720	140,716	-95,004
Net interest income	220,760	8,663	16,858	246,281	703	246,984
Fee and commission income	115,530	25,651	12,520	153,701	-1,256	152,445
Fee and commission expense	-5,247	-3,405	-1,142	-9,794	539	-9,255
Dividends and similar income	16,974	-	10	16,984	-11,015	5,969
Net trading income	-29,403	-	8,483	-20,920	966	-19,954
Net hedging profit (loss)	-	-	1,480	1,480	-770	710
Gains/losses from sales or repurchases	44,931	-	-	44,931	-	44,931
Net change in financial assets and liabilities carried at fair value	-3,431	-	-	-3,431	-662	-4,093
Total income	360,114	30,909	38,209	429,232	-11,495	417,737
Adjustments to the net value of financial assets	-125,407	-590	580	-125,417	-	-125,417
Net financial income	234,707	30,319	38,789	303,815	-11,495	292,320
Administrative expenses	-182,386	-19,994	-29,894	-232,274	-20,707	-252,981
Provisions for risks and charges	347	-1,922	-	-1,575	-	-1,575
Depreciation and net impairment losses on property, equipment and investment property	-7,085	-654	-1,178	-8,917	-	-8,917
Amortisation and net impairment losses on intangible assets	-4,999	-533	-676	-6,208	-	-6,208
Other operating income/expense	12,935	2,065	199	15,199	20,228	35,427
Share of profit/loss of equity investments	-132	-	-	-132	6,407	6,275
Net result of fair value measurement of property, equipment and investment property and intangible assets	160	-	-	160	-	160
Gains/losses on disposal of investments	35	-	-	35	-	35
Gross profit	53,582	9,281	7,240	70,103	-5,567	64,536

Items	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 30/06/2015
Interest income	547,281	82,248	33,286	662,815	-247,132	415,683
Interest expense	-314,600	-56,909	-15,541	-387,050	247,959	-139,091
Net interest income	232,681	25,339	17,745	275,765	827	276,592
Fee and commission income	118,549	25,347	17,286	161,182	-1,183	159,999
Fee and commission expense	-6,242	-3,609	-1,506	-11,357	512	-10,845
Dividends and similar income	15,623	-	-	15,623	-13,426	2,197
Net trading income	36,918	-	14,626	51,544	-7,797	43,747
Net hedging profit (loss)	-	-	1,679	1,679	-219	1,460
Gains/losses from sales or repurchases	77,932	-	-	77,932	-	77,932
Net change in financial assets and liabilities carried at fair value	6,481	-	-	6,481	122	6,603
Total income	481,942	47,077	49,830	578,849	-21,164	557,685
Adjustments to the net value of financial assets	-180,664	-17,965	-2,011	-200,640	-	-200,640
Net financial income	301,278	29,112	47,819	378,209	-21,164	357,045
Administrative expenses	-166,502	-19,923	-30,489	-216,914	-24,149	-241,063
Provisions for risks and charges	-2,233	-1,088	-498	-3,819	-	-3,819
Depreciation and net impairment losses on property, equipment and investment property	-6,679	-654	-1,311	-8,644	-	-8,644
Amortisation and net impairment losses on intangible assets	-4,715	-534	-742	-5,991	-	-5,991
Other operating income/expense	12,011	1,851	93	13,955	32,009	45,964
Share of profit/loss of equity investments	1,817	-	-	1,817	3,873	5,690
Net result of fair value measurement of property, equipment and investment property and intangible assets	-458	-	-	-458	-	-458
Gains/losses on disposal of investments	3	-	-	3	-	3
Gross profit	134,522	8,764	14,872	158,158	-9,431	148,727



Distribution by geographical area: balance sheet

Items	Northern Italy	Central Italy	Switzerland	Total 30/06/2016
Financial assets	26,909,800	2,912,300	3,871,586	33,693,686
Other assets	893,615	-	690,710	1,584,325
Property, equipment and investment property	282,765	16,369	21,426	320,560
Intangible assets	21,477	1,450	1,202	24,129
Financial liabilities	20,343,391	7,127,984	4,236,265	31,707,640
Other liabilities	1,026,021	6,217	32,131	1,064,369
Provisions	194,724	21,145	2,811	218,680
Guarantees given	2,929,884	559,275	165,085	3,654,244
Commitments	1,215,914	460,108	36,635	1,712,657

Items	Northern Italy	Central Italy	Switzerland	Total 31/12/2015
Financial assets	27,378,735	2,330,450	3,866,603	33,575,788
Other assets	921,919	-	693,515	1,615,434
Property, equipment and investment property	284,311	17,478	22,391	324,180
Intangible assets	19,602	1,325	1,319	22,246
Financial liabilities	19,813,542	7,881,055	4,238,126	31,932,723
Other liabilities	705,694	6,936	33,744	746,374
Provisions	186,535	19,744	2,820	209,099
Guarantees given	2,846,128	655,476	164,544	3,666,148
Commitments	988,204	318,551	27,784	1,334,539

Certification pursuant to para. 5 of art. 154-bis of Legislative Decree 58/98 on the condensed consolidated interim financial statements

The undersigned Mario Alberto Pedranzini as Managing Director and Maurizio Bertoletti, as Financial Reporting Officer of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of art. 154-bis, paras. 3 and 4, of Legislative Decree 58 of 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the formation of the condensed consolidated interim financial statements for the period 1 January 2016/30 June 2016.

The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the condensed consolidated interim financial statements are based on a model, defined by Banca Popolare di Sondrio Società Cooperativa per Azioni, which makes reference to the principles of the “Internal Control - Integrated Framework (CoSO)”, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.

We also confirm that the condensed consolidated interim financial statements at 30 June 2016:

- have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;
- agree with the balances on the books of account and the accounting entries;
- are able to provide a true and fair view of the assets and liabilities, results and financial position of the issuer and of the companies included in the scope of consolidation.

The report on operations contains a reliable analysis of the significant events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Sondrio, 8 August 2016

Managing director

Mario Alberto Pedranzini



The Financial Reporting Officer

Maurizio Bertoletti





KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Banca Popolare di Sondrio S.C.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banca Popolare di Sondrio Group comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2016. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.



Banca Popolare di Sondrio Group

*Report on review of condensed interim consolidated financial statements
30 June 2016*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banca popolare di Sondrio Group as at and for the six months ended 30 June 2016 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 12 August 2016

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

Attachment 1

**FINANCIAL STATEMENTS
OF THE PARENT BANK
AT 30 JUNE 2016**



BALANCE SHEET

ASSET ITEMS		30-06-2016	31-12-2015
10.	CASH AND CASH EQUIVALENTS	84,109,281	96,965,094
20.	FINANCIAL ASSETS HELD FOR TRADING	1,557,312,815	1,851,494,461
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	155,470,432	158,697,872
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	6,325,562,354	6,319,477,580
50.	HELD-TO-MATURITY INVESTMENTS	105,845,016	125,776,716
60.	LOANS AND RECEIVABLES WITH BANKS	1,687,370,177	2,001,898,271
70.	LOANS AND RECEIVABLES WITH CUSTOMERS	20,725,267,953	20,021,406,321
100.	EQUITY INVESTMENTS	488,888,472	488,595,257
110.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	168,952,319	170,965,705
120.	INTANGIBLE ASSETS	14,969,860	12,959,574
130.	TAX ASSETS	399,418,098	447,243,565
	a) current	21,071,956	61,750,270
	b) deferred	378,346,142	385,493,295
	b1) of which as per Law 214/2011	344,178,304	353,003,389
150.	OTHER ASSETS	354,884,913	322,957,663
TOTAL ASSETS		32,068,051,690	32,018,438,079

THE CHAIRMAN
Francesco Venosta

THE BOARD OF STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Donatella Depperu - Mario Vitali

EQUITY AND LIABILITY ITEMS		30-06-2016	31-12-2015
10.	DUE TO BANKS	2,180,072,098	2,077,164,130
20.	DUE TO CUSTOMERS	22,926,998,204	23,614,087,733
30.	SECURITIES ISSUED	3,354,515,351	3,013,032,938
40.	FINANCIAL LIABILITIES HELD FOR TRADING	115,655,867	97,310,098
80.	TAX LIABILITIES	38,697,156	48,309,394
	b) deferred	38,697,156	48,309,394
100.	OTHER LIABILITIES	928,013,364	633,552,831
110.	POST-EMPLOYMENT BENEFITS	43,550,527	40,864,317
120.	PROVISIONS FOR RISKS AND CHARGES:	166,345,535	159,602,686
	a) pension and similar obligations	129,703,033	117,912,386
	b) other provisions	36,642,502	41,690,300
130.	VALUATION RESERVES	54,267,757	85,111,584
160.	RESERVES	803,760,321	735,497,376
170.	SHARE PREMIUM RESERVE	79,005,128	79,005,128
180.	SHARE CAPITAL	1,360,157,331	1,360,157,331
190.	TREASURY SHARES (-)	(25,321,549)	(25,321,549)
200.	PROFIT OF THE PERIOD	42,334,600	100,064,082
TOTAL LIABILITIES AND EQUITY		32,068,051,690	32,018,438,079

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

INCOME STATEMENT

ITEMS		30-06-2016	30-06-2015
10.	INTEREST AND SIMILAR INCOME	299,859,837	367,888,654
20.	INTEREST AND SIMILAR EXPENSE	(81,612,243)	(125,112,450)
30.	NET INTEREST INCOME	218,247,594	242,776,204
40.	FEE AND COMMISSION INCOME	128,395,398	130,038,805
50.	FEE AND COMMISSION EXPENSE	(6,941,349)	(7,530,241)
60.	NET FEE AND COMMISSION INCOME	121,454,049	122,508,564
70.	DIVIDENDS AND SIMILAR INCOME	16,950,554	15,610,059
80.	NET TRADING INCOME	(28,648,155)	37,592,199
100.	GAINS/LOSSES FROM SALES OR REPURCHASES OF:	44,930,267	77,931,470
	a) loans and receivables (50)		(76)
	b) available-for-sale financial assets 45,441,726		78,610,564
	d) financial liabilities (511,409)		(679,018)
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(3,430,720)	6,481,243
120.	TOTAL INCOME	369,503,589	502,899,739
130.	NET IMPAIRMENT LOSSES ON:	(118,588,207)	(197,410,912)
	a) loans and receivables (117,004,891)		(187,618,124)
	b) available-for-sale financial assets (2,273,008)		(2,724,233)
	c) held-to-maturity investments		(2,192,309)
	d) other financial transactions 689,692		(4,876,246)
140.	NET FINANCIAL INCOME	250,915,382	305,488,827
150.	ADMINISTRATIVE EXPENSES:	(212,788,499)	(199,896,469)
	a) personnel expenses (88,579,510)		(90,668,134)
	b) other administrative expenses (124,208,989)		(109,228,335)
160.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(1,648,125)	(3,607,488)
170.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(6,746,251)	(6,383,412)
180.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(5,504,907)	(5,218,690)
190.	OTHER OPERATING INCOME/EXPENSE	31,943,261	36,556,434
200.	OPERATING COSTS	(194,744,521)	(178,549,625)
210.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS	(132,067)	1,816,925
240.	NET GAINS ON SALES OF INVESTMENTS	12,115	3,185
250.	PRE-TAX PROFIT FROM CONTINUING OPERATIONS	56,050,909	128,759,312
260.	INCOME TAXES	(13,716,309)	(39,270,199)
270.	POST-TAX PROFIT FROM CONTINUING OPERATIONS	42,334,600	89,489,113
290.	PROFIT OF THE PERIOD	42,334,600	89,489,113

