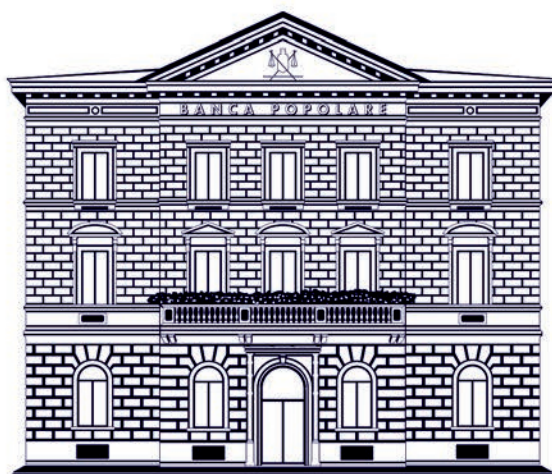




Banca Popolare di Sondrio



ANNUAL REPORT 2012



**Banca Popolare
di Sondrio**

2012 FINANCIAL
STATEMENTS
142ND YEAR

Banca Popolare di Sondrio

Founded in 1871

ORDINARY SHAREHOLDERS' MEETING OF 27 APRIL 2013

Società cooperativa per azioni
Head office: I - 23100 Sondrio SO - Piazza Garibaldi 16
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 Bank of the Banca Popolare di Sondrio Banking Group.
Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149
Share capital: € 924,443,955 - Reserves: € 776,611,007 (figures approved by the shareholders' meeting of 27 April 2013)

Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 28 August 2012:
- long term issuer default rating: BBB+
- short-term issuer default rating: F2
- viability rating: bbb+

BOARD OF DIRECTORS

Chairman	PIERO MELAZZINI*
Deputy Chairmen	MILES EMILIO NEGRI* FRANCESCO VENOSTA*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	CLAUDIO BENEDETTI PAOLO BIGLIOLI FEDERICO FALCK ATTILIO PIERO FERRARI GIUSEPPE FONTANA CRISTINA GALBUSERA* NICOLÒ MELZI DI CUSANO ADRIANO PROPERSI RENATO SOZZANI* LINO ENRICO STOPPANI* 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 GIUSEPPE FRANCO PAGANONI

Financial Reporting Officer

MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

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

Branches in:

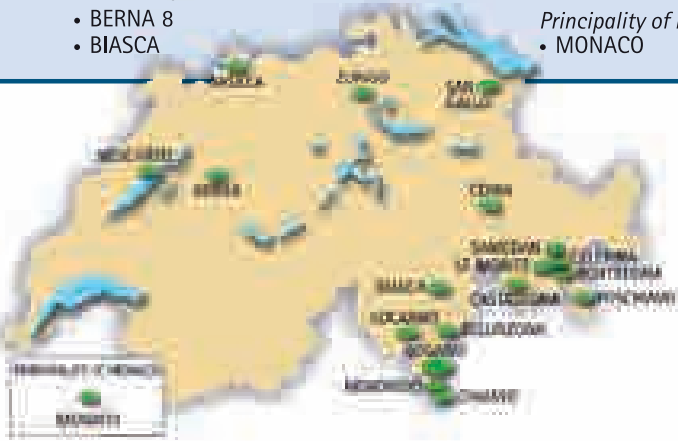
- LUGANO Via G. Luvini
- LUGANO Via Maggio
- LUGANO Cassarate
- PARADISO
- BASILEA Greifengasse
- BELLINZONA
- BERNA 8
- BIASCA
- CASTASEGNA
- CELERINA
- CHIASSO
- COIRA
- LOCARNO
- MENDRISIO
- NEUCHÂTEL
- PONTRESINA
- POSCHIAVO
- SAMEDAN
- SAN GALLO
- ST. MORITZ
- ZURIGO

Principality of Monaco:


- MONACO

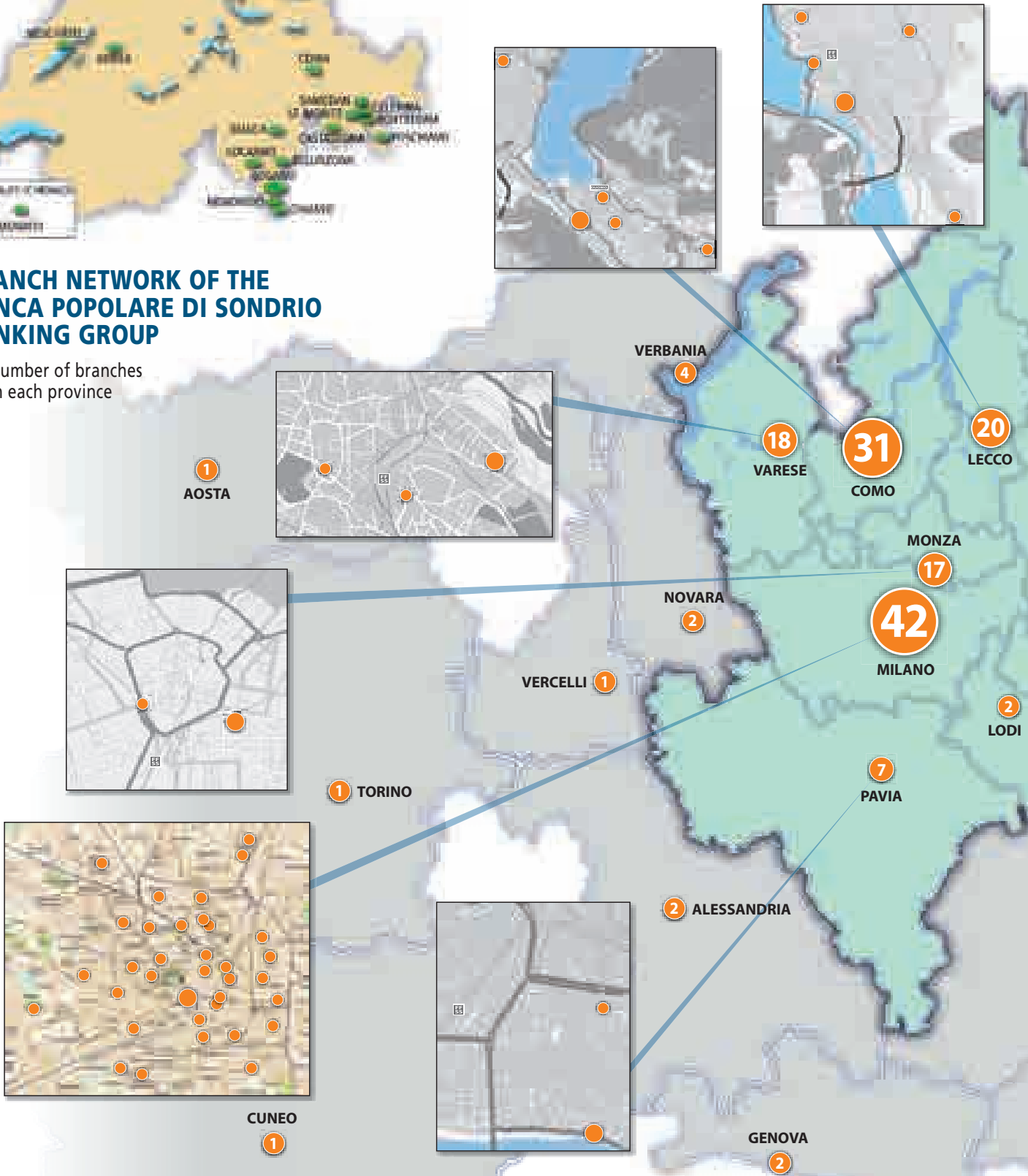
Branches:

- 51 in the province of SONDRIO
- 1 in AOSTA
- 2 in the province of ALESSANDRIA
- 14 in the province of BERGAMO
- 2 in the province of BOLZANO
- 31 in the province of BRESCIA
- 31 in the province of COMO
- 5 in the province of CREMONA
- 1 in CUNEO
- 2 in the province of GENOVA
- 20 in the province of LECCO
- 2 in the province of LODI
- 5 in the province of MANTOVA
- 33 in MILANO
- 9 in the province of MILANO
- 17 in the province of MONZA E BRIANZA
- 2 in the province of NOVARA
- 1 in PARMA



BRANCH NETWORK OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP

 Number of branches in each province



- 7 in the province of PAVIA
- 3 in the province of PIACENZA
- 35 in ROMA
- 4 in the province of ROMA
- 1 in TORINO
- 4 in the province of TRENTO
- 18 in the province of VARESE
- 4 in the province of VERBANO CUSIO OSSOLA
- 1 in VERCELLI
- 3 in the province of VERONA

Representative offices:

- HONG KONG* • SHANGHAI*

* with other banking partners

Desks abroad:

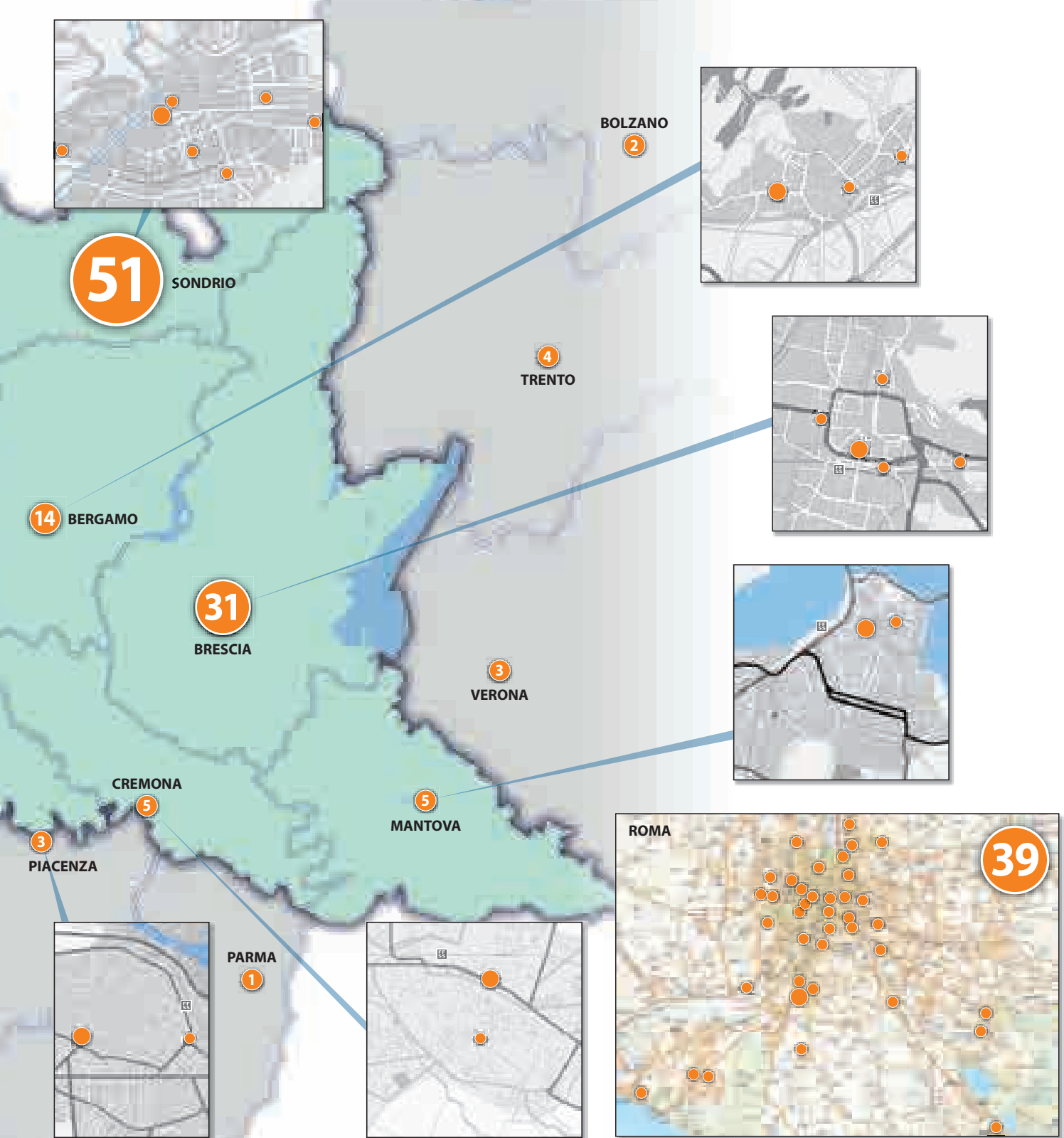
- ABU DHABI • ATHENS
- BRUXELLES • BUDAPEST
- BUENOS AIRES • CASABLANCA
- CHICAGO • CHISINAU
- CIUDAD DE MEXICO • DOHA
- ISTANBUL • LISBOA • LYON
- MONTEVIDEO • MOSCOW
- MUMBAI • PARIS
- PERPIGNAN • SAO PAULO
- SYDNEY • TOKYO • TORONTO
- TUNIS • ULAANBAATAR
- WARSZAWA (c/o different partners)



Factoring of Corporate Receivables

Branches in:

- MILANO • TORINO • PADOVA
 - BOLOGNA • SIENA • ROMA • NAPOLI
- in addition to 250 foreign correspondents in the main international markets.
It operates at the branches of Banca Popolare di Sondrio and at those of the associated banks.



BRANCH NETWORK

BANCA POPOLARE DI SONDRIO

Società cooperativa per azioni - Established 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

MANAGEMENT AND HEAD OFFICE

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

BRANCH OFFICES

ORGANISATION AND IT SYSTEMS:
"F. Morani" Service Centre - via Ranée 511/1
Berbenno di Valtellina (So) - fraz. S. Pietro
INTERNATIONAL UNIT: Lungo Mollero Luigi Cadorna 24, Sondrio
COMMERCIAL BANKING, TREASURIES AND PUBLIC ENTITIES, SUPPLY OFFICE, TECHNICAL OFFICE, SAFETY AND SECURITY:
corso Vittorio Veneto 7, Sondrio

BRANCHES - Country code +39

PROVINCE OF SONDRIO

ALBOSAGGIA via al Porto 11 tel. 0342 54771
APRICA corso Roma 140 tel. 0342 74401
ARDENNO via Libertà tel. 0342 66501
BERBENNO DI VALTELLINA - fraz. San Pietro
via Nazionale Ovest 110 tel. 0342 49151

BORMIO

Head Office, via Roma 131
- ang. via don Evaristo Peccedi tel. 0342 91451
Branch no. 1, via Roma 64 tel. 0342 90051
CAMPODOLCINO via Corti 67 tel. 0343 59001
CEPINA VALDISOTTO via Roma 13/E tel. 0342 95231

CHIAVENNA

via Francesco e Giovanni Dolzino 67 tel. 0343 26211
CHIESA IN VALMALENCO via Roma 138 tel. 0342 45001
CHIURO via Stelvio 8 tel. 0342 48541
COLORINA via Roma 84 tel. 0342 49141

COSIO VALTELLINO - fraz. Regoledo

via Roma 7 tel. 0342 60951
DELBIBO piazza San Carpofo 7/9 tel. 0342 69761
DUBINO - Nuova Olonio - via Spluga 83 tel. 0342 69301

GORDONA via Scogli 9 tel. 0343 4361
GROSIO via Roma 67 tel. 0342 84131
GROSOTTO via Statale 73 tel. 0342 84141

ISOLACCIA VALDIDENTRO

via Nazionale 31 tel. 0342 92201
LANZADA via Palù 388 tel. 0342 45021

LIVIGNO

Head Office, via Sant'Antoni 135 tel. 0342 97761
Branch no. 1, via Sarcò 728/730 tel. 0342 97771

MADRESIMO via Giosuè Carducci 3 tel. 0343 5551
MADONNA DI TIRANO piazza Basilica 55 tel. 0342 71251

MAZZO DI VALTELLINA

via Santo Stefano 18 tel. 0342 86301

MONTAGNA IN VALTELLINA

via Stelvio 336 tel. 0342 54741

MORBEGNO

Head Office, piazza Caduti per la Libertà 7 tel. 0342 60561
Branch no. 1, via V Alpi 172 tel. 0342 60481

NOVATE MEZZOLA via Roma 13 tel. 0343 6381
PASSO DELLO STELVIO tel. 0342 904534

PIANTEDO via Colico 43 tel. 0342 68291
PONTE IN VALTELLINA piazza della Vittoria 1 tel. 0342 48531

SAMOLACO - fraz. Era, via Trivulzia 28 tel. 0343 22211

SAN CASSIANO VALCHIAVENNA

via Spluga 108 tel. 0343 2091

SAN NICOLÒ VALFURVA via San Nicolò 82 tel. 0342 94701

SEMOGO VALDIDENTRO

via Cima Piazzini 28 tel. 0342 92211

SONDALO via Dr. Ausonio Zubiani 2 tel. 0342 80911

SONDRIO

Head Office, piazza Giuseppe Garibaldi 16 tel. 0342 528111
Branch no. 1, via Bernina 1 tel. 0342 54701

Branch no. 2, via Tomaso Nani 32 tel. 0342 54721

Branch no. 3

Ingresso Ospedale Civile - via Stelvio 25 tel. 0342 54711

Branch no. 4,
piazza Giovanni Bertacchi 57 tel. 0342 54751

Branch no. 5, Galleria Campello 2 tel. 0342 54731

Branch no. 6, via Giacinto Sertorelli 2 tel. 0342 54761

TALAMONA

via Don Giuseppe Cusini 83/A tel. 0342 67431

TEGLIO piazza Santa Eufemia 2 tel. 0342 78401

TRAGLIO piazza Cavour 20 tel. 0342 71201

TRAONA via Valeriana 88/A tel. 0342 65511

TRESEDA DI TEGLIO via Nazionale 57 tel. 0342 73601

VILLA DI CHIAVENNA via Roma 38 tel. 0343 26221

VILLA DI TIRANO traversa Foppa 25 tel. 0342 79801

AUTONOMOUS REGION OF VALLE D'AOSTA

AOSTA corso Battaglione Aosta 79 tel. 0165 21841

PROVINCE OF ALESSANDRIA

ALESSANDRIA corso Crimea 21 tel. 0131 20211

NOVI LIGURE via Guglielmo Marconi 25 tel. 0143 31071

PROVINCE OF BERGAMO

ALBANO SANT'ALESSANDRO tel. 035 421831
via Vittorio Emanuele II 6

BERGAMO

Head Office, via Brosetta 64/B tel. 035 205851
Branch no. 1, via Vittore Ghislandi 4 tel. 035 359891

Branch no. 2, via Guglielmo D'Alzano 3/E tel. 035 359821

BONATE SOTTO

via Vittorio Veneto tel. 035 465041
- ang. via Antonio Locatelli

CARVICO via Giuseppe Verdi 1 tel. 035 439041

CISANO BERGAMASCO

via Giuseppe Mazzini 25 tel. 035 436521

GAZZANIGA via IV Novembre 3 tel. 035 717731

GRUMELLO DEL MONTE via Roma 133 tel. 035 835961

OSIO SOTTO via Monte Grappa 12 tel. 035 418151

ROMANO DI LOMBARDIA via Balilla 20 tel. 0363 91721

SERATE via Giuseppe Garibaldi 1/C tel. 035 426741

SARNICO piazza Caduti per la Libertà 7 tel. 035 292891

TREVIGLIO via Cesare Battisti 8/B tel. 0363 59401

PROVINCE OF BOLZANO

BOLZANO viale Amedeo Duca d'Aosta 88 tel. 0471 44381
Amedeo Duca d'Aosta Allee 88

MERANO corso della Libertà 16 tel. 0473 27451
Freiheitsstrasse 16

PROVINCE OF BRESCIA

BERZO DEMO via Nazionale 14 tel. 0364 62511

BIENNO via Giuseppe Fantoni 36 tel. 0364 30191

BRENO piazza Generale Pietro Ronchi 4 tel. 0364 32211

BRESCIA

Head Office, via Benedetto Croce 22 tel. 030 281551

Branch no. 1, via Crocifissa di Rosa 59 tel. 030 384821

Branch no. 2, via Solferino 61 tel. 030 281581

Branch no. 3, viale Piave 61/A tel. 030 369791

Branch no. 4, via Fratelli Ugioni 2 tel. 030 281541

COCCAGLIO via Adelchi Negri 12 tel. 030 771751

COLLEBEATO via San Francesco d'Assisi 12 tel. 030 251891

CORTE FRANCA piazza di Franciacorta 7/C tel. 030 984801

DARFO BOARIO TERME

Branch no. 1, corso Italia 10/12 tel. 0364 52411

Branch no. 2, piazza Patrioti 2 tel. 0364 52401

DESENZANO DEL GARDA

via Guglielmo Marconi 1/A tel. 030 915091

EDOLO piazza Martiri della Libertà 16 tel. 0364 77311

ERBUSCO via Provinciale 29 tel. 030 776231

GARDONE VAL TROMPIA

via Giacomo Matteotti 300 tel. 030 833791

ISEO via Roma 12/E tel. 030 986911

LONATO DEL GARDA

corso Giuseppe Garibaldi 59 tel. 030 991791

LUMEZZANE - fraz. Sant'Apollonio

via Massimo D'Azeglio 108 tel. 030 825261

MANERBIO via Dante Alighieri 8 tel. 030 937301

MONTICHIARI

via Mantova - ang. via 3 Innocenti 74 tel. 030 967111

ORZINUOVI piazza Giuseppe Garibaldi 19 tel. 030 940091

OSPITALETTO via Brescia 107/109 tel. 030 684291

PALAZZOLO SULL'OGGIO via Brescia 23 tel. 030 740511

PISOGNE via Trento 1 tel. 0364 88201

PONTE DI LEGNO piazzale Europa 8 tel. 0364 90881

REZZATO via Broli 49 tel. 030 2794224

SALE MARASINO via Roma 33/35 tel. 030 986771

SALÒ viale Alcide De Gasperi 13 tel. 0365 44191

TOSCOLANO MADERNO

piazza San Marco 51 tel. 0365 54301

PROVINCE OF COMO

APPIANO GENTILE piazza della Libertà 9 tel. 031 352251

AROSIO piazza Montello 1 tel. 031 760921

BELLAGIO via Valassina 58 tel. 031 956361

BREGNANO via Giuseppe Mazzini 22/A tel. 031 776991

BULGAROGGRASSO via Pietro Ferloni 2 tel. 031 352261

CAMPIONE D'ITALIA piazza Roma 1/G tel. 0041 916401020

CANTÙ via Milano 47 tel. 031 718091

CANZO via Alessandro Verza 39 tel. 031 673561

CARIMATE - fraz. Montesolaro

piazza Lorenzo Spallino tel. 031 783291

CARLUZZO via Regina 125 tel. 0344 71491

COMO

Head Office, viale Innocenzo XI 71 tel. 031 330561

Branch no. 1, via Giorgio Giulini 12 tel. 031 330541

Branch no. 2,
via Statale per Lecco 70 - fraz. Lora tel. 031 557491

Branch no. 3,
via Asiago 25 - fraz. Tavernola tel. 031 344341

Branch no. 4,
c/o ACSM - via Vittorio Emanuele II 93 tel. 031 330501

DOMASO via Statale Regina 77 tel. 0344 96681

DONGO piazza Virgilio Mattari 14 tel. 0344 97391

ERBA via Alessandro Volta 3 tel. 031 333191

FINO MORNASCO via Giuseppe Garibaldi - ang. piazza Odescalchi 5 tel. 031 882091

GARZENO via Roma 32 tel. 0344 88751

GERA LARIO via Statale Regina 18 tel. 0344 91041

GRAVEDONA ED UNITI

piazza Giuseppe Garibaldi 11 tel. 0344 91691

GUANZATE via Giuseppe Garibaldi 1 tel. 031 352741

LURAGO D'ERBA via Roma 58 tel. 031 359981

MENAGGIO

via Annetta e Celestino Lusardi 62 tel. 0344 38091

MERONE via San Giorlamo Emiliani 5/C tel. 031 618091

MONTORFANO via Brianza 6/B tel. 031 202091

SALA COMACINA via Statale 14/A tel. 0344 55881

SAN FEDELE INTELVI via Provinciale 79 tel. 031 842081

SAN SIRO

loc. Santa Maria - via Statale Regina tel. 0344 51741

VILLA GUARDIA

via Varesina - ang. via Monte Rosa tel. 031 485091

PROVINCE OF CREMONA

CREMA via Giuseppe Mazzini 109 tel. 0373 64511

CREMONA

Head Office, via Dante Alighieri 149/A tel. 0372 98501

Branch no. 1, piazza Antonio Stradivari 9 tel. 0372 73371

PANDINO via Umberto I 1/3 tel. 0373 28491

RIVOLTA D'ADDA via Cesare Battisti 8 tel. 0363 77401

PROVINCE OF CUNEO

CUNEO via Luigi Gallo 9 tel. 0171 319501

PROVINCE OF GENOVA

CHIAVARI

piazza Nostra Signora dell'Orto 42/B - ang. via Doria tel. 0185 33051

GENOVA via XXV Aprile 7 tel. 010 550141

PROVINCE OF LECCO

ABBADIA LARIANA via Nazionale 140/A tel. 0341 70501

BOSIO PARINI via San Gaetano 4 tel. 031 358081

CALOLZIOCORTE corso Europa 71/A tel. 0341 63671

CASATENNO via Roma 23 tel. 039 923031

COLICO via Nazionale - ang. via Sacco tel. 0341 93251

DERVIO via Don Ambrogio Invernizzi 2 tel. 0341 85181

LECCO

Head Office,
corso Martiri della Liberazione 65 tel. 0341 23901

Branch no. 1, viale Filippo Turati 59 tel. 0341 22721

Branch no. 2, piazza XX Settembre 11 tel. 0341 22781

Branch no. 3,
corso Emanuele Filiberto 104 tel. 0341 22491

Branch no. 4, viale Montegrappa 18 tel. 0341 25951

LOMAGNA via Milano 24 tel. 039 922571

MANDELLO DEL LARIO piazza Sacro Cuore 8 tel. 0341 70511

MERATE via Don Cesare Cazzaniga 5 tel. 039 951411

NIBIONNO - fraz. Cibrone, via Montello 1 tel. 031 692391

OGGIOVO via Papa Giovanni XXIII 45 tel. 0341 26581

PESCATO via Roma 98/E tel. 0341 22831

PRIMALUNA via Provinciale 66 tel. 0341 981151

VALMADRERA via San Rocco 31/33 tel. 0341 20591

VARENNA via Corrado Venini 73 tel. 0341 81431

PROVINCE OF LODI

CODOGNO via Giuseppe Verdi 18/C tel. 0377 31701

LODI via Francesco Gabba 5 tel. 0371 59341

PROVINCE OF MANTOVA

CASTIGLIONE DELLE STIVIERE
piazza Ugo Dallo 25 tel. 0376 86181

MANTOVA

Head Office, corso Vittorio Emanuele II 154 tel. 0376 22531

Branch no. 1, piazza Broletto 7 tel. 0376 22521

SUZZARA piazza Giuseppe Garibaldi 4 tel. 0376 53871

VIADANA piazza Giacomo Matteotti 4/A tel. 0375 83271

PROVINCE OF MILANO

BUCCHINASCIO via Aldo Moro 9 tel. 02 4885191

CERNUSCO SUL NAVIGLIO

Branch no. 18, Fiera, viale Ezio Belisario 1 tel. 02 4380231
Branch no. 19, Giambellino, via Giambellino 39 tel. 02 4240991
Branch no. 20, Sempione, via Antonio Canova 39 tel. 02 3103971
Branch no. 21, Politecnico, via Edoardo Bonardi 4 tel. 02 2660071
Branch no. 22, Santa Sofia, via Santa Sofia 12 tel. 02 5849881
Branch no. 23, Certosa, viale Certosa 62 tel. 02 3971081
Branch no. 24, Piave, viale Piave 1 tel. 02 7788681
Branch no. 25, Zara, viale Zara 13 tel. 02 6946501
Branch no. 26, Lodi, corso Lodi - ang. via S. Gerolamo Emiliani 1 tel. 02 5410931
Branch no. 27, Don Gnocchi, via Alfonso Capecealatro 66 tel. 02 4030421
Branch no. 28, Corsica, via privata Sanremo - ang. viale Corsica 81 tel. 02 7109601
Branch no. 29, Bicocca, piazza della Trivulziana 6 - edificio 6 tel. 02 6474651
Branch no. 30, De Angeli, piazza Ernesto De Angeli 9 tel. 02 4351831
Branch no. 31, Isola, via Carlo Farini 47 tel. 02 6901361
Branch no. 32, Venezia, viale Luigi Majno 42 - viale Piave 43 tel. 02 2772961
PERO via Mario Greppi 13 tel. 02 3391591
SEGRATE via Rodolfo Morandi 25 tel. 02 2187351
SESTO SAN GIOVANNI
Branch no. 1, piazza Martiri di via Fani 93 tel. 02 2497301
Branch no. 2, piazza della Resistenza 52 tel. 02 2497271

PROVINCE OF MONZA E BRIANZA

ALBIATE via Trento 35 tel. 0362 93581
BERNAREGGIO
 via Michelangelo Buonarroti 6 tel. 039 680821
BOVISIO MASCIAGO
 via Guglielmo Marconi 7/A tel. 0362 59741
CARATE BRIANZA
 via Francesco Cusani 10 tel. 0362 80791
DESIO via Porticetto - ang. via Pio XI tel. 0362 30571
GIUSSANO via Cavour 19 tel. 0362 35571
LISSONE via Trieste 33 tel. 039 466481
MEDA via Yuri Gagarin - ang. corso della Resistenza tel. 0362 77151
MONZA
Head Office, via Galileo Galilei 1 tel. 039 837961
Branch no. 1, via Alessandro Manzoni 33/A tel. 039 235151
NOVA MILANESE via Antonio Locatelli SEREGNO tel. 0362 36311
Head Office, via Cavour 84 tel. 0362 32181
Branch no. 1, via Cesare Formenti 5 tel. 0362 32181
SEVESO via San Martino 20 tel. 0362 65821
VAREDO corso Vittorio Emanuele II 53 tel. 0362 58491
VILLASANTA - fraz. San Fiorano
 via Amatore Antonio Sciesa 7/9 tel. 039 205781
VIMERCATE piazza Papa Giovanni Paolo II 9 tel. 039 630871

PROVINCE OF NOVARA

ARONA via Antonio Gramsci 19 tel. 0322 23411
NOVARA via Andrea Costa 7 tel. 0321 37791

PROVINCE OF PARMA

PARMA via Emilia Est 3/A tel. 0521 53011

PROVINCE OF PAVIA

BRONI via Giuseppe Mazzini 1 tel. 0385 25621
CASTEGGIO piazza Cavour 4 tel. 0383 80711
MORTARA via Roma 23 tel. 0384 29011
PAVIA
Head Office, piazzale Ponte Coperto Ticino 11 tel. 0382 39181
Branch no. 1, corso Strada Nuova 75 tel. 0382 37531
VIGEVANO piazza IV Novembre 8 tel. 0381 87411
VOGHERA via Emilia 70 tel. 0383 21051

PROVINCE OF PIACENZA

CASTEL SAN GIOVANNI
 corso Giacomo Matteotti 27 tel. 0523 73451
PIACENZA
Head Office, via Raimondo Palmerio 11 tel. 0523 30771
Branch no. 1, via Cristoforo Colombo 18 tel. 0523 54281

PROVINCE OF ROMA

CIAMPINO viale del Lavoro 56 tel. 06 7989121
FRASCATI via Benedetto Cairoli 1 tel. 06 9401581
GENZANO DI ROMA
 viale Giacomo Matteotti 14 tel. 06 9395491
GROTTAFERRATA via XXV Luglio tel. 06 9454181
ROMA
Head Office, Eur, viale Cesare Pavese 336 tel. 06 5099731
Branch no. 1, Monte Sacro, viale Val Padana 2 tel. 06 8838091
Branch no. 2, Ponte Marconi, via Silvestro Gherardi 45 tel. 06 5534241
Branch no. 3, Prati Trionfale, via Trionfale 22 tel. 06 3759621
Branch no. 4, Bravetta, piazza Biagio Pace 1 tel. 06 6613091

Branch no. 5, Portonaccio, piazza S. Maria Consolatrice 16/B tel. 06 4336251
Branch no. 6, Appio Latino, via Cesare Baronio 12 tel. 06 7844181
Branch no. 7, Aurelio, via Baldo degli Ubaldi 267 tel. 06 3909191
Branch no. 8, Africano Vescovio, viale Somalia 255 tel. 06 8622161
Branch no. 9, Casal Palocco, piazzale Filippo il Macedone 70/75 tel. 06 5091951
Branch no. 10, Laurentina, via Laurentina 617/619 tel. 06 5929271
Branch no. 11, Esquilino, via Carlo Alberto 6/A tel. 06 4927151
Branch no. 12, Boccea, circonvallazione Cornelia 295 tel. 06 6610531
Branch no. 13, Tuscolano, via Foligno 51/A tel. 06 7070261
Branch no. 14, Garbatella, largo delle Sette Chiese 6 tel. 06 5165031
Branch no. 15, Farnesina, via della Farnesina 154 tel. 06 3629091
Branch no. 16, Monte Sacro Alto/Talenti, via Nomentana 925/A tel. 06 8208131
Branch no. 17, San Lorenzo, piazza dei Sanniti 10/11 tel. 06 4927141
Branch no. 18, Infernetto, via Ermanno Wolf Ferrari 348 tel. 06 5091961
Branch no. 19, Nuovo Salario, piazza Filatteria 24 tel. 06 8870031
Branch no. 20, Tuscolano/Appio Claudio, via Caio Canuleio 29 tel. 06 7153921
Branch no. 21, Nomentano, via Famiano Nardini 25 tel. 06 8622381
Branch no. 22, c/o World Food Programme - Sportello Interno -, via Cesare Giulio Viola 68/70 tel. 06 6503741
Branch no. 23, Ostia, via Carlo Del Greco 1 tel. 06 5636041
Branch no. 24, San Clemente/Colosseo, via di S. Giovanni in Laterano 51/A tel. 06 7726821
Branch no. 25, Parioli, viale dei Parioli 39/B tel. 06 8091101
Branch no. 26, Tritone, via del Tritone 207 tel. 06 6976821
Branch no. 27, Prati, piazza Cavour 7 tel. 06 6889971
Branch no. 28, Casilina, piazza della Marranella 9 tel. 06 2456081
Branch no. 29, c/o FAO - Sportello Interno -, viale delle Terme di Caracalla 1 tel. 06 5717191
Branch no. 30, c/o IFAD - Sportello Interno -, via Paolo Di Dono 44 tel. 06 5159051
Branch no. 31, c/o Campus Bio-Medico di Roma - Policlinico, via Alvaro del Portillo 200 tel. 06 5064131
Branch no. 32, Monteverde Vecchia, via Anton Giulio Barrili 50/H tel. 06 5852351
Branch no. 33, Trastevere, piazza Sidney Sonnino 40 tel. 06 5852371
Branch no. 34, Gregorio VII, via Gregorio VII 348 - ang. piazza Pio XI 40 tel. 06 6610561

PROVINCE OF TORINO

TORINO via XX Settembre 37 tel. 011 513441

PROVINCE OF TRENTO

CLES piazza Navarino 5 tel. 0463 60101
RIVA DEL GARDA viale Dante Alighieri 11 tel. 0464 57641
ROVERETO corso Antonio Rosmini 68 - ang. via Fontana tel. 0464 40681
TRENTO piazza di Centa 14 tel. 0461 40101

PROVINCE OF VARESE

AEROPORTO DI MALPENSA 2000
 Terminal 1 - FERNO tel. 02 5857321
BISUSCHIO via Giuseppe Mazzini 80 tel. 0332 47981
BUSTO ARSIZIO piazza Trento e Trieste 10 tel. 0331 34901
CARNAGO via Guglielmo Marconi 2 tel. 0331 98921
CASTELLANZA corso Giacomo Matteotti 2 tel. 0331 48231
GALLARATE via Torino 15 tel. 0331 72341
GAVIRATE via Guglielmo Marconi 13/A tel. 0332 75501
LAVERNA PONTE TRESA
 via Luigi Colombo 19 tel. 0332 52441
LONATE POZZOLO via Vittorio Veneto 27 tel. 0331 661749
LUINO via XXV Aprile 31 tel. 0332 50401
MARCHIROLO
 via Cavalier Emilio Busetti 7/A tel. 0332 99951
SARONNO via San Giuseppe 59 tel. 02 9676601
SESTO CALENDE piazza Giuseppe Mazzini 10 tel. 0331 91851
SOLBIATE OLONA via Vittorio Veneto 5 tel. 0331 37811
SOMMA LOMBARDO via Milano 13 tel. 0331 95131
VARESE
Head Office, viale Belforte 151 tel. 0332 33961
Branch no. 1, piazza Monte Grappa 6 tel. 0332 29431
Branch no. 2, via San Giusto - ang. via Malta tel. 0332 29441

PROVINCE OF VERCELLI

VERCELLI corso Marcello Prestinari 20 tel. 0161 26851

PROVINCE OF VERBANO-CUSIO-OSSOLA

CANNOBIO viale Vittorio Veneto 2/bis tel. 0323 73801

GRAVELLONA TOCE

corso Guglielmo Marconi 95 tel. 0323 84921
VERBANIA - Intra, piazza Daniele Ranconi 27 tel. 0323 58471
VERBANIA - Pallanza, largo Vittorio Tonolli 34 tel. 0323 55591

PROVINCE OF VERONA

PESCHIERA DEL GARDA via Venezia 40/A tel. 045 646391
VERONA corso Cavour 45 tel. 045 927691
VILLAFRANCA DI VERONA
 corso Vittorio Emanuele II 194 tel. 045 633791

TEMPORARY BRANCH

NEW TRADE FAIR DISTRICT - Corso Italia Est
 Strada Statale del Sempione 38 - Rho/Pero tel. 02 45402082

MOBILE BRANCH

Autobanca

REPRESENTATIVE OFFICES

HONG KONG* - SHANGHAI* (*with other banking partners)

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ABU DHABI - ATHENS - BRUXELLES - BUDAPEST - BUENOS AIRES - CASABLANCA - CHICAGO - CHISINAU - CIUDAD DE MEXICO - DOHA - ISTANBUL - LISBOA - LYON - MONTEVIDEO - MOSCOW - MUMBAI - PARIS - PERPIGNAN - SAO PAULO - SYDNEY - TOKYO - TORONTO - TUNIS - ULAANBAATAR - WARSZAWA (c/o different partners)

BANCA POPOLARE DI SONDRIO (SUISSE) SA

SWITZERLAND

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

GENERAL MANAGEMENT

Lugano, via Giacomo Luvisi 2a tel. 0041 58 8553000
 fax 0041 58 8553015

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BRANCHES AND AGENCIES

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LUGANO Cassarate, piazza Bossi 2 tel. 0041 58 8553250
PARADISO
 Riva Paradiso 2 - Palazzo Mantegazza tel. 0041 58 8554500
BASILEA Greifenegasse 18 tel. 0041 58 8553900
BELLINZONA viale Stazione 26 tel. 0041 58 8553500
BERNA 8 Kramgasse 16 tel. 0041 58 8554450
BIASCA piazza Centrale 1 tel. 0041 58 8554250
CASTASEGNA località Farzett tel. 0041 58 8553750
CELERINA via Maistra 104 tel. 0041 58 8553700
CHIASSO piazza Indipendenza 2 tel. 0041 58 8554000
COIRA Bahnhofstrasse 9 tel. 0041 58 8553850
LOCARNO piazza Muraccio tel. 0041 58 8553550
MENDRISIO piazzetta Borella 1 tel. 0041 58 8554200
NEUCHÂTEL Rue de l'Hôpital 7 tel. 0041 58 8554600
PONTRESINA via Maistra 184 tel. 0041 58 8554300
POSCHIAVO strada San Bartolomeo tel. 0041 58 8553650
SAMEDAN Platzett 21 tel. 0041 58 8554550
SAN GALLO Schmiedgasse 2 - Haus zum Rosenstock tel. 0041 58 8553800
ST. MORITZ via dal Bagn 9 tel. 0041 58 8553600
ZURIGO Uraniastrasse 14 tel. 0041 58 8553950

Principality of Monaco

MONACO 3 rue Princesses Florestine tel. 00377 99996464

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 Head Office: Milano, via Cino del Duca 12 tel. +39 02 58150.1 - fax +39 02 58150.205
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ART AND FAITH

Cardinal
GIANFRANCO RAVASI

President of the Pontifical
Council for Culture and
the Pontifical Commission
for Sacred Archaeology



That great and original Swiss painter Paul Klee confessed that «the purpose of art is not to represent the visible, but to make visible the Invisible». Precisely for this reason it can be said that art is the sister of faith, because the latter has as its goal preparing for the encounter with God, the manifestation of He who is invisible. This contemplation was then facilitated and made available in Christ who combined the Infinity of the divine with the flesh of humanity, so that the Invisible and the visible, the eternal Word and human speech, the transcendent eye and human gaze unite in his person. It is this concept that lies at the base of the icon, so much so that St. Paul does not hesitate to call Jesus Christ «eikòn [image in Greek] of the invisible God» (Colossians 1:15)

In these icons – as you can see in the sequence of six tables in the art collection of Banca Popolare di Sondrio – it is the divine motherhood of Mary that dominates: in it there is the Mother who is the temple of God and there is Christ the child who is the God of that temple of flesh. The titles of these icons may differ (“the icon of Tenderness”, “the icon of the One who shows the way”, “the icon of Kazan” or “the icon of Vladimir”, named after the cities where the images were worshipped); the type of icon can also change, as can the colours or the imprint of the artist’s genius; what remains is the central mystery of Christianity depicted in them, i.e. the Incarnation, the meeting between the Invisible and the visible. Thus sang St. John Damascene, who in the 8th century rose against the storm of iconoclasm imposed by the Byzantine emperors Leo III and Constantine V: «The Word of the divine Father, which could not be represented, was made incarnate in you, Mother of God. Christ, you have restored the image contaminated by sin to its original dignity and united it to divine beauty». With these words, the great writer, who is considered the last of the Fathers of the Church, evoked the passage in Genesis (1:27) that everyone knows, which states that «God created man in his own image, in the image of God he created him, male and female he created them».

Man and woman are, therefore, also the icon-image of God, though scarred by sin, but still a reflection of the Invisible Creator. That’s why sacred art subsequently moves on to depict, not only Mary and the Child, but also the saints, those who most radiate the divine face. That’s why we wanted to put side by side, in the pages that follow, these icons and a series of western European paintings that the Bank holds. These depict various figures of saints, such as Clare of Assisi in her ecstasy, or the famous and celebrated Antonio of Padua, the great bishop of Canterbury, theologian Anselm of Aosta, or the beloved, at a devotional level, San Rocco, whose biography is shrouded in legend, not to mention the disconcerting martyrdom of Blessed Simonino, on whom fell the dark cloud of anti-Semitism.

Of course, the presence of Mary and Christ continues to dominate even in these paintings, with their evangelical scenes, to remind us that the Invisible face made visible in Christ always remains the central theme. In the Year of the Faith, launched by Benedict XVI and due to end on 24 November, the solemnity of Christ, the king of the universe and of history, to have organised this small and ideal gallery of sacred images becomes a way to reiterate the sisterhood – one that has spanned the centuries that lie behind us – the one that combines art and faith. We started with a great Swiss painter, we will end with the testimony of a great German writer, who died in Switzerland (Montagnola di Lugano) in 1962, Hermann Hesse. In his work, *Klein and Wagner*, he stated very succinctly: «Art means: revealing God in every situation».

Russian icons and western religious art

Byzantine sacred art of the 4th and 5th centuries is the matrix of all religious painting, both in the West and in Russia and Eastern Europe. Icon is in fact the Greek word for “image”, which in Byzantium became synonymous with a sacred image. And it was in Byzantium that the first sacred images made their appearance, such as the *Mandyllion* – The linen with the Holy Face of Christ Acheropita, i.e. not made by the hand of man, venerated in Edessa as the self-portrait of God – or the icon of the Mother of God, brought from Jerusalem in 450 AD and painted, it was said, by St. Luke, “the finger of God,” who it is said created the first images of the Virgin. However, these archetypes of Christian art develop in different forms in the West and in Eastern Europe. The first icons from Byzantium arrived in Russia in the 12th century and here not only retained the name of icon, but tended to remain unchanged, keeping all of their primitive theological character, as a vision coming directly from God, a “painted prayer”. This explains why the icon painter was often a monk who prepared himself for painting through prayer and fasting; painting to be carried out with his hands and a holy spirit, holy as was the greatest Russian icon artist of all, Andrei Rublev, the protagonist of the film by Andrei Tarkovsky. But it also explains why there is no element in the icon, neither form nor colour, that does not have a theological sense, even before their aesthetic sense.

The material of an icon has to be wood, because Noah’s Ark and the Cross of Christ were made of wood; the colours do not have to be brilliant, but they must appear to be reflected colours, because the image is a reflection of the afterlife; but at the same time, they have to be indestructible and «solid like the ancient Russian faith», says one of the protagonists of the beautiful story by Nikolai Leskov *The Sealed Angel*, whose central theme is the icon; The surface must be of gold or silver foil to suggest a supernatural light; shade and chiaroscuro should be avoided, because there are no shadows in heaven; the image must be full-face, not profile, because everything that is divine should not be hidden and profile belongs to the devil; lastly, in the icon, perspective, which is the point of arrival of Western art, is – according to the happy definition of Pavel Florenskij – a “reverse perspective”; in other words, the image is not projected in depth, towards the inside, but in the foreground, towards the outside, because it is not the viewer who is meant to enter the image, but the image that is meant to penetrate the viewer. So three-dimensional perspective is abolished, to be replaced by the intensity of the gaze, fixed on the observer. In fact, more than looking at an icon, we feel that it is looking at us. In Italy, however, the primitive frontal images of the Virgin and Child on a gold background, of Byzantine derivation and often close to that of the *Virgin Hodegetria* (“She who shows the way”), soon evolved with Giotto towards a more mobile expressiveness and greater realism in terms of perspective and scenography, with the result that such images moved from being

contemplative to being increasingly narrative. Art moved from pictures of the Madonna and Child and Christ the Saviour to the representation of scenes from the Old and New Testaments along a path in which the painting, under the influence of classical Greek and Roman sculpture, increasingly aimed for an imitation (*mimesis*) of reality as a divine creation and man made in the image and likeness of God.

The long artistic season of the icon ended in the 18th century. But the abundant production of icons in the 19th and early 20th centuries, now the subject of renewed critical attention, maintains in the best specimens evident traces of the ancient Russian art of the icon. Many of the characters of ancient Russian icons can also be rediscovered in the six 19th century icons of Mary presented here. They make reference to some of the most famous icons of the Mother of God, like that of Kazan or that of Vladimir, whose main feature is Tenderness, or as *Mother of God Hodegetria*, the oldest image of Mary in Byzantine art. Comparing these icons with other works of Western religious art in the collections of BPS reveals some important differences. The fixed frontal gaze of *Christ the Saviour* in the little icon that also represents the Mother, penetrates the soul of the beholder to save it and has a very different theological and aesthetic significance from the gaze of *Salvator Mundi* by Daniele Crespi, looking at the sky towards which Christ is the mediator of man’s salvation. The large etching by Rembrandt called *Descent from the Cross* (or the *Deposition of Christ*), with its powerful chiaroscuro gives us an idea of the profound differences between Western art, where light reveals things from the outside, and the art of the icon where, because of the gold background, the light creates things and is internal to them. In *The Visitation* by Pieter de Jode II, which transforms a painting by Rubens into an engraving, we can see how the sacred theme, always of golden solemnity in the icon, tends in Baroque art to become much more worldly, almost a scene from everyday life. Then it would be inconceivable to find in an icon a scene like that of the *Martyrdom of the Blessed Simonino*, a black page in the history of the mediaeval Catholic anti-semitism, today repudiated by the Church, which featured strongly in Italian popular religiosity towards the end of the 15th century, as shown in the fresco by Malacrida da Musso, which is the best-known representation in Valtellina.

Lastly, common to both artistic traditions is the theme of the Saints, which in the West has developed with its well-established iconography, as can be seen from the Baroque images of St. Anthony of Padua, St. Rocco and St. Clare, but also from the beautiful *St. Anselm* by Giovanni Thoux, who in his personal and extremely modern and imaginative expressionism, shows how the religious art of the 20th century can still feed on the roots of the artistic tradition and popular religious feeling in the West.

Franco Monteforte



Mother of God Hodegetria

Tempera on wood with riza (revetment or covering) in engraved silver and embossed by hand

Initials and date on the revetment: OB, 1846

Silver stamp rating: 84

Hallmark of the city of St. Petersburg

17 x 13.5 cm

The icon of St. Luke, "the finger of God"

The *Mother of God Hodegetria* (She who shows the way) is the most solemn and ancient type of representation of the Virgin in Byzantine art from Constantinople. The Virgin shows her son as «the Way, the Truth and the Life». Jesus sitting on the arm of the Virgin as the throne, blessing with his right hand, holding in his left hand the scroll of the law, the image of Christ as the merciful judge. The icon first appeared in Constantinople around 450 AD, brought, it seems, by Elia Eudocia, wife of Theodosius II, from Jerusalem where it was venerated as a miraculous image painted directly by St. Luke, the "finger of God", to whom tradition attributes the first representations of the Virgin. Soon a basilica was built in Constantinople and dedicated to the Mother of God Hodegetria, who then became the patron saint of the city.

The hagiographic tradition claims three different types of representation of the Virgin: (*Hodegetria* - She who shows the way, *Eleusa* - of Tenderness or showing mercy and *Panaghia* - All-Holy), all dating originally to Saint Luke. However, it seems more likely that the *Mother of God Hodegetria* - together with the *Our Lady Panaghia*, in an attitude of prayer - is the most solemn and ancient, from which would subsequently be developed the most plastic of the icons, namely *Our Lady Eleusa*, which tends to reveal a certain influence of Western art, trying to capture the psychological expressiveness of the persons depicted.

This icon belongs to the type of the Mother of God Hodegetria - She who shows the way. The silver revetment (riza), made of low silver alloy deeply embossed with very elaborate ornamental patterns, serves not only as protection, but also confers greater solemnity to the image of the Virgin and Child in an atmosphere of heavenly brightness.

But the way it is worked mainly gives prominence to the features of the underlying painted figures; it puts them, as it were, even more in the foreground, which is the whole purpose of an icon.

From the painting emerge only the face and hands of the Virgin Mary, along with the face, hands and feet of Christ. The imperfect match between the revetment and the painting is probably a clue that they were not designed together. The revetment has the hallmark of the city of St. Petersburg and one of the anonymous master O.B., with the date "1846" and the silver stamp rating: "84".

The Virgin, turned slightly towards her Son, supports him with her left arm. Her hand surrounds and holds his legs, while her right hand indicates Christ. Jesus is sitting on her arm as though it were a throne, which recalls the first verse of the Acathistus, the Byzantine liturgical hymn of the Virgin, which reads: «Hail, for you are the throne of the King...». Christ, in the act of blessing, holds the roll of the law in his left hand, which can be seen in the middle of the figure. In short, he is the merciful judge, as indicates his face which is that of a fully mature adult, rather than of a child.

SUMMARY OF THE BANK'S GROWTH

(2002/2012)

(in millions of euro)	2002	2007	2012
Customer deposits:			
direct	7,349	13,803	23,662
indirect	11,640	19,411	22,652
Equity (excluding net profit for the year)	752	1,461	1,686
Customer loans:			
cash loans	6,247	12,402	22,390
overdraft facilities	1,528	2,361	4,226
Financial assets	1,803	3,656	4,844
Income from banking activities	312	526	858
Result of ordinary operations	83	217	82
Net profit for the year	47	131	26
Number of branches	178	247	306
Personnel (number)	1,878	2,301	2,569

BANCA POPOLARE DI SONDRIO

Società cooperativa per azioni – Founded in 1871 - Official List of Banks no. 842.

Official List of Cooperative Banks no. A160536.

Official List of Banking Groups no. 5696.0, Sondrio Companies Register

no. 00053810149 - Share capital € 924,443,955 made up of 308,147,985 ordinary shares with a par value of € 3 each – Reserves € 723,895,425

NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The shareholders of Banca Popolare di Sondrio are called to the ordinary annual general meeting (AGM) at the head office in Piazza Garibaldi 16, Sondrio, at 10.00 a.m. on Friday, 26 April 2013 and, if necessary, on second calling in Bormio (So) at the Centro Polifunzionale Pentagono, via Alessandro Manzoni 22, at 10.30 a.m. on Saturday, 27 April 2013 to discuss the following

AGENDA

- 1) Presentation of the financial statements as of 31 December 2012: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;
- 2) Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;
- 3) Approval of the document entitled «Compensation Policies of the Banca Popolare di Sondrio Banking Group» and information on how these compensation policies were implemented in 2012, as required by the Bank of Italy;
- 4) Approval of the Remuneration Report, as per art. 123-bis of Decree 58/98 (Consolidated Finance Act);
- 5) Determination of directors' emoluments;
- 6) Appointment of five directors for the three-year period 2013-2015 and appointment of a director for the rest of the three-year period 2011-2013;
- 7) Appointment of a statutory auditor for the rest of the three-year period 2012-2014;
- 8) Appointment of advisors and alternate advisors for the three-year period 2013-2015.

Share capital

The share capital, fully subscribed and paid up, amounts to € 924,443,955 and is made up of 308,147,985 ordinary shares with a par value of € 3 each. There are 175,369 shareholders with voting rights.

Attendance at the Shareholders' Meeting

Pursuant to arts. 13 and 27 of the articles of association, shareholders are entitled to attend shareholders' meetings and exercise their voting rights

if they have been recorded on the shareholders' register for at least ninety days and providing they have delivered to the bank's head office the declaration that the appointed intermediary that holds the shares on deposit has to make to the issuer at least two working days prior to the date of the meeting at first calling. In any case, art. 83-sexies, paragraph 4, of Decree 58/98, Consolidated Finance Act, applies. Shareholders are asked to bring a copy of this declaration to the meeting to facilitate entry formalities.

This declaration is not required from shareholders who have deposited their shares with the bank or with Banca Popolare di Sondrio (Suisse) SA.

Each shareholder has the right to only one vote, however many shares they hold.

Shareholders may be represented at the meeting by another shareholder, by means of a proxy ballot issued in compliance with Italian law. No shareholder can be a proxy for more than two other shareholders. Proxy forms are available at all branches of the Bank and on its website (www.popso.it/assemblea2013). The proxy will have to be handed over when entering the meeting.

Shareholders who are minors can be represented by whoever is their legal representative.

Additions to the Agenda for the Shareholders' Meeting

Shareholders representing at least one-fortieth of the total number of shareholders entitled to vote may request, within ten days of publication of this notice, for items to be added to the agenda, according to the terms and conditions laid down in art. 126-bis of Decree 58/98, Consolidated Finance Act. The request, to be submitted to the head office in Piazza Garibaldi 16, Sondrio, should contain an indication of the new topics being proposed or of motions proposed on matters already on the agenda. Requests shall be submitted in writing and the signature of each shareholder submitting it must be authenticated as required by law.

Shareholders wanting to add items to the agenda should prepare a report summarising the reasons for the new topics that they would like to propose for discussion, or the reasons for additional motions that they would like to propose on matters already on the agenda. This report has to be sent in no later than the deadline for submission of the request.

It is not permitted to add items to the agenda for those topics on which the Shareholders' Meeting has to vote, in accordance with the law, on the proposal of the Board of Directors or on the basis of a project or a report prepared by the Board, other than those mentioned in art. 125-ter, paragraph 1, of Decree 58/98, Consolidated Finance Act.

Documentation

The explanatory reports of the Board of Directors containing the proposed resolutions and documents that will be submitted to the Shareholders' Meeting will be made available at head office, at Borsa Italiana SpA and on

the Company's website at www.popso.it/assemblea2013 by the current legal deadline. Shareholders have a right to look at this documentation and to obtain a copy of it at their own expense.

Appointment of five directors for the three-year period 2013-2015

With reference to the first part of paragraph 6) on the agenda for the Shareholders' Meeting - Appointment of five directors for the three-year period 2013-2015 - the following is the text of art. 35 of the articles of association.

Art. 35 Presentation of lists of candidates

Directors are appointed on the basis of lists with the same number of candidates as the number of candidates that have to be appointed; on these lists, the candidates are progressively numbered and listed in that order.

The lists must be deposited at the head office of the Bank by the deadline laid down in current regulations.

The lists must be prepared in such a way as to ensure gender balance in the composition of the Board of Directors resulting from the vote, according to the principles laid down by law and by the current articles of association, taking into account the election mechanism governed by Article 36 below in the allocation of a progressive number to each candidate.

Individual shareholders can only contribute to the presentation of one list and each candidate can only be present on one list.

Lists have to be presented by at least 500 shareholders, with the requisites laid down in art. 13.

One or more shareholders with the requisites laid down in art. 13 and who have a total interest of not less than 0.50% in the share capital can also present lists. Shareholders have to declare the number of shares that they own in total and certify their ownership of this shareholding.

The signature of each shareholder presenting a list has to be authenticated as required by law or by the employees of the Bank delegated for this purpose by the Board of Directors.

By the deadline for depositing these voting lists, there also has to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the articles of association for holding office as a director. Candidates should also declare if they have the requisites of independence as per art. 2 and, if they do, this is mentioned in the lists.

Any lists that are deposited without complying with the methods and deadlines laid down in these instructions are considered as though they had not been presented.

Note that current legislation, to which art. 35 of the Articles refers, states that the lists of candidates for the office of director have to be deposited at head office by the 25th day prior to the date of the Meeting.

Lists for the election of the Board of Directors can also be filed electronically by certified e-mail to segreteria@postacertificata.popso.it. It should also be remembered that art. 32, paragraphs 3 and 4, of the articles of association states that:

«The composition of the Board of Directors must ensure gender balance in accordance with current regulations.

For the first three partial renewals of the Board - pursuant to art. 34, paragraph 2 - more than one year from the date of entry into force of Law 120 of 12 July 2011, the gender balance is achieved by ensuring that at least one-fifth of the directors elected for a three-year term go to the gender that is less represented.»

Pursuant to art. 33, paragraph 1, of the articles of association, the directors have to meet the requirements laid down by law and by the supervisory rules for banks. Art. 33, paragraph 2, also states that at least two members of the Board of Directors must meet the independence requirements laid down in art. 147-ter, paragraph 4, of Decree 58/98, Consolidated Finance Act. In this regard, note that of the nine directors whose term of office is not about to expire, five meet this requirement.

Lastly, art. 33, paragraph 3, provides that with a specific regulation, the Board of Directors sets the limit on the number of positions that directors can hold at the same time in other companies. In this regard, it has been decided that the directors may not hold board or management positions in more than five listed companies at the one time.

For the presentation of lists, the shareholders are required to take into account the document «Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio» published on the Company's website at www.popso.it/assemblea2013.

In this document, adopted in implementation of the guidelines issued by the Bank of Italy, the Board of Directors has identified the ideal composition of the board in terms of quality and quantity and the profile that candidates need to have for the office of director. This document has been made known to the Bank's shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Directors can take into account the professional skills required to perform the tasks entrusted to the Board.

Appointment of a director for the rest of the three-year period 2011-2013

With reference to the second part of point 6) on the agenda of the AGM - Appointment of a director for the rest of the three-year period 2011-2013 - note that, under Article 37, paragraph 3, of the articles of association, election will be by a majority vote for each candidate, without any list obligation.

At least fifteen days prior to the date of the AGM at first calling, there have to be filed at head office the curriculum vitae of each candidate and the

declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the articles of association for holding office as a director.

Also in this case, before submitting candidatures, reference should be made to the «Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio».

Appointment of a statutory auditor for the rest of the three-year period 2012-2014

With reference to point 7) of the agenda, note that, in accordance with paragraph 4, letter a) of art. 51 of the articles of association, election is by a majority vote for each candidate, without any list obligation.

At least fifteen days prior to the date of the AGM at first calling, there have to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the articles of association for holding office as a statutory auditor.

Appointment of advisors and alternate advisors for the three-year period 2013-2015

The Meeting is called upon to renew the Advisory Committee. Election will be by a majority vote.

Sondrio, 26 March 2013

FOR THE BOARD OF DIRECTORS
The Chairman
(Piero Melazzini)

The notice of calling was published, as required by law, on the Company's website at www.popso.it/assemblea 2013 and, as an extract, in the daily newspaper «Il Sole 24 Ore» on 27 March 2013.

Note. The figures in this report are in euro; all changes expressed as percentages refer to comparable data from the end of 2011, unless otherwise specified. 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.

DIRECTORS' REPORT ON OPERATIONS

SUMMARY OF RESULTS

Shareholders,

Throughout 2012, the crisis has held centre stage, and at the centre of the crisis was the euro. The single currency was in real danger of not being single anymore. Perhaps the idea of a united Europe has become too big for people who, locked in national self-interest, have lost the ability to dream?

What is certain is that Europe will either be united or will not exist at all. It will not be able to interact with the key players of the world economy, which will then be free to take decisions autonomously that will apply to everyone.

The fact is that only resolute intervention on the part of the European Central Bank distanced us from the worst-case scenarios, bringing some stability to the markets. Some states, starting with Italy, were able to benefit from a significant decline in the spread between its government bonds and German ones.

Of course, the road to recovery is still long. In Italy, the «country system» has to be put back together again, because in recent years it really has lost some important pieces of its production and innovation capacity. The priorities are: stimulate investment, increase productivity, reduce government spending, reduce the weight of taxes, and more besides. Only in this way will there be any chance of creating jobs, especially for young people. Monti's «technical government» did what it could, but it will be up to those who follow to carry on the task of restoring the public finances and boosting the economy with strength and fairness.

We can say that in 2012, our Bank did its bit to the full. A big thankyou to our customers, who continued to have confidence in us, as reflected in the figures for deposits, which are still growing. This enabled us to maintain our commitment to the real economy, which means guaranteeing credit and services to households and businesses in the areas that we serve. The quality of our loans has been safeguarded, despite having to deal with the economy in a really drastic state.

Profitability has benefited both from the trend in net interest and from the result of financial activities, particularly thanks to the recovery in the prices of Italian government bonds. On the other hand, the bottom line has been seriously affected by the need to make substantial provisions to cover the increase in impaired loans. As a result, the net profit for the year comes to 25.822 million (-54.23%).

Our shares, which are listed on the Milan Stock Exchange, were penalised during the year by a decline of 29.47%. This is also the result of a market dominated by tension and nervousness, a breeding ground for large-scale speculation. This is offset by the growth in the number of shareholders, which has risen to 177,096.



RESULT IN BRIEF

(in millions of euro)	2012	2011	Change %
Statement of financial position			
Due from customers	22,390	20,606	8.66
Due from banks	1,855	2,201	-15.70
Financial assets	4,844	3,193	51.71
Equity investments	399	348	14.40
Total assets	30,145	26,983	11.72
Direct customer deposits	23,662	20,568	15.04
Indirect customer deposits	22,652	24,065	-5.87
Insurance premiums	618	612	0.92
Customer assets under administration	46,932	45,245	3.73
Other direct and indirect funding	4,772	7,424	-35.72
Equity (excluding net profit for the year)	1,686	1,620	4.04
Income statement			
Net interest income	461	454	1.62
Income from banking activities	858	607	41.43
Result of ordinary operations	82	116	-29.05
Net profit for the year	26	56	-54.23
Key ratios (%)			
Net interest income/Total assets	1.53	1.68	
Balance of financial management/Total assets	1.33	1.64	
Net interest income/Income from banking activities	53.79	74.87	
Administrative expenses/Income from banking activities	40.63	55.77	
Net profit for the year/Total assets	0.09	0.21	
Profit/Average Equity (excluding net profit for the year)	1.56	3.52	
Non-performing loans/Customer loans	1.26	1.28	
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets (Tier I)	10.20%	10.42%	
Total capital/Risk-weighted assets (Total capital ratio)	14.62%	14.26%	
Free capital	1,058	983	
Other information			
Number of employees	2,569	2,549	
Number of branches	306	300	



BPS (SUISSE)

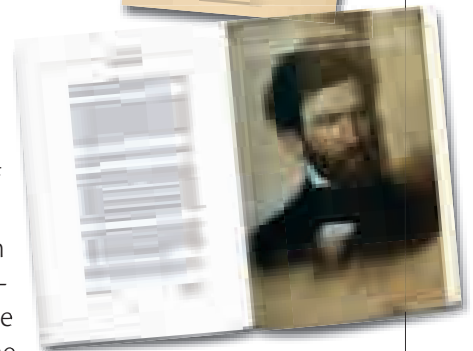


The team of the new representative office in Neuchâtel

The year was inevitably affected by systemic factors, with Swiss market rates close to zero and a slowdown in banking activity.

The steps taken to control costs were effective, despite targeted investment to update systems and information technology. The financial statements, prepared under Swiss accounting standards, shows a net profit of CHF 0.471 million.

The branch network – which is the largest in the Confederation among foreign banks – benefited from the opening of a representative office in Neuchâtel, in the canton of the same name. A considerable contribution was made in commercial terms by GoBanking, the electronic channel operated by Popso (SUISSE) Investment Fund Sicav and Sofipo SA. The subsidiary employed 341 persons at the end of 2012, each of whom received specific training during the year.



The appendix of the annual report is dedicated to Vincenzo Vela



Factorit



Branches in:

- Milano • Torino • Padova
- Bologna • Siena • Roma
- Napoli

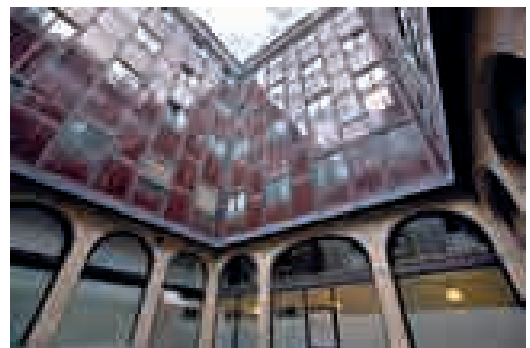
in addition to 250 foreign correspondents in the main international markets.

It operates at the branches of Banca Popolare di Sondrio and banks with which it has special arrangements.

Functionally and profitably integrated within the Banking Group, this subsidiary enhances the range of business products by providing specialist services

designed, in part, to contain the risks associated with trade receivables. As a key element of factoring, the company consistently manages this aspect with professionalism and organisational efficiency.

Operational growth, marked by a significant increase in lending and core activities, has enabled Factorit to remain one of the leaders in the domestic market, with flows of business from the shareholder banks – led by us in terms of the introduction of receivables assigned – and external partners.





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Pirovano Stelvio



This company manages its own hotel facilities in the Stelvio Pass, dedicated above all to summer skiing.



The difficulties experienced by the tourism industry in 2012, which at national level has posted significant declines in sales, have inevitably reflected on the subsidiary. Skiing conditions were also a factor, with a low winter snowfall followed, in particular, by the effect of high summer temperatures on the glacier. The benefits contributed by this company in terms of image justify continued support for this area, with the objective (hopefully shared by other operators) to refresh and strengthen the "Stelvio system". These efforts also help to promote a unique and special natural environment.



Let's now take a look at the figures, which are the fruit of the intense efforts of our staff, which consists of 2,569 people. Total assets amount to 30,145 million (+11.72%). Customer deposits and loans have risen to 23,662 million (+15.04%) and 22,390 million (+8.66%), respectively.

Net interest income has increased to 461 million (+1.62%), mainly due to higher volumes; net fees and commissions made a significant contribution: 222 million (+1.10%). Thanks to significant capital gains on securities, income from banking activities comes to 858 million (+41.43%).

Cost control has been careful and effective, whereas loan writedowns - as we said - have inevitably been affected by the difficult economic situation.

The subsidiaries Banca Popolare di Sondrio (SUISSE) SA and Factorit spa have contributed to the business development of the Banking Group, offering quality services in their respective areas of operation.

Based on the results for the year, the Board is of the opinion that a dividend of 0.033 euro per share (-63.3% on last year) marks a reasonable point of equilibrium between the needs of the shareholders and those of the Bank in terms of self-financing.

TERRITORIAL EXPANSION

While many institutions are downsizing their networks, we have been thinking of opening more branches. Indeed, we really have been opening branches so that we can get in touch with a wider clientele.

With the times we live in, going against the tide requires courage and determination, but we have good reasons for doing so. Our experience in recent years says that new branches are able to find a place in their chosen area very quickly, soon becoming an active player in the communities that they serve. The figures are of comfort to us, as is the extent to which our arrival seems to be appreciated. In small provincial towns as in large cities, in farming areas as in industrial ones, in areas where advanced services prevail as in those still tied to a more traditional type of economy, our branches are frequented by a vast and heterogeneous clientele.

In future, branches are still going to maintain a central role in our approach to banking, though their function has already changed to a certain extent, and it is going to change even more: they will be less and less a place where a standardized service will be provided; instead, it will be increasingly a place where we will meet and talk with our customers, to understand their needs and to offer them personalised and qualified assistance. We are and want to continue to be a cooperative bank, which means that we live by direct contact with the local area and with our customers.

Thanks to the branches, the bank is perceived as a constant and reliable presence, as a point of reference that you can count on to create working relationships that will last over time.

Of course, we do not neglect the other distribution channels, internet in particular, which put us in touch with groups of customers that would otherwise be impossible to reach, but we are convinced that our work is

primarily based on the relationship of trust between people who know and respect each other. It is the banking model that we have implemented for more than 140 years and that we propose successfully in the areas where we have opened more recently, where we acquire new customers and new shareholders as proof of our dynamism and vitality.

It is with these intentions that we opened 6 new branches during the year under review, including 5 in Lombardy and the rest in Piedmont, for a total of 306 units.

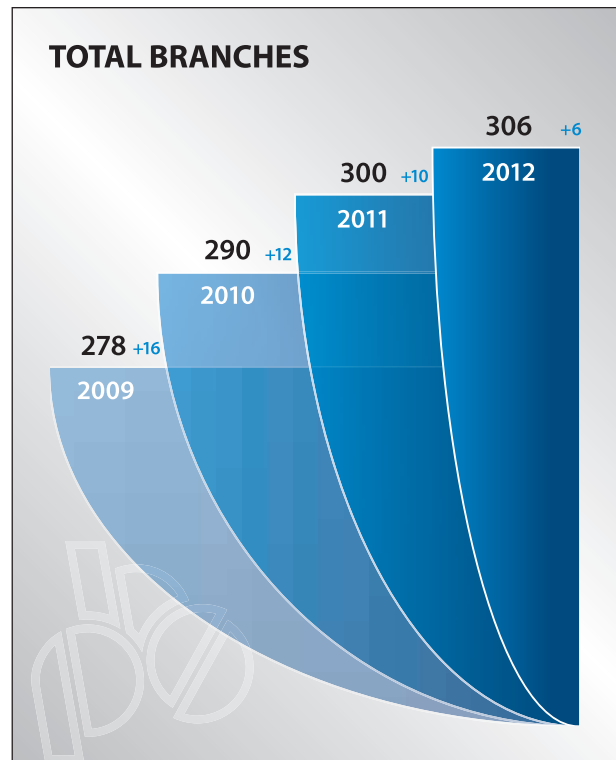
The first to take off was in the province of Varese, in Lonate Pozzolo, a town with more than 12,000 inhabitants bordering Piedmont and the Milanese hinterland. This town, which is bathed by the Naviglio Grande, since the 1990s has been involved in the expansion of the Malpensa 2000 international airport, where we already have a branch. Thanks to the presence of the most important airport in northern Italy, numerous and dynamic tertiary activities have developed in the Lonate area, while the small and medium-sized enterprises that existed there previously still remain.

This was followed by agency no. 32 in Milan, located in the downtown area of the city. Viale Majno is in fact parallel to Corso Venezia and culminates with Piazza Oberdan in Porta Venezia. It is an elegant avenue, overlooked by many prestigious palaces. It is home to, among others, qualified professional firms of lawyers, architects, engineers and accountants and there is also a significant presence of commercial activities, principally towards Piazza Oberdan.

Agency no. 2 in Bergamo has strengthened our activities in this important marketplace, where the Via Broseta branch has been active since July 1997. The new unit is located in the city centre in a densely populated neighbourhood that is very commercially oriented, the destination of numerous tourists and an area where there are also many professional firms. Our presence in Bergamo has therefore been intensified, offering services to customer segments that previously were difficult to reach.

Saronno, with over 38,000 residents, is one of the most important and most densely populated municipalities in the province of Varese. The city is well connected with Milan and Malpensa Airport with is near to major regional roads and motorways. The local economy has an industrial tradition of great importance and even today there are numerous medium and large companies operating in various sectors, from mechanical engineering to chemicals. This by way of confirmation of the entrepreneurial spirit that has always characterized the city and fostered its economic good fortune.

Rezzato is a town of almost 13,500 inhabitants a few kilometres east of Brescia.



Its economy has traditionally focused on marble quarrying. Suffice to recall the famous quarries of Botticino, which produced, among other things, the marble used to build the Altar of the Fatherland (aka «*il Vittoriano*») in Rome. Next to mining, the town can also count on numerous businesses in other sectors, both in retailing and in manufacturing. As for the primary sector, wine-growing still has a certain importance.

Lastly, we went to Vercelli, a provincial capital with more than 47,000 inhabitants and home to the most important European rice market. In addition to this status, it has all the characteristics of a city on a human scale, where life is good, in the middle of greenery and surrounded by a historical and artistic heritage that is well worthy of consideration. At the centre of a territory has always been dedicated to the cultivation of rice, Vercelli is also a centre of trade and manufacturing, favoured, among other things, by being well served by a communication network that puts it easily in contact with the major cities of Northern Italy. As for services, it is worth remembering, in addition to numerous public and private offices, the presence of the Amedeo Avogadro University of Eastern Piedmont, which has appointed us as their treasurer. The Rectorate and several administrative units are there on the campus.

Our overall territorial presence also includes 480 ATMs, of which 16 were added during the year.

FUNDING

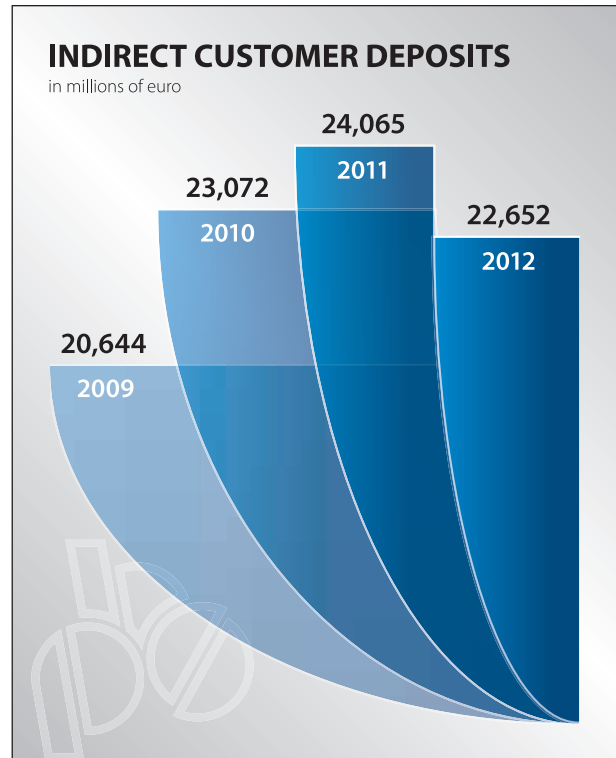
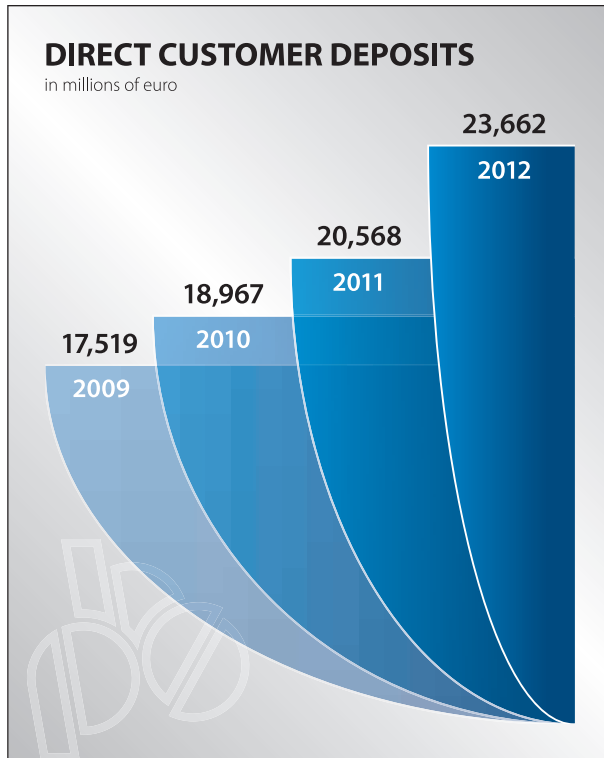
Save money in times of crisis; for many this is a genuine contradiction in terms. In fact, generally speaking, the ability to save money has got steadily weaker, so that it now concerns a minority of Italian families. In addition, fears arising from the sovereign debt crisis have certainly helped to spread uncertainty and concern, together with the awareness that there is no such thing as a risk-free investment.

On the other hand, the competition from government bonds, which at the height of the crisis had to ensure investors interest rates that were high (to say the least), heavily penalised the domestic banking system, which in turn was forced to make extensive use of short-term funding tools, above all time deposits, at extremely onerous conditions.

Overall, a very difficult situation for those who had to make their own investment decisions, as well as for both the banking system which, with the interbank market drying up, only had access to the necessary liquidity thanks to repeated interventions by the European Central Bank.

We faced 2012 strong in the trust that we enjoy in the areas where we operate. Working relationships consolidated over the years that, thanks to a high degree of personalisation, guarantee customer satisfaction and thereby strengthen relationships and stability. Especially when uncertainties grow out of all proportion and people feel the need to rely on precise points of reference.

Our effort was just that: to be at the side of our customers in a constant and continuous search for the best solutions to meet their specific individual



DIRECT CUSTOMER DEPOSITS

(thousands of euro)	2012	%	2011	%	Change %
Savings deposits	451,369	1.91	484,978	2.36	-6.93
Certificates of deposit	29,569	0.12	27,784	0.14	6.42
Bonds	2,712,867	11.47	2,449,332	11.91	10.76
Repo transactions	533,811	2.26	1,272,472	6.19	-58.05
Bank drafts and similar	75,019	0.32	106,157	0.52	-29.33
Current accounts	14,712,607	62.17	12,767,550	62.06	15.23
Time deposit accounts	4,564,397	19.29	2,930,083	14.25	55.78
Current accounts in foreign currency	582,343	2.46	529,319	2.57	10.02
Total	23,661,982	100.00	20,567,675	100.00	15.04

TOTAL FUNDING

(thousands of euro)	2012	%	2011	%	Change %
Total direct customer deposits	23,661,982	45.76	20,567,675	39.05	15.04
Total indirect customer deposits	22,651,517	43.81	24,065,226	45.70	-5.87
Total insurance premiums	617,866	1.20	612,232	1.16	0.92
Total	46,931,365	90.77	45,245,133	85.91	3.73
Due to banks	3,828,808	7.41	3,693,891	7.01	3.65
Indirect deposits from banks	943,176	1.82	3,729,910	7.08	-74.71
Grand total	51,703,349	100.00	52,668,934	100.00	-1.83

needs, also in terms of risk appetite. This has also led to an adequate level of risk diversification, as in the past.

The product range has been continuously updated so that we can keep up with changing market trends in terms of competitiveness and variety. In any case, we have distinguished ourselves in terms of openness and transparency in relationships, being well aware of the role that we have been given by our status as a cooperative bank, which has the promotion of savings as one of its institutional objectives.

Our efforts have been rewarded by further confidence on the part of customers, as is reflected in the figures.

Direct customer deposits rose to 23,662 million (+15.04%), a more than satisfactory trend in light of the situation described above and the performance of the system in general.

Indirect customer deposits, at market value, came to 22,652 million (-5.87%), largely due to the transfer of institutional investors' securities to other intermediaries. Insurance premiums increased to 618 million (+0.92%).

Total customer deposits amounted to 46,931 million (+3.73%).

Deposits from banks rose to 3,829 million (+3.65%). They include the refinancing operations with the European Central Bank for a total of 1,800 million, as explained in the chapter on «Treasury and trading operations». Banks' securities under administration decreased from 3,730 to 943 million, a sharp decline following the transfer of the contracts as custodian bank of the Arca Funds.

Total deposits from customers and banks therefore came to 51,703 million (-1.83%).

The table «Direct customer deposits» shows the various components in greater detail than the Tables 2.1 Section 2 and 3.1 Section 3 in Part B of the Notes.

As for the individual components, the first aspect that needs pointing out is the sustained growth in time deposit accounts: 4,564 million (+55.78%) favoured by customers' propensity to invest in the short term with the possibility of taking advantage of advantageous returns. Current accounts in euro show a good increase to 14,713 million (+15.23%) and represent 62.17% of total direct deposits. Current accounts in foreign currency have risen to 582 million (+10.02%), while certificates of deposit came to 30 million (+6.42%). Repurchase agreements, on the other hand, have suffered a marked decline to 534 million (-58.05%), largely due to competition from time deposits.

There has been a positive trend in bonds, which rose to 2,713 million (+10.76%). Savings deposits, on the other hand, fell to 451 million (-6.93%) and bank drafts and similar totalled 75 million (-29.33%).

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

LENDING

The difficult situation that the Italian economy finds itself in has affected banks' lending activities from two points of view. Firstly, there was a general

slowdown in lending growth, both from the supply side, due to the need for greater caution in granting credit, and from the demand side, due to lower business investment and declining household consumption. Secondly, the worrying deterioration in the credit quality has continued, with serious repercussions on earnings.

However, the banking system has continued to provide financial support to the economy without restricting credit indiscriminately. Which is no small thing. At the same time, banks have had to increase their capital base significantly to meet the new and more stringent rules launched at an international level. Add to this the difficulties encountered on the funding side - as mentioned in the previous paragraph - and you will understand how the credit system has done its duty. This was not in itself sufficient to revive the economy, but there is no doubt that it was a significant contribution to mitigate the worst effects of this adverse cycle.

This context that we have briefly outlined confirmed the validity of our approach to banking, which has always based its lending on prudence and a sense of responsibility.

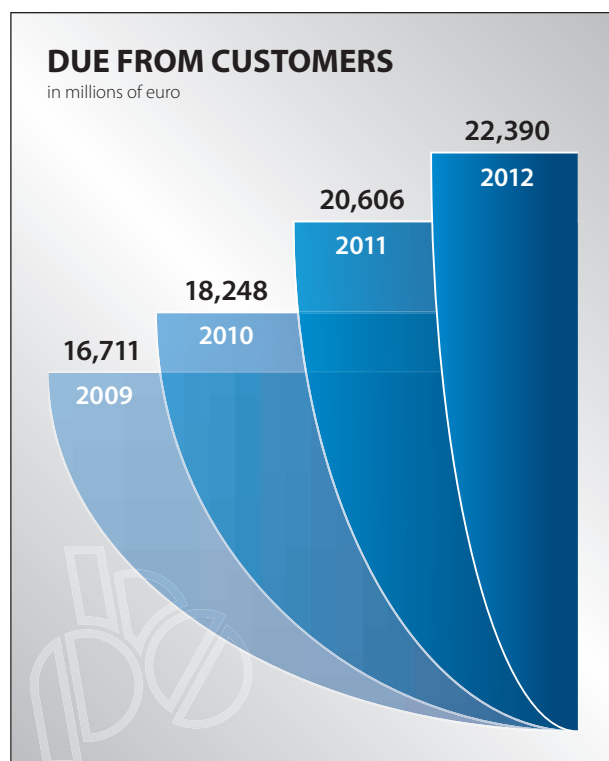
Prudence that is even more necessary in times of crisis and which necessarily involves strengthening the safeguards against risk. This means, above all, making the best use of the pile of information that we receive from the branches thanks to a network that has become an integral part of the communities that we serve; it also means increasing and refining the knowledge and skills of those who are responsible for granting and managing credit.

We have always felt a responsibility for helping families in a logic of support and not merely to boost consumption, as well as for selecting entrepreneurial initiatives that deserve to be financed. It is a task of considerable delicacy: it involves the careful assessment of creditworthiness - which is the art of the banker - and can be a tool for directing the economy towards development models that are more in line with the characteristics and potential of the areas served. This in fact is our function, enhancing the features of each area, linking the local economy to what is now a global market.

As can be seen from the figures, our commitment to households and businesses has grown, and grown considerably. This is an important fact, one that is far from obvious, given these difficult times. In particular, loans have gone up by 8.66% to 22,390 million.

Above all, we have seen an increase in the day-to-day hard grind of safeguarding credit quality, which has in fact remained above average compared with the system. This is an essential point of strength in the way we operate at a local level and is the best guarantee for deposit holders. The ratio of loans to deposits comes to 94.62% compared with 100.19% last year.

Doubtful loans, which consist of non-performing, watchlist, restructured and past due exposures, rose to 1,230 million (+23.72%), which is 5.49% of loans to customers. The increase is due to the general reasons explained above. This aggregate has been calculated according to the new regulatory provisions, which from the current year have extended the perimeter to a category of past due loans that previously was not taken into consideration.



The table gives an overview of doubtful loans.

Net non-performing loans amount to 283 million (+7.45%), which is 1.26% of total loans to customers, compared with 1.28% at 31 December 2011, rising faster towards the end of the year. The limited increase is related to the significant writedowns made in application of extremely prudent valuation criteria, especially with regard to positions backed by collateral in the form of real estate, implementing the recommendations of the Supervisory Authority in this regard. However, net non-performing loans were still significantly lower than the system.

To cover estimated losses on non-performing loans, adjustments have risen to 336 million (+47.42%), accounting for 54.29% of the gross amount of such loans, compared with 46.40% last year. The increase in the level of coverage reflects our prudent provisioning policy.

Watchlist loans, being loans to borrowers in temporary difficulties that are expected to be resolved, amount to 469 million euro, +30.87%, or 2.09% of total loans to customers compared with 1.74% the previous year.

Restructured loans amount to 48 million (-42%). Even though businesses are having recourse more and more frequently to loan restructuring procedures

DUE FROM CUSTOMERS

(thousands of euro)	2012	%	2011	%	Change %
Current accounts	8,077,183	36.07	7,529,729	36.55	7.27
Foreign currency loans	1,409,848	6.30	1,405,831	6.82	0.29
Advances	438,264	1.96	385,485	1.87	13.69
Advances subject to collection	274,594	1.23	307,879	1.49	-10.81
Discounted portfolio	13,859	0.06	12,207	0.06	13.53
Artisan loans	19,233	0.09	22,176	0.11	-13.27
Agricultural loans	33,861	0.15	31,720	0.15	6.75
Personal loans	143,846	0.64	111,748	0.54	28.72
Other unsecured loans	4,615,186	20.61	3,983,004	19.33	15.87
Mortgage loans	6,595,516	29.46	6,227,915	30.22	5.90
Net non-performing loans	282,799	1.26	263,183	1.28	7.45
Repo transactions	485,863	2.17	325,505	1.58	49.26
Total	22,390,052	100.00	20,606,382	100.00	8.66

DUE FROM CUSTOMERS - DOUBTFUL LOANS

(thousands of euro)		31/12/2012	31/12/2011	(+/-)	Change %
Impaired loans	Gross exposure	1,833,781	1,301,406	532,375	40.91%
	Adjustments	604,057	307,477	296,580	96.46%
	Net exposure	1,229,724	993,929	235,795	23.72%
- Non-performing loans	Gross exposure	618,706	491,034	127,672	26.00%
	Adjustments	335,907	227,851	108,056	47.42%
	Net exposure	282,799	263,183	19,616	7.45%
- Watchlist loans	Gross exposure	670,595	415,686	254,909	61.32%
	Adjustments	201,939	57,581	144,358	250.70%
	Net exposure	468,656	358,105	110,551	30.87%
- Restructured loans	Gross exposure	60,343	91,142	-30,799	-33.79%
	Adjustments	12,004	7,803	4,201	53.84%
	Net exposure	48,339	83,339	-35,000	-42.00%
- Past due loans	Gross exposure	484,137	303,544	180,593	59.49%
	Adjustments	54,207	14,242	39,965	280.61%
	Net exposure	429,930	289,302	140,628	48.61%

in accordance with arts 67 and 182 of the Bankruptcy Law, the decrease relates primarily to the transfer of certain positions to other categories of impaired loans.

Impaired past-due loans calculated according to the new rules issued by the Bank of Italy come to 430 million (+48.61%).

Total adjustments come to 757 million (+81.08%). Of these, provisions made for performing loans amount to 153 million (111 million the previous year), which is 0.72% of the gross amount of such loans (21,160 million). The increase in coverage compared with 0.56% last year mainly reflects specific provisions made for performing loans transferred to other types of impaired loans in the first few months of 2013.

Several different technical forms have contributed in varying degrees to the positive trend in loans. These items are shown in greater detail in the table «Loans to customers» and are based on other criteria compared with table 7.1 in Section 7, Part B of the Explanatory Notes.

With growth of 7.27% to 8.077 million, current account overdrafts were again the predominant item of total loans to customers with an incidence of 36.07%.

Mortgage loans have posted a +5.90% to 6,596 million, despite a property sector that is not at all in a good situation. This includes assets sold but not derecognised for 1,482 million for the securitisation carried out by the Bank. These loans have not been derecognised because the requirements of IAS 39 have not been met.

Other transactions and unsecured loans have risen by 15.87% to 4,615 million. Advances have increased to 438 million (+13.69%). Foreign currency

loans come to 1,410 million (+0.29%). Repurchase agreements have risen to 486 million due to temporary cash surpluses. Advances subject to collection amount to 275 million (-10.81%).

Small and medium-sized enterprises associated in Consorzi Fidi (loan guarantee consortiums) enjoy privileged access to finance, which we provide them at special terms. Thanks to the consortium guarantees, we were able to intervene on behalf of many companies struggling with the rigours of the crisis.

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 54 million, local or state-owned enterprises for 381 million and various other entities for 182 million.

TREASURY AND TRADING OPERATIONS

Stock markets

Having survived the severe turbulence of the previous year, in 2012 the financial markets showed significant recoveries, albeit with fluctuating trends that were still conditioned during the negative phase halfway through the year by the difficulties related to the sovereign debt of so-called «peripheral countries» of the Eurozone. The ongoing problems of the world economy also had their weight.

The real watershed - also to reduce the spread between Italian government bonds and German ones - was the strong support for the euro guaranteed in July by the European Central Bank. The ECB, based in Frankfurt, also took significant steps to stabilise the system by approving a new plan to purchase the bonds of peripheral countries (known as «Outright Monetary Transactions» or OMT) and ratifying the permanent bailout fund (the «European Stability Mechanism» or ESM). This reduced the negative impact of the continuous cuts in the ratings of the most vulnerable countries such as Italy, Spain and Portugal. The formation of a new pro-euro coalition government in Greece also helped.

The equity markets, which in Europe had shown positive impulses in the first quarter of the year, also because of the ECB's expansionary monetary policy, posted good results by the end of 2012, with the local FTSE Italia All Share Index at +8.36%. Comparisons at an international level are significant: Dow Jones Eurostoxx 50 Index +13.79%; MSCI World Index +13.18%; Standard & Poor's 500 Index +13.41; Nikkei Index +22.94%.

As for the bond markets, the decisive action taken by the ECB - in addition to the above, further significant injections of liquidity («Long-Term Refinancing Operations» or LTRO) - and State budget commitments favoured the easing of tensions, especially in the second half of the year.

Stabilisation of the international scenario and the fiscal consolidation measures adopted by the Government led by Professor Mario Monti had a positive impact on the valuation of Italian government bonds. There were significant recoveries in the domestic bond market - with the MTS CCT

rising by a significant 13.01% - with the 10-year BTP yield falling from 6.95% at the end of 2011 to 4.49% twelve months later. Similarly, its spread against 10-year Bund contracted during the year by more than 500 basis points to 318, subsequently falling again in early 2013. This allowed us to book significant write-backs and trading gains on the financial assets in portfolio.

The improvement in the overall picture did not reflect on investors in the short term, as they continued to be affected by the recent critical aspects of the market and the climate of uncertainty that still exists. In this situation, we have provided customers with the required assistance, encouraging them, with transparency and professionalism, to make informed decisions, in line as much as possible with their risk appetite and investment objectives. We draw comfort from the fairness with which our network has operated, given the limited quantity and contents of the complaints received during the year, which were all dealt with promptly.

The comments that follow on the Bank's financial activity relate to: the interbank market and corporate liquidity; the proprietary portfolio and its components.

In 2012, there was an increasing scarcity of transactions on the interbank deposit market, together with a shortening of maturities (essentially maturities over the month were no longer available), because of operators' persistent sensitivity to counterparty risk. The abundant liquidity of the market, helped by extraordinary refinancing by the ECB, focused on very short-term (i.e. overnight) interbank transactions and deposits with the ECB itself at rates very close to zero.

It is worth emphasising that the return to a normal situation of liquidity circulation was influenced, especially in the latter part of the year, by improved expectations which succeeded the pessimism that had relegated liquidity to those investments that were considered safer, i.e. U.S. and German government bonds. This is demonstrated by the forecast redemptions of three-year loans from the ECB and the recourse by banks to new issues on the bond markets.

At year end, our bank had two LTRO financing transactions with the European Central Bank for a total of 1,800 million, with a three-year maturity and the possibility of early repayment. As part of these transactions, in December 2011 the bank had taken advantage of a loan of 1,000 million secured by a certificate of deposit issued and subscribed by the Bank, maturing in May 2012, covered by a government guarantee under art. 8 of Decree Law 201 of 6 December 2011. On expiration of this certificate of deposit, we decided to integrate the guarantees by lodging securities from the securitisation of performing residential mortgage loans for a nominal value of 1,385.4 million (senior tranche). These mortgages were sold by the Bank to Centro delle Alpi RMBS srl, a special purpose vehicle (SPV), while the securities issued by it have been subscribed by the Bank.

At year end the net interbank position shows a negative balance of 1,974 million, an increase of 481 million from the balance of 1,493 million at 31 December 2011. By lengthening the average duration of its borrowing, the Bank has benefited from an excellent liquidity situation. Monitoring, which was carried out daily over a period of three months, has not shown



Inspired by the mediaeval Byzantine model of the Mother of God of Vladimir, this icon puts particular emphasis on the tenderness motif. The image is painted with traditional technique on a wooden panel over a layer of gypsum (levkas) on which is stretched a thin layer of pure silver, engraved with a damask pattern. The applied haloes are engraved and gilded, while the darker squared edging, which acts as a frame, serves to separate the earth from the sky, where the light is much brighter. The horizontal dark band behind the figures has the same purpose, perhaps a symbol of the bar of the cross, on the ends of which appear Greek uncial inscriptions (i.e. in capital letters) referring to Christ, the one on the left, and Our Lady, the one on the right. An allusion to the Cross is also hinted in the sad expression with which the Virgin looks at her Son, foreseeing the Passion of Christ. Her figure is turned slightly to bring out the large emerald set in the centre of the star on the sleeve of her mantle, the maphorion, which together with the one painted on the hood, symbolises virginity and purity. The minute edging of real freshwater pearls, which shapes and welds together the figures of the Virgin and Child, highlights their tender embrace.

Mother of God of Vladimir

First decades of the 19th century (?)
Tempera on panel with gilded silver haloes and maphorion
(mantle) edged with freshwater pearls
27.5 x 22 cm



Mother of God of Vladimir (Vladimirskaia)

Late 18th century/first half of the 20th century
Tempera on wood with silver haloes and basme (frame)
in silver leaf embossed and engraved by hand
32 x 26 cm

The icon of tenderness

The prototype of the *Mother of God of Vladimir* is the famous icon brought to Kiev from Constantinople around 1131 and in 1155 placed by the Grand Prince Andrew Bogoliubskij in the Cathedral of the Dormition of the city of Vladimir, from which the icon takes its name, in the region north-east of ancient Rus', 180 km from Moscow. (The Dormition is the Orthodox Church's equivalent of the Assumption). Considered to have miraculous powers for having saved Constantinople several times from being besieged by the Turks, in 1395, during the Tatar invasion of Rus', the icon was solemnly transferred to the capital, which miraculously survived Tamerlane's siege. The icon was then placed in the Dormition Cathedral in the Kremlin, in Moscow, and copies were made for churches and monasteries all over Russia. In the early decades of the 20th century, after the Soviet revolution, the icon was placed in the Tretyakov Gallery in Moscow, which has the largest collection of icons in the world, and it is still there today.

In ancient Russian art, the *Mother of God of Vladimir* is the highest expression of the *Mother of God Eleusa* (Merciful) or of *Tenderness*.

In fact, its particular iconography lies in the Virgin's tender, sweet embrace of her Child.

This is an icon loosely based on the Byzantine original, now in the Tretyakov Gallery in Moscow, having been located up until 1131 in the Russian city of Vladimir, from which it takes its name.

The image of the Mother of God of Vladimir belongs to the type of the Mother of God Eleusa (of Tenderness), in which the Virgin gently brings her face close to that of her Son, who tenderly embraces and leans toward her, using his right foot on his Mother's breast as leverage.

The Virgin becomes a sort of upward ladder, a clear allusion to the verses of the Acatistus, the Marian liturgical hymn of the Russian Orthodox Church, in which the Virgin is compared to a ladder that unites heaven and earth.

This replica of the Mother of God of Vladimir presents an image that plays entirely on colours ranging from orange to red-brown to blue-green, quite different from the original. The figures are also less solemn and more expressive, much closer to popular models in Western art.

The rays of the silver haloes are heavy and very pronounced. The floral motifs of the silver basme that form the frame are more finely worked.

The Virgin red maphorion emphasizes her regality, while the Child wears over his tunic the omophorion, the mark of a bishop, which indicates a priestly role («Tu es sacerdos in aeternum...», as often prophesied in the Old Testament).



any critical matters as a result. Attention has been paid to maintaining a substantial stock of high-quality financial assets eligible as collateral at the European Central Bank.

The intense work performed by our Treasury Department has seen a distinct prevalence, because of the liquidity situation, of lending transactions which have grown considerably, as opposed to funding transactions, which have clearly fallen, both on the Electronic Deposit Market (e-MID) and on the Collateralised Interbank Market (New MIC). With regard to these markets, our volumes in 2012 put us in 10th and 5th position respectively.

The increase in the net interbank exposure was brought about by movements in various balance sheet items, with particular reference to the increase in loans to customers and financial assets in portfolio. Contributing to this was also the remix of certain forms of borrowing, including the partial replacement of that relating to the financial sector with interbank borrowing. As we said, the trend in our normal business reflected on the interbank position; True to its cooperative roots, even in this complex situation, the Bank has confirmed its traditional links with the territory, providing financial support to the local economies, while benefiting from the deposit flows that come from its consolidated relationships. Policies have been pursued in order to lengthen borrowing maturities of liabilities, with a view to stabilising our sources of funding.

The Bank's portfolios of financial assets at 31 December 2012 came to a total of 4,844 million (+51.71%). The following table summarises the various amounts involved:

FINANCIAL ASSETS

(thousands of euro)	2012	2011	Change %
Financial assets held for trading (HFT)	2,097,394	2,187,556	-4.12%
<i>of which, derivatives</i>	94,241	151,428	-37.77%
Financial assets carried at fair value (CFV)	104,224	81,713	27.55%
Financial assets available for sale (AFS)	2,438,074	703,657	246.49%
Financial assets held to maturity (HTM)	204,644	220,332	-7.12%
Total	4,844,336	3,193,258	51.71%

Information on these various portfolios is given below.

In accordance with the provisions of Consob communication no. DEM/RM11070007 of 5 August 2011, we would point out that on 31 December 2012 these portfolios contained bonds forming part of the so-called «sovereign debt», i.e. debt issued by central governments, local governments and other government entities, for a total of 3,910 million. The portfolios did not include any securities issued by peripheral countries of the Eurozone.

Financial assets held for trading

Financial assets held for trading (HFT), as shown in the following table, amount to 2,097 million and have decreased by 4.12%.

(thousands of euro)	2012	2011	Change %
Floating-rate Italian government securities	1,290,481	1,469,663	-12.19%
Fixed-rate Italian government securities	346,064	183,888	88.19%
Bank bonds	253,373	259,627	-2.41%
Bonds of other issuers	21,448	28,464	-24.65%
Securitisations	38,424	42,465	-9.52%
Variable-yield securities and mutual funds	53,363	52,021	2.58%
Net book value of derivative contracts	94,241	151,428	-37.77%
Total	2,097,394	2,187,556	-4.12%

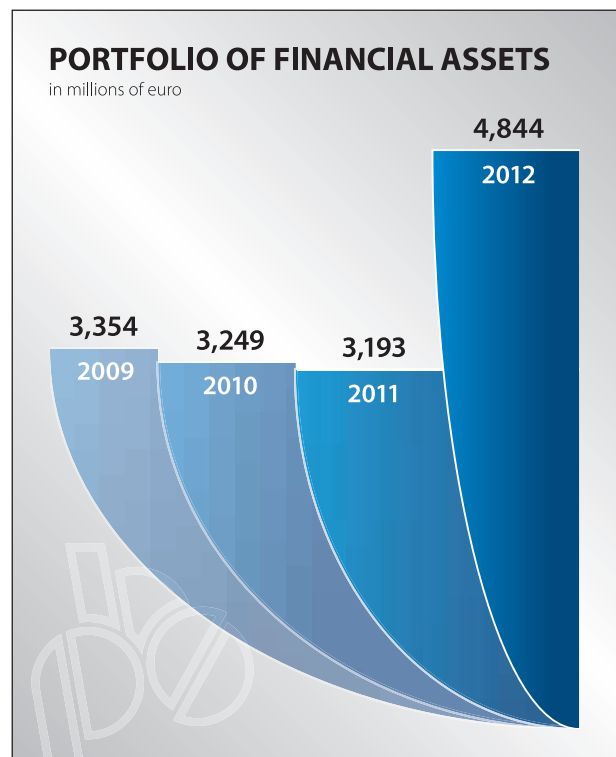
The composition of the HFT portfolio confirms the high prevalence of CCTs, which account for 61.53% of the total, down on the previous year because of sales of bonds close to maturity.

The attenuation of sovereign risk and the recovery in financial markets had a positive impact on the valuation of the portfolio, permitting the recognition of capital gains of 67.731 million, of which 47.913 million on CCTs, against losses of 3.221 million. In 2011, losses of 105.317 million were booked, including 66.723 on CCTs, with capital gains of 0.790 million.

The overall result of the HFT portfolio is positive for 133.629 million.

Last year it was negative for 92.803 million. «Net trading income», which refers to total fixed-yield securities, includes net trading profits of 63.827 million, gains of 66.042 million and losses of 0.305 million. Then we have to add profits of 5.292 million and net losses of 1.227 million on variable-yield securities and mutual funds. In 2011, on the entire portfolio, we booked: net profits of 11.724 million; gains of 0.790 million; losses of 105.317 million.

As already mentioned, the HFT portfolio continues to be made up principally (61.53%) of CCTs. Corporate bonds amount to 275 million, of which 253 million relate to bank issues. Securities that are part of securitisations are all senior and have been reduced to 38 million as a result of partial reimbursements and sales. Fixed-rate Government securities, for a total of 346 million, have increased by 88.19% for the purchase of BTPs and BOTs. Variable-yield securities and mutual funds, which are still marginal, have increased to 53



million (+2.58%). Derivatives have fallen by 37.77% to 94 million and is made up of: derivatives on debt securities and interest rates, 73 million; derivatives on equities and equity indices, 1 million; derivatives on foreign currency, gold and precious metals, 20 million.

Financial assets carried at fair value

Financial assets carried at fair value (CFV) amount to 104 million, with an increase thanks to the purchase of shares of mutual funds and sicavs, as well as a general recovery in prices of 27.55%. They consist of mutual funds and sicavs of various kinds for 74 million and CCTs for 30 million.

Financial assets available for sale

Financial assets available for sale (AFS) come to 2,438 million (+246.49%), mainly for the purchase of CCTs, BOTs and BTPs, valued at 2,208 million at the end of the year. The increase confirms the Bank's determination to include also in this portfolio securities held not with a view to immediate disposal. This also to limit, at least in part, the impact on the income statement of the volatility experienced by financial markets in recent years. It also includes 79 million of variable-yield securities and 73 million in mutual funds. The portfolio has been the subject of careful assessment to detect any impairment that would involve having to make write-downs in the income statement. Positive reserves for capital gains, net of tax, have been accounted for in equity for 50.437 million, mostly relating to Italian government bonds, bringing the valuation reserve from a negative balance of 43.565 million to a positive one of 6.872 million.

We carried out impairment tests on the equity investments with negative valuation reserves and, based on the criteria used for the identification of permanent losses explained in Part A «Accounting policies» of the Notes, we had to make some write-downs in the income statement.

As regards the changes, note the following: purchases of debt securities of 2,187 million, relating to government securities and corporate bonds; the increase in mutual funds for 13 million, of which 10 million related to the subscription of the Az Fund 1 Reserve; the increase in equities of 12 million, of which 9.5 million related to the interest in Arca SGR spa and 2.5 million to contracts of association in participation; in addition, positive changes in fair value of 72,750 million, while other changes of 61 million mainly comprise coupons, discounts and positive effects of accounting at amortised cost. Negative changes come from sales of debt securities for 366 million and repayments of 208 million, while the impairment adjustments, primarily on listed equities, amount to 4.3 million, and negative changes in fair value to 1 million. The other decreases, 30.446 million, consist of coupons for 29.755 million and reimbursements of mutual funds for 0.691 million.

The following are comments on the principal minority interests held by the bank as long-term trade investments, particularly in companies that provide products and services that complement our range.

Unione Fiduciaria spa (18.309%). This company was founded and is owned by the cooperative banking movement. It acts as a trustee and provides fiduciary services to banks, financial intermediaries and other businesses.

Sustained by long-standing internal expertise and a solid network of external collaborators, especially in law and tax, this company has confirmed its leading position in Italy in its specific sector. Its success is also due to the care paid to personal relationships, characterised by confidentiality and assistance, and constant updates of the services on offer, always focused on innovation, well supported, at international level, by the Swiss company Sofipo SA, based in Lugano.

The advisory side of the business concerns regulatory matters, especially in banking and finance, and is also much appreciated at prestigious conferences and in sector publications.

Positive economic results are expected.

Arca SGR spa (12.906%, formerly 5.872%). This is an asset management company which handles mutual funds, pension funds and institutional investment portfolios.

Professionalism and commercial competitiveness have enabled the subsidiary to address the persistent problems that have long interested the field of asset management. Particular appreciation was reserved by investors to the products «Arca Cedola Bond 2017 Alto Potenziale V e VI», which made a considerable contribution to new deposits.

Of importance in the context of the «Milano Finanza Global Awards 2012» was Arca SGR winning the «Triple-A» award for the highest number of AAA-rated funds.

The renewed commitment of certain sister cooperative banks has made it possible to reorganise the shareholder structure in which we participated, increasing our interest as mentioned previously with an outlay of 9.5 million.

The company's results are positive.

Istituto Centrale delle Banche Popolari Italiane spa (1.997%). The company heads up a Group that specializes in banking and diversified financial services, especially in the field of collections and payments.

In 2012 ICBPI reinforced its functions as a system bank, through the acquisition of new services, confirming, at Group level, that it is the leading Italian player in its areas of activity. We work with ICBPI in various segments and appreciate its professionalism.

The company is expected to make a profit.

CartaSi spa (1.249%, formerly 2%). This is the company that issues and manages CartaSi credit cards. It belongs to the Istituto Centrale delle Banche Popolari Italiane Banking Group.

It is the principal national operator in the field of «electronic money», contributing effectively to the technological and commercial development of this sector. Having always been distributors of CartaSi products, over time we have extended this collaboration to various innovative developments, whose diffusion is proof of their success.

The decrease in our participation is in relation to the dilutive effects of the absorption of its subsidiary Key Client Cards & Solutions spa.

The financial statements are expected to show positive results.

Etica SGR spa (9.867%). An asset management company controlled by the Banca Popolare Etica Group, Etica SGR creates and promotes mutual funds with an ethical content, called «Sistema Valori Responsabili» (Responsible Values System), which are also distributed by our network.

This affiliate, which is the only Italian asset management company that operates exclusively in ethical funds, is also distinguished by its rigorous selection of issuers and 'active shareholder' initiatives, which aim to create a dialogue with the business concerned in the hope that they will adopt practices geared more and more to sustainability. So it is important that it won the «Triple-A» award at the «Milano Finanza Global Awards 2012» for the performance achieved by its «Etica Obbligazionario Misto» sub-fund during the period 2009-2011.

Positive economic results are expected.

Group srl (12.50%). This is a service company that coordinates and assists the cooperative banks that own it, as well as their groups, during the placement of financial instruments that are of proven interest for the quality and size of the issuer.

The ongoing tensions that have characterised financial markets for the past year have reflected negatively on this specific activity, also affecting that of the company.

Its results should close around break even.

Financial assets held to maturity

The portfolio of financial assets held to maturity (HTM) amount to 205 million, a decrease of 7.12% as a result of repayments.

We would remind you, with regard to its content, that in 2008 the anomalous performance of equity and bond markets persuaded the Bank to take advantage of the amendment to IAS 39, issued by the International Accounting Standards Board (IASB) on 13 October 2008 and endorsed by the European Commission with Regulation (EC) 1004/2008 of 15 October 2008, which amended Regulation (EC) 1725/2003. In exceptional circumstances, this measure allows companies to disregard the ban on transferring financial assets (apart from derivatives) from the category of those designated at fair value through profit and loss to another category where securities are booked at amortised cost. As a result, we transferred from the HFT portfolio to the HTM portfolio unlisted bonds that were illiquid and not expected to be sold. These had a par value of 243 million and were carried at 233 million, whereas their fair value at 31 December 2008 was 193 million, generating a theoretical pre-tax loss of 40 million.

At 31 December 2012, these securities amount to 135 million, with a decrease of 17.49% following reimbursements, compared with 163 million the previous year. They have a fair value of 129 million. The theoretical pre-tax loss therefore amounts to 6 million.

Asset management

The asset management sector, which has confirmed the difficulties of raising new liquidity due to the continuing uncertainty imposed on savers and competition from alternative products, such as time deposits, has at least benefited in 2012 of the widespread revaluation of the underlying assets. As part of the lines of investment, there have been renewed signs of appreciation for bonds, especially for products with periodic coupons.

In these complex circumstances, the Bank's structures have been working with their traditional equilibrium and prudence, constantly attentive to customers' risk profiles and investment objectives.

At 31 December 2012 the various forms of assets under management come to 3,084 million (-1.17%). However, the decrease was more limited than in the previous year, when it amounted to 11.07%. The mutual funds offered by Arca SGR came to 1,421 million (-2.79%). The trend was the opposite for the Etica SGR funds and Popso (SUISSE) Investment Fund, which together came to 368 million (+6.78%). The portfolio management schemes handled by the Bank's head office structures showed a slight decline to 1,295 million (-1.46%). Within that figure, there was a slight increase in funds of funds.

EQUITY INVESTMENTS

The portfolio of equity investments was essentially unchanged during the year. The holdings largely comprise suppliers of products and services that complete the commercial range made available to customers; accordingly, these are functional investments held for the long term. Efforts are made to strengthen these companies by passing them work and, if deemed appropriate, by the provision of financial support. In part, this helps to build the cohesion between cooperative banks.

The following comments relate to the equity investments reported in this section of the balance sheet, which is reserved for subsidiaries and associates. Information about minor functional investments, classified among the financial assets available for sale (AFS), is provided in the section on «Treasury and trading operations».

At 31 December 2012 equity investments amounted to 398.636 million, an increase of 50.173 million. The main changes refer to:

- an increase in the share capital of Banca Popolare di Sondrio (SUISSE) SA;
- an increase in the share capital of Arca Vita spa;
- an increase in the share capital of Banca della Nuova Terra spa;
- writedowns of the investments in Pirovano Stelvio spa and Alba Leasing Spa.

Subsidiaries:

Banca Popolare di Sondrio (SUISSE) SA (100%). This is a Swiss bank based in Lugano, set up in 1995.

Professionalism and competitiveness of the retail commercial range; ability to expand the customer portfolio and operations. Founded on these

forward-looking elements, the Swiss subsidiary grew its balance sheet aggregates substantially during 2012: direct deposits of CHF 2,795 million, +19.38%; loans to customers, mostly secured by mortgages, CHF 3,162 million, +8.33%, while indirect deposits eased slightly to CHF 2,325 million, -2%.

The year was inevitably affected by systemic factors, with Swiss market rates essentially at zero and a slowdown in banking activity. It was also necessary to increase the level of writedowns, in part covered by the release of prudent provisions recorded in prior years. Work to control costs was effective, despite targeted investment to update systems and information technology. Given the above, the financial statements prepared under Swiss accounting standards report a profit of CHF 0.471 million.

The branch network - which is the largest in the Confederation among foreign banks - benefited from the opening of a representative office in Neuchâtel, in the canton of the same name. A notable commercial contribution was made by the electronic GoBanking channel operated by Popso (SUISSE) Investment Fund Sicav and Sofipo SA. This subsidiary employed 341 persons at the end of 2012, each of whom received specific training during the year.

Expansion of the operations of BPS (SUISSE) and a desire to strengthen its capital ratios resulted in a decision to increase share capital by CHF 50 million, which was subscribed for in full by the parent company. The shareholders' equity of this subsidiary, including the net profit for the year which has been retained, amounts to CHF 280 million.

Factorit spa (60.5%). This company manages and finances, even guarantees, domestic and international trade receivables.

Functionally and profitably integrated within the banking group, this subsidiary enhances the range of business products by providing specialist services designed, in part, to contain the risks associated with trade receivables. As a key element of factoring, the company consistently manages this aspect with professionalism and organisational efficiency.

Operational growth, marked by a significant increase in lending and core activities, has enable Factorit to remain one of the leaders in the domestic market, with flows of business from both investor banks - led by us in terms of the introduction of receivables assigned - and external partners.

The lively commercial performance and operational effectiveness are reflected in the net profit of 14.9 million.

Pirovano Stelvio spa (100%). This company manages its own hotel facilities in the Stelvio Pass, dedicated above all to summer skiing.

The difficulties experienced by the holiday industry during 2012, with a sharp, nationwide contraction in revenues, were starkly reflected in the results of this subsidiary. In particular, past improvements in the number of visitors and in revenues were reversed and the efforts made to contain losses were thwarted. Skiing conditions were also a factor, with a low winter snowfall followed, in particular, by the effect of high summer temperatures on the glacier.

The benefits contributed by this company in terms of image - its cultural and sporting initiatives are discussed in the section of this report relating to

promotional activities - justify continued support for this area, with the objective (hopefully shared by other operators) to refresh and strengthen the «Stelvio system». These efforts also help to promote the unique and somewhat special natural environment.

Sinergia Seconda srl (100%). This is a real estate company.

Primarily active in relation to the operational need for premises by members of the banking group, this company essentially makes targeted acquisitions of space for leasing on market terms to the above tenants. If agreed with the lessees, the company can also manage and maintain the properties concerned.

A small loss was reported.

Rajna Immobiliare srl (50%). This real estate company is owned jointly with Credito Valtellinese.

The company owns an attractive portion of an office block situated in central Sondrio, including spacious working environments on the ground floor. The building is leased together with office furniture and equipment to Equitalia Nord spa, the tax collection company controlled by Gruppo Equitalia spa.

A profit was reported.

Associated companies:

Alba Leasing spa (20.95%). This company operates in the financial lease sector and is held jointly with other cooperative banks: Banco Popolare, Banca Popolare dell'Emilia Romagna and Banca Popolare di Milano.

Against a general background of lower capital investment, which has penalised the leasing sector, the company has worked with determination to maintain fifth place nationally in the sector, in terms of new business.

Current efforts to rationalise the organisation and contain costs should benefit the results for 2013. A loss was reported for the year just ended.

Banca della Nuova Terra spa (19.61%, previously 19.50%). This bank specialises in lending to farmers and businesses active in food processing, environmental protection and alternative energy sources.

The macroeconomic issues affecting agriculture also impacted on the company, with both loan losses and inadequate volumes. The income statement suffered as a consequence and further losses were reported in 2012.

In order to maintain capital adequacy, BNT proposed an increase in share capital that involved a payment of 1.03 million by BPS. This explains the increase in ownership indicated above.

Arca Vita spa (14.837%, previously 15.036%). This company, active in the life insurance sector, is controlled by Unipol Gruppo Finanziario spa.

Performance was good despite continuing uncertainties in the financial market, particularly with regard to the forms of investment associated with managed savings. Operating volumes were satisfactory, not least due to the significant contribution made by us.

In turn, Arca Assicurazioni, a subsidiary active in the non-life sector, also generated good results. The new commercial proposals made by these

In the image of the Mother of God of Kazan, named after the Russian city to which the Byzantine icon, originally of the 11th century, was brought, the Virgin and Child Blessing form two separate figures, partially overlapping, but closely related to each other. This 19th century icon was inspired by an older 17th century Mother of God of Kazan icon, presumably painted in a monastery in northern Russia and intended for private use. The central part of the panel has been hollowed out to form the kovceg, i.e. the cradle intended to accommodate the painting, treated with a double layer of gilded silver with various parts left uncovered, which are engraved by hand. There is a star on the head of the Virgin's mantle, the maphorion, a symbol of purity and virginity. Christ, on the other hand, is wearing a double royal toga of purple and blue-green to denote his dual nature, both divine and human.

We find the same blue-green in the embossed edging of the panel, which acts as a frame, but which is in fact an integral part of the icon, as it symbolises the human world separated from heaven, represented by the gilded silver background.

The Mother of God of Kazan - The story of an icon

The *Mother of God of Kazan* is one of the most ancient icons, venerated by Catholics and Orthodox Christians alike. The original Byzantine panel was brought from Constantinople at the beginning of the 13th century, and placed in a monastery in the city of Kazan, 800 km from Moscow, from where it disappeared during the first half of the 13th century, perhaps during one of the frequent incursions of the Tatars, who in 1380 conquered the Rus' of Kiev. According to a chronicle written by Erogon, the Metropolitan of Kazan, the icon was miraculously rediscovered more than three centuries later, in 1579, by a little girl, Matryona, under the ruins of her house destroyed by fire, on the suggestion of the Virgin herself. Its rediscovery coincided with the liberation of the Rus' by the Tatars, which was immediately attributed to the miraculous icon of the *Mother of God of Kazan*. From then, its cult spread quickly, helped by the Tsars themselves who made it the symbol of the liberation of Russia: from the Poles in 1612, from the Swedes in the 1700s and from the French led by Napoleon in 1812.

In 1721, when he proclaimed himself Emperor of Russia, Tsar Peter the Great commissioned a copy for the cathedral of his new capital, St. Petersburg. The oldest icon of the *Mother of God of Kazan* is now on display at the Tretyakov Gallery in Moscow.

Mother of God of Kazan, 19th century
Egg tempera on wood and double layer
of engraved gilded silver
31 x 37 cm





Mother of God of Kazan (Kazanskaja)

Late 18th century/first half of the 20th century
 Egg tempera on pure silver leaf with embossed
 silver basme, haloes of hand-engraved silver
 encrusted with semiprecious stones
 and cowl of freshwater pearls
 31 x 37 cm

A symbol of ecumenical dialogue between religions

At the beginning of the 20th century, there existed in Russia three consecrated copies of the *Mother of God of Kazan*, all subsequently destroyed or stolen, along with the original, during the course of the two Russian revolutions, that of 1905 and the Soviet one of 1917. In 1918, at the height of the Soviet revolution, Tsar Nicholas II Romanov wanted, as his last act, that Russia be consecrated to the *Mother of God of Kazan* before being executed together with his family.

One of the icons that disappeared, wrongly considered the original, reappeared on the antiques market in the 1920s, passing through the hands of various owners until, in 1970, it was acquired by the *Blue Army*, an American association of Catholic traditionalists, and preserved in Fatima where the followers of the *Blue Army* believed that Our Lady had prophesied Russia's reconversion to Catholicism. They believed this to be the last secret of Fatima. In 1993 the icon was donated to Pope John Paul II, who in 2004, decided to donate it to Alexis II, the patriarch of Moscow, to encourage a resumption of talks with the Russian Orthodox Church. In this way, the icon returned to Kazan in a ceremony attended by Catholics, Orthodox and Muslims, even the president of the Kazan region, which has a Muslim majority, becoming a symbol of the new ecumenical dialogue between religions.

Before being donated, the icon was subjected to a strict scientific analysis, which established its authenticity, dating it to the first half of the 18th century. At the same time, it was also possible to ascertain that the icon was originally covered by a silver *riza* (revetment) encrusted with 600 precious stones, which suggested that it might have been the icon that belonged to a czar, maybe the very one commissioned by Peter II in 1721 for St. Petersburg's cathedral, as the known dimensions of the one that belonged to the last of the Romanovs are different.

This icon, of uncertain date, is also based on the Byzantine Mother of God of Kazan model. It is interesting above all for the valuable embossed silver semi-revetment in which various precious stones are set, including two amethysts, one cabochon-cut (i.e. oval) turquoise, two rock crystals, three rubies also cabochon-cut, one topaz, and various crystals. The same precious stones appear, painted this time, on the edging that surrounds the Virgin brownish red maphorion. The mantle's ornamental coif is also formed by a thick embroidery of freshwater pearls.

The marks and scrapings on the silver background suggest that this image of the Virgin and Child may have been repainted on top of an older and larger icon, of which we can just see the graphia interrupted by the large primitive halo, as well as other signs. Onto the new painted image were therefore applied, along with the inscriptions of the Greek capital letter (uncial) monograms with the names of Mary and Christ, the basme of the frame and the silver haloes, perhaps also derived from an older icon.

two companies are described in the section of this report dedicated to commercial activities.

We subscribed to the capital increase authorised by Arca Vita in order to meet the required capital adequacy ratios. The related payment of 9.25 million was made, ahead of future capital increases, at the end of 2011. Due to diluting effects, the size of this equity investment has decreased slightly.

The results for the year were more than satisfactory.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (19.60%).

This company promotes and manages real estate investment trusts.

The ongoing stagnation of the real estate market has affected the performance of the Polis Fund, the company's principal activity, and the related market price of the units, which is far below the true value of the underlying properties.

Consolidated professionalism, along with targeted actions, enabled Polis SGR to achieve satisfactory results in 2012. Independent experts have calculated the value of each unit in the Polis Fund to be Euro 2,011.11 at 31 December 2012, considering the income stream and partial repayments made over the years. This reflects an average compound annual yield of 3.13%.

Positive economic results are expected.

Servizi Internazionali e Strutture Integrate 2000 srl (33.333%). This service company is active internationally; it is owned jointly with Banca Popolare dell'Emilia Romagna and Veneto Banca.

Operating via representative offices in Hong Kong and Shanghai, the objective of this company is to provide expert advice and support to member banks, third-party partners and their respective customers interested in developing their business relations in the Asian market. The organisation is completed by the Milan office, which specialises in analysing the risk associated with lending systems, both with regard to individual institutions and at sovereign level, especially in relation to emerging countries.

A profit was reported for the year.

Related-party transactions

Transactions with related parties are governed by the «Regulation for transactions with related parties» issued by Consob resolution no. 17221 dated 12 March 2010 and subsequent amendments. The information required by this regulation is provided below. These transactions are also governed by the Bank of Italy regulation on «Risk activities and conflicts of interest in relation to associated parties» dated 12 December 2011, which came into force on 31 December 2012.

Among various requirements, both regulations envisage the approval and publication of internal regulations available (in Italian) on the website www.popso.it, in the corporate information section entitled «informativa societaria».

Related-party transactions, as identified in accordance with IAS 24 and the Consob Regulation, form part of the Bank's ordinary operations and are

settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred. These transactions amount to 11.65% of total loans to customers and banks and financial assets and 4.04% of direct deposits from customers and banks and financial liabilities.

In compliance with the disclosure obligations prescribed in article 5 of the Consob Regulation, during the period from 1 January to 31 December 2012, the Bank's corporate bodies decided the following significant related-party transactions:

- Factorit spa, subsidiary; granting of a financial credit limit for guarantees given on behalf of residents of € 120,000,000, available until revoked; resolution of 03/01/2012;
- Alba Leasing spa, associated company; granting of an overdraft facility of € 15,000,000 repayable on 15/11/2012; resolution of 09/02/2012;
- Falck Renewables spa, a company in which Federico Falck, a director of the Bank, has an equity interest; granting of a commercial guarantee in favour of residents of € 40,430, repayable on demand; resolution of 14/02/2012. The required prospectus was published in connection with this transaction;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a financial credit limit for guarantee deposits in the form of securities of € 2,000,000, available until revoked; resolution of 20/03/2012;
- Alba Leasing spa, associated company; granting of a guarantee in favour of non-residents of € 57,500,000 repayable on demand; resolution of 20/03/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees given on behalf of residents of € 15,000,000, available until revoked; resolution of 22/03/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 200,000,000 repayable on 15/05/2012; resolution of 27/03/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; renewal of lines of credit totalling € 620,640,197 repayable on demand; resolution of 30/03/2012;
- Banca della Nuova Terra spa, associated company; renewal of lines of credit totalling € 188,000,000 repayable on demand; resolution of 30/03/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a financial credit limit for guarantee deposits in the form of securities of € 7,500,000, available until revoked; resolution of 14/04/2012;
- Alba Leasing spa, associated company; granting of a guarantee on behalf of non-residents of € 57,500,000, available until revoked; resolution of 08/05/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 250,000,000 repayable on 15/09/2012; resolution of 21/06/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees given on behalf of residents of € 70,000,000, available until revoked; resolution of 28/06/2012;

- Falck Renewables spa, a company in which Federico Falck, a director of the Bank, has an equity interest; granting of a line of credit for forward transactions of € 1,000,000, available until revoked; resolution of 17/07/2012. The required prospectus was published in connection with this transaction;
- Factorit spa, subsidiary; granting of a financial credit limit for advances of € 100,000,000, available until revoked; resolution of 07/08/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 350,000,000 repayable on 25/11/2012; resolution of 18/09/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a guarantee on behalf of residents of € 3,088,202, available until revoked; resolution of 27/09/2012;
- Alba Leasing spa, associated company; granting of an overdraft facility of € 15,000,000 repayable on 15/05/2013; resolution of 13/11/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for advances of € 100,000,000, available until revoked; resolution of 13/11/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 350,000,000, available until revoked, and a financial credit limit for advances of € 150,000,000, available until revoked; resolutions of 22/11/2012;
- Alba Leasing spa, associated company; granting of financial credit limit for commercial guarantees given on behalf of residents of € 150,000, available until revoked ; resolution of 27/11/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 500,000,000 repayable on 28/02/2013; resolution of 21/12/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees given in favour of residents of € 75,000,000, available until revoked, a financial credit limit for guarantees given in favour of residents of € 36,000,000, available until revoked, and a financial credit limit for guarantees given in favour of residents of € 35,000,000, available until revoked; resolutions of 28/12/2012.

No transactions with related parties in the period under review, whether of greater or lesser significance, have had a significant impact on the financial position or results of the Bank. Furthermore, no developments of and/or modifications to the related-party transactions carried out during 2011 have had a significant effect on the financial position or results of the Bank in 2012. In any case, none of those transactions were atypical, unusual or not on market terms.

With regard to Consob communication DEM/6064293 of 28 July 2006, it is confirmed that the transactions or balances with related parties, as defined by IAS 24 and the Consob Regulation, have a limited incidence on the financial position, results and cash flows of the Bank. In Part H of the notes to the financial statements, the section entitled «Related-party transactions» includes a table that summarises the effect of these relations.

During 2012 and in the current year, no positions or transactions deriving from atypical 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.

Reference is made to the Compensation Report, prepared pursuant to article 123-ter of the Consolidated Finance Act and article 84-*quater* of Consob Regulations 11971 of 14 May 1999, as amended, for information about the remuneration paid by the Bank and its subsidiaries to Directors, Statutory Auditors, the General Manager and Executives with strategic responsibilities and about the equity investments held by them (or by their spouses, unless legally separated, and their minor children), whether directly or through subsidiaries, trust companies or third parties.

The notes to the financial statements (Part H, «Transactions with related parties») also show the credit facilities and guarantees given on behalf of Directors, Statutory Auditors, the General Manager and Executives with strategic responsibilities, in compliance with article 136 of Legislative Decree 385 of 1 September 1993.

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

The «Report on Corporate Governance and the Ownership Structure» required by art. 123-bis of Decree 58/98 (Consolidated Finance Act) is available (in Italian) in the Corporate Information («Informativa Societaria») section of the Bank's website (www.popso.it). This document relates, among other matters, the fact that BPS has not adopted the Code of Conduct approved by the Committee for Corporate Governance.

INTERNATIONAL UNIT

Like it or not, Italian businesses have got used to speaking foreign languages more frequently. The commercial opportunities available in Italy have steadily contracted, given the fall in domestic demand, and entrepreneurs have acted to significantly increase their exports. Substantial volumes have been generated as a result, especially in the markets beyond the Euro area whose economies are still growing.

Even so, various difficulties have been encountered: from the euro's exchange rates with other leading currencies, whose values have been

artificially depressed for some time, to the significant competitive advantages enjoyed by firms in countries with more relaxed social and environmental constraints. Not to mention the burden placed on Italian economic operators by the country's inadequate infrastructure, the high level of taxation and the overbearing and ineffective bureaucratic machine. Indeed, various neighbouring regions have focused on lower taxation and administrative simplifications in veritable advertising campaigns designed to induce Italian businesses to emigrate.

Hopefully, in a wish too often expressed, incisive action will be taken soon to eliminate at least some of the obstacles improperly placed in the way of productive activity. While waiting for events to unfold and (perhaps) miracles to happen, many entrepreneurs have put into practice the old saying, «God helps those who help themselves».

Numerous Italian firms have carved out new markets, drawing on their intrinsic qualities and mobilising the resources and skills that enable them to overcome the competitive divide that undeniably afflicts the «Italian system».

In this context, the Bank has played its part to the full. With firm roots in our established territories, we are able to offer our business customers the help needed to expand their horizons without limit. Loans, services and supporting advice position us as an important partner, with consolidated experience, in the internationalisation process.

Against a background in which the manufacturing, commercial and financial frontiers are being progressively swept away, we have considerably expanded our collaboration agreements with experienced domestic and foreign counterparts, with a view to making the best tools available in support of our customers. Numerous and varied initiatives have been proposed, including trade missions, attendance at international fairs and days of analysis dedicated to many countries: from Canada to China, from Germany to Poland, from Switzerland to Mongolia, and many others.

Considerable efforts have also been made to organise training seminars on various topics relevant to foreign trade, and on the principal European financing programmes. This work recognises that the greatest obstacles to the opening of international markets are a limited knowledge of the geographical area selected and the potential foreign counterparts there, as well as the additional risk involved in carrying out commercial and financial transactions abroad.

Among their numerous activities, our staff have devised - together with a specialist firm - an innovative training project that enables businesses to access the wealth of experience and skills accumulated by the Bank over the years.

Applying the motto «do well and make it known» and using the technologies available in the field of communications, we have established the Agorà on-line community as a virtual space for firms dedicated to the analysis of internationalisation. Members of this community (registration is

free) gain access to the «Business Class» newsletter, our partners, the available publications, the country profiles and offers of collaboration.

Alongside this, the «MondoEstero» (World at large) section of our website is also updated regularly, with a growing number of visitors since inception.

During the year we continued to collaborate successfully with tried and tested partners, who guarantee both us and our customers the provision of diversified, high-level services wherever they are needed i.e. practically anywhere in the entire world.

At the forefront in this area we have Servizi Internazionali e Strutture Integrate 2000 srl, which manages the strategic representative offices in Hong Kong and Shanghai, as well as numerous desks in the principal economic and financial centres around the globe.

Good work has also been done together with CBE-EEIG, the European Economic Interest Group based in Brussels, in which the Bank holds the largest equity stake alongside many other banks and institutions associated with the foreign chambers of commerce. The information, support and advice provided on EU financing programmes were particularly well received. Among many, a seminar on «European financing and the internationalisation of Italian SMEs» was held together with the Italy-Belgium Chamber of Commerce.

Collaboration has also been strengthened with Assocamerestero - Association of Italian Chambers of Commerce Abroad, in order to interact more readily with the individual member chambers on the development of projects and services in support of businesses.

Under a new agreement with Sace spa, the public sector insurance and financial group that supports the growth and competitiveness of more than 25,000 firms in over 180 countries, we have become a «Sace Desk» for all insurance and credit matters associated with this leading agency. At the same time, we have also worked closely with Simest spa, a publicly-controlled company in which we have an equity interest. This company can open direct and preferential channels around the world for the activities of our business customers.

Payment services have made further progress based on the recognised quality of these activities, as demonstrated by the significant market shares obtained. Computer systems have been implemented and rationalised in order to sustain various areas of operation, providing an effective response to renewed business development needs and presenting new high value-added services to our counterparts.

We have renewed our membership of the UN *Global Compact* project, confirming that the Bank endorses the ten universally-accepted principles in the areas of human rights, labour, the environment and anti-corruption. Membership of the Global Compact, which dates back to 2004, enables us to be part of the most important global entrepreneurial initiative, focused on sustainable development that respects human rights and the environment. More than 10,000 participants are committed to the project, including 7,000 businesses distributed in 145 countries.

Global Compact



SERVICES, PROJECTS AND STRUCTURE

Sales and Marketing

The operational dynamism of the Bank is sustained by effective commercial action that follows sound guidelines for territorial development and product quality.

This last aspect is sustained by the professionalism and commitment of our staff, who can count on a broad catalogue of products and services that is constantly updated by the competent business functions, in collaboration with group companies. All this enables us to meet in full the diverse needs of all our customers.

Popso (SUISSE) Investment Fund

In particular, efforts have been made to enhance and differentiate the range of financial products, having regard for market trends. To this end, Popso (SUISSE) Investment Fund, the Group's Sicav, has begun distribution of the new «Flex Plus», «Emerging Opportunity» and «Total Return Bond» products. Subscribers can obtain further information from the website www.popsOfunds.com.

Arca SGR Arca Vita

With regard to the products offered by these companies, we have proposed «Arca Cedola Bond 2017 Alto Potenziale V e VI» from Arca SGR. New products from Arca Vita included the «Arca Vita Energy 50», «InvestiTime 3per3», «Valoretampo-placed on 20 September 2012» and «InvestiTime 3.2-placed on 19 November 2012» policies, which guarantee the capital invested and a minimum return; in addition, «Arca Vita Sinergika» combines a guaranteed minimum return with the growth potential of certain markets.

«Arca Valore Impresa Key-Man» from Arca Vita seeks to protect firms in the event of death or permanent invalidity of their leaders and key personnel.

Arca Assicurazioni

With regard to non-life business, Arca Assicurazioni has updated its catalogue of health cover with the «Sistema Salute» policies and, in the non-standard area, with the «Orizzonte salute» policy. The innovative vehicle insurance, «Tutto Tondo», which favours virtuous drivers, supplements broad third-party cover with three additional modules that provide specific «on-the-road, vehicle and personal» protection.

SCRIGNOapp Bancomat messages

The evolution of on-line activity is sustained by the innovative SCRIGNOapp, which enables users of *SCRIGNO Internet Banking* to carry out the principal banking transactions, on the go, using their iPhones. The new «Avvisi Bancomat» service is designed to improve security by sending a free SMS message whenever more than Euro 150 is drawn using a Bancomat card.

The top-up services available from Bancomat ATMs have also been extended to include the «Ricarica automatica WIND» and «Ricarica cellulari POSTE MOBILE» services.

The Bank and its Chairman received flattering recognition at the «Milano Finanza Global Awards 2012», an important event promoted and organised by Milano Finanza, the well-known economic daily.

The Bank received the *Creatori di Valore* (Value Creators) award, as the best bank in the Lombardy region. Our Chairman, Piero Melazzini, was recognised as the best cooperative banker of the year, which is a particularly prestigious award.

Central offices

The following discussion relates to the bank's central functions and services, whose work consolidates and updates the quality of the products offered to customers.

Our review starts with *SOSI-Servizio Organizzazione e Sistemi Informativi*, which is responsible for the design, management and updating of the Bank's technological infrastructure and business systems. A commitment that requires both professionalism and investment capable of responding to the growing need for implementations, balancing competitive pressures and product needs with frequent changes to the regulatory environment. In this context, the IT updates made for the benefit of branch personnel have been particularly important.

SOSI

In addition to the numerous projects and implementations delivered in the vast applications area, not least to improve functional integration between the companies in the banking group, considerable attention has also been dedicated to development of the Bank's IT infrastructure. This addresses, in part, the effectiveness of the systems that ensure business continuity in the event of disasters. The sixth full scale test carried out last year went well.

The *public entities and treasury offices* department, responsible for managing relations with the institutions, makes a concrete contribution to the operational expansion of the Bank. In addition to user satisfaction, this is confirmed by the significant acquisition of treasury, cash office and collection services in newly-served geographical areas. The portfolio of customers is steadily increasing, including several that operate at national level.

Public Entities and
Treasury Offices

The professionalism of the organisation and the investment dedicated to this department, which stands out in terms of the quality and competitiveness of the services provided, further highlight the attention paid by the Bank to the community, as an integral part of our support for the local economies.

The virtual unit helps to communicate our brand at national level, especially among the extensive professional categories. The targeted remote services benefit from appropriate technological support and an efficient call centre, staffed by personnel with specific technical and support skills.

Virtual Unit

The *corporate finance* department provides professional support to business customers seeking the best way to restructure their liabilities and reposition their risk capital. High level activities have included support for an important territorial body on the disposal, induced by the Stability Pact, of non-strategic equity investments.

Corporate Finance



Mother of God and Christ Acheropita Saviour

XIX century
Tempera on panel, 13.5 x 22 cm

This small 19th century icon, intended for private use or for travel, as indicated by its small size, has the juxtaposed images of the Virgin and Christ.

The Mother of God, wrapped in the traditional mantle, the maphorion with its three stars of virginity (before, during and after childbirth), looks towards her Son to indicate the figure of the Saviour. So this is a Mother of God Hodegetria - She who shows the way.

Christ is depicted according to the traditional canons of Russian painting, with the long face, large almond-shaped eyes, a thin nose, a high and pronounced forehead, framed by long hair that accentuates the penetrating intensity of the gaze and the solemn stillness of the expression which shows his dual nature, human and divine.

It is the redeeming image of the Holy Face, which has its archetype in the Mandylion, the linen towel impressed with the image of Christ Acheropita, i.e. not made by the hand of man, venerated in Edessa in the 6th century as a miraculous relic and lost during the sack of Constantinople in 1204 at the hands of the Crusaders.

Mandylion - The story of the Holy Face

In the East, during the early centuries of Christianity, the term 'icon' indicated those small portable paintings on wooden panels with religious scenes or images of Jesus and the Virgin Mary, born as a development of the Hellenistic practice of painting images of the deceased on sarcophagi, as documented by the portraits of El-Fayyum in Egypt.

But the rapid spread of Christian icons in the Byzantine world was a consequence of the miraculous nature that they were immediately given.

The origin of this miraculous nature is, of course, the legendary story of the *Mandylion*, the cloth that Jesus used to dry his face, impressing it with his image, which he then sent it to the King of Edessa (Mesopotamia), who recovered from his illness. This is the icon of the *Holy Face of Christ Acheropita*, i.e. "not painted by the hand of man", transported to Constantinople at the end of the 10th century and destroyed when the city was sacked by the Crusaders in 1204. For a long time, some people wanted to identify the legendary *Mandylion* with the Holy Shroud kept in Turin, before carbon-14 testing dated it with certainty to the 14th century.

DANIELE CRESPI

(Busto Arsizio 1597/98 - Milan 1630)

Daniele Crespi was probably born in Busto Arsizio, between the end of 1597 and beginning of 1598, and took his first steps in Milan's artistic environment under the influence of Cerano and Giulio Cesare Procaccini.

His first known works are the frescoes in the Basilica of St Eustorgius in Milan in 1621, but it is the cycle of paintings executed between 1623 and 1624 for the Milanese church of St. Protasus ad Monachos that shows the narrative style of great formal clarity which is Crespi's most authentic stylistic feature.

Much appreciated by Federico Borromeo, he first worked for the Order of the Lateran Canons, for which he painted, among other things, the *Fasting of St. Charles Borromeo*, one of his most famous paintings; then for the Carthusian Order for which he painted the *Scenes from the life of Saint Bruno* and *Scenes from the life of Christ* in the Certosa di Pavia, completed on the basis of his designs after his death in Milan by the plague in 1630, still in his early thirties. Crespi was also a great portraitist and an excellent draftsman.

His painting is one of the high points of synthesis between Emilian and Lombard Baroque, along with that of Giulio Cesare Procaccini, with which it is still often confused.

Daniele Crespi

Salvator Mundi

Oil on canvas, 63 x 48 cm



Few images can help us understand the difference between the art of the icon and Western religious art like this one can. Here, the face of Christ does not have the penetrating and solemn gaze that enters the soul of the observer; in other words, it is not the spiritualised image of God. His hand resting on the globe rather denotes the divine nature of the Creator and Lord of the world, but the sensual softness of his complexion and wavy hair emphasise his nature as a real man destined to suffer for the salvation of the world (Salvator Mundi), as indicated by the cross surmounting the globe. And this dual nature of his, divine and human, is beautifully highlighted by the play of light and shade that cuts through Christ's garments, his face turned to the sky and his hand posed in a gesture of blessing.

Daniele Crespi's artistic and narrative skill has given us here a very expressive image, full of meanings, which is also a magnificent example of the Emilian-Lombard Baroque of which Crespi, along with Giulio Cesare Procaccini, is one of the main representatives.



In terms of internal support, this department assists the depositary bank office with certain checks on closed-end investment funds and with assessing the short-term financing needs of investment management companies. The department also makes a significant contribution to the analysis of special transactions carried out by group companies.

**Planning and
Control Department**

Not least due to the ongoing general economic crisis, the *planning and control department* is actively employed in broadening and deepening the controls established to mitigate the business risks associated with, in particular, profitability, liquidity and capital adequacy.

This complies with the requirements of the Supervisory Authorities, for whom the department is their contact with regard to the system of internal controls, its compliance with the regulatory framework, and the supply of data and information for analytical purposes.

With regard to the business management tools applied:

- the budgeted lending margins take close account of expected changes in the level of loan losses;
- new applications make it possible to determine in advance the profitability of new loans, net of the cost of lending risk, and to measure actual results;
- specific objectives have been established at branch level to avoid the deterioration of outstanding loans, by returning certain risk parameters to within predetermined limits;
- the liquidity position is analysed into time bands ranging from short to medium-long term, considering in particular the quality and the disposability of assets, the concentration of sources of funds and effective matching of maturities;
- current and future capital adequacy is monitored constantly, together with strategies to ensure that it remains adequate having regard, in particular, for planned regulatory changes;
- certain information flows and internal regulations have been updated to ensure consistency with the revised management systems and controls.

The department tackles this intensive and challenging work with the passion and skill required by these difficult times.

Further information about the management of risks is presented in a separate section of this Report.

**Technical, Health and
Safety Department**

The *technical, health and safety department* provides functional support for the Bank's branch network and central services, arranging to equip and modernise the working environments by balancing, with professionalism, the related health and safety, aesthetic and cost control considerations. Work on 29 locations was completed during 2012, while 18 new projects began.

The total floor area of property owned by the Bank covers 136,513 sq.m., of which 6,781 sq.m. held under finance leases, with a total volume of 419,897 cu.m. The surface area of the land owned by the Bank comes to 78,773 sq.m.

The total book value of these properties, net of depreciation, amounts to 88.798 million for those owned and 30.839 million for those being bought under finance leases. 2012 saw purchases and restructurings of owned buildings for 9.706 million, depreciation of 3.036 million and sales for 0.053 million; new finance leases totalled 0.004 million, while depreciation amounted to 1.018 million. The market value of the Bank's property reflects significant unrealised capital gains. We own 44 buildings and 54 units in condominiums. Banking operations are carried on in 69 properties owned by the Bank and in 383 leased premises, including 6 held under finance leases.

Working together with other functions, the *security department* coordinates work to safeguard operations, personnel and assets, especially in terms of physical and IT protection. The actions taken also seek, along with the rest of the banking system, to prevent attempted IT fraud as effectively as possible; in addition, the effectiveness of the measures available at branch level to prevent bank raids has been improved, with an emphasis on limiting the consequences.

Security

The *supply office* governs the supply of goods and services to branches and central offices, seeking constantly to obtain the best combination of quality and price.

Supply Office

Dedicated IT procedures and systems ensure the efficient administration of purchases, property and files. These are constantly updated for compliance with sector regulations, and as needed in collaboration with other functions within the Bank.

The *legal and claims department* is responsible for the enforced recovery of loans, an activity that is unfortunately on the increase due to continuation of the adverse macroeconomic situation. The associated enforcement and court-supervised procedures remain both complex and interminable, to the detriment of the creditors concerned.

**Legal and Claims
Department**

The department also provides professional advice to the Bank's branches and central services and, in the established spirit of fair collaboration, works to assist the competent Authorities with their various investigations.

As an integral part of the system of internal controls, the *compliance unit* is essentially responsible for monitoring legal and reputation risk. *Ex ante* controls relating to certain regulatory requirements have been intensified with a view, where possible, to preventing and mitigating potential risks.

Compliance Unit

Effective interaction with other departments - not only with the various control functions, but also with the financial and commercial departments - seeks, among the various objectives, to enhance the proper and transparent nature of transactions with customers, especially when it comes to investment services. This work consolidates our traditional business culture founded on the maximum propriety. The appropriateness of this approach is comforted by the volume, content and reasons for complaints received, which are dealt with promptly. Lastly, it is important to note the increasing involvement of the compliance function in the exercise of supervisory activities.



Anti-Money Laudering

The *anti-money laundering function* has the delicate task of monitoring compliance with the rules for preventing money laundering and the financing of international terrorism. This ensures the effective governance of this specific risk, having regard for the potential impact on the Bank's reputation.

In addition to daily support for branches, the function ensures careful application of the related regulations, having regard for their effect on business processes and procedures. This function also monitors the application of controls at various levels, taking direct action in situations where the potential risk is greatest. Work includes collaboration on the analysis and development of the systems, procedures, rules and methodologies needed to perform the required checks effectively.

During the year, the anti-money laundering function refined the tools used to contain this specific risk, as well as the supporting IT procedures and the internal regulations, while also taking determined action to increase staff awareness. Taken together, these factors have increased the level of understanding about the issues involved.

Coordinated by the parent bank, the objective is to harmonise the standards of control applied in this area within the banking group, having regard - considering Factorit spa - for the nature of transactions and without prejudice to the Swiss regulations governing the activities of Banca Popolare di Sondrio (SUISSE) SA.

Internal Audit Department

Last, but not least, this review concludes with the *internal audit department*. With a delicate role at the summit of the system of internal controls, this department audits processes - identifying and evaluating risks, assessing the related measures taken in mitigation and, if necessary, recommending appropriate organisational changes - and checks on the functioning of second-level controls.

Via central and local audit offices, this department carries out on-site and remote checks on the branch network and central offices, ensuring that operations are conducted properly and in accordance with both internal and external regulations. The work performed during 2012 confirms the intensity of the action taken: a total of 513 audit checks were carried out, including 101 together with the Board of Statutory Auditors, in addition to the checks performed for other members of the banking group.

RISK MANAGEMENT

The deepening economic and financial crisis has identified and is still identifying a series of problems with the functioning, regulation and supervision of the financial markets. This has resulted in the Supervisory Authorities requesting ever more detailed and extensive information.

These requests are addressed to the entire banking system, including those banks that, given the nature of their activities, have low or moderate risk profiles in the context of the current economic situation.

The first part of the year was primarily dedicated to the usual external reporting activities which, without going into all the details, included two innovations and a focus, discussed later, on the conflicts of interest with associated parties.

In June, the Bank of Italy requested a monthly summary of our exposure to government bonds.

Next, with regard to the absorption of capital, work was done on the coverage of interest-rate risk associated with the banking portfolio as part of our ICAAP (*Internal Capital Adequacy Assessment Process*) Reporting. Rather than following the simplified supervisory model, the Bank's lending and funding euro current accounts and demand deposits with/from customers were allocated to repricing bands, using the initial results from an alternative statistical model that is being developed.

The capital requirement for demand items was then recalculated using a more advanced version and notified to the Supervisory Authorities, as part of a dialogue on the subject. More recently, the model was applied as of 30 June last, with positive effects in terms of capital saving.

The key objective of the various projects addressing the other types of risk is to quantify them more precisely, rather than merely seek a reduction in the related capital requirements, which would not be in the Bank's own interests.

With regard to the measurement of risk for regulatory purposes, the continuation of the economic crisis has prompted the consideration of «*capital management*» activities, with a view to strengthening the prudential coefficients via a review of capital absorption. This initiative, carried forward during the second half of last year, resulted in the identification of tactical moves to optimise weighted assets, with beneficial effects on the capital adequacy position declared for prudential reporting purposes in December 2012.

As part of an overall assessment of the Group's risk tolerance, the review and extension of the representative indicators considered periodically is important: the current and future overall capital position is determined in accordance with current laws, the outgoing Basel 2 rules and the incoming Basel 3 rules.

As usual, the short-term (within three months) «operational» liquidity position of the entire banking group is identified every day using a cash flow ageing that presents expected liquidity balances based on current and forecasted operations; as requested, this detail is submitted to the Supervisory Authorities every week.

With regard to structural liquidity, relating to the items outstanding without established maturities, considerable efforts have been made to reconcile the various databases in order to establish a semi-automated procedure for checking the quality of the information available about the parent bank's assets and liabilities.

Further work on the control of liquidity risk during the year related to the indicators envisaged by the regulations: in particular, a complex project was completed so that both the short-term (LCR, *Liquidity Coverage Ratio*)

and the long-term (NSFR, *Net Stable Funding Ratio*) liquidity indicators can be calculated in accordance with current regulatory requirements.

Alongside the project on demand positions - which affects liquidity risk as well as rate risk - another two projects addressing the same types of risk were carried out for operational reasons.

The first, regarding ITRs (Internal Transfer Rates), sought to refine the component associated with the repricing of rates (base ITR) and, above all, to add that associated with the extra cost paid for funding at various maturities by banks with a similar credit rating (liquidity spread), a component that has become rather significant.

The second project, designed to optimise controls over liquidity and rate risk, focused on the reports that might be generated using appropriate summary indicators, and on the parameterisation of the relevant IT systems. At this stage, the related operational processes and organisational changes were only considered in outline.

Accordingly, the «old» ALM procedure was used once again in 2012 to measure, applying static analysis, the rate risk inherent in the entire balance sheet.

The analysis of average financial duration provides a measure of the immediate change in the net value of assets and liabilities in the event of a 1% increase in interest rates: the monthly analyses for 2012 averaged -45.564 million; the last measurement at 31 December showed a figure of -75.641 million. The considerable increase with respect to the minimum for the year (-29.870 million at 29 February) was largely due to substantial purchasing of fixed rate and other government securities for the AFS portfolio.

The analysis of mismatches measures the potential change in net interest income for the year in the event of a 1% decrease in interest rates: the monthly analyses for 2012 averaged -23.950 million; the measurement at 31 December showed a figure of -122.022 million. The large increase in the most recent figure reflects an update of the estimated viscosity of demand items at the last stage in the decline of market rates.

The scenario analysis provides a measurement of the difference between the future net interest margin for the next twelve months after the calculation date in the best and worst case scenarios: the monthly analyses for 2012 averaged -51.341 million; the measurement at 31 December showed a figure of -76.173 million.

Considering just the trading portfolio, interest-rate risk joins the share price risk and the exchange-rate risk (relating to the entire balance sheet in this case) as the triad of market risks measured using VaR methodology and subject to consistent operational limits. Compliance with these limits has not created problems, except for sporadic overstepping on price risk which was addressed, from August, by raising the specific and overall thresholds. As always, together with VaR, the level of capital absorption is also calculated by converting the daily VaR into a prospective VaR, which takes account of the number of working days until the end of the year, and adds to this the absolute value of net losses and any net capital losses incurred on securities since the start of the year. The changes in this indicator, which peaked on 6

January at 74.353 million - less than half the management limit (Maximum Acceptable Loss) set by the Board of Directors at 150 million -, was also most satisfactory.

The exposure to market risk associated with derivative instruments (including options on equity securities) was quantified by determining a specific average annual VaR of about 214 thousand euro, with a maximum of just over 628 thousand.

As regards the credit risk (counterparty and issuer) involved in the financial activity, as always, we have carried out daily measurements of capital absorption and maximum capital absorption, which we calculate by weighting drawdowns and lines of credit by means of coefficients linked to the credit worthiness of each counterparty/issuer. The following were also identified: the maximum credit, weighted as above, granted to individual counterparties/issuers or groups of counterparties/issuers (individual counterparty risk); the total weighted lines of credit granted to the top ten individual counterparties/issuers or groups of counterparties/issuers (concentration risk); the total lines of credit granted to counterparties/issuers from the same nation (excluding Italy), weighted by the macroclass to which that nation belongs (country risk).

This information is set out in the following table.

(in thousands of euro)	31/12/2012	Average	Minimum	Maximum	Limit
Capital absorption	96,264	92,970	74,143	115,285	110,000*
Maximum capital absorption	262,942	256,651	243,709	267,112	275,000
Individual counterparty risk	15,000	15,067	15,000	15,270	16,500
Concentration risk	97,440	91,657	83,697	99,930	110,000
Country risk	22,722	23,346	22,722	23,811	27,500

* Not so much a limit as a threshold of attention.

At the meeting held on 29 August, the Board of Directors raised the various limits to the amounts indicated above, after maintaining those applying in 2011 for the first part of the year. The latter limits can be found in the relevant table included in last year's report.

Turning to consider the credit risk in relation to ordinary customers, the parent company has estimated PD for several years using rating models developed internally, which cover the following segments: Private Customers, Small Businesses, Micro Businesses, SMEs, Large Enterprises and Public Enterprises. This analysis is supported, for all credit risk, by internal models for EAD/LGD.

From the start of the year, the Bank adopted the Supervisory regulations concerning termination of the transitional period allowed to Italy in relation to the definition of past due loans, which were limited to significant amounts more than 180 days past due. The definition of insolvency used by the rating systems and the EAD/LGD models was therefore extended to include significant amounts more than 90 days past due on a continuous basis.

More specifically, in relation to the rating models for the segments already addressed, the concept of «validated rating» has been introduced by

acceptance or override of the risk ratings calculated automatically. This function was made available together with the activation of a central rating desk with responsibility for deciding independently on proposals to modify calculated ratings.

Lastly, work commenced during the year on a complex project to establish a departmental database that responds to the analytical needs of risk control, while also facilitating the future recalibration and re-estimation of the PD, LGD and EAD models.

With regard to operational risk, the parent bank strives to monitor and contain this risk by adopting a complex system of controls that draw on both quantitative and qualitative information. This involves determining, classifying and verifying the losses actually incurred, as well as identifying and assessing the various risk phenomena to which the bank might be exposed. The organised collection of this information, found within the entire system for the management of operational risk, will allow increasingly accurate analyses of the action needed to mitigate actual and potential risks; accordingly, the necessary IT infrastructure was defined and updated during the year. This is currently only used by the control functions, but may be extended later to the entire business.

Once again, the role of internal audit in the management of risk was principally focused on operational risks during 2012, although all types of risk were considered and assessed. The methodology applied involves the analysis of processes in order to identify risks, evaluate controls and propose any organisational improvements. This technique is also used by the risk control, compliance and anti-money laundering functions in order to ensure consistency throughout the bank. The model is supplemented by the results of checks carried out at branches and central offices, and by the indicators of anomalies deriving from a complex system of remote checks. These «variables», associated with identified risks, result in a «dynamic» view of the changes in risk. All this, together with the third-level controls - being the audits of the other control functions -, contributes to achievement of the final objective: an overall assessment of the system of internal controls. If certain operational risks are identified, the internal audit department also carries out ad hoc work that may result in the introduction of new and more appropriate controls.

Lastly, specific regulations require the monitoring of risk acceptance processes with regard to related and connected parties. Taken together, these are referred to as «associated parties», being counterparts capable of conditioning transactions for their own benefit.

Consistent with the full introduction of the new regulations from 31 December 2012, a project involving various components of the banking group was launched in the second half of the year to implement - in an integrated manner - both the necessary organisational changes and the required IT procedures, which will also benefit the bank's subsidiaries. In this regard, a complete system (limits, procedures, controls) has been established to ensure, at banking group level, the mitigation of risk and the propriety of the decisions made about transactions with these parties. The entire system is oriented

towards the prevention and proper management of potential conflicts of interest with parties who, given their top-level functions within one or more Group companies or their power to exercise control or significant influence over other companies, might be able to condition the objective nature and impartiality of any related transactions.

Alongside the many measures introduced by the relevant regulations, the procedures designed to identify with precision the parties concerned and the clear decision-making processes, stringent rules are also applied to prudently limit the risk activities that may be carried out with «associated parties», having regard for the nature of the party and its relationship with the Group.

The annual «full scale test» of the business continuity plan was carried out, with success, in early December 2012. This was the sixth such test. As usual, the test was performed at the back-up site in Lecco, in equipped premises maintained by the local branch of the Bank. The functioning of typical banking processes in the areas of financial services and payment systems was checked. With regard to the technical testing of disaster recovery procedures, periodic data restoration tests were carried out successfully during the year, along with verification of the functioning of the complex IT architecture that sustains the Bank's information system: central mainframe, internet/intranet services delivered by departmental systems housed in the corporate server farm, local workstations.

In conclusion, work has focused on the creation of a solid and reliable system of internal controls that supplements the information provided to the Supervisory Authorities with that produced for internal purposes. This system contributes to the effective management of business risks, in the knowledge that this is the most effective tool for ensuring the stability of each operator and, in the final analysis, of the financial system as a whole.

HUMAN RESOURCES

Staff professionalism and style are essential for the success of a bank like ours which has to maintain relationships with a wide variety of interlocutors. It is up to our colleagues to be the bearers and interpreters of our business ethics and to put them into practice in relations with shareholders, customers and the local territory.

The quality of our workforce depends on a solid foundation and effective personnel management processes, able to guarantee the successful development of our human resources in order to ensure that their distinguishing features persist over time.

Dedication to the company, attention to ethics, a spirit of service to customers, professional skills and willingness to learn are the main elements that underpin our staff's day-to-day work. Culture and values that trained and experienced resources spontaneously transfer to new recruits, traditionally selected almost exclusively at the end of a high school or university education, primarily in the accounting/economic field.



This beautiful engraving by Pieter de Jode II produces a monochrome painting on wood by Rubens, now in the Národní Galerie in Prague.

This is probably one of the first etchings made in Antwerp, after an apprenticeship in Paris, by Pieter de Jode II when little more than 26 years old, but already a mature engraver to judge the skill with which he manages to transpose the painting by Rubens onto the plate in all its nuances.

The story of Mary's visit to her cousin Elizabeth after the Annunciation comes from the Gospel of Luke (I, 39-45), as stated in the inscription under the engraving, which also shows the first few lines of the Magnificat that Mary addresses to God.

Mary, pregnant with Jesus, greets her cousin Elizabeth who is six months pregnant with John, while Zechariah warmly welcomes Joseph as he comes up the stairs, followed by a servant bearing a basket of food on her head. In the meantime, another servant unloads their luggage from the donkey. The ancient Jewish scene is disguised here with trappings of the 17th century, in the same way that the architecture in which the scene takes place belongs to the 17th century.

The theatrical setting, the narrative momentum and the absence of any religious symbol do, however, make a striking contrast to the words of the Magnificat that Mary addresses to God. The Gospel account of the Visitation becomes a pretext for a 17th century representation of worldliness and nothing like Mary's cute travelling hat, in place of the traditional halo, marks this turning point in Western religious art at the height of the Baroque period.

Pieter De Jode II

The Visitation, c. 1632/33

(From a painting by P.P. Rubens)

Etching and burin (graver)

engraving 627 x 497 mm, plate 650 x 502 mm

PIETER DE JODE II

(Antwerp 1606-74)

Flemish painter, engraver and publisher Pieter de Jode II, also known as Pieter de Jode the Younger, was born in Antwerp in 1606, the third son of Pieter de Jode I (1570-1634) and Suzanna Verhulst, step-sister of Jan Brueghel I. He learned how to draw and engrave from his father, with whom he worked in Paris on the production of engravings between 1631 and 1632. On his return to Antwerp he married Justa Galle, the widow of another famous Flemish engraver, Adrien Callaert, and daughter of Philippe Galle (1537-1612), publisher of prints from old masters' paintings by that he himself drew and etched. After the wedding, De Jode II opened his own workshop in Antwerp and began to work with Anthony Van Dyck as an engraver of the latter drawings for the famous *Iconography*, the most comprehensive series of artistic images up to the arrival of photography, on which he continued to work, along with other engravers, even after the death of Van Dyck in 1641. We still find him active in Brussels in 1667. He died in 1674, probably in England during one of his regular visits to his son Arnold who had moved there.



Rembrandt

The Descent from the Cross, 1633

Etching and burin, 528 x 407 mm

Signed and dated, *Rembrandt f. cum pryvl*: 1633

Fifth state

REMBRANDT HARMENSZOOM VAN RIJN known as REMBRANDT

(Leiden 1606 - Amsterdam 1669)

The penultimate of nine children of a miller in Leiden, Rembrandt early on reveals in his painting Caravaggio's influence known through the "Circle of Caravaggists of Utrecht". But he stands out immediately from the naturalistic realism of the Caravaggists for the psychological intensity of his vibrant and dramatic chiaroscuro, with which he imposed himself in the Dutch artistic environment of the first half of the 17th century.

In 1631 Rembrandt settled in Amsterdam, where he married Saskia Uylenburg, the subject of many of his portraits, and where, with the first wealthy patrons, masterpieces were born such as the *Anatomy Lesson of Dr. Nicolaes Tulp* (1632), and the cycle on the *Life of Christ*, completed in 1639, which definitely decreed his fame.

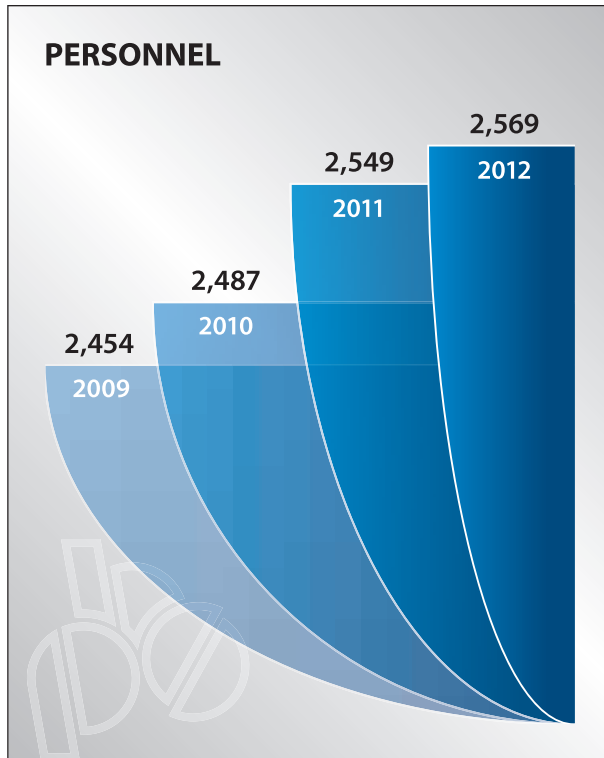
In 1639, he opened in Amsterdam his own centre for trading in works of art. But, before the birth of his son Titus in 1641, then Saskia's death in 1642, then the lawsuit brought against him by the Titus's nurse, Geertge Direx, for breach of promise of marriage, and lastly, living with his maid Hendrickje Stoffels, which got him accused of concubinage, led to bankruptcy in 1656, forcing him to sell both his art collection and his house. Some of his greatest masterpieces were created during these years, such as the *Night Watch*, *The Slaughtered Ox*, *The Jewish Bride*, and *Syndics of the Drapers' Guild (aka The Sampling Officials)*. But his misfortunes seem to have no end. Driven by need, in 1662 he sold the tomb of his wife, Saskia. The following year his companion Hendrickje Stoffels died of the plague and the artist buried her in a rented grave; then in 1668 his son Titus died the day after his wedding. Lastly, on 4 October 1669 he himself died and was buried in a rented tomb in the Westerkerk cemetery, still unidentified.

The lifeless body of Christ, removed from the Cross, collapses like a sack on the shoulder of the man who supports him, even though he is supported by the two men on the ladder, of whom the one on the right has the resemblance of the artist.

A beam of light from heaven breaks through the darkness and powerfully illuminates the scene, reverberating on the faces of the men and women on their knees, who slowly emerge from the shadows with all their load of pain and suffering, helpless spectators of the drama of death and redemption that is taking place before their eyes. On the other side, standing and motionless with his stick, Joseph of Arimathea, in cloak and turban, is closely monitoring the care with which Christ is deposed.

Narrative strength and dramatic power come together in this picture of rare beauty, where Western religious art reaches one of its highest levels of expression.

*Rembrandt wanted to protect this work with a sort of copyright, which is why he signed it *cum pryvl*, i.e. cum privilegium. It is a large etching that he did in 1633, based on his *Descent from the Cross (or Deposition)* painted the previous year, as part of the cycle on the *Passion of Christ*. In etching, there are five states. This is the fifth.*



Particular attention is paid to staff training and HR management, which are assigned tasks of increasing importance to the efficient coverage of functional roles required by the development of the branch network and central offices.

At year-end, the workforce consisted of 2,569 persons, an increase of 20 (+0.78%). 77% of employees worked in the branches and 23% at the central offices. The average age of employees (37 years and 9 months) and their average period of service (13 years and 7 months) have increased by 9 and 8 months respectively.

Support for the Bank's policy of internal expansion involves the HR function in the delicate process of staff selection, carried out with rigour and professionalism, through a multi-level procedure based on methods that are constantly updated.

Intensive training contributes to professional development, implemented through a combination of on-the-job learning (working alongside more experienced colleagues and being assigned a variety tasks) and participation in interdisciplinary training courses (both in the classroom and through multimedia techniques). The classroom activities in 2012 involved 1,843 employees, for a total of 60,084 man/hours; the multimedia courses were frequented by 1,881 participants, for a total of 34,704 man/hours.

In classroom training, great care has been given to courses on industry regulations, including those relating to anti-money laundering and the financing of terrorism, as well as the rules on transparency in banking services.

Classroom courses on operational aspects, among other things related to the credit and loans sector, were also significant, involving preliminary credit investigations and the monitoring of credit quality; courses also covered treasury services, communication with clients by tellers, the management of after-sales service relating to financial investments and the development of management skills for branch managers.

In the field of multimedia courses, preference is given to the regulations that govern banking operations with increasing intensity, such as anti-money laundering and the financing of terrorism, transparency in banking services, privacy and market abuse. Also of importance was a course held for the first time on the value of compliance, by which is meant conduct that respects the rules and the principles of honesty and fairness.

Interactive training for new recruits continued - organised by the various heads of department - divided into five modules carried out in as many weeks, dedicated to the organisation of the Bank and how a branch operates; teller operations and communication with customers; investment

services; credit and loans and international services; sales and marketing. This programme involved 289 employees and 18 branch managers, the latter as tutors, implementing the provisions of the professional apprenticeship contract.

Lastly, an important opportunity was offered to students of technical schools and universities located in the provinces where the bank operates. This entails internships at the Bank's central and local offices, an activity that in the past year involved 305 young people, also in collaboration with the Lombardy Region's «Internship Window».

As regards the legislative aspects, Law 92 of 28 June 2012, known as the «Fornero Labour Market Reform», introduced important innovations with particular reference to art. 18 of the «Workers' Statute» and certain types of contract (among others, apprenticeship, fixed-term, temping and new-hire contracts).

Lastly, the National Collective Labour Contract for the banking sector was renewed on 19 January 2012, having expired on 31 December 2010.

Relations with the Trade Unions continue to be based on reciprocal respect.

PROMOTIONAL AND CULTURAL ACTIVITIES

Our approach to banking includes an interest in the world of culture - rightly so, in our opinion. And if «making culture» would certainly be far too ambitious for us, we can say that we devote effort and resources to create opportunities for interaction between the public and the world of knowledge, history and art.

This is most congenial for our mission as a cooperative bank, as we are keen to promote both the economic and social growth of our local communities. Which also means protecting their historical, artistic and cultural wealth, spreading knowledge and perpetuating the memory.

Initiatives that our constantly updated institutional website collects in themed sections, creating an archive that can be searched remotely and over time. It also helps to disseminate information and images of Valtellina and Valchiavenna, our lands of origin.

The following is a summary of what we managed to do during the last year.

With the publication of its 120th issue in December 2012, our quarterly magazine «Notiziario» turned forty. Forty years thanks to the authoritativeness of its contributors and increasingly wide appreciation. Its insertion in the Apple Store newsstand so that it can be read on an iPad has helped to increase its popularity.

The annual programme of lectures was opened by Dr. Gino Strada, founder of Emergency, who, on 3 February 2012, aroused keen interest in the theme, «Emergency: an experience of medicine and solidarity». This was followed on 13 March 2012 by a meeting with Professor Franco Iseppi, chairman of the prestigious Italian Touring Club, who spoke on «The Italian

way to tourism», a topic of specific interest to the local economy. Particularly significant for us was the conference on 27 April 2012 by Giuseppe Sopranzetti, director of the Milan branch of the Bank of Italy, who with distinct professionalism talked on the theme «Crisis: the Lombardy Economy».

A warm welcome was given on 18 May 2012 to our fellow citizen, the Hon. Professor Giulio Tremonti, jurist and economist, several times Minister of Economy and Finance, who presented his latest publication, «Emergency Exit.» The first half closed on 23 June 2012 with a conference by Professor Sergio Romano, our guest for the third time, who with his usual profundity handled a delicate theme, «The Church and modernity: a European look».

After the summer break, it was the turn of Paolo Panerai, Deputy Chairman and Managing Director of Class Editori, who on 26 September 2012 entertained the audience with great authority on «Information in times of crisis». On 19 October 2012, Professor Angelo Provasoli, Chairman of RCS Media Group, spoke on the very topical theme in this age of the internet, «Towards a new form of publishing. From the defence of tradition to innovation for growth».

For the 88th World Savings Day on 31 October 2012, the Bank organised a round table entitled «Working under the sky, bowing down to the ground», presented and coordinated by the actor and writer Giuseppe Cederna, originally from Valtellina, based on texts by Massimo Mandelli. As part of this event we published a book «Andrea Credaro - The notebooks of a fruit grower towards the end of the 19th century», with analysis and commentary by Vera and Nella Credaro and Professor Augusto Pirola. This publication, which was donated to schools in the province of Sondrio, contains annotations by the grafter of vines and fruit-plants Andrea Credaro (1831-1888), the father of the Valtellina-born Education Minister Luigi Credaro, to whom we dedicated our library in Sondrio, where the notebooks in question are preserved. This meeting was well attended by students and teachers from the three agricultural colleges: Istituto Agrario of San Michele all'Adige (Tn), the Istituto Tecnico Agrario Statale «A. Tosi» of Codogno (Lo) and the Istituto Tecnico Agrario Statale «G. Piazzini» of Sondrio.

The annual cycle of conferences was closed on 26 November 2012 by Carlo De Benedetti, honorary president of CIR spa. This was his fourth appointment with us and this time he entertained the audience with a talk on «Europe: our future».

The book «St. Luigi Guanella, the voice of the weak» that we gave to the members who attended the AGM on 14 April, also belongs to the publishing field. The monograph, dedicated to the first saint from the province of Sondrio, who was canonised by Pope Benedict XVI on 23 October 2011, contains among other things the authoritative presentations on the figure and works of Don Luigi Guanella made at the round table organised by the Bank on 18 November 2011. Important contributions were made by Cardinal Angelo Scola, archbishop of Milan, and Monsignor Diego Coletti, bishop of the diocese of Como, to which the province of Sondrio belongs.

Interesting cultural inserts embellished the 2011 financial statements of the Parent Bank and its Swiss subsidiary. Namely: a selection of works

owned by the Bank on the theme «Milan and picturesque Lombardy of the early 19th century», introduced by writer and journalist Isabella Bossi Fedrigotti and commented on by Franco Monteforte; a monograph dedicated to the sculptor and painter Alberto Giacometti (born 1901 in Borgonovo di Stampa; died 1966 in Chur).

Then let us remember the 16th edition of the diary book by Gigliola Magrini, «The Life and Days of 2013», which adorns our promotional material for the current year.

We willingly collaborated in the presentation of the book «The Morelli Village - landscape identity and monumental heritage», edited by Luisa Bonesio and Davide Del Curto.

Part of our history - as well as our values, consolidated over time - was highlighted by the exhibition of photographs from the early 20th century and contemporary documents held in August 2012 in the hall of the Bank's head office in Sondrio.

The figure and works of the poet Angelo Fiocchi, born in Como and «adopted» by Bormio, were celebrated at an event organised together with the Cultural Commission of the Municipality of Bormio and held on 7 August 2012 in the conference room of the Bank's Bormio branch.

In September and November respectively, our Bolzano and Morbegno branches hosted the travelling exhibition «Carlo Donegani: a way to be followed. Genius and technique in alpine roads», created in collaboration with the Donegani Scientific High School of Sondrio.

On the occasion of the 11th edition of ABI's initiative «Invito a Palazzo», on 6 October 2012 we organised guided tours of the Bank's head office in Sondrio, mainly to view the paintings owned by the Bank, and of the «Luigi Credaro» library, also in Sondrio, and the «Carlo Donegani» Museum, at the Stelvio Pass.

On the 70th anniversary of the death of Giovanni Bertacchi, the greatest poet of our province of origin, we held the exhibition «Bertacchi in a postcard», organised by Edo Mezzera and held in October in the hall of the Bank's head office in Sondrio, as part of the celebrations for the 90th anniversary of the foundation of the Valtellinese Sondrio Section of the National Alpini Association.

«Thomas Stearns Eliot - Poetry Lessons» is the title of the fourth year-end «poetry and music» event in Bormio. The event, organised by the Municipal Cultural Commission and coordinated by Professor Leo Schena, was held in the conference hall of the Bormio Thermal Baths. The evening was accompanied by interludes of jazz performed by six musicians directed by the composer Dino Betti van der Noot. Also of interest was the exhibition «The whole world as from a window» by the Milanese artist Allegra Betti van der Noot, held at the end of the year at our Via Roma branch in Bormio.

«Mapei Day», the sporting event sponsored by Giorgio Squinzi, chairman of Confindustria and his wife Adriana Spazzoli, organised by the Bank together with the Unione Sportiva Bormiese and Pirovano Stelvio, was again most enjoyable and very successful. The 8th edition held on 15 July 2012, on the difficult route from Bormio to the Stelvio Pass, was attended by

around 3,200 athletes including runners, cyclists - many registered for the 27th edition of Re Stelvio, a competitive race - and even some on roller-skis.

In traditional memory of the Madonna della Neve (Our Lady of the Snow), on 12 August 2012 Father Alfonso Crippa, General Superior of the Servants of Charity-Opera Don Guanella, officiated the Holy Mass at the Stelvio Pass, on the alpine pasture at Rese Basse dello Scorzuzzo, with the installation of a medal dedicated to St. Luigi Guanella at the sculpture which completes the altar.

The traditional skiing competitions, permeated by the usual spirit of friendship and conviviality, were held at the Stelvio Pass on 19 and 20 October 2012: the 3rd «Quadrangular Interbank Meeting» - attended, together with us, by Intesa Sanpaolo, Unicredit and Deutsche Bank - and the 11th «Pirovano Interbank Meeting», the latter with the participation of 14 banks represented by 122 athletes. The ski season at Pirovano came to an end at the 13th Snowfestival, an event that has, among other things, raised charitable donations in favour of the Ariel Foundation, the Children's Centre for Neuromotor Disabilities and Saints Gervasius and Protasius Parish in Bormio.

As a sign of solidarity with the populations hit by the earthquake in Emilia Romagna in May 2012, we launched a fundraiser and made «Autobanca», our mobile branch, available to Banca Popolare dell'Emilia Romagna. Our charitable initiatives include the Solidarity Current Account, through which we make significant donations each year to ADMO, AIRC, AISLA, AVIS and UNICEF.

Also worthy of a mention is our Staff Recreation Club, which offers a wide variety of cultural events, trips, holidays and sports.

CAPITAL

An adequate level of capital is a prerequisite for the proper development of any enterprise and determines the ability to cope with any negative events. All the more so in the current crisis, in which the difficulties and risks have multiplied.

This naturally also applies to banking companies, which in this ongoing slump are increasingly affected by the deterioration in credit quality and are therefore tempted to reduce their support for the real economy.

Our Bank has continued to do its job, which is primarily to grant credit. In the year under review, the volume of loans granted has grown in equilibrium with the growth in deposits. We wanted to do this and were able to do so as we had an adequate capital base, which allowed us to continue our process of business development over time.

At 31 December 2012, our capital and reserves, including net profit for the year, amounted to € 1,711 million, an increase of € 35 million (+2.08%). The equity figures at 31 December 2011 have been reclassified to make them comparable with the current year, taking into account our early adoption of the new version of IAS 19 approved by EC Regulation no. 475 of 5 June 2012. The share capital, made up of 308,147,985 ordinary shares with a par value of

3 euro, remained unchanged at € 924.444 million. The share premium reserve, € 171.449 million, decreased by 0.61% because of the allocation of losses resulting from trading in treasury shares of € 1.061 million. The reserves rose to € 622.319 million (+4.81%) due to allocation of a large part of the net profit for 2011. This following the resolutions passed by the Shareholders' Meeting on 14 April 2012, which approved the 2011 financial statements and the proposal to distribute a dividend of 0.09 euro per share. The valuation reserves still showed a negative balance of € 8.394 million, despite an improvement of € 36.199 million. Following early adoption of IAS 19, the valuation reserves have two components: the first is the difference between capital gains and losses recognised on financial assets available for sale, which was positive for € 6.872 million, having been negative for € 43.565 million; the second consists of the actuarial losses related to long-term benefits as defined by IAS 19, which amounted to € 15.266 million, including the reclassification resulting from early adoption of the accounting standard.

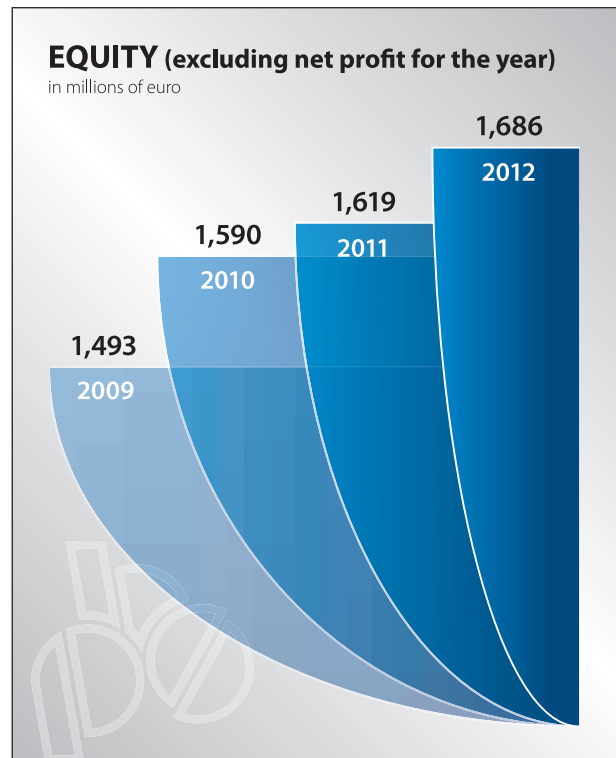
As regards treasury shares, the bank held 3,020,000 shares, for a book value of 24.316 million compared with 26.079 million at the end of 2011. Purchases were made using the specific provision of 93 million shown in the financial statements under reserves.

During the year, trading aimed at favouring the circulation of our shares included purchases of 394,500 shares, for a total of € 1,183,500 euro at par (0.128% of the share capital) and sales of 437,500 shares, for a total of € 1,312,500 at par (0.142% of the share capital). The market value of purchases was € 1.893 million; that of sales € 2.595 million. These trades resulted in a loss of 1,061 million (at average negotiation price), which was booked to equity.

As for our performance on the stock market, the BPS stock posted a decline of 29.47%, penalised by a market where fundamentals were less important than irrationality and speculation.

The number of shareholders, on the other hand, has increased yet again - by 3,713 for a total of 177,096 - which is proof of our ability to involve an increasing number of people in the life of the Bank.

Applications for admission as a member received during the year 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



Performance of the BPS stock



of association», taking into account the guidelines laid down by the Board.

Proof of the Bank's capital adequacy is also given by the following elements. Risk-weighted assets total € 15.987 million. The Bank's individual solvency ratio (ratio of capital for supervisory purposes to risk-weighted assets) is 14.62%, compared with the minimum of 8% required under current regulations for banks that belong to banking groups.

In accordance with the provisions of the ESMA document no. 725/2012, which originated from the observation that the market value of various listed companies was lower than their book value, the Bank carried out an impairment test on the entire structure. The results of this test showed that the Group was worth more than its consolidated equity. Further details are provided in Part F «Information on equity» of the notes.

The relationship between capital and the main items in the financial statements is summarised below, which confirm its adequacy.

- *capital/direct customer deposits*
7.23% v. 8.15%
- *capital/customer loans*
7.64% v. 8.14%
- *capital/financial assets*
35.33% v. 52.50%
- *capital/total assets*
5.68% v. 6.21%
- *net non-performing loans/capital*
16.52% v. 15.70%.

INCOME STATEMENT

While financial markets showed signs of improvement in the second half of the year, the crisis continued to dominate the scene from a purely economic point of view. Indeed, its effects have become more and more obvious and dramatic.

In a very difficult environment, the banking system had to cope with funding costs that remained very high, despite the decline in interest rates, and above all, a general deterioration in credit quality.

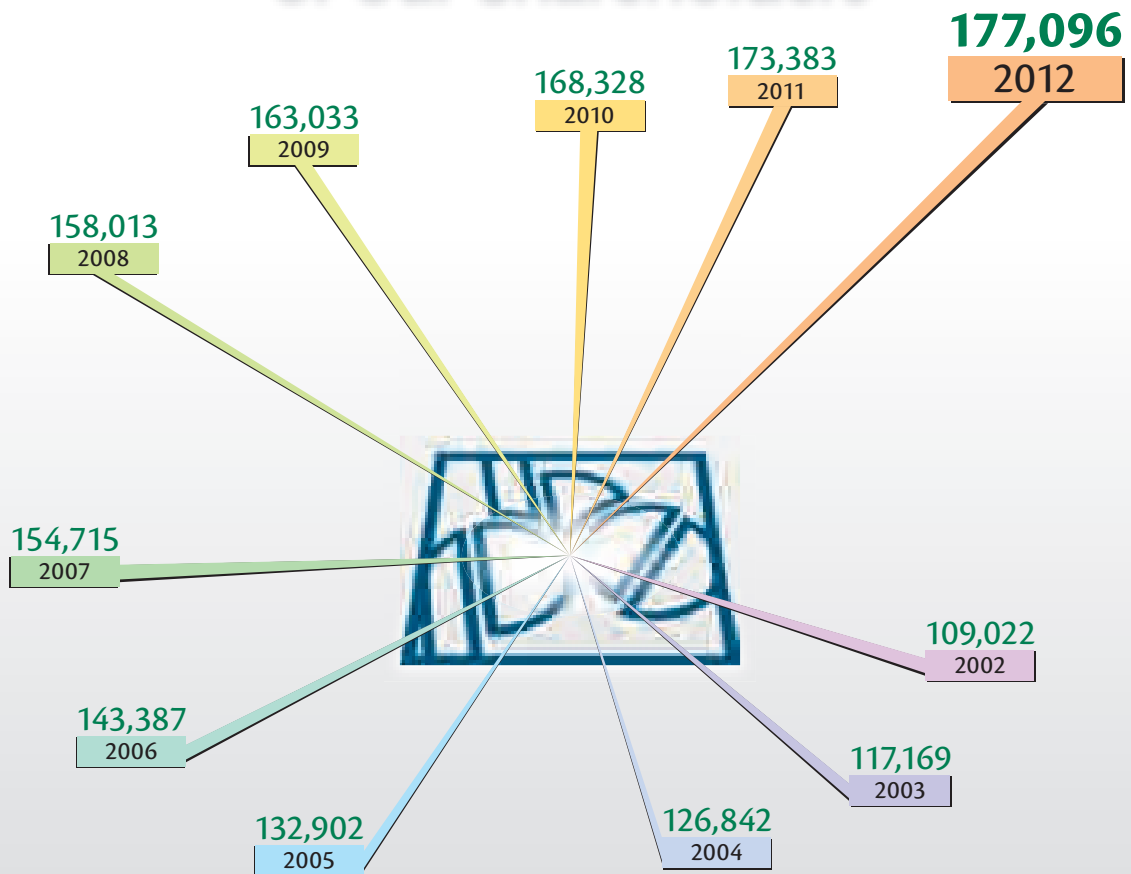
All if this inevitably reflected on the Bank's economic performance as well, heavily affected by the increase in impaired loans and the related need to make substantial prudential provisions, also following the recommendations made by the Supervisory Authorities during their inspection. Net profit for the year amounted to € 25.822 million, -54.23% compared with the previous year's figure, which was adjusted as a result of early application of IAS 19 Revised.

For its part, net interest income increased from € 454.102 million to € 461.455 million, +1.62%, benefiting from both growth in volumes handled and the presence of securities in portfolio that had coupons with yields that

Net interest income



Growth in the number of our Shareholders



were still high, especially in the first half of the year, though they have since gradually decreased. The action taken to price risks correctly has also contributed. In addition to responding to the principles of sound management, this has become increasingly important because of the persistently high cost of funding.

Net commission income has risen from € 220.055 million to € 222.479 million, +1.10%. The limited growth in net commissions despite quite a good performance on the part of commission income, for guarantees in particular, is due to the substantial increase in commission expense. This was affected by the € 3.090 million paid early in the year to the Italian State for a government guarantee backing the certificate of deposit issued by the Bank in December 2011, which was then used as collateral for the ECB, as part of the refinancing of the banking system.

Dividends have fallen to € 5.549 million, due to a general decline in the distribution of earnings by the companies in which the Bank has investments.

The result of financial activities is positive for € 168.335 million, versus a negative result of € 74.002 million last, mainly thanks to the recovery in market prices of sovereign debt. This permitted the recognition of substantial gains and significant trading profits.

Within financial activities, the net trading result relating to financial assets held for trading, which previously was negative for € 71.888 million, this year was positive for € 152.488 million. Analysing its component parts, net trading income on securities has increased from 11.724 million to 69.119 million; the difference between gains and losses is positive for 64.510 million, versus a negative balance of 104.527 million the previous year; exchange gains and differences have fallen from 16.522 to 13.452 million; lastly, derivatives come to 5.407 million, up from 4.393 million.

The result of financial assets available for sale, financial assets held to maturity and financial liabilities was positive for € 9.573 million, mainly due to the gains on disposal of Italian government bonds. Financial assets carried at fair value, which in the previous year were negative for € 6.641 million, have turned positive for € 6.273 million, thanks to the capital gains that have been booked.

Income from banking activities

Income from banking activities went up from € 606.548 to € 857.818 million, +41.43%. Analysing the elements making up this item, net interest income went from 74.87% to 53.79%, while the weighting of net commission income, trading profits and dividends has risen from 25.13% to 46.21%.

The persistence of an economic recession that in previous years led to an increase in impaired loans and a consequent need for substantial prudential provisions, in 2012 required even more adjustments because of a further deterioration in credit quality.

This phenomenon has accelerated in the last few months of the year and in early 2013. In turn, the downward spiral of the housing market, with prices that have collapsed to levels that were unimaginable only a few years ago, has triggered off a chain reaction that has led to the need to raise the provisions in the case of impaired loans secured by property. Very prudent evaluation criteria have been applied in such cases, taking into account the

recommendations made by the Supervisory Authorities during their inspection.

Net adjustments to loans, financial assets available for sale and other financial transactions came to € 457.782 million compared with € 162.947 million (+180.94%). Of this item, the element relating to customer loans went from € 155.293 to € 450.957 million, +190.39%, reflecting the difficulties generated by the ongoing negative cycle in the economy. Impairment adjustments to securities have gone from € 7.154 to € 5.225 million and concerns certain listed equities and mutual funds classified as available for sale, for which an objective impairment has been ascertained comparing market prices with their original book values; adjustments on other financial transactions amount to € 1.6 million for the writedown of endorsement credits. The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, has therefore gone up from 0.75% to 2.01%.

The balance of financial management therefore comes to € 400.036 million, -9.82%.

Personnel expenses grow from € 166.570 to € 167.468 million, +0.54%.

Other administrative expenses are up from € 171.683 to € 181.053 million, +5.46%. Although this rise was general, it was more marked in the area of indirect taxes, due to increases during the year, professional fees, rent,

SUMMARY INCOME STATEMENT

(in thousands of euro)	2012	2011	(+/-)	% change
Net interest income	461,455	454,102	7,353	1.62%
Dividends	5,549	6,393	-844	-13.20%
Net commission income	222,479	220,055	2,424	1.10%
Result of financial activities	168,335	-74,002	242,337	
Income from banking activities	857,818	606,548	251,270	41.43%
Net adjustments to loans and financial assets	-457,782	-162,947	-294,835	180.94%
Balance of financial management	400,036	443,601	-43,565	-9.82%
Personnel expenses	-167,468	-166,570	-898	0.54%
Other administrative expenses	-181,053	-171,683	-9,370	5.46%
Other operating income/expense	57,717	40,767	16,950	41.58%
Net provisions for risks and charges	-1,577	4,156	-5,733	
Adjustments to property, plant and equipment and intangible assets	-23,431	-21,847	-1,584	7.25%
Operating costs	-315,812	-315,177	-635	0.20%
Operating profit (loss)	84,224	128,424	-44,200	-34.42%
Share of profit (loss) of equity investments and other investments (+/-)	-1,813	-12,275	10,462	-85.23%
Profit (loss) before tax	82,411	116,149	-33,738	-29.05%
Income taxes on current operations	-56,589	-59,733	3,144	-5.26%
Net profit (loss)	25,822	56,416	-30,594	-54.23%

Notes: the result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement. The 2011 figures have been adjusted for comparison purposes.



treasury office expenses, IT costs and energy supplies. Among the reductions, the more significant relate to deferred charges.

Adjustments to property, plant and equipment and amortisation of software amounted to € 23.431 million, +7.25%.

Other operating income, net of other operating expenses, resulted in a positive balance of € 57.717 million, +41.58%. This trend is mainly due to the recognition of a gain of € 9.250 million on the disposal of the contracts as custodian bank of the Arca Funds, higher recoveries for taxes and duties to offset increases in them (booked to other administrative expenses) and the recovery of the rapid enquiry fee.

Operating costs amounted to € 315.812 million, +0.20%. The low increase is due to constant monitoring of the various items.

Net provisions for risks and charges amounted to € 1.577 million, compared with a release of provisions for € 4.156 million in the previous year due to a surplus between provisions for the year and provisions established in prior years.

The ratio of operating costs/income from banking activities was 36.82%, compared with 51.96%.

The operating profit therefore came to € 84.224 million, -34.42%.

Profits/losses on equity and other investments show a negative balance of € 1.813 million compared with the negative amount of € 12.275 million the previous year. This derives from: for € 1.650 million from the writedown of the interest in Alba Leasing spa; for € 0.443 million from the writedown of the equity investment in Pirovano Stelvio spa; for € 0.280 million from gains on disposal of property, plant and equipment.

Net profit for the year

The result of ordinary operations reached € 82.411 million, -29.05%. After deducting income taxes of € 56.589 million, which have decreased by 5.26%, benefiting from the recognition of a tax credit of € 7.422 million arising from the possibility to deduct IRAP on labour costs for IRES purposes, as provided for in art. 2, paragraph 1 quarter, of Legislative Decree 201/2011, converted with amendments by Law 214/2011, the net result is a profit of € 25.822 million, compared with € 56.416 million the previous year, -54.23%.

The effective tax rate, i.e. the ratio between income taxes and the result of current operations, comes to 68.67% compared with 51.43% the previous year.

Dividend

The Board of Directors would like to propose a dividend of 0.033 euro per share, which takes into account the need to boost capital and the reasonable expectations of shareholders. The previous year it was possible to pay the shareholders a dividend of 0.09 euro.

CRITERIA FOR MUTUALISTIC ACTIVITIES

In accordance with the provisions of art. 2545 of the Italian Civil Code, the following are the criteria followed by management to achieve the Bank's mutualistic goals.

In this matter, points 1 and 2 of our articles of association are fundamental points of reference for us; they read: «The company's activities are based on the principles of mutuality and cooperation» and «As part of institutional work to facilitate the development of all productive activities, the company, in consideration of its specific objectives as a cooperative bank, intends to provide specific support for the smaller enterprises and cooperatives present in the territories served; in addition, it will take all appropriate steps to spread and encourage saving».

We have always understood that being «Popular» means being a local bank, close to households and businesses. Close not only in words, but also in our actions, which are above all the loans that we grant them. The numbers are clear: even in a year of general economic crisis and the consequent «credit crunch» at system level, loans rose to € 22.390 million (+8.66%). In this way we were able to meet the needs of our customers, starting with those of our shareholders, implementing in full our primary function as a cooperative bank from the point of view of social responsibility.

So we have offered the right sort of support to the economy in the various areas that we serve, even helping to promote lines of development in harmony with their social and environmental characteristics. As experience shows, the same model of development is not valid everywhere. On the contrary, it is necessary to maximize the resources and particularities that each area is able to express, at the same time respecting its identity. Similarly, we have devoted attention to initiatives that are environmentally friendly.

Talking of which, it is worth mentioning the loans that we have given to spread more and more the use of renewable energy, as well as those related to rural development plans. Similarly, we would highlight the social value of the massive funds provided by Finlombarda to recapitalise social cooperatives; in collaboration with INPS (Italian Social Security) and the Central Institute of Italian Cooperative Banks to issue and pay «work vouchers» for casual labour.

During the year, our funding activities were conditioned above all by the worsening of the general economic crisis, which made it increasingly difficult for many to save money. Turmoil on financial markets also put investors in situations, such as the euro crisis, that were very hard to assess. Savings have a dual role: as a reserve built up by families to help them face the future with confidence, and as the raw material for economic development. To protect them in the best way possible, we have provided our customers with all the necessary assistance, making available to them a range of products and services characterised by simplicity and transparency. The individual's risk appetite has always been respected too.

Our catalogue includes ethical finance, as well as supplementary pension-related products, which have become indispensable to ensure adequate pension benefits in the future.

As regards services, an important role is played by those dedicated to the public entities and institutions. Our specific offer - delivered through dedicated windows, traditional branches and electronic tools - is designed for both local entities and the numerous other institutions, sometimes nationwide, with which we have been cooperating for some time.

The Via Crucis (or Way of the Cross), based on the Gospel account of the passion and crucifixion of Christ, is one of the most typical and recurring themes of religious art in the West.

Introduced into Latin Christendom by the Franciscans, who were the custodians of the Holy Sepulchre of Christ in Jerusalem, the Via Crucis was at its peak in the Lombardy area during the 18th century. One example is this painting by an unknown master of the 18th century, depicting one of the Stations of the Cross, in which a man from Cyrene is taken and forced to carry for a stretch the cross of Christ who has just got up from a fall. The theme of the Via Crucis as a sacred representation finds one of its reasons for renewed interest in the scenic and theatrical taste of 18th century religiosity. Here the scene, framed by an arch that serves to give it depth, is fairly conventional and does not have particular dramatic force, even though it is decently made on the whole. On the faces of the soldiers there neither ferocity nor cruelty, but impassivity and some signs of derision. Christ is a conventional Christus patiens, who suffers and endures the suffering. Lastly, Simon of Cyrene bears the usual expression of dull resignation, of one who is forced to carry out a task of which he cannot understand the redeeming effect, just like the soldier who forces him to do it.

Unknown painter from the 18th century

Simon of Cyrene

Oil on canvas, 59.5 x 40 cm





Battista Malacrida da Musso
Madonna and Child with the martyrdom of the Blessed Simonino
 end of the 15th century
 Fresco, 165 x 162 cm

BATTISTA MALACRIDA DA MUSSO

(Second half of the 15th century – First 15 years of the 16th century)

Battista Malacrida was born in Musso in the Alto Lario halfway through the 15th century and died in January 1515.

He is known to have painted two altarpieces, both signed and dated, the *Madonna with Child and Saints* (1499) in the church of St Vito in Crema and the *Madonna and Child with Saints Mary Magdalene, Mauritius, Bernardino and Gregory the Great* (1501) in the church of St Maurice at Ponte in Valtellina. On the basis of these two works, he has also been attributed (by Alessandro Rovetta) the *Lamentation over the dead Christ* in Santa Maria delle Grazie in Gravedona and the *Madonna and Child with St. Sebastian*, dated 1502 in the church of Saints Peter and Paul in Grazino, as well as this fresco depicting the *Madonna and Child with the martyrdom of the Blessed Simonino*.

There emerges from all of these works, Eugenia Bianchi writes, “an artist of medium stature, trained on the examples of Foppa, Bramante and especially Bergognone, sensitive to the Ferrarese inclinations of Gottardo Scotti and the first De Passeris and receptive to the antique modules replicated by the Rodari”. But the richness and variety of these influences was not enough to make his painting emerge from a mediocre provincial level.

The killing in Trento, in March 1475, of the child Simonino, found drowned in a canal by a Jewish family, immediately charged with infanticide and executed along with other Jews, at the end of the 15th century caused enormous popular emotion throughout the Catholic world, fuelled by the bitter anti-Semitic preaching of the Observant Franciscans. Treated as a new Infant Jesus (hence the parallel depiction of the Madonna and

Child), the child Simonino was immediately declared Blessed to great acclaim, while the images of his martyrdom spread everywhere in Northern Italy, thanks to the rapid reproduction of woodcuts and pamphlets with fact related thanks to the recent invention of printing. Today, the Catholic Church recognises the falsity of the allegations against the Jews and from 1965 the cult of the Blessed Simonino was revoked.

Among the images of the martyrdom of Simonino present in Valtellina, this fresco is the most famous and significant.

Attributed to Battista Malacrida da Musso, the fresco, which was originally on the wall of a rustic building next to the Palazzo Paribelli di Albosaggia, represents the Simonino standing on a stool as a sacrificial altar, surrounded by five Jews, recognisable from their headwear, in the act of ritual infanticide. Two torment his chest with long nails, a third throttles him with a sheet, while the youngest one tortures his legs, after having amputated his sex from which flows copiously the innocent blood that Catholics believed the Jews used to make the unleavened bread for their Passover rite.

The steady expansion of the shareholder base - an increase of 3,713 new shareholders to reach a total of 177,096 - and at the same time the rising frequency of the shareholder-customer means that we are genuinely implementing the original principles of the cooperative credit movement. In this way we reaffirm our nature as a cooperative, which operates primarily to meet the banking needs of its shareholders and knows how to involve a growing number of people in its activities.

For our institutional communication we have always given preference – in compliance with specific legislation - to ways and means that are appropriate to the nature and number of the shareholder base, who are intended as the main recipients of the Bank's message. There is the traditional letter from the Chairman on the performance of the business, which is sent to shareholders and friends every six months, in the middle and at the end of the year. The directors' report and financial statements for the period provide a comprehensive representation of the events of the year, explained in language that ought to be accessible to everyone.

The Bank's proximity to its shareholders is also reflected in the annual general meeting, which is a fundamental event in the life of the Company. The meeting on 14 April 2012 was attended by approximately 4,700 shareholders who, as usual, have benefited from transport and lunch.

The will to contribute towards the economic and social development of the communities that we serve also manifests itself in the financial support that we give to a vast range of initiatives on their behalf. They are the result of a solidarity-based vision of the market, where profit is accompanied by other objectives, reflecting a long-term assumption of responsibility towards the social context to which we belong for the enhancement of its identity. Initiatives during the year were as follows:

- running the library in Sondrio named after Luigi Credaro, illustrious compatriot and former Education Minister from 1910 to 1914. In addition to making available to the general public our significant heritage of books and documents, we have also established fruitful contacts with the world of education;
- support for Pirovano Stelvio spa and through it for the tourist complex of the Stelvio and the Upper Valtellina;
- the cultural events we organize on an ongoing basis such as conferences and seminars, as well as the publications we edit and publish, and the sporting events that involve a large number of participants;
- the traditional celebration of World Savings Day;
- the contributions paid in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services;
- donations – from the amount allocated for this purpose at the shareholders' meeting – to support entities and associations that carry out cultural, sporting or voluntary work.

SIGNIFICANT SUBSEQUENT EVENTS

The following information on significant events that have taken place subsequent to year end is provided in accordance with regulatory requirements.

The new financial year has seen the opening of new branches in Novi Ligure and Cuneo, in Piedmont, and Melegnano, near Milan, for a total of 309 branches.

We subscribed for the increase in capital proposed by Alba Leasing spa, an associate, together with the other cooperative banks that are its shareholders. The purpose of this operation, which involved an outlay of € 14.665 million, is to provide support for the company's 2013-2015 business plan.

Since 8 January 2013, we have been subject to inspections by the Bank of Italy with regard to the «Assessment of the adequacy of impairment adjustments to non-performing, watchlist and restructured loans, as well as the related application policies and practice». The last regular inspection by the Supervisory Authorities took place in 2011. As always, they have our full cooperation, which is comforting.

OUTLOOK FOR OPERATIONS

The general scenario shows little sign of improvement in the economy; indeed, fears that the recession will continue may be well founded. So for the banking system, we will have to take into account, on the one hand, a lower trend in credit and loans, and, on the other, a further deterioration in asset quality.

In this difficult context, we expect to see a trend in interest rates which will allow us to maintain our interest margin more or less stable. As regards credit risk, we will continue with our extremely prudent policy and the cost of credit will remain high. Once again, the result of financial activities will be affected by market performances, which are sensitive to imponderables such as the evolution of the political situation. Operating costs are expected to grow moderately, despite the expansion of our structure.

* * *

Shareholders,

The 2012 financial statements, comprising the statement of financial position, the income statement and the attachments forming an integral part of these documents, are presented for your examination and approval. These financial statements, which show a net profit for the year of € 25,822,369, have been audited by KPMG s.p.a.



STATEMENT OF FINANCIAL POSITION

Total assets		€	30,145,030,243
Liabilities	€	28,433,706,397	
Valuation reserves	€	-8,394,344	
Share capital	€	924,443,955	
Share premium reserve	€	171,449,522	
Treasury shares	€	-24,316,346	
Other reserves	€	622,318,690	
Total liabilities and equity (excluding net profit for the year)		€	30,119,207,874
Net profit for the year		€	25,822,369

ALLOCATION OF NET PROFIT FOR THE YEAR

In line with legal requirements and the articles of association, we propose the following allocation of net profit for the year:

- to the legal reserve 10%	€	2,582,236.90
- to the statutory reserve 30%	€	7,746,710.70
- dividend to shareholders of € 0.033 per share	€	10,168,883.50
- to the reserve for donations	€	100,000.00
- to the legal reserve, a further	€	5,224,537.90
Total	€	25,822,369.00

EQUITY

If you concur with our proposals, equity will be made up as follows:

- Valuation reserves	€	-8,394,344
- Share capital - 308,147,985 shares, par value € 3 each	€	924,443,955
- Share premium reserve	€	171,449,522
- Treasury shares	€	-24,316,346
- Reserves	€	637,872,175
Total	€	1,701,054,962

Shareholders,

We think that we have explained in full everything that we did over the last year. Now we have to thank those who made it possible to achieve these results.

Firstly, we would like to thank our shareholders and customers for their business and constant presence, prompting us to work well and helping us to grow.

Our appreciation for the efforts of the Board of Statutory Auditors which, chaired by Piergiuseppe Forni, has performed its broad and delicate

functions with, as ever, dedication and professionalism. Recognition too for the work of the Advisory Committee, which is always on hand, and to the members of the Supervisory and Discount Committees for their experience and knowledge, with a special mention for those based in Milan.

We are grateful to the boards and employees of our group companies, with particular reference to those at Banca Popolare di Sondrio (SUISSE) SA and Factorit spa, the Italian Banking Association, the National Association of Cooperative Banks, to our Italian and foreign correspondents, and to our sister cooperative banks.

We express our respect and gratitude to the staff of the Bank of Italy, from the Governor, who governs wisely, to the Members of the Directorate, to the Chief of Supervision and his staff, to the general officers and the directors of the main offices and branches located in the provinces where we are present. A special mention for Anna Maria Tarantola, who resigned as Deputy General Manager as she was appointed Chairman of RAI. Our best wishes to Fabio Panetta, called to replace her in this important and delicate position. Thanks also to the Chief of Supervision and his staff, to the general officers and the directors of the main offices and branches located in the provinces where we are present. We also salute Giuseppe Sopranzetti, Manager of the Milan head office of the Bank of Italy, to Paolo Galiani, manager of the Rome head office, and to Carmela Lanza, manager of the Sondrio office.

Many thanks too for the constant collaboration of the directors, managers and staff of Consob, the Italian Exchange Office and Borsa Italiana, which also manages the MTA, the screen-based market where our shares are traded.

Our respect and recognition go to the Federal Commission of the Berne Banks for their supervision of our Swiss subsidiary, and to the Bank of France, which supervises the French banking system and, accordingly, the branch of «Suisse» located in the Principality of Monaco.

The results that we have achieved are also, indeed above all, due to our staff, to whom we address our heartfelt thanks. Our best wishes for a long, healthy and serene retirement go to Angela Illario, Lorenza Morelli, Norma Pozzoni, Angelo De Michielli, Ignazio Mangioni, Gian Filippo Milani, Mauro Camillo Mottana, Corrado Tavasci, Antonio Taverna and Mario Vecchi. Our final thoughts go to those we may have mistakenly overlooked who, nevertheless, have helped us with their friendly advice, information and whatever.

Shareholders,

In presenting the 2012 financial statements for your approval, the directors invite the Shareholders' Meeting – having read the reports of the Statutory and Independent Auditors – to adopt the following resolution:
«The ordinary meeting of the shareholders of Banca Popolare di Sondrio, meeting today, having heard the directors' report on operations during 2012

and the proposed allocation of net profit for the year, which includes the payment of a dividend to the shareholders of € 0.033 per share; having noted the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the statement of financial position, the income statement, the explanatory notes and, in addition, the financial statements of the subsidiary and associated companies.

approves:

- the directors' report on operations;
- the financial statements at 31 December 2012, comprising the statement of financial position, income statement and related explanatory notes; the financial statements that show a net profit for the year of € 25,822,369. The Shareholders' Meeting therefore specifically approves the allocation of net profit for the year of € 25,822,369 as proposed by the Board of Directors in accordance with current legislation and the articles of association and, in particular, resolves:
 - a) to allocate:
 - 10% to the legal reserve € 2,582,236.90
 - 30% to the statutory reserve € 7,746,710.70
 - b) to pay a dividend of € 0.033 to each of the 308,147,985 shares in circulation at 31/12/2012 with dividend rights as from 1/1/2012, transferring to the statutory reserve the amount of the dividends due to any treasury shares held by the Bank on the working day prior to going ex-coupon, for a total amount of € 10,168,883.50
 - c) to allocate the residual net profit:
 - to the reserve for donations € 100,000.00
 - to the legal reserve, a further € 5,224,537.90

In accordance with the Stock Exchange calendar, the dividend will be paid from 9 May 2013, going ex-coupon (no. 33) on 6 May 2013.

Point 2) on the agenda: Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association.

Shareholders,

art. 21 of the articles of association provides that: «The Board of Directors may acquire the Bank's shares in accordance with art. 2529 of the Italian Civil Code, to the extent of the specific reserve established out of distributable profits allocated for this purpose at the shareholders' meeting. The shares purchased can be re-sold or cancelled».

The matter is governed by CONSOB Regulation 11971 of 14 May 1999 and subsequent amendments. In particular, articles 73 and 144 bis of this Regulation establish how information should be communicated to the General Meeting and the procedures for carrying out purchases and sales.

In implementation of this regulation, the Board would like to invite the Meeting to pass the following resolution:

«The Ordinary Meeting of the Shareholders of Banca Popolare di Sondrio, met today, having heard the proposal made by the Board of Directors:

hereby resolves:

to set at € 93,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the Bank's own shares in accordance with art. 21 of the articles of association, within the limit of this amount and whatever part of it is made available by subsequent sales of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares.

Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value 3 euro each – will have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers.

Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2013 financial statements. Purchases will have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above-mentioned «Reserve» of € 93,000,000 and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 5% of the shares making up the share capital. Sales will have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above-mentioned «Reserve» of € 93,000,000.

Any cancellations of treasury shares will have to take place in compliance with the law and the articles of association, using the reserve for treasury shares to cover any differences between their par value and purchase price. The Board of Directors, and the Chairman and Deputy Chairman, separately, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda: Approval of the document entitled «Compensation Policies of the Banca Popolare di Sondrio Banking Group» and information on how these compensation policies were implemented in 2012, as required by the Bank of Italy.

The theme of the ecstasy of St. Clare is not among the most frequent, because the saint, a follower of St. Francis and founder of the Poor Clares, whose habit she wears in the painting, does not belong to the history of mediaeval mysticism, but to that of the great visionaries.

*Tommaso da Celano narrates in his *Legenda Sanctae Clarae Virginis*, written eight days after the death of the saint in 1253, that in 1244 when Frederick II besieged with Assisi Saracen troops, Clare, who was sick, wanted to pray under the walls before the consecrated host to invoke divine protection for the city's defenceless children, when she heard the voice of the Child Jesus saying from on high: «I will always take care of them». According to the legend, after the vision the Saracens retreated and the city was saved. But beyond the legend, the theme of the Child Jesus as the defender of the innocent and the bringer of peace in the midst of struggle and pain, belongs specifically to Franciscan spirituality and that pacifism that in the Middle Ages united the Franciscan movement and the Poor Clares to that of the Cathars and Waldensians.*

The painting follows the story of Tommaso da Celano quite closely, but the ecstasy of the saint is purely narrative rather than contemplative in character.

The scene of the vision opens theatrically with the two cherubs raising the curtain, while below to the right, behind the saint, the glow in the dark indicates the Saracen siege.

17th century Bolognese painter
Ecstasy of St. Clare
Oil on canvas, 40 x 50 cm



Unknown 17th century painter
St. Roch (or Rocco)
Oil on canvas, 123 x 85 cm



St. Roch was one of the most popular saints of the Middle Ages. His biography, shrouded in legend, says that he was the son of the governor of Montpellier and a pilgrim to Rome at the age of twenty. Along the way, he took care of those sick of the plague and healed them by making the sign of the cross. His popularity has always been linked to his fame as a healer and protector of the sick and of pilgrims.

In this painting by an unknown 17th century master, the saint is depicted with the traditional signs of its iconography, the scallop shell and pilgrim's staff, but also with some more unusual details, such as the cross that would have been found engraved on his chest after he died and a book in his left hand with which he raises the hem of his cloak, as in a famous painting by Giorgione in the Prado, where the gesture is to show the signs of the plague in the groin.

We are, in short, in front of a representation that is sober and educated at the same time, in which, however, rather than on the miraculous virtues of the holy healer, the artist seems to focus more on the religious aspects and signs of his holiness, such as the scallop shell, the cross, the book and the short black mantle of a Franciscan tertiary, which reveal a certain in-depth knowledge of his best known and most important biography, the one that the Venetian Francesco Diiedo dedicated to him in 1478.

Shareholders,

the General Meeting on 14 April 2012 approved the «Compensation Policies of the Banca Popolare di Sondrio Banking Group».

At the board meeting on 18 February 2013, the Directors of the Bank resolved to make a number of changes to the «Policies» on the proposal of the Remuneration Committee. This was necessary as a result of the appointment of Mario Alberto Pedranzini as Managing Director, while maintaining the position of General Manager. We have therefore taken steps to regulate the remuneration of the Managing Director, who is to be covered by the same rules as those already in force for the other directors holding office in accordance with the articles of association. We have also provided that as long as the role of General Manager is combined with that of the Managing Director, the variable portion of the compensation of the General Manager - up to a maximum of 35% of total compensation - will be made up exclusively of the qualitative component. This in order to maintain the principle that the remuneration of all of the directors is not linked to the results.

Among key personnel, we also changed the role of «Managing Director of Factorit spa» to that of «Managing Director and General Manager of Factorit spa», considering that the two positions are held by the same person, in the same way as at BPS.

Also in his case, for as long as the role of General Manager is combined with that of the Managing Director, the variable portion of compensation of the General Manager - up to a maximum of 35% of total compensation - will be made up exclusively of the qualitative component. Lastly, the Board of Directors also made some minor updates.

In implementing the Bank of Italy's instructions and art. 29 of our current articles of association, we submit for your approval the document containing the «Compensation policies of the Banca Popolare di Sondrio Banking Group», which has been made available as required by law, in particular through publication on the Bank's website www.popso.it/assemblea2013 and distributed to all shareholders present.

The Compliance Unit was involved in the process of validating the compensation policy and the pay system, concluding that they were perfectly in line with the legal and Supervisory Authorities' requirements.

VALUATION ON A RETROSPECTIVE BASIS

Shareholders,

The Bank of Italy's instructions on compensation policies and practices require that the Shareholders' Meeting be given information on how such policies were implemented during the year, i.e. in 2012.

To start with, we would point out that the Internal Audit Department has carried out the necessary checks to ensure that our compensation practices comply with the approved policies and with the Bank of Italy's regulations. The analyses carried out showed that there were no anomalies

in applying the rules and that the current policies and practices are consistent with the said regulations.

For its part, the Remuneration Committee has fulfilled the tasks entrusted to it by legislation and the specific Regulations approved by the Board of Directors. In carrying out its work the Committee has, in particular, served in an advisory role, making proposals to the Board of Directors. It has monitored correct application of the rules relating to the remuneration of those in charge of internal control functions, has expressed its opinion on the achievement of performance goals and qualitative objectives to which is related the payment of the variable element of remuneration to the members of general management, those in charge of internal control functions and other managers. The Remuneration Committee has found no anomalies in the application of the compensation policies during the exercise of its functions.

The following is the detailed quantitative information required by the Bank of Italy's instructions.

Directors

Under the Group's compensation policies, the gross remuneration received by members of the Board of Directors of the Bank and its subsidiaries only consists of the following fixed elements:

Banca Popolare di Sondrio

- Total gross compensation of € 555,000 as established by the Shareholders' Meeting.
- Attendance fees and forfeit expense reimbursements as established by the Shareholders' Meeting for a total of € 120,430.

Gross compensation was awarded to specific positions held in accordance with the articles of association (Chairman, Deputy Chairmen, Senior Director) for a total of € 1,025,000.

The total gross compensation of the directors of the Parent Bank therefore amounted to € 1,700,430.

Factorit spa

- Total gross compensation of € 196,393 as established by the Shareholders' Meeting.
- Attendance fees and forfeit expense reimbursements as established by the Shareholders' Meeting for a total of € 21,600.

The total gross compensation of the directors of Factorit therefore amounted to € 217,993.

Popolare di Sondrio (SUISSE) SA

- Total gross compensation of € 317,372 as established by the Shareholders' Meeting.

Sinergia Seconda Srl

- The company's sole director does not receive any compensation.

The total gross compensation of the Group's directors therefore amounted to € 2,235,795.

Statutory auditors

Under the Group's compensation policies, the gross remuneration received by members of the Board of Statutory Auditors of the Bank and its subsidiaries only consists of the following fixed elements:

Banca Popolare di Sondrio

- Total gross compensation of € 140,000 as established by the Shareholders' Meeting.
- Attendance fees and forfeit expense reimbursements as established by the Shareholders' Meeting for a total of € 73,090.

The total compensation of the statutory auditors of the Parent Bank therefore amounted to € 213,090.

Factorit spa

- Total gross compensation of € 35,000 as established by the Shareholders' Meeting.
- Attendance fees and forfeit expense reimbursements as established by the Shareholders' Meeting for a total of € 20,800.

The total remuneration of Factorit's statutory auditors was therefore equal to € 55,800.

Banca Popolare di Sondrio (SUISSE) SA

- A board of statutory auditors is not required under Swiss law.

Sinergia Seconda Srl

- Total compensation of 31,832 euro as established by the Shareholders' Meeting.

The total compensation paid to the statutory auditors of the Group amounted to € 300,722.

Key personnel

The remuneration of «key personnel,» as identified in the Compensation Policies, is summarised in the following table:

	Number	Total compensation	Fixed compensation	Subjective variable compensation	Objective variable compensation
Directors with executive roles	8	475,747	475,747	-	-
General managers and heads of major lines of business	7	2,942,145	2,164,718	710,427	67,000
Internal control functions in BPS	5	771,956	635,956	136,000	-

The compensation figures are expressed in euro.

The compensation structure of the parent bank's General Management was established on the basis of a fixed element, which is pre-eminent, and a variable portion of up to a maximum of 35% of total compensation.

The variable portion of compensation is based primarily on an element that is related to individual qualitative performance targets set by the Compensation Policies with a medium/long-term timeframe.

The qualitative part of the variable compensation can be maximum 80% of the variable element.

The element linked to quantitative parameters set by the Compensation Policies cannot be more than 20% of the variable element.

The remuneration of the Chairman of the Board of Banca Popolare di Sondrio (SUISSE) SA is in line with the principles laid down in the Group's compensation policies.

The variable portion of the compensation of the General Manager of Banca Popolare di Sondrio (SUISSE) SA does not exceed 50% of his total compensation, as laid down in the Group's compensation policies.

For those in charge of control functions at the parent bank, their compensation is adequate considering the responsibilities and commitment involved in that position, whereas, in compliance with the Bank of Italy's instructions, they do not receive any incentives linked to economic performance.

The fixed portion of their compensation is pre-eminent. The variable element - up to a maximum of 35% of total remuneration - is linked to the achievement and maintenance of individual and functional qualitative objectives laid down by the Compensation Policies.

The variable payments to «key personnel» were made without the use of financial instruments or corrective mechanisms (so-called «claw-back clauses»).

Managers not belonging to the category of «key personnel»

The gross compensation paid to Group Managers, excluding those belonging to the category of «key personnel», is summarised in the following table:

	Number	Total compensation	Fixed compensation	Subjective variable compensation	Objective variable compensation
Managers	20	3,288,016	2,663,200	540,046	84,700

The compensation figures are expressed in euro.

The Managers' compensation structure was determined on the basis of a fixed element, which is pre-eminent, and a variable element of up to a maximum of 35% of total compensation.

The variable portion of compensation is based primarily on an element that is related to individual qualitative performance targets set by the Compensation Policies with a medium/long-term timeframe.

The qualitative part of the variable compensation can be maximum 80% of the variable element.

The element linked to quantitative parameters set by the Compensation Policies cannot be more than 20% of the variable element.



Officials and professional staff

The gross salary paid to officials and other staff of the Group is summarized in the following table:

	Total compensation	Fixed compensation	Variable portion (incentive system)	Variable portion (productivity bonus)
Officials and professional staff	134,530,206	124,447,380	3,852,578	6,230,247

The compensation figures are expressed in euro.

As foreseen, the compensation structure of officials and professional staff consists of a fixed portion, which is pre-eminent, and a variable portion.

The fixed portion remunerates the skills and responsibilities involved in the position held, favouring professional abilities and experience, as well as the level of commitment shown. This remuneration then varies according to staff promotions and grades, as well as additional merit bonuses.

The variable portion is designed to reward a professional performance of particular importance, over and above the line of duty and able to produce long-term results for the Bank.

Generally speaking, the emphasis of our compensation policy has been on the fixed element. This means that in practice the variable portion has been limited to the maximum amount established in the individual compensation policies, i.e. 35% of total compensation.

The overall figures for the Group show that the incidence of the variable element on total salaries paid to employees in 2012 stood at 8.21%, in line with the previous three years.

In absolute terms, the Group's total payroll amounted to € 141.5 million. The variable portion, however identified, was € 11.6 million, of which € 6.2 million for productivity bonuses agreed with the Trade Unions.

Point 4) on the agenda: Approval of the Remuneration Report, as per art. 123-bis of Decree 58/98 (Consolidated Finance Act).

Shareholders,

in implementation of art. 123-ter of Legislative Decree 58/98, Consolidated Finance Act, and related regulations approved by CONSOB, the Board of Directors has approved the Remuneration Report, which is made up of two sections: the first section explains the bank's compensation policies for Directors, the General Manager and Managers with strategic responsibilities, with reference to at least the next financial year; also the procedures for the adoption and implementation of this policy. The second section explains, with diagrams and tables, the compensation for the period paid to the Directors and Statutory Auditors, the General Manager and Managers with strategic responsibilities.

Under art. 123-ter, paragraph 1, of the CFA, the «Remuneration Report» was distributed and made available to the public in the manner and terms established by current legislation, in particular through the publication on the Bank's website www.popso.it/assemblea2013.

Under art. 123-ter, paragraph 6, of the CFA, we submit for your approval the first section of the Remuneration Report that has been distributed to those present.

It is up to the Shareholders' Meeting to decide «for or against» with a «non-binding» resolution.

Point 5) on the agenda: Fixing the remuneration of the directors.

Shareholders,

pursuant to art. 41 of the articles of association, it is up to the Shareholders' Meeting to determine the annual remuneration of the Board of Directors. The Meeting also has to determine the amount of the attendance fees and, as a lump sum, the reimbursement of expenses for directors' attendance at meetings of the corporate bodies. According to the remuneration policies of the Banca Popolare di Sondrio Banking Group, this remuneration has always been set as a fixed amount, without having much of an impact on the financial statements, given that the amount involved is relatively small. Forms of incentive pay based on financial instruments or linked to the company's performance are not foreseen for directors.

At its meeting of 26 March, the Board of Directors approved the proposal made by the Remuneration Committee in terms of annual remuneration of the directors, in light of the difficult overall environment. It is now submitted to the General Meeting:

- directors' emoluments: € 37,000 for each director, giving a total of € 555,000;
- individual attendance fees: € 300 for attending meetings of the Board of Directors; € 150 for attending meetings of the Chairman's Committee; € 75 for attending meetings of the Supervisory and Discount Committees;
- individual lump sum refunds for travel expenses, for attending meetings of the Board of Directors, the Chairman's Committee and the Supervisory and Discount Committees, broken down as follows:
 - for residents in the province of Sondrio: € 80;
 - for residents outside the province of Sondrio: € 160.

Point 6) on the agenda: Appointment of five directors for the three-year period 2013-2015 and appointment of a director for the rest of the three-year period 2011-2013.

Shareholders,

In accordance with the articles of association, the Shareholders' Meeting is called upon to renew the appointment of directors. To start with, five directors are to be appointed for the three-year period 2013-2015. This is because the mandates of the following directors have expired: Federico Falck, Nicolò Melzi di Cusano, Domenico Triacca and Francesco Venosta. Moreover, the mandate of Mario Galbusera, who was elected in the only list presented and whose resignation was formalised at the Board meeting on 21 December, has also expired. In this regard, the same meeting of the Board of Directors, by resolution approved by the Board of Statutory Auditors, co-opted Cristina Galbusera, whose mandate, according to the law and the articles of association, expires along with the other colleagues mentioned above.

The rules laid down in Article 32, paragraphs 3 and 4 of the articles of association have been applied for the first time. According to these rules:

«The composition of the Board of Directors must ensure gender balance in accordance with current regulations.

For the first three partial renewals of the Board - pursuant to art. 34, paragraph 2 - more than one year from the date of entry into force of Law 120 of 12 July 2011, the gender balance is achieved by ensuring that at least one-fifth of the directors elected for a three-year term go to the gender that is less represented.»

Pursuant to art. 33, paragraph 1, of the articles of association, the directors have to meet the requirements laid down by law and by the supervisory rules for banks. Art. 33, paragraph 2, also states that at least two members of the Board of Directors must meet the independence requirements laid down in art. 147-ter, paragraph 4, of Decree 58 of 24 February 1998. In this regard, note that of the nine directors whose term of office is not about to expire, five meet this requirement.

Lastly, art. 33, paragraph 3, provides that with a specific regulation, the Board of Directors sets the limit on the number of positions that directors can hold at the same time in other companies. In this regard, it has been decided that the directors may not hold board or management positions in more than five listed companies at the one time

The presentation of the lists of candidates is governed by article 35 of the articles of association, as follows:

Art. 35 Presentation of lists of candidates

Directors are appointed on the basis of lists with the same number of candidates as the number of candidates that have to be appointed; on these lists, the candidates are progressively numbered and listed in that order.

The lists must be deposited at the head office of the Bank by the deadline laid down in current regulations.

The lists must be prepared in such a way as to ensure gender balance in the composition of the Board of Directors resulting from the vote, according

to the principles laid down by law and by the current articles of association, taking into account the election mechanism governed by Article 36 below in the allocation of a progressive number to each candidate.

Individual shareholders can only contribute to the presentation of one list and each candidate can only be present on one list.

Lists have to be presented by at least 500 shareholders, with the requisites laid down in art. 13.

One or more shareholders with the requisites laid down in art. 13 and who have a total interest of not less than 0.50% in the share capital can also present lists. Shareholders have to declare the number of shares that they own in total and certify their ownership of this shareholding.

The signature of each shareholder presenting a list has to be authenticated as required by law or by the employees of the Bank delegated for this purpose by the Board of Directors.

By the deadline for depositing these voting lists, there also has to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the articles of association for holding office as a director. Candidates should also declare if they have the requisites of independence as per art. 33.2 and, if they do, this is mentioned in the lists.

Any lists that are deposited without complying with the methods and deadlines laid down in these instructions are considered as though they had not been presented.

Note that current legislation, to which art. 35 of the Articles refers, states that the lists of candidates for the office of director have to be deposited at head office by the 25th day prior to the date of the Meeting.

In accordance with the provisions of the document entitled «Application of the Supervisory Provisions on the Organisation and Corporate Governance of Banks» issued by the Bank of Italy on 11 January 2012, the Board of Directors has made an analysis to identify in advance the optimal qualitative and quantitative composition and profile of candidates for the role of Director.

The results of this analysis are reported in the document entitled «Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio», published on the Bank's website www.popso.it/assemblea2013.

This document has been made known to the Bank's shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Directors can take into account the professional skills required to perform the tasks entrusted to the Board.

The election of directors is governed by art. 36 of the articles of association, as follows:



Art. 36 Election of directors

Each shareholder can only vote for one list of candidates.
Directors are elected as follows:

- a) take all of the candidates from the list that obtained the highest number of votes, in the order in which they are listed, except for the last one;
- b) take the first candidate from the list that obtained the second highest number of votes.

If two or more lists obtain the same number of votes, the prevailing list will be the one with the oldest candidate in first place.

Lists that do not obtain a number of votes equal to at least half the number of shareholders required for the presentation of lists will not be taken into account. If only one list exceeds this limit, as in the case when only one list is submitted, all of the directors are taken from it.

If the shareholders have not submitted a single valid, the Board of Directors can present at the Meeting a pre-filled ballot paper containing a non-binding list of candidates. In this case, each shareholder can alter all or part of the ballot paper, eliminating candidates who they do not intend to vote and, if they want, adding one or more new candidates in place of those eliminated. Once the votes have been counted, The candidates who received the highest number are elected. If no valid list is presented, and the Board of Directors does not make a proposal in accordance with this paragraph, individual candidates are elected by a relative majority.

In the event that the composition of the Board of Directors resulting from the outcome of the vote does not comply with the principle of gender balance, the director who does not meet the gender requirement, elected on the list that has obtained the highest number of votes and marked by a higher sequence number is replaced by the next candidate on the same list who meets the requirement. If this does not identify suitable substitutes, the director appointed from the list that obtained the second highest number of votes also gets substituted. If this still does not identify suitable substitutes, or if it proves impossible to apply the mechanism, the Meeting decides with a relative majority among the individual candidates, making the substitutions in the above order.

For partial renewals of the Board in accordance with the provisions of article 34, paragraph 2, where it is not necessary to appoint a director taken from a list that obtained the second highest number of votes, for the first time or due to expiry of a mandate or other cause of termination, all of the candidates on the list that obtained the highest number of votes shall be elected.

The Board of Directors therefore invites you to appoint five directors through the voting list to replace the ones whose mandate has expired.

Shareholders,

the Meeting is also called upon to appoint a director for the rest of the three-year period 2011-2013.

This is because of the resignation of Gianluigi Bonisolo, a director elected on the only list that was presented, whose three-year term would end on the date of the Meeting called to approve the 2013 financial statements. At its meeting on 21 December 2012, the Board of Directors, with a resolution approved by the Board of Statutory Auditors, co-opted Mario Alberto Pedranzini, whose mandate has expired according to the law and the articles of association.

In this case art. 37 applies, as follows:

Art. 37 Replacement of directors

If during the year for whatever reason, one or more directors are no longer available, the others have to take steps to replace them with a resolution approved by the Board of Statutory Auditors, choosing them, where possible, from among those not elected on the same lists as the directors who have just ceased. The directors appointed in this way remain in office until the next General Meeting.

If there is no longer a majority of the directors appointed by the Meeting, the remaining directors have to call a General Meeting to replace the missing members.

If the Meeting has to replace the directors taken from the only list presented or, in the case of more than one list, taken from the list that obtained the highest number of votes, election is by a relative majority vote for each candidate, without any list obligation.

If the Meeting has to replace the directors taken from another list under article 36 above, the election is by a relative majority vote for each candidate choosing them, where possible, from among those not elected on the same lists as the directors who have just ceased.

In any case, the replacement of directors must comply with the provisions of article 33, paragraph 2, and must ensure gender balance in the composition of the Board of Directors, in accordance with the principles laid down by law and the current articles of association.

At least fifteen days prior to the date of the AGM at first calling, there have to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the articles of association for holding office as a director. Candidates have to declare if they meet the independence requirements pursuant to paragraph 2 of article 33.

The directors elected by the Meeting take over the position and, for the purposes of rotation as per paragraph 2 of article 34, the period of service of those that they are replacing. In the case of simultaneous appointments to

positions of different duration, those with a longer duration are given to those elected with the highest number of votes, with seniority in terms of age prevailing in the event of a tie.

In this case, in accordance with paragraph 3 of article 37 of the articles of association, the election is by a relative majority vote for each candidate, without any list obligation.

Also in this case, before submitting candidatures, reference should be made to the «Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio».

The Board of Directors hereby proposes to appoint as a director for the year 2013 Mario Alberto Pedranzini, whose CV is posted on the Bank's website www.popsi.it/assemblea2013.

Point 7) on the agenda: Appointment of an alternate auditor for the rest of the three-year period 2012-2014.

Shareholders,

the Meeting is called upon to appoint an alternate auditor for the rest of the three-year period 2012-2014. This is because of the resignation of Luigi Gianola, a statutory auditor elected on the only list that was presented, whose three-year term would end on the date of the Meeting called to approve the 2014 financial statements.

In this case art. 51 of the articles of association applies, as follows:

Art. 51 Replacement of Statutory Auditors

If one or more statutory auditors are no longer available, the alternate auditors from the same list take over, in the order in which they were listed. They remain in office until the next General Meeting, which has to provide for the election of the statutory auditors needed to complete the Board.

In the case of the preceding paragraph, if it is the chairman who is not available, his functions will be exercised until the next General Meeting by an acting auditor next in order on the same list or, failing that, by the first replacement alternate auditor elected on the same list.

If it is not possible to act in accordance with the preceding paragraphs, the Bank will proceed according to the provisions of law.

The Shareholders' Meeting replaces statutory auditors in the following ways:

- a) if it is necessary to replace auditors drawn from the only list presented or, in the case of more than one list, taken from the list that obtained the highest number of votes, the election of a new auditor or new auditors,

- with the possible appointment of the Chairman of the Board, is by a relative majority vote for each candidate, without any list obligation;
- b) if it is necessary to replace auditors drawn from other list under article 50, second paragraph, letter b), the election is by a relative majority vote among the candidates on the list which included the auditor to be replaced.

Where it is not possible to proceed in this way, the Meeting resolves with a relative majority vote of each candidate from any list. In any case, gender balance in the composition of the Board of Statutory Auditors has to be ensured in accordance with the principles laid down by law and the current articles of association.

At least fifteen days before the date set for the General Meeting at first calling, candidates must file their curriculum vitae at head office and confirm: their acceptance of the nomination and - if it happens - their eventual appointment as Chairman; the statement that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites for holding office as a statutory auditor.

According to the provisions of paragraph 4, letter a) of article 51 of the articles of association, the election by a relative majority vote of each candidate, without any list obligation.

The Board therefore invites you to appoint an alternate auditor.

Point 8) on the agenda: Appointment of advisors and alternate advisors for the three-year period 2013-2015.

Shareholders,

Under art. 54 of the articles of association, the Advisory Committee consists of three members and two alternate members, elected by the Ordinary General Meeting from among the shareholders. They hold office for three years and expire at the Shareholders' Meeting called to approve the financial statements for their third year of office; they can be re-elected.

In accordance with the articles of association, the Shareholders' Meeting is called upon to elect the entire Advisory Committee for the three-year period 2013-2015. Election will be by a relative majority vote.

The mandates of the following members have expired: Alberto Crespi, Giuseppe Guarino, Andrea Monorchio, members, Diana Bracco and Antonio La Torre, alternate members, who have all declared their willingness to hold the position again.

Sondrio, 26 March 2013

THE BOARD OF DIRECTORS

What is striking in this depiction of St. Anthony of Padua by an unknown 18th century painter, probably from Lombardy, is the human simplicity and naturalness of the face and eyes, so in line with the character of the saint handed down by his numerous biographers and by the same popular tradition that says that by nature he was humble, gentle and affectionate. Indeed, it seems to be these human traits that the artist wants to highlight here, rather than emphasising his holiness, which is only barely suggested by the halo and the lily of purity which, together with the Bible of which he was a passionate interpreter, belong to the distinctive signs of his artistic iconography. The Portuguese saint was an Augustinian in his youth, but then became a follower of St. Francis, and it is in the Franciscan habit that he is shown here, which suggests that the canvas, in most parts retouched and maybe repainted, was originally intended for a Franciscan church or monastery.

Unknown 18th century painter
St. Anthony of Padua
Oil on canvas, 66 x 53.5 cm





GIOVANNI THOUX

(Verrès, Valle d'Aosta, 1935)

Born into a family of carpenters at Verrès in Valle d'Aosta in 1935, Giovanni Thoux devoted himself early to woodworking, first as an industrial designer, and then – after a long period of study and work in Japan, at the Ikuei Polytechnic of Tokyo where he was also Deputy Head of the Department of Industrial Design – as an artist and sculptor, reviving in Verrès, since 1971, his grandparents' craftsman studio, where he still works with his brothers.

In his work, for which he has received numerous awards and recognitions, Thoux rediscovers the popular soul and religiosity of the Valdostana people through images taken from the folk iconography of candles and votive depictions, reworked with expressionistic and plastic refinement. These echoes of the miniatures and primitive medieval painting blend with references to Flemish painting by Brueghel and modern art by Modigliani, in a theatrical narrative style poised between evocative solemnity and expressive irony. In this restless and joyful modernity, his *Saints of the Valle d'Aosta* (1987) or his biblical images of 1999 (*From the Bible to the year 2000. A Valdostana path between faith, tradition and religion*) are one of the most original examples of Western religious art.

Giovanni Thoux St. Anselm of Aosta, 2011

Stone pine
Polychrome bas-relief painting
with water colours and mixed media
105 x 76 x 5 cm

Born in Aosta, which he left at the age of twenty to pursue his religious vocation, it was in the Benedictine abbey of Notre-Dame du Bec in Normandy, that St. Anselm became one of the greatest theologians of the Middle Ages for his teaching, based on harmony between faith and reason. But it was as the Archbishop of Canterbury and Primate of All England that, starting in 1096, he fought for the autonomy of the Church against King William I and pushed his pacifism to the point that he forbade his monks from taking part in the first crusades.

In this pictorial bas-relief, Giovanni Thoux represents him sitting on the chair that is not only that of the Archbishop of Canterbury, but also that of the theologian who aims to convince without fanaticism and the teacher who was loved and followed by his students with pious devotion, as his biographer Eanardo says.

In the background of the bas-relief there is the church of Sant'Orso (or St. Ours), the 9th century bell tower, the Roman Theatre and the Tower of the Lords of Quart, on other words the symbols of mediaeval Aosta, which formed the roots of his personality.

The refined and at the same time folksy mediaeval expressionism of Giovanni Thoux, so rich in cultural references, halfway between a miniature and painting, feeds on crooked and disjointed perspectives through which bursts onto the scene a very modern feeling of chaos, which alludes to a world, that of St. Anselm and Europe after the year one thousand, that was in the throes of constant crises and convulsions, just like the current one.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Shareholders,

In accordance with art. 153 of Legislative Decree no. 58/1998 («CFA») and art. 2429 of the Civil Code, we report on the activities undertaken by this Board of Statutory Auditors during the year ended 31 December 2012 for which the financial statements are submitted for your approval.

The draft financial statements, approved by the Board of Directors of Banca Popolare di Sondrio on 26 March 2013, consist of the following six documents:

- 1) Statement of financial position;
- 2) Income statement;
- 3) Statement of comprehensive income;
- 4) Statement of changes in equity;
- 5) Statement of cash flows;
- 6) Notes to the financial statements;

and they are accompanied by the directors' report on operations.

The financial statements have been audited by KPMG spa and we refer you to their report as per articles 14 and 16 of Legislative Decree 39 of 27 January 2010.

They are also accompanied, according to art. 81-ter of CONSOB Resolution no. 11971 of 14 May 1999 («Issuers Regulation»), by the certification pursuant to paragraph 5 of art. 154-bis of Legislative Decree 58/1998, drawn up and signed by the Managing Director and the Financial Reporting Officer.

The key figures, which summarize the results for 2012, are shown below:

Statement of financial position

Assets	€	30,145,030,243
Liabilities	€	28,433,706,397
Equity	€	1,685,501,477
Net profit for the year	€	25,822,369

Income statement

Profit on current operations before income taxes	€	84,411,423
Income taxes on current operations	€	56,589,054
Net profit for the year	€	25,822,369

Even though art. 155 of Legislative Decree 58/98 states that the independent auditors are exclusively responsible for the audit, the duties of the Board of Statutory Auditors require us to supervise the preparation of

the financial statements, in both formal and substantive terms, without overlapping with the independent auditors. We have therefore checked that the directors complied with the Civil Code and the instructions issued by the Supervisory Authorities in matters concerning the preparation of the financial statements at 31 December 2012 as regards the adoption of correct accounting principles, agreement between the contents of the financial statements and the company's affairs during the year and the completeness of the directors' report on operations. In doing this, we complied with the rules of conduct issued by the Italian Accounting Profession (represented by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*). In conclusion of the checks that we performed, we can attest that:

- the 2012 financial statements were prepared in accordance with the IFRS adopted by the European Community and applied according to the principles and methods explained in the notes. These principles and methods are consistent with those used when preparing the previous year's financial statements, except for the adjustments resulting from early adoption of IAS 19 Revised;
- the financial statements at 31 December 2012 reflect the results of the accounting system and have been independently audited by KPMG spa. They have issued an audit report with a clean opinion that does not contain any qualifications or comments on the matters explained in detail by the directors in their report on operations and in the notes;
- the report on operations can be considered exhaustive and is consistent with the figures and other information provided in the financial statements and explanatory notes; this both with reference to the financial and economic information (analysis of the income statement, balance sheet and financial position, indicators of solidity, outlook for operations, etc.), and with reference to «other information», such as risk management in the Bank's affairs, human resources, the approach to mutualistic activity, the Bank's promotional and cultural activities, etc. It also explains the more important transactions that took place during the year and during the period immediately after the end of the year.

As regards compliance with the law and the articles of association, during 2012 our audit work involved not only attending the shareholders' meeting in April 2012 when the financial statements were approved, but also carrying out direct checks, more or less on a continuous basis, of the directors' conduct by taking part in all of the meetings of the Board of Directors (8) and of the Chairman's Committee (93). We can confirm that we did not find any transactions in contrast with the principles of correct administration during 2012. More specifically, we can confirm that the directors did not carry out any transactions unrelated to the corporate purpose, nor operations that were manifestly imprudent or excessively risky, such as to compromise the integrity of the Bank's capital, nor any atypical or unusual transactions, whether with third parties or with group companies or related parties, such as to have a significant impact on the balance sheet or financial position of the Bank.

As regards related-party transactions, we can ensure you that the Bank has complied with the Regulation issued by CONSOB Resolution no. 17221/2010 and subsequent amendments, and with the pertinent internal procedures. It also regularly applied the provisions of the Bank of Italy measure entitled «Risk assets and conflicts of interest in associated entities», which entered into force on 31 December 2012.

More in general, we can attest that from an operating point of view no transactions were carried out in contrast with the resolutions passed by the Shareholders' Meeting, the Board of Directors and the Chairman's Committee.

Still from the point of view of observance of the law and the articles of association, we can assure you that all meetings of the Board of Directors held in 2012 and the Shareholders' Meeting in April 2012 were convened and run in accordance with the rules that govern them. The same can be said for the meetings of the Chairman's Committee.

During the year, amendments were made to the articles of association. These were to bring them into line with provisions on deadlines for the submission of lists for the appointment of the members of the Board of Directors and on equality of access, by both genders, to the corporate bodies of listed companies (a principle known as «gender balance»).

To implement these amendments, the Board of Directors applied the third paragraph of art. 43 of the articles of association, which gives the Board «exclusive power to bring the articles of association into line with regulatory requirements».

To date, the Bank has not adopted the Code of Conduct promoted by the Italian Stock Exchange, because of its particular nature and context. However, the corporate governance model most recently approved by the Board of Directors on 26 March 2013 provides a framework for rules and procedures to ensure broad consistency with the aims of the Code. The Related-Party Transactions Committee and the Remuneration Committee operate within the scope of this model and in execution of the instructions issued by the Supervisory Authorities, as does the Supervisory Board in accordance with Legislative Decree 231/2001.

The supervisory activity institutionally assigned to the Board of Statutory Auditors was carried out during 2012 through meetings with the managers of the various departments and corporate offices, during which we requested information, documents and operational plans, depending on the unit. We also carried out checks at the branches.

The results of these activities, which were also carried out with the assistance of the Internal Audit Department when deemed necessary, are written up in the minute book of meetings and resolutions of the Board of Statutory Auditors, which for 2012 contain 117 reports.

The supervisory activities that we carried out at the branches together with the Internal Audit Department merit a specific comment. This involves not only ascertaining the observance of operational directives and procedures and the controls over each type of activity, but also a numerous series of specific checks that we carry out together with the Bank's internal auditors during the course of the year at the various branches throughout the territory

(98). This type of check is particularly useful, not only to ascertain that directives and procedures have been applied correctly, but also to identify any points of weakness in the peripheral structures, with the aim of constantly ensuring that the organisational model is suitable.

These checks establish the extent to which a shared culture of checks and controls has spread effectively throughout the operational structure. This with reference both to specific regulatory issues (transparency, anti-money laundering etc.) and to measuring and monitoring credit risk. Also because the first signs of a problem are likely to be visible to those closest to customers and to any anomalies that may arise in the relationship (overruns, delays etc.).

Together with the heads of the various functions we carried out in-depth reviews to verify the adequacy of the Bank's organisation, also looking forwards, as well as the consistency of their behaviour with the objectives and strategies of the Bank.

As regards the adequacy of the internal control system, we constantly interacted with the Internal Audit Department, which is autonomous and independent from those in charge of the various operating areas. This enabled us to receive the necessary assistance in performing the checks referred to above, as well as their audit reports with the results of their investigations during the year.

Our interaction with those who perform second-level controls, which is always useful, focused on:

- the Risk Management function, whose analyses and in-depth studies, which are written up in periodic reports, produces a considerable amount of information on the risks that they monitor, the effectiveness of the structures responsible for the detection and measurement of the various types of risk and the coordination of these structures in order to have an overall vision of risk;
- the Compliance Unit, who we often meet to discuss various matters, especially new regulatory issues that the Bank has to follow; they also send us reports on the state of the Bank's compliance in its areas of competence;
- the Anti-Money Laundering Unit, who also send us their reports on this sensitive area, whose level of detail covers the organisational and IT controls in terms of customer due diligence («know your customer» or KYC) and sending input to the single IT archive. We also appreciate the constant and qualified cooperation reserved for the branch network.

Based on these assumptions, we are of the opinion that the internal control system - as a whole - is able to ensure adequate management of the risks to which the Bank is exposed and compliance with the rules and procedures that it has laid down.

Moving on to the question of the adequacy of the instructions given to the subsidiaries, we would remind you that this concerns Banca Popolare di Sondrio (SUISSE) SA (held 100%) and Factorit spa (60.5% held), given that the other subsidiaries operate entirely in support of the Parent Bank's activities.

With reference to the matters explained in the directors' report, we would like to bring the following points to your attention:

- Banca Popolare di Sondrio (SUISSE) SA was founded in 1995 with the aim of creating a bank to service retail customers in Switzerland; as regards audit inspections and checks on the part of the Parent Bank, this is exercised through its own Internal Audit Department to the extent imposed by FINMA, in its role as the authority that supervises financial activities in Switzerland. As statutory auditors of the Parent Bank, we reviewed the results of the checks performed, both by the Parent's Internal Audit Department and by that of the Swiss subsidiary. We also obviously take note of the audit report on the annual financial statements issued by KPMG SA as the independent auditors. We can assure you that no serious problems worth mentioning here have emerged from any of the meetings we have held over time, nor from the audit reports. So it is fair to say that the subsidiary always follows its instructions from the Parent Bank;
- as regards the Italian subsidiaries Factorit Spa, Synergia Seconda Srl and Pirovano Stelvio Spa, supervision is carried out mainly by being members of their boards of statutory auditors (auditors on the board of Synergia Seconda Srl, one auditor on the board of Pirovano Stelvio Spa and auditors on the board of Factorit Spa). We are also in touch with the respective audit firms: KPMG Spa for Sinergia Seconda srl and Pirovano Stelvio spa; Deloitte & Touche Spa as the auditors of Factorit Spa;
- in the case of Factorit Spa, our supervision was carried out through the interaction that we have maintained throughout the year with the Internal Audit Department of the Parent Bank because the internal audit function was outsourced.

To complete the above attestations, we can declare that during 2012:

- the Bank received 16 complaints about investment services, all of which can be considered settled (a review of the individual complaints confirmed that the Bank had acted correctly);
- no petitions under art. 2408 of the Civil Code were received;
- we did not issue any opinions apart from those required by law;
- in addition to its audit assignments, the independent auditors KPMG SpA carried out an assignment related to the checks requested by the Bank on the loan portfolio to be securitised. KPMG is also carrying out an assessment and gap analysis on the application of IFRS 13, for a fee in 2012 of € 92,000 (prior to VAT and out-of-pocket expenses);
- no appointments were made of persons or entities related to the auditing firm on an ongoing basis.

With reference to the bank's approach to mutualistic activities, we can confirm that it continued to be faithful to its corporate mission as a cooperative bank. In line with this mission, the bank continued to sustain local economies in all their forms, particularly households and small and medium-sized

enterprises. This approach, which is confirmed by the increase in total loans during 2012 (+8.66%), takes on special significance when one considers the support provided to the areas served in terms of enhancing their resources and particularities. Of particular importance is the attention given to environmentally friendly initiatives, which took the form of loans to spread more and more the use of renewable energy, as well as those related to rural development plans. Also worth noting for its specific social value is the collaboration with Finlombarda spa for the support given to social cooperatives and working with INPS and the Central Institute of Cooperative Banks to issue and pay «work vouchers» for casual labour.

In acknowledging the completeness of the report on operations, we have emphasised the fact that it provides complete disclosure of all of the major transactions that took place during the year, all of which were in the interests of the Bank. Of these, we would mention in particular:

- on expiration in May 2012, of the loan of € 1,000 million guaranteed by the certificate of deposit issued by the Bank, subscribed by it and covered by a Government guarantee, pursuant to Legislative Decree 201 of 6/12/2011, we decided to integrate the guarantees by lodging securities from the securitisation of performing residential mortgage loans for a value of € 1,385.4 million. These mortgages were sold by the Bank to Centro delle Alpi RMBS srl, a special purpose vehicle (SPV), while the securities issued by it have been subscribed by the Bank;
- the sale to Istituto Centrale delle Banche Popolari Italiane spa, along with other banks, of the custodian activities relating to funds managed by Arca SGR spa, generating proceeds of € 9.25 million;
- the subscription of the entire capital increase of 50 million Swiss francs approved by the subsidiary BPS (SUISSE) to support its expanding operations and strengthen its capital ratios. With this transaction, the equity of the Swiss associate, including net profit for the year, all of which was allocated to reserves, amounts to CHF 280 million.

The completeness of the report on operations means that no further comment on the results is required. However, we would like to highlight - also because of their impact on the bottom line - the stringent criteria adopted in assessing loans and receivables. Their declining quality caused by the persistent recession means periodically having to align loss forecasts to a rising level of risk. In accordance with what the Bank of Italy required in its Communication of 13 March to the banking system, this approach is «a factor of capital maintenance», also for the future, given the ongoing problems in the economy and the uncertain prospects for recovery. In determining the provisions to be made for impaired loans, the Bank has also discussed the matter - agreeing on the methodology to be followed - with the recommendations made by the Inspectors of the Bank of Italy during the inspection at the Bank that began in January 2013, involving a significant part of the banking system and still in progress.

To conclude, we would reiterate that our supervisory work did not reveal any reprehensible situations, omissions or irregularities that are worthy

of note, so to the extent that it concerns us, we express our opinion in favour of you approving the 2012 financial statements and the proposed allocation of the net profit for the year.

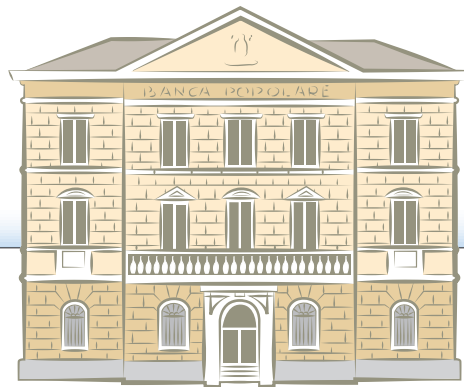
Sondrio, 4 April 2013

THE BOARD OF STATUTORY AUDITORS

Piergiuseppe Forni, Chairman

Pio Bersani, Auditor

Mario Vitali, Auditor



Equity investments

International unit

Online Bank

Loans to households

Loans to businesses

The Bank and young people

Carta +ma

Asset management

Bancassurance and supplementary pension schemes

Publications

Conferences

Other cultural activities

World Savings Day

Poetry Lessons

Gifts to shareholders



MILANO FINANZA GLOBAL AWARDS 2013



As part of “Milano Finanza Global Awards 2013,” organised by the authoritative financial newspaper Milano Finanza, we were awarded the “Creators of Values” prize, in first place in the national ranking of the Lombard rating for the category of medium-sized companies.

Already last year we were awarded the “Creators of Values” prize as the best bank in the Lombardy region.

We are particularly pleased with this attestation because it emphasises the values underlying the process of development that we have pursued over the years, marked by balance, strength and attention to the local area, and because it honours the Bank and everyone who works there.

The prize-giving ceremony will take place in Milan on 13 May 2013.

MILANO, 13 MAGGIO 2013 - ORE 10.30 - HOTEL PRINCIPE DI SAVOIA - PIAZZA DELLA REPUBBLICA, 7
 Nel corso della cerimonia di premiazione della adreide e dei personaggi del mondo bancario, finanziario e della comunicazione che hanno realizzato le migliori performance nel 2012 saranno consegnati i seguenti premi:

- PREMIO TRIPLA A**
 I FONDI COMUNI DI INVESTIMENTO E LE SICAV ESTERE CHE HANNO OTTENUTO IL MASSIMO RATING DI MILANO FINANZA.
- MEF INNOVATION AWARDS**
 L'OTTIMA EDIZIONE DEL PREMIO A MIGLIORI PRODOTTI E SERVIZI FINANZIARI.
- PREMIO BANDO CARLI**
 I BANCHERI CHE HANNO MESSO IN ATTO LO SPIRITO DEGLI UOMINI CHE, NEL RINNOVAMENTO, DESIDERANO ANDARE ALLA BANCA MODERNA.
- PREMIO CREATORI DI VALORE**
 LE BANCHE CHE HANNO REALIZZATO LE MIGLIORI PERFORMANCE PATRIMONIALI E DI EFFICIENZA.
- PREMIO LEONE D'ORO**
 LE SOCIETA' E LE AZIENDE CHE SI SONO DISTINTE NELLA COMUNICAZIONE FINANZIARIA.

Charity Dinner a favore di:

Per informazioni e prenotazioni:
 MFCorriere: tel. 02/76022410 - Fax 02/76022014
 E-mail: global@corriere.it



Equity investments

SUBSIDIARIES

BANCA POPOLARE
DI SONDRIO (SUISSE) SA
FACTORIT SPA
PIROVANO STELVIO SPA
SINERGIA SECONDA SRL
RAJNA IMMOBILIARE SRL

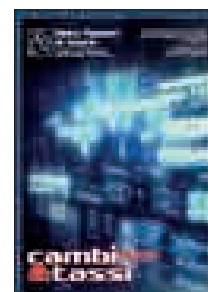
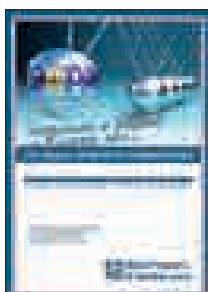
ASSOCIATED COMPANIES

ALBA LEASING SPA
BANCA DELLA NUOVA TERRA SPA
ARCA VITA SPA
POLIS FONDI IMMOBILIARI
DI BANCHE POPOLARI SGR PA
SERVIZI INTERNAZIONALI
E STRUTTURE INTEGRATE 2000 SRL

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

UNIONE FIDUCIARIA SPA
ARCA SGR SPA
ICBPI SPA
CARTASI SPA
ETICA SGR SPA
GROUP SRL

The portfolio of equity investments was essentially unchanged during the year. The holdings largely comprise suppliers of products and services that complete the commercial range made available to customers; accordingly, these are functional investments held for the long term. Efforts are made to strengthen these companies by passing them work and, if deemed appropriate, by the provision of financial support. This also helps to build cohesion between cooperative banks.



International unit

DESKS OUTSIDE ITALY

- ABU DHABI
- ATHENS
- BRUSSELS
- BUDAPEST
- BUENOS AIRES
- CASABLANCA
- CHICAGO
- CHISINAU
- MEXICO CITY
- DOHA
- HONG KONG
- ISTANBUL
- LISBON
- LYON
- MONTEVIDEO
- MOSCOW
- MUMBAI
- PARIS
- PERPIGNAN
- SAO PAULO
- SHANGHAI
- SYDNEY
- TOKYO
- TORONTO
- TUNIS
- ULAANBAATAR
- WARSAWA

(c/o other partners)

Against a background in which the manufacturing, commercial and financial frontiers are being progressively swept away, we have considerably expanded our collaboration agreements with experienced domestic and foreign counterparts, with a view to making the best tools available in support of our customers. We have proposed many different initiatives, such as trade missions, participation in international trade fairs and study days dedicated to a number of countries: from Canada to China, from Germany to Poland, from Switzerland to Mongolia and others.

Considerable efforts have also been made to organise training seminars on various topics to do with foreign trade and the principal European financing programmes. This work recognises that the greatest obstacles to the opening of international markets are a limited knowledge of the chosen geographical area and potential foreign counterparties, as well as the additional risks inherent in international trade and financial transactions. In view of the imminent introduction of the SEPA (Single Euro Payments Area), we undertook an intense update of our computer and information systems to prepare for the migration process which will take place in the world of Euro payments and which will affect citizens, businesses, public administrations and economic operators.



SCRIGNO

forex



SCRIGNO

Trade Finance



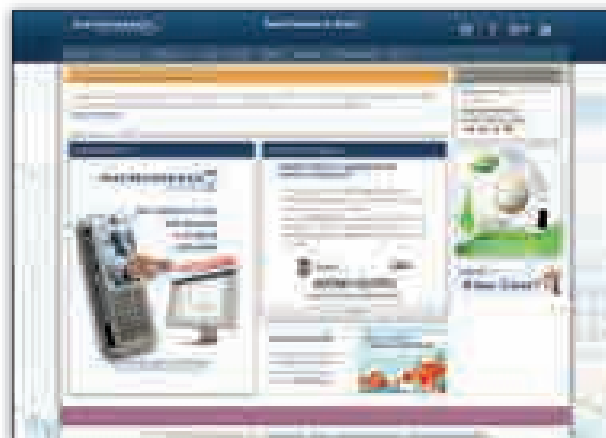


Online Bank



SCRIGNO Internet Banking: the simple, convenient and safe solution for operating online with more advantageous conditions than physical channels.

Correspondence on line: the service that replaces the sending of paper documents with electronic ones, respecting the environment and reducing the burden on the customer.



SCRIGNO IdentiTel: an innovative high security instrument for the authentication of online operations by simply calling a toll free number from a mobile phone.



SCRIGNO app: to operate with ease anywhere and at any times. Operations:

- list of movements and current account balance
- balance of securities held in custody
- prepaid phone cards
- mobile phone top-ups
- bank transfers
- Carta +ma



... to have your bank always "in your pocket!"

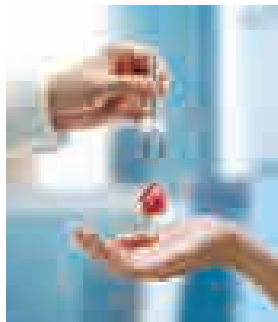


App Store is a registered service of Apple Inc.

Google Play is a trademark of Google Inc.



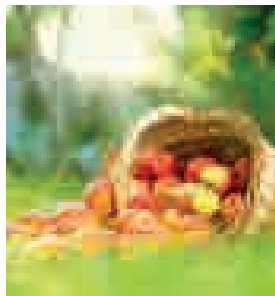
Loans to households



In the tradition of cooperative banking, we operate carefully to meet the financial needs of households through proposals that are simple, transparent and competitive. With our mortgages – fixed rate, variable rate or mixed – owning a home becomes a reality: so many solutions, with different durations, to suit all your needs. Through personal loans we finance a multitude of opportunities, such as buying a car, furniture, electronic equipment, or otherwise supporting the needs of the family.

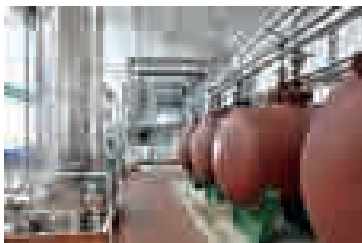


Loans to businesses

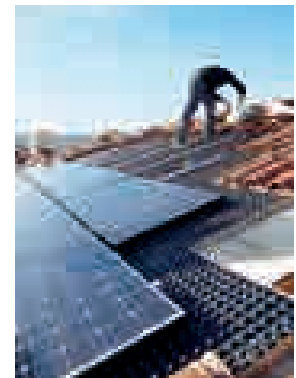


We have always felt a responsibility for selecting entrepreneurial initiatives that deserve to be financed.

It is a task of considerable delicacy: it involves the careful assessment of creditworthiness – which is the art of the banker – and can be a tool for directing the economy towards development models that are more in line with the characteristics and potential of the areas served. This in fact is our function, enhancing the features of each area, linking the local economy to what is now a global market.



As can be seen from the figures, our commitment to businesses has grown, and grown considerably. This is an important fact, one that is far from obvious, given these difficult times.





The Bank and young people



We are always attentive to young customers, the women and men of tomorrow: from savings deposit books to made-to-measure current accounts that will accompany youngsters as they grow, to simple and flexible investment plans for the management of savings and supplementary pensions.

Of the most successful products, we would mention the *Conto 44 Gatti* for the youngest, which combines the advantages of a savings deposit book with the popular schemes that are exclusively for holders of the *Gattimatti* card.

Our low-cost products, *1° Conto POPSOWeb* and *Conto Student POPSOWeb* continue to be much appreciated.



Carta +ma

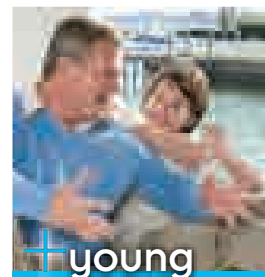


The range of banking services offered to consumers has been enhanced in recent years by a new service, an “advanced” prepaid payment card, commonly known as an “account card”.

This product is capable of effectively satisfying basic banking needs and of responding in a more adequate manner to needs that were not fully met by the previous offering (the traditional prepaid card).

The innovation consists of having an unequivocal IBAN code associated with each card, thus allowing different services to be incorporated into a single instrument: crediting of salary or pension, receipt and payment of bank transfers, recharging mobile phones, direct debits for utilities, as well as being able to carry out all the payment operations that are typical of credit and debit cards.

Our product in this sector is called Carta +ma, which comes with an attractive look, as well as interesting innovative features: for example, the MasterCard PayPass technology, which allows you to make contactless payments at authorised POS terminals. Carta +ma is also available for minors of 14 years old upwards.





Asset management

ASSET MANAGEMENT



Popso (SUISSE)
Investment
Fund SICAV



The asset management sector benefited in 2012 from a widespread market recovery in the underlying instruments.

As part of the lines of investment, there have been renewed signs of appreciation for bonds, especially for products with periodic coupons.

In these complex circumstances, the Bank's structures have been working with their traditional equilibrium and prudence, constantly attentive to customers' risk profiles and investment objectives.



MUTUAL FUNDS



ETHICAL MUTUAL FUNDS



Bancassurance and supplementary pension schemes

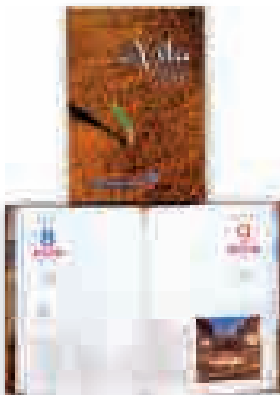


Arca Vita has updated its range with the *Vita Energy 50*, *InvestiTime 3per3* and *Valoretampo* policies, sold from 20 September 2012 and the *InvestiTime 3.2* policy sold from 19 November 2012, all with guaranteed capital and minimum return; it also launched *Arca Vita Sinergika*, an innovative and flexible multiline solution. With regard to non-life business, Arca Assicurazioni has enriched its catalogue of health cover with its *Sistema Salute* and *Orizzonte Salute* policies. *Tutto Tondo* is a new motor insurance product that favours virtuous drivers and integrates broad third-party liability coverage with additional guarantee divided into three modular packages specifically geared to the protection of traffic, the vehicle and the person. We also offered supplementary pension-related products, which have become indispensable to ensure adequate pension benefits in the future.





Publications

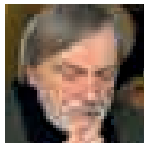


With the publication of its 120th issue in December 2012, our quarterly magazine *Notiziario* turned forty. Forty years thanks to the authoritativeness of its contributors and increasingly wide appreciation. Its insertion in the Apple Store newsstand so that it can be read on an iPad has helped to increase its popularity. The book *St. Luigi Guanella, the voice of the weak* that we gave to the members who attended the AGM on 14 April, also belongs to the publishing field. The monograph, dedicated to the first saint from the province of Sondrio, who was canonised by Pope Benedict XVI on 23 October 2011, contains among other things the authoritative presentations on the figure and works of Don Luigi Guanella made at the round table organised by the Bank on 18 November 2011. Interesting cultural inserts embellished the 2011 financial statements of the Parent Bank and its Swiss subsidiary. Namely: a selection of the Bank's works of art on the theme of *Picturesque Milan and Lombardy in the early 19th century*; a monograph dedicated to the sculptor and painter Alberto Giacometti. Then let us remember the 16th edition of the diary book by Gigliola Magrini, *The Life and Days of 2013*, which adorns our promotional material for the current year.





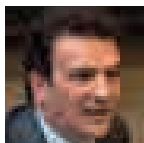
Conferences



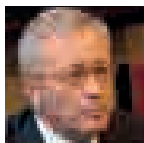
Dr. GINO STRADA
3 February 2012



Prof. FRANCO ISEPPI
13 March 2012

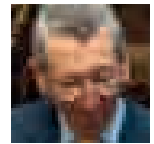


GIUSEPPE SOPRANZETTI
27 April 2012

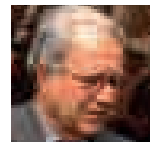


GIULIO TREMONTI
18 May 2012

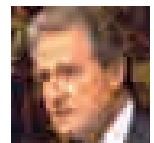
The annual programme of lectures was opened by Dr. Gino Strada, founder of Emergency, who, on 3 February 2012, aroused keen interest in the theme, *Emergency: an experience of medicine and solidarity*. This was followed on 13 March 2012 by a meeting with Professor Franco Iseppi, chairman of the prestigious Italian Touring Club, who spoke on *The Italian way to tourism*. Particularly significant for us was the conference on 27 April 2012 by Giuseppe Sopranzetti, director of the Milan branch of the Bank of Italy, who talked on the theme *Crisis: the Lombardy Economy*. A warm welcome was given on 18 May 2012 to our fellow citizen, the Hon. Professor Giulio Tremonti, who presented his latest publication, *Emergency Exit*. The first half closed on 23 June 2012 with a conference by Professor Sergio Romano, who handled a delicate theme, *The Church and modernity: a European look*. It was then the turn of Paolo Panerai, Deputy Chairman and Managing Director of Class Editori, who on 26 September 2012 entertained the audience with great authority on *Information in times of crisis*. On 19 October 2012, Professor Angelo Provasoli, Chairman of RCS Media Group, spoke on the theme *Towards a new form of publishing. From the defence of tradition to innovation for growth*. The annual cycle of conferences was closed on 26 November 2012 by Carlo De Benedetti, honorary president of CIR spa. He entertained the audience with a talk on *Europe: our future*.



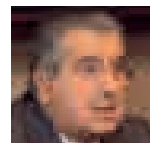
Prof. SERGIO ROMANO
23 June 2012



PAOLO PANERAI
26 September 2012



Prof. ANGELO PROVASOLI
19 October 2012



CARLO DE BENEDETTI
26 November 2012

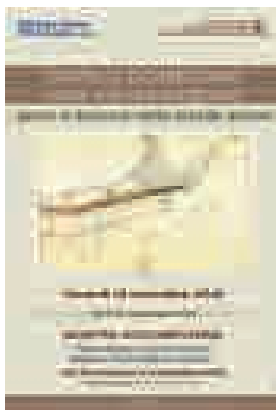


Other cultural activities

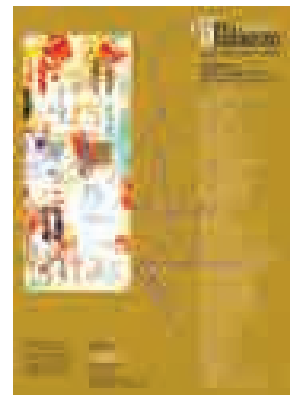


Bormio, 7 August 2012

Morbegno, 16 November 2012



Our approach to banking includes an interest in the world of culture – rightly so, in our opinion. Which also means protecting their historical, artistic and cultural wealth, spreading knowledge and perpetuating the memory. The figure and works of the poet Angelo Fiocchi, born in Como and “adopted” by Bormio, were celebrated at an event organised together with the Cultural Commission of the Municipality of Bormio and held on 7 August 2012 in the conference room of the Bank’s Bormio branch. In September and November respectively, our Bolzano and Morbegno branches hosted the travelling exhibition *Carlo Donegani: a way to be followed. Genius and technique in alpine roads*, created in collaboration with the Donegani Scientific High School of Sondrio. On the occasion of the 11th edition of ABI’s initiative *Invito a Palazzo*, on 6 October 2012 we organised guided tours of the Bank’s head office in Sondrio and of the “Luigi Credaro” library, also in Sondrio, and the “Carlo Donegani” Museum, at the Stelvio Pass. On the 70th anniversary of the death of Giovanni Bertacchi, the greatest poet of our province, we held the exhibition *Bertacchi in a postcard*, organised by Edo Mezzera and held in October in the hall of the Bank’s head office in Sondrio, as part of the celebrations for the 90th anniversary of the foundation of the Valtellinese Sondrio Section of the National Alpini Association.



Sondrio, 6 October 2012

Sondrio, 19-21 October 2012





World Savings Day



We celebrated the 88th World Savings Day on 31 October 2012 with the round table entitled *Working under the sky, bowing down to the ground*, presented and coordinated by the actor and writer Giuseppe Cederna, originally from Valtellina, based on texts by Massimo Mandelli. For the occasion, we published a book



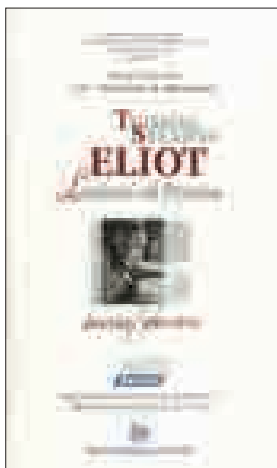
Andrea Credaro - The notebooks of a fruit grower towards the end of the 19th century, with comments by Vera and Nella Credaro and Professor Augusto Pirola, who were speakers at the meeting along with Patrizio Mazzucchelli. The work relates to notes of the grafter of vines and fruit-plants Andrea

Credaro (1831-88), the father of the Education Minister Luigi Credaro, to whom we dedicated our library. This meeting was attended by students and teachers from three agricultural colleges: Istituto Agrario of San Michele all'Adige (Tn), the Istituto Tecnico Agrario Statale "A. Tosi" of Codogno (Lo) and the Istituto Tecnico Agrario Statale "G. Piazzini" of Sondrio. The speakers were teachers at these institutes and seven young farmers and breeders who have put themselves in play, challenging the future with a "return to the origins".





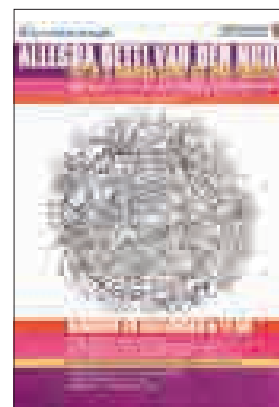
Poetry lessons



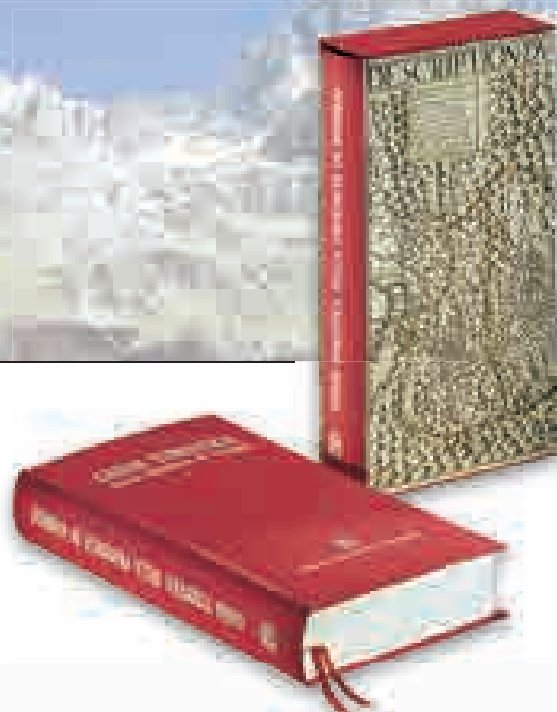
Bormio, 29 December 2012



The third *Meeting with the Nobel Prize for Literature* (and fourth under the banner of “poetry and music”), a cultural event organised at the year-end with the Cultural Commission of the City of Bormio, saw as the protagonist Thomas Stearns Eliot, one of the greatest English-language poets of the last century, who was awarded this prestigious prize in 1948. The event, entitled *Lessons in Poetry*, had as speakers Marina Bondi and Leo Schena, a contributor to our magazine *Notiziario*. The meeting featured three voices reading some of TS Eliot’s intense poems and musical improvisations related to his poetry, created for the occasion by Dino Betti van der Noot, internationally renowned composer who, for this performance, made use of six professional musicians.



Bormio, 28 December 2012



TOURIST GUIDE OF THE PROVINCE OF SONDRIO

«The World is known, wrote the architect Amedeo Grossi in 1791, but hardly a single province is properly described...».

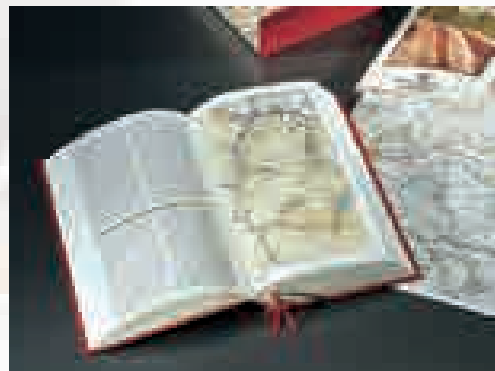
You could no longer say that if you read this wonderful guide.

A guide like this is an example of a genuine and fascinating literary genre.

A travel story in which the protagonists are the places and their histories, their natural and artistic beauty, the buried past that resurfaces, this vital and tumultuous present and the rumblings of a future that is on its way. Places, but above all people and generations which marked them and were marked by them, sometimes creating artistic masterpieces.

A living book like a novel and more interesting than a novel, because it is a real book, written by life.

You move through this guide as you would travel a whole world, discovering and finding it and finding ourselves at the same time.



CLAUDIO MAGRIS

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**



STATEMENT OF FINANCIAL POSITION

(in euro)

ASSET ITEMS		31-12-2012	31-12-2011
10.	CASH AND BALANCES WITH CENTRAL BANKS	114,158,995	81,545,810
20.	FINANCIAL ASSETS HELD FOR TRADING	2,097,393,977	2,187,555,666
30.	FINANCIAL ASSETS CARRIED AT FAIR VALUE	104,224,290	81,712,732
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	2,438,073,849	703,657,507
50.	FINANCIAL ASSETS HELD TO MATURITY	204,643,791	220,331,824
60.	DUE FROM BANKS	1,855,236,119	2,200,794,344
70.	DUE FROM CUSTOMERS	22,390,051,929	20,606,382,386
100.	EQUITY INVESTMENTS	398,636,818	348,463,978
110.	PROPERTY, PLANT AND EQUIPMENT	138,174,667	133,570,510
120.	INTANGIBLE ASSETS	11,143,274	10,180,339
130.	TAX ASSETS	157,295,367	79,583,759
	<i>b)</i> deferred	157,295,367	79,583,759
	<i>b1)</i> of which as per Law 214/2011	126,943,333	41,172,032
150.	OTHER ASSETS	235,997,167	329,331,291
TOTAL ASSETS		30,145,030,243	26,983,110,146

The 2011 figures have been restated following early adoption of the new version of IAS 19.

THE CHAIRMAN
Piero Melazzini

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

EQUITY AND LIABILITY ITEMS		31-12-2012	31-12-2011
10.	DUE TO BANKS	3,828,808,395	3,693,891,267
20.	DUE TO CUSTOMERS	20,844,527,072	17,984,401,732
30.	DEBT SECURITIES IN ISSUE	2,817,454,497	2,583,272,886
40.	FINANCIAL LIABILITIES HELD FOR TRADING	86,893,319	143,837,997
80.	TAX LIABILITIES	97,939,143	25,479,801
	a) current	77,249,544	12,456,077
	b) deferred	20,689,599	13,023,724
100.	OTHER LIABILITIES	578,961,643	727,637,055
110.	RESERVE FOR TERMINATION INDEMNITIES	39,990,490	36,000,213
120.	PROVISIONS FOR RISKS AND CHARGES	139,131,838	112,116,496
	a) post-employment benefits	95,729,159	77,830,629
	b) other provisions	43,402,679	34,285,867
130.	VALUATION RESERVES	(8,394,344)	(44,592,742)
160.	RESERVES	622,318,690	593,773,311
170.	SHARE PREMIUM RESERVE	171,449,522	172,510,523
180.	SHARE CAPITAL	924,443,955	924,443,955
190.	TREASURY SHARES (-)	(24,316,346)	(26,078,736)
200.	NET PROFIT (LOSS) FOR THE YEAR (+/-)	25,822,369	56,416,388
TOTAL LIABILITIES AND EQUITY		30,145,030,243	26,983,110,146

The 2011 figures have been restated following early adoption of the new version of IAS 19.

THE MANAGING DIRECTOR
AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti



INCOME STATEMENT

(in euro)

ITEMS		2012	2011
10.	INTEREST INCOME AND SIMILAR REVENUES	912,510,400	747,595,789
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(451,055,350)	(293,493,896)
30.	NET INTEREST INCOME	461,455,050	454,101,893
40.	COMMISSION INCOME	239,599,970	233,648,218
50.	COMMISSION EXPENSE	(17,120,969)	(13,593,127)
60.	NET COMMISSION INCOME	222,479,001	220,055,091
70.	DIVIDENDS AND SIMILAR INCOME	5,549,285	6,393,497
80.	NET TRADING INCOME	152,487,807	(71,887,626)
100.	GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	9,573,204	4,526,564
	b) financial assets available for sale	7,740,497	2,959,402
	c) financial assets held to maturity	584,164	123,588
	d) financial liabilities	1,248,543	1,443,574
110.	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	6,273,265	(6,640,809)
120.	INCOME FROM BANKING ACTIVITIES	857,817,612	606,548,610
130.	NET IMPAIRMENT ADJUSTMENTS:	(457,781,737)	(162,946,761)
	a) loans	(450,956,950)	(155,292,598)
	b) financial assets available for sale	(5,224,787)	(7,154,163)
	d) other financial transactions	(1,600,000)	(500,000)
140.	BALANCE OF FINANCIAL MANAGEMENT	400,035,875	443,601,849
150.	ADMINISTRATIVE EXPENSES:	(348,521,355)	(338,252,779)
	a) personnel expenses	(167,468,134)	(166,569,497)
	b) other administrative expenses	(181,053,221)	(171,683,282)
160.	NET PROVISIONS FOR RISKS AND CHARGES	(1,576,934)	4,155,695
170.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(12,246,083)	(12,059,409)
180.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(11,184,510)	(9,787,567)
190.	OTHER OPERATING INCOME/EXPENSE	57,716,875	40,766,712
200.	OPERATING COSTS	(315,812,007)	(315,177,348)
210.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(2,092,615)	(12,252,465)
240.	PROFIT/LOSS FROM DISPOSAL OF INVESTMENTS	280,170	(22,518)
250.	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	82,411,423	116,149,518
260.	INCOME TAXES ON CURRENT OPERATIONS	(56,589,054)	(59,733,130)
270.	PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	25,822,369	56,416,388
290.	NET PROFIT (LOSS) FOR THE YEAR	25,822,369	56,416,388

The 2011 figures have been restated following early adoption of the new version of IAS 19.

STATEMENT OF COMPREHENSIVE INCOME

Items/Amounts	2012	2011
10. Net profit (loss) for the year	25,822,369	56,416,388
Other income items net of income taxes		
20. Financial assets available for sale	50,436,636	(44,179,047)
90. Actuarial profits (losses) on defined-benefit plans	(14,238,238)	867,319
110. Total other income items net of income taxes	36,198,398	(43,311,728)
120. Comprehensive income (item 10+110)	62,020,767	13,104,660

The 2011 figures have been restated following early adoption of the new version of IAS 19.



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2011	Change in opening balances	Opening balance at 1.1.2012	Allocation of prior year results	
				Reserves	Dividends and other allocations
Share capital					
a) ordinary shares	924,443,955	-	924,443,955	-	-
b) other shares	-	-	-	-	-
Share premium reserve	172,510,523	-	172,510,523	-	-
Reserves					
a) from earnings	593,773,311	-	593,773,311	28,545,379	-
b) other	-	-	-	-	-
Valuation reserves	(44,592,742)	-	(44,592,742)	-	-
Equity instruments					
Treasury shares	(26,078,736)	-	(26,078,736)	-	-
Net profit for the year	56,416,388	-	56,416,388	(28,545,379)	(27,871,009)
Equity	1,676,472,699	-	1,676,472,699	-	(27,871,009)

A dividend from the results for 2011 of € 0.09 per share, totalling € 27.733 million, was paid from 23 April 2012. The directors have proposed a dividend of € 0.033 from the results for 2012. This dividend is subject to approval by the shareholders and, accordingly, has not been reported as a liability in these financial statements.

The proposed dividend is payable from 9 May. The payout envisaged totals € 10.169 million.

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2010	Change in opening balances	Opening balance at 1.1.2011	Allocation of prior year results	
				Reserves	Dividends and other allocations
Share capital					
a) ordinary shares	924,443,955	-	924,443,955	-	-
b) other shares	-	-	-	-	-
Share premium reserve	174,314,662	-	174,314,662	-	-
Reserves					
a) from earnings	522,958,256	1,451,674	524,409,930	69,363,381	-
b) other	-	-	-	-	-
Valuation reserves	614,271	(1,895,285)	(1,281,014)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(32,820,863)	-	(32,820,863)	-	-
Net profit for the year	133,319,754	443,611	133,763,365	(69,363,381)	(64,399,984)
Equity	1,722,830,035	-	1,722,830,035	-	(64,399,984)

The 2011 figures have been restated following early adoption of the new version of IAS 19.

EC Regulation 475 of 5 June 2012 endorsed the new version of IAS 19 on the accounting treatment of employee benefits. The application is mandatory for financial periods beginning on or after 1 January 2013; the Bank has taken the option of early adoption and the comparative figures have been restated from what was originally published for retrospective application of the new version of the standard.



Changes in the year

Equity transactions

Changes in reserves	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 at 31.12.2012
-	-	-	-	-	-	-	-	924,443,955
-	-	-	-	-	-	-	-	-
-	(1,061,001)	-	-	-	-	-	-	171,449,522
-	-	-	-	-	-	-	-	622,318,690
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	36,198,398	(8,394,344)
-	3,655,805	(1,893,415)	-	-	-	-	-	(24,316,346)
-	-	-	-	-	-	-	25,822,369	25,822,369
-	2,594,804	(1,893,415)	-	-	-	-	62,020,767	1,711,323,846

Changes in the year

Equity transactions

Changes in reserves	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 at 31.12.2011
-	-	-	-	-	-	-	-	924,443,955
-	-	-	-	-	-	-	-	-
-	(1,804,139)	-	-	-	-	-	-	172,510,523
-	-	-	-	-	-	-	-	593,773,311
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(43,311,728)	(44,592,742)
-	-	-	-	-	-	-	-	-
-	6,845,348	(103,221)	-	-	-	-	-	(26,078,736)
-	-	-	-	-	-	-	56,416,388	56,416,388
-	5,041,209	(103,221)	-	-	-	-	13,104,660	1,676,472,699



STATEMENT OF CASH FLOWS (indirect method)

	31-12-2012	31-12-2011
A. OPERATING ACTIVITIES		
1. Cash generated from operations	590,420,202	423,973,427
- net profit for the year (+/-)	25,822,369	56,416,388
- gains/losses on financial assets held for trading and financial assets/liabilities carried at fair value (-/+)	(70,596,553)	109,895,205
- net hedging gains (losses) (-/+)	-	-
- net impairment adjustments (+/-)	475,396,674	175,621,924
- net adjustments to property, plant and equipment and intangible assets (+/-)	23,430,592	21,846,976
- provisions for risks and charges and other costs/revenues (+/-)	26,337,370	2,421,179
- unpaid taxes and duties (+)	56,589,054	59,733,130
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	53,440,696	(1,961,375)
2. Cash generated/absorbed by financial assets	(3,359,469,498)	(3,470,131,558)
- financial assets held for trading	155,763,212	551,757,622
- financial assets carried at fair value	(16,316,323)	3,647,915
- financial assets available for sale	(1,680,069,268)	(646,572,894)
- due from banks: sight	(49,928,571)	(190,733,624)
- due from banks: other receivables	393,304,640	(542,981,924)
- due from customers	(2,257,017,699)	(2,518,912,124)
- other assets	94,794,511	(126,336,529)
3. Cash generated/absorbed by financial liabilities	2,893,335,458	3,119,973,291
- due to banks: sight	(36,716,042)	(544,493,973)
- due to banks: other payables	162,360,938	1,964,096,556
- due to customers	2,824,899,865	930,364,467
- debt securities in issue	231,463,167	649,648,746
- financial liabilities held for trading	(61,912,395)	28,307,527
- financial liabilities carried at fair value	-	-
- other liabilities	(226,760,075)	92,049,968
Net cash generated/absorbed by operating activities	124,286,162	73,815,160

	31-12-2012	31-12-2011
B. INVESTING ACTIVITIES		
1. Cash generated by	29,600,671	27,844,231
- sales of equity investments	-	1,166,000
- dividends collected from equity investments	2,636,568	2,644,400
- sales and reimbursements of financial assets held to maturity	26,628,000	24,000,000
- sale of property, plant and equipment	336,103	33,831
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by	(94,580,527)	(41,142,746)
- purchases of equity investments	(52,265,455)	(11,608,464)
- purchases of financial assets held to maturity	(13,241,682)	(6,377,410)
- purchases of property, plant and equipment	(16,925,949)	(14,026,032)
- purchases of intangible assets	(12,147,441)	(9,130,840)
- purchases of business divisions	-	-
Net cash generated/absorbed by investing activities	(64,979,856)	(13,298,515)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	701,390	4,937,989
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(27,471,008)	(64,399,984)
Net cash generated/absorbed by financing activities	(26,769,618)	(59,461,995)
NET CASH GENERATED/ABSORBED IN THE YEAR	32,536,688	1,054,650

Key:

(+) generated (-) absorbed

RECONCILIATION

Line items	31-12-2012	31-12-2011
Cash and balances with central banks at beginning of year	81,545,810	80,243,283
Total net cash generated/absorbed in the year	32,536,688	1,054,650
Cash and balances with central banks:		
effect of change in exchange rates	76,497	247,877
Cash and balances with central banks at end of year	114,158,995	81,545,810

The 2011 figures have been restated following early adoption of the new version of IAS 19.

NOTES TO THE FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these financial statements have been prepared in accordance with the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2012 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4 para 1 and 2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

The format of the financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by D.Lgs 38/2005 and subsequent updates.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

1) Going concern

The financial statements have been prepared on a going concern basis and, accordingly, 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, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements 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 Bank 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 Bank'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

Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change is required by an international accounting standard or related interpretation, or unless it is clear that a different

presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, unless this is not 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 updates.

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 financial statements for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.) and the audit (art. 2409-bis c.c.).

The figures in the notes are shown in thousands of euro.

Section 3 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 26/3/2013 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 4 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year, except for the changes arising from early application of the new version of IAS 19 «Employee Benefits».

This new version of IAS 19 was endorsed by EC Regulation 475 of 5 June 2012, which provides for adoption for annual periods beginning on or after 1 January 2013, while allowing earlier application. Application has to take into account the requirements of IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors».

The main change that comes from the revised version of IAS 19 is the use of a single method of accounting for actuarial gains and losses on defined-benefit plans for employees: they now have to be recognised immediately by including them in liabilities to employees, with a contra-entry to shareholders' equity, which is then shown in the statement of comprehensive income for the year. With this new approach, it is no longer possible to use the «corridor method», which in fact the Bank has never applied.

Based on IAS 8 and 19, the amendments to IAS 19 have to be applied retroactively. This means that the financial statements for the previous year have been restated in order to provide correct comparative information.

Note that the balance sheet schedules do not include the statement of financial position at 1 January 2011, as required by IAS 1 (para. 39), as early adoption of the revised version of IAS 19 has not had a significant impact on the opening balances as of that date, in fact resulting in a reclassification between the item «160 Reserves» and item «130 Valuation reserves» in the statement of changes in shareholders' equity.

The changes did not result in any overall change in equity because it was simply a restatement of actuarial gains and losses in a reserve item, rather than consider them part of the income statement. The actuarial gains and losses previously recognised in the income statement, from 2005, the year of first time adoption of IAS, and transferred to reserves, have been reclassified under «revenue reserves» and «valuation reserves». As required by the accounting standards, we adjust the statement of financial position at 1 January 2011 for Euro 0.443 thousand of actuarial losses, net of tax, which increased the net profit and decreased reserves. In the statement of changes in equity at 31 December 2011, this reclassification is shown in the column «change in opening balances». For 2011, the reclassification increased administrative expenses - personnel costs by Euro 1.196 million for the reversal of actuarial gains and decreased income taxes on current operations by Euro 0.329 million, with a negative effect on net profit and a positive effect on the valuation reserves of Euro 0.867 million.

The financial statements, accompanied by the directors' report on operations, consist of the statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the statement of financial position 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, on the basis of business continuity and excluding forced sales of assets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Bank defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2012, as required by prevailing accounting standards and relevant regulation. 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 31 December 2012. It should be stated, however, that this valuation process was particularly complex in view of the continuing macroeconomic and market context, characterized by a lack of 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 previous year, experience rapid changes that are currently unforeseeable, with effects - even significant effects - on the amounts reported in the financial statements at 31 December 2012.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.



The following table shows the international accounting standards that were revised in 2012.

Endorsement Regulation	Title	In force from
475/2012 of 15/6/2012	Amendment to IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income IAS 19 Employee Benefits	1/1/2013 (First financial year starting on or after 1/1/2013)
1254/2012 of 11/12/2012	IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements IFRS 12 Disclosure of Interests in Other Entities IAS 27 Separate Financial Statements IAS 28 Investments in Associates and Joint Ventures	01/01/2014 (First financial year starting on or after 01/01/2014)
1255/2012 of 11/12/2012	IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters IFRS 13 Fair Value Measurement IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1/1/2013 (First financial year starting on or after 1/1/2013)
1256/2012 of 13/12/2012	Amendments to IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IAS 32 Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities	1/1/2013 (First financial year starting in data 1/1/2013 on or after 1/1/2013 for the amendments to IFRS 7); 01/01/2014 (First financial year starting on or after 1.1.2014 for the amendments to IAS 32)

The main changes introduced by these regulations relate to the recognition of employee benefits with the elimination of the «corridor method» and the recognition of actuarial gains and losses in equity; innovations in matters of consolidation with the endorsement of certain accounting standards and amendments to existing ones. In particular, the new IFRS 13 provides guidelines on the measurement of fair value of financial and non-financial instruments not provided in other accounting standards.

A.2 Part relating to the main line items in the financial statements

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 active markets, fair value is represented by their official bid price at the close of trading, while the fair value of instruments not listed on active 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; 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 income and similar revenues» 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. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity. 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, as adjusted by any directly-related transaction costs and revenues.

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 Assets held to maturity reflects the fair value of the asset concerned at the time of transfer.

Accounting policies

Subsequent to initial recording, financial assets available for sale 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 Bank 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 automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and 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

Financial assets available for sale 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. Financial assets held to maturity

Classification

These are almost entirely unlisted fixed-yield securities that the Bank 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 by the bank, 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

Financial assets held to maturity 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, are not listed on an active market.

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.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. 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 the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing 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.

The specific analysis of watchlist loans 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 added to the watchlist.

The specific analysis of restructured loans takes the following parameters into account:

- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
- b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past due/overdrawn loans determined in accordance with the latest rules introduced by the Supervisory Authority are valued on the basis of a series of adjustment percentages that depend on historical loss statistics recorded for the same type of transaction.

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).

Recognition of components affecting the income statement

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

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 overall) 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 adjustments to other financial assets» with the contra-entry to other assets.



5. Financial assets carried at fair value

The portfolio of «Financial assets carried at fair value» 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 carried at fair value booked to the income statement in the period when they arise to «net change in financial assets and liabilities carried at fair value».

6. Hedging transactions

Classification and recognition

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank 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;
- 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 to match the change in the carrying value of the hedged item.

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 of 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. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. A company is an associated company if the Bank 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) 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.

There is joint control when the voting rights and control over the affiliate are split equally with others.

Recognition

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

Accounting policies

Equity investments are subsequently valued at cost. 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.

Recognition of components affecting the income statement

Dividends are accounted for in the year they are collected and shown under «dividends and similar income».

Impairment losses, as well as profit/losses on disposal, are booked to the income statement under «share of profit/loss of equity 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, plant and equipment

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.

Recognition

Property, plant and equipment 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, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of 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, plant and equipment 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 «net adjustments to property, plant and equipment» caption of the income statement.

Derecognition

Property, plant and equipment 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.

Recognition

Intangible assets are recorded at purchase cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them 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.

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 asset's recoverable amount is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to 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 year. 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 the reserve for termination indemnities; 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) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Bank 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. They are recorded when the following conditions are met:
 - 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 debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue comprise the financial instruments (other than trading instruments) that represent the normal funding of the bank'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 by the bank. 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 expense and similar charges».

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

Derecognition

Financial liabilities are derecognised when they expire or are settled. Funding liabilities that are subsequently repurchased by the bank 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 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 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 each year 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

The Bank has not established any stock option plans.

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.

Securitisations

During the year, the Bank carried out a securitisation of performing residential mortgage loans. These loans were sold without recourse to a vehicle company and its senior and junior securities were purchased by the Bank. Given that the Bank 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. The economic effects were recognised consistently, giving prevalence to substance over form.



A.3 INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

A.3.1.1 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 31.12.2012 (⁴)	Fair value at 31.12.2012 (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. Fixed-yield securities	HFT	HTM	134,767	128,779	14,468	1,671	1,179	1,671

Income items include securities service employees' post-employment benefits.

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.

As in the previous year, the Bank 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 table shows the profits and losses that would have been made if the Bank had not taken advantage of this possibility.

A.3.2 Fair value hierarchy

Amendment to IFRS 7 approved by EU Regulation European 1165 of 27/11/2009 introduced the obligation to classify value measurements on the basis of a hierarchy of levels that reflect the reliability of the inputs used in valuing financial instruments. These levels are:

- prices (without adjustments) on active markets - according the definition of IAS 39 - for the assets and liabilities being measured (level 1);
- inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- 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 Bank.

A.3.2.1 Accounting portfolios: breakdown by level of fair value

Financial assets/liabilities carried at fair value	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,683,263	411,977	2,154	1,697,834	483,244	6,477
2. Financial assets carried at fair value	30,676	73,548	-	27,937	53,776	-
3. Financial assets available for sale	2,221,907	204,912	11,255	513,270	180,693	9,694
4. Hedging derivatives						
Total	3,935,846	690,437	13,409	2,239,041	717,713	16,171
1. Financial assets held for trading	687	86,206	-	70	143,768	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives						
Total	687	86,206	-	70	143,768	-

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

A.3.2.2 Changes during the year in financial assets carried at fair value (level 3)

	FINANCIAL ASSETS			
	held for trading	carried at fair value	available for sale	for hedging
1. Opening balance	6,477	-	9,694	-
2. Increases	199	-	3,551	-
2.1. Purchases	18	-	3,009	-
2.2. Income booked to:	107	-	542	-
2.2.1. Income statement	107	-	-	-
- of which gains	86	-	-	-
2.2.2. Equity	-	-	542	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	74	-	-	-
3. Decreases	4,522	-	1,990	-
3.1. Sales	18	-	-	-
3.2. Reimbursements	4,258	-	-	-
3.3. Losses booked to:	20	-	1,299	-
3.3.1. Income statement	20	-	751	-
- of which losses	-	-	751	-
3.3.2. Equity	-	-	548	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	226	-	691	-
4. Closing balance	2,154	-	11,255	-

A.3.2.3 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.

A.3.3 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».



PART B *Information on the statement of financial position*

Assets

Section 1 *Cash and balances with central banks - line item 10*

1.1 Cash and balances with central banks: analysis

	31/12/2012	31/12/2011
a) Cash	114,159	81,546
b) Unrestricted deposits with central banks	-	-
Total	114,159	81,546

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Fixed-yield securities	1,637,103	310,533	2,154	1,654,199	323,431	6,477
1.1 Structured securities	36,299	12,181	-	-	15,961	2,120
1.2 Other fixed-yield securities	1,600,804	298,352	2,154	1,654,199	307,470	4,357
2. Variable-yield securities	38,593	1,819	-	39,979	1,796	-
3. Mutual funds	6,939	6,012	-	3,584	6,661	-
4. Loans	-	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,682,635	318,364	2,154	1,697,762	331,888	6,477
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives:	628	93,613	-	72	151,356	-
1.1 for trading	628	93,613	-	72	151,356	-
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	628	93,613	-	72	151,356	-
Total (A+B)	1,683,263	411,977	2,154	1,697,834	483,244	6,477

The other debt securities shown under level 3 are made up of a bond deriving from the securitisation of loans. The valuation of this instrument was made using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
A. Cash assets		
1. Fixed-yield securities	1,949,790	1,984,107
a) Governments and central banks	1,636,608	1,653,656
b) Other public entities	26	30
c) Banks	253,374	259,628
d) Other issuers	59,782	70,793
2. Variable-yield securities	40,412	41,775
a) Banks	15,166	14,597
b) Other issuers:	25,246	27,178
- insurance companies	1,576	3,224
- financial companies	859	407
- non-financial companies	22,811	23,547
- other	-	-
3. Mutual funds	12,951	10,245
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	2,003,153	2,036,127
B. Derivatives		
a) Banks	56,963	94,421
- fair value	56,963	94,421
b) Customers	37,278	57,007
- fair value	37,278	57,007
Total B	94,241	151,428
Total (A + B)	2,097,394	2,187,555

Mutual funds are made up of: funds and sicavs for € 12.588 million and real estate funds for € 0.363 million.



2.3 Cash financial assets held for trading: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	1,984,107	41,775	10,245	-	2,036,127
B. Increases	5,695,134	102,537	16,524	-	5,814,195
B.1 Purchases	5,512,775	95,870	14,633	-	5,623,278
B.2 Positive changes in fair value	66,042	1,610	1,171	-	68,823
B.3 Other changes	116,317	5,057	720	-	122,094
C. Decreases	5,729,451	103,900	13,818	-	5,847,169
C.1 Disposals	5,626,922	100,821	13,611	-	5,741,354
C.2 Reimbursements	49,664	-	-	-	49,664
C.3 Negative changes in fair value	306	3,049	143	-	3,498
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	52,559	30	64	-	52,653
D. Closing balance	1,949,790	40,412	12,951	-	2,003,153

Other increases consist of net trading income and accrued interest coupons and premiums. Other decreases consist of net trading losses and the amount of coupons collected.

Section 3 Financial assets carried at fair value - line item 30

3.1 Financial assets carried at fair value: breakdown by sector

Items/Amounts	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	29,768	-	-	26,754	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	29,768	-	-	26,754	-	-
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	908	73,548	-	1,183	53,776	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	30,676	73,548	-	27,937	53,776	-
Cost	28,284	69,036	-	31,259	57,297	-

This portfolio includes all securities, other than those booked to the trading portfolio, which the bank 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.

3.2 Financial assets carried at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	29,768	26,754
a) Governments and central banks	29,768	26,754
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Variable-yield securities		
a) Banks	-	-
b) Other issuers	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	74,456	54,959
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	104,224	81,713

Mutual funds are made up of: bond funds and sicavs for € 38.185 million, funds and sicavs for € 30.218 million, real estate funds for € 0.907 million and flexible funds for € 5.146 million.

3.3 Financial assets carried at fair value: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	26,754	-	54,959	-	81,713
B. Increases	3,914	-	35,444	-	39,358
B.1 Purchases	-	-	27,119	-	27,119
B.2 Positive changes in fair value	2,763	-	4,513	-	7,276
B.3 Other changes	1,151	-	3,812	-	4,963
C. Decreases	900	-	15,947	-	16,847
C.1 Disposals	-	-	11,124	-	11,124
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	1,228	-	1,228
C.4 Other changes	900	-	3,595	-	4,495
D. Closing balance	29,768	-	74,456	-	104,224

«Other changes» include net trading income and accrued interest coupons and premiums (as an increase) and coupons collected (as a decrease).



Section 4 Financial assets available for sale - line item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Amounts	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	2,208,373	77,415	-	500,885	74,427	-
1.1 Structured securities	41,447	-	-	-	-	-
1.2 Other fixed-yield securities	2,166,926	77,415	-	500,885	74,427	-
2. Variable-yield securities	13,534	65,864	-	12,385	56,060	-
2.1 Carried at fair value	13,534	2,574	-	12,385	-	-
2.2 Carried at cost	-	63,290	-	-	56,060	-
3. Mutual funds	-	61,633	11,255	-	50,206	9,694
4. Loans	-	-	-	-	-	-
Total	2,221,907	204,912	11,255	513,270	180,693	9,694

Unlisted equities remain at cost, adjusted if necessary for impairment, because of the problems involved in establishing their fair value at the year end.

A comparison between the cost and net equity of these unlisted equities based on the latest available financial statements did not give rise to impairment losses.

Variable-yield securities include € 2.500 million of association in participation transactions pursuant to art. 2549 of the Civil Code relating to the production and exploitation of cinematographic work.

Mutual funds consist of unlisted closed-end equity funds and an open-end bond fund. These instruments have been valued at the price communicated by the fund managers, which represents the fund's net asset value (NAV).

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	2,285,788	575,312
a) Governments and central banks	2,208,373	500,075
b) Other public entities	1,307	1,325
c) Banks	65,628	73,154
d) Other issuers	10,480	758
2. Variable-yield securities	79,398	68,445
a) Banks	16,468	18,012
b) Other issuers:	62,930	50,433
- insurance companies	1,556	1,298
- financial companies	48,363	38,174
- non-financial companies	13,011	10,961
- other	-	-
3. Mutual funds	72,888	59,900
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	2,438,074	703,657

Mutual funds consist of bond funds for € 61.633 million, equity funds for € 9.565 million and real estate funds for € 1.690 million.

4.4 Financial assets available for sale: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	575,312	68,445	59,900	-	703,657
B. Increases	2,314,123	14,872	14,978	-	2,343,973
B.1 Purchases	2,187,013	9,536	13,009	-	2,209,558
B.2 Positive changes in FV	68,821	1,965	1,969	-	72,755
B.3 Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	58,289	3,371	-	-	61,660
C. Decreases	603,647	3,919	1,990	-	609,556
C.1 Disposals	365,713	158	-	-	365,871
C.2 Reimbursements	208,000	-	-	-	208,000
C.3 Negative changes in FV	179	252	548	-	979
C.4 Writedowns - from impairment	-	3,509	751	-	4,260
- booked to income statement	-	3,509	751	-	4,260
- booked to equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	29,755	-	691	-	30,446
D. Closing balance	2,285,788	79,398	72,888	-	2,438,074

This item passes from € 703.657 million to € 2,438.074 million.

As stated in IAS/IFRS, assets held for sale are tested to check if there is any objective evidence of a reduction in value in conformity with the Bank's policies adopted. The rules adopted for handling impairment set quantitative and time thresholds beyond which any reduction in the fair value of variable-yield securities entails booking the loss immediately to the income statement.

The main increases relate to purchases of fixed-yield securities for € 2,187.013 million, the increase in the interest in Arca Sgr for € 7.036 million, the subscription of participation contracts for € 2.500 million and mutual funds of € 13.009 million; positive changes in fair value of € 72.755 million, while the other increases of € 61.660 million derive from various items of accrued interest that have been accounted for. The decreases include sales of fixed-yield securities of € 365.713 million and variable-yield securities of € 0.158 million, repayment of fixed-yield securities of € 208 million, negative changes in fair value of € 0.979 million, while writedowns for impairment of variable-yield securities and mutual funds amounted to € 4.260 million. Lastly, other decreases totalling € 30.446 million consist of coupons collected for € 29.755 million and redemptions of shares in mutual funds for € 0.691 million.



Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Type of transaction/Amounts	31/12/2012				31/12/2011			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed-yield securities	204,644	14,470	187,086		220,332	5,771	187,577	
- structured	16,696	-	15,739	-	11,729	-	9,127	-
- other	187,948	14,470	171,347	-	208,603	5,771	178,450	-
2. Loans	-	-	-	-	-	-	-	-

In 2008 we 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 € 137.372 million at par, had been measured at fair value at the date of the financial statements, they would have been worth € 128.779 million with a loss of € 5.988 million.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	204,644	220,332
a) Governments and central banks	14,240	7,158
b) Other public entities	-	-
c) Banks	76,848	99,439
d) Other issuers	113,556	113,735
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	204,644	220,332

5.4 Financial assets held to maturity: changes during the year

	Fixed-yield securities	Loans	Total
A. Opening balance	220,332	-	220,332
B. Increases	20,185	-	20,185
B.1 Purchases	13,242	-	13,242
B.2 Write-backs	-	-	-
B.3 Transfers from other asset portfolios	-	-	-
B.4 Other changes	6,943	-	6,943
C Decreases	35,873	-	35,873
C.1 Disposals	1,020	-	1,020
C.2 Reimbursements	25,608	-	25,608
C.3 Write-downs	-	-	-
C.4 Transfers to other asset portfolios	-	-	-
C.5 Other changes	9,245	-	9,245
D. Closing balance	204,644	-	204,644

Other increases concern interest coupons and premiums and the positive element of amortised cost.

Other decreases consist of collected coupons and the negative element of amortised cost. Item C2. relates to the repayment of securities expired.

Section 6 Due from banks - line item 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	31/12/2012	31/12/2011
A) Deposits with central banks	259,560	444,665
1. Time deposits	-	-
2. Compulsory reserve	259,560	444,665
3. Repurchase agreements	-	-
4. Other	-	-
B) Due from banks	1,595,676	1,756,129
1. Current accounts and sight deposits	360,045	310,116
2. Time deposits	1,205,938	1,436,328
3. Other loans	29,693	9,685
3.1 Repurchase agreements	10,427	-
3.2 Financial leases	-	-
3.3 Other	19,266	9,685
4. Fixed-yield securities	-	-
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	-	-
Total (book value)	1,855,236	2,200,794
Total (fair value)	1,855,236	2,200,794

These receivables are not specifically hedged.

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

Section 7 Due from customers - line item 70

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2012			31/12/2011		
	Performing	Impaired	Other	Performing	Impaired	Other
1. Current accounts	7,559,397	-	554,019	7,222,294	-	388,632
2. Repurchase agreements	485,863	-	-	325,505	-	-
3. Mortgage loans	8,802,074	-	550,359	8,401,237	-	405,126
4. Credit cards, personal loans and assignments of one-fifth of salary	143,130	-	9,101	115,326	-	5,572
5. Financial lease	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other transactions	4,169,864	-	116,245	3,632,532	-	110,158
8. Fixed-yield securities	-	-	-	-	-	-
8.1 Structured securities	-	-	-	-	-	-
8.2 Other fixed-yield securities	-	-	-	-	-	-
Total (book value)	21,160,328	-	1,229,724	19,696,894	-	909,488
Total (fair value)	21,467,021	-	1,229,724	20,082,864	-	909,488

These receivables are not specifically hedged.

Reference should be made to Part E «Information on risks and related hedging policies, Section 1, Credit risk» with regard to impaired assets.

Mortgage loans include € 1,482 million of performing residential mortgages, which were the subject of a securitisation carried out by the Bank. This transaction involved the sale without recourse of mortgage loans to the SPV Centro delle Alpi RMBS S.r.l., whose senior



and junior securities issued in connection with this operation were purchased by the Bank. Given that the Bank 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.

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.

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Fixed-yield securities	-	-	-	-	-	-
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to	-	-	-	-	-	-
a) Governments	19,878	-	-	-	-	-
b) Other public entities	91,138	-	-	66,879	-	-
c) Other parties	21,049,312	-	1,229,724	19,630,015	-	909,488
- non-financial companies	13,685,191	-	923,174	13,299,422	-	670,520
- financial companies	3,620,366	-	15,827	2,598,697	-	15,728
- insurance companies	2,637	-	-	1,267	-	-
- other	3,741,118	-	290,723	3,730,629	-	223,240
Total	21,160,328	-	1,229,724	19,696,894	-	909,488

Section 10 Equity investments - line item 100

10.1 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: disclosures

Name	Location	% holding	% of votes
A. Investments in wholly-owned subsidiaries			
1. BANCA POPOLARE DI SONDRIO SUISSE SA	Lugano	100.000	100.000
2. FACTORIT S.p.a.	Milan	60.500	60.500
3. SINERGIA SECONDA S.r.l.	Milan	100.000	100.000
4. PIROVANO STELVIO S.p.a.	Sondrio	100.000	100.000
B. Investments in companies under joint control			
1. RAJNA IMMOBILIARE S.r.l.	Sondrio	50.000	50.000
C. Associated companies (subject to significant influence)			
1. ALBA LEASING S.p.a.	Milan	20.950	20.950
2. ARCA VITA S.p.a.	Verona	14.837	14.837
3. BANCA DELLA NUOVA TERRA S.p.a.	Milan	19.609	19.609
4. POLIS FONDI SGR PA	Milan	19.600	19.600
5. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.r.l.	Milan	33.333	33.333

10.2 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Book value	Fair value
A. Investments in wholly-owned subsidiaries						
1. BANCA POPOLARE DI SONDRIO SUISSA S.A.	3,664,972	109,966	(3,795)	227,064	109,341	-
2. FACTORIT S.p.A.	2,043,452	105,229	14,879	177,498	102,850	-
3. SINERGIA SECONDA S.r.l.	78,226	2,661	(54)	67,051	60,129	-
4. PIROVANO STELVIO S.p.A.	3,854	1,514	(443)	2,052	2,051	-
B. Investments in companies under joint control						
1. RAJNA IMMOBILIARE S.r.l.	873	131	45	844	265	-
C. Associated companies (subject to significant influence)						
1. ALBA LEASING S.p.A.	4,644,200	75,843	(5,777)	318,267	65,467	-
2. ARCA VITA S.p.A.	4,610,561	744,991	48,188	450,317	44,821	-
3. BANCA DELLA NUOVA TERRA S.p.A.	514,372	20,592	(2,661)	54,813	11,274	-
4. POLIS FONDI SGR PA	10,384	6,562	799	8,499	2,407	-
5. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.r.l.	1,021	810	77	416	32	-
	15,571,915	1,068,299	51,258	1,306,821	398,637	-

Equity investments are shown in the financial statements at cost in accordance with IAS 27, 28 and 31. This amount is adjusted in the event of permanent impairment.

The figures shown in the table are taken from the financial statements at 31.12.2012, reclassified according to IAS/IFRS, except for Alba Leasing Spa, for which the figures come from its financial statements at 30 June 2012 (the latest approved).

For affiliates that prepare financial statements or consolidated financial statements, the figures shown in these documents are used.

During the year, we received dividends of € 2.468 million from Factorit spa and € 0.168 million from Polis Fondi SGRpa.

The fair value is not shown for companies that are not listed on active markets.



10.3 Equity investments: changes during the year

	2012	2011
A. Opening balance	348,465	349,475
B. Increases	52,265	12,407
B.1 Purchases	51,925	10,000
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	340	2,407
C. Decreases	2,093	13,418
C.1 Disposals	-	365
C.2 Adjustments	2,093	13,053
C.3 Other changes	-	-
D. Closing balance	398,637	348,464
E. Total revaluations	-	-
F. Total writedowns	(23,707)	(21,614)

The 2011 figures have been adjusted for comparison purposes.

This item passes from € 348.464 million to € 398.637 million.

The increase refers to:

- an increase of € 41.645 million for the subscription of the increase in capital of CHF 50 million of Banca Popolare di Sondrio (SUISSE) SA;
- an increase of € 9.250 million for the increase in capital of Arca Vita spa;
- an increase of € 1.030 million for the increase in capital of Banca della Nuova Terra spa;
- coverage of loss of Pirovano Stelvio spa of € 0.340 million.

The decreases refer to:

- the write-down of Alba Leasing spa for € 1.650 million. This company was set up in 2010, but has not managed to comply with the deadlines set to achieve a profit;
- the write-down of Pirovano Stelvio spa for € 0.443 million.

10.4 - 10.5 - 10.6 Commitments relating to investments in subsidiaries, companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Guarantees and commitments given comprise a commitment in favour of Alba Leasing spa granted when this company started up as part of the reorganisation of Banca Italease spa, against which the Bank has made a specific risk provision.

Section 11 Property, plant and equipment - line item 110

11.1 Property, plant and equipment: analysis of assets valued at cost

Assets/Values	31/12/2012	31/12/2011
A. Assets used in business	-	-
1.1 owned	107,336	101,719
a) land	37,315	37,315
b) buildings	51,483	44,867
c) furniture	7,299	7,901
d) IT equipment	1,764	2,299
e) other	9,475	9,337
1.2 purchased under finance leases	30,839	31,852
a) land	6,803	6,803
b) buildings	24,036	25,049
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	138,175	133,571
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total A+B	138,175	133,571

Property, plant and equipment are valued at cost. Buildings have a fair value of € 268.505 million, as determined by an internal appraisal. Buildings used for business purposes are worth € 113.130 million.

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities.

Assets purchased under finance leases are represented by buildings used as bank branches.



11.3 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount	44,118	131,572	19,581	11,967	35,958	243,196
A.1 Total net reductions in value	-	61,656	11,680	9,668	26,621	109,625
A.2 Opening net amount	44,118	69,916	7,901	2,299	9,337	133,571
B. Additions	-	9,710	1,423	868	4,924	16,925
B.1 Purchases	-	7,177	1,423	868	4,924	14,392
B.2 Capitalised improvement expenditure	-	2,533	-	-	-	2,533
B.3 Write-backs	-	-	-	-	-	-
B.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	4,107	2,025	1,403	4,786	12,321
C.1 Disposals	-	53	-	-	22	75
C.2 Depreciation	-	4,054	2,025	1,403	4,764	12,246
C.3 Impairment charges booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value decreases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing net amount	44,118	75,519	7,299	1,764	9,475	138,175
D.1 Total net reductions in value	-	65,710	13,706	11,005	31,181	121,602
D.2 Closing gross amount	44,118	141,229	21,005	12,769	40,656	259,777
E. Valuation at cost	44,118	75,519	7,299	1,764	9,475	138,175

This item totals € 138.175 million, an increase of € 4.604 million, + 3.45%.

The principal changes relate to:

- owned buildings:
 - in Turin for the purchase of a property to be used as a branch, in Bergamo for the purchase of a new portion of a building to expand a branch and in Gravedona to purchase a garage;
 - in Turin, Morbegno, Chiesa Valmalenco, Berbenno di Valtellina - Service Centre, Mazzo di Valtellina, Aprica, Gravedona, Breno, Bergamo for restructuring works;
- furniture, installations and other:
 - increases relate to head office and branch IT equipment, furniture and fittings and miscellaneous equipment for newly-opened branches.

Depreciation is provided over the estimated useful lives of the fixed assets concerned, as summarised below:

property, plant and equipment	depreciation period (years)
buildings	33
furniture and fittings	7
IT equipment	3
miscellaneous machinery and equipment	5
vehicles	3
security counters	3
photovoltaic plant	12
safes	8

In accordance with article 10 of Law 72 of 19 March 1983, an appendix to this report provides information on the buildings still owned by the bank for which monetary revaluations were carried out in the past.

11.5 Commitments for the purchase of property, plant and equipment

Contractual commitments for the purchase of property, plant and equipment amount to € 11.044 million, compared with € 6.801 million the previous year.

Section 12 Intangible assets - line item 120

12.1 Intangible assets: breakdown by type

Assets/Values	31/12/2012		31/12/2011	
	Specified duration	Unspecified duration	Specified duration	Unspecified duration
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	11,143	-	10,180	-
A.2.1 Carried at cost:	11,143	-	10,180	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	11,143	-	10,180	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	11,143	-	10,180	-

Intangible assets comprise the cost of purchasing software with a finite life that is amortised over that period, which is normally 3 years. These intangible assets are listed below by year of acquisition:

	31/12/2012	31/12/2011
recorded in 2009	-	1
recorded in 2010	1	4,092
recorded in 2011	3,044	6,087
recorded in 2012	8,098	-
Total	11,143	10,180



12.2 Intangible assets: changes during the year

	Other intangible assets generated internally			Other intangible assets: other		Total 31/12/2012
	Goodwill	Specified	Unspecified	Specified	Unspecified	
A. Opening balance	-	-	-	60,678	-	60,678
A.1 Total net reductions in value	-	-	-	50,498	-	50,498
A.2 Opening net amount	-	-	-	10,180	-	10,180
B. Additions	-	-	-	12,147	-	12,147
B.1 Purchases	-	-	-	12,147	-	12,147
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	11,184	-	11,184
C.1 Disposals	-	-	-	-	-	-
C.2 Adjustments	-	-	-	11,184	-	11,184
- Amortisation	-	-	-	11,184	-	11,184
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C.4 Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	11,143	-	11,143
D.1 Total net reductions in value	-	-	-	61,682	-	61,682
E. Closing gross amount	-	-	-	72,825	-	72,825
F. Valuation at cost	-	-	-	11,143	-	11,143

Key:

Specified: specified duration

Unspecified: unspecified duration

12.3 Other information

Contractual commitments to purchase software user rights amount to € 11.181 million, compared with € 6.924 million in the prior year.

Section 13 *Tax assets and liabilities - asset line item 130 and liability line item 80*

13.1 Deferred tax assets: breakdown

Deferred tax assets recorded in relation to timing differences are analysed as follows:

	31/12/2012	31/12/2011
Loan writedowns	126,943	41,172
Provisions for risks and charges	13,828	10,971
Deferred charges	3,032	3,752
Securities and equity investments	6,575	22,320
Administrative expenses	5,596	199
Amortisation and depreciation	1,321	1,170
Total	157,295	79,584

The deferred tax assets recorded in relation to the provisions for risks and charges concern the provision for legal disputes, the provision for guarantees given and the provision for personnel charges. Deferred tax assets have been recognised in relation to all deductible timing differences.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities are analysed as follows:

	31/12/2012	31/12/2011
Owned buildings	5,718	5,718
Accelerated depreciation	2,269	2,844
Leased buildings	1,937	1,981
Revaluation of securities and gains	9,219	783
Administrative expenses	1,547	1,698
Total	20,690	13,024

The amount relating to owned buildings comprises the deferred taxation arising on the adoption of IFRS, with the elimination of the accumulated depreciation of land, and that calculated in 2004 on the elimination of «fiscal interference».



13.3 Change in deferred tax assets (with contra-entry to the income statement)

	31/12/2012	31/12/2011
1. Opening balance	57,629	43,043
2. Increases	95,261	23,196
2.1 Deferred tax assets arising during the year	95,240	23,186
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	95,240	23,186
2.2 New taxes or increases in tax rates	-	10
2.3 Other increases	21	-
3. Decreases	7,471	8,610
3.1 Deferred tax assets eliminated during the year	7,471	8,553
a) reversals	7,471	8,553
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	57
a) transformation into tax credits as per Law 214/2011	-	-
b) other	-	57
4. Closing balance	145,419	57,629

Deferred tax assets have not been converted into tax credits in accordance with art. 9 of Decree Law 201 of 6 December 2011, converted by Law 214 of 22 December 2011 as the conditions for doing so do not exist.

13.3.1 Change in deferred tax assets as per Law 214/2011 (with contra-entry to the income statement)

	31/12/2012	31/12/2011
1. Opening balance	41,172	25,995
2. Increases	88,227	16,705
3. Decreases	2,456	1,528
3.1 Reversals	2,456	1,528
3.2 Transformation into tax credits	-	-
a) resulting from operating losses	-	-
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	126,943	41,172

Deferred tax assets have not been converted into tax credits in accordance with Law 214/2011 as the conditions for doing so do not exist.

13.4 Change in deferred tax liabilities (with contra-entry to income statement)

	31/12/2012	31/12/2011
1. Opening balance	12,496	12,649
2. Increases	80	253
2.1 Deferred tax liabilities arising during the year	66	2
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	66	2
2.2 New taxes or increases in tax rates	-	246
2.3 Other increases	14	5
3. Decreases	779	406
3.1 Deferred tax liabilities eliminated during the year	295	188
a) reversals	295	188
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	484	218
4. Closing balance	11,797	12,496

13.5 Change in deferred tax assets (with contra-entry to equity)

	31/12/2012	31/12/2011
1. Opening balance	21,955	134
2. Increases	5,489	21,934
2.1 Deferred tax assets arising during the year	5,489	21,929
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	5,489	21,929
2.2 New taxes or increases in tax rates	-	5
2.3 Other increases	-	-
3. Decreases	15,567	113
3.1 Deferred tax assets eliminated during the year	15,567	113
a) reversals	15,567	113
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	11,877	21,955

This amount relates for € 6.476 million to losses on securities available for sale booked to equity, and for € 5.401 million to actuarial losses recognised in the measurement of long-term employee benefits, i.e. pension fund and termination indemnities booked to equity and no longer to the income statement as a result of early application of IAS 19 Revised.



13.6 Change in deferred tax liabilities (with contra-entry to equity)

	31/12/2012	31/12/2011
1. Opening balance	528	101
2. Increases	8,520	446
2.1 Deferred tax liabilities arising during the year	8,520	437
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	8,520	437
2.2 New taxes or increases in tax rates	-	9
2.3 Other increases	-	-
3. Decreases	156	19
3.1 Deferred tax liabilities eliminated during the year	156	19
a) reversals	156	19
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	8,892	528

This amount relates to the tax on the gains on securities available for sale booked to equity.

Section 15 Other assets - line item 150

15.1 Other assets: breakdown

	31/12/2012	31/12/2011
Advances paid to tax authorities	19,601	20,185
Withholdings on interest due to customers	8,889	3,562
Tax credits and related interest	7,467	10
Current account cheques drawn on third parties	40,684	56,985
Current account cheques drawn on the bank	17,964	17,016
Transactions in customers' securities	7,499	51,760
Treasury operations	-	52,760
Inventories	878	1,536
Costs pertaining to the subsequent year	1,150	1,614
Advances to suppliers	64	144
Advances to customers awaiting collections	15,618	11,088
Miscellaneous debits in transit	31,478	36,078
Liquid assets serving post-employment benefits	19,415	2,860
Accrued income not allocated	24,622	22,782
Prepayments not allocated	3,503	3,592
Guarantee deposits for the purchase of property	11,054	13,449
Residual items	26,111	33,910
Total	235,997	329,331

Liabilities and equity

Section 1 Due to banks - line item 10

1.1 Due to banks: breakdown by type

Type of transaction/Amounts	31/12/2012	31/12/2011
1. Due to central banks	1,838,354	1,576,314
2. Due to banks	1,990,454	2,117,577
2.1 Current accounts and sight deposits	494,786	531,502
2.2 Time deposits	1,280,369	1,324,876
2.3 Loans	215,240	261,199
2.3.1 Repurchase agreements	-	103,291
2.3.2 Other	215,240	157,908
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	59	-
Total	3,828,808	3,693,891
Fair value	3,828,808	3,693,891

These payables are not specifically hedged. Amounts due to central banks include two loans of € 1,800 million from the ECB as part of 36-month Long-Term Refinancing Operations (LTRO) carried out between December 2011 and February 2012. These loans are secured by bonds, mainly Government bonds, securities issued in connection with the securitisation carried out by the Bank, and loans.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

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

1.5 Payables for finance leases

	31/12/2012	31/12/2011
Payables for finance leases	4,047	6,034

Payables for finance leases at floating rates amount to € 8.269 million, of which € 4.047 million relating to banks and € 4.222 million relating to customers against a total of € 10.780 million in the previous year, -23.30%; they relate to buildings used as banking branches.

Total outstanding lease commitments, including interest, amount to € 8.580 million. These payables fall due as follows:

within 1 months	2,748	2,528
1 to 5 years	5,502	5,880
over 5 years	330	2,372



Section 2 Due to customers - line item 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31/12/2012	31/12/2011
1. Current accounts and sight deposits	15,471,097	13,480,975
2. Time deposits	4,782,097	3,211,867
3. Loans	551,483	1,291,457
3.1 Repurchase agreements	533,811	1,272,472
3.2 Other	17,672	18,985
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	39,850	103
Total	20,844,527	17,984,402
Fair value	20,844,527	17,984,402

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.

2.5 Payables for finance leases

	31/12/2012	31/12/2011
Payables for finance leases	4,222	4,746

Section 3 Debt securities in issue - line item 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31/12/2012				31/12/2011			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	2,712,866	-	2,710,160	-	2,449,332	-	2,410,681	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	2,712,866	-	2,710,160	-	2,449,332	-	2,410,681	-
2. Other securities	104,588	-	104,588	-	133,941	-	133,941	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	104,588	-	104,588	-	133,941	-	133,941	-
Total	2,817,454	-	2,814,748	-	2,583,273	-	2,544,622	-

The fair value of the sub-item 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.

3.2 Details of line item 30 «Debt securities in issue»: subordinated securities

Subordinated securities amount to € 765.698 million and are made up of the two loans indicated below:

- Loan of € 363.733 million from 26/2/2010 and maturity on 26/2/2017 with a forecast annual repayment of 20% from 26/2/2013. It has an interest rate of 4% which will gradually rise to 4.50%.
- Loan of € 401.965 million from 23/12/2011 and maturity on 23/12/2018 with a forecast annual repayment of 20% from 23/12/2014. It has an interest rate of 4.50% which will gradually rise to 6%.

They belong to the Lower Tier II category of bonds, i.e. those that according to the regulations can be included in capital for supervisory purposes.

Section 4 Financial liabilities held for trading - line item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31/12/2012					31/12/2011				
	Fair Value					Fair Value				
	NV	Level 1	Level 2	Level 3	FV*	NV	Level 1	Level 2	Level 3	FV*
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	-	687	86,206	-	-	-	70	143,768	-	-
1.1 For trading	-	687	86,206	-	-	-	70	143,768	-	-
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	-	687	86,206	-	-	-	70	143,768	-	-
Total (A+B)	-	687	86,206	-	-	-	70	143,768	-	-

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

VN = Nominal or notional value

Section 8 *Tax Liabilities - line item 80*

This item totals € 97.939 million and consists of € 77.249 million for current taxes and € 20.690 million for deferred taxes. Current taxes are shown net of advances and tax credits for € 75.555 million.

As regards the composition and amount of deferred taxes, please read Assets Section 13 of these notes.

The bank's tax years up to 2005 have been closed. For 2006, the Bank received a notice of assessment from the Tax Authorities relating to IRES and IRAP concerning the deductibility of interest paid to banks and customers resident in countries that are considered tax havens. They have assessed higher IRES of € 0.544 million and higher IRAP of € 0.086 million plus penalties and interest. For the same year, the Bank received a notice of assessment for VAT not applied to the fees received as a custodian bank. They have assessed higher VAT due for € 0.624 million plus penalties and interest. The Tax Authorities have contested this treatment with other banks as well, showing a radical change in the approach that has always been taken by the sector. The related appeals have been filed and are currently pending before the Provincial Tax Commission of Milan. In December, the Bank received contestations similar to those explained above for 2007. They assessed higher taxes as follows: IRES € 0.855 million, IRAP € 0.136 million, VAT € 0.625 million plus penalties and interest. Believing the Bank's conduct to be entirely proper, we have appointed tax advisers to appeal against this assessment.

Section 10 *Other liabilities - line item 100*

10.1 Other liabilities: breakdown

	31/12/2012	31/12/2011
Amounts at the disposal of third parties	100,381	213,212
Taxes to be paid on behalf of third parties	52,449	54,961
Taxes to be paid	8,621	1,927
Employee salaries and contributions	28,074	21,095
Suppliers	7,888	10,631
Transit accounts for sundry entities	683	24,342
Invoices to be received	7,162	7,466
Credits in transit for financial transactions	335	68,396
Value date differentials on portfolio transactions	136,082	17,628
Directors' and statutory auditors' emoluments	934	948
Loans disbursed to customers to be finalised	12,248	17,006
Miscellaneous credit items being settled	159,450	253,860
Accrued expenses not allocated	1,258	1,222
Deferred income not allocated	13,522	12,953
Allowance for risks on guarantees and commitments	8,100	6,500
Residual items	41,775	15,490
Total	578,962	727,637

This item decreases by 20.43% mainly due to the fall in the sub-items «taxes to be paid on behalf of third parties», «transit accounts for sundry entities» and «miscellaneous credit items being settled».

Section 11 Termination indemnities - line item 110

11.1 Termination indemnities: changes during the year

	2012	2011
A. Opening balance	36,000	35,734
B. Increases	11,889	8,739
B.1 Provisions	8,090	8,542
B.2 Other increases	3,799	197
C. Decreases	7,899	8,473
C.1 Payments made	1,465	1,403
C.2 Other decreases	6,434	7,070
D. Closing balance	39,990	36,000

11.2 Other information

Other increases comprise an amount of € 3.780 million as a result of the actuarial valuation of the liability. When deciding on the discount rate, we took into account the recommendation made by ESMA in its document 725/2012 of 12 November 2012. High-quality corporate securities with an AA rating have been taken as a point of reference. We also used a yield curve that takes into account the expected average life of the Bank's obligation.

Other decreases relate to payments to the Arca Previdenza Fund for a total of € 4.222 million, compared with € 4.540 million the previous year, payments to INPS of € 1.984 million and tax on the annual revaluation of € 0.228 million, compared with € 0.167 million the previous year.

The provision for termination indemnities required under Italian regulations amounts to € 40.829 million. The actuarial measurement of the provision for termination indemnities was carried out on a closed group. The actuarial simulations were carried out according to the Projected Unit Credit Method.

The Projected Unit Credit Method lays down that the costs to be incurred during the year to build up the termination indemnity are determined according to the proportion of services rendered during the same period. According to the accrued benefits method, the company's obligation to the individual employee is based on the services already rendered at the measurement date.

The actuarial calculations were made on the following assumptions:

	31/12/2012	31/12/2011
Discount rate	2.70%	4.75%
Rate of inflation	2.00%	2.00%
Annual rate of increase in termination indemnities	3.00%	3.00%

The discount rate has been chosen according to the I-Boxx Corporates Eurozone AA index at the measurement date with a duration of more than 10 years.

Section 12 *Provisions for risks and charges - line item 120*

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2012	31/12/2011
1. Post-employment benefits	95,729	77,831
2. Other provisions for risks and charges	43,403	34,286
2.1 legal disputes	28,992	27,415
2.2 personnel expenses	13,355	5,978
2.3 other	1,056	893
Total	139,132	112,117

At year end, the bank is not aware of being exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above. It is reasonable to conclude that there are no contingent liabilities.

12.2 Provisions for risks and charges: changes during the year

	Post-employment benefits	Other provisions	Total
A. Opening balance	77,831	34,286	112,117
B. Increases	22,692	20,499	43,191
B.1 Provisions	2,268	17,324	19,592
B.2 Changes due to the passage of time	-	197	197
B.3 Changes due to variations in the discount rate	15,858	475	16,333
B.4 Other changes	4,566	2,503	7,069
C. Decreases	4,794	11,382	16,176
C.1 Utilisations during the year	3,512	8,597	12,109
C.2 Changes due to variations in the discount rate	-	20	20
C.3 Other changes	1,282	2,765	4,047
D. Closing balance	95,729	43,403	139,132

12.3 Defined-benefit pension plans

12.3.1. Description of plans

The Bank'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 Bank 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 432 employees and 231 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. 1,976 employees have joined this fund.

The adequacy of the fund with respect to the present value of the obligation at the reference date was 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 earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2 Defined-benefit pension plans: annual changes

	2012	2011
At 1 January	77,831	77,216
service cost	1,855	1,612
interest cost	3,697	3,605
actuarial gains/losses	15,858	(1,219)
payments	(3,512)	(3,383)
at 31 December	95,729	77,831

12.3.3 Defined-benefit pension plans – Other information

Details of the assets of the pension plan are summarised in the following table:

	31/12/2012	31/12/2011
Fixed-yield securities	68,834	66,601
Variable-yield securities	1,106	1,436
Mutual funds invested in shares	6,011	6,661
Mutual funds invested in property	363	273
Other assets	19,415	2,860
Total	95,729	77,831

12.3.5 Defined-benefit pension plans – Description of the principal actuarial assumptions

The actuarial calculations were made on the following assumptions:

	31/12/2012	31/12/2011
Discount rate	3.50%	4.75%
Expected increase in salaries	2.00%	2.00%
Rate of inflation	1.50%	1.50%
Underlying rate of pension increases	1.50%	1.50%

In the same way as was done for termination indemnities, we have taken into account ESMA Document no. 725/2012 of 12 November 2012 with the recommendation to refer to high-quality corporate securities for the actuarial calculation. The discount rate has been identified on the basis of a yield curve derived from a basket of corporate AA securities. This curve was obtained by interpolating the yields observed on the market at the measurement date for observable maturities. For subsequent maturities reference was made to an extrapolation methodology, which takes into account the first part of the curve and for the next part of the yield of A securities suitably adjusted to take into account the higher implicit credit risk compared with an AA security.



12.3.6. Comparative information

The amount of the fund increases by € 17.898 million, +23%. This increase is largely attributable to the actuarial calculation carried out, as explained in the previous table, and that led to the recognition of an amount of € 15.858 million with a contra-entry to shareholders' equity.

Payments of benefits amount to € 3.512 million compared with € 3.366 million. The contributions paid by the employees totalled € 0.249 million (€ 0.256 million in the prior year).

12.4 Provisions for risks and charges – other provisions

These comprise:

	31/12/2012	31/12/2011
Provision for legal disputes	28,992	27,415
Provision for personnel expenses	13,355	5,978
Provision for charitable donations	1,056	893
Total	43,403	34,286

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 Bank 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 31/12/2012 as the discount rate.

They increase by € 1.577 million for the difference between the provisions for the year of € 7.815 million and the release of prior year provisions of € 6.238 million.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. The total increase came to € 7.377 million, + 123.41%.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.400 million reflects the allocation of 2011 net profit, while the reduction of € 0.237 million was a consequence of payments made during the year.

Section 14 Equity - items 130, 150, 160, 170, 180, 190 and 200

14.1 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2012. At the year-end, the Bank held treasury shares with a carrying value of € 24.316 million.

14.2 Share capital – Number of shares: changes during the year

Items/Type	Ordinary	Other
A. Shares at the beginning of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-
A.1 Treasury shares (-)	3,063,000	-
A.2 Shares in circulation: opening balance	305,084,985	-
B. Increases	437,500	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	437,500	-
B.3 Other changes	-	-
C. Decreases	394,500	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	394,500	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	305,127,985	-
D.1 Treasury shares (+)	3,020,000	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

14.3 Share capital: other information

Share premium reserve

This amounts to € 171.450 million with a decrease of € 1.061 million, - 0.61% due to the allocation of the loss deriving from the sale of treasury shares in portfolio.



14.4 Revenue reserves: other information

Revenue reserves contribute to the capital adequacy of the Bank, considering both current and future operations. They amount to € 622.319 million, + 4.81% on the prior year figure adjusted for comparison, and comprise:

Legal reserve, consisting of profits allocated pursuant to art. 2430 of the Italian Civil Code and art. 60 of the Articles of Association, which amounts to € 135.079 million, +4.62%, following the allocation of € 5.965 million from 2011 net profit.

Statutory reserve, required by art. 60 of the Articles of Association, which amounts to € 369.519 million (+4.96%), following the allocation of € 17.185 million out of the 2011 net profit, dividends on treasury shares of € 0,259 thousand and dividends in prescription of € 0.003.

Reserve for the purchase of treasury shares, also required by art. 60 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 93.000 million (it has been used for € 24.316 million) and has increased by € 6.000 million for the provision made during the year on allocation of the 2011 net profit.

Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves of € 24.578 million, of which € 23.550 deriving from the reclassification of pre-existing reserves set up under specific legal requirements and € 1.028 from the reclassification of actuarial gains relating to the pension fund and termination indemnities following early adoption of IAS 19.

We inform you that the individual equity items are freely available and distributable, except for the valuation reserves which are only distributable under the circumstances laid down in art. 6 of Decree 38/2005, the portion of the «share premium reserve» that can only be distributed in its entirety if the legal reserve has reached one-fifth of the share capital (art. 2431 of the Civil Code) and the legal reserve, which is lower than 20% of the share capital.

14.5 Equity instruments: breakdown and changes during the year

No equity instruments have been issued.

Other information

1. Guarantees given and commitments

Operations	31/12/2012	31/12/2011
1) Financial guarantees	841,703	883,428
a) Banks	229,540	174,536
b) customers	612,163	708,892
2) Commercial guarantees	3,346,048	3,035,232
a) Banks	51,870	37,937
b) customers	3,294,178	2,997,295
3) Irrevocable commitments to make loans	966,089	1,174,041
a) Banks	39,412	70,914
i) certain to be called on	28,180	58,303
ii) not certain to be called on	11,232	12,611
b) customers	926,677	1,103,127
i) certain to be called on	243,344	182,816
ii) not certain to be called on	683,333	920,311
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets lodged to guarantee the commitments of third parties	38,638	39,927
6) Other commitments	6,351	-
Total	5,198,829	5,132,628

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2012	31/12/2011
1. Financial assets held for trading	1,114,645	1,564,207
2. Financial assets carried at fair value	29,289	26,317
3. Financial assets available for sale	917,880	387,149
4. Financial assets held to maturity	27,131	58,510
5. Due from banks	-	-
6. Due from customers	-	-
7. Property, plant and equipment	-	-
Total	2,088,945	2,036,183

Assets held for trading mainly comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances; financial assets carried at fair value comprise the guarantee deposit paid in relation to the issue of bankers' drafts.

Assets available for sale comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances. These securities are not subject to structured repurchase agreements.

The financial assets held to maturity are to guarantee the advances received from the Bank of Italy.

As part the ECB's refinancing of the banking system, we received a loan of € 1,000 million secured by a certificate of deposit issued by us and repurchased under a guarantee from the Italian government in accordance with art. 8 of Decree Law 201 of 6 December 2011.

On expiration of this certificate of deposit, we decided to integrate the guarantees by lodging securities from the securitisation of performing residential mortgage loans for a nominal value of 1,385.4 million (senior tranche) sold to the SPV Centro delle Alpi RMBS srl.



4. Management and intermediation for third parties

Type of service	31/12/2012
1. Execution of orders on behalf of customers	-
a) Purchases	-
1. settled	-
2. not settled	-
b) Sales	-
1. settled	-
2. not settled	-
2. Portfolio management	1,294,973
a) Individual	1,294,973
b) Collective	-
3. Custody and administration of securities	41,361,275
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	532,307
1. securities issued by the reporting bank	-
2. other securities	532,307
b) other third-party securities on deposit (excluding portfolio management): other	18,065,872
1. securities issued by the reporting bank	3,225,518
2. other securities	14,840,354
c) Third-party securities on deposit with third parties	17,811,801
d) Own securities on deposit with third parties	4,951,295
4. Other transactions	-
Total	42,656,248

PART C *Information on the income statement*

Section 1 *Interest - line items 10 and 20*

1.1 Interest and similar income: breakdown

Items/technical forms	Fixed-yield securities	Loans	Other transactions	Total 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	52,460	-	-	52,460	53,398
2. Financial assets carried at fair value	1,151	-	-	1,151	764
3. Financial assets available for sale	49,002	-	-	49,002	9,883
4. Financial assets held to maturity	3,023	-	-	3,023	4,749
5. Due from banks	-	14,190	-	14,190	20,792
6. Due from customers	-	792,684	-	792,684	658,010
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	-
Total	105,636	806,874	-	912,510	747,596

1.3 Interest income and similar revenues: other information

Interest income has gone from € 747.596 million to € 912.510 million, +22.06% with an increase of € 164.914 million due to the increase in interest rates and volumes handled.

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2012	31/12/2011
Interest income and similar revenue on foreign currency assets	46,389	35,689

1.4 Interest expense and similar charges: breakdown

Items/technical forms	Payables	Securities	Other transactions	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	(16,418)	-	-	(16,418)	(2,146)
2. Due to banks	(20,199)	-	-	(20,199)	(33,273)
3. Due to customers	(329,449)	-	-	(329,449)	(198,663)
4. Debt securities in issue	-	(84,989)	-	(84,989)	(59,412)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	(366,066)	(84,989)	-	(451,055)	(293,494)



1.6 Interest expense and similar charges: other information

Interest expense goes from € 293.494 million to € 451.055 million, +53.68%, with an increase of € 157.561 also linked to the increase in interest rates.

1.6.1 Interest expense and similar charges on foreign currency liabilities

	31/12/2012	31/12/2011
Interest expense and similar charges on foreign currency liabilities	(9,608)	(9,190)

1.6.2 Interest expense on finance lease transactions

	31/12/2012	31/12/2011
Interest expense on finance lease transactions	(148)	(251)

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2012	31/12/2011
a) guarantees given	21,860	17,850
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	56,129	57,806
1. trading in financial instruments	-	-
2. trading in foreign currencies	7,260	6,249
3. portfolio management	5,635	6,601
3.1 individual	5,635	6,601
3.2 collective	-	-
4. custody and administration of securities	1,983	2,087
5. custodian bank	3,864	4,814
6. placement of securities	13,836	12,426
7. order receipt and transmission	11,416	13,395
8. consultancy	49	72
8.1 investments	-	-
8.2 corporate finance	49	72
9. distribution of third party services	12,086	12,162
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	6,857	7,126
9.3 other products	5,229	5,036
d) collection and payment services	57,803	55,524
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	-	-
j) other services	103,808	102,468
Total	239,600	233,648

This item increases by € 5.952 million, +2.55%.

«Other services» mainly consist of loan commissions of € 64.608 million, from current account charges of € 30.606 million and international/foreign exchange fees of € 6.158 million.



2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2012	31/12/2011
a) bank branches:	31,557	31,189
1. Asset management	5,635	6,601
2. Placement of securities	13,836	12,426
3. Third-party products and services	12,086	12,162
b) door-to-door sales:	-	-
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
c) other distribution channels:	-	-
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-

2.3 Commission expense: breakdown

Services/Amounts	31/12/2012	31/12/2011
a) guarantees received	(3,142)	(287)
b) credit derivatives	-	-
c) management and intermediation services:	(1,574)	(1,710)
1. trading in financial instruments	-	-
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1. own	-	-
3.2. delegated by third parties	-	-
4. custody and administration of securities	(1,574)	(1,710)
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	(9,044)	(8,225)
e) other services	(3,361)	(3,371)
Total	(17,121)	(13,593)

«Other services» mainly include commissions on securities transactions.

Section 3 Dividends and similar income - line item 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2012		31/12/2011	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	1,041	175	1,391	115
B. Financial assets available for sale	1,469	228	2,189	-
C. Financial assets carried at fair value	-	-	-	54
D. Equity investments	2,637	-	2,644	-
Total	5,147	403	6,224	169

This item decreases by € 0.843 million, - 13.19%.

Section 4 Net trading income - line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	67,926	82,641	(3,397)	(47)	147,123
1.1 Fixed-yield securities	66,042	63,857	(305)	(30)	129,564
1.2 Variable-yield securities	1,539	4,804	(2,913)	(17)	3,413
1.3 Mutual funds	150	505	(3)	-	652
1.4 Loans	-	-	-	-	-
1.5 Other	195	13,475	(176)	-	13,494
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	-	-	-	-	(42)
4. Derivatives	5,000	37,031	(4,968)	(31,687)	5,407
4.1 Financial derivatives:	5,000	37,031	(4,968)	(31,687)	5,407
- On debt securities and interest rates	3,965	32,061	(3,876)	(29,970)	2,180
- On equities and equity indices	599	3,982	(661)	(796)	3,124
- On currency and gold	-	-	-	-	31
- Other	436	988	(431)	(921)	72
4.2 Credit derivatives	-	-	-	-	-
Total	72,926	119,672	(8,365)	(31,734)	152,488

Net trading income, previously a loss of € 71.888 million, shows a profit of € 152.488 million thanks to the recovery in financial markets which made it possible to post substantial trading gains and profits, whereas the comparison period was characterised by significant losses. Trading income on other financial assets of € 13.475 million is made up of exchange gains.

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



Section 6 Gains (losses) on disposals/repurchases - line item 100

6.1 Gains (losses) on disposals/repurchases - breakdown

Items/income items	31/12/2012			31/12/2011		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	7,813	(73)	7,740	3,027	(68)	2,959
3.1 Fixed-yield securities	7,798	(73)	7,725	-	-	-
3.2 Variable-yield securities	15	-	15	3,027	(68)	2,959
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	700	(116)	584	124	-	124
Total assets	8,513	(189)	8,324	3,151	(68)	3,083
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	1,311	(62)	1,249	1,472	(28)	1,444
Total liabilities	1,311	(62)	1,249	1,472	(28)	1,444

Section 7 Net change in value of financial assets and liabilities carried at fair value - line item 110

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

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	7,275	229	(372)	(3)	7,129
1.1 Fixed-yield securities	2,763	-	-	-	2,763
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	4,512	229	(372)	(3)	4,366
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	(856)
4. Credit and financial derivatives	-	-	-	-	-
Total	7,275	229	(372)	(3)	6,273

The gains and losses recognised mainly concern mutual funds and Italian government securities .

Section 8 Net impairment adjustments - line item 130

8.1 Net impairment adjustments to loans: breakdown

Transactions/Income items	Adjustments (1)			Write-backs (2)				Total 31/12/2012	Total 31/12/2011
	Type			Type		Portfolio			
	Write-offs	Other	Portfolio	A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
B. Due from customers	(94,155)	(363,648)	(58,687)	547	37,423	27,563	(450,957)	(155,293)	
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-	-
- Loans	(94,155)	(363,648)	(58,687)	547	37,423	-	27,563	(450,957)	(155,293)
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
C. Total	(94,155)	(363,648)	(58,687)	547	37,423	-	27,563	(450,957)	(155,293)

Key:

A = interest

B = other write-backs

8.2 Net impairment adjustments to available for sale financial assets: breakdown

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 31/12/2012	Total 31/12/2011
	Type		Type			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	-	-	-
B. Variable-yield securities	-	(4,588)	-	-	(4,588)	(5,986)
C. Mutual funds	-	(637)	-	-	(637)	(1,168)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(5,225)	-	-	(5,225)	(7,154)

Key:

A = interest

B = other write-backs

Adjustments relate to certain listed equities and property funds for which the bank carried out writedown with respect to the original cost.

8.4 Net impairment adjustments on other financial transactions: composition

Transactions/Income items	Adjustments (1)			Write-backs (2)				Total 31/12/2012	Total 31/12/2011
	Type			Type		Portfolio			
	Write-offs	Other	Portfolio	A	B	A	B		
A. Guarantees given	-	(1,600)	-	-	-	-	-	(1,600)	(500)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to make loans	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
Total	-	(1,600)	-	-	-	-	-	(1,600)	(500)

Key:

A = interest

B = from write-back



Section 9 Administrative expenses - line item 150

9.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2012	31/12/2011
1) Employees	(162,416)	(161,150)
a) Wages and salaries	(101,681)	(106,294)
b) Social security contributions	(26,859)	(28,523)
c) Termination indemnities	-	-
d) Pension expenses	-	-
e) Provision for employee termination indemnities	(8,090)	(8,519)
f) Provision for post-employment benefits and similar commitments:	(5,662)	(5,019)
- defined contribution	-	-
- defined benefits	(5,662)	(5,019)
g) Payments to external supplementary pension funds:	(2,244)	(2,360)
- defined contribution	(2,244)	(2,360)
- defined benefits	-	-
h) Costs deriving from payment agreements based on own capital instruments	-	-
i) Other personnel benefits	(17,880)	(10,435)
2) Other working personnel	(3,103)	(3,520)
3) Directors and statutory auditors	(1,977)	(1,978)
4) Retired personnel	-	-
5) Recovery of expenses for personnel on secondment to other firms	78	78
6) Reimbursement of expenses for personnel on secondment to the company	(50)	-
Total	(167,468)	(166,570)

The 2011 figures have been adjusted for comparison purposes.

9.2 Average number of employees by category

	31/12/2012	31/12/2011
Employees	2,565	2,527
a) Managers	22	18
b) Officials	509	517
c) Other employees	2,034	1,992
Other personnel	82	97

	31/12/2012	31/12/2011
Actual number of employees		
- Employees	2,569	2,549
- Other personnel	79	89

9.3 Defined-benefit pension plans: total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2012	31/12/2011
Service cost	1,855	1,612
Interest cost	3,697	3,605
Contributions from employees	(249)	(256)
Reductions and payments	359	58
Total charge to income statement (A)	5,662	5,019
Portion of yield from assets servicing the fund (B)	3,792	1,598
Total charge (A-B)	1,870	3,421

The 2011 figures have been adjusted for comparison purposes.

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements. The cost for the Bank consists of the contributions that it has to pay into the fund in accordance with the Fund Regulations. These contributions amounted to € 1.870 million. An additional provision of € 3.792 million was also made. Against these provisions, € 4.566 million has been recorded under other operating income, which corresponds to the income accrued on the assets that make up the fund's net worth. The comparatives have been adjusted as a result of the change in accounting treatment for early application of IAS 19 Revised.

9.4 Other employee benefits

This caption essentially comprises the cost of expenses and salaries of personnel allocated to the specific fund, meal vouchers, scholarships, insurance costs, the reimbursement of expenses, training costs and other benefits.

9.5 Other administrative expenses: breakdown

	31/12/2012	31/12/2011
Telephone, post and data transmission	(12,232)	(12,879)
Maintenance of property, plant and equipment	(7,893)	(7,096)
Rent of buildings	(24,680)	(23,433)
Security	(6,053)	(5,998)
Transportation	(2,069)	(2,277)
Professional fees	(13,493)	(10,401)
Office materials	(1,989)	(2,028)
Electricity, heating and water	(5,307)	(4,572)
Advertising and entertainment	(3,150)	(3,402)
Legal	(7,539)	(6,920)
Insurance	(1,459)	(1,249)
Company searches and information	(4,432)	(4,291)
Indirect taxes and dues	(38,947)	(33,462)
Software and hardware rental and maintenance	(8,783)	(8,138)
Data entry by third parties	(1,388)	(949)
Cleaning	(4,841)	(4,659)
Membership fees	(1,845)	(1,794)
Services received from third parties	(3,078)	(3,039)
Outsourced activities	(18,133)	(18,439)
Deferred charges	(2,705)	(6,775)
Goods and services for employees	(1,216)	(1,235)
Other	(9,821)	(8,647)
Total	(181,053)	(171,683)

Section 10 *Net provisions for risks and charges - line item 160*

10.1 Net provisions for risks and charges: breakdown

This line item amounts to € 1.577 million made up of the net balance of allowances made during the year to the provision for legal disputes of € 7.815 million and the use or release of provisions set aside in previous years of € 6.238 million.

Section 11 *Net adjustments to property, plant and equipment - line item 170*

11.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income item	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(11,228)	-	-	(11,228)
- For business purposes	(11,228)	-	-	(11,228)
- For investment purposes	-	-	-	-
A.2 Acquired under finance leases	(1,018)	-	-	(1,018)
- For business purposes	(1,018)	-	-	(1,018)
- For investment purposes	-	-	-	-
Total	(12,246)	-	-	(12,246)

The finance lease charges paid during the year amounted to € 1.724 million, compared with € 2.060 million in the prior year.

Section 12 *Net adjustments to intangible assets - line item 180*

12.1 Net adjustments to intangible assets: breakdown

	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(11,185)	-	-	(11,185)
- Internally generated	-	-	-	-
- Other	(11,185)	-	-	(11,185)
A.2 Acquired under finance leases	-	-	-	-
Total	(11,185)	-	-	(11,185)

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130 a) c) d) f) g) and para. 131 of IAS 36.

Section 13 *Other operating income and expense - Line item 190*

This caption amounts to € 57.717 million and comprises other operating income of € 62.973 million, net of other operating expenses of € 5.256 million.

13.1 Other operating expenses: breakdown

	31/12/2012	31/12/2011
Out-of-period expense	(3,566)	(968)
Other	(1,690)	(1,375)
Total	(5,256)	(2,343)

13.2 Other operating income: breakdown

	31/12/2012	31/12/2011
Recovery of charges on deposits and overdrafts	50	72
Rental income from buildings	967	965
Recovery of taxes	34,165	30,080
Financial income of post-employment benefits plan	4,566	1,598
Out-of-period income - other	10,898	1,963
Other	12,327	8,432
Total	62,973	43,110

The sub-item «other» includes € 3.653 million for the rapid enquiry fee, which has been allocated to this item in accordance with the Supervisory Authority's interpretation as it is merely a recovery of the costs incurred.

Section 14 *Share of profit (loss) of equity investments - line item 210*

14.1 Share of profit (loss) of equity investments: breakdown

Income item/amounts	31/12/2012	31/12/2011
A. Income	-	801
1. Revaluations	-	-
2. Profit from disposals	-	801
3. Write-backs	-	-
4. Other income	-	-
B. Charges	(2,093)	(13,053)
1. Write-downs	(443)	(340)
2. Impairment write-downs	(1,650)	(12,713)
3. Loss from disposals	-	-
4. Other charges	-	-
Net result	(2,093)	(12,252)

Write-downs relate to Pirovano Stelvio spa (€ 0.443 million) and Alba Leasing spa (€ 1.650 million).

Section 17 *Profit (loss) from disposal of investments - line item 240*

17.1 Profit (loss) from disposal of investments: breakdown

Income item/amounts	31/12/2012	31/12/2011
A. Buildings	271	-
- Profit from disposals	271	-
- Loss from disposals	-	-
B. Other assets	9	(23)
- Profit from disposals	28	10
- Loss from disposals	(19)	(33)
Net result	280	(23)

Section 18 *Income taxes on current operations - line item 260*

18.1 Income taxes on current operations: breakdown

Income items/Amounts	31/12/2012	31/12/2011
1. Current taxes (-)	(152,500)	(74,471)
2. Change in prior period income taxes (+/-)	7,422	-
3. Reduction in current taxes (+)	-	-
3.bis Reduction in current taxes for tax credits under Law 214/2011	-	-
4. Change in deferred tax assets (+/-)	87,790	14,586
5. Change in deferred tax liabilities (+/-)	699	152
6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(56,589)	(59,733)

The 2011 figures have been adjusted for comparison purposes.

The reduction in current taxes from previous years derives from the tax credit recognised during the year based on the total deduction for IRES purposes of the IRAP on labour costs under art. 2, paragraph 1-quater of Legislative Decree 201 of 6 December 2011, converted into Law 214/2011 and supplemented by art. 4, paragraph 12 of Legislative Decree 16/2012. The Decree introduced the possibility to apply for a refund of the IRES overpaid, recalculated in the light of the deductibility explained above, for the years still pending on the date that the decree came into force (i.e. from 2007 to 2011). The tax rate, i.e. the ratio of income taxes provided for and the profit on current operations before tax, comes to 68.67%. Without the tax credit, it would have come to 77.67%.

18.2 Reconciliation between the theoretical and current tax burden

INCOME TAXES	Tax base	Tax
Theoretical tax burden	82,411	22,663
Increases	361,698	99,467
Decreases	(27,113)	(7,755)
Effective tax burden	416,996	114,375

IRAP (Regional business tax)	Tax base	Tax
Theoretical tax burden	82,411	4,590
Increases	669,883	37,313
Decreases	(66,736)	(3,778)
Effective tax burden	685,558	38,125
Total effective tax burden	-	152,500

Income taxes are calculated at 27.5% for IRES and 5.57% for IRAP.

The total tax charge for the year is reconciled with the net profit for the year as indicated in the table below.

IRES (corporate income taxes)

The main add-backs relate to non-deductible loan adjustments and non-deductible provisions for risks and charges, interest expense and losses and writedowns of equity investments classified as PEX (tax-exempt).

The principal deductions relate to the non-taxable portion of dividends received, the deductible portion of IRAP and the use of taxed provisions.

IRAP (Regional business tax)

The main add-backs concern personnel expenses, writedowns of loans and equity investments, interest expense, non-deductible amortisation and depreciation and other administrative expenses.

The principal deductions relate to the deductible portion of personnel expenses and other non-taxable income.

Section 21 *Earnings per share*

21.1 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 net profit is 308,147,985. The number of shares shown in the table below is the weighted average for the year.

	31/12/2012	31/12/2011
number of shares	308,147,985	308,147,985

This is the weighted average used as the denominator in the calculation of basic earnings per share.

21.2 Other information

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

«Basic EPS», determined by dividing the net 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; there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2012	31/12/2011
earnings per share - €	0.084	0.183

The 2011 figures have been adjusted for comparison purposes.



PART D *Comprehensive income*

Statement of comprehensive income

Items/Amounts	Gross amount	Income taxes	Net amount
10. Net profit (loss) for the year	-	-	25,822
Other income items			
20. Financial assets available for sale:	74,280	(23,843)	50,437
a) changes in fair value	71,775	(23,292)	48,483
b) transfer to income statement	2,505	(551)	1,954
- adjustments for impairment	965	(42)	923
- gains/losses on disposals	1,540	(509)	1,031
c) other changes	-	-	-
30. Property, plant and equipment	-	-	-
40. Intangible assets	-	-	-
50. Hedges of foreign investments:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
60. Cash-flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
80. Non-current assets held for sale and discontinued operations:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
90. Actuarial profits (losses) on defined-benefit plans	(19,639)	5,401	(14,238)
100. Share of valuation reserves of equity investments valued at net equity:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
- adjustments for impairment	-	-	-
- gains/losses on disposals	-	-	-
c) other changes	-	-	-
110. Total other income items net of income taxes	54,641	(18,442)	36,199
120. Comprehensive income (item 10+110)	-	-	62,021

PART E *Information on risks and related hedging policy*

The information contained in this section is based on internal data prepared for management purposes, which means that it may differ from the figures reported in sections B and C of these notes, except where the book value specifically has to be shown.

The information to be disclosed to the public under Section IV, Chapter 1 of the New Supervisory instructions for Banks is provided by the required deadlines in the «Corporate Information» section of the Bank's website

Section 1 *Credit risk*

QUALITATIVE INFORMATION

1. General matters

In line with its mission as a cooperative, the Bank's lending policy aims to provide support to local economies in the areas that we serve, by granting financial resources to applicants that are pursuing admirable objectives and who meet suitable parameters of credit-worthiness.

The size and composition of the loan portfolio reflect the financial needs of the two specific customer segments: the entrepreneurial spirit of small and medium-sized business owners, mainly located in territory of the Bank, and households. The Bank prefers to lend to SMEs since they do not move in broader financial circles and, consequently, need a point of reference that can understand their requirements and meet them with skill, efficiency and speed, following the evolution of the business over time. However, the needs of bigger counterparties, such as large enterprises and public entities, are not overlooked, providing their credit rating following a rigorous preliminary investigation shows that they are solid and reliable.

In this context, the lending activity is based on principles of healthy and prudent management, fair remuneration of risk and professional, efficient operational conduct, with a view to establishing two-way communications with borrowers based on reciprocal trust and transparency; this in order to enhance the Bank's particular aptitude for building long-term customised relationships with local business owners.

In consideration of the Bank's strategic objectives and approach to operations, its lending strategy is based on a low propensity for risk and full awareness of the risks that are taken on, this involves:

- measurement of the current and prospective risk inherent in the loan portfolio, both as a whole and at various levels of disaggregation;
- diversifying the exposure, so as to reduce concentration;
- refusing to get involved in operations that could jeopardise the Bank's profitability and solidity.

These strategies and policies have not changed since last year.

2. Credit risk management policies

2.1 Organisational aspects

The Bank's approach to credit risk management is based on maximum involvement at all levels of the organisation to ensure timely processing of customers' applications, combined with an analytical assessment of the risk involved in lending money to them.

The various stages that make up the lending process include the planning of credit policies, the preliminary investigation, disbursement of the loan, periodic review, monitoring and management of impaired loans.

Implementing the lines of strategy laid down by the Corporate Bodies during the planning process and in compliance with the limits of the risk profile taken on, the lending policy

defines the composition of the loan book, the technical forms and their geographical distribution. These official guidelines are passed down to the organisational units involved in managing credit risk and, as a result, they reflect the operational aspects of each phase of the process.

The procedures and organisational structure set up for this purpose have been formalised, clearly specifying activities, roles and responsibilities.

In order to avoid potential conflicts of interest, we ensure that operating functions and control functions are kept separate.

The system of decision-making powers approved by the Board of Directors is based on the principle of «cascade delegation», which means assigning limited powers to the branches, giving preference to control by specialist central units.

The following is an explanation of the bodies and the main corporate functions that are involved in supervising the lending process, also specifying their principal duties.

- *The Board of Directors.* The Board of Directors supervises and oversees the proper allocation of financial resources and, in particular:
 - establishes the strategic direction and lending policies;
 - establishes criteria for the recognition, management and assessment of risks;
 - approves the decision-making and signature powers attributable to the other corporate bodies and organisational units for the granting and revision of lines of credit;
 - ensures that the structure of the control functions is defined in a way that is consistent with the Bank's strategies, that they have an appropriate level of decision-making autonomy and that they have adequate resources in terms of both quality and quantity;
 - gains a general knowledge of rating systems, proposes their application during the various stages of the process and assesses how effective they are with the help of the internal control and internal audit functions.
- *General Management.* General Management implements the strategies and policies established by the Board of Directors and, in particular:
 - prepares regulations, activities, procedures and organisational structures for the adoption and application of an efficient lending process, of an adequate rating system and of a solid system for the control of the related risks;
 - verifies the adequacy and functional capacity of these various elements, also in light of the internal and external changes that are affecting the bank;
 - takes the necessary action to eliminate any weaknesses and inefficiencies that are identified.In addition, General Management adopts resolutions to the extent of the autonomy granted.
- *Branches.* The branches are assigned the fundamental task of handling the relationship with the customer who is borrowing or who would like to borrow money from the bank. They acquire the documentation, make an initial selection of the applications and directly approve those within the scope of their powers, and monitor the credit report on a day-to-day basis, checking for potentially anomalous situations.
- *Coordination functions.* They give the branches fundamental support in handling more complex loan positions and/or those that are looking critical. They examine requests for loans to be presented to the central functions and express an opinion, while approving directly those within the scope of their powers.
- *Central Loans Department.* The Credit Assessment office supports the work of the central committees by receiving applications from branches, checking their completeness and accuracy, and completing the assessment.

The Medium-term and Special Loans Office assesses mortgages, leases, factoring arrangements, artisan and agricultural loans, loans under framework agreements and personal loans from a technical and legal point of view. Through the Risk Office, it finalises the guarantees and then activates the loan.

- *Corporate Finance Department.* It analyses, structures and coordinates corporate finance operations and identifies the best types of financing for complex investment projects. It makes a preliminary evaluation of project financing transactions, directly structuring the intervention or proposing the Bank's participation in a lending syndicate.
- *Watchlist and Lending Control Department.* The Watchlist and Lending Control Department reviews outstanding loans and identifies those that show signs of anomalies; depending on how serious these are, the department monitors them more closely, proposes a restructuring, or classifies them on the watchlist or as non-performing loans. This department also administers all watchlist, restructured and past due loans.
- *Legal and Claims Department.* The Legal and Claims Department works to safeguard the interests of the bank with regard to disputed assets and liabilities. In particular, with regard to «non-performing» loans, the department takes the legal action needed to recover the outstanding amounts and also takes out-of-court action together with the Watchlist Department.
- *Planning and Control Department.* The Planning and Control Department defines, develops and maintains, through the Risk Control office, the models underlying the rating system; it checks the reliability and effectiveness of the estimates produced by them and, where necessary, takes steps to update them. It analyses, according to various analysis dimensions, the riskiness of the loan portfolio, produces the related information flows and makes them available to the competent bodies and operating functions.
- *Internal Audit Department.* The Internal Audit Department checks the proper functioning of controls and compliance with rules and procedures. In particular, this department checks that the criteria for the proper classification of loans are correctly applied.

2.2 Systems for managing, measuring and monitoring

Control over credit risk has the support of rating models that have been specifically developed by the Bank.

The Bank has models for the following segments: Private Customers (resident and non-resident consumer households), Small Businesses (one-man firms, partnerships and companies with sales lower than € 1.5 million and credit lines of less than € 75,000), Micro-Enterprises (partnerships and companies with sales lower than € 1.5 million and credit lines of over € 75,000), SMEs (partnerships and companies with sales between € 1.5 million and 50 million), Large Enterprises (non-financial partnerships and companies with sales higher than € 50 million) and Public Enterprises.

These models are designed to create a counterparty rating and an associated probability of default (PD), representing the estimated likelihood that the borrower will become insolvent within one year. The rating depends solely on the characteristics of the counterparty and is not influenced by any guarantees that the Bank has acquired. The rating assessments are produced by qualitative statistical models that are prudently integrated by automatic downgrades if further negative elements not handled by the models are identified. These assessments are split into 13 categories for «performing» counterparties and one for those that are insolvent. They are then summarised in seven risk ratings: «Excellent», «Good», «Medium», «Uncertain», «Bad», «Very bad» and «Insolvent».

Together, the sub-portfolios that are subject to these rating systems at the end of December 2012 account for 94.4% of customers with credit limits, which in turn accounts for 80.7% of the cash loans made to customers.

Ratings are used in the credit process all the way from policy planning through to performance control. For monitoring purposes, the rating is calculated monthly with reference to the entire population of interest, whereas it is determined on an ad hoc basis when considering new loans or reviewing existing loans.

Estimates of two other important risk factors complete the rating system described above: the rate of the Loss Given Default (LGD) and the estimated Exposure at Default (EAD). These estimates, which are specific for each counterparty, also derive from internal models, and unlike the probability of default, they are heavily influenced by the presence and type of guarantees acquired by the Bank and by the technical form by which the loan is granted.

Having input on such risk factors, updated on a monthly basis, contributes towards a complete assessment of the risk profile, helping to improve the amount of information available to support the lending process.

The PD, LGD and EAD results also make it possible to determine the Expected Loss, which is an estimate of the potential loss associated with a particular loan exposure; and as an element of cost, it also provides useful input for determining prudent loan loss provisions.

The concept of insolvency used when developing, calibrating and applying the new rating models includes: non-performing loans, watchlist loans, restructured loans and past due loans and/or those over the credit limit. With effect from 1 January 2012, in line with the change in the supervisory regulations, the definition of default has been extended to include positions significantly overdrawn for more than 90 days in a row (previously 180 days). Notwithstanding the regulatory guidelines, for prudence sake, insolvency has also been extended to the external concept of «adjusted non-performing loan».

Together with the valuations obtained through internal models, the ratings granted by leading international agencies are gathered automatically. They are used in determining the minimum capital requirements for credit and counterparty risk, for which the Bank adopts the so-called «standardised approach»; this involves weighting the exposures on the basis of ratings, where available, assigned to each counterparty by a specialist company (rating agencies such as Standard & Poor's, Moody's, Fitch Ratings, Cerved Group).

With regard to the exposures to Italian and foreign banks, the ratings given by leading agencies are used wherever available. Otherwise, an internal rating, based on the application of a simplified model, is used.

More specifically, this model involves the examination of a series of quantitative and qualitative indicators and information, which produce values for the determination of a final score. This score is positioned on a scale of ten classes, the first of which represents a counterpart/issuer with minimal risk, while the ninth highlights maximum risk and the tenth represents a state of insolvency. These ten classes are then grouped into four macro classes for comparison with the ratings given by international agencies.

As regards counterparty risk, in addition to continuously monitoring the main banking groups with credit lines, we periodically carry out a specific analysis of each position that has been taken on. This is performed by taking various indicators into consideration, such as their rating, accounting information and market data.

Analyses are carried out periodically on the loan portfolio using various methods, including observation of the trend in distribution of counterparties by rating class.

These assessments support the formulation of policy guidelines for lending, help adopt suitable operational measures and provide operational guidelines to the central and branch functions concerned.

The lending process provides for a series of checks aimed at mitigating risk during the various phases that make it up.

The preliminary investigation, which aims to establish whether applicants satisfy certain conditions for credit-worthiness, includes consideration of whether the characteristics of the loan are consistent with its purpose, a check on whether any guarantees being provided are

suitable to cover the risk of non-repayment, and a review of the economic aspects of the loan. In this context, the opinion expressed by the internal rating system, if available, and the associated estimates of default are taken into due consideration as essential elements for an overall evaluation of the customer.

The decision whether to grant a loan or not is taken by the competent decision-making bodies prior to disbursement, carefully assessing all of the information that emerged during the preliminary investigation, as well as any other element that might be available. In order to ensure maximum control over credit risk, the mechanism for establishing decision-making powers for the bodies at the lower end of the hierarchical ladder now operates alongside the nominal value of the operation with another system of powers that also takes into account an objective assessment of the counterparty risk which is reflected in the internal rating.

Credit lines are then made operative and the funds made available to the borrower, but only after all matters foreseen in the approval have been dealt with, particular emphasis being put on the acquisition of guarantees and their verification and assessment in terms of being suitable to lower the credit risk.

After disbursement, loans of whatever amount are reviewed periodically to check whether all of the conditions established during the preliminary investigation and taken into consideration when granting the loan still exist. Particular attention is paid to reviewing the reasons that led to changes in ratings.

Lines of credit can also be reviewed automatically in the case of positions with low levels of risk, ascertained through a rigorous examination of suitable indicators that are established in advance, where the rating takes on a great deal of importance.

Outstanding loans and guarantees are constantly monitored to ensure that the borrower and any guarantors remain solvent and that the general and specific requisites still apply and that the guarantees are still valid, to ensure that they can be fully and effectively enforced in the event of the debtor's insolvency. This monitoring, which is carried out in accordance with formal company procedures, is designed to spot any negative symptoms as early as possible and to take rapid and effective action to avoid any further deterioration. In this regard, the home branches of the loans concerned play an important role since, by maintaining direct customer relations, they are able to identify any signs of impairment immediately.

The Watchlist and Lending Control Department makes use of performance measurement and control methodologies that take into consideration internal and industry data, together with the opinion given by the rating system, if available, to build up a monthly summary risk indicator. The positions identified by this indicator as being at risk are analysed appropriately and, where there are clear signs of difficulty, they are placed under observation or classified as «impaired», depending on how serious the situation is.

The task of managing problem loans is given to specific central offices, which carry on their activity with a view to returning the position to «performing», if this is possible; otherwise, with a view to recovering the loan in the event of insolvency, operating in close collaboration with the home branches of the problem loans concerned.

Checks are performed during the initial assessment, payout, review and monitoring stages with regard to the concentration of risk in relation to individual counterparties or groups of counterparties that are linked by legal or economic relationships.

2.3 Credit risk mitigation techniques

The Bank obtains the guarantees considered usual for banking activities in order to reduce credit risk: these principally comprise mortgages on buildings, pledges on financial instruments and unsecured guarantees. Unsecured guarantees principally comprise limited, general guarantees given by individuals and companies whose creditworthiness is considered adequate following a specific assessment.

The presence of guarantees is taken into consideration when weighting the overall credit lines to be granted to a customer or to the legal or economic group to which it might belong.

The estimated value of the security offered by counterparties is «discounted» on a prudent basis, having regard for the nature of the instrument made available (mortgages on buildings, pledges of cash or other financial instruments).

The Bank has a procedure that is able to ensure efficient management and timely assessment of properties that are subject to real encumbrances, by taking a census of the assets and filing the expert appraisals in a specific IT application. Moreover, certain buildings are assessed at least once a year, also with a view to complying with the supervisory instructions.

The value of security given in the form of financial instruments listed on regulated markets is automatically revised each day with reference to the quoted prices, in order to check that the cover remains within the agreed line of credit or, otherwise, to report the situation to the account managers on a timely basis.

The Bank is not party to settlement agreements regarding on- and off-balance sheet transactions.

Suitable arrangements are made when obtaining, assessing and verifying guarantees to ensure that they will prevail over third parties and can be enforced, both at the time and in the future.

At this time, there are no contractual restrictions threatening the legal validity of guarantees received.

The central functions that perform the above checks are different to the functions that grant and review lending; the Internal Audit Department carries out periodic checks to ensure that these activities are performed properly and on a prudent basis.

2.4 Impaired financial assets

Credit risk management is carried out during all stages of lending by means of effective surveillance and monitoring, so that timely assessments can be made as soon as any anomalies arise.

Loans are classified as «impaired» if there are serious signs of tension and, depending on the nature and gravity of the anomaly, they are split into the following categories:

- *Non-performing*, covering the entire exposure to borrowers that are insolvent or in an equivalent state, regardless of the guarantees given and/or any loss forecasts made;
- *Watchlist*, covering the entire exposure to borrowers that are experiencing temporary objective difficulties that are likely to be resolved within a reasonable period of time;
- *Restructured*, covering loans subject to the revision of the originally agreed terms, due to a deterioration in the economic and financial requisites of the borrower, leading to a loss for the bank;
- *Past due*, unpaid exposures and/or those permanently over their credit limit according to parameters of amount and duration laid down by current supervisory instructions.

As in the previous financial statements, the following tables provide information on financial restructuring and credit rescheduling agreements that reflect the recommendations of ESMA (European Securities and Markets Authority) in the document issued in December 2012 «Public Statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions».

The loans not allocated to the above categories are deemed to be performing loans.

The management of «impaired» loans involves taking action, based on the gravity of the situation, to restore normality or, otherwise, to commence appropriate recovery procedures.

More precisely, in the event of positions that are:

- *non-performing*, suitable procedures are implemented to recover the loans; if circumstances permit, recovery plans are drawn up and/or settlements are proposed on an amicable basis in order to terminate the relationship;

- *watchlist*, efforts are made to re-establish the original conditions of credit-worthiness and profitability within a reasonable period of time; if this is deemed to be impossible, the loans concerned are reclassified as doubtful;
- *restructured*, compliance with the agreed conditions is monitored. The position remains classified as «restructured» till the period of time foreseen under current regulations has passed and until the borrower has completely recovered their solvency, without any of their lines of credit going past due. At this stage, the customer can return to the classification of «performing». On the first occasion that the borrower fails to pay, they are transferred to the watchlist or to non-performing loans;
- *past due*, developments are monitored and timely attempts are made to get the situation back to normal; if it is seen that the borrower really is in financial difficulty, the necessary steps are taken to transfer the loan to the watchlist or to non-performing loans, depending on the circumstances.

Adjustments are made in strict compliance with both the primary and secondary regulations and on a highly prudent basis. In particular, having regard for non-performing, watchlist and restructured loans, the bank carries out an analysis of each position, which also takes into account the discounting effects of expected recovery. As for past due loans, they are written down on the basis of historical data of losses on the same type of loans.



QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/quality	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Other assets	Total 31/12/2012
1. Financial assets held for trading	5	400	8	632	2,042,987	2,044,032
2. Financial assets available for sale	-	-	-	-	2,285,788	2,285,788
3. Financial assets held to maturity	-	-	-	-	204,644	204,644
4. Due from banks	-	-	-	-	1,855,236	1,855,236
5. Due from customers	282,799	468,656	48,339	429,930	21,160,328	22,390,052
6. Financial assets carried at fair value	-	-	-	-	29,768	29,768
7. Financial assets being sold	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total 31/12/2012	282,804	469,056	48,347	430,562	27,578,751	28,809,520
Total 31/12/2011	269,296	358,350	83,442	204,916	24,849,104	25,765,108

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

A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Financial assets held for trading	1,045	-	1,045	2,042,987	-	2,042,987	2,044,032
2. Financial assets available for sale	-	-	-	2,285,788	-	2,285,788	2,285,788
3. Financial assets held to maturity	-	-	-	204,644	-	204,644	204,644
4. Due from banks	-	-	-	1,855,236	-	1,855,236	1,855,236
5. Due from customers	1,833,781	604,057	1,229,724	21,313,197	152,870*	21,160,328	22,390,052
6. Financial assets carried at fair value	-	-	-	29,768	-	29,768	29,768
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2012	1,834,826	604,057	1,230,769	27,731,620	152,870	27,578,751	28,809,520
Total 31/12/2011	1,223,005	307,001	916,004	24,960,116	111,012	24,849,104	25,765,108

* In addition to the general adjustments made at a rate of 0.58%, these portfolio adjustments include provisions calculated analytically on positions transferred to other categories of impaired loans during the first quarter of 2013.

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

With reference to «Performing loans to customers», these are broken down below by exposures subject to renegotiation under collective agreements (such as the ABI-MEF Framework Agreements for a moratorium on

mortgage repayments for SMEs and households) and other exposures, with an ageing of any repayments that are past due.

Loans to customers, of which:	Net exposure	Past due up to 3 months	Past due from 3 to 6 months	Past due from 6 to 12 months	Past due for over 1 year
Subject to renegotiation under collective agreements	510,443	9,621	1,194	806	-
Other receivables	20,649,885	649,604	115,065	129,189	43,119

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Other assets	2,251,086	-	-	2,251,086
Total A	2,251,086	-	-	2,251,086
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	387,451	-	-	387,451
Total B	387,451	-	-	387,451
Total (A+B)	2,638,537	-	-	2,638,537

Cash exposures include the amounts due from 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).

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	618,711	335,907	-	282,804
b) Watchlist loans	670,595	201,939	-	468,656
c) Restructured exposures	60,343	12,004	-	48,339
d) Past due exposures	484,137	54,207	-	429,930
e) Other assets	25,387,333	-	152,870	25,234,463
Total A	27,221,119	604,057	152,870	26,464,192
B. Off-balance sheet exposures				
a) Impaired	46,657	8,100	-	38,557
b) Other	4,846,155	-	-	4,846,155
Total B	4,892,812	8,100	-	4,884,712
Total (A+B)	32,113,931	612,157	152,870	31,348,904

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).



A.1.7 Cash exposures to customers: dynamics of gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Opening gross exposure	497,147	415,686	91,142	218,627
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	318,109	428,728	6,275	456,692
B.1 transfers from performing loans	156,636	320,453	5,337	439,270
B.2 transfers from other categories of impaired exposure	124,690	88,261	-	4,341
B.3 Other increases	36,783	20,014	938	13,081
C. Decreases	196,545	173,819	37,074	191,182
C.1 transfers to performing loans	-	39,859	1,977	45,364
C.2 write-offs	140,981	-	-	-
C.3 collections	55,564	44,634	8,268	44,681
C.4 proceeds from disposals	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	89,326	26,829	101,137
C.6 other decreases	-	-	-	-
D. Closing gross exposure	618,711	670,595	60,343	484,137
- of which: sold but not eliminated from the balance sheet	857	2,710	-	8,832

A.1.8 Cash exposures to customers: dynamics of total writedowns

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Total opening adjustments	227,851	57,581	7,803	13,766
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	265,553	181,973	12,255	69,222
B.1 adjustments	215,893	161,128	12,255	68,908
B.1. bis Loss from disposals	-	-	-	-
B.2 transfers from other categories of impaired exposure	49,660	20,845	-	314
B.3 other increases	-	-	-	-
C. Decreases	157,497	37,615	8,054	28,781
C.1 write-backs on valuation	14,988	2,837	387	321
C.2 write-backs due to collections	1,528	49	-	37
C.2 bis Profit from disposals	-	-	-	-
C.3 write-offs	140,981	-	-	-
C.4 transfers to other categories of impaired exposure	-	34,729	7,667	28,423
C.5 other decreases	-	-	-	-
D. Total closing adjustments	335,907	201,939	12,004	54,207
- of which: sold but not eliminated from the balance sheet	213	292	-	581

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash loans and off-balance sheet items by external rating class

Exposure	External rating classes						Unrated	Total 31/12/2012
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	24,621	4,128,300	787,549	313,594	238	85	23,621,186	28,875,573
B. Derivatives	71	5,590	21	-	-	-	88,559	94,241
B.1 Financial derivatives	71	5,590	21	-	-	-	88,559	94,241
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	15,272	59,955	161,024	109,026	2,296	-	3,869,878	4,217,451
D. Commitments to make loans	-	113,878	36,941	-	-	-	809,651	960,470
Total	39,964	4,307,723	985,535	422,620	2,534	85	28,389,274	34,147,735

The distribution of exposures other than those in variable-yield securities is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Bank's database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations (see Circular no. 263 of 27.12.2006 «New supervisory instructions for banks»).

The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Bank. Specifically, solely the ratings issued by Fitch are used for exposures to governments and central banks, while those of Standard & Poor's are used for other exposures.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Fitch Ratings	from AAA to AA-	from A+ to A-	from BBB+ a BBB-	from BB+ to BB-	from B+ to B-	Below B-
Standard & Poor's Rating Services	from AAA to AA-	from A+ to A-	from BBB+ a BBB-	from BB+ to BB-	from B+ to B-	Below B-



A.2.2 Distribution of cash loans by internal rating class

PRIVATE CUSTOMERS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	439,493	95,008	107,965	485,638	722,650	556,862	197,487
B. Derivatives	53	-	20	470	347	117	70
B.1 Financial derivatives	53	-	20	470	347	117	70
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	3,851	52	435	19,384	17,990	11,156	2,520
D. Commitments to make loans	557	949	552	3,890	4,074	4,176	561
Total	443,954	96,009	108,972	509,382	745,061	572,311	200,638

SMALL BUSINESS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	9,922	324,604	107,140	232,521	1,046,350	343,142	158,537
B. Derivatives	1	6	18	428	278	90	45
B.1 Financial derivatives	1	6	18	428	278	90	45
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	1,201	6,503	3,632	8,472	36,633	31,873	3,956
D. Commitments to make loans	-	675	1,037	2,893	13,309	5,532	1,128
Total	11,124	331,788	111,827	244,314	1,096,570	380,637	163,666

MICRO-ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	44,528	69,288	88,233	205,676	867,147	865,739	911,571
B. Derivatives	88	60	126	229	2,805	920	294
B.1 Financial derivatives	88	60	126	229	2,805	920	294
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	6,854	13,018	8,846	26,514	191,916	61,348	41,148
D. Commitments to make loans	4,803	10,840	647	7,542	25,099	36,726	41,262
Total	56,273	93,206	97,852	239,961	1,086,967	964,733	994,275

08	09	10	11	12	13	Insolvent	Total 31/12/2012
142,372	111,208	41,519	37,529	24,140	104,556	249,653	3,316,080
17	7	-	2	4	73	350	1,530
17	7	-	2	4	73	350	1,530
-	-	-	-	-	-	-	-
624	973	207	129	430	717	4,628	63,096
273	-	306	110	-	113	-	15,561
143,286	112,188	42,032	37,770	24,574	105,459	254,631	3,396,267

08	09	10	11	12	13	Insolvent	Total 31/12/2012
151,709	72,278	42,127	36,165	30,462	82,721	190,058	2,827,736
18	4	-	5	1	180	16	1,090
18	4	-	5	1	180	16	1,090
-	-	-	-	-	-	-	-
3,938	2,045	1,549	1,089	1,119	2,731	3,220	107,961
1,172	1,127	257	691	212	255	1,342	29,630
156,837	75,454	43,933	37,950	31,794	85,887	194,636	2,966,417

08	09	10	11	12	13	Insolvent	Total 31/12/2012
673,948	265,921	176,449	65,785	106,969	95,735	457,957	4,894,946
288	88	8	23	80	8	321	5,338
288	88	8	23	80	8	321	5,338
-	-	-	-	-	-	-	-
31,189	12,925	6,148	1,165	6,492	2,582	8,862	419,007
31,522	10,091	3,985	2,368	451	5,887	2,071	183,294
736,947	289,025	186,590	69,341	113,992	104,212	469,211	5,502,585



SMEs - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	24,917	17,509	74,963	158,041	855,906	969,770	697,477
B. Derivatives	160	3	35	279	2,198	651	717
B.1 Financial derivatives	160	3	35	279	2,198	651	717
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	15,147	2,207	12,544	30,544	214,350	172,618	62,260
D. Commitments to make loans	195	-	1,637	6,470	30,776	37,475	18,254
Total	40,419	19,719	89,179	195,334	1,103,230	1,180,514	778,708

LARGE AND PUBLIC ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	11,920	187,149	180,200	593,066	400,288	234,150	84,943
B. Derivatives	140	4,665	298	2,484	1,127	419	101
B.1 Financial derivatives	140	4,665	298	2,484	1,127	419	101
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	30,249	179,435	191,553	535,919	185,205	134,539	276,266
D. Commitments to make loans	-	5,474	-	17,795	1,477	39,387	2,955
Total	42,309	376,723	372,051	1,149,264	588,097	408,495	364,265

BANKS - Exposure	Internal rating classes			
	01	02	03	04
A. Cash exposures	-	-	805,783	27,955
B. Derivatives	-	-	51,014	47
B.1 Financial derivatives	-	-	51,014	47
B.2 Credit derivatives	-	-	-	-
C. Guarantees given	-	-	175,697	1,027
D. Commitments to make loans	-	-	100	-
Total	-	-	1,032,594	29,029

The table shows, in rising order of risk, the distribution by rating class of exposures in the Customers portfolio for which the internal rating models are operative.

As regards «Customers», the ratings are split into thirteen classes for performing counterparties and one for those that are insolvent. The 1st class identifies customers with the lowest risk, while the 13th class highlights the maximum risk, which is only exceeded by a state of insolvency.

The «Banks» segment presents the ten classes used by the internal system to classify counterparties. The first class identifies customers with the lowest risk, while the ninth class indicates the maximum risk; situations of insolvency go into the tenth class. The model is applied to those borrowers who do not have a merit assessment issued by a rating agency.

Note that the Bank does not use these internal rating when calculating the capital requirements for certain portfolios, but applies the so-called «standardised approach», which requires the use of ratings issued by external agencies.

08	09	10	11	12	13	Insolvent	Total 31/12/2012
406,253	485,379	168,396	104,544	56,161	133,347	224,039	4,376,702
511	223	11	7	519	-	19	5,333
511	223	11	7	519	-	19	5,333
-	-	-	-	-	-	-	-
35,794	28,057	6,098	5,181	1,241	4,777	11,732	602,550
11,595	21,124	3,558	8,766	-	493	453	140,796
454,153	534,783	178,063	118,498	57,921	138,617	236,243	5,125,381

08	09	10	11	12	13	Insolvent	Total 31/12/2012
83,440	65,230	40,328	48,477	23,737	74,289	33,523	2,060,740
52	138	328	-	-	12	-	9,764
52	138	328	-	-	12	-	9,764
-	-	-	-	-	-	-	-
27,353	87,199	750	75,380	19,527	13,451	2,677	1,759,503
165	737	-	120	-	1	131	68,242
111,010	153,304	41,406	123,977	43,264	87,753	36,331	3,898,249

Internal rating classes							Total 31/12/2012
05	06	07	08	09	Insolvent		
52,840	10,413	473	-	-	-		897,464
116	9	-	-	-	-		51,186
116	9	-	-	-	-		51,186
-	-	-	-	-	-		-
500	4,604	1,961	-	-	-		183,789
-	301	127	-	-	-		528
53,456	15,327	2,561	-	-	-		1,132,967



A.3 Distribution of guaranteed exposures by type of guarantee

Cash loans shown in the «Net exposure» column are stated net of specific and portfolio adjustments. The guarantees are split on the basis of this exposure. The amounts shown in columns «guarantees» refer to the actual value of the collateral (so-called «fair value»), which can be much higher than the amount guaranteed. This is especially true for the guarantees represented by properties, for which the value of the assets pledged can significantly exceed the balance of the loan still outstanding, as can the value of the mortgage originally registered.

A.3.1 Guaranteed exposures to banks

	Net exposure	Secured guarantees (1)			Other secured guarantees
		Buildings	Buildings Finance Lease	Securities	
1. Guaranteed cash exposures:					
1.1 fully guaranteed	17,300	-	-	10,427	-
- of which: impaired	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-
- of which: impaired	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:					
2.1 fully guaranteed	11,234	-	-	-	-
- of which: impaired	-	-	-	-	-
2.2 partially guaranteed	54	-	-	-	-
- of which: impaired	-	-	-	-	-

A.3.2 Guaranteed exposures to customers

	Net exposure	Secured guarantees (1)			Other secured guarantees
		Buildings	Buildings Finance Lease	Securities	
1. Guaranteed cash exposures:					
1.1 fully guaranteed	12,995,179	29,506,756	-	774,028	213,649
- of which: impaired	942,342	2,952,861	-	28,578	19,660
1.2 partially guaranteed	989,610	4,193	-	96,130	27,040
- of which: impaired	99,572	1,006	-	4,687	1,569
2. Guaranteed off-balance sheet exposures:					
2.1 fully guaranteed	1,309,217	337,946	-	39,044	33,030
- of which: impaired	18,515	2,612	-	1,180	3,702
2.2 partially guaranteed	298,824	-	-	15,545	6,164
- of which: impaired	1,061	-	-	32	2

Personal guarantees (2)

Credit derivatives									
Other derivatives					Guarantees given				
CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	Total 31/12/2012
-	-	-	-	-	-	-	3,694	6,280	20,401
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	56	11,178	11,234
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	42	42
-	-	-	-	-	-	-	-	-	-

Personal guarantees (2)

Credit derivatives									
Other derivatives					Guarantees given				
CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	Total 31/12/2012
-	-	-	-	-	-	26,088	25,489	10,394,387	40,940,397
-	-	-	-	-	-	1,907	451	1,013,638	4,017,095
-	-	-	-	-	-	3,604	8,131	587,809	726,907
-	-	-	-	-	-	-	-	67,520	74,782
-	-	-	-	-	-	133	9,432	1,875,869	2,295,454
-	-	-	-	-	-	-	-	47,706	55,200
-	-	-	-	-	-	-	1,348	188,690	211,747
-	-	-	-	-	-	-	-	915	949



B. Distribution and concentration of exposure

B.1 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 Non-performing loans	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-
A.5 Other exposures	3,908,868	-	-	92,471	-	-
Total A	3,908,868	-	-	92,471	-	-
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other exposures	6,153	-	-	32,743	-	-
Total B	6,153	-	-	32,743	-	-
Total 31/12/2012	3,915,021	-	-	125,214	-	-
Total 31/12/2011	2,240,018	-	-	101,125	-	-

B.2 Territorial distribution of the 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 Non-performing loans	282,015	332,407	406	3,418
A.2 Watchlist loans	461,408	199,237	7,248	2,702
A.3 Restructured exposures	48,339	12,004	-	-
A.4 Past due exposures	427,628	54,048	1,697	120
A.5 Other exposures	24,781,181	141,195	387,212	11,459
Total A	26,000,571	738,891	396,563	17,699
B. Off-balance sheet exposures				
B.1 Non-performing loans	5,914	6,959	-	-
B.2 Watchlist loans	15,603	1,142	-	-
B.3 Other impaired assets	17,040	-	-	-
B.4 Other exposures	4,546,351	-	280,074	-
Total B	4,584,908	8,101	280,074	-
Total 31/12/2012	30,585,479	746,992	676,637	17,699
Total 31/12/2011	27,150,191	418,241	640,263	5,987

As regards the geographical distribution of exposures to customers resident in Italy, amounts «Due from customers» are mainly concentrated in the traditional areas served by the Bank, namely the North West (80.3%) and Centre (13.3%), followed by the North East (5.2%) and the South and Islands (1.2%).



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
5,893	7,978	-	-	-	-	213,214	273,233	-	63,697	54,695	-
4,004	1,826	-	-	-	-	366,208	177,791	-	98,444	22,322	-
-	-	-	-	-	-	47,665	12,000	-	674	4	-
5,935	5,503	-	-	-	-	296,087	36,820	-	127,908	11,884	-
3,751,101	-	20,390	23,527	-	17	13,717,377	-	105,053	3,741,119	-	27,409
3,766,933	15,307	20,390	23,527	-	17	14,640,551	499,844	105,053	4,031,842	88,905	27,409
-	-	-	-	17	-	5,559	6,792	-	355	150	-
-	-	-	-	-	-	14,797	1,116	-	806	26	-
-	-	-	-	-	-	13,099	-	-	3,941	-	-
325,325	-	-	145	-	-	4,199,817	-	-	281,972	-	-
325,325	-	-	145	17	-	4,233,272	7,908	-	287,074	176	-
4,092,258	15,307	20,390	23,672	17	17	18,873,823	507,752	105,053	4,318,916	89,081	27,409
3,093,573	9,026	7,617	20,720	211	8	17,944,767	236,588	80,557	4,507,820	67,679	22,830

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
383	82	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	605	39	-	-
61,414	129	4,403	85	254	2
61,797	211	5,008	124	254	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,842	-	16,887	-
-	-	2,842	-	16,887	-
61,797	211	7,850	124	17,141	2
90,972	244	6,300	21	20,296	20



B.3 Territorial distribution of the 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 Non-performing loans	-	-	-	-
A.2 Watchlist loans	-	-	-	-
A.3 Restructured exposures	-	-	-	-
A.4 Past due exposures	-	-	-	-
A.5 Other exposures	1,266,445	-	944,401	-
Total A	1,266,445	-	944,401	-
B. Off-balance sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Watchlist loans	-	-	-	-
B.3 Other impaired assets	-	-	-	-
B.4 Other exposures	126,021	-	251,896	-
Total B	126,021	-	251,896	-
Total 31/12/2012	1,392,466	-	1,196,297	-
Total 31/12/2011	1,669,940	-	1,189,217	-

B.4 Significant risks

	31/12/2012	31/12/2011
a1) Amount («nominal»)	11,567,139	10,169,506
a2) Amount («risk position»)	2,921,416	3,133,765
b) Number	14	16

The exposure limit of 10% of capital for supervisory purposes - 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.

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,999	-	14,889	-	2,352	-
22,999	-	14,889	-	2,352	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,118	-	5,019	-	397	-
4,118	-	5,019	-	397	-
27,117	-	19,908	-	2,749	-
44,612	-	30,007	-	55,938	-



C. Securitisation transactions and disposal of assets

C.2 Disposals

A. Financial assets sold and not eliminated from the balance sheet

QUANTITATIVE INFORMATION

C.2.1 Financial assets sold and not eliminated from the balance sheet: book value and full value

Technical forms/Portfolio	Financial assets held for trading			Financial assets carried at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	263,075	-	-	-	-	-	275,287	-	-
1. Fixed-yield securities	263,075	-	-	-	-	-	275,287	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2012	263,075	-	-	-	-	-	275,287	-	-
<i>of which: impaired</i>	-	-	-	-	-	-	-	-	-
Total 31/12/2011	773,333	-	-	-	-	-	298,287	-	-
<i>of which: impaired</i>	-	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

These are securities sold under repurchase agreements.

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet: book value

Liabilities/Portfolio of assets	Financial assets held for trading	Financial assets carried at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total 31/12/2012
1. Due to customers	-	-	-	-	-	-	-
a) for assets recognised in full	262,330	-	271,481	-	-	-	533,811
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to banks	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2012	262,330	-	271,481	-	-	-	533,811
Total 31/12/2011	777,634	-	303,301	-	-	-	1,080,935



Financial assets held to maturity			Due from banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
-	-	-	-	-	-	-	-	-	538,362	1,071,620
-	-	-	-	-	-	-	-	-	538,362	1,071,620
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	538,362	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,071,620
-	-	-	-	-	-	-	-	-	-	-

Section 2 *Market risks*

2.1 Interest rate risk and price risk - trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

The principal source of interest rate risk consists of the fixed-yield securities classified under «financial assets held for trading».

The objectives and strategies for trading activities involving the securities portfolio are designed to maximise its profitability by taking investment opportunities, while working to contain the level of risk. This means that the duration of the bond portfolio is very short.

The bank's role in trading activities essentially consists of arbitrage in securities to benefit from short-term trading opportunities, rather than of taking long-term risk positions.

This strategy is consistent with the general approach adopted by the bank, based on the prudent management of all risks.

With regard to the treatment of derivative instruments, the offices deal in untraded options on fixed-yield government securities, while activity regarding other innovative or complex instruments is negligible.

The nature of trading activities did not change significantly over the year.

The main source of price risk consists of variable-yield securities and units in mutual funds classified as «financial assets held for trading», including the investments that service employees' post-employment benefits.

As with regard to interest rate risk, the strategy for containing price risk as part of the bank's overall risk management strategy is to take a prudent approach.

This is evidenced by the low weighting of variable-yield securities within the entire securities portfolio (excluding those servicing the post-employment benefits of employees), which represent just 2.30% of the overall total of 45.882 million.

Furthermore, variable-yield securities comprise holdings in leading companies with a liquid market and a good dividend yield.

Once again, trading activity concentrates on benefiting from short-term opportunities while, with regard to derivatives, the transactions in equity options have been both limited.

There were no significant changes during the year.

B. Management and measurement of interest rate risk and price risk

The internal processes for control and management of the interest rate risk associated with the trading portfolio have the following characteristics. The organisational structure comprises: the Board of Directors, which establishes guidelines and the maximum degree of acceptable risk; General Management, which carries out supervision and, in turn, sets limits on risk that are consistent with those established by the Board; the «central and branch internal auditors», part of the Internal Audit function, who check on compliance with established limits; the «Risk control» office, within the Planning and management control department, measures risk and produces the related reports; the «Treasury» office, within the Finance department, and the «Exchange centre», within the International department, accept risk by operating in the markets.

The system for the limitation of risk, especially market risk (exchange rate, share price), is governed by the Board resolution on «Operational and managerial limits for financial activities» adopted on 29 November 2001, as amendment with resolution dated 27 April 2009. This system is organised on the basis described below. As part of its governance functions, the Board of Directors quantifies the maximum acceptable loss for the period, consistent with the bank's volume of business. At operational level, General Management allocates this Maximum Acceptable Loss between market risks and credit risks. Suitable limits on the potential exposure to financial risk are established in terms of Value at Risk.

The characteristics of the internal management and control of price risk in relation to the trading portfolio are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk.

The procedures for the control and management of risk described above have not changed significantly during the year.

The methodology used for the analysis of sensitivity to interest rate risk essentially comprises application of the internal model for strategic Asset & Liability Management (ALM), described in section 2.2 below (interest rate risk inherent in the bank's portfolio), and an internal model for the daily calculation of Value at Risk (VaR) also used for the analysis of sensitivity to price risk - limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties - with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the famous JP Morgan Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for supervisory purposes: as for interest rate risk, debt securities, repurchase agreements, forward contracts on fixed-yield securities, options on variable-yield securities and forward contracts on exchange rates, in addition to, and limited to the year-end figures, other financial derivatives (derivatives in a strict sense) traded by the Exchange Centre (options on exchange rates, forward contracts on goods, options on interest rates, interest rate swaps); as regards price risk, variable-yield securities, purchase/sale transactions not yet settled in variable-yield securities and options on variable-yield securities. Apart from the instruments shown in table 2 below, the VaR model also covers mutual funds and forward contracts traded by the Exchange Centre. The price risk on foreign currency mutual funds also includes exchange risk.

Note that, only in the year-end figures, there has been a restatement in which, unlike what happens in the usual daily surveys, the repurchase agreements with underlying fixed-yield securities of the bank book have been excluded from the trading portfolio for supervisory purposes.

Options have been treated using the delta-gamma methodology, while any warrants would have been treated as variable-yield securities of the same value.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

The policies and procedures for comparison of the model's results with actual results («back-testing») regarding the trading portfolio for supervisory purposes, limited to debt securities on the one hand, and variable-yield securities and mutual funds on the other, consist of a comparison between the daily VaR and the change in market value on the following day for the same positions used to calculate the VaR (theoretical loss) and the difference between capital gains, write-backs, capital losses, and the realised gains and losses on transactions in the shares held in the portfolio, as reported by the securities procedure (actual loss). For back-testing purposes, the VaR information and the theoretical and actual losses include both the price risk and the exchange risk element deriving from shares, funds and sicavs denominated in foreign currencies.

As for the changes that have taken place in the risk exposure, measured in terms of VaR, compared with the previous year, based on interest rate risk the total average VaR has gone down from 3.099 million to 1.584 mainly because of fixed-yield securities (from 3.092 million to 1.575); on the Price risk the global VaR at period end decreased from 2.651 million to 1.735; on the interest rate and price risk global VaR at period end has also decreased from 4.731 million to 3.005.



We would also like to comment on the year-end figures generated by the ALM procedure, limited to the debt securities in the trading portfolio for supervisory purposes as well as lending and funding repurchase agreements; the effect of a change in interest rates of +100 basis points over twelve months on the future interest margin – the difference between the future interest income on fixed-yield securities held in the trading portfolio for supervisory purposes and on lending repos and the future interest expense on funding repos – has gone from an increase of 18.036 million to one of 14.385 million; the effect of an instantaneous change in interest rates by +100 basis points on equity – the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos with respect to that of funding repos – has passed from a loss of 11.744 million to one of 11.889 million; the difference between the future income margin for the following twelve months under the most favourable scenario and that under the worst outcome has decreased from 31.014 million to 27.790 million.

Note that all of the figures indicated above are net of repurchase agreements with underlying fixed-yield securities held in the bank book.

The internal model is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank of Italy. The Standardised approach is used in this case.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	8	1,372,112	707,475	108,793	199,427	35,354	10	-
1.1 Fixed-yield securities	-	875,829	707,475	108,793	199,427	35,354	10	-
- with early repayment option	-	39,088	-	-	-	-	-	-
- other	-	836,741	707,475	108,793	199,427	35,354	10	-
1.2 Other assets	8	496,283	-	-	-	-	-	-
2. Cash liabilities	258	58,901	104,561	98,609	-	-	-	-
2.1 Repurchase agreements	258	58,901	104,561	98,609	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	2,911,398	741,492	164,261	440,835	193,808	48,914	-
3.1 With underlying security	-	18,309	2,777	2,126	1,030	-	11,618	-
- Options	-	5,469	2,777	2,126	-	-	-	-
+ Long positions	-	4,535	-	-	-	-	-	-
+ Short positions	-	934	2,777	2,126	-	-	-	-
- Other derivatives	-	12,840	-	-	1,030	-	11,618	-
+ Long positions	-	6,423	-	-	515	-	5,808	-
+ Short positions	-	6,417	-	-	515	-	5,810	-
3.2 Without underlying security	-	2,893,089	738,715	162,135	439,805	193,808	37,296	-
- Options	-	7,098	13,649	34,100	130,305	178,212	23,774	-
+ Long positions	-	3,551	6,826	17,060	65,150	89,109	11,887	-
+ Short positions	-	3,547	6,823	17,040	65,155	89,103	11,887	-
- Other derivatives	-	2,885,991	725,066	128,035	309,500	15,596	13,522	-
+ Long positions	-	1,446,266	363,050	62,311	154,751	7,798	6,761	-
+ Short positions	-	1,439,725	362,016	65,724	154,749	7,798	6,761	-

**Currency: USD**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	10	-	-	-
1.1 Fixed-yield securities	-	-	-	-	10	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	10	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,830,121	114,920	113,784	11,140	-	-	-
3.1 With underlying security	-	-	120	155	-	-	-	-
- Options	-	-	120	155	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	120	155	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1,830,122	114,800	113,629	11,140	-	-	-
- Options	-	2,404	3,805	15,927	378	-	-	-
+ Long positions	-	1,202	1,903	7,964	189	-	-	-
+ Short positions	-	1,202	1,902	7,963	189	-	-	-
- other	-	1,827,718	110,995	97,702	10,762	-	-	-
+ Long positions	-	912,359	55,244	50,368	5,381	-	-	-
+ Short positions	-	915,359	55,751	47,334	5,381	-	-	-

**Currency: CHF**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,669,848	1,353,121	97,207	1,699,810	430,086	828	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1,669,848	1,353,121	97,207	1,699,810	430,086	828	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	1,669,848	1,353,121	97,207	1,699,810	430,086	828	-
+ Long positions	-	834,817	676,212	48,706	849,905	215,043	414	-
+ Short positions	-	835,031	676,909	48,501	849,905	215,043	414	-

**Currency: JAPANESE YEN**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	180,005	3,992	450	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	180,005	3,992	450	-	-	-	-
- Options	-	-	462	450	-	-	-	-
+ Long positions	-	-	231	225	-	-	-	-
+ Short positions	-	-	231	225	-	-	-	-
- other	-	180,005	3,530	-	-	-	-	-
+ Long positions	-	89,890	1,760	-	-	-	-	-
+ Short positions	-	90,115	1,770	-	-	-	-	-

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	333,874	20,204	101,584	31,407	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	333,874	20,204	101,584	31,407	-	-	-
- Options	-	-	-	2,878	1,416	-	-	-
+ Long positions	-	-	-	1,439	708	-	-	-
+ Short positions	-	-	-	1,439	708	-	-	-
- other	-	333,874	20,204	98,706	29,991	-	-	-
+ Long positions	-	165,674	10,102	49,354	14,996	-	-	-
+ Short positions	-	168,200	10,102	49,352	14,995	-	-	-

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed						Unlisted
	Italy	United States of America	United Kingdom	Japan	Germany	Other	
A. Variable-yield securities	-	-	-	-	-	-	-
- long positions	32,779	-	-	-	2,650	3,164	1,819
- short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-	-	-
- long positions	5,508	-	-	-	-	-	-
- short positions	1,653	-	-	-	-	268	-
C. Other derivatives on variable-yield securities	-	-	-	-	-	-	-
- long positions	5,758	-	-	-	-	354	-
- short positions	4,208	-	-	-	-	327	-
D. Derivatives on stock indices	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-



3. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Here we show the year-end figures for VaR split between rate risk and price risk, and between transactions explicitly foreseen in table 2 above and other transactions for which the calculation is carried out in any case.

Note that in the following table, the figures exclude repurchase agreements with underlying fixed-yield securities held in the bank book; the figures are therefore comparable with those published in the same table last year.

Value at Risk (VaR), end of year

	(in thousands of euro)
1. Cash assets	1,574.9
1.1 Fixed-yield securities	1,574.9
1.2 Other assets	0.3
2. Cash liabilities	21.9
2.1 Repurchase agreements	21.9
2.2 Other liabilities	-
3. Financial derivatives	15.3
3.1 With underlying security	-
- Options	-
+ Long positions	-
+ Short positions	-
- Other derivatives	-
+ Long positions	147.8
+ Short positions	147.8
3.2 Without underlying security	15.3
- Options	20.6
- Other derivatives	7.3
+ Long positions	2,018.0
+ Short positions	2,010.8
Total interest rate risk	1,583.8
A. Variable-yield securities	1,501.3
- long positions	1,501.3
- short positions	-
B. Purchase/sale transactions not yet settled in variable-yield securities	145.8
- long positions	208.4
- short positions	71.1
C. Other derivatives on variable-yield securities	35.0
- long positions	242.7
- short positions	207.6
D. Derivatives on stock indices	-
- long positions	-
- short positions	-
Total Price risk transactions table 2	1,671.0
Mutual funds	135.5
Forward contracts on other instruments (goods)	-
- long positions	118.4
- short positions	118.4
Options on other instruments (goods)	-
- long positions	-
- short positions	-
Total Price risk	1,734.5
Total Interest rate risk and price risk	3,004.5

Interest rate risk

Information on average, minimum and maximum VaR is provided below.

Note that in the following two tables, the figures include repurchase agreements with underlying fixed-yield securities held in the bank book; the figures are therefore comparable with those published in the same tables last year.

Total Value at Risk (VaR)

	(in thousands of euro)
average	2,044.9
minimum	1,207.6
maximum	3,635.1

With regard to the distribution of VaR during the year, the average VaR for each month in 2012 is presented below.

January	2,532.9
February	1,945.9
March	1,873.7
April	1,788.2
May	1,875.9
June	2,450.0
July	2,954.9
August	2,455.4
September	2,042.3
October	1,505.2
November	1,449.9
December	1,706.4

With reference to debt securities forming part of the trading portfolio for supervisory purposes, the number of days on which actual losses exceeded VaR was 56 out of 244 observations, the number of days on which theoretical losses exceeded VaR was 56 out of 244 observations.

Price risk

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	2,080.7
minimum	1,131.8
maximum	3,449.0

With regard to the distribution of VaR during the year, the average VaR for each month in 2012 is presented below.

January	2,038.3
February	1,503.3
March	1,364.4
April	1,849.4
May	2,392.9
June	2,355.8
July	2,639.0
August	2,949.6
September	2,267.1
October	2,052.8
November	1,727.9
December	1,773.4



With reference to variable-yield securities and mutual funds forming part of the trading portfolio for supervisory purposes, the number of days on which actual losses exceeded VaR was 1 out of 244 observations, the number of days on which theoretical losses exceeded VaR was 0 out of 244 observations.

Interest rate risk and price risk

Information on average, minimum and maximum VaR is provided below.

Note that in the following two tables, the figures include repurchase agreements with underlying fixed-yield securities held in the bank book; the figures are therefore comparable with those published in the same tables last year.

Total Value at Risk (VaR)

	(in thousands of euro)
average	3,582.3
minimum	2,297.4
maximum	5,942.8

With regard to the distribution of VaR during the year, the average VaR for each month in 2012 is presented below.

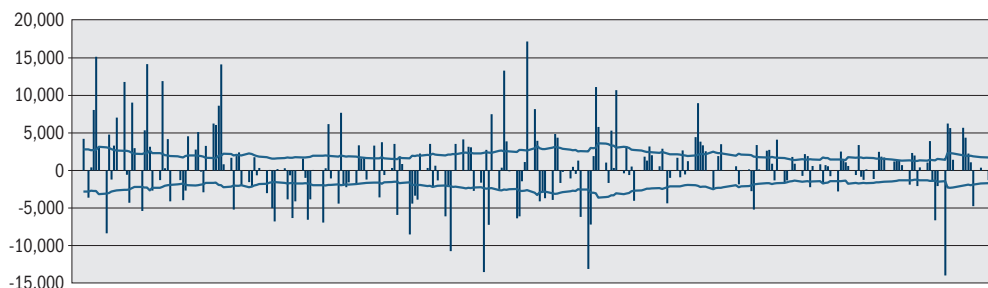
January	3,817.8
February	3,033.5
March	2,870.6
April	3,264.1
May	3,543.0
June	4,281.9
July	5,140.1
August	4,705.3
September	3,657.8
October	2,993.9
November	2,580.4
December	3,070.3

With reference to fixed-yield securities, variable-yield securities and mutual funds forming part of the trading portfolio for supervisory purposes, the number of days on which actual losses exceeded VaR was 36 out of 244 observations, the number of days on which theoretical losses exceeded VaR was 36 out of 244 observations.

The following graphs compare VaR with the daily results.

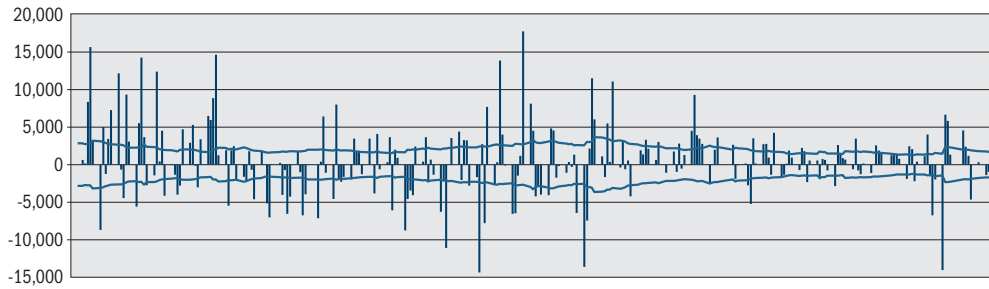
Fixed-yield securities: VaR and actual profits/losses

(in thousands of euro)



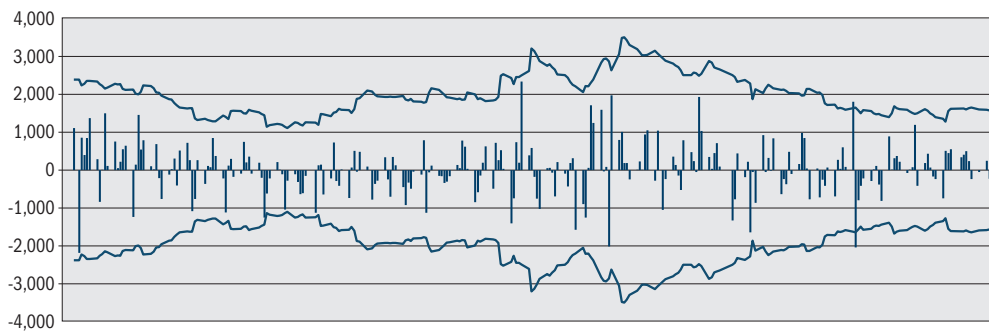
Fixed-yield securities: VaR and theoretical profits/losses

(in thousands of euro)



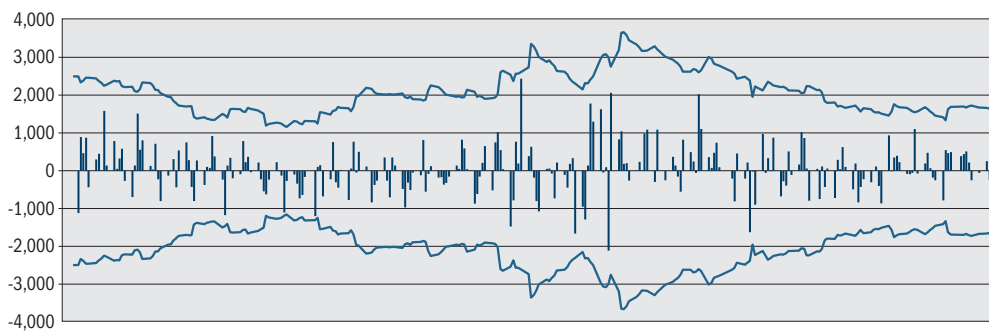
Variable-yield securities and mutual funds: VaR and actual profits/losses

(in thousands of euro)



Variable-yield securities and mutual funds: VaR and theoretical profits/losses

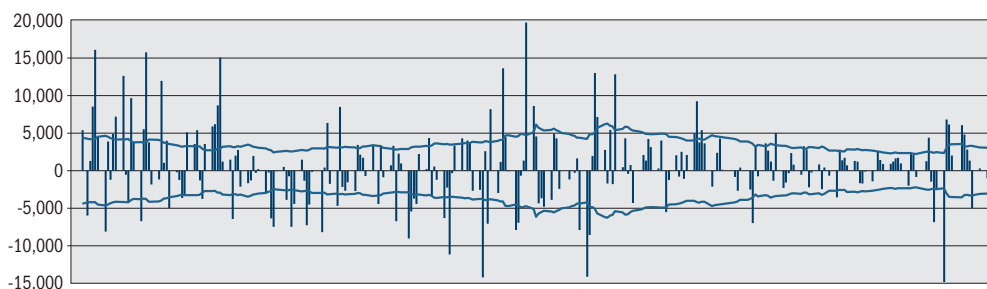
(in thousands of euro)





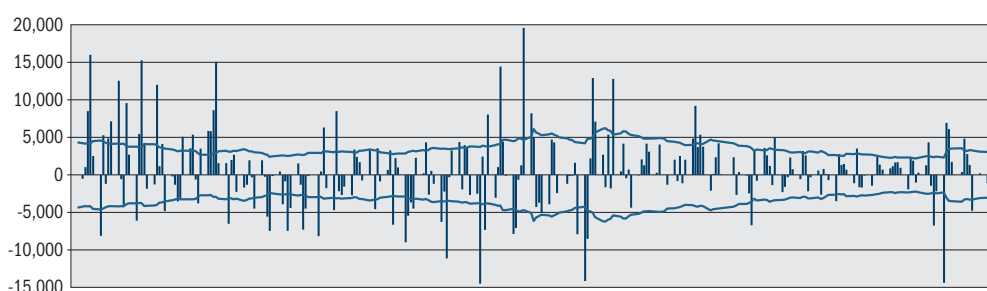
Fixed-yield securities, equities and mutual funds: VaR and actual profits/losses

(in thousands of euro)



Fixed-yield securities, equities and mutual funds: VaR and theoretical profits/losses

(in thousands of euro)



With regard to the fixed-yield securities held in the trading portfolio for supervisory purposes as well as lending and funding repos (with underlying fixed-yield securities in the trading portfolio for supervisory purposes), the following information is taken from the ALM procedure, consistent with that provided in section 2.2 below in relation to the bank book. Note that in this case the figures shown in the following tables are not comparable with those published last year, which, with the exception of the «end of year (new definition)» exposures, were calculated including repurchase agreements with underlying fixed-yield securities in the bank book.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

For a change of -100 basis points, the sign of the amounts should be reversed.

The future interest margin is understood as being the difference between the future interest income on the trading portfolio for supervisory purposes and lending repos (with underlying fixed-yield securities in the trading portfolio for supervisory purposes) calculated only on the transactions outstanding at the reference date.

Exposure to risk

	(in thousands of euro)
at period end	14,385
average	14,428
minimum	11,459
maximum	18,327

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is defined as the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos, and that of funding repos (with underlying fixed-yield securities in the trading portfolio for supervisory purposes).

Exposure to risk

	(in thousands of euro)
at period end	-11,889
average	-11,383
minimum	-9,987
maximum	-13,756

Difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in section 2.2 on the interest rate risk of the bank book.

Exposure to risk

	(in thousands of euro)
at period end	-27,790
average	-22,698
minimum	-4,838
maximum	-49,565

2.2 Interest rate risk and price risk - Bank portfolio

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

The principal sources of interest rate risk deriving from fair value are associated with funding transactions (especially the issue of bonds) and lending transactions (principally long-term loans and fixed-yield securities) at a fixed rate; the interest rate risk deriving from cash flows is originated by other sight or indexed rate assets and liabilities, which represent the majority of the total.

The internal management and control of interest rate risk is centralised within General Management, which periodically checks the ALM situation (integrated asset and liability management) prepared each month and takes the necessary operational decisions.

There were no significant changes during the year in the risk management and control procedures described.

The measurement and control of interest rate essentially consists of the methodology for the «control of exposure to interest rate risk» defined by the Bank of Italy in Attachment C - Section III, Chapter 1 of the «New Supervisory instructions for banks» (Circular Letter 263 of 27 December 2006), and in an internal model for strategic Asset & Liability Management (ALM) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, the model used supports «gap analysis» for analysing the sensitivity of net interest income and «duration analysis» for analysing the sensitivity of equity, only from a static standpoint, considering the transactions outstanding at the reference date, based on three alternative scenarios for rate changes provided by external consultants using their own econometric model. The gap analysis and the related scenario analysis take account of the introduction of a stickiness model for asset and liability current accounts and deposits accounts.

The system covers the following assets in terms of financial instruments exposed to interest rate risk included in the trading portfolio or in the Bank's own portfolio. The first includes interest-earning assets and interest-bearing liabilities (excluding «sight and overnight deposits»), as defined in the balance sheet format prepared by the National Association of Cooperative Banks, based on the supervisory matrix, excluding bankers' drafts, certificates of deposit and all securities held apart from fixed-yield securities (note that the securities

classified as non-performing in the supervisory matrix are excluded from interest-earning assets in the table). The second includes the same instruments, except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos (with underlying fixed-yield securities in the trading portfolio for supervisory purposes), as the information on these is disclosed in section 2.1 above on the trading portfolio for supervisory purposes.

The various risk profiles are aggregated by simple summation.

The internal policies and procedures for the analysis of scenarios involve calculating all the results under the three, more or less favourable, alternative scenarios mentioned for possible changes in interest rates.

The source of price risk lies in the variable-yield securities and mutual funds not included in the trading portfolio for supervisory purposes, excluding treasury shares. It therefore includes the variable-yield securities classified as equity investments and the variable-yield securities and mutual funds classified as «financial assets available for sale» or «financial assets carried at fair value».

The equity investments held by the bank essentially relate to companies that supply the goods and services which complete the bank's range of commercial services and, therefore, are necessary for the achievement and maintenance of an effective competitive position. These are stable investments and reflect the established strategy of concentrating the bank's activities on ordinary operations, while also making recourse – for certain, important near-banking activities (mutual funds, insurance, leasing, factoring, stockbroking, trust management etc.) – to specialist operators. Banca Popolare di Sondrio (Suisse) SA, a wholly owned Swiss bank that is part of the banking group, does not strictly adhere to these principles; Factorit spa, which was acquired for the strategic intention of reinforcing the commercial services that the Banking Group could offer its corporate customers, especially in the management of domestic and international receivables; in addition, Pirovano Stelvio spa and Sinergia Seconda srl.

The Bank understands these companies well and participates in their management; accordingly, the risk - which is more strategic than market related - is well monitored.

We would reiterate that «financial assets available for sale» include non derivative financial assets not classified as «loans», «financial assets held for trading» or «assets held to maturity», while the portfolio of «financial assets carried at fair value» includes those securities to which the Bank decided to apply the fair value option».

The measurement and control of price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties – essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the bank book, which no longer has a specific table in these notes: variable-yield securities (including equity investments) and mutual funds. The price risk on foreign currency mutual funds also includes exchange risk.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

B. Fair value hedges

The bank has not arranged any macro hedges, nor has hedging operations outstanding.

C. Cash flow hedges

The Bank has not arranged any cash-flow hedges.

D. Hedges of foreign investments

The bank did not carry out any hedges of foreign investments.

QUANTITATIVE INFORMATION

1. Bank book: distribution by residual duration (repricing date) of financial assets and liabilities

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 months	5 to 10 months	Over 10 months	Unspecified duration
3. Financial derivatives	1,307	60,846	1,893	3,620	43,684	57,841	79,927	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Senza titolo sottostante	1,307	60,846	1,893	3,620	43,684	57,841	79,927	-
+ Options	1,307	60,846	1,893	3,620	43,684	57,841	79,927	-
- Long positions	859	2,248	1,594	3,319	29,220	37,066	53,365	-
- Short positions	448	58,598	299	301	14,464	20,775	26,562	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	739,089	222,995	100,000	-	10,025	50	-	-
- Long positions	203,009	222,995	100,000	-	10,025	50	-	-
- Short positions	536,080	-	-	-	-	-	-	-

This table only shows financial derivatives as a price risk sensitivity analysis based on internal models is provided for cash assets and liabilities.

2. Bank book: internal models and other methodologies for the analysis of sensitivity

Interest rate risk

With reference to the interest-earning assets and interest-bearing liabilities - except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos (with underlying fixed-yield securities in the trading portfolio for supervisory purposes), as the information on these is disclosed in the section on the trading portfolio for supervisory purposes - as defined in the paragraph in this section on qualitative information, the following are the figures taken from the ALM procedure. Note that the figures shown in the following tables are not comparable with those published last year, which, with the exception of the «end of year (new definition)» exposures, were calculated also excluding repurchase agreements with underlying fixed-yield securities in the bank book.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.



The future interest margin is understood as being the difference between the future interest income on interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and the future interest expense on interest-bearing liabilities (excluding funding repos with underlying fixed-yield securities in the trading portfolio for supervisory purposes), based solely on transactions outstanding at the reference date.

Exposure to risk

	(in thousands of euro)
at period end	19,391
average	17,426
minimum	10,115
maximum	24,494

Effects of a change in interest rates by -100 basis points over a twelve-month period on the future interest margin.

Exposure to risk

	(in thousands of euro)
at period end	-107,637
average	-9,522
minimum	7
maximum	-107,637

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is understood as being the difference between the present value of interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and that of interest-bearing liabilities (excluding funding repos with underlying fixed-yield securities in the trading portfolio for supervisory purposes).

Exposure to risk

	(in thousands of euro)
at period end	-63,752
average	-34,181
minimum	-17,107
maximum	-63,752

Difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in this section.

Exposure to risk

	(in thousands of euro)
at period end	-48,383
average	-31,047
minimum	-6,391
maximum	-59,993

Price risk

With reference to the closing date, we report above all the VaR figures specifying that: they refer to transactions that are no longer explicitly foreseen in the standard tables of the notes, but on which we still carry out the calculation; they are consistent with those published last year, also in terms of presentation.

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	10,514.6
- of which equity investments	8,260.0
Mutual funds	556.0
Total	10,639.2

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	15,558.5
minimum	10,639.1
maximum	21,725.6

With regard to the distribution of VaR during the year, the average VaR for each month in 2012 is presented below.

January	16,512.5
February	13,564.5
March	12,374.1
April	15,357.5
May	17,478.9
June	17,330.1
July	19,453.0
August	19,038.2
September	16,423.8
October	14,810.2
November	12,318.8
December	11,718.1

2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The principal sources of exchange risk are: the investment in Banca Popolare di Sondrio (Suisse) SA, denominated in Swiss francs, certain other equities, variable-yield securities and mutual funds denominated in foreign currencies and the net foreign currency position managed by the «Exchange Centre», deriving principally from intermediation in repos with private customers and on the interbank market, as well as the implications of the Bank's foreign exchange position deriving from trading in other financial products (difference between premiums on currency options, interest on foreign currency deposits. etc.).

Excluding securities, the Bank's role in foreign currency transactions is largely commercial, with a view to meeting customers' needs.

The characteristics of the internal management and control of exchange risk are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk in section 2.1, to which reference is made.



There were no significant changes during the year in the risk management and control procedures described.

The measurement and control of exchange risk essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with JP Morgan's well-known riskmetrics methodology. It covers the following assets in terms of financial instruments exposed to exchange rate risk at the balance sheet date: all of the foreign currency assets and liabilities (excluding gold, the African Financial Community franc, the Latvian lat, the Lithuanian litas, the Kenyan shilling, the new Bulgarian lev, the nuevo sol of Peru, the Ukrainian hryvnia and the Qatar riyal) shown in table 1 below, excluding mutual funds in foreign currency where the exchange risk is included in price risk, and items classified as settled. moreover, the balances used by the internal model do not include accrued income and prepaid expenses, accrued expenses and deferred income, the interest portion of unpaid instalments, the differentials on adoption of the amortised cost principle and loan writedowns. In addition to those shown in table 1 above (options on exchange rates and forward contracts on commodities), the financial derivatives (in a strict sense) traded by the Exchange Centre also include interest rate swaps. The forward contracts on exchange rates and variable-yield securities are treated analytically, whereas the overall difference of the other items by individual currency is treated as a deposit (positive or negative) with a maturity of one day.

holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

The internal model based on VaR is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank of Italy. The standard methodology is used in this case.

B. Hedging of exchange risk

The Bank has not arranged any specific hedges of exchange risk. The position of the Exchange Centre is updated on a real-time basis; this enables exchange traders to act in the interbank market to offset any mismatches that may arise due to the transactions described above.

Any unmatched foreign currency positions are small and, in any case, fall within the limits established by the internal regulations and the tighter limits on VaR established by General Management.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	881,265	41,410	40,500	776,592	11,386	36,620
A.1 Fixed-yield securities	10	-	-	-	-	-
A.2 Variable-yield securities	12,921	2,286	1,612	109,341	-	-
A.3 Loans to banks	106,441	38,181	15,891	50,547	11,343	29,352
A.4 Loans to customers	761,893	943	22,997	616,704	43	7,268
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	3,030	790	275	6,155	118	1,368
C. Financial liabilities	876,355	38,822	39,523	681,119	11,446	35,388
C.1 Due to banks	676,883	1,257	17,261	388,695	1,603	13,955
C.2 Due to customers	199,472	37,565	22,262	292,424	9,843	21,433
C.3 Fixed-yield securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	4,005	39	-	128	30	21
E. Financial derivatives	2,069,845	93,766	184,449	401,330	21,429	371,873
- Options	22,513	-	913	-	-	4,294
+ Long positions	11,257	-	457	-	-	2,147
+ Short positions	11,256	-	456	-	-	2,147
- Other	2,047,332	93,766	183,536	401,330	21,429	367,579
+ Long positions	1,023,430	46,291	91,651	200,312	10,721	183,113
+ Short positions	1,023,902	47,475	91,885	201,018	10,708	184,466
Total assets	1,918,982	88,491	132,883	983,059	22,225	223,248
Total liabilities	1,915,518	86,336	131,864	882,265	22,184	222,022
Net balance	3,464	2,155	1,019	100,794	41	1,226

2. Internal models and other methodologies for the analysis of sensitivity

With reference to the closing date, we report above all the VaR figures split between the transactions explicitly foreseen in table 1 and the other transactions on which the calculation is carried out.

Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities	0.2
Variable-yield securities	354.0
Net balance between other assets and liabilities	14.5
financial derivatives	28.5
- Options	0.0
+ Long positions	127.3
+ Short positions	127.2
- Other derivatives	28.6
+ Long positions	14,126.4
+ Short positions	14,152.6
Total transactions table 1	337.5
- Interest Rate Swaps	16.0
+ Long positions	7,786.1
+ Short positions	7,770.1
Total	353.5



Details of the principal currencies

US Dollars	17.8
Sterling	17.9
Japanese Yen	8.8
Swiss Francs	353.5
Canadian Dollars	0.5
Other currencies	6.8
Total	353.5

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	172.9
minimum	61.1
maximum	441.7

With regard to the distribution of VaR during the year, the average VaR for each month in 2012 is presented below.

January	163.2
February	111.2
March	141.6
April	176.7
May	129.6
June	101.9
July	95.3
August	119.0
September	272.3
October	266.0
November	201.6
December	337.5

2.4 Derivative instruments

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: notional amounts at period end and average amounts

Underlying assets /Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	3,137,033	-	2,984,166	-
a) Options	87,673	-	159,618	-
b) Swaps	3,049,360	-	2,824,548	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	-	61,981	20,880	-
a) Options	-	61,981	20,880	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	2,785,395	-	5,826,853	-
a) Options	53,143	-	75,455	-
b) Swaps	-	-	40,231	-
c) Forwards	2,732,252	-	5,711,167	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	12,795	-	13,291	-
5. Other underlying assets	-	-	-	-
Total	5,935,223	61,981	8,845,190	-
Averages	7,390,207	30,990	8,301,332	-

As foreseen in the Bank of Italy's Circular 262/05, the tables in this section do not include trades in securities, commodities or foreign currencies with settlement by a date in line with market practice for transactions of the same kind or within five working days of the transaction date.



A.3 Financial derivatives: gross positive fair value - breakdown by product

Portfolio/Type of derivatives	POSITIVE FAIR VALUE			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	93,612	565	151,356	-
a) Options	1,085	565	2,796	-
b) Interest rate swaps	73,359	-	69,158	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	19,012	-	78,816	-
f) Futures	-	-	-	-
g) Other	156	-	586	-
B. Bank book - for hedging purposes	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	93,612	565	151,356	-

The positive fair value of forwards in the trading portfolio for supervisory purposes only includes transactions with underlying currency.

A.4 Financial derivatives: gross negative fair value - breakdown by product

Portfolio/Type of derivatives	NEGATIVE FAIR VALUE			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	86,203	528	143,756	-
a) Options	1,054	528	2,761	-
b) Interest rate swaps	66,208	-	61,848	-
c) Cross currency swaps	-	-	302	-
d) Equity swaps	-	-	-	-
e) Forward	18,816	-	78,284	-
f) Futures	-	-	-	-
g) Other	125	-	561	-
B. Bank book - for hedging purposes	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	86,203	528	143,756	-

The negative fair value of forwards in the trading portfolio for supervisory purposes only includes transactions with underlying currency.



A.5 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	-	-	2,780,910	43,062	-	297,025	16,037
- positive fair value	-	-	51,145	385	-	21,240	830
- negative fair value	-	-	66,341	-	-	106	1
- future exposure	-	-	16,078	7	-	744	63
2) Variable-yield securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	1,539,776	55,918	-	953,372	236,329
- positive fair value	-	-	5,698	1,034	-	11,565	1,560
- negative fair value	-	-	14,699	143	-	3,058	1,730
- future exposure	-	-	15,675	559	-	10,162	2,366
4) Other assets							
- notional value	-	-	6,397	-	-	6,397	-
- positive fair value	-	-	57	-	-	99	-
- negative fair value	-	-	83	-	-	42	-
- future exposure	-	-	649	-	-	649	-

A.9 Residual life of OTC financial derivatives: notional values

Underlyings/residual value	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	3,405,017	2,052,429	477,777	5,935,223
A.2 Financial derivatives on variable-yield securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	2,741,988	43,407	-	2,785,395
A.4 Financial derivatives on other instruments	11,893	902	-	12,795
B. Bank book				
B.1 Financial derivatives on fixed-yield securities and interest rates	-	-	-	-
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 31/12/2012	3,405,017	2,052,429	477,777	5,935,223
Total 31/12/2011	6,536,567	1,577,438	731,186	8,845,191

Section 3 *Liquidity risk*

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Liquidity risk typically reveals itself in the form of an inability to meet payment commitments or an incapacity to finance assets with the necessary punctuality on a cost/effective basis. These negative circumstances can occur as the company finds it impossible:

- to raise funds or obtain them at a reasonable cost (funding liquidity risk);
- to sell or reduce its position without severely affecting the price, due to low efficiency or malfunctioning on the part of the market (market liquidity risk).

The Bank's overall strategy for managing liquidity risk, with its low propensity for risk, consists above all of giving priority to liquidity objectives rather than profitability, always taking a prudent approach.

This preference for limited exposure to liquidity risk also manifests itself in the adoption of specific operating guidelines that make it possible to reduce the likelihood of such problems arising.

In particular, as regards the first of these sources of risk, the Bank makes considerable efforts to avoid a concentration of funding; its very nature as a cooperative bank is to be close to households and small businesses and this makes it possible to enjoy a wide and stable retail funding base, which by definition is widely diversified.

Another source of funding is the interbank market, on which the Bank has never had problems raising money at market conditions, given its high reputation.

As regard the potential liquidity risk deriving from difficulties in selling its own positions, it is worth mentioning above all that the Bank maintains a high quality security portfolio. Most of this portfolio consists of government securities and, to a lesser extent, of other corporate bonds that are highly liquid as they easily be sold on the market or used, when liquidity is needed, in repurchase agreements with banks or in refinancing auctions held by the European Central Bank as most of them are eligible.

Another element that contributes positively to the reserve availability known as the «counterbalancing capacity» is represented by the loans granted to the European Central Bank, in addition to eligible fixed-yield securities, in the form of collateral, so-called ABACO loans (ABACO stands for *Attivi BAncari COLLateralizzati* or collateralised bank assets).

Control over liquidity risk is carried out by various units: the first level control is performed by the operating functions that provide for a timely check that they carry out their duties properly and report the results in summary form on a daily basis. Then there is systematic monitoring of the expected liquidity position by the Planning and Control Department: based on the data on treasury operations and the liquidity reserve made up of easily marketable securities and other assets, we are able to forecast potential liquidity mismatches up to three months into the future. These tables are made available to the Bank of Italy on a weekly basis. The long-term liquidity position is also monitored, with no time limits.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5, complies with the requirements of IFRS 7.39.



QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	8,568,220	1,186,922	816,826	826,727	1,183,934	853,480	1,215,353	7,738,417	5,166,026	259,565
A.1 Government securities	1,947	-	-	-	19,384	214,909	234,644	3,166,173	400,075	-
A.2 Other fixed-yield securities	1,307	5	13,604	2,064	72,265	38,066	81,972	332,340	102,174	5
A.3 Mutual funds	144,805	-	-	-	-	-	-	-	-	-
A.4 Loans	8,420,161	1,186,917	803,222	824,663	1,092,285	600,505	898,737	4,239,904	4,663,777	259,560
- Banks	300,193	316,365	81,052	194,959	437,539	12,739	1,511	-	-	259,560
- Customers	8,119,968	870,552	722,170	629,704	654,746	587,766	897,226	4,239,904	4,663,777	-
Cash liabilities	15,398,656	688,320	512,834	1,130,533	1,425,342	992,984	1,640,016	3,763,052	348,908	-
B.1 Deposits and current accounts	15,241,986	684,342	506,714	1,015,727	1,199,788	698,782	877,530	188,824	-	-
- Banks	136,038	161,202	42,671	265,355	33,660	60,961	4,143	-	-	-
- Customers	15,105,948	523,140	464,043	750,372	1,166,128	637,821	873,387	188,824	-	-
B.2 Fixed-yield securities	100,990	2,663	3,312	3,474	193,929	89,991	549,313	1,665,923	259,447	-
B.3 Other liabilities	55,680	1,315	2,808	111,332	31,625	204,211	213,173	1,908,305	89,461	-
Off-balance sheet transactions	729,289	349,855	441,017	1,035,417	900,394	326,465	119,151	118,031	285,577	4,988
C.1 Financial derivatives with exchange of capital		328,834	441,006	844,975	899,194	222,078	102,536	42,498	11,600	-
- Long positions		168,285	224,633	421,511	447,651	110,170	48,508	21,250	5,800	-
- Short positions		160,549	216,373	423,464	451,543	111,908	54,028	21,248	5,800	-
C.2 Financial derivatives without exchange of capital	43,322	-	-	-	-	-	-	-	-	-
- Long positions	22,713	-	-	-	-	-	-	-	-	-
- Short positions	20,609	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	682,561	21,000	-	190,404	907	103,918	16,120	73,017	273,112	4,988
- Long positions	2,041	21,000	-	190,404	907	103,918	16,120	73,017	273,112	2,494
- Short positions	680,520	-	-	-	-	-	-	-	-	2,494
C.5 Financial guarantees issued	3,406	21	11	38	293	469	495	2,516	865	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Line item B.1 – Deposits and current accounts reports due to banks and customers allocated to the specific line items.

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the balance sheet date and the maturity dates of each transaction. In the event of repayment plans, the residual

maturity of each payment has been considered. Mutual funds are conventionally assigned to the «sight» segment. The deposit with the Bank of Italy as a compulsory reserve is shown under amounts due from banks within unspecified duration. Impaired loans are allocated to the pertinent time bands on the basis of forecasts for the recovery of the underlying cash flows made by the Bank for financial statement purposes. Irrevocable commitments to make loans include all of the irrevocable commitments, whether or not certain to be called on, relating to lines of credit granted to banks and customers.

Currency: USD

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	30,449	104,119	200,207	153,118	365,713	9,452	8,102	9,219	10,341	-
A.1 Government securities	-	-	-	-	-	-	-	11	-	-
A.2 Altri titoli di securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	13,878	-	-	-	-	-	-	-	-	-
A.4 Loans	16,571	104,119	200,207	153,118	365,713	9,452	8,102	9,208	10,341	-
- Banks	13,315	65,908	17,174	699	657	857	91	-	7,757	-
- Customers	3,256	38,211	183,033	152,419	365,056	8,595	8,011	9,208	2,584	-
Cash liabilities	201,881	525,679	17,807	55,514	70,946	3,205	1,174	-	-	-
B.1 Deposits and current accounts	195,893	525,679	17,807	55,514	70,946	3,205	1,174	-	-	-
- Banks	8,600	525,546	17,807	47,929	69,626	879	389	-	-	-
- Customers	187,293	133	-	7,585	1,320	2,326	785	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,988	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	26,792	217,645	381,672	635,416	612,507	120,184	113,786	11,140	-	4,396
C.1 Financial derivatives with exchange of capital	-	206,287	380,930	635,241	607,663	114,919	113,784	11,140	-	-
- Long positions	-	100,559	186,399	319,930	306,673	57,146	58,332	5,570	-	-
- Short positions	-	105,728	194,531	315,311	300,990	57,773	55,452	5,570	-	-
C.2 Financial derivatives without exchange of capital	10	-	-	-	-	-	-	-	-	-
- Long positions	5	-	-	-	-	-	-	-	-	-
- Short positions	5	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	682	-	682	-	-	-	-	-	-	-
- Long positions	682	-	-	-	-	-	-	-	-	-
- Short positions	-	-	682	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	26,100	11,358	60	175	4,844	5,265	2	-	-	4,396
- Long positions	-	11,358	60	175	4,844	5,265	2	-	-	4,396
- Short positions	26,100	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

**Currency: CHF**

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	46,493	17,334	21,472	20,875	117,386	13,381	22,443	134,461	287,087	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	46,493	17,334	21,472	20,875	117,386	13,381	22,443	134,461	287,087	-
- Banks	32,334	215	1,964	-	16,049	-	-	-	-	-
- Customers	14,159	17,119	19,508	20,875	101,337	13,381	22,443	134,461	287,087	-
Cash liabilities	118,498	227,403	205,020	26,260	70,046	27,556	6,212	127	-	-
B.1 Deposits and current accounts	118,498	227,403	205,020	26,260	70,046	27,556	6,212	127	-	-
- Banks	2,567	153,250	197,051	10,605	25,110	121	-	-	-	-
- Customers	115,931	74,153	7,969	15,655	44,936	27,435	6,212	127	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	102,686	25,702	23,232	60,348	191,878	93,219	12,217	422	-	-
C.1 Financial derivatives with exchange of capital	-	25,702	18,071	60,348	191,555	93,015	12,217	422	-	-
- Long positions	-	12,691	9,045	30,100	95,895	46,159	6,211	211	-	-
- Short positions	-	13,011	9,026	30,248	95,660	46,856	6,006	211	-	-
C.2 Financial derivatives without exchange of capital	96,998	-	-	-	-	-	-	-	-	-
- Long positions	51,038	-	-	-	-	-	-	-	-	-
- Short positions	45,960	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	5,688	-	5,161	-	323	204	-	-	-	-
- Long positions	-	-	5,161	-	323	204	-	-	-	-
- Short positions	5,688	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

**Currency: JPY**

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	11,390	1,193	9,260	6,747	11,427	571	11	63	81	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	1,612	-	-	-	-	-	-	-	-	-
A.4 Loans	9,778	1,193	9,260	6,747	11,427	571	11	63	81	-
- Banks	9,453	176	1,394	2,023	2,858	-	-	-	-	-
- Customers	325	1,017	7,866	4,724	8,569	571	11	63	81	-
Cash liabilities	22,300	-	17,079	145	-	-	-	-	-	-
B.1 Deposits and current accounts	22,300	-	17,079	145	-	-	-	-	-	-
- Banks	39	-	17,079	145	-	-	-	-	-	-
- Customers	22,261	-	-	-	-	-	-	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	230	64,972	33,254	19,448	62,550	4,004	450	-	-	-
C.1 Financial derivatives with exchange of capital	-	64,972	33,166	19,448	62,418	3,994	450	-	-	-
- Long positions	-	32,489	16,586	9,730	31,085	1,992	225	-	-	-
- Short positions	-	32,483	16,580	9,718	31,333	2,002	225	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	230	-	88	-	132	10	-	-	-	-
- Long positions	-	-	88	-	132	10	-	-	-	-
- Short positions	230	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-



Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	12,796	46,358	18,724	857	7,407	843	222	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	12,796	46,358	18,724	857	7,407	843	222	-	-	-
- Banks	12,547	46,358	18,557	-	378	843	222	-	-	-
- Customers	249	-	167	857	7,029	-	-	-	-	-
Cash liabilities	54,211	12,122	340	1,605	10,176	4,430	2,680	-	-	-
B.1 Deposits and current accounts	54,211	12,122	340	1,605	10,176	4,430	2,680	-	-	-
- Banks	3,447	11,571	247	74	377	882	218	-	-	-
- Customers	50,764	551	93	1,531	9,799	3,548	2,462	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	8,446	114,691	17,126	130,143	80,360	20,204	101,584	31,407	-	-
C.1 Financial derivatives with exchange of capital	-	106,267	17,103	130,143	80,360	20,204	101,584	31,407	-	-
- Long positions	-	52,051	8,524	65,070	40,027	10,102	50,793	15,704	-	-
- Short positions	-	54,216	8,579	65,073	40,333	10,102	50,791	15,703	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	5,277	5,277	-	-	-	-	-	-	-	-
- Long positions	5,277	-	-	-	-	-	-	-	-	-
- Short positions	-	5,277	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	3,169	3,147	23	-	-	-	-	-	-	-
- Long positions	-	3,147	23	-	-	-	-	-	-	-
- Short positions	3,169	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Securitisation transactions and disposal of assets

Securitisation transactions

A securitisation was carried out by the Bank in April as part of its funding policies. The transaction consisted of the sale without recourse under Law 130/1999 of € 1,630 million of performing residential mortgage loans to Centro delle Alpi RMBS srl, an SPV specifically set up for this purpose. The SPV issued securities for € 1,678 million, made up of € 1,385 million of «Senior» securities and € 293 million of «Junior» securities, all of which were

purchased by the Parent Bank. The Senior securities are listed on the Luxembourg Stock Exchange and are considered «eligible» for the European Central Bank. These securities were pledged as collateral for refinancing granted by the ECB, replacing the certificate of deposit issued by the Bank, which was repurchased backed by a Government guarantee under art. 8 of Decree Law 201 of 6 December 2011. In accordance with IAS 39, given that the conditions for derecognition do not exist because the Bank has retained all of the risks and rewards, the securitised loans have been maintained in balance sheet item 70 «Loans to customers», whereas the Junior and Senior securities and the loan to the SPV do not feature. The asset-backed securities have been assigned credit ratings by Standard & Poor's and Moody's; these ratings will be monitored throughout the operation. The Bank acts as servicer on behalf of Centro delle Alpi RMBS srl, which means that it handles the management, administration and collection of the loans; it acts on behalf of the SPV, but is the only counterparty of the customers. It receives a fee for performing this service. Quarterly reports are prepared, highlighting the various flows of the operation, which are sent to the offices and corporate bodies involved so that they can constantly assess its results.

Section 4 *Operational risks*

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk represents the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events.

This category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes. Operational risk includes legal risk, whereas strategic and reputational risks are excluded.

The Bank is fully aware that in addition to the unfavourable economic effects, loss events could also give rise to considerable damage to its image and reputation. It has therefore adopted a suitable management system, which is being constantly refined, to minimise the impact.

This system is based on an approach that involves identification, measurement and mitigation of both a quantitative and qualitative nature. This makes it possible to recognise the risk not only in terms of any losses already incurred, but also in terms of potential risk in the future.

As regards the first aspect, which essentially involves identifying the risk situations that have led to operating losses, even small ones, as in the past, we systematically gathered information on loss events during the year that affected the Bank.

Regarding this second aspect, we have reviewed the analyses and evaluations related to potentially hazardous activities and integration of the findings with risk indicators and controls that have been specifically identified.

In order to obtain a single integrated environment that contains all of the information required and collected in the system of operational risk management, during the year preparations were made for the identification, installation and testing of a dedicated computer application; sharing the analysis and assessment of risks among the heads of the central offices responsible and those who manage and supervise operational risk, makes it possible to identify and mitigate new risk situations arising from an ever-changing business reality.

In addition, the system for gathering and recording such data is also useful for benchmarking purposes with DIPO, the database of operating losses of which the Bank is a member, the aim being to identify areas where ones own organisation can be improved.



QUANTITATIVE INFORMATION

The most frequently recurring errors and those with the greatest individual impact in terms of overall amount are errors in the execution of day-to-day transactions, usually promptly corrected, mainly when making payments and in trading transactions.

Also involved are prudent provisions for legal disputes and settlements reached with customers as well as events of an external nature, such as bank robberies, cloning debit and credit cards, forging cheques, normally mitigated by stipulating insurance policies.

The following table summarises losses for the last three years, showing the amount in absolute and percentage terms, both gross and net of recoveries and insurance reimbursements, split according to the various sources and suitably aggregated. The extent of recoveries, amounting to about 67% of the total, demonstrates the effectiveness of the action taken to minimise or transfer the losses incurred.

Sources of losses from 01/01/2010 to 31/12/2012

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	198	28.78%	1,847,058	13.70%	939,580	21.13%	49.13%
Settlements and legal disputes	96	13.95%	2,141,158	15.88%	2,124,748	47.77%	0.77%
Damage to fixed assets	67	9.74%	535,747	3.97%	384,432	8.64%	28.24%
Errors in carrying out transactions	311	45.20%	8,642,623	64.12%	737,125	16.58%	91.47%
Other	16	2.33%	314,079	2.33%	261,644	5.88%	16.69%
Total	688	100.00%	13,480,665	100.00%	4,447,529	100.00%	67.01%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning debit and credit cards, forging cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

Information on exposure to sovereign debtors

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, the overall exposure of the bank at 31/12/2012 amounted to € 4,527 million and was structured as follows:

- Italian government securities: € 3,889 million;
- Securities of other issuers: € 21 million;
- Loans to government departments: € 20 million;
- Loans to local governments: € 34 million;
- Loans to state-owned or local government-owned enterprises: € 381 million;
- Loans to other public administrations and miscellaneous entities: € 182 million.

PART F *Information on equity*

Section 1 *Capital*

QUALITATIVE INFORMATION

The need for banks to have adequate capital has been made even more imperative by the systemic crisis currently underway and by increasingly stringent regulations issued by supervisory bodies.

The Bank 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, BPS has identified the capitalisation policy as the instrument that, by creating the role of shareholder/customer, that increases loyalty and makes it possible to pursue the strategy of autonomous growth preferred by management. This is why the history of Banca Popolare di Sondrio 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 - the latest dating back to 2007 - 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 Bank to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity. 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.

ESMA (European Securities and Markets Authority) with document 725/2012 of 12 November, noting that the market value of many listed companies was less than their book value because of the current economic situation, recommended that they should carry out impairment tests as required by IAS 36. We decided to carry out a second-level impairment test applied to the entire corporate structure rather than the individual asset by comparing the recoverable amount of the Group with the book value of shareholders' equity at 31/12/2012. The method used to estimate the recoverable amount is the Dividend Discount Model (DDM), which assumes that the value of the Bank is equal to the sum of the dividends distributed to the shareholders over a chosen planning horizon (2013-2017), while maintaining an adequate level of capitalisation for expected future development and assuming a rate of the dividend growth after the explicit planning period of 2% per year and a cost of capital used to discount future dividends of 9.7%. The test carried out by the Corporate Finance Department in conjunction with the Planning and Control Department showed that the Group was worth more than its consolidated equity.

The Group's value in use amounted to € 2,233 million, with a surplus over its consolidated equity of € 363 million.

QUANTITATIVE INFORMATION

The component parts and size of the Bank's capital and equity are described in Part B, Section 14 of these notes to the financial statements.



B.1 Equity: breakdown

Items	31/12/2012	31/12/2011
1. Share capital	924,444	924,444
2. Share premium reserve	171,449	172,511
3. Reserves	622,319	593,774
- retained earnings	-	-
a) legal	135,079	129,114
b) statutory	369,519	352,072
c) treasury shares	93,000	87,000
d) other	24,721	25,588
- other	-	-
4. Equity instruments	-	-
5. Treasury shares (-)	(24,316)	(26,079)
6. Valuation reserve	(8,394)	(44,593)
- Financial assets available for sale	6,872	(43,565)
- Property, plant and equipment	-	-
- 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	(15,266)	(1,028)
- Share of valuation reserves of equity investments valued at net equity	-	-
- Special revaluation regulations	-	-
Net profit (loss) for the year	25,822	56,416
Total	1,711,324	1,676,473

The 2011 figures have been adjusted for comparison purposes.

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Values	Total 31/12/2012		Total 31/12/2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	15,648	(12,988)	-	(44,312)
2. Variable-yield securities	2,581	(238)	752	(1,019)
3. Mutual funds	1,959	(90)	1,014	-
4. Loans	-	-	-	-
Total	20,188	(13,316)	1,766	(45,331)

B.3 Valuation reserves for financial assets available for sale: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	(44,312)	(267)	1,014	-
2. Positive changes	47,032	2,848	1,280	-
2.1 Increases in fair value	46,001	1,829	1,280	-
2.2 Release to the income statement of negative reserves	1,031	1,019	-	-
- from impairment	-	1,019	-	-
- from disposals	1,031	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	60	238	425	-
3.1 Reductions in fair value	60	238	329	-
3.2 Impairment writedowns	-	-	96	-
3.3 Transfer to income statement from positive reserves: from disposals	-	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	2,660	2,343	1,869	-

Section 2 Capital and capital adequacy ratios

2.1 Capital for supervisory purposes

QUALITATIVE INFORMATION

Capital for supervisory purposes is determined in accordance with the rules laid down by the Bank of Italy in its 15th update of Circular Letter 155 «Instructions for the reporting of capital and capital ratios».

This is the main point of reference for the Supervisory Body when assessing the stability of the Bank and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2012 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2012, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements, consisting of treasury shares (line item 190 of liabilities), intangible assets (line item 120 of assets) and other elements to be deducted in application of the «precautionary filters» made up of negative balances among valuation reserves and negative ones relating to fixed-yield securities classified in the «financial assets available for sale» portfolio and the negative balance of «actuarial profits (losses) on pension plans».

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or higher than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted».

On 18 May 2010 the Bank of Italy issued new supervisory rules on the reserves linked to the valuation of debt securities issued by EU governments and allocated to «Assets available



for sale». This provision makes it possible to completely neutralise the gains and losses booked to these reserves from 1/1/2010 onwards as an alternative to deducting all of the losses and partial inclusion of the gains as previously envisaged. The Bank took advantage of this faculty; this has led to the non-recognition for supervisory purposes of some 7.5 million of gains net of tax.

2. Tier 2 capital

Tier 2 capital is made up of positive reserves on the measurement of shareholdings classified as «assets available for sale» and subordinated loans net of negative elements consisting of potential losses on assets shown in the balance sheet, in addition to the other elements to be deducted in the same way as mentioned above for Tier 1 capital.

The subordinated loans of € 765.698 million consist of the following bonds:

- Loan of € 363.733 million from 26/2/2010 and maturity on 26/2/2017 with a forecast annual repayment of 20% from 26/2/2013. It has an interest rate of 4% which will gradually rise to 4.50%.
- Loan of € 401.965 million from 23/12/2011 and maturity on 23/12/2018 with a forecast annual repayment of 20% from 23/12/2014. It has an interest rate of 4.50% which will gradually rise to 6%.

This bond loans have the characteristics required by the regulations for inclusion in capital for supervisory purposes. The subordination clause consists of the bond owner's right to be reimbursed in the event of liquidation after all the other creditors have been satisfied.

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings and mutual funds classified as «assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, in addition to the other elements to be deducted in the same way as mentioned above for Tier 1 capital.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

	31/12/2012	31/12/2011
A. Tier 1 before the application of precautionary filters	1,697,690	1,681,724
B. Precautionary filters of Tier 1 capital	(20,042)	(5,777)
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	(20,042)	(5,777)
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,677,648	1,675,947
D. Elements to be deducted from tier 1 capital	(46,344)	(41,466)
E. Total Tier 1 capital (C-D)	1,631,304	1,634,481
F. Tier 2 capital before the application of precautionary filters	753,935	645,184
G. Precautionary filters for tier 2 capital	(2,106)	(374)
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	(2,106)	(374)
H. Tier 2 capital gross of the elements to be deducted (F + G)	751,829	644,810
I. Elements to be deducted from tier 2 capital	(46,344)	(41,466)
L. Total tier 2 capital (H-I)	705,485	603,344
M. Items to be deducted from tier 1 and tier 2 capital	-	-
N. Capital for supervisory purposes	2,336,789	2,237,825
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	2,336,789	2,237,825

2.2 Capital adequacy

QUALITATIVE INFORMATION

The Bank has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and protect against risk. The Bank is subject to the capital adequacy requirements according to the rules adopted by the Bank of Italy. Based on these rules, at enterprise level the ratio between capital and total risk-weighted risk assets has to be at least 8%. On an individual basis, the minimum capital requirement is reduced by 25% as foreseen by the current rules of Basel II for banks forming part of banking groups. Compliance with these requirements is checked on a quarterly basis when preparing the periodic reports to be sent to the Supervisory Authority. The annual ICAAP report on the Group's capital adequacy sent to the Bank of Italy outlines the checks carried out on the degree of risk inherent in the various items. This requisite is expressed by the ratio between capital for supervisory purposes and total risk-weighted assets, which at the end of the year came to 14.62%, with an excess of 662 basis points compared with the minimum requirement of 8% mentioned above. In absolute terms, the excess capital compared with the minimum requirement - what is called «free capital» - amounts to € 1,057.8 million.

The following table provides information of a quantitative nature on risk assets and capital ratios, reflecting prudent management of the various types of risks with a limited absorption of capital. Capital for supervisory purposes is absorbed for around 51% by credit risk, around 1% by market risks, around 3% by operational risks, while the other 45% is free capital. The good growth in capital for supervisory purposes compared with the end of 2011 is essentially due to the net profit allocated to reserves and the increase in Tier 2 capital thanks to the reopening of the subordinated bond loan 23/12/2011 - 23/12/2018 placement for € 99 million.



QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. Assets at risk				
A.1 Credit and counterparty risk	30,288,351	27,288,399	19,699,969	19,313,140
1. Standardised approach	30,288,351	27,288,399	19,699,969	19,313,140
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk	-	-	1,575,998	1,545,051
B.2 Market risks	-	-	27,618	31,585
1. Standard methodology	-	-	27,618	31,585
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	101,712	96,839
1. Basic method	-	-	101,712	96,839
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Other calculation elements	-	-	(426,332)	(418,369)
B.6 Total precautionary requirements	-	-	1,278,996	1,255,106
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	15,987,450	15,688,825
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	-	-	10.20	10.42
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)	-	-	14.62	14.26

The other calculation elements shown at line B.5 consist of the reduction of 25%, established by the regulation for banks belonging to banking groups.

PART H *Related party transactions*

1. Information on the remuneration of directors and managers

The emoluments of the directors, the statutory auditors, the general manager and managers with strategic responsibilities is detailed in the following table.

Name and surname	Office	Period in office	Expiry of office	Emoluments for the office held in			
				Banca Popolare di Sondrio	Non-monetary benefits	Bonuses and other incentives	Other emoluments
PIERO MELAZZINI	Chairman	1/1/2012-31/12/2012	31-12-2013	951	-	-	262
MILES EMILIO NEGRI	Deputy Chairman	1/1/2012-31/12/2012	31-12-2013	97	-	-	-
FRANCESCO VENOSTA	Deputy Chairman	1/1/2012-31/12/2012	31-12-2012	114	-	-	51
CLAUDIO BENEDETTI	Director	1/1/2012-31/12/2012	31-12-2014	40	-	-	-
PAOLO BIGLIOLI	Director	1/1/2012-31/12/2012	31-12-2013	40	-	-	-
GIANLUIGI BONISOLO	Director	1/1/2012-21/12/2012	-	34	-	-	-
FEDERICO FALCK	Director	1/1/2012-31/12/2012	31-12-2012	40	-	-	-
ATTILIO PIERO FERRARI	Director	1/1/2012-31/12/2012	31-12-2014	41	-	-	-
GIUSEPPE FONTANA	Director	1/1/2012-31/12/2012	31-12-2014	40	-	-	-
CRISTINA GALBUSERA	Director	21/12/2012-31/12/2012	31-12-2012	3	-	-	-
MARIO GALBUSERA	Director	1/1/2012-21/12/2012	-	36	-	-	-
NICOLÒ MELZI DI CUSANO	Director	1/1/2012-31/12/2012	31-12-2012	40	-	-	-
ADRIANO PROPERSI	Director	1/1/2012-31/12/2012	31-12-2014	41	-	-	-
RENATO SOZZANI	Director	1/1/2012-31/12/2012	31-12-2014	78	-	-	3
LINO ENRICO STOPPANI	Director	1/1/2012-31/12/2012	31-12-2013	41	-	-	12
DOMENICO TRIACCA	Director	1/1/2012-31/12/2012	31-12-2012	60	-	-	-
EGIDIO ALESSANDRI	Chairman of the Board of Statutory Auditors	1/1/2012-14/04/2012	-	26	-	-	16
PIERGIUSEPPE FORNI	Chairman of the Board of Statutory Auditors	1/1/2012-31/12/2012	31-12-2014	83	-	-	11
PIO BERSANI	Auditor	1/1/2012-31/12/2012	31-12-2014	61	-	-	18
MARIO VITALI	Auditor	14/04/2012-31/12/2012	31-12-2014	43	-	-	12
MARIO ALBERTO PEDRANZINI (*)	General Manager	1/1/2012-31/12/2012		3	97	300	687
MANAGERS WITH STRATEGIC RESPONSIBILITIES		1/1/2012-31/12/2012		-	33	168	911

(*) From 21/12/2012 also director and managing director.

In accordance with the changes introduced by Consob resolution 18049 of 23 December 2011 on the transparency of remuneration, the Bank has taken steps to make the Remuneration Report available both at its head office and on its website. This report provides details on the data summarised above. The Remuneration Report also shows the shareholdings of directors, statutory auditors, general manager and managers with strategic responsibilities.

Of the compensation reported at the balance sheet date, emoluments for € 3.012 million have been paid. The column «Emoluments for the office» held in Banca Popolare di Sondrio includes € 0.089 million for taking part in committees.

The other emoluments of the general manager and of managers with strategic responsibilities mainly consist of their salaries, while the «Bonuses and other incentives» column shows the variable portion of remuneration.

Expiry of office is the closing date of the financial statements for the last year in office; pursuant to art. 34 and 48 of the Articles of Association, note that directors and statutory



auditors remain in office up to the date of the Shareholders' Meeting called to approve those financial statements.

As regards the directors, general manager and managers with strategic responsibilities, note that there are no stock option plans.

2. 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 Bank 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 Bank 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 Bank 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	74	12,899	3	283	-	-
Statutory auditors	886	202	19	3	56	-
Management	5	1,317	1	59	30	-
Family members	2,216	36,127	80	986	125	8,513
Subsidiaries	2,522,568	820,704	43,200	9,943	344,721	41,107
Associated companies	543,225	12,072	8,490	228	49,984	-
Other related parties	319,750	232,059	6,027	7,032	6,649	33,740

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 € 396 million to a loan granted to Alba Leasing SpA and for € 112 million to Banca della Nuova Terra spa; assets with other related parties include loans of € 199 million granted to the affiliate Release spa.

PART L *Segment information*

Segment information has been prepared in compliance with IFRS 8, the introduction of which did not involve significant changes in the identification of operating segments or in management reporting methods compared with IAS 14.

Given that the Bank's benefits and risks are significantly influenced by differences in the various products and services and only marginally by the territorial distribution of the sales network, the primary segment comprises the Bank's business activities while the secondary segment relates to the geographical areas concerned.

Each sub-segment has been identified based on the nature of the products and services offered and on the type of customer concerned, so that the related risk profile and profitability are sufficiently similar.

Even though this classification reflects the lines of business envisaged under the Standardised Approach for calculating the minimum capital requirement for operational risk, it is based substantially on internal practice for the subdivision of activities used to apply corporate policies and to evaluate their results.

Geographical information is based on the distribution of branches throughout Italy.

A. Primary format

A.1 Distribution by business segment: income statement

The following sub-segments are discussed:

- *Businesses*: these comprise «non-financial companies» and «family»; the figures shown here relate to credit and loans, deposits, leasing and payment services. Revenues from currency transactions with resident and non-resident customers are also significant to this sub-segment.
- *Individuals and other customers*: these comprise «consumer households», «public administrations», «finance companies» and «non-profit organisations»; the results reported derive from routine transactions with these customers, including the taking of deposits, intermediation in savings transactions, the granting of long-term loans and consumer credit, the provision of collection and payment services, the issue of credit and debit cards and other ancillary functions.
- *Securities*: this sub-segment comprises the results of transactions with customers involving direct trading in, the acceptance of instructions, the placement of financial instruments, insurance and pension productions, and the management of portfolios.
- *Central functions*: this sub-segment reports the results deriving from the management of portfolio own securities and equity investments, currency transactions on own account, and treasury management activities. In addition, it includes certain residual activities not classified elsewhere since the revenues earned are not significant.

The following tables present the pre-tax results of the above sub-segments for 2012 and 2011.

Interest income and expense include a notional element to reflect the contribution to the financial margin made by each sub-segment.

This aspect is managed by using a multiple internal transfer rate («treasury pool»), considering both currency and duration, which keeps assets and liabilities in balance and which is settled within the «central functions» sub-segment.

Administrative expenses are allocated directly to the various sub-segments, wherever possible; in other cases, they are allocated using suitable drivers that essentially reflect the scale of the activities concerned.

The «reconciliation» column is used for the tie-in to the financial statements.

Items	Businesses	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2012
Interest income	709,497	656,273	-	532,707	1,898,477	-985,967	912,510
Interest expense	-365,167	-461,787	-	-610,068	-1,437,022	985,967	-451,055
Net interest income	344,330	194,486	-	-77,361	461,455	-	461,455
Commission income	126,365	59,915	46,347	8,738	241,365	-1,765	239,600
Commission expense	-4,301	-8,148	-2,969	-1,031	-16,449	-672	-17,121
Dividends and similar income	-	-	-	5,549	5,549	-	5,549
Net trading income	-	-	-	150,102	150,102	2,386	152,488
Net hedging profit (loss)	-	-	-	-	-	-	-
Gains/losses on disposals or repurchases	-	-	-	9,573	9,573	-	9,573
Net change in value of financial assets and liabilities at fair value	-	-	-	6,273	6,273	-	6,273
Income from banking activities	466,394	246,253	43,378	101,843	857,868	-51	857,817
Adjustments to the net value of financial assets	-398,689	-53,868	-	-5,225	-457,782	-	-457,782
Balance of financial management	67,705	192,385	43,378	96,618	400,086	-51	400,035
Administrative expenses	-100,773	-112,570	-37,824	-57,914	-309,081	-39,440	-348,521
Provisions for risks and charges	-1,128	-449	-	-	-1,577	-	-1,577
Net adjustments to property, plant and equipment	-4,234	-4,617	-1,510	-1,885	-12,246	-	-12,246
Net adjustments to intangible assets	-3,867	-4,217	-1,380	-1,721	-11,185	-	-11,185
Other operating income/expense	4,902	5,506	497	7,322	18,227	39,491	57,718
Share of profit/loss of equity investments	-	-	-	-2,093	-2,093	-	-2,093
Profit/loss from disposal of investments	-	-	-	280	280	-	280
Gross profit	-37,395	76,038	3,161	40,607	82,411	-	82,411



Items	Businesses	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2012
Interest income	553,241	507,691	-	438,853	1,499,785	-752,189	747,596
Interest expense	-292,672	-314,284	-	-438,727	-1,045,683	752,189	-293,494
Net interest income	260,569	193,407	-	126	454,102	-	454,102
Commission income	116,356	62,060	50,036	7,760	236,212	-2,564	233,648
Commission expense	-4,118	-4,591	-3,304	-993	-13,006	-587	-13,593
Dividends and similar income	-	-	-	6,393	6,393	-	6,393
Net trading income	-	-	-	-74,967	-74,967	3,079	-71,888
Net hedging profit (loss)	-	-	-	-	-	-	-
Gains/losses on disposals or repurchases	-	-	-	4,527	4,527	-	4,527
Net change in value of financial assets and liabilities at fair value	-	-	-	-6,641	-6,641	-	-6,641
Income from banking activities	372,807	250,876	46,732	-63,795	606,620	-72	606,548
Adjustments to the net value of financial assets	-134,532	-21,261	-	-7,154	-162,947	-	-162,947
Balance of financial management	238,275	229,615	46,732	-70,949	443,673	-72	443,601
Administrative expenses	-110,416	-102,179	-37,675	-55,389	-305,659	-32,594	-338,253
Provisions for risks and charges	5,206	-1,050	-	-	4,156	-	4,156
Net adjustments to property, plant and equipment	-4,659	-4,103	-1,473	-1,824	-12,059	-	-12,059
Net adjustments to intangible assets	-3,781	-3,330	-1,197	-1,480	-9,788	-	-9,788
Other operating income/expense	1,965	4,637	588	911	8,101	32,666	40,767
Share of profit/loss of equity investments	-	-	-	-12,252	-12,252	-	-12,252
Profit/loss from disposal of investments	-	-	-	-23	-23	-	-23
Gross profit	126,590	123,590	6,975	-141,006	116,149	-	116,149

The 2011 figures have been adjusted for comparison purposes.

A.2 Distribution by business segment: balance sheet

Items	Businesses	Individuals and other customers	Securities	Central functions	Total 31/12/2012
Financial assets	14,269,078	8,120,973	-	7,098,209	29,488,260
Other assets	-	-	-	507,452	507,452
Property, plant and equipment	47,770	52,093	17,045	21,267	138,175
Intangible assets	3,852	4,201	1,374	1,716	11,143
Financial liabilities	6,339,646	17,322,335	-	3,915,701	27,577,682
Other liabilities	7,930	170	-	668,801	676,901
Provisions	68,947	67,785	18,389	24,001	179,122
Guarantees given	3,342,031	602,947	-	281,411	4,226,389
Commitments	857,481	47,553	27,992	39,413	972,439

Items	Businesses	Individuals and other customers	Securities	Central functions	Total 31/12/2012
Financial assets	13.404.340	7.202.042	-	5.742.518	26.348.900
Other assets	-	-	-	490.461	490.461
Property, plant and equipment	51.604	45.442	16.316	20.209	133.571
Intangible assets	3.933	3.463	1.245	1.539	10.180
Financial liabilities	5.216.167	15.351.507	-	3.837.730	24.405.404
Other liabilities	5.801	699	-	746.617	753.117
Provisions	62.568	51.894	14.637	19.018	148.117
Guarantees given	3.066.827	679.288	-	212.472	3.958.587
Commitments	866.957	223.199	20.380	63.506	1.174.042

Summary discussion of results

The results of the various sub-segments are discussed below.

Enterprises: this sub-segment contributes -45.4% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 14,269 million and € 6,340 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 85.5% of the total, while administrative expenses absorb 21.6%.

Compared with the previous year, this segment's result has gone down by 129.5%. This was mainly due to a combination of the following factors;

- considerably higher adjustments of financial assets (+ 196.4%);
- a significant increase in net interest income (+32.1%), principally due to the satisfactory growth in direct loans granted at a time when spreads have considerably increased;
- an increase in commission flows (+8.6%), mainly reflecting good performances on the part of cash and endorsement loans;
- a significant reduction in administrative expenses, mainly due to a decline in sector personnel (-8.7%, of which other costs -3.2%, personnel costs -13.3%).

Individuals and other customers: this sub-segment contributes 92.3% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 8,121 million and € 17,322 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 21.9% of the total, while administrative expenses absorb 45.7%.

Compared with the previous year, this segment's result has gone down by 38.5%. This was mainly due to a combination of the following factors:

- considerably higher adjustments of financial assets (+ 153.4%);
- substantial stability in net interest income (+0.6%), principally due to satisfactory growth in direct deposits at a time when spreads were steady;
- a slight decrease in commission flows (-3.5%), mainly on the concession of borrowing facilities (because of the elimination of overdraft commissions during the year as a result of legislative changes) and on credit cards;
- a significant increase in administrative expenses (+10.2%, of which other costs +9.1%, personnel expenses +11.2%).

Securities: this sub-segment contributes 3.8% of overall results.

With respect to income from banking activities, administrative expenses absorb 87.2% of the total.



Comparison with the prior year reflects an 54.7% rise in profits, mainly due to the following factors:

- a slight reduction in commission flows (-7.4%), due to a lower result from the custodian bank business and from the placement of financial instruments;
- substantial stability in administrative expenses (+0.4%, of which other costs +1.7%, personnel costs +0.6%).

Central functions : they contribute 49.3% to the overall result, an increase of 128.8% on the previous year because of substantial gains on the financial assets held in portfolio.

B. Secondary format

The following information refers to the location of branches.

An alternative analysis, based on the residence of counterparties, does not give significantly different results.

Branches are aggregated into two geographical areas, «Northern Italy» and «Central Italy» since there is a significance difference in the respective customer profiles, while products, services, commercial and management policies are all the same.

In particular, in the North, the volume of business is principally generated by «non-financial companies» and «consumer households and family businesses», while in Central Italy the «public administrations» are especially significant.

B.1 Distribution by geographical area: income statement

Items	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2012
Interest income	1,651,282	247,195	1,898,477	-985,967	912,510
Interest expense	-1,262,196	-174,826	-1,437,022	985,967	-451,055
Net interest income	389,086	72,369	461,455	-	461,455
Commission income	202,029	39,336	241,365	-1,765	239,600
Commission expense	-10,975	-5,474	-16,449	-672	-17,121
Dividends and similar income	5,549	-	5,549	-	5,549
Net trading income	150,102	-	150,102	2,386	152,488
Net hedging profit (loss)	-	-	-	-	-
Gains/losses on disposals or repurchases	9,573	-	9,573	-	9,573
Net change in value of financial assets and liabilities at fair value	6,273	-	6,273	-	6,273
Income from banking activities	751,637	106,231	857,868	-51	857,817
Adjustments to the net value of financial assets	-430,284	-27,498	-457,782	-	-457,782
Balance of financial management	321,353	78,733	400,086	-51	400,035
Administrative expenses	-277,963	-31,118	-309,081	-39,440	-348,521
Provisions for risks and charges	-1,190	-387	-1,577	-	-1,577
Net adjustments to property, plant and equipment	-10,943	-1,303	-12,246	-	-12,246
Net adjustments to intangible assets	-9,995	-1,190	-11,185	-	-11,185
Other operating income/expense	17,033	1,194	18,227	39,491	57,718
Share of profit/loss of equity investments	-2,093	-	-2,093	-	-2,093
Profit/loss from disposal of investments	280	-	280	-	280
Gross profit	36,482	45,929	82,411	-	82,411



Items	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2012
Interest income	1,319,347	180,438	1,499,785	-752,189	747,596
Interest expense	-928,089	-117,594	-1,045,683	752,189	-293,494
Net interest income	391,258	62,844	454,102	-	454,102
Commission income	197,845	38,367	236,212	-2,564	233,648
Commission expense	-8,207	-4,799	-13,006	-587	-13,593
Dividends and similar income	6,393	-	6,393	-	6,393
Net trading income	-74,967	-	-74,967	3,079	-71,888
Net hedging profit (loss)	-	-	-	-	-
Gains/losses on disposals or repurchases	4,527	-	4,527	-	4,527
Net change in value of financial assets and liabilities at fair value	-6,641	-	-6,641	-	-6,641
Income from banking activities	510,208	96,412	606,620	-72	606,548
Adjustments to the net value of financial assets	-155,924	-7,023	-162,947	-	-162,947
Balance of financial management	354,284	89,389	443,673	-72	443,601
Administrative expenses	-274,296	-31,363	-305,659	-32,594	-338,253
Provisions for risks and charges	8,208	-4,052	4,156	-	4,156
Net adjustments to property, plant and equipment	-10,757	-1,302	-12,059	-	-12,059
Net adjustments to intangible assets	-8,731	-1,057	-9,788	-	-9,788
Other operating income/expense	7,329	772	8,101	32,666	40,767
Share of profit/loss of equity investments	-12,252	-	-12,252	-	-12,252
Profit/loss from disposal of investments	-23	-	-23	-	-23
Gross profit	63,762	52,387	116,149	-	116,149

The 2011 figures have been adjusted for comparison purposes.

B.2 Distribution by geographical area: balance sheet

Items	Northern Italy	Central Italy	Total 31/12/2012
Financial assets	27,294,538	2,193,722	29,488,260
Other assets	507,452	-	507,452
Property, plant and equipment	123,474	14,701	138,175
Intangible assets	9,957	1,186	11,143
Financial liabilities	19,919,901	7,657,781	27,577,682
Other liabilities	676,187	714	676,901
Provisions	158,359	20,763	179,122
Guarantees given	3,432,424	793,965	4,226,389
Commitments	772,099	200,340	972,439

Items	Northern Italy	Central Italy	Total 31/12/2011
Financial assets	24,341,299	2,007,601	26,348,900
Other assets	490,461	-	490,461
Property, plant and equipment	119,148	14,423	133,571
Intangible assets	9,081	1,099	10,180
Financial liabilities	19,112,651	5,292,753	24,405,404
Other liabilities	753,071	46	753,117
Provisions	130,665	17,452	148,117
Guarantees given	3,233,939	724,648	3,958,587
Commitments	948,218	225,824	1,174,042

APPENDICES:

The appendices listed below contain additional information with respect to the notes to the financial statements, of which they form an integral part:

- list of significant equity investments;
- list of revalued assets still owned by the Bank (article 10, Law 72/1983);
- schedule of the Independent Auditors' fees for the year (as per art. 149 duodecies of the Issuers' Regulations);
- financial statements of the subsidiaries Banca Popolare di Sondrio (Suisse) SA., Factorit spa, Pirovano Stelvio spa and Sinergia Seconda srl.

LIST OF SIGNIFICANT EQUITY INVESTMENTS AT 31/12/2012

List of significant equity investments directly or indirectly held in unlisted companies by Banca Popolare di Sondrio s.c.p.a., in accordance with article 126 of CONSOB regulation 11971 dated 14 May 1999 and subsequent amendments.

Company	Country	% held	Notes
- Acquedotto dello Stelvio srl	(I)	27.000%	held indirectly through Pirovano Stelvio spa
- Alba Leasing spa	(I)	20.950%	
- Arca SGR spa	(I)	12.906%	
- Arca Vita spa	(I)	14.837%	
- Banca della Nuova Terra spa	(I)	19.609%	
- Banca Popolare di Sondrio (SUISSE) SA	(CH)	100.000%	
- Bormio Golf spa	(I)	14.764%	
- C.D.R. Pompe spa	(I)	100.000%	pledge
- Factorit spa	(I)	60.500%	
- Gal del Lario scarl	(I)	17.333%	
- Gal Valtellina scarl	(I)	10.000%	
- Gruppo Operazioni Underwriting Banche Popolari srl	(I)	12.500%	
- Immobiliare Borgo Palazzo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Immobiliare S. Paolo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Inarcheck spa	(I)	12.000%	
- Pirovano Stelvio spa	(I)	100.000%	
- Polis Fondi Immobiliari di Banche Popolari S.G.R.P.A.	(I)	19.600%	
- Rajna Immobiliare srl	(I)	50.000%	
- Sifas spa	(I)	21.614%	held indirectly through Pirovano Stelvio spa
- Sinergia Seconda srl	(I)	100.000%	
- Servizi Internazionali e Strutture Integrate 2000 srl	(I)	33.333%	
- Sofipo SA	(CH)	30.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Sofipo UF Trustee Limited	(CY)	10.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Unione Fiduciaria spa	(I)	18.309%	



LIST OF REVALUED ASSETS STILL OWNED BY THE BANK

(art. 10 of Law 72 dated 19/3/1983)

(in euro)

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Total at 31/12/2012	Accumulated depreciation as of 31/12/2012	Net book value as of 31/12/2012
APRICA - Corso Roma, 140	426,008	0	356,355	146,929	929,292	529,849	399,443
BERBENNO DI VALTELLINA - Via Raneè, 542	13,806,538	0	0	99,417	13,905,955	4,739,553	9,166,402
BERGAMO - Via Broseta, 64/B	3,794,328	0	0	0	3,794,328	616,891	3,177,437
BERGAMO - Via G. D'alzano, 5	1,952,970	0	0	0	1,952,970	73,064	1,879,906
BORMIO - Via Roma, 64	439,238	46,481	573,267	136,524	1,195,510	239,851	955,659
BORMIO - Via Roma angolo Via Don Peccedi	2,966,333	0	361,520	301,774	3,629,627	1,345,328	2,284,299
BRENO - Piazza Ronchi, 4	1,529,470	0	0	87,467	1,616,937	606,389	1,010,548
CHIAVENNA - Via Dolzino, 67	1,200,578	46,481	1,149,057	1,066,173	3,462,289	2,058,049	1,404,240
CHIESA VALMALENCO - Via Roma, 138	800,868	17,560	664,795	133,250	1,616,473	556,082	1,060,391
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	226,094	48,143
DELEBIO - Piazza S. Carpofofo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,288,916	913,076
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	824,824	774,671
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	120,825	44,030
DONGO - Piazza V. Matteri, 14	1,567,930	0	0	415,551	1,983,481	1,043,750	939,731
EDOLO - Piazza Martiri Della Libertà, 16	1,058,736	0	0	509,161	1,567,897	1,222,739	345,158
GENOVA - Via XXV Aprile, 7	7,559,724	0	0	0	7,559,724	1,228,680	6,331,044
GERA LARIO - Via Statale Regina, 14	292,667	0	131,677	227,733	652,077	329,414	322,663
GRAVEDONA - Piazza Garibaldi, 10/12	3,128,532	0	0	223,957	3,352,489	602,903	2,749,586
GRAVEDONA - Via Tagliaferri, 5	309,900				309,900	4,648	305,252
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	227,948	86,929
GROSOTTO - Via Statale, 73	452,238	12,911	147,146	42,099	654,394	238,112	416,282
ISOLACCIA VALDIDENTRO - Via Nazionale, 31	403,788	0	290,229	272,602	966,619	582,739	383,880
LECCO - Corso Martiri della Liberazione, 63/65	9,574,332	0	351,191	2,124,557	12,050,080	6,286,457	5,763,623
LECCO - Via Galandra, 28	168,623	0	0	41,959	210,582	132,667	77,915
LIVIGNO - Via S. Antoni, 135 - Via Prestefan	5,946,629	0	345,487	358,828	6,650,944	1,360,247	5,290,697
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	559,392	137,883
MARCHIROLO - Via Cav. Emilio Buseti, 7/A	1,089,019	0	0	0	1,089,019	374,623	714,396
MAZZO VALTELLINA - Via S. Stefano, 18	80,522	16,010	163,550	48,833	308,915	173,665	135,250
MILANO - Piazza Borromeo, 1	38,217	0	0	213,722	251,939	159,868	92,071
MILANO - Via A. Messina, 22	150,000	0	0	0	150,000	11,250	138,750
MILANO - Via Compagnoni, 9	51,141	0	0	6,842	57,983	53,924	4,059
MILANO - Via Lippi, 25	53,970	0	0	1,635	55,605	51,712	3,893
MILANO - Via Morigi, 2/A	73,590	0	0	123,930	197,520	154,066	43,454
MILANO - Via Porpora, 104	5,315,175	0	0	165,381	5,480,556	1,374,370	4,106,186
MILANO - Via S. Maria Fulcorina, 1	10,881,110	159,818	3,047,096	2,461,826	16,549,850	5,061,309	11,488,541
MILANO - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	369,873	123,292
MILANO - Via Sangallo, 16	4,752	0	0	11,915	16,667	13,000	3,667

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Total at 31/12/2012	Accumulated depreciation as of 31/12/2012	Net book value as of 31/12/2012
MILANO - Via Solari, 15	422,156	0	0	0	422,156	126,647	295,509
MONTAGNA IN VALTELLINA - Via Stelvio, 30	472,050	0	328,458	398,008	1,198,516	705,628	492,888
MORBEGNO - Piazza Caduti Della Libertà, 6	2,101,004	0	1,088,606	704,283	3,893,893	2,030,097	1,863,796
MORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	60,856	11,592
MORBEGNO - Via Garibaldi, 81	435,688	25,823	0	56,050	517,561	353,403	164,158
MOZZO - Via G. D'annunzio, 4	26,424	0	0	14,259	40,683	26,851	13,832
NOVATE MEZZOLA - Via Roma, 13	45,682	0	251,282	89,219	386,183	249,514	136,669
PASSO DELLO STELVIO	630,416	0	0	296,176	926,592	735,628	190,964
PONTE VALTELLINA - Piazza della Vittoria, 1	51,496	12,911	258,098	86,540	409,045	240,991	168,054
REGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	140,029	72,993
ROMA - Piazza Filippo II Macedone, 75	2,400,000	0	0	0	2,400,000	612,000	1,788,000
ROMA - Via della Farnesina, 154	928,169	0	0	0	928,169	125,303	802,866
ROMA - Via di Propaganda Fide, 27	155,625	0	350,503	88,926	595,054	595,054	-
S. CASSIANO VALCHIAVENNA - Via Spluga, 108	397,672	0	0	103,093	500,765	294,840	205,925
S. SIRO - Via Statale Regina	467,692	0	0	0	467,692	187,577	280,115
S. PIETRO BERBENNO - Via Nazionale Ovest, 110	1,240,601	22,208	328,181	122,795	1,713,785	419,818	1,293,967
SEREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	102,924	34,308
SONDALO - Via Zubiani, 2/4/6/8/10	21,757	25,823	312,456	158,005	518,041	375,717	142,324
SONDRIO - Corso V. Veneto, 7	858,944	0	0	1,190,813	2,049,757	653,584	1,396,173
SONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	170,673	52,471
SONDRIO - Lungo Mallero Cadorna, 24	1,429,633	0	196,254	451,249	2,077,136	957,208	1,119,928
SONDRIO - Piazza Garibaldi, 16	1,563,597	351,191	7,810,125	3,142,651	12,867,564	6,552,880	6,314,684
SONDRIO - Piazzale Tocalli - Via delle Prese	348,608	0	0	0	348,608	235,311	113,297
SONDRIO - Via Bernina, 1	181,930	0	82,385	45,795	310,110	151,126	158,984
SONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	362,057	42,200
SONDRIO - Via Cesura, 4	156,991	0	0	64,149	221,140	112,436	108,704
SONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	155,929	91,577
SONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	342,860	11,328
SONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	40,619	15,797
TALAMONA - Via Cusini, 29	223,475	0	313,640	203,691	740,806	586,576	154,230
TEGLIO - Piazza S. Eufemia, 2	40,150	13,944	546,700	148,165	748,959	452,781	296,178
TIRANO - Località Valchiosa	139,352	0	0	0	139,352	82,568	56,784
TIRANO - Piazza Cavour, 20	392,571	0	1,736,322	718,576	2,847,469	1,762,466	1,085,003
TORINO - Via XX Settembre, 37	6,467,876				6,467,876	97,018	6,370,858
TRESENDA DI TEGLIO - Via Nazionale, 57	192,524	0	193,671	67,596	453,791	366,976	86,815
VILLA DI CHIAVENNA - Via Roma, 39	197,712	0	0	7,639	205,351	193,168	12,183
VILLA DI TIRANO - Traversa Foppa, 25	440,817	0	0	7,651	448,468	218,252	230,216
	102,155,634	781,632	22,496,863	19,084,124	144,518,253	55,720,436	88,797,817



**SCHEDULE OF THE INDEPENDENT AUDITORS' FEES FOR THE YEAR
(AS PER ART. 149 DUODECIES OF THE ISSUERS' REGULATIONS)**

Type of services	Service provided by	Recipient	Fees (thousand euro)
Audit of the financial statements	KPMG spa	Banca Popolare di Sondrio	219
Other emoluments	KPMG spa	Banca Popolare di Sondrio	92
Audit of the financial statements	KPMG SA	Banca Popolare di Sondrio (SUISSE) SA	315
Audit of the financial statements	KPMG spa	Sinergia Seconda srl	21
Audit of the financial statements	KPMG spa	Pirovano Stelvio spa	10

These amounts do not include the reimbursement of out-of-pocket expenses and VAT.

FINANCIAL STATEMENTS:

BANCA POPOLARE DI SONDRIO (SUISSE) SA

FACTORIT SPA

PIROVANO STELVIO SPA

SINERGIA SECONDA SRL



BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AS OF 31 December 2012

(in Swiss francs)

ASSETS	2012	2011
Liquid assets	83,998,050	47,969,891
Due from banks	818,890,876	629,306,046
Due from customers	636,716,749	647,300,640
Mortgage loans	2,525,142,141	2,271,452,640
Financial investments	26,216,283	34,491,117
Equity investments	603,138	603,138
Fixed assets	30,683,979	34,081,443
Accrued income and prepayments	7,727,486	10,679,612
Other assets	68,448,259	68,885,275
Total assets	4,198,426,961	3,744,769,802
Total amounts due from Group companies and holders of qualifying equity investments	731,478,842	586,853,527

LIABILITIES	2012	2011
Debt securities issued - money market	197,585	106,923
Due to banks	1,004,028,867	1,047,829,245
Due to customers - savings and investments	701,956,112	672,564,635
Due to customers - other	1,953,411,416	1,475,070,092
Treasury liabilities	139,908,000	190,876,000
Accrued liabilities and deferred income	14,539,603	15,333,115
Other liabilities	71,350,888	78,062,643
Adjustments and provisions	33,269,809	34,357,222
Reserve for general banking risks	13,724,000	15,000,000
Share capital	150,000,000	100,000,000
General legal reserve	115,569,927	112,352,786
Net profit for the year	470,754	3,217,141
Total liabilities	4,198,426,961	3,744,769,802
Total amounts due to Group companies and holders of qualifying equity investments	932,513,164	734,035,879

OFF-BALANCE SHEET TRANSACTIONS	2012	2011
Contingent liabilities	232,631,923	206,677,105
Irrevocable commitments	14,436,000	14,152,000
Derivative products	2,907,281,481	2,433,353,351
- Gross positive replacement value	2,751,015	4,890,938
- Gross negative replacement value	61,629,588	69,616,611
Fiduciary transactions	253,281,352	246,918,976



INCOME STATEMENT

(in Swiss francs)

	2012	2011
Interest income:		
- Interest income and discounts	76,003,031	76,054,503
- Interest income and dividends from equity investments	422,760	777,393
Interest expense	-48,199,484	-49,575,146
Net interest income	28,226,307	27,256,750
Commission income:		
- on lending transactions	1,449,979	1,412,518
- on trading in securities and investments	32,588,013	36,764,492
- on services	5,906,133	6,048,855
Commission expense	-5,195,416	-6,152,024
Net commission income and income from services	34,748,709	38,073,841
Profits from financial transactions	10,897,002	13,578,964
Profit (loss) on disposal of financial investments	200,276	-384,057
Income from equity investments	-	-
Net proceeds from properties	172,298	166,653
Other ordinary income	844,298	300,764
Other ordinary charges	-141,325	-1,392,587
Total other ordinary income	1,075,547	-1,309,227
Net income from ordinary banking operations	74,947,565	77,600,328
Operating expenses:		
Personnel costs	45,143,546	43,799,899
Other operating expenses	22,306,090	21,884,002
Operating expenses	67,449,636	65,683,901
Gross profit	7,497,929	11,916,427

	2012	2011
Depreciation and amortisation	-7,038,654	-7,074,590
Adjustments, provisions and losses	-6,930,027	-2,915,924
Interim results	-6,470,752	1,925,913
Extraordinary income	9,089,916	2,486,228
Extraordinary charges	-450,655	-95,000
Income taxes	-1,697,755	-1,100,000
Net profit for the year	470,754	3,217,141
ALLOCATION OF NET PROFIT		
Net profit for the year	470,754	3,217,141
Retained earnings	-	-
Earnings available for allocation	470,754	3,217,141
Proposal of the Board of Directors for the allocation of 2012 net profit of CHF 470,754 to general legal reserve.	-	-
Balance carried forward	-	-



FACTORIT SPA

FINANCIAL STATEMENTS AS OF 31 December 2012

(in euro)

ASSET ITEMS	31/12/2012	31/12/2011
10. Cash and balances with central banks	5,400	6,494
60. Receivables	2,011,553,763	1,656,910,431
100. Property, plant and equipment	384,319	320,936
110. Intangible assets	1,256,035	1,191,087
120. Tax assets	36,563,804	32,098,946
a) current	9,706,588	10,955,498
b) deferred	26,857,216	21,143,448
140. Other assets	3,395,495	3,018,413
TOTAL ASSETS	2,053,158,816	1,693,546,307

EQUITY AND LIABILITY ITEMS	31/12/2012	31/12/2011
10. Payables	1,822,663,367	1,468,368,912
70. Tax liabilities	17,981,966	9,705,213
<i>a) current</i>	15,597,799	7,369,749
<i>b) deferred</i>	2,384,167	2,335,464
90. Other liabilities	27,253,373	41,487,297
100. Reserve for termination indemnities	2,233,450	1,948,599
110. Provisions for risks and charges:	5,528,393	5,129,380
<i>b) other provisions</i>	5,528,393	5,129,380
120. Share capital	85,000,002	85,000,002
150. Share premium reserve	11,030,364	11,030,364
160. Reserves	66,724,986	60,999,011
170. Valuation reserves	-136,284	71,554
180. Net profit (loss) for the year	14,879,199	9,805,975
TOTAL LIABILITIES AND EQUITY	2,053,158,816	1,693,546,307

INCOME STATEMENT	31/12/2012	31/12/2011
10. Interest income and similar revenues	62,879,889	47,686,849
20. Interest expense and similar charges	-22,485,339	-22,668,613
NET INTEREST INCOME	40,394,550	25,018,236
30. Commission income	38,927,892	36,383,058
40. Commission expense	-6,285,732	-5,891,692
NET COMMISSION INCOME	32,642,160	30,491,366
60. Net trading income	313,573	10,480
INCOME FROM BANKING ACTIVITIES	73,350,283	55,520,082
100. Net impairment adjustments on:	-28,935,436	-17,349,428
<i>a) financial assets</i>	-28,076,692	-18,943,665
<i>b) other financial operations</i>	-858,744	1,594,237
110. Administrative expenses:	-21,864,609	-22,691,889
<i>a) personnel expenses</i>	-11,545,870	-11,809,106
<i>b) other administrative expenses</i>	-10,318,739	-10,882,783
120. Net adjustments to property, plant and equipment	-109,103	-88,392
130. Net adjustments to intangible assets	-50,977	-27,792
150. Net provisions for risks and charges	-893,530	24,677
160. Other operating income and expenses	3,108,084	2,569,865
OPERATING PROFIT (LOSS)	24,604,712	17,957,123
180. Gains (losses) on disposal of investments	-	2,700
PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	24,604,712	17,959,823
190. Income taxes on current operations	-9,725,513	-8,153,848
NET PROFIT (LOSS) OF CURRENT OPERATIONS NET OF INCOME TAXES	14,879,199	9,805,975
NET PROFIT (LOSS) FOR THE YEAR	14,879,199	9,805,975



PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 December 2012

(in euro)

ASSETS	31/12/2012	31/12/2011
B) NON-CURRENT ASSETS		
I Intangible assets		
03 Industrial patent rights and intellectual property rights	15,187	1,135
Total I	15,187	1,135
II Property, plant and equipment		
01 Land and buildings	2,978,159	3,048,815
02 Equipment and machinery	196,369	249,901
03 Industrial and commercial equipment	59,938	75,023
04 Other assets	19,729	8,884
05 Assets under construction and advances	7,676	7,676
Total II	3,261,871	3,390,299
III Financial assets		
01 Equity investments		
<i>b) in associated companies</i>	325,913	307,481
<i>d) in other companies</i>	2,199	2,199
<i>Total 01</i>	328,112	309,680
Total III	328,112	309,680
TOTAL NON-CURRENT ASSETS	3,605,170	3,701,114
C) CURRENT ASSETS		
I Inventories		
04 Finished products and merchandise	41,959	33,426
Total I	41,959	33,426
II Receivables		
01 Due from customers		
<i>a) due within 12 months</i>	17,957	6,493
<i>Total 01</i>	17,957	6,493
04 Due from Parent Company		
<i>a) due within 12 months</i>	168,632	116,453
<i>Total 04</i>	168,632	116,453
04-bis Due from tax authorities		
<i>a) due within 12 months</i>	17,134	3,520
<i>Total 04-bis</i>	17,134	3,520
05 Due from others		
<i>a) due within 12 months</i>	7,555	7,364
<i>Total 05</i>	7,555	7,364
Total II	211,278	133,830
IV Cash and banks		
01 Bank and post office deposits	172	-
03 Cash and cash equivalents on hand	527	405
Total IV	699	405
TOTAL CURRENT ASSETS	253,936	167,661
D) ACCRUED INCOME AND PREPAYMENTS		
02 Accrued income and prepayments	3,331	3,290
TOTAL ACCRUED INCOME AND PREPAYMENTS	3,331	3,290
TOTAL ASSETS	3,862,437	3,872,065

LIABILITIES AND EQUITY	31/12/2012	31/12/2011
A) EQUITY		
I Share capital	2,064,000	2,064,000
III Valuation reserves	192,104	192,104
IV Legal reserve	5,959	5,959
VII Other reserves		
01 Voluntary reserve	232,397	232,397
08 Rounding reserves	1	3
Total VII	232,398	232,400
IX Net profit (loss) for the year	(442,928)	(340,042)
TOTAL EQUITY	2,051,533	2,154,421
C) RESERVE FOR TERMINATION INDEMNITIES	129,229	118,023
D) PAYABLES		
06 Advance payments		
a) due within 12 months	946	-
Total 06	946	-
07 Trade payables		
a) due within 12 months	138,190	107,146
Total 07	138,190	107,146
10 Due to associated companies		
a) due within 12 months	5,850	6,700
Total 10	5,850	6,700
11 Due to Parent Company		
a) due within 12 months	1,495,364	1,438,971
Total 11	1,495,364	1,438,971
12 Taxes payable		
a) due within 12 months	7,974	14,634
Total 12	7,974	14,634
13 Due to social security institutions		
a) due within 12 months	8,272	7,183
Total 13	8,272	7,183
14 Other payables		
a) due within 12 months	20,453	20,466
Total 14	20,453	20,466
TOTAL PAYABLES	1,677,049	1,595,100
E) ACCRUED EXPENSES AND DEFERRED INCOME		
02 Accrued expenses and deferred income	4,626	4,521
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	4,626	4,521
TOTAL LIABILITIES	3,862,437	3,872,065



MEMORANDUM ACCOUNTS	31/12/2012	31/12/2011
05 RISKS AND COMMITMENTS		
C) Commitments taken by third parties	6,733	6,733
Total 05	6,733	6,733
TOTAL MEMORANDUM ACCOUNTS	6,733	6,733

INCOME STATEMENT	31/12/2012	31/12/2011
A) PRODUCTION VALUE		
01 Revenues from sales and services	1,272,441	1,451,082
05 Other revenues and income		
<i>a) other revenues and income</i>	56,311	54,155
Total 05	56,311	54,155
TOTAL PRODUCTION VALUE	1,328,752	1,505,237
B) PRODUCTION COSTS		
06 Raw materials, consumables and goods	(343,050)	(320,357)
07 Services	(729,547)	(782,107)
09 Personnel costs		
<i>a) wages and salaries</i>	(493,406)	(454,972)
<i>b) social security contributions</i>	(151,832)	(139,233)
<i>c) termination indemnities</i>	(29,075)	(27,697)
<i>e) other costs</i>	(544)	(778)
Total 09	(674,857)	(622,680)
10 Depreciation, amortisation and write-downs		
<i>a) amortisation of intangible assets</i>	(8,728)	(1,135)
<i>b) depreciation of property, plant and equipment</i>	(152,187)	(148,544)
Total 10	(160,915)	(149,679)
11 Change in raw materials, consumables and goods	8,533	(26,007)
14 Sundry operating costs	(56,530)	(45,414)
TOTAL PRODUCTION COSTS	(1,956,366)	(1,946,244)
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	(627,614)	(441,007)
C) FINANCIAL INCOME AND CHARGES		
15 Income from equity investments		
<i>b) in associated companies</i>	12,968	-
Total 15	12,968	-
17 Interest and other financial charges		
<i>c) versus parent companies</i>	(9,790)	(14,190)
<i>d) versus other</i>	(493)	(301)
Total 17	(10,283)	(14,491)
TOTAL FINANCIAL INCOME AND CHARGES	2,685	(14,491)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18 Revaluations		
<i>a) of equity investments</i>	18,432	5,336
Total 18	18,432	5,336
TOTAL ADJUSTMENTS	18,432	5,336
E) EXTRAORDINARY ITEMS		
20 Income		
<i>c) rounding differences</i>	-	1
Total 20	-	1
21 Charges		
<i>c) other extraordinary charges</i>	(340)	(248)
Total 21	(340)	(248)
TOTAL EXTRAORDINARY ITEMS	(340)	(247)
PRE-TAX PROFIT (LOSS)	(606,837)	(450,409)
22 Current income taxes and change in deferred tax assets and liabilities		
<i>a) Current taxes</i>	163,909	110,367
Total 22	163,909	110,367
23 NET PROFIT (LOSS)	(442,928)	(340,042)



SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 December 2012

(in euro)

ASSETS	31/12/2012	31/12/2011
A) AMOUNTS RECEIVABLE FROM SHAREHOLDERS	-	-
Of which already called €		
B) NON-CURRENT ASSETS		
I - Intangible assets	-	-
II - Property, plant and equipment		
1) Land and buildings		
1 - owned	68,800,747	62,878,095
5) Assets under construction and advances		
1 - owned	-	702,753
Total property, plant and equipment	68,800,747	63,580,848
III - Financial assets		
1) equity investments in		
a) subsidiary companies	20,000	20,000
Total financial assets	20,000	20,000
TOTAL NON-CURRENT ASSETS	68,820,747	63,600,848
C) CURRENT ASSETS		
I - Inventories	-	-
II - Receivables		
1) due from customers		
a) due within 12 months	301,737	39,854
2) due from subsidiary companies		
a) due within 12 months	8,692,757	8,673,863
4 bis) due from tax authorities		
a) due within 12 months	401,628	346,376
5) due from others		
a) due within 12 months	110	2,407,561
Total receivables	9,396,232	11,467,654
III - Financial assets not held as non-current assets	-	-
IV - Cash and banks		
3) cash and cash equivalents on hand	33	33
Total cash and banks	33	33
TOTAL CURRENT ASSETS	9,396,265	11,467,687
D) ACCRUED INCOME AND PREPAYMENTS		
1) accrued income and prepayments	9,044	41,221
TOTAL ACCRUED INCOME AND PREPAYMENTS	9,044	41,221
TOTAL ASSETS	78,226,056	75,109,756



LIABILITIES AND EQUITY	31/12/2012	31/12/2011
A) EQUITY		
I - Share capital	60,000,000	60,000,000
II - Share premium reserve	-	-
III - Valuation reserves	-	-
IV - Legal reserve	2,040,000	2,040,000
V - Statutory reserves	-	-
VI - Reserve for treasury shares	-	-
VII - Other reserves	-	-
VIII - Retained earnings	5,064,964	7,423,683
IX - Loss for the year	-53,700	-2,358,719
TOTAL EQUITY	67,051,264	67,104,964
B) RESERVES FOR RISKS AND CHARGES		
2) for taxation; also deferred	-	772,692
TOTAL RESERVES FOR RISKS AND CHARGES	-	772,692
C) RESERVE FOR TERMINATION INDEMNITIES	-	-
D) PAYABLES		
7) due to suppliers		
a) due within 12 months	253,882	209,274
9) due to subsidiary companies		
a) due within 12 months	89,021	5,682
11) due to parent companies		
a) due within 12 months	10,594,856	7,003,233
12) taxes payable		
a) due within 12 months	113,395	1,740
b) due beyond 12 months	-	8,814
14) other payables		
a) due beyond 12 months	100,941	-
TOTAL PAYABLES	11,152,095	7,228,743
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1) Accrued expenses and deferred income	22,697	3,357
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	22,697	3,357
TOTAL LIABILITIES AND EQUITY	78,226,056	75,109,756



MEMORANDUM ACCOUNTS	31/12/2012	31/12/2011
b) Preliminary commitments for the purchase of property outstanding	-	3,700,000
TOTAL MEMORANDUM ACCOUNTS	-	3,700,000

INCOME STATEMENT	31/12/2012	31/12/2011
A) PRODUCTION VALUE		
1) revenues from sales and services		
e) office rents	2,667,648	1,882,804
g) office expense reimbursements	30,911	81,005
5) other revenues and income		
c) other revenues	79	4,499
TOTAL PRODUCTION VALUE	2,698,638	1,968,308
B) PRODUCTION COSTS		
7) for services	459,671	533,076
10) depreciation, amortisation and write-downs		
b) depreciation of property, plant and equipment	1,531,722	1,438,063
14) sundry operating costs		
a) other operating costs and charges	199,700	168,075
b) non-deductible charges	232,352	77,405
TOTAL PRODUCTION COSTS	2,423,445	2,216,619
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	275,193	-248,311
C) FINANCIAL INCOME AND CHARGES		
17) interest and other financial charges		
b) parent banks	272,755	332,167
c) third parties	-	65
TOTAL FINANCIAL INCOME AND CHARGES	-272,755	-332,232
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19) Write-downs		
a) of equity investments	10,368	1,995,662
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-10,368	-1,995,662
E) EXTRAORDINARY ITEMS		
20) income		
b) other extraordinary income	-	5,666
21) charges		
b) other charges	-	4,324
c) taxes relating to prior years	37,295	3,926
d) rounding differences on conversion to euro	-	1
TOTAL EXTRAORDINARY ITEMS	-37,295	-2,585
PRE-TAX PROFIT (LOSS)	-45,225	-2,578,790
22) current income taxes and change in deferred tax assets and liabilities		
a) IRES (corporate income taxes)	755,760	552,621
b) IRAP (regional business tax)	25,407	-
c) Deferred taxes	-772,692	-772,692
23) LOSS OF THE YEAR	-53,700	-2,358,719

Attestation pursuant to art. 154-bis of Decree 5/58 on the separate 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 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 separate financial statements during the course of 2012.

The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the separate 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 separate financial statements at 31 December 2012:

- 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 issuer’s assets and liabilities, results and financial position.

The report on operations contains a reliable analysis of the trend and results of operations, together with a description of the main risks and uncertainties to which the Bank is exposed.

Sondrio, 25 March 2013

The Managing Director
Mario Alberto Pedranzini



The Financial Reporting Officer
Maurizio Bertoletti





KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

- 1 We have audited the separate financial statements of Banca Popolare di Sondrio S.C.p.A. as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the company's directors restated some of the corresponding figures included in the prior year separate financial statements. We audited such separate financial statements and issued our report thereon on 29 March 2012. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the separate financial statements at 31 December 2012.

- 3 In our opinion, the separate financial statements of Banca Popolare di Sondrio S.C.p.A. as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Banca Popolare di Sondrio S.C.p.A. as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

- 4 The directors of Banca Popolare di Sondrio S.C.p.A. are responsible for the preparation of a directors' report on operations and a report on the corporate governance and the ownership structure, published in the "informativa societaria" section of Banca Popolare di Sondrio S.C.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and the ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and the ownership structure are consistent with the separate financial statements of Banca Popolare di Sondrio S.C.p.A. as at and for the year ended 31 December 2012.

Milan, 4 April 2013

KPMG S.p.A.

(signed on the original)

Paolo Valsecchi
Director of Audit

Banca Popolare di Sondrio

**CONSOLIDATED FINANCIAL
STATEMENTS OF THE
BANCA POPOLARE DI SONDRIO
BANKING GROUP**

REPORT ON OPERATIONS

Shareholders,

As Parent Bank of the Banca Popolare di Sondrio Banking Group, registration no. 5696.0, we are obliged to present consolidated financial statements.

COMPOSITION OF THE 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, which is fully paid-up.

Factorit spa – Milano.

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

Sinergia Seconda Srl – Milano.

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

Equity investments are consolidated as follows:

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

* held by Sinergia Seconda srl.



SHAREHOLDINGS CONSOLIDATED UNDER THE EQUITY METHOD:

Name	Location	Share capital (in thousands)	% held
Alba Leasing spa	Milan	255,000	20.950
Arca Vita spa	Verona	208,279	14.837
Banca della Nuova Terra spa	Milan	50,000	19.609
Polis Fondi Sgrpa	Milan	5,200	19.600
Rajna Immobiliare srl	Sondrio	20	50.000
Sofipo SA	Lugano	(CHF) 2,000 *	30.000

* partecipata da Banca Popolare di Sondrio (SUISSE) SA.

GENERAL ECONOMIC CONTEXT

The report on operations accompanying the parent bank's financial statements contains information on the international, Swiss and Italian economic situation during the year 2012.

TERRITORIAL EXPANSION

Despite the well-known economic difficulties, the Group again maintained its commitment in favour of business activities in the territories that it serves, in line with its long-standing policy. The Parent Bank opened six new branches, for a total of 306. Five branches were opened in Lombardy: Lonate Pozzolo, branch no. 32 in Milan and a second branch in Bergamo, Saronno and Rezzato, whereas the last one is in Vercelli (Piedmont).

Banca Popolare di Sondrio (SUISSE) SA has opened a representative branch in Neuchâtel, the Canton of that name in «Romandy» (French-speaking Switzerland).

At the end of 2012, the Group had a total of 328 branches.

GROUP PERFORMANCE

Funding

In a general context that is problematical to say the least, where funding has become increasingly difficult and expensive, one of the priorities for our Group was to strengthen the bond of trust with our customers. We managed to do this thanks to a complete and competitive range of products and services, which has aroused considerable interest.

This is demonstrated by direct customer deposits, which rose to € 26,185 million, an increase of 15.46%.

Indirect customer deposits amounted to € 24,370 million, a decrease of 4.85% mainly due to the transfer of securities by institutional clients.

Insurance premium income came to € 618 million, +0.92%.

Total customer deposits therefore amounted to € 51,173 million, (+4.64%).

Amounts due to banks amounted to € 3,204 million, -10.01%, whereas indirect deposits from banks came to € 943 million, -74.71%, a sharp decline following the Parent Bank's disposal of the contracts as custodian bank of the Arca funds.

Total deposits from customers and banks therefore came to 55,320 million (-1.56%). The table «Direct customer deposits» shows the various components in more detail with respect to the Notes.

As regards the various components of direct deposits, it is worth noting the sustained growth in time deposit accounts, € 4,564 million, +55.78%,

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2012	% of total	2011	% of total	% change
Savings deposits	570,398	2.18	623,845	2.75	-8.57
Certificates of deposit	29,569	0.11	27,784	0.12	6.42
Bonds	2,829,810	10.81	2,607,679	11.50	8.52
Repo transactions	533,811	2.04	1,272,472	5.61	-58.05
Bank drafts and similar	75,183	0.29	106,245	0.47	-29.24
Current accounts	15,350,320	58.62	13,309,516	58.69	15.33
Time deposit accounts	4,564,397	17.43	2,930,083	12.92	55.78
Current accounts in foreign currency	2,231,824	8.52	1,801,074	7.94	23.92
Total	26,185,312	100.00	22,678,698	100.00	15.46

TOTAL FUNDING

(in thousands of euro)	2012	% of total	2011	% of total	% change
Total direct customer deposits	26,185,312	47.33	22,678,698	40.36	15.46
Total indirect customer deposits	24,369,954	44.05	25,613,013	45.58	-4.85
Total insurance-related deposits	617,866	1.12	612,232	1.09	0.92
Total	51,173,132	92.50	48,903,943	87.03	4.64
Due to banks	3,204,024	5.80	3,560,383	6.33	-10.01
Indirect funding from banks	943,176	1.70	3,729,910	6.64	-74.71
Grand total	55,320,332	100.00	56,194,236	100.00	-1.56



helped by customers' preference for a simple tool with a limited duration, capable of ensuring satisfactory yields. Current accounts in euro and foreign currency rose from € 15,111 to € 17,582 million, +16.36%, and make up 67.15% of all direct funding. Bonds have increased from € 2,608 to € 2,830 million, +8.52%; certificates of deposit, while remaining a marginal component, rose by 6.42% to € 30 million. Repurchase agreements marked a sharp decline, largely due to competition from time deposits: -58.05% to € 534 million. Also in decline are savings deposits, -8.57% to € 570 million, and bank drafts and similar, down to € 75 million, -29.24%.

Assets under management reported € 3,748 million, -2.30%.

Loans

In a situation of general economic difficulty, the Group has maintained lending activity as its core commitment, combining the need to ensure adequate assistance to customers with the need to protect the quality of loans granted.

In this way we ensured our contribution to the economic development of the areas that we serve by giving adequate financial support to households and businesses. In addition, being well aware of the continuing effects of the crisis, we have done everything possible to refine the tools we use to manage credit risk.

The economic situation has also made substantial impairment adjustments necessary.

Loans to customers have grown to 25,309 million, +6.93%.

DUE FROM CUSTOMERS

(in thousands of euro)	2012	% of total	2011	% of total	% change
Current accounts	6,993,848	27.63	6,789,780	28.69	3.01
Foreign currency loans	1,774,826	7.01	1,785,817	7.54	-0.62
Advances	476,586	1.88	445,570	1.88	6.96
Advances subject to collection	274,594	1.08	307,879	1.30	-10.81
Discounted portfolio	13,859	0.05	12,207	0.05	13.53
Artisan loans	19,233	0.08	22,176	0.09	-13.27
Agricultural loans	33,861	0.13	31,720	0.13	6.75
Personal loans	143,846	0.57	111,748	0.47	28.72
Other unsecured loans	4,264,327	16.85	3,852,322	16.28	10.69
Mortgage loans	8,720,540	34.47	8,130,167	34.36	7.26
Non-performing loans	290,743	1.15	272,597	1.15	6.66
Repo transactions	485,863	1.92	325,505	1.38	49.26
Factoring	1,816,672	7.18	1,581,447	6.68	14.87
Total	25,308,798	100.00	23,668,935	100.00	6.93

DUE FROM CUSTOMERS - DOUBTFUL LOANS

(in thousands of euro)		31/12/2012	31/12/2011	(+/-)	% change
Impaired loans	Gross exposure	1,995,430	1,457,228	538,202	36.93%
	Adjustments	690,543	375,761	314,782	83.77%
	Net exposure	1,304,887	1,081,467	223,420	20.66%
- Non-performing loans	Gross exposure	689,914	552,789	137,125	24.81%
	Adjustments	399,171	280,192	118,979	42.46%
	Net exposure	290,743	272,597	18,146	6.66%
- Watchlist loans	Gross exposure	745,280	450,132	295,148	65.57%
	Adjustments	224,489	72,131	152,358	211.22%
	Net exposure	520,791	378,001	142,790	37.78%
- Restructured loans	Gross exposure	60,343	91,142	-30,799	-33.79%
	Adjustments	12,004	7,803	4,201	53.84%
	Net exposure	48,339	83,339	-35,000	-42.00%
- Past due loans	Gross exposure	499,893	363,165	136,728	37.65%
	Adjustments	54,879	15,635	39,244	251.00%
	Net exposure	445,014	347,530	97,484	28.05%

Impaired loans totalled € 1,305 million, an increase of 20.66% over the previous year, adjusted as a result of changes in regulatory provisions, which extended the perimeter to a category of past due loans that previously was not taken into consideration. The table gives an overview of impaired loans.

Net non-performing loans, i.e. after writedowns, amounted to € 291 million, +6.66%, equal to 1.15% of total loans to customers, as in the previous year. The trend in net non-performing loans is due, on the one hand, to the sharp rise in non-performing positions and, on the other, to the size of the prudent provisions made, taking into account the recommendations of the Supervisory Authority. Adjustments increased from 50.69% in the previous year to 57.86%. In any case, the magnitude of our non-performing loans remains well below the average for the system.

Watchlist loans, being loans to borrowers in temporary difficulties that are expected to be resolved, rose to € 521 million, +37.78%, or 2.06% of total loans to customers compared with 1.60% the previous year.

Restructured loans come to € 48 million, -42%. Even though businesses are having recourse more and more frequently to loan restructuring procedures in accordance with arts 48 and 42 of the Bankruptcy Law, this decrease relates primarily to the transfer of certain positions to other categories of impaired loans.

Impaired past-due loans calculated according to the new rules issued by the Bank of Italy come to € 445 million (+28.05%).

There are various different types of loans involved in the total.

These items are shown in greater detail in the table «Loans to customers» and are based on other criteria compared with the notes.

Despite the severe crisis in the property sector, mortgage loans rose to € 8,721 million, +7.26%, and are the main component of customer loans at 34.47%. Other unsecured loans also rose to € 4,264 million, +10.69%, while current account overdrafts increased to € 6,994 million, +3.01%. Factoring has gone up substantially to € 1,817 million, +14.87%. Foreign currency loans amount to € 1,775 million, -0.62%, while advances come to € 477 million, +6.96%, and advances subject to collection have gone down to € 275 million, -10.81%.

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 € 64 million, local or state-owned enterprises for € 389 million and various other entities for € 192 million.

Portfolio of financial assets

At year end the net interbank position shows a negative balance of € 2,024 million, a decrease of € 62 million from the balance of € 2,086 million at 31 December 2011. By lengthening the average duration of its borrowing, the Group has benefited from an excellent liquidity situation. Monitoring, which was carried out daily over a period of three months, has not shown any critical matters as a result. Attention has been paid to maintaining a substantial stock of high-quality financial assets eligible as collateral at the European Central Bank.

The intense work performed by the Treasury Department has seen a distinct prevalence, because of the liquidity situation, of lending transactions which have grown considerably, as opposed to funding transactions, which have clearly fallen, both on the Electronic Deposit Market (e-MID) and on the Collateralised Interbank Market (New MIC). With regard to these markets, Group volumes in 2012 put us in 10th and 5th position respectively.

Despite a good liquidity position, as mentioned previously, our net interbank exposure remained at the same level as last year as a result of movements in various balance sheet items, particularly the increase in loans to customers and financial assets in portfolio. Contributing to this was also the remix of certain forms of borrowing, including the partial replacement of that relating to the financial sector with interbank borrowing. As we said, the trend in our normal business reflected on the interbank position; true to its cooperative roots, even in this complex situation, the Group has confirmed its traditional links with the territory, providing financial support to the local economies, while benefiting from the deposit flows that come from its consolidated relationships. Policies have been pursued in order to lengthen borrowing maturities of liabilities, with a view to stabilising our sources of funding.

The Group's portfolios of financial assets at 31 December 2012 came to a total of 4,817 million (+51.82%). The following table summarises the various amounts involved:

FINANCIAL ASSETS

(in thousands of euro)	2012	2011	% change
Financial assets held for trading (HFT)	2,070,237	2,167,324	-4.48%
<i>of which, derivatives</i>	45,042	102,429	-56.03%
Financial assets carried at fair value (CFV)	104,224	81,713	27.55%
Financial assets available for sale (AFS)	2,438,079	703,662	246.48%
Financial assets held to maturity (HTM)	204,644	220,332	-7.12%
Hedging derivatives	52	-	-
Total	4,817,236	3,173,031	51.82%

Information on these various portfolios is given below.

In accordance with the provisions of Consob communication no. DEM/RM11070007 of 5 August 2011, we would point out that on 31 December 2012 these portfolios contained bonds forming part of the so-called «sovereign debt». i.e. debt issued by central governments, local governments and other government entities, for a total of 3,917 million. The portfolios did not include any securities issued by peripheral countries of the Eurozone.

Financial assets held for trading

Financial assets held for trading (HFT), as shown in the following table, amount to 2,070 million and have decreased by 4.48%.

(in thousands of euro)	2012	2011	% change
Floating-rate Italian government securities	1,290,480	1,469,663	-12.19%
Fixed-rate Italian government securities	346,706	187,259	85.15%
Bank bonds	264,375	271,591	-2.66%
Bonds of other issuers	28,157	37,677	-25.27%
Securitisations	38,424	42,465	-9.52%
Variable-yield securities and mutual funds	57,053	56,240	1.45%
Net book value of derivative contracts	45,042	102,429	-56.03%
Total	2,070,237	2,167,324	-4.48%

The composition of the HFT portfolio confirms the high prevalence of CCTs, which account for 62.33% of the total, down 12.19% on the previous year because of sales of bonds close to maturity.

The attenuation of sovereign risk and the recovery in financial markets had a positive impact on the valuation of the portfolio, permitting the recognition of capital gains of € 67.974 million, against losses of € 3.274 million. In 2011 were booked losses of € 106.485 million and gains of € 1.139 million.

The overall result of the HFT portfolio is positive for € 134.515 million. Last year it was negative for € 94.030 million. «Net trading income», which refers to total fixed-yield securities, includes net trading profits of € 64.384 million, gains of € 66.228 million and losses of € 0.350 million. Then we have to add profits of € 5.431 million and net losses of € 1.178 million on variable-yield securities and mutual funds. In 2011, on the entire portfolio, we booked: net profits of € 11.316 million; gains of € 1.139 million; losses of € 106.485 million.

As already mentioned, the HFT portfolio continues to be made up principally (62.33%) of CCTs. Corporate bonds amount to € 293 million, -5.41%, of which € 264 million relate to bank issues. Securities that are part of securitisations are all senior and have been reduced to 38 million as a result of partial reimbursements and sales. Fixed-rate Government securities, for a total of € 347 million, have increased by 85.15% for the purchase of BTPs and BOTs. Variable-yield securities and mutual funds, which are still marginal, have increased to € 57 million (+1.45%). Derivatives have fallen by 56.03% to € 45 million and is made up of: derivatives on debt securities and interest rates, € 22 million; derivatives on equities and equity indices, € 1 million; derivatives on foreign currency, gold and precious metals, € 22 million.

Financial assets at fair value

Financial assets carried at fair value (CFV) amount to € 104 million, with an increase thanks to the purchase of shares of mutual funds and sicavs, as well as a general recovery in prices of 27.55%. They consist of mutual funds and sicavs of various kinds for € 74 million and CCTs for € 30 million.

Financial assets available for sale

Financial assets available for sale (AFS) come to € 2,438 million (+246.48%), mainly for the purchase of CCTs, BOTs and BTPs, valued at € 2,208 million at the end of the year. The increase confirms the Bank's determination to include also in this portfolio securities held not with a view to immediate disposal. This also to limit, at least in part, the impact on the income statement of the volatility experienced by financial markets in recent years. It also includes € 79 million of variable-yield securities and € 73 million in mutual funds. The portfolio has been the subject of careful assessment to detect any impairment that would involve having to make write-downs in the income statement. Positive reserves for capital gains, net of tax, have been accounted for in equity for € 50.437 million, mostly relating to Italian government bonds, bringing the valuation reserve from a negative balance of € 43.565 million to a positive one of € 6.872 million.

We carried out impairment tests on the equity investments with negative valuation reserves and, based on the criteria used for the identification of permanent losses explained in Part A «Accounting policies» of the Notes, we had to make some write-downs in the income statement.

As regards the changes, note the following: purchases of debt securities of € 2,187 million, relating to government securities and corporate bonds; the increase in mutual funds for € 13 million, of which € 10 million related to the subscription of the Az Fund 1 Reserve; the increase in equities of € 12 million, of which € 9.5 million related to the interest in Arca SGR spa and € 2.5 million to contracts of association in participation; in addition, positive changes in fair value of € 72.755 million, while other changes of € 61.660 million comprise coupons, discounts and positive effects of accounting at amortised cost. Negative changes come from sales of debt securities for € 366 million and repayments of € 208 million, while the impairment adjustments, primarily on listed equities, amount to € 4.3 million, and negative changes in fair value to € 1 million. The other decreases consist of coupons for € 29.755 million and reimbursements of mutual funds for € 0.691 million.

Financial assets held to maturity

The portfolio of financial assets held to maturity (HTM) amount to € 205 million, a decrease of 7.12% as a result of repayments.

We would remind you, with regard to its content, that in 2008 the anomalous performance of equity and bond markets persuaded the Parent Bank to take advantage of the amendment to IAS 39, issued by the International Accounting Standards Board (IASB) on 13 October 2008 and endorsed by the European Commission with Regulation (EC) 1004/2008 of 15 October 2008, which amended Regulation (EC) 1725/2003. In exceptional circumstances, this measure allows companies to disregard the ban on transferring financial assets (apart from derivatives) from the category of those designated at fair value through profit and loss to another category where securities are booked at amortised cost. As a result, we transferred from the HFT portfolio to the HTM portfolio unlisted bonds that were illiquid and not expected to be sold. These had a par value of € 243 million and were carried at € 233 million, whereas their fair value at 31 December 2008 was € 193 million, generating a theoretical pre-tax loss of € 40 million.

At 31 December 2012, these securities amount to € 135 million, with a decrease of 17.49% following reimbursements, compared with € 163 million the previous year. They have a fair value of € 129 million. The theoretical pre-tax loss therefore amounts to € 6 million.

The BPS stock, which is listed on the MTA, the screen-based market, Blue Chips segment, of the Italian Stock Exchange, saw its price fall by 29.47%.

Banca Popolare di Sondrio (SUISSE) SA, Factorit spa and Sinergia Seconda 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.

EQUITY INVESTMENTS

Equity investments amount to € 146 million, with a rise of 13.90%. The reader is referred to the report accompanying the Parent Bank's financial statements and to the notes Part A, sections 3 and 10 for the related comments.

Related party transactions

Related party transactions, as identified in accordance with IAS 24 and with the «Regulation on related party transactions», issued by Consob with resolution 17221 and subsequent amendments, form part of the Group's ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

In compliance with disclosure obligations prescribed in article 5 of the Consob Regulation, during the period 1 January to 31 December 2012, the Parent Bank and Factorit's corporate bodies decided the following transactions of greater relevance:

- Factorit spa, subsidiary; granting of a financial credit limit for guarantees to be given to residents of € 120,000,000 repayable on demand; resolution of 03/01/2012;
- Alba Leasing spa, associated company; granting of an overdraft facility of € 15,000,000 repayable on 15/11/2012; resolution of 09/02/2012;
- Falck Renewables spa, indirectly held by Federico Falck, a director of the Bank; granting of a commercial guarantee to be given to residents of € 40,430 repayable on demand; resolution of 14/02/2012. The prescribed information document was published in connection with this transaction;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a financial credit limit for guarantee deposits in securities of € 2,000,000 repayable on demand; resolution of 20/03/2012;
- Alba Leasing spa, associated company; granting of a guarantee to be given to non-residents of € 57,500,000 repayable on demand; resolution of 20/03/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees to be given to residents of € 15,000,000 repayable on demand; resolution of 22/03/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 200,000,000 repayable on 15/05/2012; resolution of 27/03/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; renewal of lines of credit totalling € 620,640,197 repayable on demand; resolution of 30/03/2012;
- Banca della Nuova Terra spa, associated company; renewal of lines of credit totalling € 188,000,000 repayable on demand; resolution of 30/03/2012;

- Alba Leasing spa, associated company; granting of a credit line of € 90,000,000 to the transferor and to the debtor of € 500,000 repayable on demand (transactions completed by Factorit spa); resolutions of 02/04/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a financial credit limit for guarantee deposits in securities of € 7,500,000 repayable on demand; resolution of 14/04/2012;
- Alba Leasing spa, associated company; granting of a guarantee to be given to non-residents of € 57,500,000 repayable on demand; resolution of 08/05/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 250,000,000 repayable on 15/09/2012; resolution of 21/06/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees to be given to residents of € 70,000,000 repayable on demand; resolution of 28/06/2012;
- Falck Renewables spa, indirectly held by Federico Falck, a director of the Bank; granting of a repo line of credit of € 1,000,000 repayable on demand; resolution of 17/07/2012. The prescribed information document was published in connection with this transaction;
- Factorit spa, subsidiary; granting of a financial credit limit for financial advances of € 100,000,000 repayable on demand; resolution of 07/08/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 350,000,000 repayable on 25/11/2012; resolution of 18/09/2012;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a guarantee to be given to residents of € 3,088,202 repayable on demand; resolution of 27/09/2012;
- Alba Leasing spa, associated company; granting of an overdraft facility of € 15,000,000 repayable on 15/05/2013; resolution of 13/11/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for financial advances of € 130,000,000 repayable on demand; resolution of 13/11/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 350,000,000 repayable on demand and of a financial credit limit for financial advances of € 150,000,000 repayable on demand; resolutions of 22/11/2012;
- Alba Leasing spa, associated company; granting of a financial credit limit for commercial guarantees to be given to residents of € 150,000 repayable on demand; resolution of 27/11/2012;
- Factorit spa, subsidiary; granting of an overdraft facility of € 500,000,000 repayable on 28/02/2013; resolution of 21/12/2012;
- Factorit spa, subsidiary; granting of a financial credit limit for guarantees to be given to residents of € 75,000,000 repayable on demand, of a financial credit limit for guarantees to be given to residents of € 36,000,000 repayable on demand and of a financial credit limit for for guarantees to be given to residents of € 35,000,000 repayable on demand; resolutions of 28/12/2012.

During 2012, no transactions of greater or lesser relevance were carried out with related parties, which could have had a significant impact on the 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 Group's balance sheet or results with regard to related party transactions carried out during 2011; in any case none were atypical, unusual or not on market terms.

In relation with the 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 Group's economic results and cash flows. In Part H of the notes to the financial statements, the section entitled «Related party transactions» includes a table that summarises these figures.

During 2012 and the current year, there have not been any positions or transactions deriving from atypical or unusual operations. According to Consob Circulars DAC/98015375

of 27 February 1998 and DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are any that may raise doubts concerning the accuracy 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 subject of the transaction, the methods in which the transfer price is set or the time at which the transaction is carried out.

GOODWILL

This goodwill amounts to € 8.959 million, of which € 7.847 million relates to the acquisition of Factorit spa by the Parent Bank and € 1.112 million to the absorption of InFactor spa by Factorit spa in 1999. This goodwill has been tested for impairment to identify any losses in value. Details are explained in part B of the notes. Together, the evaluation processes did not highlight any need to write down the balance of goodwill on the books.

HUMAN RESOURCES

At the end of 2012 the Group had 3,073 employees, an increase of 1.02% compared with 3,042 at the end of the previous year.

This rise is due to the territorial expansion of the Parent Bank.

The personnel department has been heavily involved in selecting, training and managing the staff to ensure that the necessary professional resources are available for the Group's operational development and growth.

A breakdown of personnel by individual category is contained in the notes.

TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATED COMPANIES

(in thousands of euro)

	Associated companies of the parent company		Associated companies of the parent company	
	2012	2011	2012	2011
ASSETS				
Due from banks	48,508	48,023	-	-
Due from customers	417,861	383,768	1,095	58
Other financial assets	75,761	82,730	-	-
LIABILITIES				
Due from banks	55	-	-	-
Due from customers	11,255	16,138	762	627
Other financial assets	-	-	-	-
GUARANTEES AND COMMITMENTS				
Guarantees given	48,291	48,906	1,693	1,699
Commitments	2,371	52,371	-	-

CAPITAL AND RESERVES

At 31 December 2012, our capital and reserves, including net profit for the year, amounted to € 1,869.925 million, an increase of € 47 million (+2.59%). The share capital, consisting of 308,147,985 ordinary shares with par value of 3 euro, is unchanged at € 924.444 million. The share premium reserve, € 171.450 million, decreased by 0.61% because of the allocation of losses resulting from trading in treasury shares of € 1.061 million. The reserves rose to € 771,917 million (+6.82%) due to allocation of a large part of the net profit for 2012. The valuation reserves are negative for € 7.876 million, an improvement of € 36.482 million compared with the previous year when they were negative for € 44.358 million.

As regards treasury shares, it is worth noting that at the end of 2011 the parent bank held 3,020,000 shares worth € 24.316 million compared with € 26.079 at the end of 2011. Purchases were made using the specific provision of € 93 million shown in the financial statements under reserves.

During the year, trading aimed at favouring the circulation of our shares included purchases of 394,500 shares, for a total of € 1,183,500 euro at par (0.128% of the share capital) and sales of 437,500 shares, for a total of € 1,312,500 euro at par (0.142% of the share capital). The market value of purchases was € 1.893 million; that of sales € 2.595 million. These trades resulted in a loss of € 1.061 million (at average negotiation price), which was booked to equity.

The capital ratios by current regulation of the Bank of Italy show our capital adequacy. The Group's solvency ratio (Total Capital Ratio) is at 10.50%, compared with the minimum required of 8%, while Tier 1 Capital Ratio is at 7.59%.



In accordance with the provisions of the ESMA document no. 725/2012, which originated from the observation that the market value of various listed companies was lower than their book value, the Parent Bank carried out an impairment test on the entire structure. The results of this test showed that the Group was worth more than its consolidated equity. Further details are provided in Part F «Information on equity» of the notes.

The relationship between capital and the principal financial parameters is summarised below:

- *capital/direct customer deposits*
7.14% v. 8.04%;
- *capital/customer loans*
7.39% v. 7.70%;
- *capital/financial assets*
38.82% v. 57.44%;
- *capital/total assets*
5.78% v. 6.22%;
- *net non-performing loans/capital*
15.55% v. 14.96%.

RECONCILIATION BETWEEN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(in thousands of euro)

	Equity	of which: Net profit for the year
Equity of the Parent Bank as of 31.12.2012	1,711,324	25,822
Consolidation adjustments	2,103	2,103
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	137,022	2,151
– companies valued using the equity method	19,476	4,230
Balance as of 31.12.2012, as reported in the consolidated financial statements	1,869,925	34,306

INCOME STATEMENT

In a very difficult environment, the banking system had to cope with funding costs that remained very high, despite the decline in interest rates, and above all, a general deterioration in credit quality.

All if this inevitably reflected on the Group's economic performance as well, heavily affected by the increase in impaired loans and the related need to make substantial prudential provisions. Net profit for the year amounted to € 34.306 million, -53.32% compared with the previous year's figure, which was adjusted.

Net interest income increased from € 502.352 million to € 526.106 million, +4.73%, benefiting from both growth in volumes handled and the presence of securities in portfolio that had coupons with yields that were still high. The action taken to price risks correctly has also contributed. In addition to responding to the principles of sound management, this has become increasingly important because of the persistently high cost of funding. The positive trend of net interest income also declined slowly during the year, due to the decline in the profitability of the portfolio securities.

Net commission income has risen from € 281.476 million to € 283.993 million, +0.89%. The limited growth in net commissions despite quite a good performance on the part of commission income, for guarantees in particular, is due to the substantial increase in commission expense. This was affected by the € 3.090 million paid early in the year to the Italian State for a government guarantee backing the certificate of deposit issued by the Parent Bank in December 2011, which was then used as collateral for the ECB, as part of the refinancing of the banking system.

Dividends have fallen to € 2.934 million, due to a general decline in the distribution of earnings by the companies in which the Bank has investments.

The result of financial activities is positive for € 177.702 million, versus a negative result of € 67.247 million last, mainly thanks to the recovery in market prices of sovereign debt. This permitted the recognition of substantial gains and significant trading profits.

Within financial activities, the net trading result relating to financial assets held for trading, which previously was negative for € 65.121 million, this year was positive for € 161.241 million. Analysing its component parts, net trading income on securities has increased from 11.316 million to 69.815 million; the difference between gains and losses is positive for 64.700 million, versus a negative balance of 105.346 million the previous year; exchange gains and differences have fallen from € 15.158 to € 13.747 million, while the net gains on foreign currencies amounted to € 9.057 million; lastly, derivatives come to € 3.922 million, up from € 1.778 million.

The result of financial assets available for sale, financial assets held to maturity and financial liabilities was positive for € 9.573 million, mainly due to the gains on disposal of Italian government bonds. Financial assets carried at fair value, which in the previous year were negative for € 6.641 million, have turned positive for € 6.273 million, thanks to the capital gains that have been booked, while net hedging gains amounted to € 0.615 million.

Income from banking activities went up from € 720.338 to € 990.735 million, +37.54%. Analysing the elements making up this item, net interest income went from 69.74% to 53.10%, while the weighting of net commission income, trading profits and dividends has risen from 30.26% to 46.90%.

The persistence of an economic recession that in previous years led to an increase in impaired loans and a consequent need for substantial prudential provisions, in 2012 required even more adjustments because of a further deterioration in credit quality.

This phenomenon has accelerated in the last few months of the year and in early 2013. In turn, the downward spiral of the housing market, with prices that have collapsed to levels that were unimaginable only a few years ago, has triggered off a chain reaction that has led to the need to raise the provisions in the case of impaired loans secured by property. Very prudent evaluation criteria have been applied in such cases, taking into account the recommendations made by the Supervisory Authorities during their inspection.

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	2012	2011	(+/-)	% change
Net interest income	526,106	502,352	23,754	4.73
Dividends	2,934	3,757	-823	-21.91
Net commission income	283,993	281,476	2,517	0.89
Results of financial activities	177,702	-67,247	244,949	-
Income from banking activities	990,735	720,338	270,397	37.54
Net adjustments to loans and financial assets	-491,899	-181,783	-310,116	170.60
Balance of financial management	498,836	538,555	-39,719	-7.38
Personnel costs	-217,177	-214,922	-2,255	1.05
Other administrative expenses	-209,130	-201,585	-7,545	3.74
Other operating income/expense	62,305	45,017	17,288	38.40
Net provisions for risks and charges	-3,167	3,795	-6,962	-
Adjustments to property, plant and equipment and intangible assets	-29,534	-27,983	-1,551	5.54
Operating costs	-396,703	-395,678	-1,025	0.26
Operating profit (loss)	102,133	142,877	-40,744	-28.52
Share of profit (loss) of equity investments and other investments	4,696	2,915	1,781	61.10
Profit (loss) before tax	106,829	145,792	-38,963	-26.73
Income taxes on current operations	-66,646	-68,420	1,774	-2.59
Net profit (loss)	40,183	77,372	-37,189	-48.07
Profit pertaining to minority interests	-5,877	-3,873	-2,004	51.74
Profit pertaining to the parent bank	34,306	73,499	-39,193	-53.32

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

The 2011 figures have been adjusted for comparison purposes.

Net adjustments to loans, financial assets available for sale and other financial transactions came to € 491.899 million compared with € 181.783 million (+170.60%). Of this item, the element relating to customer loans went from € 175.723 to € 484.215 million, +175.56%, reflecting both the difficulties generated by the ongoing negative cycle in the economy and the prudent valuations made by the credit committees. Impairment adjustments to securities have gone from € 7.154 to € 5.225 million and concerns certain listed equities and mutual funds classified as available for sale, for which an objective impairment has been ascertained comparing market prices with their original book values; adjustments on other financial transactions amount to € 2.459 million for the writedown of endorsement credits. The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, has therefore gone up from 0.74% to 1.91%.

The balance of financial management therefore comes to € 498.836 million, -7.38%.

Personnel expenses grow from € 214.922 to € 217.177 million, +1.05%.

Other administrative expenses are up from € 201.585 to € 209.130 million, +3.74%. Although this rise was general, it was more marked in the area of indirect taxes, due to increases during the year, professional fees, rent, treasury office expenses, IT costs and energy supplies. Among the reductions, the more significant relate to deferred charges.

Adjustments to property, plant and equipment and amortisation of software amounted to € 29.534 million, +5.54%.

Other operating income, net of other operating expenses, resulted in a positive balance of € 62,305 million, +38.40%. This trend is mainly due to the recognition of a gain of € 9.250 million on the disposal by the Parent Bank of the contracts as custodian bank of the Arca Funds, higher recoveries for taxes and duties to offset increases in them in 2011 (booked to other administrative expenses) and the recovery of the rapid enquiry fee.

Net provisions for risks and charges amounted to € 3.167 million, compared with a release of provisions for € 3.795 million in the previous year due to a surplus between provisions for the year and provisions established in prior years.

Operating costs amounted to € 396.703 million, +0.26%. The low increase is due to constant monitoring of the various items.

The ratio of operating costs/income from banking activities was 40.04%, compared with 54.93%.

The operating profit therefore came to € 102.133 million, -28.52%.

Profits/losses on equity and other investments show a positive balance of € 4.696 million, +61.10%. This derives: for € 4.416 million, from the difference between profits and losses on equity investments; for € 0.280 million, from gains on disposal of property, plant and equipment.

The result of ordinary operations reached € 106.829 million, -26.73%. After deducting income taxes of € 66.646 million, which have decreased by 2.59%, benefiting from the recognition of a tax credit of € 7.980 million arising from the possibility to deduct IRAP on labour costs for IRES purposes, as provided for in art. 2, paragraph 1 quarter, of Legislative Decree 201/2011,



converted with amendments by Law 214/2011, and deducting the net profit pertaining to minority interests of € 5.877 million, the net profit pertaining to the Parent Bank amounted to € 34.306 million, compared with € 73.499 million the previous year, -53.32%.

The effective tax rate, i.e. the ratio between income taxes and the result of current operations, comes to 62.39% compared with 46.93% the previous year.

SUBSEQUENT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the Parent Bank's financial statements for information on events that took place after 31 December 2012. There is nothing worth noting with regard to Banca Popolare di Sondrio (SUISSE) SA, Factorit spa and Sinergia Seconda srl.

The general scenario shows little sign of improvement in the economy; indeed, fears that the recession will continue may be well founded. So for the banking system, we will have to take into account, on the one hand, a lower trend in credit and loans, and, on the other, a further deterioration in asset quality.

In this difficult context, we expect to see a trend in interest rates which will allow the Group to maintain our interest margin more or less stable. As regards credit risk, we will continue with our extremely prudent policy and the cost of credit will remain high. Once again, the result of financial activities will be affected by market performances, which are sensitive to imponderables such as the evolution of the political situation in Italy. Operating costs are expected to grow moderately, despite the expansion of our structure.

Sondrio, 26 March 2013

THE BOARD OF DIRECTORS

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of euro)

ASSET ITEMS	31-12-2012	31-12-2011
10. CASH AND BALANCES WITH CENTRAL BANKS	183,746	121,014
20. FINANCIAL ASSETS HELD FOR TRADING	2,070,237	2,167,324
30. FINANCIAL ASSETS CARRIED AT FAIR VALUE	104,224	81,713
40. FINANCIAL ASSETS AVAILABLE FOR SALE	2,438,079	703,663
50. FINANCIAL ASSETS HELD TO MATURITY	204,644	220,332
60. DUE FROM BANKS	1,179,977	1,474,093
70. DUE FROM CUSTOMERS	25,308,798	23,668,935
80. HEDGING DERIVATIVES	52	-
100. EQUITY INVESTMENTS	146,214	128,375
120. PROPERTY, PLANT AND EQUIPMENT	232,445	224,634
130. INTANGIBLE ASSETS	21,927	20,550
of which:		
- deferred	8,959	8,959
140. TAX ASSETS	197,241	118,655
a) current	19	4,409
b) deferred	197,222	114,246
b1) of which as per Law 214/2011	151,545	60,484
160. OTHER ASSETS	261,542	353,626
TOTAL ASSETS	32,349,126	29,282,914

The 2011 figures have been restated following early adoption of the new version of IAS 19.

THE CHAIRMAN
Piero Melazzini

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

EQUITY AND LIABILITY ITEMS		31-12-2012	31-12-2011
10.	DUE TO BANKS	3,204,024	3,560,383
20.	DUE TO CUSTOMERS	23,250,752	19,936,990
30.	DEBT SECURITIES IN ISSUE	2,934,560	2,741,708
40.	FINANCIAL LIABILITIES HELD FOR TRADING	44,336	104,875
60.	HEDGING DERIVATIVES	45,950	47,110
80.	TAX LIABILITIES	117,654	41,574
	a) current	83,255	12,462
	b) deferred	34,399	29,112
100.	OTHER LIABILITIES	624,801	806,369
110.	RESERVE FOR TERMINATION INDEMNITIES	42,352	38,067
120.	PROVISIONS FOR RISKS AND CHARGES	144,660	117,246
	a) post-employment benefits	95,729	77,831
	b) other provisions	48,931	39,415
140.	VALUATION RESERVES	(7,876)	(44,358)
170.	RESERVES	771,917	722,646
180.	SHARE PREMIUM RESERVE	171,450	172,511
190.	SHARE CAPITAL	924,444	924,444
200.	TREASURY SHARES (-)	(24,316)	(26,079)
210.	EQUITY PERTAINING TO MINORITY INTERESTS (+/-)	70,112	65,929
220.	NET PROFIT (LOSS) FOR THE YEAR	34,306	73,499
TOTAL LIABILITIES AND EQUITY		32,349,126	29,282,914

The 2011 figures have been restated following early adoption of the new version of IAS 19.

THE MANAGING DIRECTOR
AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti



CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS	2012	2011
10. INTEREST INCOME AND SIMILAR REVENUES	1,012,433	832,906
20. INTEREST EXPENSE AND SIMILAR CHARGES	(486,327)	(330,554)
30. NET INTEREST INCOME	526,106	502,352
40. COMMISSION INCOME	308,135	302,995
50. COMMISSION EXPENSE	(24,142)	(21,519)
60. NET COMMISSION INCOME	283,993	281,476
70. DIVIDENDS AND SIMILAR INCOME	2,934	3,757
80. NET TRADING INCOME	161,241	(65,121)
90. NET HEDGING GAINS (LOSSES)	615	(12)
100. GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	9,573	4,527
b) financial assets available for sale	7,740	2,959
c) financial assets held to maturity	584	124
d) financial liabilities	1,249	1,444
110. NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	6,273	(6,641)
120. INCOME FROM BANKING ACTIVITIES	990,735	720,338
130. NET IMPAIRMENT ADJUSTMENTS TO:	(491,899)	(181,783)
a) loans	(484,215)	(175,723)
b) financial assets available for sale	(5,225)	(7,154)
d) other financial transactions	(2,459)	1,094
140. BALANCE OF FINANCIAL MANAGEMENT	498,836	538,555
170. BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT	498,836	538,555
180. ADMINISTRATIVE EXPENSES:	(426,307)	(416,507)
a) personnel expenses	(217,177)	(214,922)
b) other administrative expenses	(209,130)	(201,585)
190. NET PROVISIONS FOR RISKS AND CHARGES	(3,167)	3,795
200. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(17,045)	(16,853)
210. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(12,489)	(11,130)
220. OTHER OPERATING INCOME/EXPENSE	62,305	45,017
230. OPERATING COSTS	(396,703)	(395,678)
240. SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	4,416	2,931
270. PROFIT/LOSS FROM DISPOSAL OF INVESTMENTS	280	(16)
280. PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	106,829	145,792
290. INCOME TAXES ON CURRENT OPERATIONS	(66,646)	(68,420)
300. PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	40,183	77,372
320. NET PROFIT (LOSS) FOR THE YEAR	40,183	77,372
330. NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS	(5,877)	(3,873)
340. NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	34,306	73,499

The 2011 figures have been restated following early adoption of the new version of IAS 19.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items	2012	2011
10. Net profit (loss) for the year	40,183	77,372
Other income items net of income taxes		
20. Financial assets available for sale	50,437	(44,179)
90. Actuarial profits (losses) on defined-benefit plans	(14,402)	844
100. Share of valuation reserves of equity investments valued at net equity	11,611	-
110. Total other income items net of income taxes	47,646	(43,335)
120. Comprehensive income (item 10+110)	87,829	34,037
130. Consolidated comprehensive income pertaining to minority interests	(5,795)	(3,864)
140. Consolidated comprehensive income pertaining to the parent bank	82,034	30,173

The 2011 figures have been restated following early adoption of the new version of IAS 19.



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2011	Change in opening balances	Opening balance at 1.1.2012	Allocation of prior year results		Change in reserves
				Reserves	Dividends and other allocations	
Share capital						
a) ordinary shares	958,019	-	958,019	-	-	-
b) other shares	-	-	-	-	-	-
Share premium reserve	176,868	-	176,868	-	-	-
Reserves						
a) from earnings	741,555	-	741,555	47,889	-	3,644
b) other	5,186	-	5,186	-	-	-
Valuation reserves	(44,329)	-	(44,329)	-	-	(11,247)
Equity instruments	-	-	-	-	-	-
Treasury shares	(26,079)	-	(26,079)	-	-	-
Net profit for the year	77,372	-	77,372	(47,889)	(29,483)	-
Equity attributable to the group	1,822,663	-	1,822,663	-	(27,871)	(7,603)
Equity attributable to minority interests	65,929	-	65,929	-	(1,612)	-

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2010	Change in opening balances	Opening balance at 1.1.2011	Allocation of prior year results		Change in reserves
				Reserves	Dividends and other allocations	
Share capital						
a) ordinary shares	958,019	-	958,019	-	-	-
b) other shares	-	-	-	-	-	-
Share premium reserve	178,672	-	178,672	-	-	-
Reserves						
a) from earnings	660,789	1,452	662,241	71,070	-	8,244
b) other	5,602	-	5,602	-	-	(416)
Valuation reserves	741	(1,735)	(994)	-	-	-
Equity instruments	-	-	-	-	-	-
Treasury shares	(32,821)	-	(32,821)	-	-	-
Net profit for the year	136,799	283	137,082	(71,070)	(66,012)	-
Equity attributable to the group	1,844,124	-	1,844,124	-	(64,400)	7,828
Equity attributable to minority interests	63,677	-	63,677	-	(1,612)	-

The 2011 figures have been restated following early adoption of the new version of IAS 19.

Changes during the year

Equity transactions							Comprehensive income	Equity attributable to the group at 31.12.2012	Equity pertaining to minority interests at 31.12.2012
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives of treasury shares	Stock options				
-	-	-	-	-	-	-	-	924,444	33,575
-	-	-	-	-	-	-	-	-	-
(1,061)	-	-	-	-	-	-	-	171,450	4,357
-	-	-	-	-	-	-	-	768,688	24,400
-	-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	-	47,646	(7,876)	(54)
-	-	-	-	-	-	-	-	-	-
3,656	(1,893)	-	-	-	-	-	-	(24,316)	-
-	-	-	-	-	-	-	40,183	34,306	5,877
2,595	(1,893)	-	-	-	-	-	82,034	1,869,925	-
-	-	-	-	-	-	-	5,795	-	70,112

A dividend from the results for 2011 of € 0.09 per share, totalling € 27.733 million, was paid from 23 April 2012. The directors have proposed a dividend of € 0.033 from the results for 2012. This dividend is subject to approval by the shareholders and, accordingly, has not been reported as a liability in these financial statements.

The proposed dividend is payable from 9 May. The payout envisaged totals € 10.169 million.

Changes during the year

Equity transactions							Comprehensive income	Equity attributable to the group at 31.12.2011	Equity pertaining to minority interests at 31.12.2011
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives of treasury shares	Stock options				
-	-	-	-	-	-	-	-	924,444	33,575
-	-	-	-	-	-	-	-	-	-
(1,804)	-	-	-	-	-	-	-	172,511	4,357
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	719,417	22,138
-	-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	-	(43,335)	(44,358)	29
-	-	-	-	-	-	-	-	-	-
6,845	(103)	-	-	-	-	-	-	(26,079)	-
-	-	-	-	-	-	-	77,372	73,499	3,873
5,041	(103)	-	-	-	-	-	30,173	1,822,663	-
-	-	-	-	-	-	-	3,864	-	65,929

EC Regulation 475 of 5 June 2012 endorsed the new version of IAS 19 on the accounting treatment of employee benefits. The application is mandatory for financial periods beginning on or after 1 January 2013; the Bank has taken the option of early adoption and the comparative figures have been restated from what was originally published for retrospective application of the new version of the standard.



CONSOLIDATED STATEMENT OF CASH FLOWS (Indirect method)

	31-12-2012	31-12-2011
A. OPERATING ACTIVITIES		
1. Cash generated from operations	649,588	459,201
- net profit for the year (+/-)	34,306	73,499
- gains/losses on financial assets held for trading and financial assets/liabilities carried at fair value (-/+)	(79,760)	101,177
- net hedging gains (losses) (-/+)	(616)	12
- net impairment adjustments (+/-)	509,469	194,827
- net adjustments to property, plant and equipment and intangible assets (+/-)	29,533	27,983
- provisions for risks and charges and other costs/revenues (+/-)	27,920	2,766
- unpaid taxes and duties (+)	66,646	68,420
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	62,090	(9,483)
2. Cash generated/absorbed by financial assets	(3,268,378)	(3,155,316)
- financial assets held for trading	171,919	601,830
- financial assets carried at fair value	(16,316)	3,648
- financial assets available for sale	(1,680,069)	(646,532)
- due from banks: sight	(141,943)	(54,680)
- due from banks: other receivables	437,507	(376,185)
- due from customers	(2,126,344)	(2,558,354)
- other assets	86,868	(125,043)
3. Cash generated/absorbed by financial liabilities	2,745,247	2,764,393
- due to banks: sight	140,298	(546,838)
- due to banks: other payables	(510,413)	1,545,923
- customer deposits	3,264,166	1,097,984
- debt securities in issue	189,318	659,647
- financial liabilities held for trading	(65,562)	(21,708)
- financial liabilities carried at fair value	-	-
- other liabilities	(272,560)	29,385
Net cash generated/absorbed by operating activities	126,457	68,278

	31-12-2012	31-12-2011
B. INVESTING ACTIVITIES		
1. Cash generated by	27,132	25,458
- sales of equity investments	-	1,166
- dividends collected from equity investments	168	176
- sales and reimbursements of financial assets held to maturity	26,628	24,000
- sales of property, plant and equipment	336	116
- sales of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by	(62,830)	(40,329)
- purchases of equity investments	(10,280)	(1,609)
- purchases of financial assets held to maturity	(13,242)	(6,377)
- purchases of property, plant and equipment	(25,467)	(21,639)
- purchases of intangible assets	(13,841)	(10,704)
- purchases of business divisions	-	-
Net cash generated/absorbed by investing activities	(35,698)	(14,871)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	701	4,938
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(29,083)	(66,012)
Net cash generated/absorbed by financing activities	(28,382)	(61,074)
NET CASH GENERATED/ABSORBED IN THE YEAR	62,377	(7,667)

Key:

(+) generated (-) absorbed

RECONCILIATION

Line items	31-12-2012	31-12-2011
Cash and balances with central banks at beginning of year	121,014	127,102
Total net cash generated/absorbed in the year	62,377	(7,667)
Cash and balances with central banks: effect of change in exchange rates	355	1,579
Cash and balances with central banks at end of year	183,746	121,014

The 2011 figures have been restated following early adoption of the new version of IAS 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these consolidated financial statements have been prepared in accordance with all the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2012 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4 para 1 and 2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

The format of the consolidated financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by D.Lgs 38/2005 and subsequent updates.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

1) Going concern

The financial statements have been prepared on a going concern basis and, accordingly, 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, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements 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

Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change is required by an international accounting standard or related interpretation, or unless it is clear that a different presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, unless this is not 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 updates.

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 for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.), the audit (art. 2409-bis c.c.).

The figures in the notes are shown in thousands of euro.

Section 3 *Scope of consolidation and methodology*

The consolidated financial statements represent the economic and financial position of the Banca Popolare di Sondrio banking group as of and for the year ended 31.12.2012; they comprise the financial statements of the parent bank, Banca Popolare di Sondrio (Suisse) SA, Factorit S.p.A. and Sinergia Seconda Srl, and those companies in which the parent bank holds, directly or indirectly, the majority of voting rights.

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) 150,000*	100	100
Factorit S.p.a.	Milano	1	85,000*	60.5	60.5
Sinergia Seconda S.r.l.	Milano	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

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

* held by Sinergia Seconda S.r.l.

The joint venture shown below is valued at equity (IAS 31):

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

⁽¹⁾ 7 = joint control.

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:

Name	Location	Share capital (in thousands)	% held
Alba Leasing S.p.a.	Milano	255,000**	20.950
Arca Vita S.p.a.	Verona	208,279**	14.837
Banca della Nuova Terra S.p.a.	Milano	50,000**	19.609
Polis Fondi Srgpa	Milano	5,200**	19.600
Servizi Internazionali e Strutture Integrate 2000 S.r.l.	Milano	75**	33.333
Sofipo S.A.	Lugano	(CHF) 2,000**	30
Acquedotto dello Stelvio S.r.l.	Bormio	21**	27
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.

Translation of financial statements in currencies other than the euro

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

Section 4 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 26/3/2013 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 5 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year, except for the changes arising from early application of the new version of IAS 19 «Employee Benefits».

This new version of IAS 19 was endorsed by EC Regulation 475 of 5 June 2012, which provides for adoption for annual periods beginning on or after 1 January 2013, while allowing earlier application. Application has to take into account the requirements of IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors».

The main change that comes from the revised version of IAS 19 is the use of a single method of accounting for actuarial gains and losses on defined-benefit plans for employees: they now have to be recognised immediately by including them in liabilities to employees, with a contra-entry to shareholders' equity, which is then shown in the statement of comprehensive income for the year. With this new approach, it is no longer possible to use the «corridor method».

Based on IAS 8 and 19, the amendments to IAS 19 have to be applied retroactively. This means that the financial statements for the previous year have been restated in order to provide correct comparative information.

Note that the balance sheet schedules do not include the statement of financial position at 1 January 2011, as required by IAS 1 (para. 39), as early adoption of the revised version of IAS 19 has not had a significant impact on the opening balances as of that date, in fact resulting in a reclassification between the item «160 Reserves» and item «130 Valuation reserves» in the statement of changes in shareholders' equity.

The changes did not result in any overall change in equity because it was simply a restatement of actuarial gains and losses in a reserve item, rather than consider them part of the income statement. The actuarial gains and losses previously recognised in the income statement, from 2005, the year of first time adoption of IAS, and transferred to reserves, have been reclassified under «revenue reserves» and «valuation reserves». As required by the accounting standards, we adjust the statement of financial position at 1 January 2011 for Euro 0.283 thousand of actuarial losses, net of tax, which increased the net profit and decreased reserves. In the statement of changes in equity at 31 December 2011, this reclassification is shown in the column «change in opening balances». For 2011, the reclassification increased administrative expenses - personnel costs by Euro 1.165 million for the reversal of actuarial gains and decreased income taxes on current operations by Euro 0.321 million, with a negative effect on net profit for the year attributable to the Parent Bank and a positive effect on the valuation reserves of Euro 0.853 million.

The financial statements, accompanied by the directors' report on operations, consist of the statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the statement of financial position 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, on the basis of business continuity and excluding forced sales of assets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Parent Bank and other Group companies defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2012, as required by prevailing accounting standards and relevant regulation.

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 31 December 2012. It should be stated, however, that this valuation process was particularly complex in view of the continuing macroeconomic and market context, characterized by a lack of 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 previous year, experience rapid changes that are currently unforeseeable, with effects - even significant effects - on the amounts reported in the financial statements at 31 December 2012.

The following table shows the international accounting standards that were revised in 2012.

Endorsement Regulation	Title	In force from
475/2012 of 15/6/2012	Amendment to IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income IAS 19 Employee Benefits	1/1/2013 (First financial year starting on or after 1/1/2013)
1254/2012 of 11/12/2012	IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements IFRS 12 Disclosure of Interests in Other Entities IAS 27 Separate Financial Statements IAS 28 Investments in Associates and Joint Ventures	1/1/2014 (First financial year starting on or after 1/1/2014)
1255/2012 of 11/12/2012	IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters IFRS 13 Fair Value Measurement IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1/1/2013 (First financial year starting on or after 1/1/2013)
1256/2012 of 13/12/2012	Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1/1/2013 (First financial year starting on or after 1/1/2013 for the amendments to IFRS7); 1/1/2014 (First financial year starting on or after 1/1/2014 for the amendments to IAS 32)

The main changes introduced by these regulations relate to the recognition of employee benefits with the elimination of the «corridor method» and the recognition of actuarial gains and losses in equity; innovations in matters of consolidation with the endorsement of certain accounting standards and amendments to existing ones. In particular, the new IFRS 13 provides guidelines on the measurement of fair value of financial and non-financial instruments not provided in other accounting standards.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.

A.2 Part relating to the main line items in the financial statements

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 active markets, fair value is represented by their official bid price at the close of trading, while the fair value of instruments not listed on active 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; 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 income and similar revenues» 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. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity. 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, as adjusted by any directly-related transaction costs and revenues.

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 Assets held to maturity 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 automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and 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

Financial assets available for sale 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. Financial assets held to maturity

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

Financial assets held to maturity 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, are not listed on an active market.

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.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. 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 the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing 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.

The specific analysis of watchlist loans 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 added to the watchlist.



- The specific analysis of restructured loans takes the following parameters into account:
- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
 - b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past due/overdrawn loans determined in accordance with the latest rules introduced by the Supervisory Authority are valued on the basis of a series of adjustment percentages that depend on historical loss statistics recorded for the same type of transaction.

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).

Recognition of components affecting the income statement

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

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 overall) 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 adjustments to other financial assets» with the contra-entry to other assets.

5. Financial assets carried at fair value

The portfolio of «Financial assets carried at fair value» 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 carried at fair value booked to the income statement in the period when they arise to «net change in financial assets and liabilities carried at fair value».

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;
- 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 to match the change in the carrying value of the hedged item. 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 of 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. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. 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) 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.

There is joint control when the voting rights and control over the affiliate are split equally with others.

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 net 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 net 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.

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, plant and equipment

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.

Recognition

Property, plant and equipment 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, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of 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, plant and equipment 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 «net adjustments to property, plant and equipment» caption of the income statement. It is not permitted to book any subsequent recoveries in value.

Derecognition

Property, plant and equipment 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, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them 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 asset's recoverable amount 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 «net adjustments to 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 year. 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 the reserve for termination indemnities; 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) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Parent Bank has never used the «corridor» method previously allowed by IAS 19. The Parent Bank 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 debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue 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 expense and similar charges».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses on disposals 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 at fair value

The financial statements do not include any financial liabilities carried 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 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 each year 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

The Parent Bank and other Group companies have not established any stock option plans.

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.

Securitisations

During the year, the Parent Bank carried out a securitisation of performing residential mortgage loans. These loans were sold without recourse to a vehicle company and its senior and junior securities were purchased by the Parent Bank. Given that the Parent Bank 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. The economic effects were recognised consistently, giving prevalence to substance over form.



A.3 INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

A.3.1.1 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)	Book value as of		Income items without any transfer (pre-tax)		Income items recorded during the year (pre-tax)	
			31.12.2012 (⁴)	at 31.12.2012 (⁵)	Valuation (⁶)	Others (⁷)	Valuation (⁸)	Others (⁹)
A. Fixed-yield securities	HFT	HTM	134,767	128,779	14,468	1,671	1,179	1,671

Income items include securities service employees' post-employment benefits.

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.

As in the previous year, the Parent Bank 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 table shows the profits and losses that would have been made if the Bank had not taken advantage of this possibility.

A.3.2 Fair value hierarchy

Amendment to IFRS 7 approved by EU Regulation European 1165 of 27/11/2009 introduced the obligation to classify value measurements on the basis of a hierarchy of levels that reflect the reliability of the inputs used in valuing financial instruments.

These levels are:

- prices (without adjustments) on active markets - according the definition of IAS 39 - for the assets and liabilities being measured (level 1);
- inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- 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.

A.3.2.1 Accounting portfolios: breakdown by level of fair value

Financial assets/liabilities carried at fair value	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,699,356	368,727	2,154	1,720,101	440,746	6,477
2. Financial assets carried at fair value	30,676	73,548	-	27,937	53,776	-
3. Financial assets available for sale	2,221,907	204,917	11,255	513,271	180,698	9,694
4. Hedging derivatives	-	52	-	-	-	-
Total	3,951,939	647,244	13,409	2,261,309	675,220	16,171
1. Financial assets held for trading	687	43,649	-	70	104,805	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	45,950	-	-	47,110	-
Total	687	89,599	-	70	151,915	-

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

A.3.2.2 Changes during the year in financial assets carried at fair value (level 3)

	FINANCIAL ASSETS			
	held for trading	carried at fair value	available for sale	for hedging
1. Opening balance	6,477	-	9,694	-
2. Increases	199	-	3,551	-
2.1. Purchases	18	-	3,009	-
2.2. Income booked to:	107	-	542	-
2.2.1. Income statement	107	-	-	-
- of which realized gains	86	-	-	-
2.2.2. Equity	-	-	542	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	74	-	-	-
3. Decreases	4,522	-	1,990	-
3.1. Sales	18	-	-	-
3.2. Reimbursements	4,258	-	-	-
3.3. Losses booked to:	20	-	1,299	-
3.3.1. Income statement	20	-	751	-
- of which realized losses	-	-	751	-
3.3.2. Equity	-	-	548	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	226	-	691	-
4. Closing balance	2,154	-	11,255	-

A.3.2.3 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.

A.3.3 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 to 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».



PART B *Information on the statement of financial position*

Assets

Section 1 *Cash and cash equivalents - line item 10*

1.1 Cash and balances with central banks: analysis

	31/12/2012	31/12/2011
a) Cash	128,734	97,275
b) Unrestricted deposits with central banks	55,012	23,739
Total	183,746	121,014

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Fixed-yield securities	1,652,935	313,053	2,154	1,676,244	325,935	6,477
1.1 Structured securities	36,299	12,181	-	-	15,961	2,120
1.2 Other fixed-yield securities	1,616,636	300,872	2,154	1,676,244	309,974	4,357
2. Variable-yield securities	38,854	1,819	-	40,201	1,796	-
3. Mutual funds	6,939	9,441	-	3,584	10,658	-
4. Loans	-	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,698,728	324,313	2,154	1,720,029	338,389	6,477
B. Derivatives						
1. Financial derivatives:	628	44,414	-	72	102,357	-
1.1 for trading	628	44,414	-	72	102,357	-
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	628	44,414	-	72	102,357	-
Total (A+B)	1,699,356	368,727	2,154	1,720,101	440,746	6,477

The other debt securities shown under level 3 are made up of a bond deriving from the securitisation of loans. The valuation of this instrument was made using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
A. Cash assets		
1. Fixed-yield securities	1,968,142	2,008,656
a) Governments and central banks	1,641,010	1,659,815
b) Other public entities	2,547	2,534
c) Banks	264,376	271,591
d) Other issuers	60,209	74,716
2. Variable-yield securities	40,673	41,997
a) Banks	15,166	14,597
b) Other issuers:	25,507	27,400
- insurance companies	1,576	3,224
- financial companies	859	407
- non-financial companies	23,072	23,769
- other	-	-
3. Mutual funds	16,380	14,242
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	2,025,195	2,064,895
B. Derivatives		
a) Banks	6,666	44,138
- fair value	6,666	44,138
b) Customers	38,376	58,291
- fair value	38,376	58,291
Total B	45,042	102,429
Total (A + B)	2,070,237	2,167,324

Mutual funds are made up of: funds and sicavs for € 16.017 million and real estate funds for € 0.363 million.



2.3 Cash financial assets held for trading: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	2,008,656	41,997	14,242	-	2,064,895
B. Increase	5,706,529	102,800	19,989	-	5,829,318
B.1 Purchases	5,523,623	96,123	18,021	-	5,637,767
B.2 Positive changes in fair value	66,231	1,618	1,220	-	69,069
B.3 Other changes	116,675	5,059	748	-	122,482
C. Decreases	5,747,043	104,124	17,851	-	5,869,018
C.1 Disposals	5,639,542	101,045	17,636	-	5,758,223
C.2 Reimbursements	54,272	-	-	-	54,272
C.3 Negative changes in fair value	350	3,049	151	-	3,550
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	52,879	30	64	-	52,973
D. Closing balance	1,968,142	40,673	16,380	-	2,025,195

Section 3 Financial assets carried at fair value - line item 30

3.1 Financial assets carried at fair value: breakdown by sector

Items/Amount	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	29,768	-	-	26,754	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	29,768	-	-	26,754	-	-
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	908	73,548	-	1,183	53,776	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	30,676	73,548	-	27,937	53,776	-
Cost	28,284	69,036	-	31,259	57,297	-

This portfolio includes all securities, other than those booked to the trading portfolio, which the Parent Bank 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.

3.2 Financial assets carried at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	29,768	26,754
a) Governments and central banks	29,768	26,754
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Variable-yield securities	-	-
a) Banks	-	-
b) Other issuers	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	74,456	54,959
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	104,224	81,713

Mutual funds are made up of: bond funds and sicavs for € 38.185 million, funds and sicavs for € 30.218 million, real estate funds for € 0.907 million and flexible funds for € 5.146 million.

3.3 Financial assets carried at fair value: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2012
A. Opening balance	26,754	-	54,959	-	81,713
B. Increases	3,914	-	35,444	-	39,358
B.1 Purchases	-	-	27,119	-	27,119
B.2 Positive changes in fair value	2,763	-	4,513	-	7,276
B.3 Other changes	1,151	-	3,812	-	4,963
C. Decreases	900	-	15,947	-	16,847
C.1 Disposals	-	-	11,124	-	11,124
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	1,228	-	1,228
C.4 Other changes	900	-	3,595	-	4,495
D. Closing balance	29,768	-	74,456	-	104,224



Section 4 Financial assets available for sale - line item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Amounts	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	2,208,373	77,415	-	500,886	74,427	-
1.1 Structured securities	41,447	-	-	-	-	-
1.2 Other fixed-yield securities	2,166,926	77,415	-	500,886	74,427	-
2. Variable-yield securities	13,534	65,869	-	12,385	56,065	-
2.1 Carried at fair value	13,534	2,574	-	12,385	-	-
2.2 Carried at cost	-	63,295	-	-	56,065	-
3. Mutual funds	-	61,633	11,255	-	50,206	9,694
4. Loans	-	-	-	-	-	-
Total	2,221,907	204,917	11,255	513,271	180,698	9,694

Unlisted equities remain at cost, adjusted if necessary for impairment, because of the problems involved in establishing their fair value at the year end.

A comparison between the cost and net equity of these unlisted equities based on the latest available financial statements did not give rise to impairment losses.

Variable-yield securities include € 2.500 million of association in participation transactions pursuant to art. 2549 of the Civil Code relating to the production and exploitation of cinematographic work.

Mutual funds all consist of closed-end unlisted equity funds and an open-end bond. These instruments have been valued at the price communicated by the fund managers, which represents the fund's net asset value (NAV).

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	2,285,788	575,313
a) Governments and central banks	2,208,373	500,076
b) Other public entities	1,307	1,325
c) Banks	65,628	73,154
d) Other issuers	10,480	758
2. Variable-yield securities	79,403	68,450
a) Banks	16,468	18,012
b) Other issuers:	62,935	50,438
- insurance companies	1,556	1,298
- financial companies	48,366	38,177
- non-financial companies	13,011	10,961
- other	2	2
3. Mutual funds	72,888	59,900
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	2,438,079	703,663

Mutual funds consist of bond funds for € 61.633 million, equity funds for € 9.565 million and real estate funds for € 1.690 million.

4.4 Financial assets available for sale: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2012
A. Opening balance	575,312	68,450	59,900	-	703,662
B. Increases	2,314,123	14,872	14,978	-	2,343,973
B.1 Purchases	2,187,013	9,536	13,009	-	2,209,558
B.2 Positive changes in FV	68,821	1,965	1,969	-	72,755
B.3 Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B.4 Transfer from other portfolios	-	-	-	-	-
B.5 Other changes	58,289	3,371	-	-	61,660
C. Decreases	603,647	3,919	1,990	-	609,556
C.1 Disposals	365,713	158	-	-	365,871
C.2 Reimbursements	208,000	-	-	-	208,000
C.3 Negative changes in FV	179	252	548	-	979
C.4 Writedowns - from impairment	-	3,509	751	-	4,260
- booked to income statement	-	3,509	751	-	4,260
- booked to equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	29,755	-	691	-	30,446
D. Closing balance	2,285,788	79,403	72,888	-	2,438,079

As stated in IAS/IFRS, assets held for sale are tested to check if there is any objective evidence of a reduction in value in conformity with the Bank's policies adopted. The rules adopted for handling impairment set quantitative and time thresholds beyond which any reduction in the fair value of variable-yield securities entails booking the loss immediately to the income statement.

The main increases relate to purchases of fixed-yield securities for € 2,187.013 million, the increase in the interest in Arca Sgr for € 7.036 million, the subscription of participation contracts for € 2.500 million and mutual funds of € 13.009 million; positive changes in fair value of € 72.755 million, while the other increases of € 61.660 million derive from various items of accrued interest that have been accounted for. The decreases include sales of fixed-yield securities of € 365.713 million and variable-yield securities of € 0.158 million, repayment of fixed-yield securities of € 208 million, negative changes in fair value of € 0.979 million, while writedowns for impairment of variable-yield securities and mutual funds amounted to € 4.260 million. Lastly, other decreases totalling € 30.446 million consist of coupons collected for € 29.755 million and redemptions of shares in mutual funds for € 0.691 million.



Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Type of transaction/Amounts	31/12/2012				31/12/2011			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed-yield securities	204,644	14,470	187,086	-	220,332	5,771	187,577	-
- structured	16,696	-	15,739	-	11,729	-	9,127	-
- other	187,948	14,470	171,347	-	208,603	5,771	178,450	-
2. Loans	-	-	-	-	-	-	-	-

In 2008 we 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 € 137.372 million at par, had been measured at fair value at the date of the financial statements, they would have been worth € 128.779 million with a loss of € 5.988 million.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2012	31/12/2011
1. Fixed-yield securities	204,644	220,332
a) Governments and central banks	14,240	7,158
b) Other public entities	-	-
c) Banks	76,848	99,439
d) Other issuers	113,556	113,735
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	204,644	220,332

5.4 Financial assets held to maturity: changes during the year

	Fixed-yield securities	Loans	Total
A. Opening balance	220,332	-	220,332
B. Increases	20,185	-	20,185
B.1 Purchases	13,242	-	13,242
B.2 Write-backs	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	6,943	-	6,943
C. Decreases	35,873	-	35,873
C.1 Disposals	1,020	-	1,020
C.2 Reimbursements	25,608	-	25,608
C.3 Adjustments	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	9,245	-	9,245
D. Closing balance	204,644	-	204,644

Other increases concern interest coupons and premiums and the positive element of amortised cost.

Other decreases consist of collected coupons and the negative element of amortised cost.

Section 6 Due from banks - line item 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	31/12/2012	31/12/2011
A) Deposits with central banks	259,560	444,665
1. Time deposits	-	-
2. Compulsory reserve	259,560	444,665
3. Repurchase agreements	-	-
4. Other	-	-
B) Due from banks	920,417	1,029,428
1. Current accounts and sight deposits	436,013	291,695
2. Time deposits	433,249	711,599
3. Other loans	51,143	26,069
3.1 Repurchase agreements	10,427	-
3.2 Financial leases	-	-
3.3 Other	40,716	26,069
4. Fixed-yield securities	12	65
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	12	65
Total (book value)	1,179,977	1,474,093
Total (fair value)	1,179,977	1,474,093

These receivables are not specifically hedged.

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

Section 7 Due from customers - line item 70

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts	6,667,733	-	555,942	6,643,889	-	388,826
2. Repurchase agreements	485,863	-	-	325,505	-	-
3. Mortgage loans	10,917,540	-	559,918	10,303,488	-	405,126
4. Credit cards, personal loans and assignments of one-fifth of salary	143,129	-	9,101	115,326	-	5,572
5. Financial lease	-	-	-	-	-	-
6. Factoring	1,763,037	-	60,153	1,545,840	-	44,230
7. Other loans	4,026,610	-	119,772	3,778,846	-	112,287
8. Fixed-yield securities	-	-	-	-	-	-
8.1 Structured securities	-	-	-	-	-	-
8.2 Other fixed-yield securities	-	-	-	-	-	-
Total (book value)	24,003,912	-	1,304,886	22,712,894	-	956,041
Total (fair value)	24,310,604	-	1,304,886	23,098,864	-	956,041

These receivables are not specifically hedged.

Reference should be made to Part E «Information on risks and related hedging policies, Section 1, Credit risk» with regard to impaired assets.

Mortgage loans include € 1.482 million of performing residential mortgages, which were the subject of a securitisation carried out by the Parent Bank. This transaction involved the sale without recourse of mortgage loans to the SPV Centro delle Alpi RMBS S.r.l., whose



senior and junior securities issued in connection with this operation were purchased by the Parent Bank. Given that the Parent Bank 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.

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.

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
	Purchased	Other		Purchased	Other	
1. Fixed-yield securities:						
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:						
a) Governments	19,878	-	10,555	1	-	-
b) Other public entities	99,861	-	427	97,060	-	13,078
c) Other parties	23,884,173	-	1,293,904	22,615,833	-	942,963
- non-financial companies	16,048,168	-	980,450	15,422,910	-	703,803
- financial companies	2,095,820	-	15,829	1,689,859	-	15,727
- insurance companies	2,653	-	-	1,270	-	-
- other	5,737,532	-	297,625	5,501,794	-	223,433
Total	24,003,912	-	1,304,886	22,712,894	-	956,041

7.3 Due from customers: assets covered by micro hedges

Type of transaction/Amounts	31/12/2012	31/12/2011
1. Loans covered by micro fair-value hedges	1,255,063	1,102,362
a) interest rate risks	1,255,063	1,102,362
b) exchange risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans covered by micro cash-flow hedges	-	-
a) interest rate risks	-	-
b) exchange risk	-	-
c) other	-	-
Total	1,255,063	1,102,362

Section 8 Hedging derivatives - line item 80

8.1 Hedging derivatives: breakdown by type of hedge and by level

	Fair Value 31/12/2012			Nominal Value 31/12/2012	Fair Value 31/12/2011			Nominal Value 31/12/2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	52	-	78,860	-	-	-	9,049
1) Fair value	-	52	-	78,860	-	-	-	9,049
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	-	52	-	78,860	-	-	-	9,049

The fair value of these derivatives for the comparative period is lower than the minimum for disclosure in the notes to the consolidated financial statements.

8.2 Hedging derivatives: breakdown by hedge portfolio and type of hedge (book values)

Transaction/Type of hedge	Fair Value					Financial flows			
	Micro					Macro	Micro	Macro	Foreign investments
	interest rate risk	exchange risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans	52	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total assets	52	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-



Section 10 Equity investments - line item 100

10.1 Investments in companies under joint control (valued at equity) and companies subject to significant influence: disclosures

Name	Location	Type of relationship	Type of investment		
			Parent company	% held	
B. Enterprises					
ALBA LEASING SPA	Milano	8	Banca Popolare di Sondrio SCPA	20.950	
ARCA VITA SPA	Verona	8	Banca Popolare di Sondrio SCPA	14.837	
BANCA DELLA NUOVA TERRA SPA	Milano	8	Banca Popolare di Sondrio SCPA	19.609	
POLIS FONDI SGRPA	Milano	8	Banca Popolare di Sondrio SCPA	19.600	
RAJNA IMMOBILIARE SRL	Sondrio	7	Banca Popolare di Sondrio SCPA	50.000	
SOFIPO SA	Lugano	8	Banca Popolare di Sondrio (SUISSE) SA	30.000	

Key:

- 1 = control as per art. 2359 c.c., para. 1, no. 1 (majority of voting rights at ordinary shareholders' meetings).
- 2 = control as per art. 2359 c.c., para. 1, no. 2 (dominant influence at the ordinary shareholders' meeting).
- 3 = control as per art. 23 T.U., para. 2, no. 1 (agreements with other shareholders).
- 4 = other forms of control.
- 5 = single management as per art. 26, para. 1 of Decree 87/92.
- 6 = single management as per art. 26, para. 2 of Decree 87/92.
- 7 = joint control.
- 8 = associated company.

10.2 Investments in companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Consolidated book value
A.1 Under joint control					
1. RAJNA IMMOBILIARE S.r.l.	873	131	45	844	422
A.2 Subject to significant influence					
1. ALBA LEASING S.p.A.	4,644,200	75,843	(5,777)	318,267	65,467
2. ARCA VITA S.p.A.	4,610,561	744,991	48,188	450,317	66,813
3. BANCA DELLA NUOVA TERRA S.p.A.	514,372	20,592	(2,661)	54,813	10,748
4. POLIS FONDI SGR PA	10,384	6,562	799	8,499	1,666
5. SOFIPO SA	4,817	3,187	36	2,467	740

The fair value is not shown for companies that are not listed on active markets.

10.3 Equity investments: changes during the year

	31/12/2012	31/12/2011
A. Opening balance	128,375	121,731
B. Increases	20,091	12,005
B.1 Purchases	10,279	-
B.2 Write-backs	19	5
B.3 Revaluations	-	-
B.4 Other changes	9,793	12,000
C. Decreases	(2,252)	(5,361)
C.1 Disposals	-	(456)
C.2 Adjustments	-	-
C.3 Other changes	(2,252)	(4,905)
D. Closing balance	146,214	128,375
E. Total revaluations	-	-
F. Total write-downs	(229)	(229)

The 2011 figures have been adjusted for comparison purposes.

Purchases are represented by the subscription of the increases in capital of Arca Vita SpA for € 9.250 million and Banca della Nuova Terra spa for € 1.029 million.

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

10.4 - 10.5 Commitments relating to investments in companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Guarantees and commitments given comprise a commitment in favour of Alba Leasing spa granted when this company started up as part of the reorganisation of Banca Italease spa, against which the Parent Bank has made a specific risk provision.

Section 12 Property, plant and equipment - line item 120

12.1 Property, plant and equipment: analysis of assets valued at cost

Assets/Values	31/12/2012	31/12/2011
A. Assets used in business		
1.1 owned	201,606	192,782
a) land	53,453	52,039
b) buildings	121,631	111,969
c) furniture	8,983	9,786
d) IT equipment	6,707	8,034
e) other	10,832	10,954
1.2 purchased under finance leases	30,839	31,852
a) land	6,803	6,803
b) buildings	24,036	25,049
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	232,445	224,634
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total A+B	232,445	224,634



12.3 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Others	Total 31/12/2012
A. Opening gross amount	58,924	213,055	29,187	29,141	52,469	382,776
A.1 Total net reductions in value	82	76,037	19,401	21,107	41,515	158,142
A.2 Opening net amount	58,842	137,018	9,786	8,034	10,954	224,634
B. Additions	1,416	15,858	1,710	1,217	5,453	25,654
B.1 Purchases	1,400	13,089	1,697	1,175	5,427	22,788
B.2 Capitalised improvement expenditure	-	2,679	-	-	-	2,679
B.3 Write-backs	-	-	-	-	-	-
B.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	16	90	13	42	9	170
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	17	17
C. Decreases	2	7,209	2,513	2,544	5,575	17,843
C.1 Disposals	2	53	-	-	39	94
C.2 Depreciation	-	6,453	2,513	2,544	5,536	17,046
C.3 Impairment charges booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value decreases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	703	-	-	-	703
D. Closing net amount	60,256	145,667	8,983	6,707	10,832	232,445
D.1 Total net reductions in value	82	82,559	21,953	23,643	46,937	175,174
D.2 Closing gross amount	60,338	228,226	30,936	30,350	57,769	407,619
E. Valuation at cost	60,256	145,667	8,983	6,707	10,832	232,445

Section 13 Intangible assets - line item 130

13.1 Intangible assets: breakdown by type

Assets/Values	31/12/2012		31/12/2011	
	Specified duration	Unspecified duration	Specified duration	Unspecified duration
A.1 Goodwill	-	8,959	-	8,959
A.1.1 attributable to the banking group	-	8,959	-	8,959
A.1.2 pertaining to minority interests	-	-	-	-
A.2 Other intangible assets:	12,968	-	11,591	-
A.2.1 Carried at cost	12,968	-	11,591	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	12,968	-	11,591	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	12,968	8,959	11,591	8,959

Intangible assets comprise the cost of purchasing software with a finite life that is amortised over that period, which is normally 3 years.

Goodwill booked for € 8.959 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.

The amount is made up of:

- € 7.847 million relates to the acquisition of control of Factorit Spa in 2010. 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 Bank 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.

No impairment of goodwill has been recorded as the tests carried out in accordance with IAS 36, which requires annual impairment testing for goodwill to identify any impairment loss, did not show any loss in value. In this case we have used the Dividend Discount Model (DDM), which assumes that the economic value of a financial intermediary is equal to the sum of the present value of the future cash flows generated in the chosen time horizon of the plan and distributable to shareholders while maintaining an adequate level of capitalisation to ensure future growth and perpetual capitalisation of a dividend considered after the explicit planning period. We assumed a rate of the dividend growth after the explicit planning period of 2% per year and a cost of capital used to discount



future dividends of 10.43%. The value in use was approximately € 114 million with an excess of the carrying amount of € 11 million.

- € 1.112 million is the goodwill generated by the merger in 1999 of Factorit Spa with In Factor Spa. Also for this goodwill, we are of the opinion that there is no cause for impairment based on an estimate of the revenue flows coming from the customers acquired at the time of the merger and/or subsequently under commercial agreements deriving from it.

13.2 Intangible assets: change during the year

	Goodwill	Other intangible assets generated internally		Other intangible assets: other		Total 31/12/2012
		Specified	Unspecified	Specified	Unspecified	
A. Opening balance	8,959	-	-	87,286	-	96,245
A.1 Total net reductions in value	-	-	-	75,695	-	75,695
A.2 Opening net amount	8,959	-	-	11,591	-	20,550
B. Additions	-	-	-	13,925	-	13,925
B.1 Purchases	-	-	-	13,842	-	13,842
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	24	-	24
B.6 Other changes	-	-	-	59	-	59
C. Decreases	-	-	-	12,548	-	12,548
C.1 Disposals	-	-	-	59	-	59
C.2 Adjustments	-	-	-	12,489	-	12,489
- Amortisation	-	-	-	12,489	-	12,489
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C.4 Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net amount	8,959	-	-	12,968	-	21,927
D.1 Total net reductions in value	-	-	-	88,339	-	88,339
E. Closing gross amount	8,959	-	-	101,307	-	110,266
F. Valuation at cost	8,959	-	-	12,968	-	21,927

Key

Specified: specified duration

Unspecified: unspecified duration

Section 14 Tax assets and liabilities - asset line item 140 and liability line item 80

14.1 Deferred tax assets: breakdown

	31/12/2012	31/12/2011
- Loans writedowns	151,575	60,554
- Provisions for risks and charges	16,005	12,802
- Deferred charges	16,071	17,201
- Securities and equity investments	6,575	22,320
- Administrative expenses	5,675	199
- Amortisation and depreciation	1,321	1,170
Total	197,222	114,246

14.2 Deferred tax liabilities: breakdown

	31/12/2012	31/12/2011
- Owned buildings	5,884	6,638
- Accelerated depreciation	2,605	3,136
- Leased buildings	1,937	1,981
- Revaluation of securities and gains	9,283	812
- Administrative expenses	1,556	1,702
- Loans	13,134	14,843
Total	34,399	29,112

14.3 Change in deferred tax assets (with contra-entry to income statement)

	31/12/2012	31/12/2011
1. Opening balance	92,291	70,699
2. Increases	103,206	34,418
2.1 Deferred tax assets arising during the year	103,092	34,122
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	103,092	34,122
2.2 New taxes or increases in tax rates	-	10
2.3 Other increases	114	286
3. Decreases	10,231	12,826
3.1 Deferred tax assets eliminated during the year	10,231	11,712
a) reversals	10,231	11,105
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
d) other	-	607
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	1,114
a) transformation into tax credits as per Law 214/2011	-	-
b) other	-	1,114
4. Closing balance	185,266	92,291



14.3.1 Change in deferred tax assets as per Law 214/2011 (with contra-entry to the income statement)

	31/12/2012	31/12/2011
1. Opening balance	60,484	42,198
2. Increases	94,702	20,773
3. Decreases	3,641	2,487
3.1 Reversals	3,641	2,487
3.2 Transformation into tax credits	-	-
a) resulting from operating losses	-	-
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	151,545	60,484

The 2011 figures have been adjusted for comparison purposes.

14.4 Change in deferred tax liabilities (with contra-entry to income statement)

	31/12/2012	31/12/2011
1. Opening balance	27,028	21,705
2. Increases	262	6,739
2.1 Deferred tax liabilities arising during the year	168	5,821
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	168	5,821
2.2 New taxes or increases in tax rates	-	246
2.3 Other increases	94	672
3. Decreases	3,822	1,416
3.1 Deferred tax liabilities eliminated during the year	527	1,198
a) reversals	295	960
b) due to changes in accounting policies	-	-
c) other	232	238
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3,295	218
4. Closing balance	23,468	27,028

14.5 Change in deferred tax assets (with contra-entry to equity)

	31/12/2012	31/12/2011
1. Opening balance	21,955	330
2. Increases	5,568	21,934
2.1 Deferred tax assets arising during the year	5,568	21,929
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	5,568	21,929
2.2 New taxes or increases in tax rates	-	5
2.3 Other increases	-	-
3. Decreases	15,567	309
3.1 Deferred tax assets eliminated during the year	15,567	309
a) reversals	15,567	309
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	11,956	21,955

This amount relates for € 6.476 million to losses on securities available for sale booked to equity, and for € 5.480 million to actuarial losses recognised in the measurement of long-term employee benefits, i.e. pension fund and termination indemnities booked to equity and no longer to the income statement as a result of early application of IAS 19 Revised.

14.6 Change in deferred tax liabilities (with contra-entry to equity)

	31/12/2012	31/12/2011
1. Opening balance	2,084	1,614
2. Increases	10,570	489
2.1 Deferred tax liabilities arising during the year	8,520	437
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	8,520	437
2.2 New taxes or increases in tax rates	-	9
2.3 Other increases	2,050	43
3. Decreases	1,723	19
3.1 Deferred tax liabilities eliminated during the year	1,723	19
a) reversals	1,723	19
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	10,931	2,084

This amount relates to the tax on the gains on securities available for sale booked to equity.



Section 16 *Other assets - line item 160*

16.1 Other assets: breakdown

	31/12/2012	31/12/2011
Advances paid to tax authorities	20,166	20,719
Withholdings on interest due to customers	8,889	3,562
Tax credits and related interest	8,776	1,331
Current account cheques drawn on third parties	40,684	56,985
Current account cheques drawn on Group banks	17,964	17,016
Transactions in customers' securities	7,499	51,760
Treasury transactions	-	52,760
Inventories	10,984	11,724
Costs pertaining to the subsequent year	1,150	1,614
Advances to suppliers	685	587
Advances to customers awaiting collections	15,618	11,088
Miscellaneous debits in transit	33,532	36,189
Liquid assets serving post-employment benefits	19,415	2,860
Accrued expenses not allocated	24,802	23,362
Prepayments not allocated	6,735	5,370
Guarantee deposits for the purchase of property	11,054	13,449
Differences on elimination	1,596	1,539
Residual items	31,993	41,711
Total	261,542	353,626

Liabilities and equity

Section 1 Due to banks - line item 10

1.1 Due to banks: breakdown by type

Type of transaction/Members of the Group	31/12/2012	31/12/2011
1. Due to central banks	1,838,354	1,576,314
2. Due to banks	1,365,670	1,984,069
2.1 Current accounts and sight deposits	427,359	286,629
2.2 Time deposits	608,112	1,038,047
2.3 Loans	323,884	644,688
2.3.1 Repurchase agreements	-	103,291
2.3.2 Other	323,884	541,397
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	6,315	14,705
Total	3,204,024	3,560,383
Fair value	3,204,024	3,560,383

These payables are not specifically hedged. Amounts due to central banks include two loans of € 1.800 million from the ECB as part of 36-month Long-Term Refinancing Operations (LTRO) carried out between December 2011 and February 2012. These loans are secured by bonds, mainly Government bonds, securities issued in connection with the securitisation carried out by the Parent Bank, and loans.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

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

1.5 Payables for finance leases

	31/12/2012	31/12/2011
Payables for finance leases	4,047	6,034

Section 2 Due to customers - line item 20

2.1 Due to customer: breakdown by sector

Type of transaction/Members of the Group	31/12/2012	31/12/2011
1. Current accounts and sight deposits	17,403,969	15,122,106
2. Time deposits	5,254,287	3,522,500
3. Loans	551,483	1,291,457
3.1 Repurchase agreements	533,811	1,272,472
3.2 Other	17,672	18,985
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	41,013	927
Total	23,250,752	19,936,990
Fair value	23,250,752	19,936,990

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.



2.5 Payables for finance leases

	31/12/2012	31/12/2011
Payables for finance leases	4,222	4,746

Section 3 Debt securities in issue - line item 30

3.1 Debt securities in issue : breakdown by sector

Type of security/Amounts	31/12/2012				31/12/2011			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
A. Securities								
1. Bonds	2,829,808	-	2,827,103	-	2,607,679	-	2,569,028	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	2,829,808	-	2,827,103	-	2,607,679	-	2,569,028	-
2. Other securities	104,752	-	104,752	-	134,029	-	134,029	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	104,752	-	104,752	-	134,029	-	134,029	-
Total	2,934,560	-	2,931,855	-	2,741,708	-	2,703,057	-

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.

3.2 Details of line item 30 «Debt securities in issue»: subordinated securities

Subordinated securities amount to € 765.698 million and are made up of the two loans indicated below:

- Loan of € 363.733 million from 26/2/2010 and maturity on 26/2/2017 with a forecast annual repayment of 20% from 26/2/2013. It has an interest rate of 4% which will gradually rise to 4.50%.
- Loan of € 401.965 million from 23/12/2011 and maturity on 23/12/2018 with a forecast annual repayment of 20% from 23/12/2014. It has an interest rate of 4.50% which will gradually rise to 6%.

They belong to the Lower Tier II category of bonds, i.e. those that according to the regulations can be included in capital for supervisory purposes.

Section 4 Financial liabilities held for trading - line item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/ Members of the Group	31/12/2012					31/12/2011				
	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	-	687	43,649	-	-	-	70	104,805	-	-
1.1 For trading	-	687	43,649	-	-	-	70	104,805	-	-
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	-	687	43,649	-	-	-	70	104,805	-	-
Total (A+B)	-	687	43,649	-	-	-	70	104,805	-	-

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

Section 6 Hedging derivatives - line item 60

6.1 Hedging derivatives: breakdown by type of hedge and by level

Type of derivatives/ Underlying assets	Fair Value 31/12/2012			Nominal value 31/12/2012	Fair Value 31/12/2011			Nominal value 31/12/2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	45,950	-	1,133,532	-	47,110	-	1,050,346
1) Fair value	-	45,950	-	1,133,532	-	47,110	-	1,050,346
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	-	45,950	-	1,133,532	-	47,110	-	1,050,346



6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transaction/ Type of hedge	Fair Value					Financial flows			
	Micro					Macro	Micro	Macro	Foreign investments
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans	45,950	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total assets	45,950	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-

Section 8 Tax liabilities

The line item amounts to € 117.654 million and relates for € 83.255 million to current taxes and for € 34.399 million to deferred taxes. Current taxes are net of advances paid.

As regards the composition and amount of deferred taxes, please read Assets Section 14 of these notes.

The Parent Bank's tax years up to 2005 have been closed. For 2006, the Parent Bank received a notice of assessment from the Tax Authorities relating to IRES and IRAP concerning the deductibility of interest paid to customers and banks resident in country that are considered tax havens. For the same year, it received a notice of assessment for VAT purposes for not applying VAT on the commissions received as a custodian bank. The Tax Authorities have contested this treatment with other banks as well, showing a radical change in the approach that has always been taken by the sector. The related appeals have been filed and are currently pending before the Provincial Tax Commission of Milan. In December, the Parent Bank received contestations similar to those explained above for 2007. Believing the Bank's conduct to be entirely proper, we have appointed tax advisers to appeal against this assessment.

The litigation concerning a property subsidiary is still pending after a favourable judgment at 1st and 2nd grade as the Tax Authorities have appealed.

Section 10 Other liabilities

10.1 Other liabilities: breakdown

	31/12/2012	31/12/2011
Amounts at the disposal of third parties	100,470	213,806
Taxes to be paid on behalf of third parties	57,941	59,392
Taxes to be paid	9,055	2,397
Employee salaries and contributions	28,919	21,976
Suppliers	10,411	13,387
Transit accounts for sundry entities	683	24,342
Invoices to be received	8,557	9,055
Credits in transit for financial transactions	335	68,396
Value date differentials on portfolio transactions	136,082	17,628
Directors' and statutory auditors' emoluments	1,001	987
Loans disbursed to customers to be finalised	12,248	17,006
Miscellaneous credit items being settled	171,765	282,472
Accrued expenses not allocated	5,913	4,483
Deferred income not allocated	13,548	12,958
Allowance for risks on guarantees and commitments	10,487	8,029
Differences on elimination	6,236	25,419
Residual items	51,150	24,636
Total	624,801	806,369

Section 11 Termination indemnities - line item 110

11.1 Termination indemnities: change in year

	2012	2011
A. Opening balance	38,067	37,769
B. Increases	12,321	8,873
B.1 Provisions	8,236	8,676
B.2 Other increases	4,085	197
C. Decreases	8,036	8,575
C.1 Payments made	1,549	1,496
C.2 Other decreases	6,487	7,079
D. Closing balance	42,352	38,067

Section 12 Provisions for risks and charges - line item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	31/12/2012	31/12/2011
1. Post-employment benefits	95,729	77,831
2. Other provisions for risks and charges	48,931	39,415
2.1 legal disputes	33,280	31,435
2.2 personnel expenses	14,595	7,087
2.3 other	1,056	893
Total	144,660	117,246

At year end, the Group is not exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above. It is reasonable to conclude that there are no contingent liabilities.

12.2 Provisions for risks and charges: change in the year

Items/Components	Post-employment benefits	Other provisions	Total
A. Opening balance	77,831	39,415	117,246
B. Increases	22,692	23,503	46,195
B.1 Provisions	2,268	20,328	22,596
B.2 Changes due to the passage of time	-	197	197
B.3 Changes due to variations in the discount rate	15,858	475	16,333
B.4 Other changes	4,566	2,503	7,069
C. Decreases	4,794	13,987	18,781
C.1 Utilisations during the year	3,512	9,786	13,298
C.2 Changes due to variations in the discount rate	-	20	20
C.3 Other changes	1,282	4,181	5,463
D. Closing balance	95,729	48,931	144,660

12.3 Defined-benefit pension plans

12.3.1. Description of plans

The Bank'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 Bank 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 432 employees and 231 pensioners. Employees have been given the chance to join other supplementary pension schemes as laid down by law and by contract.

The adequacy of the fund with respect to the present value of the obligation at the reference date was 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 earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2 Defined-benefit pension plans: annual changes

	2012	2011
At 1 January	77,831	77,216
service cost	1,855	1,612
interest cost	3,697	3,605
actuarial gains/losses	15,858	(1,219)
payments	(3,512)	(3,383)
At 31 December	95,729	77,831

12.3.3 Defined-benefits pension plans: annual changes

Details of the assets of the pension plan are summarised in the following table:

	2012	2011
Fixed-yield securities	68,834	66,601
Variable-yield securities	1,106	1,436
Mutual funds invested in shares	6,011	6,661
Mutual funds invested in property	363	273
Other assets	19,415	2,860
Total	95,729	77,831

12.3.5 Defined-benefit pension plans – Description of the principal actuarial assumptions

	2012	2011
Discount rate	3.50%	4.75%
Expected increase in salaries	2.00%	2.00%
Rate of inflation	1.50%	1.50%
Underlying rate of salary increases	1.50%	1.50%

See the Bank's financial statements for an explanation of how the discount rate was chosen.

12.3.6. Comparative information

The amount of the fund increases by € 17.898 million, +23%. This increase is largely attributable to the actuarial calculation carried out, as explained in the previous table, and that led to the recognition of an amount of € 15.858 million with a contra-entry to shareholders' equity.

Payments of benefits amount to € 3.512 million compared with € 3.366 million. The contributions paid by the employees totalled € 0.249 million (€ 0.256 million in the prior year).



12.4 Provisions for risks and charges – other provisions

Items/Amounts	31/12/2012	31/12/2011
Provision for legal disputes	33,280	31,435
Provision for personnel expenses	14,595	7,087
Provision for charitable donations	1,056	893
Total	48,931	39,415

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 31/12/2012 as the discount rate.

This increase of € 1.845 million, +5.87%, arises from the difference between the provision of the year and the release of provisions set aside in prior years.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. The total increase came to € 7.508 million, + 105.94%.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.400 million reflects the allocation of 2011 net profit, while the reduction of € 0.237 million was a consequence of payments made during the year.

Section 15 *Equity - Items 140, 160, 170, 180, 190, 200 and 220*

15.1 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2012. At the year-end, the Parent Bank held treasury shares with a carrying value of € 24.316 million.

15.2 Share capital - Number of shares of the parent bank: change during the year

Items/Type	Ordinary	Others
A. Shares at the beginning of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-
A.1 Treasury shares (-)	3,063,000	-
A.2 Shares in circulation opening balance	305,084,985	-
B. Increases	437,500	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	437,500	-
B.3 Other changes	-	-
C. Decreases	394,500	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	394,500	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	305,127,985	-
D.1 Treasury shares (+)	3,020,000	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

15.3 Share capital: other information

Share premium reserve

This amounts to € 171.450 million with a decrease of € 1.061 million, - 0.61% due to the allocation of the loss deriving from the sale of treasury shares in portfolio.

15.4 Profit reserves: other information

Revenue reserves contribute to the capital adequacy of the Group, considering both current and future operations. They amount to € 771.917 million and increase by € 49.271 million, + 6.82%. Reserve for the purchase of treasury shares, also required by art. 60 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 93.000 million (it has been used for € 24.316 million).

Section 16 *Equity pertaining to minority interests - Line item 210*

16.1 Equity instruments: breakdown and change in year

The line item equity of minority interests amounts to € 70.112 million and is made up of the share capital of € 33.575 million, the share premium reserve of € 4.357 million, reserves of € 26.357 million, valuation reserves of € - 0.054 million and profits of € 5.877 million.

Other information

1. Guarantees given and commitments

Operations	31/12/2012	31/12/2011
1) Financial guarantees	519,042	621,507
a) banks	96,879	42,790
b) customers	422,163	578,717
2) Commercial guarantees	3,489,725	3,163,842
a) banks	51,516	37,587
b) customers	3,438,209	3,126,255
3) Irrevocable commitments to make loans	1,319,147	1,602,500
a) banks	39,659	70,921
i) certain to be called on	28,180	58,303
ii) not certain to be called on	11,479	12,618
b) customers	1,279,488	1,531,579
i) certain to be called on	255,801	191,819
ii) not certain to be called on	1,023,687	1,339,760
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets lodged to guarantee the commitments of third parties	27,265	26,529
6) Other commitments	38,204	27,982
Total	5,393,383	5,442,360

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2012	31/12/2011
1. Financial assets held for trading	1,129,834	1,584,052
2. Financial assets carried at fair value	29,289	26,317
3. Financial assets available for sale	917,880	387,149
4. Financial assets held to maturity	27,131	58,510
5. Due from banks	-	-
6. Due from customers	-	-
7. Property, plant and equipment	-	-
Total	2,104,134	2,056,028

Assets held for trading comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances; financial assets carried at fair value comprise the guarantee deposit paid in relation to the issue of bankers' drafts.

Assets held for trading comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances. These securities are not subject to structured repurchase agreements.

The financial assets held to maturity are to guarantee the advances received from the Bank of Italy.

As part the ECB's refinancing of the banking system, the Parent Bank received a loan of € 1.000 million secured by a certificate of deposit issued by us and repurchased under a guarantee from the Italian government in accordance with art. 8 of Decree Law 201 of 6 December 2011. On expiration of this certificate of deposit, we decided to integrate the guarantees by lodging securities from the securitisation of performing residential mortgage loans for a nominal value of 1,385.4 million (senior tranche) sold to the SPV Centro delle Alpi RMBS srl.

5. Management and intermediation for third parties

Type of service	Amount
1. Execution of orders on behalf of customers	1,783,594
a) Purchases	978,283
1. settled	976,237
2. not settled	2,046
b) Sales	805,311
1. settled	804,030
2. not settled	1,281
2. Portfolio management	1,788,232
a) Individual	1,788,232
b) Collective	-
3. Custody and administration of securities	42,509,242
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	532,307
1. securities issued by the reporting bank	-
2. other securities	532,307
b) Other third-party securities on deposit (excluding portfolio management): other	18,105,333
1. securities issued by the reporting bank	3,286,995
2. other securities	14,818,338
c) Third-party securities on deposit with third parties	19,010,232
d) Own securities on deposit with third parties	4,861,370
4. Other transactions	-
Total	46,081,068

PART C *Information on the consolidated income statement*

Section 1 *Interest - line items 10 and 20*

1.1 Interest and similar income: breakdown

Items/technical forms	Fixed-yield securities	Loans	Other transactions	Total 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	52,803	-	-	52,803	54,021
2. Financial assets carried at fair value	1,151	-	-	1,151	764
3. Financial assets available for sale	49,002	-	-	49,002	9,883
4. Financial assets held to maturity	3,023	-	-	3,023	4,749
5. Due from banks	-	12,705	-	12,705	14,879
6. Due from customers	-	892,230	7	892,237	748,610
7. Hedging derivatives	-	-	1,512	1,512	-
8. Other assets	-	-	-	-	-
Total	105,979	904,935	1,519	1,012,433	832,906

1.2 Interest and similar income: differentials on hedging transactions

Items	31/12/2012	31/12/2011
A. Positive differentials on hedging transactions	1,512	-
B. Negative differentials on hedging transactions	-	-
C. Net total (A-B)	1,512	-

1.3 Interest income and similar revenues: other information

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2012	31/12/2011
Interest income and similar revenue on foreign currency assets	106,014	87,865

1.4 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other liabilities	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	(16,418)	-	-	(16,418)	(2,146)
2. Due to banks	(23,200)	-	-	(23,200)	(43,640)
3. Due to customers	(341,926)	-	-	(341,926)	(207,366)
4. Debt securities in issue	-	(87,366)	-	(87,366)	(62,308)
5. Financial liabilities held for trading	-	(2)	-	(2)	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	(40)	(40)	-
8. Hedging derivatives	-	-	(17,375)	(17,375)	(15,094)
Total	(381,544)	(87,368)	(17,415)	(486,327)	(330,554)

1.5 Interest expense and similar charges: differentials on hedging transactions

Items	31/12/2012	31/12/2011
A. Positive differentials on hedging transactions	-	-
B. Negative differentials on hedging transactions	(17,375)	(15,094)
C. Net total (A-B)	(17,375)	(15,094)

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense and similar charges on foreign currency liabilities

	31/12/2012	31/12/2011
Interest expense and similar charges on foreign currency liabilities	(42,366)	(37,354)

1.6.2 Interest expense on finance lease transactions

	31/12/2012	31/12/2011
Interest expense on finance lease transactions	(148)	(251)

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2012	31/12/2011
a) guarantees given	21,694	17,850
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	79,204	84,162
1. trading in financial instruments	17,707	19,754
2. trading in foreign currencies	7,161	6,114
3. portfolio management	5,636	6,601
3.1 individual	5,636	6,601
3.2 collective	-	-
4. custody and administration of securities	9,162	10,273
5. custodian bank	3,864	4,814
6. placement of securities	11,707	10,245
7. order receipt and transmission	11,416	13,395
8. consultancy	49	72
8.1 investments	-	-
8.2 corporate finance	49	72
9. distribution of third-party services	12,502	12,894
9.1 portfolio management	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	7,135	7,403
9.3 other products	5,367	5,491
d) collection and payment services	59,093	56,597
e) services for securitisation transactions	-	-
f) services for factoring transactions	36,963	35,038
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	-	-
j) other services	111,181	109,348
Total	308,135	302,995

«Other services» mainly consist of loan commissions of € 64.608 million, from current account charges of € 30.606 million and international/foreign exchange fees of € 6.158 million.



2.2 Commission expense: breakdown

Services/Amounts	31/12/2012	31/12/2011
a) guarantees received	(3,142)	(287)
b) credit derivatives	-	-
c) management and intermediation services:	(3,357)	(3,962)
1. trading in financial instruments	(1,581)	(2,054)
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1. own	-	-
3.2. delegated by third parties	-	-
4. custody and administration of securities	(1,776)	(1,908)
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	(9,363)	(8,498)
e) other services	(8,280)	(8,772)
Total	(24,142)	(21,519)

Section 3 Dividends and similar income - line item 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2012		31/12/2011	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	1,049	175	1,399	115
B. Financial assets available for sale	1,469	228	2,189	-
C. Financial assets carried at fair value	-	-	-	54
D. Equity investments	13	-	-	-
Total	2,531	403	3,588	169

Section 4 Net trading income - line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	77,187	83,472	(3,430)	(182)	157,047
1.1 Fixed-yield securities	66,228	64,507	(350)	(123)	130,262
1.2 Variable-yield securities	1,547	4,842	(2,913)	(24)	3,452
1.3 Mutual funds	199	648	(11)	(35)	802
1.4 Loans	-	-	-	-	-
1.5 Others	9,213	13,475	(156)	-	22,532
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	272
4. Derivatives	3,788	16,324	(4,136)	(12,085)	3,922
4.1 Financial derivatives:	3,788	16,324	(4,136)	(12,085)	3,922
- On debt securities and interest rates	2,753	11,354	(3,044)	(10,368)	695
- On equities and equity indices	599	3,982	(661)	(796)	3,124
- On currency and gold	-	-	-	-	31
- Other	436	988	(431)	(921)	72
4.2 Credit derivatives	-	-	-	-	-
Total	80,975	99,796	(7,566)	(12,267)	161,241

Net trading income, previously a loss of € 65.121 million, shows a profit of € 161.241 million thanks to the recovery in financial markets which made it possible to post substantial trading gains and profits, whereas the comparison period was characterised by significant losses.

The income from trading in «other financial assets» is 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.



Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2012	31/12/2011
A. Income from:		
A.1 Fair value hedging derivatives	1,212	-
A.2 Hedged financial assets (fair value)	-	22,977
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)	1,212	22,977
B. Charges from:		
B.1 Derivatives hedging fair value	-	(22,989)
B.2 Hedged financial assets (fair value)	(597)	-
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)	(597)	(22,989)
C. Net hedging gains (losses) (A - B)	615	(12)

Costs include € 0.597 million for the valuation at fair value of the loans being hedged, versus a positive valuation of hedging derivatives of € 1.212 million at fair value. The net result of measuring the hedging structure at fair value is a positive balance of € 0.615 million.

Section 6 Gains (losses) on disposal/repurchases - line item 100

6.1 Gains (losses) on disposals/repurchases - breakdown

Items/Income items	31/12/2012			31/12/2011		
	Profit	Losses	Net profit (loss)	Profit	Losses	Net profit (loss)
Financial assets	-	-	-	-	-	-
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	7,813	(73)	7,740	3,027	(68)	2,959
3.1 Fixed-yield securities	7,798	(73)	7,725	-	-	-
3.2 Variable-yield securities	15	-	15	3,027	(68)	2,959
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	700	(116)	584	124	-	124
Total assets	8,513	(189)	8,324	3,151	(68)	3,083
Financial liabilities	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	1,311	(62)	1,249	1,472	(28)	1,444
Total liabilities	1,311	(62)	1,249	1,472	(28)	1,444

Section 7 *Net change in value of financial assets and liabilities at fair value - line item 110*

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

Transactions/Income items	Gains (A)	Gains on disposal (B)	Losses (C)	Losses on disposal (D)	Net result [(A+B)-(C+D)]
1. Financial assets	7,275	229	(372)	(3)	7,129
1.1 Fixed-yield securities	2,763	-	-	-	2,763
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	4,512	229	(372)	(3)	4,366
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	(856)
4. Credit and financial derivatives	-	-	-	-	-
Total	7,275	229	(372)	(3)	6,273

The gains and losses recognised mainly concern mutual funds and Italian government securities.

Section 8 *Net impairment adjustments - line item 130*

8.1 Net impairment adjustments to loans: breakdown

Transactions/ Income items	Adjustments (1)			Write-backs (2)				Total 31/12/2012	Total 31/12/2011
	Type			Type		Portfolio			
	Write-offs	Others	Portfolio	A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
B. Due from customers	(124,818)	(370,442)	(59,766)	547	40,060	1,615	28,589	(484,215)	(175,723)
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
- Loans	(124,818)	(370,442)	(59,766)	547	40,060	1,615	28,589	(484,215)	(175,723)
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
C. Total	(124,818)	(370,442)	(59,766)	547	40,060	1,615	28,589	(484,215)	(175,723)

Key:

A = Interest

B = Other write-backs



8.2 Net impairment adjustments to available for sale financial assets: breakdown

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 31/12/2012	Total 31/12/2011
	Type		Type			
	Write-offs	Others	A	B		
A. Fixed-yield securities	-	-	-	-	-	-
B. Variable-yield securities	-	(4,588)	-	-	(4,588)	(5,986)
C. Mutual funds	-	(637)	-	-	(637)	(1,168)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(5,225)	-	-	(5,225)	(7,154)

Key:

A = Interest

B = Other write-backs

8.4 Net impairment adjustments on other financial transactions: composition

Transactions/ Income items	Adjustments (1)			Write-backs (2)		Portfolio	Total 31/12/2012	Total 31/12/2011
	Type			Type				
	Write-offs	Other	Portfolio	A	B			
A. Guarantees given	-	(3,084)	-	-	625	-	(2,459)	1,094
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to make loans	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-
Total	-	(3,084)	-	-	625	-	(2,459)	1,094

Key:

A = Interest

B = Other write-backs

Section 11 Administrative expenses - line item 180

11.1 Personnel expenses: breakdown

Type of expenses/Sectors	31/12/2012	31/12/2011
1) Employees	(211,345)	(208,302)
a) Wages and salaries	(139,667)	(142,690)
b) Social security contributions	(32,062)	(33,370)
c) Termination indemnities	(17)	(16)
d) Pension expenses	(3,855)	(3,500)
e) Provision for employee termination indemnities	(8,238)	(8,621)
f) Provision for post-employment benefits and similar commitments:	(5,662)	(5,019)
- defined contribution	-	-
- defined benefits	(5,662)	(5,019)
g) Payments to external supplementary pension funds:	(2,875)	(3,045)
- defined contribution	(2,875)	(3,045)
- defined benefits	-	-
h) Costs deriving from payment agreements based on own capital instruments	-	-
i) Other personnel benefits	(18,969)	(12,041)
2) Other working personnel	(3,206)	(3,925)
3) Directors and Statutory auditors	(2,626)	(2,632)
4) Retired personnel	-	(63)
Total	(217,177)	(214,922)

The 2011 figures have been adjusted for comparison purposes.

11.2 Average number of employees by category

Type of expense/Amounts	31/12/2012	31/12/2011
Employees	3,080	3,031
a) Managers	30	26
b) Officials	713	716
c) Other employees	2,337	2,289
Other personnel	93	98

	31/12/2012	31/12/2011
Actual number of employees		
- Employees	3,073	3,042
- Other personnel	92	89



11.3 Defined-benefit pension plans: total costs

	31/12/2012	31/12/2011
Service cost	1,855	1,612
Interest cost	3,697	3,605
Contributions from employees	(249)	(256)
Reductions and payments	359	58
Total charge to income statement (A)	5,662	5,019
Portion of yield from assets servicing the fund (B)	3,792	1,598
Total charge (A-B)	1,870	3,421

The 2011 figures have been adjusted for comparison purposes.

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements.

The cost for the Parent Bank consists of the contributions that it has to pay into the fund in accordance with the Fund Regulations. These contributions amounted to € 1.870 million. An additional provision of € 3.792 million was also made. Against these provisions, € 4.566 million has been recorded under other operating income, which corresponds to the income accrued on the assets that make up the fund's net worth. The comparatives have been adjusted as a result of the change in accounting treatment for early application of IAS 19 Revised.

11.4 Other employee benefits

This caption essentially comprises the cost of expenses and salaries of personnel allocated to the specific fund, meal vouchers, scholarships, insurance costs, the reimbursement of expenses, training costs and other benefits.

11.5 Other administrative expenses: breakdown

	31/12/2012	31/12/2011
Telephone, post and data transmission	(14,869)	(15,638)
Maintenance of property, plant and equipment	(9,619)	(8,807)
Rent of buildings	(27,333)	(26,657)
Security	(6,490)	(6,444)
Transportation	(4,320)	(4,195)
Professional fees	(14,701)	(12,352)
Office materials	(2,739)	(2,803)
Electricity, heating and water	(5,901)	(5,095)
Advertising and entertainment	(4,485)	(4,549)
Legal	(10,827)	(10,151)
Insurance	(1,994)	(1,751)
Company searches and information	(4,432)	(4,291)
Indirect taxes and dues	(42,499)	(37,096)
Software and hardware rental and maintenance	(12,443)	(11,355)
Data entry by third parties	(1,388)	(949)
Cleaning	(5,370)	(5,167)
Membership fees	(1,990)	(1,907)
Services received from third parties	(3,162)	(3,113)
Outsourced activities	(19,145)	(19,079)
Deferred charges	(2,802)	(8,613)
Goods and services for employees	(1,216)	(1,235)
Others	(11,405)	(10,338)
Total	(209,130)	(201,585)

Section 12 Net provisions for risks and charges - line item 190

12.1 Net provisions for risks and charges: breakdown

The line item amounts to - € 3.167 million.

Section 13 Net adjustments to property, plant and equipment - line item 200

13.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write- backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(16,027)	-	-	(16,027)
- for business purposes	(16,027)	-	-	(16,027)
- for investment purposes	-	-	-	-
A.2 Acquired under finance leases	(1,018)	-	-	(1,018)
- for business purposes	(1,018)	-	-	(1,018)
- for investment purposes	-	-	-	-
Total	(17,045)	-	-	(17,045)



Section 14 *Net adjustments to intangible assets - line item 210*

14.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write- backs (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(12,489)	-	-	(12,489)
- Internally generated	-	-	-	-
- Other	(12,489)	-	-	(12,489)
A.2 Purchased under finance leases	-	-	-	-
Total	(12,489)	-	-	(12,489)

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130.a) c) d) f) g) and para. 130 of IAS 36.

Section 15 *Other operating income and expense - Line item 220*

15.1 Other operating expenses: breakdown

	31/12/2012	31/12/2011
Out-of-period expense	(3,819)	(2,706)
Other	(1,659)	(2,997)
Consolidation differences	(386)	(876)
Total	(5,864)	(6,579)

15.2 Other operating income: breakdown

	31/12/2012	31/12/2011
Recovery of charges on deposits and overdrafts	50	72
Recovery of expenses	1,403	1,491
Rental income from buildings	1,367	1,080
Recovery of taxes	34,354	30,264
Financial income of post-employment benefits plan	4,566	1,598
Out-of-period income - other	11,310	3,040
Other	14,897	12,255
Consolidation differences	222	1,796
Total	68,169	51,596

Section 16 Share of profit (loss) of equity investments - line item 240

16.1 Share of profit (loss) of equity investments: breakdown

Income items/Amounts	31/12/2012	31/12/2011
2) Associated companies		
A. Income	7,359	7,122
1. Revaluations	7,341	6,316
2. Gains on disposal	-	801
3. Write-backs	18	5
4. Other income	-	-
B. Charges	(2,943)	(4,191)
1. Write-downs	(2,943)	(4,191)
2. Impairment write-downs	-	-
3. Loss from disposals	-	-
4. Other charges	-	-
Net profit	4,416	2,931

Section 19 Gains (losses) on disposal of investments - line item 270

19.1 Gains (losses) on disposal of investments: breakdown

Income items/Segments	31/12/2012	31/12/2011
A. Buildings	271	-
- Gains on disposal	271	-
- Losses on disposal	-	-
B. Other assets	9	(16)
- Gains on disposal	28	17
- Losses on disposal	(19)	(33)
Net profit	280	(16)

Section 20 Income taxes on current operations - line item 290

20.1 Income taxes on current operations: breakdown

Income items/Segments	31/12/2012	31/12/2011
1. Current taxes (-)	(170,642)	(85,971)
2. Change in prior period income taxes (+/-)	7,980	-
3. Reduction in current taxes (+)	-	-
3.bis Reduction in current taxes for tax credits under Law 214/2011	-	-
4. Change in deferred tax assets (+/-)	92,844	22,420
5. Change in deferred tax liabilities (+/-)	3,172	(4,869)
6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(66,646)	(68,420)

The 2011 figures have been adjusted for comparison purposes.

The reduction in current taxes from previous years derives from the tax credit recognised during the year based on the total deduction for IRES purposes of the IRAP on labour costs under art. 2, paragraph 1-quater of Legislative Decree 201 of 6 December 2011, converted into Law 214/2011 and supplemented by art. 4, paragraph 12 of Legislative Decree 16/2012. The Decree introduced the possibility to apply for a refund of the IRES overpaid, recalculated in the light of the deductibility explained above, for the years still pending on the date that the decree came into force (i.e. from 2007 to 2011).



20.2 Reconciliation between the theoretical and effective tax burden

Income taxes are calculated on the basis of the specific tax legislation in the country where each company is resident.

The total tax charge for the year can be reconciled as follows:

INCOME TAXES	Tax base	Tax
Theoretical tax burden	109,771	(30,135)
Tax credit	-	-
Increases	368,083	(101,165)
Decreases	(6,943)	2,182
Effective tax burden	470,911	(129,118)

IRAP (Regional business tax)	Tax base	Tax
Theoretical tax burden	103,344	(5,932)
Tax credit	-	-
Increases	714,689	(39,783)
Decreases	(74,158)	4,191
Effective tax burden	743,875	(41,524)
Total effective tax burden	-	(170,642)

The main changes relate to the Parent Bank. For details, reference should therefore be made to Part C Information on the income statement of the company, Section 18 Table 18.2.

Section 24 Earnings per share

24.1 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 net profit is unchanged with respect to the prior year.

	31/12/2012	31/12/2011
numbers of shares	308,147,985	308,147,985

24.2 Other information

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

«Basic EPS», determined by dividing the net 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.

	31/12/2012	31/12/2011
earnings per share - €	0.112	0.239

The 2011 figures have been adjusted for comparison purposes.

PART D Consolidated comprehensive income

Analytical statement of consolidated comprehensive income

Items/Amounts	Gross amount	Income taxes	Net amount
10. Net profit (loss) for the year	-	-	40,183
Other income items	-	-	-
20. Financial assets available for sale:	74,280	(23,843)	50,437
a) changes in fair value	71,775	(23,292)	48,483
b) transfer to income statement	2,505	(551)	1,954
- adjustments for impairment	965	(42)	923
- gains/losses from disposals	1,540	(509)	1,031
c) other changes	-	-	-
30. Property, plant and equipment	-	-	-
40. Intangible assets	-	-	-
50. Hedges of foreign investments:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
60. Cash-flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
80. Non-current assets held for sale and discontinued operations:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
90. Actuarial profits (losses) on defined-benefit plans	(19,865)	5,463	(14,402)
100. Share of valuation reserves of equity investments valued at net equity:	16,015	(4,404)	11,611
a) changes in fair value	16,015	(4,404)	11,611
b) transfer to income statement	-	-	-
- adjustments for impairment	-	-	-
- gains/losses from disposals	-	-	-
c) other changes	-	-	-
110. Total other income items net of income taxes	70,430	(22,784)	47,646
120. Comprehensive income (item 10+110)	-	-	87,829
130. Consolidated comprehensive income pertaining to minority interests	-	-	(5,795)
140. Consolidated comprehensive income pertaining to the parent bank	-	-	82,034

PART E *Information on risks and related hedging policy*

The information contained in this section is based on internal data prepared for management purposes, which means that it may differ from the figures reported in sections B and C of these notes, except where the book value specifically has to be shown.

The information to be disclosed to the public under Section IV, Chapter 1 of the New Supervisory instructions for Banks is provided by the required deadlines in the «Corporate Information» section of the Parent Bank's website.

Section 1 *Risks of the Banking Group*

1.1 Credit risk

QUALITATIVE INFORMATION

1. General matters

The Parent Bank manages and coordinates the activities of the Swiss subsidiary, thereby ensuring harmonisation of credit policies at group level and a standard approach to risk management.

As outlined in the equivalent section of the notes to the parent bank's separate financial statement, the lines of strategy that are followed are geared to sustaining local economies, in particular small and medium-sized businesses and households, maintaining low levels of risk and concentration.

These policies are applied by the subsidiaries in ways that respect the peculiarities of their counterparties and the particular types of products being offered, as well as the characteristics of the market in question.

2. Credit risk management policies

2.1 Organisational aspects

The process of credit risk management adopted by the Parent Bank and the structure set up to implement it are explained in detail in the corresponding section of the notes relating to the Bank.

The organisational structure of the subsidiaries complies with that of the Parent Bank, allowing for differences in size and the area in which they operate.

2.2 Systems for managing, measuring and monitoring

As part of its coordination activities, the Parent Bank requires the subsidiaries to apply the control methodology already discussed in detail in the corresponding section of the notes relating to the Bank.

In this regard, it is worth pointing out that the Swiss subsidiary has its own rating system which it applies to customer loans. This system is based entirely on the subjective assessment and discretion of the credit and loans department: this approach involves gathering various set indicators and information of a financial and qualitative nature, depending on the type of customer. The combined evaluation of these elements results in a score, which is used by the person making the final evaluation to assign a rating. This methodology has been analysed by the independent auditors, who consider it appropriate given the scale, complexity and risks involved in the activities performed.

2.3 Credit risk mitigation techniques

As part of its functions of coordination and control, the Parent Bank requires the subsidiaries to adopt credit risk mitigation techniques able to ensure efficient management and prudent valuation of the guarantees obtained.

This risk is controlled by the subsidiary Banca Popolare di Sondrio (SUISSE) SA by means of monitoring tools that are substantially similar to those of the Parent Bank, as described in the corresponding Section in the explanatory notes. Note that lending with mortgage backing or financial collateral is long-standing practice in Switzerland: to confirm this, please note that about 80% of loans to customers provided by the subsidiary relate to residential mortgage transactions.

As regards Factorit's operations, on the other hand, particular tools for mitigating the risk assumed by the factor can be found in the techniques used to consolidate the transfer of risk versus the assigned debtor and in fragmenting it over the series of other persons or entities, a typical approach in operations of this kind.

2.4 Impaired financial assets

As part of its functions of coordination and control, the Parent Bank requires the subsidiaries to bring their loans classification criteria and management methods into line with those of the parent bank, as explained in the corresponding section of the notes on the Bank.

QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Banking group					Other businesses		Total 31/12/2012
	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Other assets	Impaired loans	Others	
1. Financial assets held for trading	5	400	8	632	2,012,139	-	-	2,013,184
2. Financial assets available for sale	-	-	-	-	2,285,788	-	-	2,285,788
3. Financial assets held to maturity	-	-	-	-	204,644	-	-	204,644
4. Due from banks	-	-	-	-	1,179,973	-	4	1,179,977
5. Due from customers	290,742	520,791	48,339	445,014	24,003,857	-	55	25,308,798
6. Financial assets measured at fair value	-	-	-	-	29,768	-	-	29,768
7. Financial assets being sold	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	52	-	-	52
Total 31/12/2012	290,747	521,191	48,347	445,646	29,716,221	-	59	31,022,211
Total 31/12/2011	278,710	378,246	83,442	222,159	27,113,770	-	185	28,076,512

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



A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Impaired assets			Performing			Total net exposure
	Gross exposure	Specific adjustment	Net exposure	Gross exposure	General portfolio adjustment	Net exposure	
A. Banking group							
1. Financial assets held for trading	1,045	-	1,045	2,012,139	-	2,012,139	2,013,184
2. Financial assets available for sale	-	-	-	2,285,788	-	2,285,788	2,285,788
3. Financial assets held to maturity	-	-	-	204,644	-	204,644	204,644
4. Due from banks	-	-	-	1,179,973	-	1,179,973	1,179,973
5. Due from customers	1,995,428	690,542	1,304,886	24,179,069	175,212	24,003,857	25,308,743
6. Financial assets carried at fair value	-	-	-	29,768	-	29,768	29,768
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	52	-	52	52
Total A	1,996,473	690,542	1,305,931	29,891,433	175,212	29,716,221	31,022,152
B. Other businesses	-	-	-	-	-	-	-
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	4	-	4	4
5. Due from customers	-	-	-	55	-	55	55
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	-	-	-	59	-	59	59
Total 31/12/2012	1,996,473	690,542	1,305,931	29,891,492	175,212	29,716,280	31,022,211
Total 31/12/2011	1,337,531	374,974	962,557	27,246,585	132,630	27,113,955	28,076,512

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

With reference to «Performing loans to customers», these are broken down below by exposures subject to renegotiation under collective agreements (such as the ABI-MEF Framework Agreements for a moratorium on mortgage repayments for SMEs and households) and other exposures, with an ageing of any repayments that are past due.

Loans to customers which:	Net exposure	Past due up to 3 months	Past due from 3 to 6 months	Past due from 6 to 12 months	Past due for over 1 year
Subject to renegotiation under collective agreements	510,443	9,621	1,194	806	-
Other receivables	23,493,414	775,595	141,104	136,827	44,865

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Other assets	1,586,825	-	-	1,586,825
Total A	1,586,825	-	-	1,586,825
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	182,492	-	-	182,492
Total B	182,492	-	-	182,492
Total A+B	1,769,317	-	-	1,769,317

Cash exposures include the amounts due from 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).

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	689,918	399,171	-	290,747
b) Watchlist loans	745,279	224,488	-	520,791
c) Restructured exposures	60,343	12,004	-	48,339
d) Past due exposures	499,893	54,879	-	445,014
e) Other assets	28,263,387	-	175,212	28,088,175
Total A	30,258,820	690,542	175,212	29,393,066
B. Off-balance sheet exposures				
a) Impaired	55,016	10,487	-	44,529
b) Other	5,190,557	-	-	5,190,557
Total B	5,245,573	10,487	-	5,235,086
Total A+B	35,504,393	701,029	175,212	34,628,152

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).



A.1.7 Cash exposures to customers: dynamics of gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructure exposures	Past due exposures
A. Opening gross exposure	558,902	450,132	91,142	236,952
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	350,366	513,850	6,274	486,130
B.1 transfers from performing loans	172,535	388,176	5,337	455,115
B.2 transfers from other categories of impaired exposure	138,298	102,225	-	4,341
B.3 other increases	39,533	23,449	937	26,674
C. Decreases	219,350	218,703	37,073	223,189
C.1 transfers to performing loans	-	39,927	1,977	45,590
C.2 write-offs	153,929	1,821	-	-
C.3 collections	63,850	54,657	8,268	48,571
C.4 proceeds from disposals	-	-	-	-
C.5 transfers to other categories of impaired exposure	19	102,270	26,828	115,747
C.6 other decreases	1,552	20,028	-	13,281
D. Closing gross exposure	689,918	745,279	60,343	499,893
- of which: sold but not eliminated from the balance sheet	857	2,710	-	8,832

A.1.8 Banking group - Cash exposures to customers: dynamics of total writedowns

Categories	Non-performing loans	Watchlist loans	Restructure exposures	Past due exposures
A. Total opening adjustments	280,192	72,131	7,803	14,848
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	292,875	200,945	12,255	69,944
B.1 adjustments	237,871	178,774	12,255	69,456
B.1. bis Loss from disposals	-	-	-	-
B.2 transfers from other categories of impaired exposure	54,948	21,794	-	314
B.3 other increases	56	377	-	174
C. Decreases	173,896	48,588	8,054	29,913
C.1 write-backs on valuation	16,592	3,574	387	371
C.2 write-backs due to collections	1,798	191	-	37
C.2 bis Profit from disposals	-	-	-	-
C.3 write-offs	153,925	1,821	-	-
C.4 transfers to other categories of impaired exposure	-	39,967	7,667	29,422
C.5 other decreases	1,581	3,035	-	83
D. Total closing adjustments	399,171	224,488	12,004	54,879
- of which: sold but not eliminated from the balance sheet	213	292	-	581

A.2 Classification of exposures based on external and internal ratings

A.2.1 Banking Group - Distribution of cash loans and off-balance sheet items by external rating class

Exposure	External rating classes						Unrated	Total 31/12/2012
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	41,200	4,180,375	787,552	313,594	238	85	25,820,560	31,143,604
B. Derivatives	71	5,590	21	-	-	-	39,422	45,104
B.1 Financial derivatives	71	5,590	21	-	-	-	39,422	45,104
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	15,272	59,955	161,024	109,026	2,296	-	3,669,201	4,016,774
D. Commitments to make loans	-	113,878	36,941	-	-	-	1,204,890	1,355,709
E. Other	-	-	-	-	-	-	-	-
Total	56,543	4,359,798	985,538	422,620	2,534	85	30,734,073	36,561,191

The distribution of exposures other than those in variable-yield securities is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Group's database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations (see Circular no. 263 of 27.12.2006 «New supervisory instructions for banks»).

The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Parent Bank. Specifically, solely the ratings issued by Fitch are used for exposures to governments and central banks, while those of Standard & Poor's are used for other exposures.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Fitch Ratings	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	below B-
Standard & Poor's Rating Services	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	below B-



A.2.2 Banking Group - Distribution of cash loans by internal rating class

BANCA POPOLARE DI SONDRIO - PRIVATE CUSTOMERS - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	439,493	95,008	107,965	485,638	722,650	556,862	197,487	
B. Derivatives	53	-	20	470	347	117	70	
B.1 Financial derivatives	53	-	20	470	347	117	70	
B.2 Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	3,851	52	435	19,384	17,990	11,156	2,520	
D. Commitments to make loans	557	949	552	3,890	4,074	4,176	561	
E. Other	-	-	-	-	-	-	-	
Total	443,954	96,009	108,972	509,382	745,061	572,311	200,638	

BANCA POPOLARE DI SONDRIO - SMALL BUSINESS Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	9,922	324,604	107,140	232,521	1,046,350	343,142	158,537	
B. Derivatives	1	6	18	428	278	90	45	
B.1 Financial derivatives	1	6	18	428	278	90	45	
B.2 Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	1,201	6,503	3,632	8,472	36,633	31,873	3,956	
D. Commitments to make loans	-	675	1,037	2,893	13,309	5,532	1,128	
E. Other	-	-	-	-	-	-	-	
Total	11,124	331,788	111,827	244,314	1,096,570	380,637	163,666	

BANCA POPOLARE DI SONDRIO - MICRO-ENTERPRISES - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	44,528	69,288	88,233	205,676	867,147	864,401	910,076	
B. Derivatives	88	60	126	229	2,805	920	294	
B.1 Financial derivatives	88	60	126	229	2,805	920	294	
B.2 Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	6,854	13,018	8,846	26,514	191,916	61,348	41,141	
D. Commitments to make loans	4,803	10,840	647	7,542	25,099	36,726	41,262	
E. Other	-	-	-	-	-	-	-	
Total	56,273	93,206	97,852	239,961	1,086,967	963,395	992,773	

BANCA POPOLARE DI SONDRIO - SMEs - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	24,917	17,509	74,963	147,464	855,906	969,770	697,477	
B. Derivatives	160	3	35	279	2,198	651	717	
B.1 Financial derivatives	160	3	35	279	2,198	651	717	
B.2 Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	15,147	2,207	12,544	30,544	214,350	172,618	62,260	
D. Commitments to make loans	195	-	1,637	6,470	30,776	37,475	18,254	
E. Other	-	-	-	-	-	-	-	
Total	40,419	19,719	89,179	184,757	1,103,230	1,180,514	778,708	

08	09	10	11	12	13	Insolvent	Total 31/12/2012
142,372	111,208	41,519	37,529	24,140	104,556	249,653	3,316,080
17	7	-	2	4	73	350	1,530
17	7	-	2	4	73	350	1,530
-	-	-	-	-	-	-	-
624	973	207	129	430	717	4,628	63,096
273	-	306	110	-	113	-	15,561
-	-	-	-	-	-	-	-
143,286	112,188	42,032	37,770	24,574	105,459	254,631	3,396,267

08	09	10	11	12	13	Insolvent	Total 31/12/2012
151,709	72,278	42,127	36,165	30,462	82,721	190,058	2,827,736
18	4	-	5	1	180	16	1,090
18	4	-	5	1	180	16	1,090
-	-	-	-	-	-	-	-
3,938	2,045	1,549	1,089	1,119	2,731	3,220	107,961
1,172	1,127	257	691	212	255	1,342	29,630
-	-	-	-	-	-	-	-
156,837	75,454	43,933	37,950	31,794	85,887	194,636	2,966,417

08	09	10	11	12	13	Insolvent	Total 31/12/2012
673,948	265,921	176,449	65,785	106,969	95,735	457,957	4,892,113
288	88	8	23	80	8	321	5,338
288	88	8	23	80	8	321	5,338
-	-	-	-	-	-	-	-
31,189	12,925	6,148	1,165	6,492	2,582	8,862	419,000
31,522	10,091	3,985	2,368	451	5,887	2,071	183,294
-	-	-	-	-	-	-	-
736,947	289,025	186,590	69,341	113,992	104,212	469,211	5,499,745

08	09	10	11	12	13	Insolvent	Total 31/12/2012
406,253	485,379	168,396	104,544	56,161	133,347	224,039	4,366,125
511	223	11	7	519	-	19	5,333
511	223	11	7	519	-	19	5,333
-	-	-	-	-	-	-	-
35,794	28,057	6,098	5,181	1,241	4,777	11,732	602,550
11,595	21,124	3,558	8,766	-	493	453	140,796
-	-	-	-	-	-	-	-
454,153	534,783	178,063	118,498	57,921	138,617	236,243	5,114,804



BANCA POPOLARE DI SONDRIO - LARGE AND PUBLIC ENTERPRISES -							Internal rating classes	
Exposure	01	02	03	04	05	06	07	
A. Cash exposures	11,920	187,149	180,200	593,066	400,288	234,150	84,943	
B. Derivatives	140	4,665	298	2,484	1,127	419	101	
B.1 Financial derivatives	140	4,665	298	2,484	1,127	419	101	
B.2 Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	30,249	179,435	191,553	535,919	185,205	134,539	276,266	
D. Commitments to make loans	-	5,474	-	17,795	1,477	39,387	2,955	
E. Other	-	-	-	-	-	-	-	
Total	42,309	376,723	372,051	1,149,264	588,097	408,495	364,265	

BANCA POPOLARE DI SONDRIO BANKS - Exposure				Internal rating classes	
	01	02	03	04	
A. Cash exposures	-	-	33,094	27,955	
B. Derivatives	-	-	-	47	
B.1 Financial derivatives	-	-	-	47	
B.2 Credit derivatives	-	-	-	-	
C. Guarantees given	-	-	20,982	1,027	
D. Commitments to make loans	-	-	100	-	
E. Other	-	-	-	-	
Total	-	-	54,176	29,029	

BANCA POPOLARE DI SONDRIO (SUISSE) - CUSTOMERS - Exposure				Internal rating classes	
	R1	R2	R3	R3G	
A. Cash exposures	-	2,480	367,358	337,016	
Total	-	2,480	367,358	337,016	

Banca Popolare di Sondrio (SUISSE) SA has its own customer rating system, which it only applies to customer loans. This system splits the loan book into 10 different risk categories. The first category identifies customers with the lowest risk, while the categories from R6 to R8 indicate various levels of insolvency, depending on how serious it is.

Note that the Bank does not use these internal rating when calculating the capital requirements for certain portfolios, but applies the so-called «standardised approach», which requires the use of ratings issued by external agencies.

08	09	10	11	12	13	Insolvent	Total 31/12/2012
83,440	65,230	40,328	48,477	23,737	74,289	33,523	2,060,740
52	138	328	-	-	12	-	9,764
52	138	328	-	-	12	-	9,764
-	-	-	-	-	-	-	-
27,353	87,199	750	75,380	19,527	13,451	2,677	1,759,503
165	737	-	120	-	1	131	68,242
-	-	-	-	-	-	-	-
111,010	153,304	41,406	123,977	43,264	87,753	36,331	3,898,249

05	06	07	08	09	Insolvent	Total 31/12/2012
52,840	10,413	473	-	-	-	124,775
116	9	-	-	-	-	172
116	9	-	-	-	-	172
-	-	-	-	-	-	-
500	4,604	1,961	-	-	-	29,074
-	301	127	-	-	-	528
-	-	-	-	-	-	-
53,456	15,327	2,561	-	-	-	154,549

R4	R4G	R5	R6	R7	R8	Total 31/12/2012
1,616,519	246,826	53,707	10,101	1,350	73	2,635,430
1,616,519	246,826	53,707	10,101	1,350	73	2,635,430



A.3 Distribution of guaranteed exposures by type of guarantee

Cash loans shown in the «Net exposure» column are stated net of specific and portfolio adjustments. The guarantees are split on the basis of this exposure. The amounts shown in columns «guarantees» refer to the actual value of the collateral (so-called «fair value»), which can be much higher than the amount guaranteed. This is especially true for the guarantees represented by properties, for which the value of the assets pledged can significantly exceed the balance of the loan still outstanding, as can the value of the mortgage originally registered.

A.3.1 Banking group - Guaranteed cash exposure to banks

	Net exposure	Secured guarantees (1)			Other secured guarantees
		Buildings	Buildings Finance Lease	Securities	
1. Guaranteed cash exposures:					
1.1 fully guaranteed	17,300	-	-	10,427	-
- of which: impaired	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-
- of which: impaired	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:					
2.1 fully guaranteed	11,234	-	-	-	-
- of which: impaired	-	-	-	-	-
2.2 partially guaranteed	54	-	-	-	-
- of which: impaired	-	-	-	-	-

A.3.2 Banking group - Guaranteed cash exposure to customers

	Net exposure	Secured guarantees (1)			Other secured guarantees
		Buildings	Buildings Finance Lease	Securities	
1. Guaranteed cash exposures:					
1.1 fully guaranteed	15,551,885	31,783,913	-	856,875	276,374
- of which: impaired	942,651	2,953,144	-	28,578	19,686
1.2 partially guaranteed	989,610	4,193	-	96,130	27,040
- of which: impaired	99,572	1,006	-	4,687	1,569
2. Guaranteed off-balance sheet exposures:					
2.1 fully guaranteed	1,448,738	340,102	-	65,279	64,179
- of which: impaired	18,515	2,612	-	1,180	3,702
2.2 partially guaranteed	298,824	-	-	15,545	6,164
- of which: impaired	1,061	-	-	32	2

Personal guarantees (2)										
Credit derivatives					Guarantees given					Total 31/12/2012
CLN	Other derivatives				Government and central banks	Other public entities				
	Governments and central banks	Other public entities	Banks	Other parties		Other parties	Banks	Other parties		
-	-	-	-	-	-	-	3,694	6,280	20,401	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	56	11,178	11,234	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	42	42	
-	-	-	-	-	-	-	-	-	-	

Personal guarantees (2)										
Credit derivatives					Guarantees given					Total 31/12/2012
CLN	Other derivatives				Government and central banks	Other public entities				
	Governments and central banks	Other public entities	Banks	Other parties		Other parties	Banks	Other parties		
-	-	-	-	-	-	26,088	159,466	10,394,387	43,497,103	
-	-	-	-	-	-	1,907	451	1,013,638	4,017,404	
-	-	-	-	-	-	3,604	8,131	587,809	726,907	
-	-	-	-	-	-	556	-	67,520	75,338	
-	-	-	-	-	-	133	89,413	1,875,869	2,434,975	
-	-	-	-	-	-	-	-	47,706	55,200	
-	-	-	-	-	-	-	1,348	188,690	211,747	
-	-	-	-	-	-	-	-	915	949	



B. Distribution and concentration of lending

B.1 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 adjustment	Portfolio adjustment	Net exposure	Specific adjustment	Portfolio adjustment
A. Cash exposures						
A.1 Non-performing loans	-	-	-	-	276	-
A.2 Watchlist loans	10,555	2,332	-	297	119	-
A.3 Restructured exposures	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	130	15	-
A.5 Other exposures	3,913,270	-	-	103,715	-	36
Total A	3,923,825	2,332	-	104,142	410	36
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-
B.3 Restructured exposures	-	-	-	-	-	-
B.4 Other exposures	61,198	-	-	36,915	-	-
Total B	61,198	-	-	36,915	-	-
Total 31/12/2012	3,985,023	2,332	-	141,057	410	36
Total 31/12/2011	2,282,981	853	-	137,718	372	198

B.2 Banking group - Distribution by sector of the 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 Non-performing loans	288,548	382,413	1,816	16,676
A.2 Watchlist loans	503,450	219,580	17,341	4,908
A.3 Restructured exposures	48,339	12,004	-	-
A.4 Past due exposures	442,711	54,720	1,698	120
A.5 Other exposures	24,833,416	152,809	3,147,924	21,963
Total A	26,116,464	821,526	3,168,779	43,667
B. Off-balance sheet exposures				
B.1 Non-performing loans	5,914	7,797	-	-
B.2 Watchlist loans	18,981	2,686	25	4
B.3 Other impaired assets	19,609	-	-	-
B.4 Other exposures	4,696,017	-	472,316	-
Total B	4,740,521	10,483	472,341	4
Total 31/12/2012	30,856,985	832,009	3,641,120	43,671
Total 31/12/2011	27,956,421	489,422	3,325,340	25,834

Financial companies			Insurance companies			Non-financial companies			Other parties		
Net exposure	Specific adjustment	Portfolio adjustment	Net exposure	Specific adjustment	Portfolio adjustment	Net exposure	Specific adjustment	Portfolio adjustment	Net exposure	Specific adjustment	Portfolio adjustment
5,895	7,988	-	-	-	-	221,021	332,042	-	63,831	58,865	-
4,004	1,826	-	-	-	-	400,722	196,383	-	105,213	23,828	-
-	-	-	-	-	-	47,665	12,000	-	674	4	-
5,935	5,503	-	-	-	-	311,041	37,477	-	127,908	11,884	-
2,226,982	-	21,405	23,543	-	17	16,083,150	-	119,216	5,737,514	-	34,538
2,242,816	15,317	21,405	23,543	-	17	17,063,599	577,902	119,216	6,035,140	94,581	34,538
-	-	-	-	17	-	5,559	7,630	-	355	150	-
-	-	-	-	-	-	18,145	2,642	-	861	48	-
-	-	-	-	-	-	15,668	-	-	3,941	-	-
226,375	-	-	150	-	-	4,565,074	-	-	300,845	-	-
226,375	-	-	150	17	-	4,604,446	10,272	-	306,002	198	-
2,469,191	15,317	21,405	23,693	17	17	21,668,045	588,174	119,216	6,341,142	94,779	34,538
2,154,439	9,027	7,978	21,561	211	8	20,561,382	300,657	93,167	6,292,584	71,883	31,279

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
383	82	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	605	39	-	-
85,258	243	21,269	195	308	2
85,641	325	21,874	234	308	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,225	-	2,920	-	17,079	-
2,225	-	2,920	-	17,079	-
87,866	325	24,794	234	17,387	2
124,034	320	24,412	37	20,457	20



B.3 Banking group - Distribution by sector of the 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 Non-performing loans	-	-	-	-
A.2 Watchlist loans	-	-	-	-
A.3 Restructured exposures	-	-	-	-
A.4 Past due exposures	-	-	-	-
A.5 Other exposures	1,291,785	-	234,285	-
Total A	1,291,785	-	234,285	-
B. Off-balance sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Watchlist loans	-	-	-	-
B.3 Other impaired assets	-	-	-	-
B.4 Other exposures	126,021	-	46,937	-
Total B	126,021	-	46,937	-
Total 31/12/2012	1,417,806	-	281,222	-
Total 31/12/2011	1,695,584	-	239,848	-

B.4 Significant risks

	31/12/2012	31/12/2011
a1) Amount («nominal»)	7,209,079	7,473,328
a2) Amount («risk position»)	2,440,929	3,088,812
b) Number	9	14

The exposure limit of 10% of capital for supervisory purposes - 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.

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
42,715	-	15,006	-	3,034	-
42,715	-	15,006	-	3,034	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,118	-	5,019	-	397	-
4,118	-	5,019	-	397	-
46,833	-	20,025	-	3,431	-
47,093	-	30,040	-	57,439	-



C. Securitisation transactions and disposal of assets

C.2 Disposals

A. Financial assets sold and not eliminated from the balance sheet

QUANTITATIVE INFORMATION

C.2.1 Financial assets sold and not eliminated from the balance sheet

Technical forms/Portfolio	Financial assets held for trading			Financial assets carried at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	263,075	-	-	-	-	-	275,287	-	-
1. Fixed-yield securities	263,075	-	-	-	-	-	275,287	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2012	263,075	-	-	-	-	-	275,287	-	-
of which: impaired	-	-	-	-	-	-	-	-	-
Total 31/12/2011	773,333	-	-	-	-	-	298,287	-	-
of which: impaired	-	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet: book value

	Financial assets held for trading	Financial assets carried at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total 31/12/2012
1. Due to customers							
a) for assets recognised in full	262,330	-	271,481	-	-	-	533,811
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to banks							
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
3. Securities issued							
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2012	262,330	-	271,481	-	-	-	533,811
Total 31/12/2011	777,634	-	303,301	-	-	-	1,080,935



Financial assets held to maturity			Due from banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
-	-	-	-	-	-	-	-	-	538,362	1,071,620
-	-	-	-	-	-	-	-	-	538,362	1,071,620
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	538,362	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,071,620
-	-	-	-	-	-	-	-	-	-	-



1.2 Banking group - Market risk

1.2.1 Interest rate risk and price risk - trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Factorit s.p.a. and Sinergia Seconda S.r.l. are not exposed to rate and price risk related to the trading portfolio.

The interest rate risk deriving from Banca Popolare di Sondrio (SUISSE) SA's trading portfolio relates to investments in fixed-yield securities.

These are for both investment purposes - the positions are held until their natural maturity - and trading purposes in a strict sense.

The portfolio mainly comprises prime fixed-yield securities with a definite life.

The price risk deriving from the subsidiary's trading portfolio relates to investments in variable-yield securities of prime issuers, above all, in mutual funds managed by the Group (Popso (SUISSE) Investment Fund Sicav).

These are mainly held as an investment, for the long term, rather than for trading in the strictest sense.

The subsidiary's accounting department performs a monthly valuation in order to reflect any adverse price changes in the income statement, while the Asset Management office monitors the situation during the month, consistent with the procedure followed in relation to customer assets under administration. The subsidiary's General Management presents a report on the status of the trading portfolio to its Board of Directors every month.

B. Management and measurement of interest rate risk and price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Parent Bank assesses the subsidiary's degree of market risk (measurement of VaR) based on information provided by the company's own risk management unit.

The approach adopted for analysing the sensitivity to interest rate risk - solely in relation to fixed-yield securities held at year end - and to price risk - limited to variable-yield securities, mutual funds and changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end - essentially reflect the internal model used by the Parent Bank to calculate Value at Risk (VaR), as described in the corresponding section of the notes to the separate financial statements

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's trading portfolio for supervisory purposes: as for interest rate risk, fixed-yield securities of the Parent Bank or of the subsidiary, whereas forward contracts on fixed-yield securities are now excluded (for the Parent Bank, their VaR is zero); as for the price risk, variable-yield securities and mutual funds. included in the trading portfolio for supervisory purposes of the Parent Bank; moreover, the variable-yield securities and mutual funds of the subsidiary, excluding equity investments and the two variable-yield securities classified as «financial assets available for sale», included in the bank book. The price risk on foreign currency mutual funds also includes exchange risk.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs.

The policies and procedures for the ex post comparison of the model's results with the actual results («back testing») are only applied to the variable-yield securities and mutual funds held by the Parent Bank in its trading portfolio for supervisory purposes.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	8	1,374,313	707,475	109,794	207,643	35,354	10	-
1.1 Fixed-yield securities	-	878,030	707,475	109,794	207,643	35,354	10	-
- with early repayment option	-	39,088	-	-	-	-	-	-
- other	-	838,942	707,475	109,794	207,643	35,354	10	-
1.2 Other assets	8	496,283	-	-	-	-	-	-
2. Cash liabilities	258	58,901	104,561	98,609	-	-	-	-
2.1 Repurchase agreements	258	58,901	104,561	98,609	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	3,677,554	744,663	165,076	444,234	193,808	48,914	-
3.1 With underlying security	-	18,309	2,777	2,126	1,030	-	11,618	-
- Options	-	5,469	2,777	2,126	-	-	-	-
+ Long positions	-	4,535	-	-	-	-	-	-
+ Short positions	-	934	2,777	2,126	-	-	-	-
- Other derivatives	-	12,840	-	-	1,030	-	11,618	-
+ Long positions	-	6,423	-	-	515	-	5,808	-
+ Short positions	-	6,417	-	-	515	-	5,810	-
3.2 Without underlying security	-	3,659,245	741,886	162,950	443,204	193,808	37,296	-
- Options	-	7,324	13,649	34,100	130,305	178,212	23,774	-
+ Long positions	-	3,664	6,826	17,060	65,150	89,109	11,887	-
+ Short positions	-	3,660	6,823	17,040	65,155	89,103	11,887	-
- Other derivatives	-	3,651,921	728,237	128,850	312,899	15,596	13,522	-
+ Long positions	-	2,155,398	364,632	63,076	156,479	7,798	6,761	-
+ Short positions	-	1,496,523	363,605	65,774	156,420	7,798	6,761	-

**Currency: USD**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	995	10	-	-	-
1.1 Fixed-yield securities	-	-	-	995	10	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	995	10	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,950,171	116,017	114,541	11,140	-	-	-
3.1 With underlying security	-	-	120	155	-	-	-	-
- Options	-	-	120	155	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	120	155	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1,950,171	115,897	114,386	11,140	-	-	-
- Options	-	5,495	3,822	15,926	378	-	-	-
+ Long positions	-	2,748	1,911	7,963	189	-	-	-
+ Short positions	-	2,747	1,911	7,963	189	-	-	-
- Other derivatives	-	1,944,676	112,075	98,460	10,762	-	-	-
+ Long positions	-	1,010,349	55,536	50,368	5,381	-	-	-
+ Short positions	-	934,327	56,539	48,092	5,381	-	-	-

**Currency: CHF**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	2,947	-	2,565	427	-	-
1.1 Fixed-yield securities	-	-	2,947	-	2,565	427	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	2,947	-	2,565	427	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,072,586	95,349	12,294	3,737	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1,072,586	95,349	12,294	3,737	-	-	-
- Options	-	2,092	-	-	-	-	-	-
+ Long positions	-	1,046	-	-	-	-	-	-
+ Short positions	-	1,046	-	-	-	-	-	-
- Other derivatives	-	1,070,494	95,349	12,294	3,737	-	-	-
+ Long positions	-	156,550	47,725	6,289	1,868	-	-	-
+ Short positions	-	913,944	47,624	6,005	1,869	-	-	-

**Currency: JAPANESE YEN**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	214,414	4,037	495	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	214,414	4,037	495	-	-	-	-
- Options	-	192	462	451	-	-	-	-
+ Long positions	-	96	231	226	-	-	-	-
+ Short positions	-	96	231	225	-	-	-	-
- Other derivatives	-	214,222	3,575	44	-	-	-	-
+ Long positions	-	97,319	1,805	44	-	-	-	-
+ Short positions	-	116,903	1,770	-	-	-	-	-


Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	420,598	20,525	101,664	31,407	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	420,598	20,525	101,664	31,407	-	-	-
- Options	-	-	-	2,878	1,416	-	-	-
+ Long positions	-	-	-	1,439	708	-	-	-
+ Short positions	-	-	-	1,439	708	-	-	-
- Other derivatives	-	420,598	20,525	98,786	29,991	-	-	-
+ Long positions	-	230,944	10,103	49,354	14,996	-	-	-
+ Short positions	-	189,654	10,422	49,432	14,995	-	-	-

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed						Unlisted
	Italy	United States	United Kingdom	Japan	Germany	Other	
A. Equities	-	-	-	-	-	-	-
- long positions	32,779	-	-	-	2,650	3,425	1,819
- short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-	-	-
- long positions	5,508	-	-	-	-	-	-
- short positions	1,653	-	-	-	-	268	-
C. Other derivatives on variable-yield securities	-	-	-	-	-	-	-
- long positions	5,758	-	-	-	-	354	-
- short positions	4,208	-	-	-	-	327	-
D. Derivatives on stock indices	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-



3. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities and forward contracts on fixed-yield securities of the Parent Bank	1,574.9
Fixed-yield securities BPS Suisse	3.7
Total interest rate risk	1,573.7
Parent bank	1,565.9
BPS Suisse	37.9
Total Price risk	1,563.3
Total Interest rate risk and price risk	2,832.9

1.2.2 Interest rate risk and price risk - Bank portfolio

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

For Factorit Spa, interest rate risk is caused by the different times and methods used in repricing the interest rate on assets and liabilities. The presence of diversified fluctuations in interest rates leads to a variation in the expected interest margin, as well as a change in the present value of the assets and liabilities; this in turn alters the economic value of the items at risk. Note that the characteristics of Factorit's assets and liabilities mean that the impact of a change in market rates on the present value of its assets and liabilities is quite marginal. The high level of rotation of the loans and receivables and the fact that the funding is exclusively short-term, which ensure frequent repricings very close to each other, make it possible to maintain lending and funding terms in line with current market conditions.

The principal source of interest rate risk for the subsidiary derives from fixed-rate lending (mortgage loans).

The General Management of the subsidiary is assisted by the AL.CO. (Asset & Liability Management Committee) which, each month, analyses the gaps by duration in order to monitor risk trends and make the appropriate decisions.

The subsidiary's board of directors has established prudent gap limits in order to minimise risk and receives a specific quarterly report from General Management, which is signed off by the Internal Audit Department.

In accordance with the relevant Swiss regulations, a quarterly gap analysis and duration analysis is performed, covering the entire balance sheet exposure (including therefore both the trading and the investment portfolios), in order to measure the impact on profits and equity of a change of 100 basis points over a twelve-month period in relation to the principal balance sheet currencies.

The measurement and control of interest rate risk essentially consists of an internal model for strategic Asset & Liability Management (ALM) regarding the Parent Bank, as described in the corresponding section of the notes to the separate financial statements, and a model for the subsidiary bank. In addition to the official report on the overall position of the subsidiary bank, mentioned above, this model reports each month on gaps with a duration of more than one year deriving from fixed-rate funding and lending transactions involving the bank book.

In addition, stress tests are performed on a quarterly basis in order to measure the effect on profits and equity of anomalous and unexpected changes in the rate curve for the principal balance sheet currencies.

As for price risk, the Parent Bank assesses the price risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The analysis of sensitivity to price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end – essentially involves application of an internal model of the parent bank for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's investment book, excluding investment in Banca Popolare di Sondrio (Suisse) SA Factorit s.p.a. and Sinergia Seconda s.r.l.; in addition, this includes the variable-yield security held by the subsidiary and classified as «financial assets available for sale» and the one classified under «equity investments», as well as the two variable-yield securities belonging to Sinergia Seconda S.r.l., also classified under «equity investments».

These last three unlisted securities were measured at consolidated book value in the VaR calculation. The price risk on foreign currency mutual funds also includes exchange risk.

B. Fair value hedges

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Significant loans with similar characteristics granted by the subsidiary Banca Popolare di Sondrio (SUISSE) SA are normally hedged against rate risk by arranging interest-rate swaps (IRS) via the Parent Bank.

C. Cash flow hedges

The Group has not arranged any cash-flow hedges.



QUANTITATIVE INFORMATION

1. Bank book: distribution by residual duration (repricing date) of financial assets and liabilities

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	-	687,086	630,053	42,495	849,693	215,043	414	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	687,086	630,053	42,495	849,693	215,043	414	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other	-	687,086	630,053	42,495	849,693	215,043	414	-
+ Long positions	-	617,793	594,599	-	-	-	-	-
+ Short positions	-	69,293	35,454	42,495	849,693	215,043	414	-
4. Other off-balance sheet transactions	5,689	5,483	205	-	-	-	-	-
+ Long positions	-	5,483	205	-	-	-	-	-
+ Short positions	5,689	-	-	-	-	-	-	-

2. Bank book: internal models and other methodologies for the analysis of sensitivity Interest rate risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The data supplied by the subsidiary Banca Popolare di Sondrio (Suisse) SA are reported below (including data related to the trading portfolio).

Effect on profits of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-5.205	0.144	-0.051
average	-5.488	-0.034	-0.220
maximum	-6.227	0.805	-0.608
minimum	-4.687	0.144	-0.050

Effect on equity of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-30.160	-0.250	-0.030
average	-25.578	-0.518	-0.095
maximum	-30.160	-0.980	-0.190
minimum	-18.180	0.100	-0.030

Price Risk

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent bank (excluding the equity investments Suisse, Factorit and Sinergia)	5,747.6
BPS Suisse	8.8
Sinergia Seconda	0.5
Total	5,752.4

1.2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Exchange risk is marginal for Factorit s.p.a., given the company's policy of systematic hedging of foreign currency amounts. This risk exists principally, though for limited volumes, in the case of: fee and interest income not offset by interest expense in a currency other than the euro; guarantees in foreign currencies versus operations in euro. Sinergia Seconda S.r.l. is not exposed to exchange risk, as it does not own assets and liabilities in foreign currency.

Except with regard to securities held in the trading portfolio, Banca Popolare di Sondrio (SUISSE) SA enters into currency transactions to satisfy customer requirements and to cover transitory treasury mismatches, which in any case are contained within the prudent limits established by the subsidiary's Board of Directors and General Management.

The measurement and control of exchange risk - with reference to the situation at year end - essentially involves application of the Parent Bank's internal model for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to exchange risk included in the parent bank's investment book, excluding financial derivatives (in a strict sense) traded by the Exchange Centre, other than forward contracts on exchange rates and excluding all balances with Banca Popolare di Sondrio (Suisse) SA and the investment in it; it also covers all of the assets and liabilities in foreign currency (excluding gold and currencies other than those taken into consideration by the Parent Bank), on and off the balance sheet, pertaining to the subsidiary, which are shown on table 1 below, excluding other financial assets (mutual funds in foreign currency, whose exchange risk is included in the price risk. Forward contracts on exchange rates of the parent bank and fixed and variable-yield securities are treated analytically, whereas the overall difference by individual currency of the other items is treated as a deposit (positive or negative) with a due date of one day.

B. Hedging of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The activities of the subsidiary are consistent with those of the Parent Bank. The subsidiary's Exchange Office administers the positions and matches the exchange risk in the interbank market, while maintaining residual exposures within the limits established in the internal regulations.



QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	924,243	25,540	43,408	3,164,264	1,797	27,012
A.1 Fixed-yield securities	1,005	-	-	5,939	-	-
A.2 Variable-yield securities	12,921	2,286	1,612	1,403	-	-
A.3 Loans to banks	128,783	21,168	17,730	39,026	1,754	19,305
A.4 Loans to customers	781,534	2,086	24,066	3,117,896	43	7,707
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	3,512	952	276	93,941	122	1,387
C. Financial liabilities	995,591	45,737	22,654	2,218,508	14,811	42,187
C.1 Due to banks	639,572	671	184	343,460	835	5,187
C.2 Due to customers	356,016	45,054	22,470	1,757,962	13,976	37,000
C.3 Fixed-yield securities	3	12	-	117,086	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	4,262	59	-	142,153	30	322
E. Financial derivatives	2,191,753	195,600	218,948	1,183,968	11,844	366,742
- Options	25,621	-	1,105	2,092	-	4,294
+ Long positions	12,811	-	553	1,046	-	2,147
+ Short positions	12,810	-	552	1,046	-	2,147
- Other	2,166,132	195,600	217,843	1,181,876	11,844	362,448
+ Long positions	1,121,713	108,229	99,169	212,432	10,910	186,255
+ Short positions	1,044,419	87,371	118,674	969,444	934	176,193
Total assets	2,062,279	134,721	143,406	3,471,683	12,829	216,801
Total liabilities	2,057,082	133,167	141,880	3,331,151	15,775	220,849
Net balance	5,197	1,554	1,526	140,532	(2,946)	(4,048)

2. Internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent bank (net of eliminations)	299.8
BPS Suisse (net of eliminations)	393.1
Factorit (net of eliminations)	548.8
Total	439.0
Details of the principal currencies	
US Dollars	0.1
Sterling	13.0
Japanese Yen	2.7
Swiss Francs	461.4
Canadian Dollars	33.1
Other currencies	47.3
Total	439.0

1.2.4 Derivative instruments

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: notional amounts at period end and average amounts

Underlying assets/Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	712,250	-	865,376	-
a) Options	87,674	-	159,618	-
b) Swap	624,576	-	705,758	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	-	61,981	20,880	-
a) Options	-	61,981	20,880	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	3,712,145	-	6,628,101	-
a) Options	82,956	-	93,047	-
b) Swap	-	-	40,231	-
c) Forward	3,629,189	-	6,494,823	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	12,795	-	13,291	-
5. Other underlying assets	-	-	-	-
Total	4,437,190	61,981	7,527,648	-
Averages	5,982,419	30,990	7,303,921	-



A.2 Bank book: notional amounts at period end and averages

A.2.1 For hedging

Underlying assets/Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	1,212,392	-	1,059,395	-
a) Options	-	-	-	-
b) Swaps	1,212,392	-	1,059,395	-
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	1,212,392	-	1,059,395	-
Averages	1,135,894	-	961,779	-

A.3 Financial derivatives: gross positive fair value - breakdown by product

Portfolio/Type of derivatives	POSITIVE FAIR VALUE			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	44,414	565	102,357	-
a) Options	1,238	565	2,891	-
b) Interest rate swaps	22,321	-	17,122	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	20,699	-	81,758	-
f) Futures	-	-	-	-
g) Other	156	-	586	-
B. Bank book - for hedging purposes	52	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	52	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	44,466	565	102,357	-



A.4 Financial derivatives: gross negative fair value - breakdown by product

Portfolio/Type of derivatives	NEGATIVE FAIR VALUE			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	43,646	528	104,793	-
a) Options	1,207	528	2,856	-
b) Interest rate swaps	20,247	-	14,738	-
c) Cross currency swaps	-	-	302	-
d) Equity swaps	-	-	-	-
e) Forwards	22,067	-	86,336	-
f) Futures	-	-	-	-
g) Other	125	-	561	-
B. Bank book - for hedging purposes	45,950	-	47,110	-
a) Options	-	-	-	-
b) Interest rate swaps	45,950	-	47,110	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	89,596	528	151,903	-

A.5 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	-	-	356,126	43,062	-	297,025	16,037
- positive fair value	-	-	107	385	-	21,240	830
- negative fair value	-	-	20,380	-	-	106	1
- future exposure	-	-	1,118	7	-	744	63
2) Variable-yield securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	2,343,315	79,836	644	1,022,434	265,916
- positive fair value	-	-	6,441	1,128	5	12,271	1,852
- negative fair value	-	-	17,370	415	4	3,211	2,034
- future exposure	-	-	15,675	559	-	10,162	2,366
4) Other assets							
- notional value	-	-	6,397	-	-	6,397	-
- positive fair value	-	-	57	-	-	99	-
- negative fair value	-	-	83	-	-	42	-
- future exposure	-	-	649	-	-	649	-



A.7 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	-	-	1,212,392	-	-	-	-
- positive fair value	-	-	52	-	-	-	-
- negative fair value	-	-	45,950	-	-	-	-
- future exposure	-	-	7,480	-	-	-	-
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	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlyings/residual value	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	4,033,898	356,427	46,865	4,437,190
A.2 Financial derivatives on variable-yield securities and stock indices	356,652	308,733	46,865	712,250
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on other instruments	3,665,353	46,792	-	3,712,145
B. Bank book	11,893	902	-	12,795
B.1 Financial derivatives on fixed-yield securities and interest rates	147,242	849,693	215,457	1,212,392
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 31/12/2012	4,181,140	1,206,120	262,322	5,649,582
Total 31/12/2011	7,158,726	982,340	445,977	8,587,043

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Group's overall strategy for managing liquidity risk, with its low propensity for risk, consists of giving priority to liquidity objectives rather than profitability, always taking a prudent approach.

The coverage of expected liquidity requirements is checked and monitored on a continuous basis and timely action is taken in the markets to ensure the appropriate availability of funds. In this context, the Parent Bank acts as the subsidiary's counterparty of choice in the raising of funds and in the investment of any cash surpluses

The Parent Bank monitors this type of risk at consolidated level, on a daily basis in the short term as well as from a structural point of view in the long-term.

The subsidiaries control this type of risk by using adequate monitoring tools according to the type of operations that they carry on; in the case of Banca Popolare di Sondrio (SUISSE) SA, they comply with the rules laid down by the Swiss Supervisory Authority.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5 of the parent bank's financial statements, complies with the requirements of IFRS 7.39.



QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	7,794,524	1,103,498	580,640	1,061,185	1,357,866	1,031,274	1,295,727	7,903,174	5,186,018	259,565
A.1 Government securities	1,947	-	-	-	19,384	214,909	234,644	3,168,877	400,075	-
A.2 Other fixed-yield securities	1,319	5	13,604	2,064	74,466	38,066	82,973	337,851	102,174	5
A.3 Mutual funds	147,832	-	-	-	-	-	-	-	-	-
A.4 Loans	7,643,426	1,103,493	567,036	1,059,121	1,264,016	778,299	978,110	4,396,446	4,683,769	259,560
- Banks	353,075	114,348	30,669	192,818	1,543	163	270	-	-	259,560
- Customers	7,290,351	989,145	536,367	866,303	1,262,473	778,136	977,840	4,396,446	4,683,769	-
Cash liabilities	15,907,151	540,271	554,761	895,568	1,463,720	1,010,158	1,682,450	3,726,483	347,212	-
B.1 Deposits and current accounts	15,750,625	536,293	548,649	778,963	1,238,583	716,386	895,987	189,024	-	-
- Banks	76,625	7,963	62,007	2,967	31,472	4,153	4,008	-	-	-
- Customers	15,674,000	528,330	486,642	775,996	1,207,111	712,233	891,979	189,024	-	-
B.2 Fixed-yield securities	100,846	2,663	3,304	3,458	193,512	89,561	548,759	1,629,154	257,751	-
B.3 Other liabilities	55,680	1,315	2,808	113,147	31,625	204,211	237,704	1,908,305	89,461	-
Off-balance sheet transactions	766,910	416,935	796,947	1,136,749	1,340,824	386,065	127,035	166,549	285,577	4,988
C.1 Financial derivatives with exchange of capital	-	387,362	775,880	892,816	1,224,107	225,249	103,351	45,897	11,600	-
- Long positions	-	225,745	556,177	463,858	725,545	111,752	49,273	22,978	5,800	-
- Short positions	-	161,617	219,703	428,958	498,562	113,497	54,078	22,919	5,800	-
C.2 Financial derivatives without exchange of capital	43,322	-	-	-	-	-	-	-	-	-
- Long positions	22,713	-	-	-	-	-	-	-	-	-
- Short positions	20,609	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	720,182	29,552	21,056	243,895	116,424	160,347	23,189	118,136	273,112	4,988
- Long positions	2,041	21,000	-	190,404	907	103,918	16,120	73,017	273,112	2,494
- Short positions	718,141	8,552	21,056	53,491	115,517	56,429	7,069	45,119	-	2,494
C.5 Financial guaranteed issued	3,406	21	11	38	293	469	495	2,516	865	-
C.6 Financial guaranteed received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Line item B.1 – Deposits and current accounts reports due to banks and customers allocated to the specific line items.

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the balance sheet date and the maturity dates of each transaction. In the event of repayment plans, the residual

maturity of each payment has been considered. Mutual funds are conventionally assigned to the «sight» segment. The deposit with the Bank of Italy as a compulsory reserve is shown under amounts due from banks within unspecified duration. Impaired loans are allocated to the pertinent time bands on the basis of forecasts for the recovery of the underlying cash flows made by the Bank for financial statement purposes. Irrevocable commitments to make loans include all of the irrevocable commitments, whether or not certain to be called on, relating to lines of credit granted to banks and customers.

Currency: USD

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	81,547	104,120	183,541	166,597	360,777	7,125	10,277	9,219	10,341	-
A.1 Government securities	-	-	-	-	-	-	229	11	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	766	-	-	-
A.3 Mutual funds	13,878	-	-	-	-	-	-	-	-	-
A.4 Loans	67,669	104,120	183,541	166,597	360,777	7,125	9,282	9,208	10,341	-
- Banks	52,510	65,908	1,256	699	657	5	-	-	7,757	-
- Customers	15,159	38,212	182,285	165,898	360,120	7,120	9,282	9,208	2,584	-
Cash liabilities	335,184	505,576	18,195	56,443	71,168	6,351	2,963	-	-	-
B.1 Deposits and current accounts	329,193	505,576	18,195	56,443	71,168	6,351	2,638	-	-	-
- Banks	8,948	504,729	2,024	47,929	69,625	28	299	-	-	-
- Customers	320,245	847	16,171	8,514	1,543	6,323	2,339	-	-	-
B.2 Fixed-yield securities	3	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,988	-	-	-	-	-	325	-	-	-
Off-balance sheet transactions	26,116	197,702	402,890	693,008	673,342	121,278	114,542	11,140	-	4,396
C.1 Financial derivatives with exchange of capital	-	186,345	402,695	692,833	668,297	116,013	114,540	11,140	-	-
- Long positions	-	80,519	206,378	366,404	359,792	57,445	58,331	5,570	-	-
- Short positions	-	105,826	196,317	326,429	308,505	58,568	56,209	5,570	-	-
C.2 Financial derivatives without exchange of capital	10	-	-	-	-	-	-	-	-	-
- Long positions	5	-	-	-	-	-	-	-	-	-
- Short positions	5	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	26,106	11,357	195	175	5,045	5,265	2	-	-	4,396
- Long positions	-	11,357	60	175	4,844	5,265	2	-	-	4,396
- Short positions	26,106	-	135	-	201	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-


Currency: CHF

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	252,180	75,939	31,385	86,326	314,832	104,640	147,414	1,211,082	953,142	-
A.1 Government securities	-	-	-	-	-	-	-	1,469	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	2,947	-	1,097	427	-
A.3 Mutual funds	402	-	-	-	-	-	-	-	-	-
A.4 Loans	251,778	75,939	31,385	86,326	314,832	101,693	147,414	1,208,516	952,715	-
- Banks	33,489	215	1,965	-	3,365	-	-	-	-	-
- Customers	218,289	75,724	29,420	86,326	311,467	101,693	147,414	1,208,516	952,715	-
Cash liabilities	1,330,613	181,550	176,722	37,857	111,114	119,075	191,594	68,457	1,536	-
B.1 Deposits and current accounts	1,329,420	181,321	174,552	37,538	109,073	86,344	174,768	8,415	-	-
- Banks	2,535	103,548	146,885	10,605	24,861	121	54,914	-	-	-
- Customers	1,326,885	77,773	27,667	26,933	84,212	86,223	119,854	8,415	-	-
B.2 Fixed-yield securities	1,193	229	2,170	319	2,041	32,731	16,826	60,042	1,536	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	5,690	83,999	371,451	145,396	484,502	100,686	21,520	5,307	371	-
C.1 Financial derivatives with exchange of capital	-	83,742	365,609	143,889	479,345	95,351	12,295	3,736	-	-
- Long positions	-	13,195	11,033	31,981	101,387	47,726	6,289	1,868	-	-
- Short positions	-	70,547	354,576	111,908	377,958	47,625	6,006	1,868	-	-
C.2 Financial derivatives without exchange of capital	2	257	681	546	2,576	5,131	7,900	-	-	-
- Long positions	1	-	-	-	1	-	60	-	-	-
- Short positions	1	257	681	546	2,575	5,131	7,840	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	5,688	-	5,161	961	2,581	204	1,325	1,571	371	-
- Long positions	-	-	5,161	961	2,581	204	1,325	1,571	371	-
- Short positions	5,688	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranteed received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-



Currency: JPY

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	13,240	1,192	9,259	6,961	12,272	571	11	63	81	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	1,612	-	-	-	-	-	-	-	-	-
A.4 Loans	11,628	1,192	9,259	6,961	12,272	571	11	63	81	-
- Banks	11,292	176	1,394	2,023	2,858	-	-	-	-	-
- Customers	336	1,016	7,865	4,938	9,414	571	11	63	81	-
Cash liabilities	22,509	-	-	145	-	-	-	-	-	-
B.1 Deposits and current accounts	22,509	-	-	145	-	-	-	-	-	-
- Banks	39	-	-	145	-	-	-	-	-	-
- Customers	22,470	-	-	-	-	-	-	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	555	66,718	54,533	22,530	71,367	4,049	495	-	-	-
C.1 Financial derivatives with exchange of capital	-	66,718	54,408	22,530	70,758	4,039	495	-	-	-
- Long positions	-	33,354	16,787	11,991	35,283	2,037	270	-	-	-
- Short positions	-	33,364	37,621	10,539	35,475	2,002	225	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	555	-	125	-	609	10	-	-	-	-
- Long positions	-	-	88	-	132	10	-	-	-	-
- Short positions	555	-	37	-	477	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranteed received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-



Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	16,956	26,000	1,506	921	6,507	-	197	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	16,956	26,000	1,506	921	6,507	-	197	-	-	-
- Banks	14,892	26,000	1,339	-	-	-	1	-	-	-
- Customers	2,064	-	167	921	6,507	-	196	-	-	-
Cash liabilities	71,576	7,630	499	2,622	11,160	5,887	3,590	-	-	-
B.1 Deposits and current accounts	71,564	7,630	499	2,622	11,160	5,887	3,269	-	-	-
- Banks	1,455	4,978	189	74	-	-	-	-	-	-
- Customers	70,109	2,652	310	2,548	11,160	5,887	3,269	-	-	-
B.2 Fixed-yield securities	12	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	321	-	-	-
Off-balance sheet transactions	8,892	96,674	34,976	136,900	160,590	20,525	101,664	31,408	-	-
C.1 Financial derivatives with exchange of capital	-	88,250	34,869	136,892	160,590	20,525	101,664	31,408	-	-
- Long positions	-	53,426	25,985	71,615	79,922	10,103	50,793	15,705	-	-
- Short positions	-	34,824	8,884	65,277	80,668	10,422	50,871	15,703	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	5,277	5,277	-	-	-	-	-	-	-	-
- Long positions	5,277	-	-	-	-	-	-	-	-	-
- Short positions	-	5,277	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	3,615	3,147	107	8	-	-	-	-	-	-
- Long positions	-	3,147	23	-	-	-	-	-	-	-
- Short positions	3,615	-	84	8	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranteed received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Securitisation transactions and disposal of assets

Securitisation transactions

A securitisation was carried out by the Parent Bank in April as part of its funding policies. The transaction consisted of the sale without recourse under Law 130/1999 of € 1.630 million of performing residential mortgage loans to Centro delle Alpi RMBS srl, an SPV specifically set up for this purpose. The SPV issued securities for € 1.678 million, made up of € 1.385 million of «Senior» securities and € 293 million of «Junior» securities, all of which

were purchased by the Parent Bank. The Senior securities are listed on the Luxembourg Stock Exchange and are considered «eligible» for the European Central Bank. These securities were pledged as collateral for refinancing granted by the ECB, replacing the certificate of deposit issued by the Bank, which was repurchased backed by a Government guarantee under art. 8 of Decree Law 201 of 6 December 2011. In accordance with IAS 39, given that the conditions for derecognition do not exist because the Parent Bank has retained all of the risks and rewards, the securitised loans have been maintained in balance sheet item 70 «Loans to customers», whereas the Junior and Senior securities and the loan to the SPV do not feature. The asset-backed securities have been assigned credit ratings by Standard & Poor's and Moody's; these ratings will be monitored throughout the operation. The Parent Bank acts as servicer on behalf of Centro delle Alpi RMBS srl, which means that it handles the management, administration and collection of the loans; it acts on behalf of the SPV, but is the only counterparty of the customers. It receives a fee for performing this service. Quarterly reports are prepared, highlighting the various flows of the operation, which are sent to the offices and corporate bodies involved so that they can constantly assess its results.

1.4 Banking group - Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

The notes to the Bank's separate financial statements explains the system used to identify losses and to monitor operational risk.

This system is also used by the subsidiaries, albeit with a few adjustments to adapt it to the local operating context.

QUANTITATIVE INFORMATION

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements; as regards the subsidiaries, it has been seen that the largest loss events are due to errors in day-to-day activities and, as for the Parent Bank, they are generally recovered.

In this regard, we would observe that the loss events recorded by Factorit all relate to risks that arose from the second half of 2010; the Swiss subsidiary's exposure is, in any case, extremely limited due to the way internal control is organised, with the presence of specialists and action directly at operating unit level.

The following table summarises the banking group's losses from risk events that took place in the last three years.

The extent of recoveries, amounting to about 63% of the total, demonstrates the effectiveness of the action taken to minimise or transfer the losses incurred.



Sources of losses from 01/01/2010 to 31/12/2012

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	213	25.88%	2,463,594	16.11%	1,556,116	27.34%	36.84%
Settlements and legal disputes	96	11.66%	2,141,158	14.00%	2,124,748	37.33%	0.77%
Damage to fixed assets	94	11.42%	626,564	4.10%	475,249	8.35%	24.15%
Errors in carrying out transactions	376	45.69%	9,645,013	63.07%	1,171,958	20.59%	87.85%
Other	44	5.35%	416,397	2.72%	363,962	6.39%	12.59%
Total	823	100.00%	15,292,726	100.00%	5,692,033	100.00%	62.78%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning debit and credit cards, forging cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

Information on exposure to sovereign debtors

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 31/12/2012 amounted to € 4.562 million and was structured as follows:

- a) Italian Government securities: € 3.889 million;
- b) Other issuers securities: € 28 million;
- c) Loans to public administrations: € 30 million;
- d) Loans to local administrations: € 34 million;
- e) Loans to local or state-owned enterprises: € 389 million;
- f) Loans to other public administrations and other entities: € 192 million.

PART F *Information on equity*

Section 1 *Consolidated capital*

QUALITATIVE INFORMATION

The need for banks to have adequate capital has been made even more imperative by the systemic crisis currently underway and by increasingly stringent regulations issued by supervisory bodies.

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 - the latest dating back to 2007 - 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 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.

ESMA (European Securities and Markets Authority) with document 725/2012 of 12 November, noting that the market value of many listed companies was less than their book value because of the current economic situation, recommended that they should carry out impairment tests as required by IAS 36. The Parent Bank decided to carry out a second-level impairment test applied to the entire corporate structure rather than the individual asset by comparing the recoverable amount of the Group with the book value of shareholders' equity at 31/12/2012. The method used to estimate the recoverable amount is the Dividend Discount Model (DDM), which assumes that the value of the Group is equal to the sum of the dividends distributed to the shareholders over a chosen planning horizon (2013-2017), while maintaining an adequate level of capitalisation for expected future development and assuming a rate of the dividend growth after the explicit planning period of 2% per year and a cost of capital used to discount future dividends of 9.7%. The test carried out by the Corporate Finance Department in conjunction with the Planning and Control Department showed that the Group was worth more than its consolidated equity. The Group's value in use amounted to € 2.233 million, with a surplus over its consolidated equity of € 363 million.

QUANTITATIVE INFORMATION

The component parts and size of the Group's capital and equity are described in Part B, Section 15 of these notes to the financial statements.



B.1 Consolidated equity broken down by type of businesses

Equity items	Banking group	Insurance companies	Other businesses	Consolidated eliminations and adjustments	Total
1. Share capital	958,019	-	-	-	958,019
2. Share premium reserve	175,807	-	-	-	175,807
3. Reserves	783,056	-	337	14,881	798,274
4. Equity instruments	-	-	-	-	-
5. Treasury shares (-)	(24,316)	-	-	-	(24,316)
6. Valuation reserve:	(8,486)	-	192	364	(7,930)
- Financial assets available for sale	6,872	-	-	-	6,872
- Property, plant and equipment	-	-	-	-	-
- 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	(15,358)	-	-	-	(15,358)
- Share of valuation reserves of equity investments valued at net equity	-	-	-	364	364
- Special revaluation regulations	-	-	192	-	192
7. Net profit for the year	34,394	-	(91)	5,880	40,183
Equity	1,918,474	-	438	21,125	1,940,037

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Values	Total 31/12/2012		Total 31/12/2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	15,648	(12,988)	-	(44,312)
2. Variable-yield securities	2,581	(238)	752	(1,019)
3. Mutual funds	1,959	(90)	1,014	-
4. Loans	-	-	-	-
Total	20,188	(13,316)	1,766	(45,331)

B.3 Valuation reserves for financial assets available for sale: change in year

	Fixed yield securities	Variable yield securities	Mutual funds	Loans
1. Opening balance	(44,312)	(267)	1,014	-
2. Positive changes	47,032	2,848	1,280	-
2.1 Increases in fair value	46,001	1,829	1,280	-
2.2 Release to the income statement of negative reserves	1,031	1,019	-	-
- from impairment	-	1,019	-	-
- from disposals	1,031	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	60	238	425	-
3.1 Reductions in fair value	60	238	329	-
3.2 Impairment write-downs	-	-	96	-
3.3 Transfer to income statement from positive reserves: from disposals	-	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	2,660	2,343	1,869	-

Section 2 Capital and capital adequacy ratios

2.2 Capital for supervisory purposes

QUALITATIVE INFORMATION

Capital for supervisory purposes is determined in accordance with the rules laid down by the Bank of Italy in its 15th update of Circular Letter 155 «Instructions for the reporting of capital and capital ratios».

This is the main point of reference for the Supervisory Body when assessing the stability of the banking Group and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2012 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2012, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements, consisting of treasury shares (line item 200 of liabilities), intangible assets (line item 130 of assets) and other elements to be deducted in application of the «precautionary filters» made up of negative balances among valuation reserves and negative ones relating to fixed-yield securities classified in the «financial assets available for sale» portfolio and the negative balance of «actuarial profits (losses) on defined-benefit pension plans».

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or higher than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted».

The supervisory regulations in the field of prudential filters offers the possibility - only for securities issued by central governments of EU countries included in the portfolio of «assets available for sale» - to completely neutralise both capital gains and capital losses as though they were valued at cost, as an alternative to full deduction of capital losses from Tier 1 capital and partial inclusion of capital gains in Tier 2 capital.

The Group applied the first option at the time, informing the Supervisory Authority as required. For this reason, losses of € 12.271 million on securities issued by the Italian government have not been recognised as a deduction from Tier 2 capital and, at the same time, gains of € 23.380 million on securities issued by the Italian Government have not been accounted for.

2. Tier 2 capital

Tier 2 capital is made up of positive reserves on the measurement of shareholdings classified as «assets available for sale» and subordinated loans net of negative elements consisting of potential losses on assets shown in the balance sheet, in addition to the other elements to be deducted in the same way as mentioned above for Tier 1 capital.

The subordinated loans of € 765.698 million consist of the following bonds:

- Loan of € 363.733 million from 26/2/2010 and maturity on 26/2/2017 with a forecast annual repayment of 20% from 26/2/2013. It has an interest rate of 4% which will gradually rise to 4.50%.

- Loan of € 401.965 million from 23/12/2011 and maturity on 23/12/2018 with a forecast annual repayment of 20% from 23/12/2014. It has an interest rate of 4.50% which will gradually rise to 6%.

This bond loan has the characteristics required by the regulations for inclusion in capital for supervisory purposes. The subordination clause consists of the bond owner's right to be reimbursed in the event of liquidation after all the other creditors have been satisfied.

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings and mutual funds classified as «assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, in addition to the other elements to be deducted in the same way as mentioned above for Tier 1 capital.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS	31/12/2012	31/12/2011
A. Tier 1 before the application of precautionary filters	1,909,007	1,879,104
B. Precautionary filters of Tier 1 capital:	(20,170)	(5,840)
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	(20,170)	(5,840)
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,888,837	1,873,264
D. Elements to be deducted from tier 1 capital	(46,083)	(41,497)
E. Total Tier 1 capital (C-D)	1,842,754	1,831,767
F. Tier 2 capital before the application of precautionary filters	753,935	645,184
G. Precautionary filters for tier 2 capital:	(2,106)	(374)
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	(2,106)	(374)
H. Tier 2 capital gross of the elements to be deducted (F + G)	751,829	644,810
I. Elements to be deducted from tier 2 capital	(46,083)	(41,497)
L. Total tier 2 capital (H-I)	705,746	603,313
M. Items to be deducted from tier 1 and tier 2 capital	-	-
N. Capital for supervisory purposes (E + L - M)	2,548,500	2,435,080
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	2,548,500	2,435,080

2.3 Capital adequacy

QUALITATIVE INFORMATION

The Group has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and protect against risk. The Group is subject to the capital adequacy requirements according to the rules adopted by the Bank of Italy. Based on these rules, at enterprise level the ratio between capital and total risk-weighted risk assets has to be at least 8%. On an individual basis, the minimum capital requirement is reduced by 25% as foreseen by the current rules of Basel II for banks forming part of banking groups. Compliance with these requirements is checked on a quarterly basis when preparing the periodic reports to be sent to the Supervisory Authority.

The annual ICAAP report on the Group's capital adequacy sent to the Bank of Italy outlines the checks carried out on the degree of risk inherent in the various items. This requisite is expressed by the ratio between capital for supervisory purposes and total risk-weighted assets, which at the end of the year came to 10.50%, with an excess of 250 basis points compared with the minimum requirement of 8% mentioned above. In absolute terms, the excess capital compared with the minimum requirement - what is called «free capital» - amounts to € 607 million.



The following table provides information of a quantitative nature on risk assets and capital ratios, reflecting prudent management of the various types of risks with a contained absorption of capital. Capital for supervisory purposes is absorbed for around 70.5% by credit risk, around 1% by market risks, around 4.6% by operational risks, while the other 23.9% is free capital. The good growth in capital for supervisory purposes compared with the end of 2011 is essentially due to the net profit allocated to reserves and the increase in Tier 2 capital thanks to the reopening of the subordinated bond loan 23/12/12 - 2011/23/2018 placement for € 99 million.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. Assets at risk				
A.1 Credit and counterparty risk	-	-	-	-
1. Standardised approach	32,251,211	29,461,090	22,444,131	21,757,925
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk	-	-	1,795,530	1,740,634
B.2 Market risks	-	-	27,618	31,584
1. Standard methodology	-	-	27,618	31,584
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	118,165	112,714
1. Basic method	-	-	118,165	112,714
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Other calculation elements	-	-	-	-
B.6 Total precautionary requirements	-	-	1,941,313	1,884,932
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	24,266,413	23,561,650
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	-	-	7.59	7.77
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)	-	-	10.50	10.33

PART H *Related party transactions*

1. Information on the remuneration of directors and managers

The emoluments of the directors, the statutory auditors, the general manager and managers with strategic responsibilities is detailed in the following table.

Name and Surname	Office	Period in office	Expiry of office	Emoluments for the office held in Banca Popolare di Sondrio	Non-monetary benefits	Bonuses and other incentives	Other emoluments
PIERO MELAZZINI	Chairman	1/1/2012-31/12/2012	31-12-2013	951	-	-	262
MILES EMILIO NEGRI	Deputy Chairman	1/1/2012-31/12/2012	31-12-2013	97	-	-	-
FRANCESCO VENOSTA	Deputy Chairman	1/1/2012-31/12/2012	31-12-2012	114	-	-	51
CLAUDIO BENEDETTI	Director	1/1/2012-31/12/2012	31-12-2014	40	-	-	-
PAOLO BIGLIOLI	Director	1/1/2012-31/12/2012	31-12-2013	40	-	-	-
GIANLUIGI BONISOLO	Director	1/1/2012-21/12/2012	-	34	-	-	-
FEDERICO FALCK	Director	1/1/2012-31/12/2012	31-12-2012	40	-	-	-
ATTILIO PIERO FERRARI	Director	1/1/2012-31/12/2012	31-12-2014	41	-	-	-
GIUSEPPE FONTANA	Director	1/1/2012-31/12/2012	31-12-2014	40	-	-	-
CRISTINA GALBUSERA	Director	21/12/2012-31/12/2012	31-12-2012	3	-	-	-
MARIO GALBUSERA	Director	1/1/2012-21/12/2012	-	36	-	-	-
NICOLÒ MELZI DI CUSANO	Director	1/1/2012-31/12/2012	31-12-2012	40	-	-	-
ADRIANO PROPERSI	Director	1/1/2012-31/12/2012	31-12-2014	41	-	-	-
RENATO SOZZANI	Director	1/1/2012-31/12/2012	31-12-2014	78	-	-	3
LINO ENRICO STOPPANI	Director	1/1/2012-31/12/2012	31-12-2013	41	-	-	12
DOMENICO TRIACCA	Director	1/1/2012-31/12/2012	31-12-2012	60	-	-	-
EGIDIO ALESSANDRI	Chairman of the Board of Statutory Auditors	1/1/2012-14/4/2012	-	26	-	-	16
PIERGIUSEPPE FORNI	Chairman of the Board of Statutory Auditors	1/1/2012-31/12/2012	31-12-2014	83	-	-	11
PIO BERSANI	Auditor	1/1/2012-31/12/2012	31-12-2014	61	-	-	18
MARIO VITALI	Auditor	14/04/2012-31/12/2012	31-12-2014	43	-	-	12
MARIO ALBERTO PEDRANZINI (*)	General Manager	1/1/2012-31/12/2012	-	3	97	300	687
MANAGERS WITH STRATEGIC RESPONSIBILITIES		1/1/2012-31/12/2012	-	-	33	168	911

(*) From 21/12/2012 also director and managing director.

In accordance with the changes introduced by Consob resolution 18049 of 23 December 2011 on the transparency of remuneration, the Parent Bank has taken steps to make the Remuneration Report available both at its head office and on its website. This report provides details on the data summarised above. The Remuneration Report also shows the shareholdings of directors, statutory auditors, general manager and managers with strategic responsibilities.

Of the compensation reported at the balance sheet date, emoluments for € 3.012 million have been paid. The column «Emoluments for the office» held in Banca Popolare di Sondrio includes € 0.089 million for taking part in committees.

The other emoluments of the general manager and of managers with strategic responsibilities mainly consist of their salaries, while the «Bonuses and other incentives» column shows the variable portion of remuneration.

Expiry of office is the closing date of the financial statements for the last year in office; pursuant to art. 34 and 48 of the Articles of Association, note that directors and statutory auditors remain in office up to the date of the Shareholders' Meeting called to approve those financial statements.

As regards the directors, general manager and managers with strategic responsibilities, note that there are no stock option plans.

2. 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 Bank 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	74	12,899	3	283	-	-
Statutory auditors	886	202	19	3	56	-
Management	5	1,317	1	59	30	-
Family members	2,216	36,127	80	986	125	8,513
Subsidiaries	2,522,568	820,704	43,200	9,943	344,721	41,107
Associated companies	543,225	12,072	8,490	228	49,984	-
Other related parties	319,750	232,059	6,027	7,032	6,649	33,740

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 € 396 million to a loan granted to Alba Leasing SpA and for € 112 million to Banca della Nuova Terra spa; assets with other related parties include loans of € 199 million granted to the affiliate Release spa.



PART L *Segment information*

A. Primary format

The primary format has been determined using the methodology applied in relation to the parent bank.

Accordingly, reference is made to the section of the notes to the parent bank's financial statements entitled Part L – Segment information.

A.1 Distribution by business segment: income statement

Items	Businesses	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2012
Interest income	776,899	712,255	-	520,150	2,009,304	-996,871	1,012,433
Interest expense	-368,422	-481,765	-	-633,011	-1,483,198	996,871	-486,327
Net interest income	408,477	230,490	-	-112,861	526,106	-	526,106
Commission income	163,750	67,970	72,976	5,204	309,900	-1,765	308,135
Commission expense	-10,336	-8,718	-6,961	2,545	-23,470	-672	-24,142
Dividends and similar income	-	-	-	2,934	2,934	-	2,934
Net trading income	-	-	-	158,855	158,855	2,386	161,241
Net hedging profits (loss)	-	571	-	44	615	-	615
Gains/losses on disposals or repurchases	-	-	-	9,573	9,573	-	9,573
Net change in financial assets and liabilities carried at fair value	-	-	-	6,273	6,273	-	6,273
Income from banking activities	561,891	290,313	66,015	72,567	990,786	-51	990,735
Adjustments to the net value of financial assets	-430,312	-56,318	-	-5,269	-491,899	-	-491,899
Balance of financial management	131,579	233,995	66,015	67,298	498,887	-51	498,836
Administrative expenses	-122,454	-132,752	-50,045	-81,616	-386,867	-39,440	-426,307
Provisions for risks and charges	-2,022	-449	-	-696	-3,167	-	-3,167
Net adjustments to property, plant and equipment	-4,455	-5,781	-2,154	-4,655	-17,045	-	-17,045
Net adjustments to intangible assets	-3,958	-4,698	-1,646	-2,187	-12,489	-	-12,489
Other operating income/expense	7,037	6,480	497	8,800	22,814	39,491	62,305
Share of profit/loss of equity investments	-	-	-	4,416	4,416	-	4,416
Profit/losses from disposal of investments	-	-	-	280	280	-	280
Gross profit	5,727	96,795	12,667	-8,360	106,829	-	106,829

Items	Businesses	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2011
Interest income	608,216	551,897	-	435,147	1,595,260	-762,354	832,906
Interest expense	-298,518	-324,353	-	-470,037	-1,092,908	762,354	-330,554
Net interest income	309,698	227,544	-	-34,890	502,352	-	502,352
Commission income	151,072	70,119	79,524	4,844	305,559	-2,564	302,995
Commission expense	-9,708	-5,446	-7,742	1,964	-20,932	-587	-21,519
Dividends and similar income	-	-	-	3,757	3,757	-	3,757
Net trading income	-	-	-	-68,200	-68,200	3,079	-65,121
Net hedging profits (loss)	-	-481	-	469	-12	-	-12
Gains/losses on disposals or repurchases	-	-	-	4,527	4,527	-	4,527
Net change in financial assets and liabilities carried at fair value	-	-	-	-6,641	-6,641	-	-6,641
Income from banking activities	451,062	291,736	71,782	-94,170	720,410	-72	720,338
Adjustments to the net value of financial assets	-150,679	-23,950	-	-7,154	-181,783	-	-181,783
Balance of financial management	300,383	267,786	71,782	-101,324	538,627	-72	538,555
Administrative expenses	-131,663	-121,805	-51,396	-79,049	-383,913	-32,594	-416,507
Provisions for risks and charges	5,231	-1,050	-	-386	3,795	-	3,795
Net adjustments to property, plant and equipment	-4,853	-5,266	-2,313	-4,421	-16,853	-	-16,853
Net adjustments to intangible assets	-3,863	-3,819	-1,551	-1,897	-11,130	-	-11,130
Other operating income/expense	3,036	6,136	588	2,591	12,351	32,666	45,017
Share of profit/loss of equity investments	-	-	-	2,931	2,931	-	2,931
Profit/loss from disposal of investments	-	-	-	-16	-16	-	-16
Gross profit	168,271	141,982	17,110	-181,571	145,792	-	145,792

The 2011 figures have been adjusted for comparison purposes.

A.2 Distribution by business segment: balance sheet

Items	Businesses	Individuals and other customers	Securities	Central functions	Total 31/12/2012
Financial assets	16,715,253	10,276,070	-	4,460,902	31,452,225
Other assets	-	-	-	642,529	642,529
Property, plant and equipment	49,370	60,541	21,717	100,817	232,445
Intangible assets	3,974	4,845	1,731	11,377	21,927
Financial liabilities	6,456,203	19,522,444	-	3,500,975	29,479,622
Other liabilities	34,381	972	-	707,102	742,455
Provisions	75,710	67,785	18,389	25,128	187,012
Guarantees given	3,466,097	421,538	-	148,397	4,036,032
Commitments	1,154,220	136,408	27,992	38,731	1,357,351



Items	Businesses	Individuals and other customers	Securities	Central functions	Total 31/12/2011
Financial assets	15,583,968	9,067,330	-	3,793,137	28,444,435
Other assets	-	-	-	593,295	593,295
Property, plant and equipment	53,081	54,303	22,716	94,534	224,634
Intangible assets	4,015	3,959	1,603	10,973	20,550
Financial liabilities	5,323,336	17,372,148	-	3,695,582	26,391,066
Other liabilities	45,457	2,530	-	799,956	847,943
Provisions	68,741	51,894	14,637	20,041	155,313
Guarantees given	3,177,355	554,147	-	80,376	3,811,878
Commitments	1,270,059	274,741	20,380	65,302	1,630,482

Summary discussion of results

The results of the various sub-segments are discussed below.

Enterprises: a fundamental contribution has come from Factorit, with a positive result in this area of € 45.131 thousand, which more than offsets the negative one achieved in this area by the Parent Bank.

The sector contributes 5.4% of the overall result (5.0% excluding the negative result of the central functions).

Loans (financial assets) and direct deposits (financial liabilities) amount to € 16,715 million and € 6.456 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 76.6% of the total, while administrative expenses absorb 21.8%.

Compared with the previous year, this segment's result has gone down by 96.6%. This was mainly due to a combination of the following factors:

- considerably higher adjustments of financial assets (+ 185.6%);
- a marked rise in net interest income (+31.9%);
- a satisfactory increase in commission flows (+8.4%);
- contained decrease in administrative expenses (-7.0%).

Individuals and other customers: the contribution made by the Swiss subsidiary is also significant, with a result in this area that is 26.1% of that of the parent bank.

The sector contributes 90.6% of the overall result (84.0% excluding the negative result of the central functions).

Loans (financial assets) and direct deposits (financial liabilities) amount to € 10,276 million and € 19.522 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 19.4% of the total, while administrative expenses absorb 45.7%.

Compared with the previous year, this segment's result has gone down by 31.8%. This was mainly due to a combination of the following factors:

- considerably higher adjustments of financial assets (+135.1%);
- a limited rise in net interest income (+1.3%);
- a slight reduction in commission flows (-3.1%);
- remarkable growth in administrative expenses (+9.0%).

Securities: the contribution of the Swiss subsidiary is significant. The sector contributes 11.9% of the overall result (11.0% excluding the negative result of the central functions).

With respect to income from banking activities, administrative expenses absorb 75.8% of the total.

Comparison with the prior year reflects an 26.0% rise in profits, mainly due to the following factors:

- significant reduction in commission flows (-8.2%);
- contained decrease in administrative expenses (-2.6%).

As regards the «central functions» – the only sub-segment where the non-banking subsidiaries have some effect, albeit a small one – it has to be said that the gross result, in absolute terms, comes in slightly below that of the parent bank on its own because of the sizeable investments made by the subsidiaries in connection with the reinforcement of its staff and upgrade of its organisational and IT structures.

B. Secondary format

The methodology applied is that adopted by the Parent Bank.

The following information refers to the location of branches.

There are differences between the parent bank and the Swiss subsidiary regarding the types of customer served, the products and services provided, and commercial and operational policies adopted. Accordingly, the analysis includes the «Swiss» area as well as the domestic market.



B.1 Distribution by geographical area: income statement

Items	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 31/12/2012
Interest income	1,699,824	265,673	66,320	2,031,817	-1,019,384	1,012,433
Interest expense	-1,282,716	-181,261	-42,909	-1,506,886	1,020,559	-486,327
Net interest income	417,108	84,412	23,411	524,931	1,175	526,106
Commission income	228,913	51,380	33,141	313,434	-5,299	308,135
Commission expense	-15,658	-7,077	-4,311	-27,046	2,904	-24,142
Dividends and similar income	5,562	-	8	5,570	-2,636	2,934
Net trading income	150,416	-	9,925	160,341	900	161,241
Net hedging profits (loss)	-	-	571	571	44	615
Gains/losses on disposals or repurchases	9,573	-	-	9,573	-	9,573
Net change in financial assets and liabilities carried at fair value	6,273	-	-	6,273	-	6,273
Income from banking activities	802,187	128,715	62,745	993,647	-2,912	990,735
Adjustments to the net value of financial assets	-444,416	-42,346	-5,137	-491,899	-	-491,899
Balance of financial management	357,771	86,369	57,608	501,748	-2,912	498,836
Administrative expenses	-297,071	-36,693	-56,059	-389,823	-36,484	-426,307
Provisions for risks and charges	-2,156	-315	-696	-3,167	-	-3,167
Net adjustments to property, plant and equipment	-12,736	-1,303	-3,006	-17,045	-	-17,045
Net adjustments to intangible assets	-10,055	-1,190	-1,244	-12,489	-	-12,489
Other operating income/expense	22,741	2,727	-88	25,380	36,925	62,305
Share of profit/loss of equity investments	-2,085	-	-	-2,085	6,501	4,416
Profit/loss from disposal of investments	280	-	-	280	-	280
Gross profit	56,689	49,595	-3,485	102,799	4,030	106,829

Items	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 31/12/2011
Interest income	1,351,019	202,124	62,690	1,615,833	-782,927	832,906
Interest expense	-947,519	-126,872	-40,584	-1,114,975	784,421	-330,554
Net interest income	403,500	75,252	22,106	500,858	1,494	502,352
Commission income	220,604	51,991	35,880	308,475	-5,480	302,995
Commission expense	-12,398	-6,500	-4,991	-23,889	2,370	-21,519
Dividends and similar income	6,393	-	8	6,401	-2,644	3,757
Net trading income	-74,957	-	9,798	-65,159	38	-65,121
Net hedging profits (loss)	-	-	-481	-481	469	-12
Gains/losses on disposals or repurchases	4,527	-	-	4,527	-	4,527
Net change in financial assets and liabilities carried at fair value	-6,641	-	-	-6,641	-	-6,641
Income from banking activities	541,028	120,743	62,320	724,091	-3,753	720,338
Adjustments to the net value of financial assets	-159,636	-20,661	-1,486	-181,783	-	-181,783
Balance of financial management	381,392	100,082	60,834	542,308	-3,753	538,555
Administrative expenses	-292,938	-37,913	-55,294	-386,145	-30,362	-416,507
Provisions for risks and charges	8,233	-4,052	-386	3,795	-	3,795
Net adjustments to property, plant and equipment	-12,432	-1,302	-3,119	-16,853	-	-16,853
Net adjustments to intangible assets	-8,760	-1,057	-1,313	-11,130	-	-11,130
Other operating income/expense	9,738	2,880	812	13,430	31,587	45,017
Share of profit/loss of equity investments	-14,243	-	-	-14,243	17,174	2,931
Profit/loss from disposal of investments	-16	-	-	-16	-	-16
Gross profit	70,974	58,638	1,534	131,146	14,646	145,792

The 2011 figures have been adjusted for comparison purposes.

B.2 Distribution by geographical area: balance sheet

Items	Northern Italy	Central Italy	Switzerland	Total 31/12/2012
Financial assets	25,233,280	2,671,729	3,547,216	31,452,225
Other assets	548,261	-	94,268	642,529
Property, plant and equipment	195,921	14,701	21,823	232,445
Intangible assets	19,075	1,186	1,666	21,927
Financial liabilities	18,408,539	7,657,781	3,413,302	29,479,622
Other liabilities	707,954	9,893	24,608	742,455
Provisions	165,830	21,182	-	187,012
Guarantees given	3,087,703	793,965	154,364	4,036,032
Commitments	938,156	380,173	39,022	1,357,351

Items	Northern Italy	Central Italy	Switzerland	Total 31/12/2011
Financial assets	22,906,390	2,361,084	3,176,961	28,444,435
Other assets	531,302	-	61,993	593,295
Property, plant and equipment	186,440	14,423	23,771	224,634
Intangible assets	18,120	1,099	1,331	20,550
Financial liabilities	18,046,670	5,293,398	3,050,998	26,391,066
Other liabilities	811,542	11,809	24,592	847,943
Provisions	136,306	19,007	-	155,313
Guarantees given	2,949,061	724,648	138,169	3,811,878
Commitments	1,200,306	398,325	31,851	1,630,482

Certification pursuant to para. 5 of art. 154-bis of Decree 58/98 on the consolidated 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 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 consolidated financial statements for the period 1 January 2012 / 31 December 2012.

The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the consolidated 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 consolidated financial statements at 31 December 2012:

- 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 directors’ report on operations includes a reliable analysis of the progress and performance, the situation of the Bank and the consolidated companies together with a description of the main risks and uncertainties to which they are subjected.

Sondrio, 25 March 2013

The Managing Director
Mario Alberto Pedranzini



The Financial Reporting Officer
Maurizio Bertoletti





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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

- 1 We have audited the consolidated financial statements of the Banca Popolare di Sondrio Group as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 29 March 2012. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2012.

- 3 In our opinion, the consolidated financial statements of the Banca Popolare di Sondrio Group as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Banca

Popolare di Sondrio Group as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

- 4 The directors of Banca Popolare di Sondrio S.C.p.A. are responsible for the preparation of a directors' report on operations and a report on the corporate governance and the ownership structure, published in the "informativa societaria" section of Banca Popolare di Sondrio S.C.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and the ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and the ownership structure are consistent with the consolidated financial statements of the Banca Popolare di Sondrio Group as at and for the year ended 31 December 2012.

Milan, 4 April 2013

KPMG S.p.A.

(signed on the original)

Paolo Valsecchi
Director of Audit

RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING

of 27 April 2013 (at second calling)

AGENDA

- 1) *Presentation of the financial statements as of 31 December 2012: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;*
- 2) *Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;*
- 3) *Approval of the document entitled "Compensation Policies of the Banca Popolare di Sondrio Banking Group" and information on how these compensation policies were implemented in 2012, as required by the Bank of Italy;*
- 4) *Approval of the Remuneration Report, as per art. 123-bis of Decree 58/98 (Consolidated Finance Act);*
- 5) *Determination of directors' emoluments;*
- 6) *Appointment of five directors for the three-year period 2013-2015 and appointment of a director for the rest of the three-year period 2011-2013;*
- 7) *Appointment of a statutory auditor for the rest of the three-year period 2012-2014;*
- 8) *Appointment of advisors and alternate advisors for the three-year period 2013-2015.*

The Shareholders' Meeting, which had a quorum, began dealing with the matters on the agenda.

Point 1) on the agenda

Having heard the directors' report on operations for 2012 and the proposed allocation of the net profit for the year, having taken note of the report of the Board of Statutory Auditors and that of the Independent Auditors, having taken as read the statement of financial position, income statement and explanatory notes, as well as the financial statements of the subsidiaries, the Meeting approved:

- the directors' report on operations;
- the financial statements at 31 December 2012, comprising the statement of financial position, income statement and related explanatory notes; the financial statements that show a net profit for the year of € 25,822,369. The Shareholders' Meeting also approved the allocation of net profit for the year of € 25,822,369 as proposed by the Board of Directors in accordance with current legislation and the articles of association and, in particular, resolved:
 - a) to allocate:

– 10% to the legal reserve	€	2,582,236.90
– 30% to the statutory reserve	€	7,746,710.70
 - b) to pay a dividend of € 0.033 to each of the 308,147,985 shares in circulation at 31/12/2012 with dividend rights as from 1/1/2012, transferring to the statutory reserve the amount of the dividends due to any

treasury shares held by the Bank on the working day prior to going ex-coupon, for a total amount of	€ 10,168,883.50
d) to allocate the residual net profit:	
– to the reserve for donations	€ 100,000.00
– to the legal reserve, a further	€ 5,224,537.90

In accordance with the Stock Exchange calendar, the dividend was paid from 9 May 2013, going ex-coupon (no. 33) on 6 May 2013.

Point 2) on the agenda

To set at Euro 93,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the Bank's own shares in accordance with art. 21 of the Articles of Association, within the limit of this amount and whatever part of it is made available by subsequent sales of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares.

Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value Euro 3 each – have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers.

Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2013 financial statements. Purchases have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above-mentioned "Reserve" of 93,000,000 euro and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 5% of the shares making up the share capital. Sales have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above-mentioned "Reserve" of Euro 93,000,000.

Any cancellations of treasury shares have to take place in compliance with the law and the articles of association, using the reserve for treasury shares to cover any differences between their par value and purchase price.

The Board of Directors, and the Chairman and Deputy Chairmen, separately, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda

The Meeting approved the document "Compensation Policies of the Banca Popolare di Sondrio Banking Group" and information on how these compensation policies were implemented in 2012.

Point 4) on the agenda

The Shareholders' Meeting approved the first Section of the Remuneration Report, as per art. 123-ter of Decree 58/98 (Consolidated Finance Act).

Point 5) on the agenda

The Meeting set the remuneration of the directors in accordance with the current "Compensation Policies of the Banca Popolare di Sondrio Banking Group".

Point 6) on the agenda

The Meeting appointed the following as directors for the period 2013/2015: Cristina Galbusera, Federico Falck, Nicolò Melzi di Cusano, Francesco Venosta and Domenico Triacca. It also appointed Mario Alberto Pedranzini as a board member for the rest of the period 2011-2013.

Point 7) on the agenda

The Meeting appointed Bruno Garbellini as alternate auditor for the rest of the period 2012-2014.

Point 8) on the agenda

The Meeting appointed the following as advisors for the period 2013-2015: Alberto Crespi, Giuseppe Guarino, Andrea Monorchio, acting advisors, Diana Bracco and Antonio La Torre, alternate advisors.

THE BANK'S GROWTH SINCE ITS FOUNDATION, KEY FINANCIAL DATA

Year	Financial investments euro	Customer loans euro	Fiduciary funds euro	Equity (capital & reserves) euro	Net profit for the year euro	Dividend euro
1871	26	93	37	47	1	0.001
1875	109	675	569	181	21	0.002
1880	46	1,024	777	360	33	0.002
1885	213	1,431	1,161	410	42	0.002
1890	459	1,805	1,646	457	49	0.002
1895	840	1,380	1,631	453	36	0.002
1900	860	1,627	1,987	465	43	0.002
1905	940	2,330	2,834	504	53	0.002
1910	1,460	3,717	4,738	563	68	0.003
1915	2,425	3,399	5,178	658	59	0.002
1920	7,906	9,100	22,320	1,232	186	0.005
1925	9,114	35,692	39,924	2,303	523	0.006
1930	12,899	43,587	54,759	3,230	561	0.006
1935	21,402	30,912	53,190	3,543	339	0.004
1940	24,397	32,808	57,064	3,091	312	0.002
1945	112,239	101,840	191,619	6,491	817	0.002
1950	608,460	892,440	1,359,864	50,496	10,834	0.041
1955	1,413,363	2,372,139	3,573,499	262,122	25,998	0.124
1960	3,474,898	5,864,314	9,124,181	495,960	45,997	0.150
1965	6,564,058	9,861,955	18,238,851	670,265	60,044	0.170
1970	11,228,709	21,140,462	34,440,002	1,577,469	86,800	0.196
1975	49,247,998	46,458,454	103,136,018	4,940,413	336,351	0.284
1980	248,877,713	135,350,391	386,128,259	44,618,760	2,298,768	0.620
1981	303,227,605	149,856,755	435,958,220	70,294,839	3,543,126	0.878
1982	434,505,499	168,991,589	564,440,308	93,988,765	5,876,973	0.930
1983	551,731,767	201,889,280	722,876,267	105,498,725	9,795,722	1.394
1984	657,323,707	244,311,938	885,640,690	117,286,747	11,754,271	1.911
1985	669,773,787	327,572,423	985,454,131	123,347,208	13,332,058	2.582
1986	854,978,708	381,346,894	1,108,118,326	129,106,270	13,582,958	2.169
1987	954,429,924	407,643,937	1,205,007,005	134,486,897	13,588,657	2.169
1988	950,465,324	510,164,638	1,285,408,512	139,730,318	13,665,548	2.272
1989	958,277,398	634,760,956	1,431,120,712	145,100,954	13,984,014	2.324
1990	919,261,388	819,877,375	1,567,539,101	170,006,961	14,919,668	1.653
1991	886,480,827	1,014,385,379	1,708,284,250	192,743,654	16,018,859	1.653
1992	1,162,262,510	1,202,265,949	2,151,786,340	198,979,714	16,304,997	1.704
1993	1,675,065,908	1,441,158,530	2,862,510,529	250,913,662	17,860,906	1.136
1994	1,438,251,891	1,701,208,296	2,922,731,483	258,100,923	16,976,601	1.136
1995	1,828,374,994	1,903,530,111	3,401,567,857	335,480,368	18,688,353	0.413
1996	1,817,497,737	2,120,842,006	3,590,238,215	345,127,951	20,685,619	0.439
1997	1,730,940,393	2,485,706,688	3,844,781,082	353,507,281	20,796,084	0.439
1998	2,005,202,039	2,990,333,100	4,343,203,973	535,162,454	24,784,724	0.196
1999	1,993,529,114	3,724,763,745	5,058,960,710	557,555,696	30,555,532	0.232
2000	2,043,141,602	4,443,945,484	5,829,901,035	576,036,331	38,428,768	0.300
2001	2,618,137,267	5,579,546,805	7,374,954,358	731,304,438	46,064,525	0.180
2002	3,218,789,508	6,246,734,925	8,626,473,276	752,369,741	46,703,800	0.190
2003	2,827,584,863	7,117,211,453	9,139,503,657	773,957,639	60,117,119	0.230
2004	3,492,730,224	8,078,424,234	10,498,481,204	1,031,391,991	73,210,556	0.170
2005	4,029,597,013	9,197,849,967	11,928,279,967	1,119,500,111	85,178,406	0.190
2006	4,216,404,673	10,560,504,042	13,316,179,364	1,231,012,722	107,113,135	0.230
2007	5,174,395,815	12,402,268,867	15,844,113,698	1,592,235,650	130,823,404	0.220
2008	5,260,646,663	14,936,103,083	18,469,073,506	1,492,021,195	13,735,247	0.030
2009	4,794,397,579	16,711,080,589	19,779,755,056	1,683,715,881	190,674,454	0.330
2010	5,063,550,816	18,247,861,145	21,243,136,724	1,722,830,035	133,319,754	0.210
2011	5,742,516,051	20,606,382,386	24,261,565,885	1,676,472,699	57,283,707	0.090
2012	7,098,208,844	22,390,051,929	27,490,789,964	1,711,323,846	25,822,369	0.033

The figures for the years prior to 1993 have not been adjusted for consistency with those of subsequent years, which have been classified differently in accordance with Decree 87/92.

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