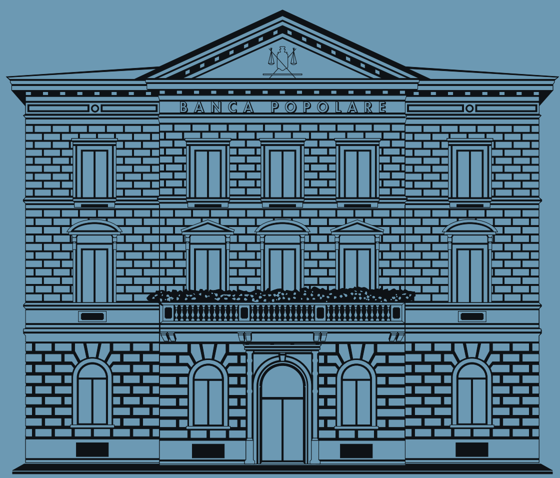
Banca Popolare di Sondrio



CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2014

Banca Popolare
di Sondrio

CONSOLIDATED
INTERIM
REPORT ON
OPERATIONS
AT 30 SEPTEMBER 2014


BANCA POPOLARE

Banca Popolare di Sondrio

Founded nel 1871

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2014

Società cooperativa per azioni
Head office: Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. +390 342 528.111 - Fax +390 342 528.204
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 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
At 30 September 2014: Share capital: € 1,360,157,331 - Reserves: € 775,072,375

Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 9 July 2014:
– long term issuer default rating: BBB
– short-term issuer default rating: F3
– viability rating: bbb

BOARD OF DIRECTORS

Honorary Chairman	PIERO MELAZZINI*
Chairman	FRANCESCO VENOSTA*
Deputy Chairman	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	CLAUDIO BENEDETTI PAOLO BIGLIOLI FEDERICO FALCK ATTILIO PIERO FERRARI GIUSEPPE FONTANA CRISTINA GALBUSERA* PIERO MELAZZINI* NICOLÒ MELZI DI CUSANO ADRIANO PROPERSI ANNALISA RAINOLDI RENATO SOZZANI* DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Auditors	PIO BERSANI 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

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

* Members of the Chairman's Committee

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

INTRODUCTION

This consolidated interim report on operations for the period ended 30 September 2014 has been prepared in compliance with article 154 ter, paragraph 5 of Legislative Decree no. 58 of 24 February 1998 in accordance with the recognition and measurement criteria required by currently applicable international accounting standards (IAS/IFRS) as adopted by the European Community.

The information is provided in compliance with Decree no. 195 dated 6 November 2007, which adopted Directive 2004/109/EC (the Transparency Directive).

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

BASIS OF PREPARATION

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

The accounting policies adopted for the reporting period are consistent with those of the prior year, with the sole exception resulting from the applicability as from 1 January 2014 of the requirements of Regulation (EU) 1254/2012 relating to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as well as amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

In accordance with 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.

Accordingly, although there have been some changes in the scope of consolidation, the comparative figures presented have not been restated, given that the amounts concerned are not significant, and 1 January 2014 was adopted as the consolidation reference date.

For full details of the accounting policies applied, reference should be made to the disclosure thereof in the consolidated financial statements for the year ended 31 December 2013.

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

Balances at 31 December 2013 have been presented as balance sheet comparatives.

Income statement comparatives are the results for the period ended 30 September 2013.

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

THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent bank:

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

Group companies:

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

The Parent bank holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 150,000,000 CHF.

Factorit spa - Milan.

The Parent bank holds 60.5% of the capital of Factorit spa, 85,000,002 euro.

Sinergia Seconda Srl – Milan.

The Parent bank holds all the capital of Sinergia Seconda Srl, 60,000,000 euro.

Popso Covered Bond srl - Conegliano.

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

SCOPE AND METHODS OF CONSOLIDATION

The consolidated interim report on operations presents the financial position as at 30 September 2014 and the results for the period then ended of Banca Popolare di Sondrio Banking Group, which comprises the Parent Bank, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda

Srl and Popso Covered Bond srl, as well as the entities over which the Group exercises control as defined by IFRS 10.

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

FULLY CONSOLIDATED SHAREHOLDINGS:

Name	Location	Share capital (in thousands)	% held
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 150,000	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

The scope of consolidation has changed since 31 December 2013 following the entry into force of the aforementioned IFRS 10, which has revised the concept. Accordingly, the following have fallen within the scope of consolidation: the special purpose vehicle Centro delle Alpi RMBS Srl that is 100% held by SVM Securitisation Vehicles Management Srl and which was set up in 2011 for the securitisation of performing residential mortgages in relation to which both Junior and Senior securities issued by the special purpose vehicle were subscribed for in full by the Parent Bank; Popso Covered Bond Srl, in which the Parent Bank holds a 60% stake and which was set up for an issue of covered bonds; Fondo Immobiliare Centro delle Alpi Real Estate, which was set up recently and which has not yet become active.

The joint venture shown below is valued at equity:

JOINT-VENTURES:

Name	Location	Share capital (in thousands)	% held
Rajna Immobiliare srl	Sondrio	20	50.000

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

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

These 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 bank is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

SHAREHOLDINGS MEASURED USING THE EQUITY METHOD:

Name	Location	Share capital (in thousands)	% held
Alba Leasing spa	Milan	357,953	19.021
Arca Vita spa	Verona	208,279	14.837
Banca della Nuova Terra spa	Milan	50,000	19.609
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Sofipo SA *	Lugano	(CHF) 2,000	30.000
Servizi Internazionali e Strutture Integrate 2000 srl	Milan	75	33.333
Acquedotto dello Stelvio srl **	Bormio	21	27.000
Sifas spa **	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 quarterly reports of the investees have been appropriately reclassified and adjusted, where necessary, to bring them into line with the accounting policies used by the Group.

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

As regards the goodwill recorded in the financial statements, with respect to the assumptions used for the impairment test for the 2013 financial statements, no circumstances have arisen that denote the presence of indicators of impairment.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

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

SUBSEQUENT EVENTS

No events have taken place between the reporting date for this consolidated interim report and the date of its approval by the Board of Directors on 10 November 2014 that would require any adjustments thereto, and nothing of significance has occurred that would require the provision of supplementary information.

INTERNATIONAL BACKGROUND

Expectations that there would have been an upturn in the economic cycle in 2014 have, to a large extent, not been met. With the exception of the United States, which has achieved significant results, the world's major economies, from the emerging nations to Japan, have experienced a period of slowdown.

In the meantime, risks have increased caused by geopolitical uncertainty and rising tensions.

In the euro area, forecasts for growth have been revised downwards, while the risk of deflation has reared its head. Germany has had to cope with a fall in foreign demand.

The difference between the United States' and the Eurozone's economies can be seen in the progressive divergence between the Federal Reserve's and the ECB's monetary policies. Whereas the former has essentially set a path of «normalisation», with a gradual reduction of monetary stimulus, the latter has implemented a series of initiatives aimed at tackling the risk of deflation, by supporting the flow of credit and general economic activity. Furthermore, there has been no reversal of the weakening of the euro against the dollar.

Lastly, as a result of severe political crises in various parts of the world, volatility has returned to financial markets and, as far as equity markets are concerned, this has particularly penalised European markets, with the banking sector in the spotlight following the ECB's tests.

In Italy, the economy has continued to weaken. Despite expectations, the GDP, notwithstanding an improvement in household consumption, was impacted by a continued fall in investment and difficulties in foreign markets. Fears have been raised of a return to recession, while the downward trend in inflation is likely to impact real interest rates and the ratio of debt to GDP. As regards access to credit, the negative trend in lending has continued, while credit quality has remained an issue.

In short, there exists a scenario which is still heavily influenced by numerous negative elements. On the other hand, there is an increased awareness that, without an upturn in the economic cycle, even severe fiscal measures will only produce effects contrary to those expected.

As previously indicated, Switzerland, which is not a member of the Eurozone and which, above all, has emerged from the crisis, was again able to demonstrate its economic and financial solidity and reliability in 2014.

DEPOSITS

The growth in funding reported in prior months continued throughout the third quarter. The strong preference shown by customers for short term sight instruments reflects the general market situation. With widespread uncertainty and with interest rates at an all time low, even for medium to long term financial products, a preference has been shown for more liquid investments. It should be noted that developments regarding the cost of funding have been non-homogenous and sometimes contradictory.

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	30-09-2014	%	31-12-2013	%	Change %
Savings deposits	542,097	1.85	543,921	2.04	-0.34
Certificates of deposit	7,943	0.03	9,038	0.03	-12.12
Bonds	3,351,644	11.46	2,881,231	10.80	16.33
Repo transactions	134,287	0.46	210,968	0.79	-36.35
Bank drafts and similar	64,458	0.22	74,705	0.28	-13.72
Current accounts	20,050,616	68.54	16,839,397	63.13	19.07
Time deposit accounts	2,660,152	9.09	3,852,033	14.44	-30.94
Foreign currency accounts	2,442,035	8.35	2,264,033	8.49	7.86
Total	**29,253,232**	**100.00**	**26,675,326**	**100.00**	**9.66**

TOTAL DEPOSITS

(in thousands of euro)	30-09-2014	%	31-12-2013	%	Change %
Total direct customer deposits	29,253,232	46.95	26,675,326	45.14	9.66
Total indirect customer deposits	27,616,831	44.32	27,341,054	46.26	1.01
Total insurance premiums	870,359	1.40	718,808	1.22	21.08
Total	**57,740,422**	**92.67**	**54,735,188**	**92.62**	**5.49**
Due to banks	3,012,657	4.84	3,067,978	5.19	-1.80
Indirect deposits from banks	1,553,936	2.49	1,295,125	2.19	19.98
Grand total	**62,307,015**	**100.00**	**59,098,291**	**100.00**	**5.43**

Direct customer deposits have risen to 29,253 million, representing an increase of 10.48% over the year and 9.66% since the end of 2013. This result rewards the Group's customer relationship policy that focuses on fairness and mutual trust, being well aware that, especially with interest rates at an all time low, the cost effectiveness of relationships cannot be ignored. It also rewards the validity of the range of products and services. Indirect customer deposits total 27,617 million at market values, up by 1.01% since the end of 2013.

Insurance premium income came to 870 million, +21.08%.

Total customer deposits therefore amount to 57,740 million (+5.49%).

Amounts due to banks total 3,013 million, -1.80%. They include the refinancing operations with the European Central Bank for a total of 1,650 million, as explained in the chapter on «Treasury and trading operations».

Indirect deposits from banks amount to 1,554 million, +19.98%.

Customer and bank deposits therefore total 62,307 million, +5.43%.

Euro and currency current accounts total 22,493 million, +17.74%, while time deposit accounts have fallen to 2,660 million, -30.94%. Euro and currency accounts represent 76.89% of total direct deposits. Bonds have increased by 16.33% to 3,352 million, partly due to the issue of 500 million of covered bonds and 200 million of subordinated debt. Savings deposits are essentially stable, -0.34%, at 542 million, while repo transactions have fallen by 36.35% to 134 million. Certificates of deposit have dropped to 8 million, -12.12%, and remain entirely marginal. Bank drafts amount to 64 million, -13.72%.

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

LENDING

Although expectations at the start of the year were that there would have been an upturn in the economic cycle in 2014, there has been a continuation of the severe economic difficulties that were a feature of prior years. In Italy there was a return to recession with a negative impact on the banking sector. Accordingly, the trend in lending continued to reflect the tendency of businesses to postpone, despite interest rates being at an all time low, capital expenditure as well as the substantial paralysis of a key sector such as the construction industry. As regards credit quality, there has been no end to the rise in non-performing loans.

Despite this, and while waiting for the measures recently implemented by the monetary authority to take effect, the Group has continued to perform its primary role as a pillar of the local economies served.

Amounts due from customers come to 25,772 million, up by 5.07% on an annual basis and up by 7.81% compared to the 2013 year end figure. During a phase in which, as the saying goes, «the horse does not drink», the increase is particularly attributable to repurchase agreements entered into with Cassa di Compensazione e Garanzia in order to «park» abundant liquid assets.

The various captions contribute to total customer loans in differing measure.

Mortgage loans amount to 8,971 million, +1.02%, and represent the largest percentage (34.82%) of the total due from customers. The trend thereof was significantly impacted, as already indicated, by continued difficulties in the construction industry. This balance includes loans sold but not derecognised of 1,298 million in relation to a securitisation arranged by the Parent Bank and 784 million relating to a covered bond issue. These loans have not been derecognised because the requirements of IAS 39 are not met. Other unsecured loans now total 4,299 million, +6.65%, while personal loans amount to 176 million, +5.63%. Repo transactions, representing the temporary employment of liquidity, have risen considerably, from 49 to 1,720 million. Advances remained stable at 438 million. Current account overdrafts have decreased from 6,415 to 6,237 million, -2.78%. Foreign currency loans decreased by 3.22% to 1,449 million, while advances subject to collection decreased by 13.91% to 219 million. Factoring is also lower at 1,518 million, -8%. No fixed-yield securities were held as at the comparative balance sheet date, while at 30 September 2014 the balance amounted to 130 million as a result of customer loan securitisation transactions executed by the investees Banca della Nuova Terra spa and Alba Leasing spa.

DUE FROM CUSTOMERS

(in thousands of euro)	30-09-2014	%	31-12-2013	%	Change %
Current accounts	6,237,114	24.21	6,415,216	26.84	-2.78
Foreign currency loans	1,449,306	5.62	1,497,522	6.26	-3.22
Advances	438,190	1.70	438,528	1.83	-0.08
Advances subject to collection	218,743	0.85	254,092	1.06	-13.91
Discounted portfolio	10,279	0.04	11,626	0.05	-11.59
Artisan loans	24,403	0.09	17,173	0.07	42.10
Agricultural loans	31,053	0.12	32,363	0.14	-4.05
Personal loans	176,307	0.68	166,907	0.70	5.63
Other unsecured loans	4,299,281	16.68	4,031,078	16.86	6.65
Mortgage loans	8,970,624	34.82	8,880,310	37.15	1.02
Net non-performing loans	549,525	2.13	460,681	1.93	19.29
Repo transactions	1,719,865	6.67	49,412	0.21	3380.66
Fixed-yield securities	129,557	0.50	–	–	–
Factoring	1,517,720	5.89	1,649,651	6.90	-8.00
Total	**25,771,967**	**100.00**	**23,904,559**	**100.00**	**7.81**

DUE FROM CUSTOMERS - IMPAIRED AND PERFORMING LOANS

(in thousands of euro)		30-09-2014	31-12-2013	(+/-)	% change
Impaired loans	Gross exposure	3,526,250	3,024,910	501,340	16.57
	Adjustments	1,530,779	1,186,438	344,341	29.02
	Net exposure	**1,995,471**	**1,838,472**	**156,999**	**8.54**
- Non-performing loans	Gross exposure	1,479,395	1,179,504	299,891	25.43
	Adjustments	929,870	718,823	211,047	29.36
	Net exposure	**549,525**	**460,681**	**88,844**	**19.29**
- Watchlist loans	Gross exposure	1,514,052	1,305,665	208,387	15.96
	Adjustments	534,894	406,531	128,363	31.58
	Net exposure	**979,158**	**899,134**	**80,024**	**8.90**
- Restructured loans	Gross exposure	93,842	51,163	42,679	83.42
	Adjustments	12,520	8,344	4,176	50.05
	Net exposure	**81,322**	**42,819**	**38,503**	**89.92**
- Past due loans	Gross exposure	438,961	488,578	-49,617	-10.16
	Adjustments	53,495	52,740	755	1.43
	Net exposure	**385,466**	**435,838**	**-50,372**	**-11.56**
Performing loans	Gross exposure	23,939,602	22,210,705	1,728,897	7.78
	Adjustments	163,106	144,618	18,488	12.78
	Net exposure	**23,776,496**	**22,066,087**	**1,710,409**	**7.75**
Total Due from customers	Gross exposure	27,465,852	25,235,615	2,230,237	8.84
	Adjustments	1,693,885	1,331,056	362,829	27.26
	Net exposure	**25,771,967**	**23,904,559**	**1,867,408**	**7.81**

The ratio of amounts due from customers to amounts due to customers has fallen to 88.10% from 89.61% at the year end.

Total doubtful loans, comprising non-performing, watchlist, restructured and past due loans, amounted to 1,995 million, +8.54%, representing 7.74% of amounts due from customers, compared with 7.69%. This reflects the persistent difficulties attributable to the general economic environment. Writedowns of impaired loans total 1,531 million, representing 43.41% of the gross exposure, compared with 39.22% in December 2013. The table gives an overview of doubtful loans.

Net non-performing loans, after writedowns, total 550 million, +19.29%, or 2.13% of total customer loans, compared with 1.93% at 31 December 2013 and 1.83% at 30 September 2013. Despite this increase, the level of net non-performing loans is far below that of the banking system as a whole.

Adjustments to cover estimated losses on non-performing loans have risen to 930 million, +29.36%, representing 62.85% of the gross amount compared with 60.94% at the end of 2013. The increase in the level of coverage reflects our prudent provisioning policy and positions the Group among those with the highest level of coverage in Italy.

Watchlist loans, being loans to borrowers in temporary difficulties that are expected to be resolved, have risen to 979 million, +8.90%, or 3.80% of total loans to customers, compared with 3.76% at the end of 2013, while the related adjustments amount to 535 million, +31.58%, with a level of coverage of 35.33%. The substantial increase in adjustments for watchlist loans relates to significant provisions made for loans to Alitalia Cai spa, in relation to which loan restructuring by the banking system is currently ongoing.

Restructured loans total 81 million, up 89.92% due, in the main, to reclassifications from other categories of impaired loans following signature of the related restructuring agreements.

Impaired past due loans, as defined by the Supervisory Authorities, amount to 385 million, -11.56%, representing 1.50% of total loans compared with 1.82% at the end of 2013.

Total adjustments come to 1,694 million, +27.26%, and fairly reflect the results of the Asset Quality Review. Provisions made for performing loans amount to 163 million, which is 0.68% of the gross amount of such loans.

In accordance with the terms established by Consob Communication no. DEM/RM11070007 of 5 August 2011, the amount of loans to customers included loans made to central and local government for 85 million, local and state-owned enterprises for 363 million and various other entities for 240 million.

INFORMATION ON OUTCOME OF COMPREHENSIVE ASSESSMENT

As regards the outcome of the Comprehensive Assessment («CA») performed by the European Central Bank («ECB») and by the European Banking Authority («EBA»), and, in particular, the results of the Asset Quality Review («AQR») as reported in the disclosure template published on 26 October, the following information is provided as required by the Consob letter dated 7 November 2014, prot. 0087976/14, pursuant to art. 114, paragraph of Legislative Decree 58/98.

As indicated by the relevant guidelines, the Comprehensive Assessment («CA») consisted of an exercise with primarily prudent, as opposed to accounting, implications, based on the conservative application of measurement criteria that did not substitute international accounting standards used for the preparation of the financial statements.

Nonetheless, some issues arose from the AQR that had a potential accounting impact and, more specifically, in connection with adjustments to provisions for loans included in the sample covered by the Credit File Review («CFR»).

On 3 November, the ECB communicated its detailed findings to the Parent Bank concerning adjustments relating to loans subjected to the

CFR that came to a total of 163 million (200 million of negative adjustments and 37 million of positive adjustments). With respect to these loans, the provisions recognised in this consolidated interim report for the period ended 30 September 2014 amount to 133 million. It is deemed that a portion of the negative adjustments, amounting to 39 million, should not be recognised in the books of account, bearing in mind the risk exposure at the reporting date, as well as the fact that mitigating measures were adopted during the year. For the residual portion of the adjustments, the Group will assess, after an appropriate review has been conducted, whether recognition should be made of any further adjustments in the financial statements for the year ending 31 December 2014, taking account of the aforementioned write-backs, which have not yet been booked.

No accounting impact arose from the results of the Projection of findings that came to 33 million, given that it consists of prudent statistical data for which there is no means of allocating to specific positions the findings computed by the authorities; in addition, the Parent Company is not aware of the methodology used and is not in a position to replicate it.

No accounting impact arose from the results of the Collective provisioning review that came to 78 million. The prudent criteria applied for the AQR through the use of a Collective Challenger Model differ in fact from accounting criteria and do not thus impact the results and financial position; the foregoing amount does not benefit from the offset of excess and insufficient coverage between performing loan portfolio categories, which is permitted under supervisory regulations, but not for financial reporting purposes.

No accounting impact arose from the Fair value Review of financial instruments: moreover, no adjustments arose from the analysis thereof performed by the Group.

Since it was deemed that there was no need to do so, no adjustments were made to the opening balance sheet at 1 January 2014.

As regards the classification of exposures, note that the AQR was performed based on a definition of «non performing» and «forbearance» as provided by the Implementing Technical Standards (ITS) published by the EBA on 21.10.2013, although these standards have not yet been endorsed by the European Commission. The Group is completing the preparation of guidelines, which will be embodied in our internal regulations as a consequence of and in light of the indications that will arrive from the Bank of Italy, following the consultation process that commenced at the end of August and from the EBA, which has also recently commenced consultations on the means of recognition of default pursuant to European prudential regulations.

The checks performed during the AQR on the policies, processes and accounting procedures adopted by the Group and relating to financial statement components other than loans (PP&A - Processes, Policies and Accounting Review) did not reveal any critical issues; accordingly, no corrective measures need to be taken.

TREASURY AND PORTFOLIO OF FINANCIAL ASSETS

At 30 September 2014, net interbank borrowing amounts to 1,374 million, down by 960 million from 2,334 million at the end of 2013. Net of Longer-Term Refinancing Operations (LTROs) and Targeted Longer-Term Refinancing Operations (TLTROs), which the Parent Company has entered into with the ECB and which amount to 1,650 million, the balance would have been a net positive interbank position of 276 million. Treasury activity during the quarter was intensive once again, although the number and value of transactions were lower than in the comparative period. In particular, this consisted of lending transactions, given that the Group continues to be highly liquid, in view of the aforementioned financing provided by the European Central Bank, in relation to which an early redemption was made on 23 April 2014 of 500 million.

The favourable state of the interbank market and of liquidity in general was boosted by recent measures taken by the ECB to facilitate, at a time when interest rates are falling, the granting of bank loans to households and businesses in order to stimulate and support the real economy. With those objectives, the ECB embarked on the TLTRO lending programme, aimed at providing the banking system with further liquidity and which the Parent Company participated in, obtaining an allocation on 18 September of financing of 350 million maturing in September 2018, but with an early redemption commitment in September 2016 in the event of non-compliance with lending thresholds laid down by the ECB.

The excellent state of liquidity is also reflected in the income-earning activities represented by the level of portfolio securities and lending. The portfolio of financial assets totals 7,402 million, up by 8.94% since year end. 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)	30-09-2014	31-12-2013	Change %
Financial assets held for trading (HFT - Held For Trading)	2,204,657	3,154,594	-30.11
of which, derivatives	66,661	37,687	76.88
Financial assets carried at fair value (CFV - Carried at Fair Value)	84,639	79,226	6.83
Financial assets available for sale (AFS - Available For Sale)	4,954,733	3,375,500	46.79
Financial assets held to maturity (HTM - Held to Maturity)	158,036	182,621	-13.46
Hedging derivatives	–	2,923	-100.00
Total	**7,402,065**	**6,794,864**	**8.94**

The increase of 607 million is consistent with operational decisions made in prior years, which give priority to the purchase of government securities, especially BOT, BTP and CTZ, whereas there was a decrease in CCT.

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 6,556 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 2,205 million, down by 30.11% as a result of sales during the period, which led to the recognition of capital gains.

(in thousands of euro)	30-09-2014	31-12-2013	Change %
Floating-rate Italian government securities	1,087,626	1,791,494	-39.29
Fixed-rate Italian government securities	740,887	1,037,321	-28.58
Bank bonds	164,804	161,114	2.29
Bonds of other issuers	41,519	24,830	67.21
Securitisations	37,288	33,804	10.31
Variable-yield securities and mutual funds	65,872	68,344	-3.62
Net book value of derivative contracts	66,661	37,687	76.88
Total	**2,204,657**	**3,154,594**	**-30.11**

The structure of the HFT portfolio remained simple during the period, with a priority again given to Italian Government securities, which, although they decreased due to sales, amounted at the period end to 1,829 million and made up 82.94% of the portfolio. Of these securities, 1,088 million were floating rate, down by 39.29%, and 741 were fixed rate - BOT, BTP and CTZ -, which were also down, in this case by 28.58%. The former account for 49.33% of the portfolio, while the latter account for 33.61%.

The derivatives component has increased from 38 to 67 million, +76.88%.

The corporate bonds held are all of high standing, comprising bank bonds of 165 million, +2.29%, and the bonds of other issuers, which have increased by 67.21% to 42 million. Securities deriving from securitisations have increased by 10.31% to 37 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 66 million, -3.62%.

Financial assets carried at fair value

Financial assets carried at fair value (CFV), which almost entirely consist of units in mutual funds, amount to 85 million, +6.83%, with this increase being mainly attributable to period end measurement.

Financial assets available for sale

The portfolio of financial assets available for sale (AFS) has increased from 3,375 million to 4,955 million, +46.79%. The significant increase, which results from a decision to change the overall mix of the portfolio, is mainly due to the purchase of Italian Government securities, which, at the reporting date, had increased by a total of 4,662 million, +46.97%, 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.

Financial assets available for sale were also comprised of funds and sicavs of 218 million, +197.40%; equities of 68 million, +2%; and bonds of other issuers of 7 million, -89.47%. Recognition was made of writedowns for the impairment of mutual funds and equities of 7 million.

Financial assets held to maturity

The HTM portfolio, comprising solely fixed-yield securities, has decreased to 158 million, -13.46%, as a result of redemptions. Unrealised gains at the end of September amount to 12 million.

Asset management

Asset management benefited from a particularly favourable period, in terms of the performance of international financial markets and in terms of customers starting to show some interest again. At the end of September, the various forms of asset management amounted to 4,422 million, +10.69% on December 2013.

EQUITY INVESTMENTS

Equity investments were down by 2 million to 154 million. The decrease was attributable to the measurement thereof under the equity method.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets total 273 million, up 1.93%. The first category amounted in total to 251 million, up by 5 million, +1.94%. Commitments for the purchase of property, plant and equipment amount to 6.079 million, compared with 5.032 million at 31 December 2013. The second category, totalling 22 million, has increased by 1.81% and includes goodwill of 9 million. Goodwill is subjected to annual impairment testing to check for any loss of value. The most recent test was performed when preparing the consolidated financial statements at 31 December 2013. It was not deemed necessary to repeat the procedure at 30 September 2014.

PROVISIONS

These comprise employee severance indemnities of 42 million, +4.56%, and the provisions for risks and charges totalling 157 million, +2.79%.

HUMAN RESOURCES

At 30 September 2014 the Banking group had 3,054 employees compared to 3,058 at the prior year end, to which should be added 29 employees of the subsidiary Pirovano Stelvio spa, almost all of which are hired as seasonal workers.

CAPITAL AND RESERVES

Consolidated shareholders' equity at 30 September 2014, inclusive of valuation reserves and the net profit for the period, amounts to 2,397.441 million, being an increase of 461.267 million, +23.82%.

Share capital, made up of 453,385,777 ordinary shares with a par value of 3 euro, amounted to 1,360.157 million, having increased by 35.713 million as the result of a capital increase through a combined bonus and rights issue, the means and timing of which were approved by the Board of Directors at a meeting held on 5 June 2014, acting on a mandate granted by the Shareholders' Meeting of 26 April 2014, and which was completed by the beginning of July.

The aforementioned capital increase involved: the issue of 30,814,798 ordinary shares with a par value of 3 euro, with dividend rights as from 1 January 2014, without any option rights, allocated free of charge; the issue, for the part issued for cash, of 114,422,994 ordinary shares with a par value of 3 euro, with dividend rights as from 1 January 2014, subscribed for by those entitled to do so at a price of euro 3, which was thus equal to the par value.

The share premium reserve amounted to 79.005 million and had decreased by 92.445 million due to the capitalisation thereof as part of the bonus issue as indicated above.

Reserves increased by 34.486 million to 829.267 million, +4.34%, primarily due to the allocation of a significant portion of the net profit for 2013. The increase was offset by the costs relating to the capital increase, net of the tax effect, of 7.829 million and which were recognised as a reduction of equity as required by international accounting standards (IAS/IFRS). In this regard, note that the Parent Bank's Shareholders' Meeting of 26 April 2014 approved the result for 2013 and the proposed distribution of a dividend of 0.05 euro for each of the 308,147,985 outstanding shares at 31 December 2013.

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 59.011 million, up from the positive balance of 16.782 million reported at the end of 2013.

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. The Parent bank holds 3,347,677 treasury shares with a carrying amount of 24.431 million. The increase of 327,677 shares compared to those at 31 December 2013 is the result of the allocation of bonus shares and the purchase of fractional allocation rights as part of the bonus element of the capital increase.

The price for BPS stock, which is listed in the Blue Chips segment of the MTA, the screen-based market of the Italian Stock Exchange, fell by 0.76% during the period.

The number of members also increased to 184,413, up by 3,196 since the end of 2013.

Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda srl and Popso Covered Bond srl did not carry out any transactions in their own shares or those of the Parent bank. The other consolidated companies did not carry out any transactions in their own or the Parent Bank's shares either. There are no cross-holdings among the companies included within the scope of consolidation.

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 these rules, the Supervisory Authority's Circular no. 285/13 introduced new limits for capital ratios applicable for reporting purposes as from March 2014. Set out below are the Group's adequacy requirements at 30 September 2014 and the minimum requirements:

	Group's capital ratios	Minimum capital ratio requirement
CET 1 Ratio	10.12%	7%
Tier 1 Capital Ratio	10.12%	8%
Total Capital Ratio	13.08%	10.50%

As regards the outcome of the Comprehensive Assessment performed by the European Central Bank and by the European Banking Authority, reference should be made to the section in this report on «Subsequent events and outlook for operations».

The following ratios of capital and reserves, including net profit for the period, to the principal balance sheet aggregates are presented in comparison with those 31 December 2013:

– *capital/direct customer deposits*
  8.20% v. 7.26%

– *capital/customer loans*
  9.30% v. 8.10%

– *capital/financial assets*
  32.39% v. 28.49%

– *capital/total assets*
6.63% v. 5.91%

– *net non-performing loans/capital*
22.92% v. 23.79%

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

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

(in thousands of euro)

	Equity	of which: Net profit of the period
Equity of the Parent Bank at 30.09.2014	2,217,852	82,623
Consolidation adjustments	(12,732)	(12,732)
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	168,314	20,057
– companies valued using the equity method	24,007	4,484
Balance as of 30.09.2014, as reported in the consolidated financial statements	**2,397,441**	**94,432**

INCOME STATEMENT

Notwithstanding a general background whereby uncertainty and concern have gradually won the day over forecasts of an upturn in the economic cycle, the Group was capable of achieving a satisfactory result for the period. In fact, the net profit for the period ended 30 September 2014 came to 94.432 million, compared to 51.907 for the comparative period, +81.93%. This significant growth was boosted by the favourable results achieved by net interest income and net commission income and especially by trading operations. This permitted us to adequately address the question of loan adjustments, which have again risen.

Net interest income went from 407.752 to 446.888 million, +9.60%, despite a downward trend during the year. Notwithstanding the fall in interest rates payable to customers, in line with market trends determined by a highly expansionary monetary policy, the growth in net interest income was made possible: by continuing to maintain a proper balance between remuneration and the risks accepted; by an increase in the holdings of portfolio securities, despite the lower yields; by a reduction in the cost of funding, which in percentage terms, fell even more than the interest rate on loans, although this remains high due to market distortions and to strong competition for retail funding.

Net commission income rose from 206.791 million to 220.182 million, +6.48%, due to a good performance from commissions from guarantees given, from trading and from the placement of financial products, from collections and payments, and from lending. Dividends and similar income rose by 25.33% to 3.256 million.

The profits from financial activities, comprising the management of portfolio securities, foreign exchange and derivative activities, totalled 158.240 million compared with 96.328 million in the same period last year (+64.27%). The healthy increase reflects much larger profits from trading/disposals than in the prior year, as well as the recognition of significant net unrealised gains. Exchange gains remained substantially stable.

As a result, income from banking activities rose to 828.566 million, +16.13%. Within this aggregate, the weighting of net interest income decreased from 57.15% to 53.94%.

The signs of slow improvement detected during the early months of the year, varying by sector and geographical area, have not been sufficient to cause an inversion of the trend in net adjustments to loans. The subsequent slide into a new recession has only worsened expectations. It follows that net adjustments to loans and financial assets available for sale recorded by the Group remain high, despite the increase therein being smaller than that recorded in the comparative period, having risen in fact from 303.911 million to 353.611 million, +16.35%. In particular, the loans element rose from 291.502 million to 348.213 million, +19.45%. This figure reflects the general situation described above, which has further increased the level of impaired loans based on the particularly prudent criteria adopted for the assessment of risks as determined by policy relating thereto. In particular, it includes a significant adjustment made for loans to Alitalia Cai spa based on the outcome of negotiations for the restructuring of the company's bank debt. Furthermore, with respect to the loans reviewed as part of the AQR, despite the limited time available between the official communication from the competent Supervisory Authorities and the approval of this quarterly report, an analysis was performed thereof and it is believed that appropriate provisions have been made during the year.

The ratio of net adjustments to amounts due from customers to amounts due from customers (so-called annualised cost of lending) remains high, despite having fallen from 1.94% at the end of 2013 to 1.80%. The exclusion from the ratio's denominator of repurchase agreements entered into with Cassa di Compensazione e Garanzia would give a cost of lending of 1.93%.

The component relating to impairment adjustments to securities has increased from 3.155 to 6.913 million, reflecting a writedown of equities and units in mutual funds held in the portfolio of AFS financial assets.

Adjustments to other financial transactions include a release of excess provisions for endorsement credits of 1.515 million, compared to adjustments of 9.254 million recognised in the comparative period.

The net profit from financial management was therefore 474.955 million, +15.97%.

Operating costs amounted to 308.000 million, +4.57%. The incidence of operating costs on income from banking activities, being the «cost income ratio», has declined to 37.17% from 41.28% in the comparative period.

Considering the individual components, administrative expenses, which have always been kept under strict control, amounted to 340.757 million, +3.12%, and consist of personnel expenses, which rose by 0.52% to 166.132 million, and other administrative expenses, which rose by 5.71% to 174.625 million; the latter increase reflects the cost of routine activities and the expansion of the branch network, legal and consultancy fees, and indirect taxes including, in particular, stamp duties and mortgage taxes.

Net provisions for risks and charges amounted to 1.711 million, while the comparative period reflected a net release of excess provisions recorded in prior years totalling 2.891 million.

The depreciation of property, plant and equipment and amortisation of software amounted to 21.765 million, +3.07%.

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	30/09/2014	30/09/2013	(+/-)	% change
Net interest income	446,888	407,752	39,136	9.60
Dividends	3,256	2,598	658	25.33
Net commission income	220,182	206,791	13,391	6.48
Result of financial activities	158,240	96,328	61,912	64.27
Income from banking activities	**828,566**	**713,469**	**115,097**	**16.13**
Net adjustments to loans and financial assets	-353,611	-303,911	-49,700	16.35
Balance of financial management	**474,955**	**409,558**	**65,397**	**15.97**
Personnel costs	-166,132	-165,271	-861	0.52
Other administrative expenses	-174,625	-165,185	-9,440	5.71
Other operating income/expense	56,233	54,132	2,101	3.88
Net provisions for risks and charges	-1,711	2,891	-4,602	
Adjustments to property, plant and equipment and intangible assets	-21,765	-21,116	-649	3.07
Operating costs	**-308,000**	**-294,549**	**-13,451**	**4.57**
Operating profit (loss)	**166,955**	**115,009**	**51,946**	**45.17**
Share of profit (loss) of equity investments and other investments	4,513	2,678	1,835	68.52
Profit (loss) before tax	**171,468**	**117,687**	**53,781**	**45.70**
Income taxes on current operations	-68,412	-60,921	-7,491	12.30
Net result	**103,056**	**56,766**	**46,290**	**81.55**
Profit pertaining to minority interests	-8,624	-4,859	-3,765	77.49
Profit pertaining to the Parent Bank	**94,432**	**51,907**	**42,525**	**81.93**

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

Other operating income, net of other operating expenses, totalled 56.233 million, +3.88%; this rise largely reflects the additional taxes recovered in relation to the increases reported earlier.

Profits from equity investments and other investments amounted to 4.513 million, +68.52%.

The result of ordinary operations, gross of income taxes, was 171.468 million, +45.70%.

Income taxes, which amount to 68.412 million, have increased by 12.30%, with a tax rate (provision for taxes/profit from current operations) of 39.90%. After deducting the profit attributable to minority interests of 8.624 million, the net profit for the period was 94.432 million, compared with 51.907 million for the comparative period, +81.93%, equal to 0.26% of total assets.

DISTRIBUTION BY GEOGRAPHICAL AREA

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

The contribution made to the Group by this subsidiary is summarised by the following statistics: the «Suisse» holds 9.47% of direct customer deposits and 11.19% of amounts due from customers, generating 10.20% of net commission income and 7.24% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

With regard to events subsequent to the end of the third quarter, on 26 October the European Central Bank and the European Banking Authority published the results of the Comprehensive Assessment. The figures provided confirm the adequacy of the Group's level of capitalisation and the ability thereof to absorb the impact of any further sharp deterioration in current macroeconomic and market conditions, assuming an adverse scenario, which would be particularly detrimental for Italy.

Although reference should be made to the press release that can be found on the website www.popso.it, in the corporate information section, we provide a summary below of the key findings. According to the findings of the Comprehensive Assessment, the insufficiency in CET1 based on the additional provisions evidenced by the AQR amounts to Euro 148.1 million (corresponding to 63 basis points), that relating to the stress test baseline scenario amounts to Euro 183.2 million (corresponding to 76 basis points), while that pertaining to the stress test adverse scenario amounts to Euro 317.6 million (corresponding to 130 basis points), with this representing the maximum amount of insufficiency in CET1.

Taking account of the capital increase of a par value of Euro 343.3 million, completed successfully by the Parent Bank in July 2014, which led to an increase in equity, the Group has no need to further strengthen its capital.

This is because the new level of capital covers the maximum CET1 requirement of Euro 317.6 million, which would be the case at the end of 2016 under the aforementioned adverse scenario.

As regards the outlook, general expectations are for a slight economic downturn as a result of geopolitical tensions that are exacerbated by uncertainty and risks and, thus, market volatility. The consequences for the banking sector are an ongoing difficult situation in terms of asset quality.

As regards the Group's results, net interest income is expected to have a positive trend, albeit at a lower rate than at the beginning of the year, due to the low level of interest rates. A positive contribution is expected from commissions, while the net result from financial assets will depend on the performance of financial markets, which have been subject to a high degree of volatility. For net adjustments to loans, in line with general trends, it is expected that there will be a slowdown in growth, while for operating costs the expectation is for contained growth, primarily attributable to investments in expansion of the branch network, technologies and comprehensive assessment.

Sondrio, 10 November 2014

THE BOARD OF DIRECTORS

Certification of the Financial Reporting Officer

The Financial Reporting Officer, Maurizio Bertoletti, certifies pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, that the accounting information contained in this consolidated interim report for the period ended 30 September 2014 agrees with the underlying documents, registers and accounting entries.

The Financial Reporting Officer
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 30 SEPTEMBER 2014

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	ASSET ITEMS		30-09-2014		31-12-2013
10.	CASH AND BALANCES WITH CENTRAL BANKS		**196,881**		**196,517**
20.	FINANCIAL ASSETS HELD FOR TRADING		**2,204,657**		**3,154,594**
30.	FINANCIAL ASSETS CARRIED AT FAIR VALUE		**84,639**		**79,226**
40.	FINANCIAL ASSETS AVAILABLE FOR SALE		**4,954,733**		**3,375,500**
50.	FINANCIAL ASSETS HELD TO MATURITY		**158,036**		**182,621**
60.	DUE FROM BANKS		**1,638,931**		**733,954**
70.	DUE FROM CUSTOMERS		**25,771,967**		**23,904,559**
80.	HEDGING DERIVATIVES		**-**		**2,923**
100.	EQUITY INVESTMENTS		**154,123**		**156,404**
120.	PROPERTY, PLANT AND EQUIPMENT		**250,737**		**245,962**
130.	INTANGIBLE ASSETS		**22,261**		**21,865**
	of which:				
	- goodwill	8,959		8,959	
140.	TAX ASSETS		**366,556**		**342,310**
	a) current	10		33,478	
	b) deferred	366,546		308,832	
	b1) of which as per Law 214/2011	323,781		269,858	
160.	OTHER ASSETS		**338,282**		**373,493**
	TOTAL ASSETS		**36,141,803**		**32,769,928**

THE CHAIRMAN
Francesco Venosta

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

	EQUITY AND LIABILITY ITEMS		30-09-2014		31-12-2013
10.	DUE TO BANKS		**3,012,657**		**3,067,978**
20.	DUE TO CUSTOMERS		**25,829,187**		**23,710,352**
30.	DEBT SECURITIES IN ISSUE		**3,424,045**		**2,964,974**
40.	FINANCIAL LIABILITIES HELD FOR TRADING		**64,437**		**36,550**
60.	HEDGING DERIVATIVES		**41,146**		**27,580**
80.	TAX LIABILITIES		**115,128**		**36,889**
	a) current	56,773		662	
	b) deferred	58,355		36,227	
100.	OTHER LIABILITIES		**977,481**		**720,873**
110.	RESERVE FOR TERMINATION INDEMNITIES		**42,377**		**40,527**
120.	PROVISIONS FOR RISKS AND CHARGES:		**156,847**		**152,593**
	a) post-employment benefits	105,864		100,539	
	b) other provisions	50,983		52,054	
140.	VALUATION RESERVES		**59,011**		**16,782**
170.	RESERVES		**829,267**		**794,781**
180.	SHARE PREMIUM RESERVE		**79,005**		**171,450**
190.	SHARE CAPITAL		**1,360,157**		**924,444**
200.	TREASURY SHARES (-)		**(24,431)**		**(24,316)**
210.	MINORITY INTERESTS		**81,057**		**75,438**
220.	NET PROFIT FOR THE PERIOD		**94,432**		**53,033**
	TOTAL LIABILITIES AND EQUITY		**36,141,803**		**32,769,928**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS			30-09-2014		30-09-2013
10.	INTEREST INCOME AND SIMILAR REVENUES		730,647		763,015
20.	INTEREST EXPENSE AND SIMILAR CHARGES		(283,759)		(355,263)
30.	**NET INTEREST INCOME**		**446,888**		**407,752**
40.	COMMISSION INCOME		236,246		222,304
50.	COMMISSION EXPENSE		(16,064)		(15,513)
60.	**NET COMMISSION INCOME**		**220,182**		**206,791**
70.	DIVIDENDS AND SIMILAR INCOME		3,256		2,598
80.	NET TRADING INCOME		84,180		60,842
90.	NET HEDGING GAINS (LOSSES)		(49)		271
100.	GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:		69,985		31,309
	b) financial asset available for sale	71,362		30,948	
	c) financial assets held to maturity	–		55	
	d) financial liabilities	(1,377)		306	
110.	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE		4,124		3,906
120.	**INCOME FROM BANKING ACTIVITIES**		**828,566**		**713,469**
130.	NET IMPAIRMENT ADJUSTMENTS TO:		(353,611)		(303,911)
	a) loans	(348,213)		(291,502)	
	b) financial assets available for sale	(6,913)		(3,155)	
	d) other financial transactions	1,515		(9,254)	
140.	**BALANCE OF FINANCIAL MANAGEMENT**		**474,955**		**409,558**
170.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**		**474,955**		**409,558**
180.	ADMINISTRATIVE EXPENSES:		(340,757)		(330,456)
	a) personnel expenses	(166,132)		(165,271)	
	b) other administrative expenses	(174,625)		(165,185)	
190.	NET PROVISIONS FOR RISKS AND CHARGES		(1,711)		2,891
200.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT		(12,596)		(12,633)
210.	NET ADJUSTMENTS TO INTANGIBLE ASSETS		(9,169)		(8,483)
220.	OTHER OPERATING INCOME/EXPENSE		56,233		54,132
230.	**OPERATING COSTS**		**(308,000)**		**(294,549)**
240.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS		4,484		2,669
270.	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS		29		9
280.	**PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES**		**171,468**		**117,687**
290.	INCOME TAXES ON CURRENT OPERATIONS		(68,412)		(60,921)
300.	**PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES**		**103,056**		**56,766**
320.	NET PROFIT FOR THE PERIOD		103,056		56,766
330.	NET PROFIT OF THE PERIOD OF MINORITY INTERESTS		(8,624)		(4,859)
340.	**NET PROFIT OF THE PERIOD OF THE PARENT BANK**		**94,432**		**51,907**
	BASIC EPS		**0,264**		**0,168**
	DILUTED EPS		**0,256**		**0,168**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items		30/09/2014	30/09/2013
10.	**Net profit for the period**	**103,056**	**56,766**
	Other income items net of income taxes that will not be reclassified to profit or loss		
40.	Defined-benefit plans	(3,540)	870
60.	Share of valuation reserves of equity investments valued at net equity	191	(103)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
100.	Financial assets available for sale	43,088	1,885
120.	Share of valuation reserves of equity investments valued at net equity	2,490	(29)
130.	**Total other income items net of income taxes**	**42,229**	**2,623**
140.	**Comprehensive income (item 10+130)**	**145,285**	**59,389**
150.	Consolidated comprehensive income pertaining to minority interests	(8,624)	(4,859)
160.	**Consolidated comprehensive income pertaining to the Parent Bank**	**136,661**	**54,530**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2013	Change in opening balances	Opening balance at 1.1.2014	Allocation of prior year result: Reserves	Allocation of prior year result: Dividends and other allocations	Changes in reserves
Share capital						
a) ordinary shares	958,019	10	958,029	–	–	–
c) other shares	–	–	–	–	–	–
Share premium reserve	**175,807**	**2**	**175,809**	**–**	**–**	**–**
Reserves	**–**	**–**	**–**	**–**	**–**	**–**
a) from earnings	819,511	–	819,511	42,369	–	(3,257)
c) other	5,186	–	5,186	–	–	–
Valuation reserves	**16,728**	**–**	**16,728**	**–**	**–**	**(4)**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(24,316)**	**–**	**(24,316)**	**–**	**–**	**–**
Net profit for the year	**60,677**	**–**	**60,677**	**(42,369)**	**(18,308)**	**–**
Equity attributable to the group	**1,936,174**	**–**	**1,936,174**	**–**	**(15,286)**	**(3,261)**
Equity attributable to minority interests	**75,438**	**12**	**75,450**	**–**	**(3,022)**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2012	Change in opening balances	Opening balance at 1.1.2013	Allocation of prior year result: Reserves	Allocation of prior year result: Dividends and other allocations	Changes in reserves
Share capital						
a) ordinary shares	958,019	–	958,019	–	–	–
c) other shares	–	–	–	–	–	–
Share premium reserve	**175,807**	**–**	**175,807**	**–**	**–**	**–**
Reserves	**–**	**–**	**–**	**–**	**–**	**–**
a) from earnings	793,088	–	793,088	27,693	–	(352)
c) other	5,186	–	5,186	–	–	–
Valuation reserves	**(7,930)**	**–**	**(7,930)**	**–**	**–**	**–**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(24,316)**	**–**	**(24,316)**	**–**	**–**	**–**
Net profit for the year	**40,183**	**–**	**40,183**	**(27,693)**	**(12,490)**	**–**
Equity attributable to the group	**1,869,925**	**–**	**1,869,925**	**–**	**(10,140)**	**(352)**
Equity attributable to minority interests	**70,112**	**–**	**70,112**	**–**	**(2,350)**	**–**

Changes during the period								
Equity transactions								
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	**Equity attributable to the group at 30.09.2014**	**Equity pertaining to minority interests at 30.09.2014**
435,717	–	–	–	–	–	–	**1,360,157**	**33,589**
–	–	–	–	–	–	–	–	–
(92,444)	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,360**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	**826,038**	**32,585**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**42,229**	**59,011**	**(58)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(115)**	**–**	**–**	**–**	**–**	**–**	**(24,431)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**103,056**	**94,432**	**8,624**
343,268	**(115)**	**–**	**–**	**–**	**–**	**136,661**	**2,397,441**	**–**
5	**–**	**–**	**–**	**–**	**–**	**8,624**	**–**	**81,057**

Changes during the period								
Equity transactions								
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	**Equity attributable to the group at 30.09.2013**	**Equity pertaining to minority interests at 30.09.2013**
–	–	–	–	–	–	–	**924,444**	**33,575**
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**171,450**	**4,357**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	**792,502**	**27,927**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**2,623**	**(5,253)**	**(54)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(24,316)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**56,766**	**51,907**	**4,859**
–	**–**	**–**	**–**	**–**	**–**	**54,530**	**1,913,963**	**–**
–	**–**	**–**	**–**	**–**	**–**	**4,859**	**–**	**72,621**