



Banca Popolare di Sondrio



INTERIM FINANCIAL REPORT AT 30 JUNE 2015



**Banca Popolare
di Sondrio**

I N T E R I M
F I N A N C I A L
R E P O R T
A T 30 J U N E 2015



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

Banca Popolare di Sondrio

Founded in 1871

INTERIM FINANCIAL REPORT AT 30 JUNE 2015

Registered and head office: Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. +39 0342 528.111 - Fax +39 0342 528.204
Website: <http://www.popso.it> - e-mail: info@popso.it

Sondrio company registration no. 00053810149 - Included in the bank register at no. 842
Included in the cooperative company register at no. A160536
Parent of the Banca Popolare di Sondrio banking group,
included in the banking group register at no. 5696.0 - Member of the Interbank Deposit Protection Fund
Tax code and vat number: 00053810149
Share capital: € 1,360,157,331 - Reserves: € 833,958,444 (figures approved by the shareholders on 18 April 2015)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio s.c.p.a. on 2 July 2015:
 - Long-term: BBB
 - Short-term: F3
 - Viability rating: bbb
 - Outlook: stable
- Rating given by Dagong Europe Credit Rating to Banca Popolare di Sondrio s.c.p.a. on 26 February 2015
 - Long-term: BBB
 - Short-term: A-3
 - Individual Financial Strength Assessment: bbb
 - Outlook: stable

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Standing auditors	DONATELLA DEPPERU MARIO VITALI
Alternate auditors	BRUNO GARBELLINI DANIELE MORELLI

INTERNAL APPEAL BOARD

Standing appeal board member	ALBERTO CRESPI GIUSEPPE GUARINO ANDREA MONORCHIO
Alternate appeal board member	DIANA BRACCO ANTONIO LA TORRE

GENERAL MANAGEMENT

General manager	MARIO ALBERTO PEDRANZINI
Deputy general managers	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI CESARE POLETTI

Manager in charge of financial reporting

MAURIZIO BERTOLETTI

* Members of the presiding committee

** Member of the presiding committee and secretary to the board of directors

BRANCH NETWORK

BANCA POPOLARE DI SONDRIO

Joint-Stock Cooperative Company - Founded in 1871
Sondrio Companies Register no. 00053810149
Official List of Banks no. 842
Parent Bank of the Banca Popolare di Sondrio Group,
Official List of Banking Groups no. 5696.0
Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149

GENERAL MANAGEMENT AND HEAD OFFICE

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

FIELD OFFICES

ORGANISATION AND IT SYSTEMS:

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

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
DELEBIO piazza San Crapoforo 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 Saroch 728/730 tel. 0342 97771
MADESIMO via Giosuè Carducci 3 tel. 0343 5551
MADONNA DI TIRANO piazza Basilica 55 tel. 0342 71251
MAZZO DI VALTELLINA
via Santo Stefano 20 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. Alpini 172 tel. 0342 60481
NOVATE MEZZOLA via Roma 13 tel. 0343 6381
PIASSO DELLO STELVIO tel. 0342 904534
PIANTEDO via Colico 43 tel. 0342 68291
PONTE IN VALTELLINA piazza della Vittoria 1 tel. 0342 48531
SAMOLACCO - 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 Piazz 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
piazze 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
TIRANO piazza Cavour 20 tel. 0342 71201
TIRANO 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 corso Romualdo Marengo 59 tel. 0143 31071

PROVINCE OF BERGAMO

ALBANO SANT'ALESSANDRO
via Vittorio Emanuele II 6 tel. 035 421831
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 tel. 035 439041
CARVICO via Giuseppe Verdi 1
CISANO BERGAMASCO
via Giuseppe Mazzini 25 tel. 035 436521
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
SARNICO via Giuseppe Garibaldi 1/C tel. 035 426741
SERIATE piazza Caduti per la Libertà 7 tel. 035 292891
TRESCORE BALNEARIO piazza Cavour 6 tel. 035 427471
TREVIGLIO via Cesare Battisti 8/B tel. 0363 59401

PROVINCE OF BOLOGNA

BOLOGNA via Riva di Reno 58/B tel. 051 528941

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 Crociffisa di Rosa 59 tel. 030 384821
Branch no. 2, via Solferino 61 tel. 030 281581
Branch no. 3, via Piave 61/A tel. 030 369791
Branch no. 4, via Fratelli Ugoni 2 tel. 030 281541
CHIARI
via Consorzio Agrario 1 - ang. viale Teosa 23/B tel. 030 701451
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
LENATE 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'OGLIO 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 249691
SALE MARASINO via Roma 33/35 tel. 030 986771
SALO viale Alcide De Gasperi 13 tel. 0365 44191
TOSCANO 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
BULGAROGROSSO 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
CARLAZZO via Regina 125 tel. 0344 71491
COMO
Head Office, via 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 Matteri 14 tel. 0344 97391
ERBA via Alessandro Volta 3 tel. 031 333191
FINO MORNASCO via Giuseppe Garibaldi tel. 031 882091
- ang. piazza Odescalchi 5 tel. 0344 88751
GARZENO via Roma 32 tel. 0344 91041
GERA LARIO via Statale Regina 18
GRAVEDONA ED UNITI
piazza Giuseppe Garibaldi 11 tel. 0344 91691
LURGANATE via Giuseppe Garibaldi 1 tel. 031 352741
LIUZZO D'ERBA via Roma 58 tel. 031 359981
MENAGGIO
via Annetta e Celestino Lusardi 62 tel. 0344 38091

MERONE via San Girolamo Emiliani 5/C tel. 031 618091
MONTORAFIO via Brianza 6/B tel. 031 202091
SALA COMACINA via Statale 14/A tel. 0344 55881
SAN FEDELE TELVELI 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

ALBA viale Torino 4 tel. 0173 31261
CUNEO piazza Tancredi Duccio Galimberti 13 tel. 0171 31951

PROVINCE OF GENOVA

CHIAVARI
piazza Nostra Signora dell'Orto 42/B tel. 0185 31261
- ang. via Doria
GENOVA
Head Office, via XXV Aprile 7 tel. 010 550141
Branch no. 1, piazza Tommaseo 7 rosso tel. 010 319961
Branch no. 2, via Sabinotto 32/34 rossi tel. 010 667801
SANTA MARGHERITA LIGURE
piazza Giuseppe Mazzini 40 tel. 0185 29291

PROVINCE OF LECCO

ABBADIA LARIANA via Nazionale 140/A tel. 0341 70501
BOSISIO 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, via 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 70551
MERATE via Don Cesare Cazzaniga 5 tel. 039 951411
NIBIONNO - fraz. Cibrone, via Montello 1 tel. 031 692391
OGGIONO via Lazzaretto 50 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

COLOGNO 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

BUCCINASCO via Aldo Moro 9 tel. 02 4885191
CERNUSCO SUL NAVIGLIO
viale Assunta 47/49 tel. 02 9599731
CINISELLO BALSAMO
via Giuseppe Garibaldi 86 tel. 02 6602601
LEGNANO via Alcide De Gasperi 10 tel. 0331 417331
MELEGNANO via Clateo Castellini 19 tel. 02 9803691
MILANO
Head Office, via Santa Maria Fulcorina 1 tel. 02 85541
Branch no. 1, Porpora, tel. 02 7064901
via Nicola Antonio Porpora 104
Branch no. 2, Barona, viale Faenza 22 tel. 02 8188851
Branch no. 3, a2a, corso di Porta Vittoria 4 tel. 02 7626001
Branch no. 4, Regione Lombardia, piazza Città di Lombardia 1 tel. 02 6787601
Branch no. 5, Bovisa, tel. 02 3932841
via degli Imbrani 54
Branch no. 6, Corvetto, tel. 02 5731381
via Marco d'Agrate 11
Branch no. 7, Caneva, tel. 02 3103961
via Monte Cenisio 50
Branch no. 8, Quarto Oggiaro, tel. 02 3903631
via Michele Lessona
- ang. via Federico De Roberto
Branch no. 9, c/o A.L.E.R., tel. 02 7487511
viale Romagna 24
Branch no. 10, Solari, tel. 02 8312771
via Andrea Solari 15
Branch no. 11, Università Bocconi, tel. 02 5849871
via Ferdinando Bocconi 8
Branch no. 12, Baggio, tel. 02 4533951
delle Forze Armate 260
Branch no. 13, Repubblica, tel. 02 6272301
viale Monte Santo 8
Branch no. 14, Palazzo di Giustizia, tel. 02 7626101
via Cesare Battisti 1
Branch no. 15, Murat, tel. 02 6901391
via Giocchino Murat 76

Banca Popolare di Sondrio

Branch no. 16, Ortomercato, via Cesare Lombroso 54	tel. 02 5410981
Branch no. 17, Pirelli/Bicocca, viale Sarca 226 - stabile n. 143	tel. 02 6474631
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 Capelatro 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
Branch no. 33, Porta Romana, corso di Porta Romana 120	tel. 02 5849941
Branch no. 34, San Babila, via Cino del Duca 12	tel. 02 7787851
Branch no. 35, Loreto, piazzale Loreto 1 - ang. viale Brianza	tel. 02 6797961
Branch no. 36, Monti, via Vincenzo Monti 41	tel. 02 4363581
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
TREZZO SULL'ADDA via Antonio Gramsci 10	tel. 02 9200971

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 Porticchetto - 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	tel. 0362 36311
SEREGNO 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 PADOVA

PADOVA via Ponte Molino 4	tel. 049 824011
----------------------------------	-----------------

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, via Val Santero 27	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 Sanitti 10/11	tel. 06 4927141
Branch no. 18, Internetto, via Ermanno Wolf Ferrari 348	tel. 06 5091961
Branch no. 19, Nuovo Salario, piazza Filatteria 7	tel. 06 8870031
Branch no. 20, Tuscolano/Appio Claudio, via Caio Caneleto 29	tel. 06 7153921
Branch no. 21, Nomentano, via Farniano 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, Prenestino/Torpiognattara, 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
Branch no. 35, Parione, corso Vittorio Emanuele II 139	tel. 06 6840381
Branch no. 36, c/o CONSOP - Sportello Interno - via Giovanni Battista Martini 3	tel. 06 8537181
Branch no. 37, Trieste/Salario, via Tagliamento 37	tel. 06 8537581

PROVINCE OF SAVONA

SAVONA via Antonio Gramsci 54	tel. 019 80991
--------------------------------------	----------------

PROVINCE OF TORINO

TORINO Head Office, via XX Settembre 37	tel. 011 513441
Branch no. 1, via Luigi Cibrario 17/A bis	tel. 011 481851

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
LAVENA PONTE TRESA via Luigi Colombo 19	tel. 0332 52441
LNATE POZZOLO via Vittorio Veneto 27	tel. 0331 666101
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, via 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 VERBANO-CUSIO-OSSOLA

CANNOBIO viale Vittorio Veneto 2/bis	tel. 0323 73801
DOMODOSSOLA piazza Repubblica dell'Ossola 4	tel. 0324 49281
GRAVELLONA TOCE corso Guglielmo Marconi 95	tel. 0323 84921
VERBANIA - Intra, piazza Daniele Ranzoni 27	tel. 0323 58471
VERBANIA - Pallanza, largo Vittorio Tonolli 34	tel. 0323 55591

PROVINCE OF VERCELLI

VERCELLI piazza Baldo Mazzucchelli 12	tel. 0161 26851
--	-----------------

PROVINCE OF VERONA

BARDOLINO via Mirabello 15	tel. 045 621341
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

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

MOBILE BRANCH

Autobanca	
-----------	--

REPRESENTATIVE OFFICES OUTSIDE ITALY

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

DESKS OUTSIDE ITALY

ATHENS - BEograd - BRUXELLES - BUCURESTI - BUDAPEST - BUENOS AIRES - CASABLANCA - CHICAGO - CHISINAU - CIUDAD DE MEXICO - DUBAI - JOHANNESBURG - LISBOA - LONDON - LYON - MARSEILLE - MINSK - MOSCOW - MUMBAI - PERPIGNAN - PERTH - SAO PAULO - SHANGHAI - SOFIA - SYDNEY - TASHKENT - 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

HEAD OFFICE

LUGANO via Maggio 1	tel. 0041 58 8553100
---------------------	----------------------

BRANCHES AND AGENCIES

LUGANO via Giacomo Luvisi 2a	tel. 0041 58 8553200
LUGANO Cassarate, piazza Bossi 2	tel. 0041 58 8553250
PARADISO Riva Paradiso 2 - Palazzo Mantegazza	tel. 0041 58 8554500
BASEL Greifengasse 18	tel. 0041 58 8553900
BELLINZONA viale Stazione 26	tel. 0041 58 8553500
BERN 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
CHIASO piazza Indipendenza 2	tel. 0041 58 8554000
CHUR Bahnhofstrasse 9	tel. 0041 58 8553850
LOCARNO piazza Muraccio	tel. 0041 58 8553550
MENDRSIO 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 Platzet 21	tel. 0041 58 8554550
ST. MORITZ via dal Baqn 9	tel. 0041 58 8553600
ZÜRICH Uraniastrasse 14	tel. 0041 58 8553950

Principality of Monaco

MONACO 3 rue Princesse Florestine	tel. 00377 99996464
-----------------------------------	---------------------

FACTORIT SPA

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

Branch offices in Milano, Torino, Padova, Bologna, Siena, Roma and Napoli. Member of Factors Chain International with over 270 foreign correspondents in the most important international markets.

Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.

Head Office: Milano, via Cino del Duca 12

tel. +39 02 58150.1 - fax +39 02 58150.205

www.factorit.it - info@factorit.it

PIROVANO STELVIO SPA - The Ski University

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

"LUIGI CREDDARO" LIBRARY

Sondrio, lungo Mallero Armando Diaz 18
tel. +39 0342 562 270 - fax +39 0342 510 825
www.pops.bibliotecacreddaro.it - info@pops.bibliotecacreddaro.it

THE BANKING GROUP IN THE HEART OF THE ALPS

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

BRANCH NETWORK OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP



Banca Popolare di Sondrio Fondata nel 1871

Branches:

- 51 in the province of SONDRIO
- 2 in the province of ALESSANDRIA
- 15 in the province of BERGAMO
- 1 in BOLOGNA
- 2 in the province of BOLZANO
- 32 in the province of BRESCIA
- 31 in the province of COMO
- 5 in the province of CREMONA
- 2 in the province of CUNEO
- 5 in the province of GENOVA
- 20 in the province of LECCO
- 2 in the province of LODI
- 5 in the province of MANTOVA
- 37 in MILANO
- 10 in the province of MILANO
- 17 in the province of MONZA E BRIANZA
- 2 in the province of NOVARA
- 1 in PADOVA
- 1 in PARMA
- 7 in the province of PAVIA
- 3 in the province of PIACENZA
- 38 in ROMA
- 4 in the province of ROMA
- 1 in SAVONA
- 2 in TORINO

- 4 in the province of TRENTO
- 18 in the province of VARESE
- 5 in the province of VERBANO CUSIO OSSOLA
- 1 in VERCELLI
- 4 in the province of VERONA
- 1 in AOSTA

Representative offices outside Italy:

- HONG KONG* • SHANGHAI*
- * with other banking partners

Desks outside Italy:

- ATHENS • BEOGRAD
- BRUXELLES • BUCURESTI
- BUDAPEST • BUENOS AIRES
- CASABLANCA • CHICAGO
- CHISINAU • CIUDAD DE MEXICO
- DUBAI • JOHANNESBURG
- LISBOA • LONDON • LYON
- MARSEILLE • MINSK • MOSCOW
- MUMBAI • PERPIGNAN
- PERTH • SAO PAULO
- SHANGHAI • SOFIA • SYDNEY
- TASHKENT • TORONTO • TUNIS
- ULAANBAATAR • WARSZAWA
- (c/o different partners)

BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

Branches in:

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

Principality of Monaco:
• MONACO



Factorit

GRUPPO Banca Popolare di Sondrio

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

Branch offices in:

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

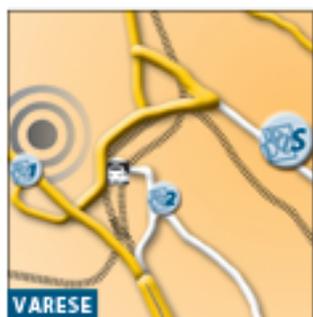
Member of Factors Chain International with over 270 foreign correspondents in the most important international markets. Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.

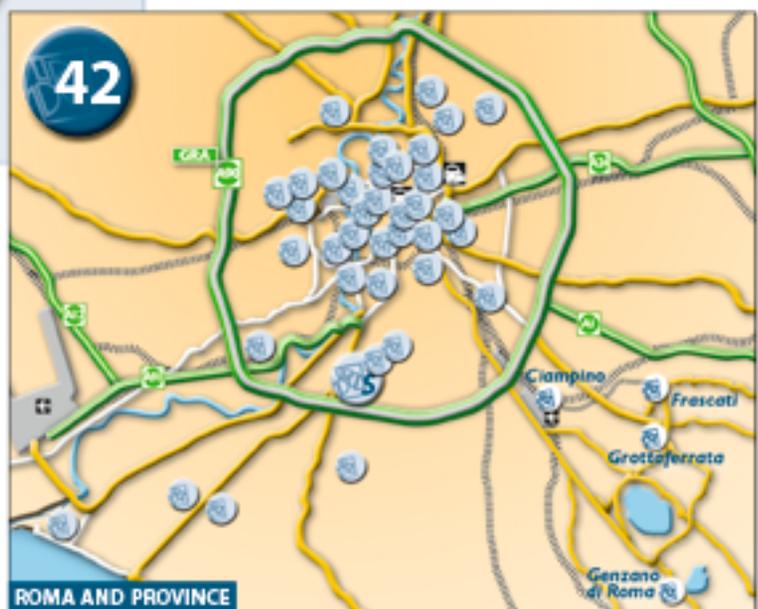
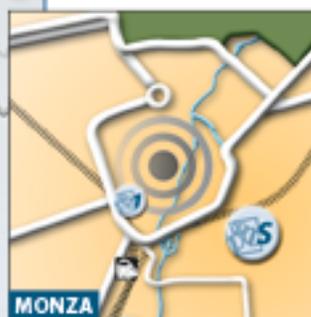
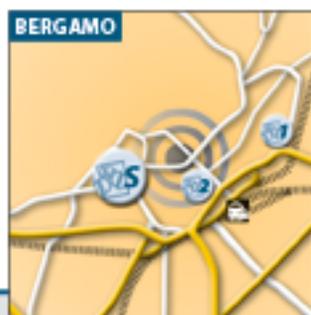
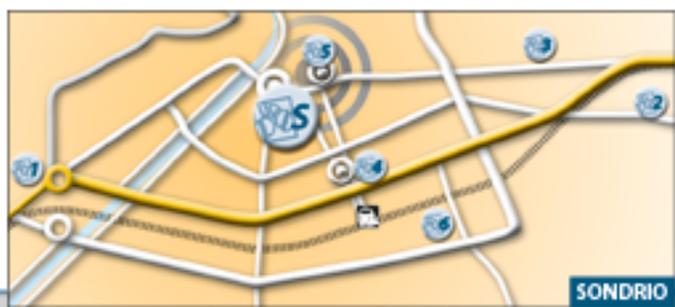


Number of branches in each province



Branches in each city





OPERATIONS

Notice. *The figures in this report are in euros; all changes expressed as percentages refer to the corresponding figures at 31 December 2014 (statement of financial position) and for the six months ended 30 June 2014 (income statement, statement of comprehensive income and cash flows), 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 the same amounts expressed in different units.

DIRECTORS' REPORT

INTRODUCTION

This interim financial report at 30 June 2015 comprises the directors' report and the condensed interim consolidated financial statements, which include the interim consolidated financial statements and notes thereto.

It was drawn up pursuant to article 154-ter.2/3/4 of Legislative decree no. 58 of 24 February 1998, in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and applicable as of the date of this report, as specified in the notes.

The condensed interim consolidated financial statements were prepared in conformity with IAS 34.

Pursuant to that standard, this interim financial report focuses on consolidated disclosures. Given Banca Popolare di Sondrio s.c.p.a.'s significance within its group, most of the disclosures refer to it and its operations.

THE BANKING GROUP BANCA POPOLARE DI SONDRIO

The Banca Popolare di Sondrio banking Group is made up as follows:

Parent:

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

Group companies:

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

The parent holds the entire fully paid-up share capital of Banca Popolare di Sondrio (SUISSE) SA (CHF180,000,000).

Factorit S.p.A. – Milan.

The parent holds 60.5% of Factorit S.p.A.'s share capital (€ 85,000,002).

Sinergia Seconda S.r.l. – Milan.

The parent holds the entire quota capital of Sinergia Seconda S.r.l. (€ 60,000,000).

Popso Covered Bond S.r.l. – Conegliano.

The parent holds 60% of Popso Covered Bond S.r.l.'s quota capital (€ 10,000).



CONSOLIDATED INVESTMENTS:

	Registered office	Share/quota capital (in thousands)	Investment %
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 180,000	100
Factorit S.p.A.	Milan	85,000	60.5
Sinergia Seconda S.r.l.	Milan	60,000	100
Pirovano Stelvio S.p.A. **	Sondrio	2,064	100
Immobiliare San Paolo S.r.l. **	Tirano	10 *	100
Immobiliare Borgo Palazzo S.r.l. **	Tirano	10 *	100
Popso Covered Bond S.r.l.	Conegliano	10	60

* held by Sinergia Seconda S.r.l.

** not part of the banking group

EQUITY-ACCOUNTED INVESTMENTS:

	Registered office	Share/quota capital (in thousands)	Investment %
Alba Leasing S.p.A.	Milan	357,953	19.264
Arca Vita S.p.A.	Verona	208,279	14.837
Banca della Nuova Terra S.p.A.	Milan	50,000	19.609
Unione Fiduciaria S.p.A.	Milan	5,940	24.000
Polis Fondi S.g.r.p.a.	Milan	5,200	19.600
Rajna Immobiliare S.r.l.	Sondrio	20	50.000
Sofipo SA *	Lugano	(CHF) 2,000	30.000

* held by Banca Popolare di Sondrio (SUISSE) SA

Reference should be made to the «Basis of consolidation» section of the notes for further details of the equity investments' accounting treatment in this report.

HIGHLIGHTS

(€ 'million)	2015	2014*	Change %
Statement of financial position			
Loans and receivables with customers	24,733	24,012	3.00
Loans and receivables with banks	946	1,088	-13.07
Financial assets	8,963	9,071	-1.18
Equity investments	151	156	-3.29
Total assets	36,604	35,619	2.76
Direct funding from customers	29,997	29,717	0.94
Indirect funding from customers	30,543	28,553	6.97
Insurance premiums	1,015	898	13.14
Customer assets under administration	61,555	59,168	4.04
Other direct and indirect funding	4,801	4,030	19.12
Equity	2,517	2,407	4.55
Income statement			
Net interest income	277	298	-7.06
Total income	558	565	-1.34
Profit from continuing operations	149	129	15.54
Profit for the period	97	71	37.03
Financial statements indicators %			
Cost/income	38.29	36.20	
Net interest income/total assets	0.76	0.90	
Net financial income/total assets	0.98	1.00	
Net interest income/total income	49.60	52.65	
Administrative expenses/total income	43.23	40.24	
Profit for the period/Total assets	0.27	0.20	
Non-performing loans /Loans and receivables with customers	2.73	2.56	
Loans and receivables with customers/direct funding from customers	82.45	80.80	
Capital ratios			
CET1 capital ratio	10.20%	9.75%	
Total capital ratio	12.23%	11.28%	
Free capital	1,010	784	
Other disclosures on the banking group			
Number of employees	3,076	3,059	
Number of branches	350	348	

* The statement of financial position and capital ratio corresponding figures are as at 31 December 2014, while the income statement corresponding figures are for the six months ended 30 June 2014.

INTERNATIONAL SCENARIO

Hopes to emerge from recession and fears of being disappointed again; recovery and alarm linked to the Greek crisis, which nearly threatened the whole idea of the EU. The saying goes that dreams fade away at dawn, but at a certain point, it nearly seemed that the Euro would not see another dawn.

We now know that gruelling negotiations have finally led to an agreement, but we also know that this is only the beginning of a journey that will be long and difficult.

After a slight slowdown in the first quarter of the year, the global economic picked up again in the second three months, but there were obstacles linked to both the deceleration of certain emerging economies (Brazil and Russia) and the financial instability seen in China. The Asian giant's growth rate was around 7% in the second quarter, the lowest in six years. Furthermore, tensions on the stock market may put additional strain on its economic cycle.

Global inflation levels remained low during the reporting period, thanks in part to the oil prices that were adversely affected by excess supply.

Turning to the Eurozone, the GDP continued its growth trend in the first quarter (+ 0.4%), almost equally in all the member states. Inflation returned to slightly positive levels. The persistence of very expansionary monetary conditions significantly affected the cost of money, which decreased again, to the benefit of businesses and households.

THE GROUP'S REFERENCE MARKETS

Italy

After three years of recession, Italy's GDP returned to a slightly positive growth rate (+0.1%).

Remarkably, this happened thanks to the domestic demand. While private consumption levelled out at + 0.3% and collective consumption remained stable, investments, the most critical component, rebounded by + 0.4%, after having fallen by 3.1% in the last quarter of 2014.

As for the cross-border trade, imports (+3.8%) exceeded exports, which were nonetheless still lively (+ 3.5%). In any case, the international trade balance, especially with non-EU partners, has confirmed its growth in the first five months of the year, rising by € 2 billion compared to nearly € 14 billion in the first five months of the previous year.

The unemployment situation improved slightly, although it is still very difficult, especially for young people.

After having reached the lowest point (-0.5%) of the deflationary phase in January, prices are now improving and registered an increase of + 0.2% at the end of June, in perfect alignment with the Eurozone average.

Italy's net debt as a percentage of GDP is expected to decrease to 2.6% from 3% in 2014. However, there are fears that the debt ratio will rise again this year, from 132.1% to approximately 133.3%.

The stock exchange celebrated the above-mentioned positive signs with a performance exceeding 18%, while the spread, which had narrowed again from 135 bp to 88 bp on 12 March, suffered the aggravation of the Greek crisis, ending the six months near the peak of 157 bp.

The Swiss Confederation

In the first quarter of 2015, exports shrank to a negative -0.7%, negatively affected by the Swiss franc exchange rate, while imports remained stable. This slowed down GDP growth to 1.1%, about half in comparison to the previous two years, despite a domestic component supported by household spending which rose by 1.8%, and the public spending boost (+2.6%).

Unemployment was also higher than the 2.9% figure recorded at 30 June 2013 and 2014, despite having dropped to 3.1% from 3.5% in the first two months of the year.

Deflation, which last year did not exceed the -0.2% peak of February, worsened steadily over the first six months of 2015, except for January (-0.1%), up to -0.9% in May, only mitigated by an improvement to -0.6% at the reporting date. This is another effect of the decline in import prices triggered by the appreciation of the Swiss franc when Swiss Central Bank (SNB) discontinued the exchange rate ceiling of 1.20 against the Euro in mid-January.

The rise in the exchange rate towards currency parity was only cushioned by the concurrent cut of 50 cents in the reference interest rates. The lower level of the fluctuation range of the three-month Libor had already been brought from 0 to -0.75% in December 2014, but also its higher level, which had been 0.25% since 2011, fell to below zero.

At the same time, as a result of the deterioration of exporters' forecast profits, the SMI stock index lost almost 15% in three days. Despite its subsequent improvement, it finished the first half of the year with a drop of more than 2%.

DOMESTIC CREDIT MARKET

Although the ECB shaved its reference rate down from 0.15% to a new all-time-low of 0.05% between June 2014 and June 2015, the Italian banks' average rate of return on interest-bearing assets plummeted from 3.47% to 2.88%, including as a result of the sharp decrease in the return on securities from 2.80% to 1.79%.

Concurrently, the average cost of Euro funding from households and non-financial companies decreased from 1.71% to 1.35%, leading to a narrowing of the trading differential from 1.76% to 1.53%.

The volume of the above funding decreased by 3% on an annual basis. Lending to households and non-financial companies gradually limited its fall to -0.7%. While financing with a term of up to twelve months confirmed their decline, down 1.7%, those with a longer term were down 0.4%.

The net non-performing loans to loans ratio continued to deteriorate from 4.2% in May 2014 to 4.6% in May 2015.

GEOGRAPHICAL EXPANSION

The independent growth process that commenced in the last few years was continued over the first six months of 2015 with the expansion of the branch network, which is one of the most important tools for the progressive expansion of the group into new markets.

The group believes that this development model continues to be effective even in the current market scenario, although many competitors are streamlining their geographical presence.

Moreover, the ongoing economic crisis has demonstrated that a further enhancement of our already strong relationship with the local businesses where the group is present is of the utmost importance to it.

The group had 350 bank branches at the reporting date compared to 348 at the end of 2014, following the opening of two branches by Banca Popolare di Sondrio.

In Piedmont, the group settled in Alba which, with its nearly 32,000 inhabitants, is the historical and economic capital of the Langhe area. The city lies at the centre of an area known for the beauty of its landscapes and for the undisputed prestige of its products: the famous wines, that are a pillar of the national wine production, and white truffle, the jewel in the area's crown. For these reasons, the Langhe area has long been at the centre of a gourmet circuit able to attract tourists from Italy and abroad. A development model that has managed to combine economic growth and traditions. It has been included in the list of UNESCO World Heritage Sites: «Vineyard Landscape of Piedmont: Langhe-Roero and Monferrato» Moreover, Ferrero S.p.A., which has based its success story on the use of a local product: the famous hazelnut, staple ingredient of Nutella, is based in Alba. Other important production companies, less known by the general public, but well established in their business sectors, are also based in the same area.

With the opening of the Padua branch, the parent got its foot in the door of the east-central part of the Veneto region. It is a significant step, justified not only by the intention to boost the group's general operating growth, but also by the specificity of the local market. The subsidiary Factorit S.p.A. already had an office in Padua and was able to verify the liveliness of the local and surrounding markets and made the name of the group known. Padua, provincial capital, is a city of over 210,000 inhabitants, rich in history and culture, which houses art unique treasures in its

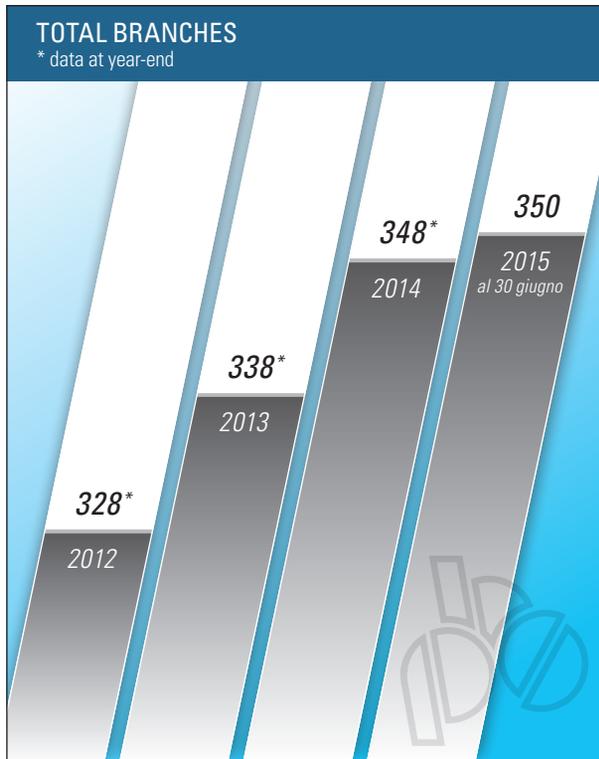
Sportelli aperti nel primo semestre 2015



ALBA (CN)



PADOVA



historic centre, such as the Scrovegni Chapel or the Palazzo della Ragione. It is also known as the city of the Saint, thanks to the presence of the Basilica of St. Anthony, one of the most important pilgrimage sites of our country. Its cultural institutions are equally important: indeed, the University of Padua is one of the oldest in the world and attended by tens of thousands of students. Since the end of the Second World War, an industrial area has developed near the city, which has become increasingly larger over the decades. Hundreds of companies, operating in various production sectors, are based there.

FUNDING

During the reporting period, funding seemed to stabilise at system level, despite still showing negative growth. Two opposing trends led to this result: the weak performance of medium and long term instruments and the more dynamic performance of short term instruments. Liquidity continued to be available in large quantities, thanks to the ECB's expansionary monetary policy. Market rates remained at historic lows, and interbank rates were actually negative for the first time. These events all took place in a context characterised by intermittent concerns about the increasing difficulty in managing the crisis in Greece.

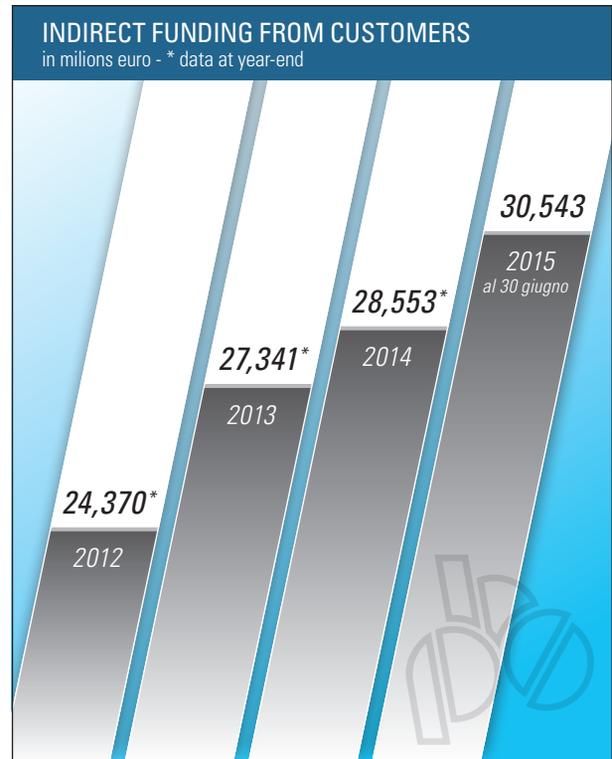
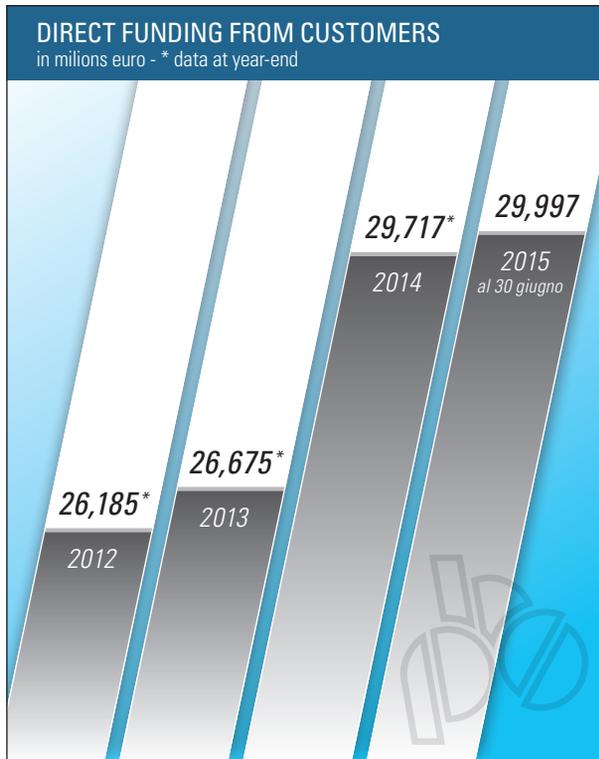
In line with general trends, the Group revised the conditions applied, especially the more expensive ones. This was facilitated by a reduced need for funding, due to its good treasury position and lending performance.

On the other hand, taking into account the reduced difference in yields between the various financial instruments, once again, customers privileged the most liquid ones, but also took particular interest in managed funds.

In the situation outlined above, the group recorded an increase in direct funding from customers to € 29,997 million, up by 0.94% on 31 December 2014 and by 11.94% on an annual basis.

Indirect funding from customers totalled € 30,543 million at market value, +6.97% on the previous year end, due to the positive financial market performance during the reporting period as well as customers' decisions about financial investments. It grew 10.18% on an annual basis.

Insurance premiums grew to € 1,015 million, up by 13.14% on 31 December 2014 and by 20.59% on 30 June 2014.



DIRECT FUNDING FROM CUSTOMERS

(€ '000)	30-06-2015	%	31-12-2014	%	Change %
Savings deposits	573,242	1.91	551,236	1.85	3.99
Certificates of deposit	9,208	0.03	8,991	0.03	2.41
Bonds	3,149,794	10.50	3,327,681	11.20	-5.35
Reverse repurchase agreements	1,568,682	5.23	383,722	1.29	308.81
Bank drafts and similar securities	110,690	0.37	69,526	0.23	59.21
Current accounts	20,507,309	68.37	20,829,606	70.10	-1.55
Term deposits	1,572,379	5.24	2,116,369	7.12	-25.70
Foreign currency accounts	2,506,173	8.35	2,429,909	8.18	3.14
Total	29,997,477	100.00	29,717,040	100.00	0.94

TOTAL FUNDING

(€ '000)	30-06-2015	%	31-12-2014	%	Change %
Total direct funding from customers	29,997,477	45.21	29,717,040	47.02	0.94
Total indirect funding from customers	30,542,630	46.02	28,553,277	45.18	6.97
Total insurance premiums	1,015,381	1.53	897,468	1.42	13.14
Total	61,555,488	92.76	59,167,785	93.62	4.04
Due to banks	2,614,342	3.94	2,314,035	3.66	12.98
Total indirect funding from banks	2,186,880	3.30	1,716,455	2.72	27.41
Total	66,356,710	100.00	63,198,275	100.00	5.00

Total funding from customers rose to € 61,555 million, up by 4.04% on 31 December 2014 and by 11.19% on an annual basis.

Due to banks increased by 12.98% to € 2,614 million. They comprise refinancing operations with the ECB (€ 1,098 million), which are commented on in the section on securities trading and treasury.

Indirect funding from banks rose by 27.41% to € 2,187 million.

As a result, total funding went from € 63,198 million at the end of 2014 to € 66,357 million (+5%).

The «Direct funding from customers» table shows the various items in more detail compared to that set out in the notes, with a short comment on the main captions.

After the sudden jump recorded in 2014, Euro and foreign currency current accounts came in at € 23,013 million, -1.06%, while term deposits continued to decrease to € 1,572 million, -25.70%. These accounts made up 76.72% of total direct funding. Bonds reduced by 5.35% to € 3,150 million due to repayments exceeding new issues. The parent issued seven-year subordinated Tier II bonds of € 200 million. Savings deposits increased by 3.99% to € 573 million, while repurchase agreements more than tripled, up by 308.81% to € 1,569 million, due to the monetary markets' particular conditions in June. Certificates of deposit remained substantially stable at € 9 million, confirming their marginal contribution. Bank drafts jumped 59.21% to € 111 million.

Reference should be made to the section on securities trading and treasury for information on managed funds.

LENDING

The modest restart of the economic cycle - which is still at risk because of the uncertainty generated by the Greek situation - and the persistence of extremely low rates did not give rise to allow a real recovery in demand for credit. However, the abundant liquidity with which the ECB has flooded markets has started to produce effects, mainly the decrease in borrowing costs including for small and medium sized companies. Moreover, the decline in credit to businesses mitigates, although credit demand remained weak due to investments' little vitality.

Credit supply is becoming increasingly competitive, also due to the improved liquidity conditions, although prudence is still recommended due to credit quality issues. Indeed, the absorption of the huge amount of non-performing loans accumulated during the worst crisis since WW2 requires much more than the timid signs of recovery seen so far.

Given the continued uncertainties and difficulties, the group privileged transactions with businesses based in the areas in which it operates.

Loans and receivables with customers came to € 24,733 million at the reporting date, up by 3% and 3.6% on 31 December and 30 June 2014, respectively.

The various items comprising loans and receivables with customers contributed differently to the total. They are analysed in the table on loans and receivables with customers in more detail and with different criteria compared to the disclosure provided in the notes.

Mortgage loans totalled € 9,338 million, +4.07%, accounting for 37.75% of loans and receivables with customers, representing the most significant item thereof. The item comprises assets transferred and not derecognised relating to the securitisation carried out by the parent (€ 1,067 million) and to the group's first and sole issue of covered bonds (€ 684 million). The transfers did not meet the requirements of IAS 39 for the derecognition of the loans. Current accounts, which account for 22.61% and are the second most important component of the caption, decreased by 5.97% to € 5,592 million. Other transactions and unsecured loans performed well, rising to € 4,201 million, +11.50%, as well as reverse repurchase agreements, which are investments of temporary surpluses of liquidity and increased from € 588 million to € 723 million, +23.00%. Foreign currency financing increased by 3.88% to € 1,463 million, advances by 4.28% to € 435 million and personal loans by 4.61% to € 187 million. Factoring receivables relating to Factorit S.p.A. decreased by 0.85% to € 1,635 million and advances under reserve by 6.61% to € 221 million. Debt instruments rose by 12.34% to € 187 million and relate to securitisations of loans granted to customers by the group companies Banca della Nuova Terra S.p.A. and Alba Leasing S.p.A..

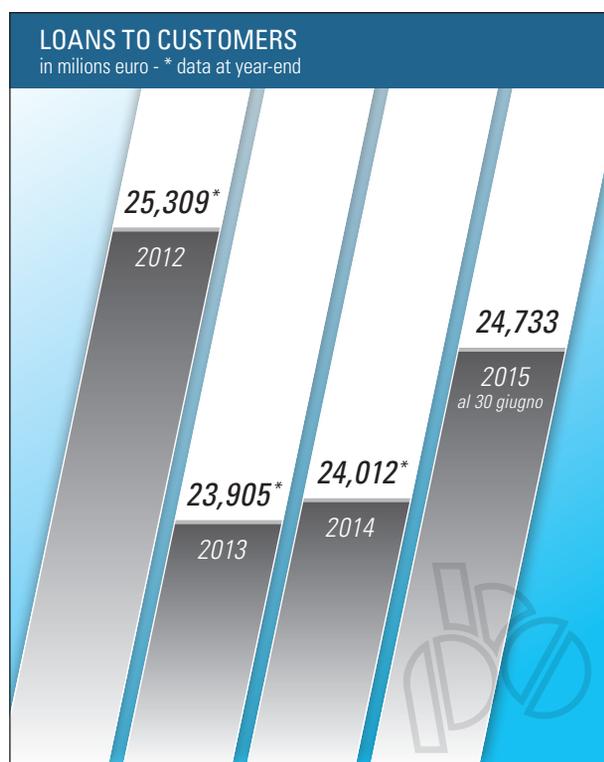
The loans and receivables with customers/direct funding from customers ratio came to 82.45%, compared to 80.80% at the end of the previous year.

As mentioned earlier, credit quality is an issue due to the continued difficult general situation, which caused an increase in non-performing loans, against which the group made substantial provisions, as it did at the end of 2014, when it also took account of the findings of the Asset Quality Review and Comprehensive Assessment. Reference should be made to the directors' report included in the 2014 annual report for further details.

Doubtful loans were calculated in accordance with the new definition of non-performing exposures («NPE») prepared by the European Banking Authority in the implementing technical standards issued on 24 July 2014 and endorsed by the European Union on 9 January 2015. Under the new definition, impaired financial assets shall be broken down into the following categories: non-performing, probable defaults and impaired past due and/or overdue exposures. Reference should be made to the note to loans and receivables.

2014 impaired loans and receivables have been reclassified accordingly for comparative purposes.

Despite growing at a slower pace, NPE increased by 5.91% to € 2,192 million, i.e., 8.86% of total loans and receivables with customers, compared to 8.62% at the end of 2014. The increase is again due to the difficult general situation mentioned above. The related impairment losses totalled € 1,777 million, equal to 44.77% of their gross amount, compared to 43.21% at 31 December 2014. A summary of doubtful exposures is given in a specific table.



Non-performing exposures, net of impairment losses, totalled € 674 million, +9.72%, equal to 2.73% of total loans and receivables with customers, compared to 2.56% and 2.22% at 31 December and 30 June 2014, respectively. Despite still increasing, the growth rate of net non-performing loans was considerably lower than the 33.39% increase of 2014. Moreover, the growth rate of the second quarter of 2015 at 2.73% shows a strong decrease compared to 6.81% recorded in the first quarter.

Impairment losses grew by 14.10% to € 1,103 million due to expected losses on non-performing exposures, accounting for 62.07% thereof, compared to 61.14% at the end of 2014. The coverage level is the result of the prudent provisioning policy, whereby the group confirms its positions among those with the highest levels of coverage in Italy.

LOANS AND RECEIVABLES WITH CUSTOMERS

(€ '000)	30-06-2015	%	31-12-2014	%	Change %
Current accounts	5,591,717	22.61	5,946,569	24.76	-5.97
Foreign currency financing	1,462,586	5.91	1,407,998	5.86	3.88
Advances	434,911	1.76	417,065	1.74	4.28
SBF advances	221,390	0.90	237,070	0.99	-6.61
Discounted portfolio	7,566	0.03	9,066	0.04	-16.55
Loans to craftsmen	39,477	0.16	25,647	0.11	53.92
Agricultural loans	29,808	0.12	31,614	0.13	-5.71
Personal loans	187,471	0.76	179,206	0.75	4.61
Other transactions and					
unsecured loans	4,201,414	16.99	3,767,919	15.69	11.50
Mortgage loans	9,337,570	37.75	8,972,075	37.36	4.07
Non-performing exposures	674,234	2.73	614,513	2.56	9.72
Reverse repurchase agreements	722,610	2.92	587,505	2.45	23.00
Debt instruments	186,731	0.75	166,219	0.69	12.34
Factoring	1,635,391	6.61	1,649,459	6.87	-0.85
Total	24,732,876	100.00	24,011,925	100.00	3.00

LOANS AND RECEIVABLES WITH CUSTOMERS - IMPAIRED AND PERFORMING EXPOSURES

(€ '000)		30-06-2015	31-12-2014	Change	Change %
Impaired	Gross amount	3,968,377	3,644,290	324,087	8.89
	Impairment losses	1,776,689	1,574,856	201,833	12.82
	Net amount	2,191,688	2,069,434	122,254	5.91
- Non-performing	Gross amount	1,777,381	1,581,305	196,076	12.40
	Impairment losses	1,103,147	966,792	136,355	14.10
	Net amount	674,234	614,513	59,721	9.72
- Probable defaults	Gross amount	1,747,180	1,634,054	113,126	6.92
	Impairment losses	614,436	554,787	59,649	10.75
	Net amount	1,132,744	1,079,267	53,477	4.95
- Past due	Gross amount	443,816	428,931	14,885	3.47
	Impairment losses	59,106	53,277	5,829	10.94
	Net amount	384,710	375,654	9,056	2.41
Performing loans and receivables	Gross amount	22,690,947	22,088,057	602,890	2.73
	Impairment losses	149,759	145,566	4,193	2.88
	Net amount	22,541,188	21,942,491	598,697	2.73
Total loans and receivables with customers	Gross amount	26,659,324	25,732,347	926,977	3.60
	Impairment losses	1,926,448	1,720,422	206,026	11.98
	Net amount	24,732,876	24,011,925	720,951	3.00

Considering the actual losses recognised in profit or loss in previous years in relation to non-performing exposures, which are identified for accounting purposes in the hope of any recoveries, the coverage of these loans and receivables is 72.02%.

Probable defaults are exposures other than non-performing exposures and are classified as such when it is improbable that the debtors will fully meet their obligations, although the bank may resort to protection measures, such as the enforcement of guarantees. They increased by 4.95% to € 1,133 million, equal to 4.58% of total loans and receivables with customers and the related impairment losses rose by 10.75% to € 614 million, with a coverage of 35.17% compared to 33.95% at 31 December 2014.

Impaired past due and/or overdue exposures, which include different exposures to those classified as non-performing or probable defaults, that were past due and/or overdue by more than 90 days at the reporting date and exceeded the established materiality threshold totalled € 385 million, up by 2.41%, and account for 1.56% of total loans and receivables with customers, unchanged from the end of 2014. Their coverage increased to 13.32% from 12.42% at the end of the previous year.

Performing exposures increased by 2.73% to € 22,541 million and the related impairment losses totalled € 150 million, i.e., 0.66% thereof.



Impairment losses totalled € 1,926 million, +11.98%, and are sufficient also based on the findings of the Asset Quality Review, which is not only an indication but also a guideline.

In accordance with Consob (the Italian Commission for listed companies and the stock exchange) Communication no. DEM/RM11070007 of 5 August 2011, it is noted that loans and receivables with customers include financing granted to government and local bodies (€ 86 million), state and local government owned entities (€ 475 million) and various bodies (€ 83 million).

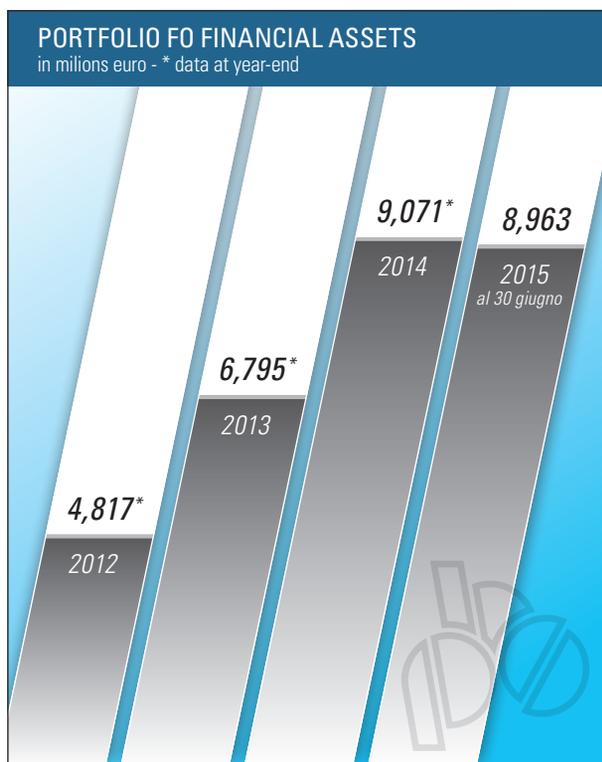
SECURITIES TRADING AND TREASURY

During the reporting period, the main international stock markets performed well on the whole, helped by monetary and macroeconomic conditions that fuelled risk appetite, with some indices growing up to their long-term highs, before declining towards the end of the period, as a result of the Greek crisis.

In the US, the Standard & Poor's 500 index posted a record high in May, thanks to good company profit forecasts and the liveliness of corporate finance business operations, and ended the period at + 0.20%. The Dow Jones index also performed well (+5.30%), while the Nasdaq index scored -1.14%.

A similar trend was recorded in Europe, with the Euro Stoxx 50 index posting a high since 2008 in April, supported by the extraordinary liquidity injections by the ECB (Quantitative Easing). It was then affected by the events related the Greek bailout and but it nonetheless grew and ended the first half of the year at +8.83%. The strong international performance was reflected with greater intensity on the FTSE MIB, which recorded a growth of 18.14% for the reporting period. The Swiss Market Index showed a limited countertrend (-2.25%).

The aforementioned markedly expansionary manoeuvres of the ECB also affected the bond markets, eroding government bond yields, which plummeted to all-time lows half way through the reporting period, and the yield on ten-year BTP (Italian treasury bonds) to near 1%. This was followed, at international level, by a turnaround caused by expectations of higher inflation, the growing signs of economic recovery and expectations



of rising US interest rates, as well as by the aforementioned Greek crisis. In this context, the BTP-BUND spread was 157 bp at the reporting date, with a low of 88 bp during the period.

The banking group's financial transactions are commented on below.

The reporting-date net interbank position was a negative € 1,668 million, greater by € 442 million from the negative € 1,226 million at the end of 2014. Net of the TLTRO carried out by the parent with the ECB, totalling € 1,098 million, the balance would reduce to a negative € 570 million. Treasury activities were at high levels, growing in terms of both amounts and number of transactions compared to the corresponding period of the previous year. In particular, they comprised lending transactions, as the group has always had a high level of liquidity, so much that the parent decided not to request new loans from the ECB when it allocated new funds in March and June, again as part of the TLTRO programme, aimed at providing additional liquidity to the banking system. In addition, the group can rely on a substantial portfolio of assets eligible for refinancing that, net of the haircuts applied, amounted to € 9,220 million, showing a slight increase (1.19%) on the year end.

The group's sound liquidity position was reflected on the performance of interest-bearing assets, i.e., securities portfolios and loans and receivables. No transfers of financial assets between portfolios took place. A breakdown of financial assets is provided below:

FINANCIAL ASSETS

(€ '000)	30-06-2015	31-12-2014	Change %
Financial assets held for trading (HFT)	2,054,375	2,338,630	-12.15
<i>including derivatives</i>	62,459	59,908	4.26
Financial assets at fair value through profit or loss (CFV - Carried at Fair value)	95,092	84,702	12.27
Available-for-sale financial assets (AFS)	6,671,993	6,498,605	2.67
Held-to-maturity investments (HTM)	141,860	148,620	-4.55
Hedging derivatives	-	-	-
Total	8,963,320	9,070,557	-1.18

Total financial assets dropped slightly from € 9,071 million at the end of 2014 to € 8,963 million (-1.18%), while they decreased by 26.90% compared to 30 June 2014. The period was characterised by a great number of trades, more than in the corresponding period of the previous year, involving principally the HFT and AFS portfolios. Transactions took place according to traditional management guidelines and, taking advantage of the good

market climate, the group sold securities, mostly government bonds, realising significant gains on disposal/trading, and subsequently purchased newly-issued similar securities similar with a limited term. Indeed, the portfolio duration was maintained at just over three years. New investments concerned mainly BOT (Italian treasury bills), BTP and CTZ (Italian zero-coupon bonds), with a smaller change in CCT (Italian treasury credit certificates).

In accordance with Consob Communication no. DEM/RM11070007 of 5 August 2011, it is noted that the above portfolios included government bonds included in the «sovereign debt» category, i.e., issued by central and local governments and government bodies (€ 7,940 million), almost fully related to securities issued by the Italian government. They did not include securities issued by Greece.

Financial assets held for trading

Financial assets held for trading (HFT) are broken down in the following table and totalled € 2,054 million, down by 12.15% and 23.22% on 31 December and 30 June 2014, respectively. This trend is in line with 2014 and is due to the sales made that resulted in considerable trading income for the group.

(€ '000)	30-06-2015	31-12-2014	Change %
Floating-rate Italian government bonds	840,237	1,039,213	-19.15
Fixed-rate Italian government bonds	765,544	892,521	-14.23
Bank bonds	165,960	164,745	0.74
Bonds - other issuers	63,865	52,175	22.41
Securitisations	34,982	37,406	-6.48
Equity instruments and OEIC units	121,328	92,662	30.94
Derivatives	62,459	59,908	4.26
Total	2,054,375	2,338,630	-12.15

The HTF portfolio mix did not substantially change, retaining its simple structure. Once again, the group privileged investing in Italian government bonds, which, despite decreasing to € 1,606 million compared to € 1,932 million at the end of the previous year, still make up 78.16% of the portfolio. Floating-rate bonds at € 840 million make up 40.90% of the portfolio, while fixed-rate bonds, BOT and BTP, at € 766 million, account for 37.26%. They both decreased: the floating-rate bonds by 19.15% and the fixed-rate bonds by 14.23%.

Corporate bonds are all of high standing and include bank bonds of € 166 million (+0.74%), and bonds of other issuers of € 64 million (+22.41%). Securitisations fell by 6.48% to € 35 million and involved senior securities. Equity instruments and OEIC units still represent a small portion of the

portfolio, although increasing by 30.94% from € 93 million to € 121 million. Derivatives rose from € 60 million to € 62 million, +4.26%.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (CFV) totalled € 95 million, +12.27%. They almost exclusively comprise units of investment funds. The increase is mostly due to fair value gains following their good performance during the reporting period.

Available-for-sale financial assets

Available-for-sale financial assets (AFS) rose by 2.67% from € 6,499 million to € 6,672 million. The increase is the result of various trends in the portfolio's different components and is mainly due to the difference between purchases and sales of Italian government bonds, which totalled € 5,989 million at the reporting date (+7.26%). They were classified as AFS in order to reorganise the various portfolios and to at least partially mitigate the possible impact of the securities portfolio's volatility on profit or loss, following the now recurring financial market turmoil. The new purchases were aimed at investing liquidity and replacing the similar securities sold.

(€ '000)	30-06-2015	31-12-2014	Change %
Floating-rate Italian government bonds	1,664,933	1,586,065	4.97
Fixed-rate Italian government bonds	4,324,025	3,997,549	8.17
Other bonds	6,797	6,725	1.07
Other bonds in foreign currency (USD)	268,459	452,182	-40.63
Equity instruments	113,790	56,906	99.96
OEIC units (EUR)	188,464	178,542	5.56
OEIC units in foreign currency (USD)	105,525	220,636	-52.17
Total	6,671,993	6,498,605	2.67

Available-for-sale financial assets include OEIC and fund units totalling € 294 million (-26.35%). The decrease is due to the sale of USD OEIC units. USD bonds also decreased (-40.63%) to € 268 million due to sales, while other bonds are almost unchanged at € 7 million. Equity instruments rose by 99.96% to € 114 million. The € 39 million increase is substantially due to the fair value gains on equity investments in ICBPI S.p.A. and Cartasì S.p.A., based on the price calculated when the former shareholders (part of a shareholder agreement) sold the ICBPI Group. AFS financial assets are carefully monitored to identify any impairment. The group recognised net fair value gains of € 1.432 million, net of the tax effect, in the fair value reserve, which rose to a positive € 75.537 million.



The group tested the equity instruments and units of investment funds for impairment, recognising impairment losses of € 2.724 million in profit or loss.

Held-to-maturity investments

The HTM portfolio solely comprises debt instruments and decreased by 4.55% to € 142 million due to repayments. The fair value gains amounted to € 12 million. Following the impairment test, the group impaired bonds from one issuer by € 2.192 million.

Managed funds

The domestic asset management sector continued its excellent performance, with a considerable closing balance of net inflows, especially in the flexible bond, balanced and equity segments, while net divestments affected the monetary and speculative segments.

The group benefitted from the generally positive trend of the sector. Total assets under management (mutual funds, OEICs, direct management) rose to € 4,709 million, with an increase of 7.55% and 9.07% on 31 December 2014 and 30 June 2014, respectively.

EQUITY INVESTMENTS

At 30 June 2015, equity investments amounted to € 151 million, down by € 5 million on the end of 2014. The decrease is substantially due to the effect of equity accounting.

Equity investments excluded from the consolidation scope are commented on below.

Rajna Immobiliare S.r.l. (50%). Real estate company jointly controlled with Credito Valtellinese.

The investee owns a valuable portion of a property in Sondrio, that it has partially leased, together with office equipment, to Equitalia Nord S.p.A., a tax collection company belonging to the Equitalia Group.

It performed well during the first six months of the year.

Unione Fiduciaria S.p.A. (24%). Company incorporated and owned by cooperative banks, active in trust registration and provision of services to banks, financial intermediaries and businesses.

Leader in its business segment at national level, the investee operates profitably in both the classic trust segment and IT and consulting services, the latter mainly on regulatory issues, offered to banks and financial companies.



**Banca Popolare
di Sondrio**

Fondata nel 1871

I - 23100 Sondrio SO
piazza Giuseppe Garibaldi 16

tel. +39 0342 528111
fax +39 0342 528204



www.popso.it
info@popso.it

BRANCHES

in the provinces of

SONDRIO
ALESSANDRIA
BERGAMO
BOLOGNA
BOLZANO
BRESCIA
COMO
CREMONA
CUNEO
GENOVA
LECCO
LODI
MANTOVA
MILANO
MONZA E BRIANZA
NOVARA
PADOVA
PARMA
PAVIA
PIACENZA
ROMA
SAVONA
TORINO
TRENTO
VARESE
VERBANO CUSIO OSSOLA
VERCELLI
VERONA

and in the Autonomous Region
of Valle d'Aosta in AOSTA

Representative offices outside Italy:

HONG KONG - SHANGHAI
(with other banking partners)

Desks outside Italy:

ATHENS - BEOGRAD - BRUXELLES
BUCURESTI - BUDAPEST - BUENOS AIRES
CASABLANCA - CHICAGO - CHISINAU
CIUDAD DE MEXICO - DUBAI
JOHANNESBURG - LISBOA - LONDON
LYON - MARSEILLE - MINSK - MOSCOW
MUMBAI - PERPIGNAN - PERTH
SAO PAULO - SHANGHAI - SOFIA
SYDNEY - TASHKENT - TORONTO
TUNIS - ULAANBAATAR - WARSZAWA

(c/o different partners)

THE BANKING GROUP IN THE HEART OF THE ALPS



BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

CH - 6900 Lugano
via Giacomo Luvini 2a

tel. +41 58 8553000
fax +41 58 8553015

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

LUGANO via Giacomo Luvini 2a
LUGANO via Maggio 1
LUGANO Cassarate
PARADISO - BASEL
BELLINZONA - BERN
BIASCA - CASTASEGNA
CELERINA - CHIASSO - CHUR
LOCARNO - MENDRISIO
NEUCHÂTEL - PONTRESINA
POSCHIAVO - SAMEDAN
ST. MORITZ - ZÜRICH

Principality of Monaco:
MONACO



Factorit
GRUPPO Banca Popolare di Sondrio

I - 20122 Milano MI
via Cino del Duca 12

tel. +39 02 58150.1
fax +39 02 58150.205

www.factorit.it
info@factorit.it

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

Branch offices in MILANO, TORINO,
PADOVA, BOLOGNA, SIENA, ROMA
and NAPOLI. Member of Factors Chain
International with over 270 foreign
correspondents in the most important
international markets. Operating
at Banca Popolare di Sondrio's branches
and at its partner banks' counters.



PIROVANO PASSO
DELLO
STELVIO
L'UNIVERSITÀ DELLO SCI 2 7 6 0
SNOWBOARD UNIVERSITY m e t r i
L'UNIVERSITÀ DELLA MONTAGNA 3 4 5 0

I - 23100 Sondrio SO
via Delle Prese 8

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

www.pirovano.it
info@pirovano.it

SUMMER SKIING
SNOWBOARD
NORDIC SKIING
WELLNESS
FITNESS
QUOTA 3000 MEETING
LA TERRAZZA
DEL PIROVANO
WINE BAR
TOURING POINT

Its consolidated highly professional employees, together with qualified and diversified external consultants, ensure service quality, continuously honed expertise and inclination for innovation.

It performed well during the reporting period.

Alba Leasing S.p.A. (19.26%). Active in the finance lease sector.

Fifth domestic player in the financial lease sector and owned by other cooperative banks, the investee showed a satisfactory commercial performance, to which the group contributed giving it a significant amount of referrals, and disbursements increased over the same period of 2014.

It recorded a profit for the reporting period, boosted by the growth in operations and the constant cost containment measures, despite a reduction in unit profit margins due to the market interest rate trends.

Banca della Nuova Terra S.p.A. (19.609%). Bank specialised in the provision of loans to companies operating in the agricultural, agro-industrial, environmental protection and renewable energy sources sectors.

After having suspended the disbursement of new loans, the investee continues the activities propaedeutic to orderly exit from the banking market, as the conditions to continue projects supporting the primary sector through a specialised structure no longer exist.

It recorded a loss for the period.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (19.60%). A company active in the promotion and management of real estate funds.

In the first half of the year, the investee started up new vehicles for the management of impaired mortgage loans transferred by banks of different sizes, as well as more traditional funds, focused on the acquisition of leased property. Management of the Polis fund, its main asset, continues regularly.

Its performance continued to be positive, thanks to a balanced ratio of fee and commission income to the larger costs incurred to strengthen the company's structure.

Arca Vita S.p.A. (14.837%). A company active in the life insurance business, controlled by Unipol Gruppo Finanziario S.p.A..

In line with the positive market trend, the investee has worked intensely in terms of net premiums. The contribution of the group's network increased notably, benefitting from, among other things, the constant updating of its products. The non-life business carried out by its subsidiary Arca Assicurazioni confirmed the product competitiveness, despite the tougher rivalry in the motor insurance segment.

Arca Vita performed well during the reporting period.

Servizi Internazionali e Strutture Integrate 2000 S.r.l. (33.333%). This international service company is equally owned by the group and its related companies Banca Popolare dell'Emilia Romagna and Veneto Banca.

It provides consulting and assistance services related to the Chinese market, through its representative offices in Hong Kong and Shanghai, to banks that have an investment therein or with which it has an agreement and their respective customers. It also operates through its Milan office, expert in risk analysis of credit systems, individual banks and countries, especially emerging countries.

It closed the six months with a break even.

TRANSACTIONS WITH ASSOCIATES EXCLUDED FROM THE CONSOLIDATION SCOPE

At 30/06/2015 (€ '000)

	Associates of the parent		Associates of subsidiaries	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
ASSETS				
Loans and receivables with banks	-	-		
Loans and receivables with customers	498,629	528,142	902	929
Other financial assets	13,717	13,510	-	-
LIABILITIES				
Due to banks	2,520	2,933		
Due to customers	113,867	179,113	332	270
Other financial liabilities	-	-	-	-
GUARANTEES AND COMMITMENTS				
Guarantees issued	105,413	105,912	98	98
Commitments	188,849	15,649	-	-

Related party transactions

Related party transactions are governed by the «Related party transaction regulation» adopted with Consob Resolution no. 17221 of 12 March 2010, as subsequently amended. The disclosures required by said regulation and Bank of Italy's measure on «Risk assets and conflicts of interest with other group companies» of 12 December 2011 are set out below.

Related party transactions, identified in accordance with IAS 24 and the above-mentioned Consob Regulation, are part of the banking group's ordinary business and are carried out on an arm's length basis or, lacking suitable parameters, based on incurred costs.

With reference to the disclosure requirements of article 5 of the Consob Regulation, it is noted that the relevant bodies of the parent approved the following related party transactions from 1 January to 30 June 2015:

- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a revocable credit line to discount bills with securities guarantee deposit of € 7,000,000; resolution of 22 January 2015;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of a revocable exchange rate credit line of € 1,050,000,000; resolution of 08 May 2015.

The group did not carry out any related party transactions during the first six months of the year that had a significant effect on the banking group's financial position or results of operations. Moreover, there were no changes and/or developments in the related party transactions carried out in 2014, none of which were atypical, unusual or carried out at other than market conditions, that had a material impact on the banking group's financial position at 30 June 2015 or its results of operations for the six months then ended.

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, it is noted that the transactions or balances with related parties, as classified by the aforesaid IAS 24 and Consob Regulation, had a limited impact on the banking group's financial position, financial performance and cash flows. Reference should be made to the «Related party transactions» section of the note for a table summarising related party transactions.

The group has not performed atypical and/or unusual transactions during the six months, i.e., transactions that, according to Consob Communications no. DAC/98015375 of 27 February 1998 and no. DEM/1025564 of 6 April 2001, do not form part of its normal operations that, considering their significance/materiality, nature of counterparties, transfer pricing and timing, would give rise to doubts as to the accuracy of the financial statements disclosures, conflicts of interests, safeguarding of corporate assets and protection of shareholders' interest.

PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment, investment property and intangible assets totalled € 318 million, up by 15.33%. Property, equipment and investment property amounted to € 294 million, +15.62%, an increase mainly attributable to the investments in property made by Centro delle Alpi Real Estate fund. Intangible assets came to € 24 million, +11.87%, including goodwill of € 8 million. The latter is tested for impairment at least annually. The latest test was carried out when the consolidated financial statements at 31 December 2014 were prepared. There was no need to test intangible assets for impairment at the reporting date.

OTHER PROVISIONS

They comprise post-employment benefits of € 44 million, -2.96%, and provisions for risks and charges of € 165 million, -0.86%.

INTERNATIONAL SERVICE

The vast knowledge of international markets gained over decades is one of the group's strengths. With its feet firmly planted in the areas in which it operates, the group has always looked carefully at what was happening beyond national borders, accumulating experience and forming professionals able to provide qualified services to its customers.

The aim has always been to offer new growth opportunities to businesses. The group contributed to the development and accessibility of the export channel, which, even in the darkest years of the economic crisis, was the main growth opportunity for many domestic manufacturers.

The group's endeavours were aimed at helping corporate customers to broaden their operating horizons, develop an understanding of international markets that is necessary to develop sound and risk-free commercial relationships. This is a matter of great importance to which the group has always paid utmost attention, aware that companies should be placed in a position to be able to move safely even beyond their traditional boundaries.

Being able to look at international markets from a privileged point of observation, the contribution of the subsidiary Banca Popolare di Sondrio (SUISSE) SA in this respect is certainly proficient and precious.

The good performance of the many corporate projects carried out in the first six months of the year is an incentive to continue on a path of active cooperation with the productive world.

COMMERCIAL SERVICES AND PROJECTS

The operational dynamism of the group is boosted primarily by the effectiveness of its commercial activities, focused on offering constantly-updated competitive products and services, able to concretely support local businesses and communities. The bank staff's professionalism and availability to customers, a group's traditional distinguishing factor, and the complementary nature of the offer mix, to the benefit of overall efficiency, are very important to these activities.

The parent's attention to investors, despite the market interest rates being at a low, is shown by the search for combinations aimed at reconciling satisfactory returns with acceptable risk levels. In this perspective, the subsidiary Arca SGR has updated its offer with the new funds «Arca 2020

Reddito Multivalore» IV, V and VI, «Arca Cedola 2020 Obbligazione Attiva» IX, X and XI, «Arca Economia Reale Equity Italia», «Arca Multiasset Balanced» and «Arca Multiasset Aggressive». As part of the life insurance policies, it placed the innovative unit-linked «Private Selecta Plus» policy, issued by Arca Vita International.

Banca Popolare di Sondrio (SUISSE) SA, which celebrated its twentieth year of operations on 3 May 2015, confirmed its operational focus on retail customers - households and small businesses of its reference areas - shaping its offer of commercial products and services accordingly and launching targeted marketing campaigns. Moreover, it continued to dedicate specific skilled and experienced staff to the customer investment segment.

Factorit, the group company specialised in trade receivable management, securing and discounting, ranked seventh for import/export transactions of the international sector operators belonging to the international organisation «FCI-Factors Chain International» and first in Italy. It also enhanced its commercial offer by adding the factoring of VAT receivables, with and without recourse.

RISK MANAGEMENT

Taking into account the new bank supervisory policies in the EU and thanks to the direct and fruitful relationships with the Single supervisory authority, the group continued to strengthen its controls over the main risk areas, by continuously fine-tuning the tools, methods and operating practices adopted at the various structure levels.

The Risk Appetite Framework (RAF) is the reference framework. In line with the group's strategies, the RAF sets the guidelines for risk and the structure of the measures to detect, manage and mitigate the risk profiles that are considered significant.

To this end, the group revised its management planning, solvency assessment and stress testing processes during the reporting period, including in order to improve the integration with the RAF guidelines.

The latter objective was pursued also by launching projects aimed at, on the one hand, generally reviewing internal rules and related risk management techniques adopted by the bank, with a view to gradually improving them, and on the other hand, improving risk exposure monitoring reporting and enhancing the IT tools supporting the collection, combination, checking and final presentation of risk data.

Specifically, with regard to credit risk, the group continued the global review of its method and procedure structures related to the use of internal rating models for the classification of customer risk and to estimate the associated probability of default (PD) with reference to the private customers, small businesses, micro-businesses, SMEs, large companies and state-owned companies business segments.

With respect to projects focused on the recognition of an internal rating system for the quantification of capital requirements for credit risk, during the reporting period, the group fine-tuned new models for corporate customers (SMEs, large companies and state-owned companies, non-resident non-financial companies and no-profit institutions), which will be rolled out during the year.

Operations will certainly benefit from the above projects, even if they address internal rating regulation needs, and specifically the more selective and effective assessment of customers' credit standing.

The risk measures produced by the rating system are integrated by the outcome of EAD (Exposure at Default) and LGD (Loss Given Default) internal models, which are also updated on an ongoing basis, and cover the group's customers.

Monitoring of the exposure to interest rate risk of the entire banking portfolio and the analysis of the average financial duration made as part of the ALM (Asset Liability Management) procedure were accompanied by a more advanced methodology based on the analysis of the sensitivity of the carrying amount of assets and liabilities to changes in the rate curve, supported by the use of a dedicated IT platform.

The operating limits relating to trading portfolio's market risks (interest rate and price risks, in addition to the currency risks affecting the financial statements as a whole) expressed in terms of daily VaR (Value at Risk) were revised during the reporting period, mainly due to two difficult situations: the first, in January, due to the discontinuation of the 1.20 SFR/EUR fixed exchange rate by the Swiss National Bank; the second, in mid May, when the Greek crisis led to excessive interest rates and price risks.

The group's use of capital for the reporting period (calculated by transforming the daily VaR into a maturity VaR, taking into account the number of business days until the reporting date, and adding losses net of profits and any negative difference between gains and losses accrued since the beginning of the year) peaked at € 282.462 million when the currency risk skyrocketed as mentioned above.

After the presiding committee's approval on 22 January of management's proposal to temporarily adopt a reference maximum acceptable loss for market risks of € 350 million, at its subsequent meeting of 10 February, the board of directors approved the retrospective adoption thereof from 23 January and the proposal to set it at € 275 million for the subsequent part of the year.

The group implemented a new measurement tool for AFS financial assets. Considering that the group has been monitoring the interest risk of the entire banking book using the ALM techniques mentioned above for many years, and has been doing likewise for the price risk by quantifying the banking book's related VaR, it adopted a specific reporting approach for the VaR of the AFS portfolio on 18 June 2015.

With reference to the operational risk management, the group commenced a series of projects to strengthen, including by further decentralising, the recording, monitoring and analysis of each unit's

operating losses. Moreover, in order to identify the areas potentially exposed to operational risk and related possible containing measures, the group revised its internal self-assessment methodology.

These activities aim to streamline the steps to identify and assess risk exposure and make them more time effective, as well as risk exposure monitoring and mitigation.

Liquidity risk was not affected by any issues either in the short or long term. It remained stable at satisfactory levels in line with the established risk appetite.

In addition to the ordinary monitoring carried out for management and regulatory purposes, the parent was requested to develop additional parameters in order to meet the requests received as part of the STE (Short Term Exercise) procedure. This is a complex group of quantitative tables required by the ECB in order to have more details about the various risk profiles, including liquidity risk. The procedure was performed for the first time with reference to 31 December 2014 (STE01) and it was then repeated in June, making reference to the end of the first quarter of 2015 (STE02).

Moreover, as part of the regular Basel 3 monitoring, in April 2015, the group reported the tables setting out the 2014 current (liquidity coverage ratio) and non-current (net stable funding ratio) ratios required by the IFRS to the supervisory authority. The two ratios greatly exceeded the minimum supervisory values. The first was estimated at 181%, compared to a minimum of 60%, while the second was 129% compared to a minimum requirement of 100% that will only be applicable in 2019.

The parent was also involved in the ILAAP (Internal Liquidity Adequacy Assessment Process). The first version of the related report, which, together with the other elements will enable the supervisory authority to evaluate the parent's liquidity as part of the SREP (Supervisory Review and Evaluation Process), is a general print out accompanied by a number of specific quantitative tables. These are especially necessary for the quantification of the new short term liquidity ratio required by the supervisory authority, whose aims are partially similar to those of the liquidity coverage ratio required by Basel regulations, with the addition of the calculation of the related survival period.

Both ratios show that the parent has an extremely satisfactory short term liquidity position, thanks particularly to the available high quality securities, which may be used in the case of larger liquidity requirements arising from differently serious stress conditions.

HUMAN RESOURCES

The high quality of the group's staff is a key factor for its successful management and balanced growth. Their distinctive features, recognised and appreciated by customers, are the sense of belonging and of duty, style and professionalism.

Hence the need for careful selection, training and management of resources, activities to which the relevant departments of Banca Popolare di Sondrio and its group companies are strongly committed.

The banking group had 3,076 employees at the reporting date, including 2,613 with the parent, 301 with Banca Popolare di Sondrio (SUISSE) SA and 162 with Factorit S.p.A. They increased by 17, +0.56%, and 28 employees, +0.92%, compared to 31 December and 30 June 2014, respectively.

At 30 June 2015, 70% of the banking group's employees worked for the distribution network and the remainder for the central services of its companies. The average age was 40 years and 1 month, with an average seniority of 14 years and 5 months.

The subsidiary Pirovano Stelvio S.p.A. had 26 employees at 30 June 2015, including 23 seasonal workers, for a consolidated total of 3,102 people.

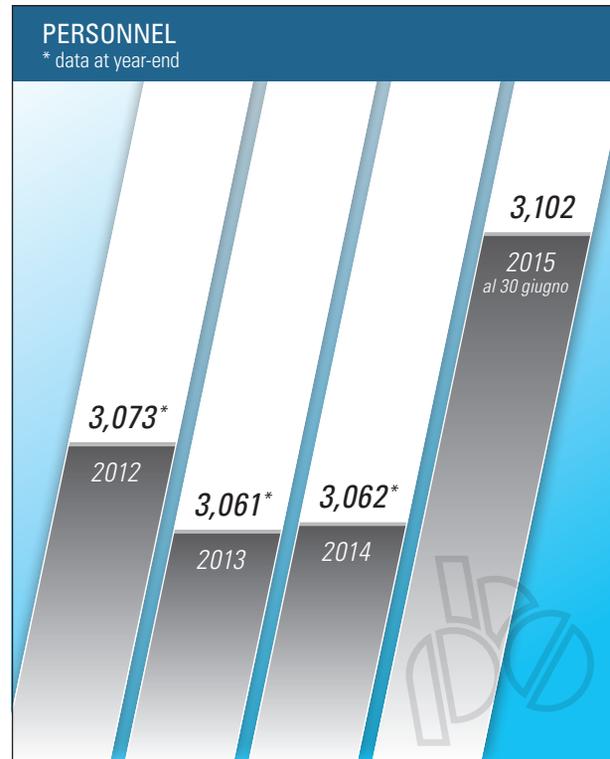
Training was intense during the reporting period: 21,764 training hours were provided to 1,236 staff at the parent's offices, in addition to on-line courses.

In support of internal growth, great attention is paid to the training of new staff. They take part in a comprehensive training programme which, by integrating various methods (classroom, on-line and tailored training on the job), includes, in addition to specific regulatory and process issues for the branches' front and back offices, basic information about the bank's organisation and its main business areas: lending, foreign markets, securities brokerage and commercial. Some modules are devoted to behavioural training and the development of personal skills.

The group provides a wide range of courses focused on the specific sector regulations. The personnel service department supports the central units in planning and monitoring attendance at training classes and on-line for the following areas: insurance supervisory regulations, portfolio consultancy, compliance, SEPA, health and safety, transparency, privacy, banks' administrative liability, cash recycling, usury, anti-money laundering, ISO and MiFID.

In agreement with secondary schools and universities, the parent continued to offer training opportunities to apprentices and interns, involving 162 students and university graduates.

Banca Popolare di Sondrio (SUISSE) SA also offered a wide range of training, which included the sessions on the financial and lending sectors, carried out in collaboration with the Centre for Banking Studies of Vezia, language studies and IT refresher courses.



Moreover, the subsidiary Factorit also provided significant training, covering legislative (anti-money laundering and safety at work) and operating (risk analysis and assessment of the creditworthiness of companies in periods of crisis) issues.

Lastly, on 8 July 2015, ABI (the Italian Bankers' Association) and the trade unions signed the renewal of the national labour agreement.

PROMOTIONAL AND CULTURAL ACTIVITIES

The group confirms its intention to continue with targeted cultural initiatives as its main promotional activities, rewarded by the appreciation of the public is determined to continue the traditional line of solidity.

Aldo Bonomi, chairman and managing director of the Bonomi Group, launched the annual conference programme at the parent on 20 February 2015, covering the topic «Business networks: development opportunities for Italian companies».

Roberto De Martin, chairman of Trento Film Festival, gave a talk about «Trento Film Festival, 63 years that look to the future» on 6 March 2015.

At the meeting in Bormio of 18 April 2015, the shareholders were given a box containing the DVD «Stelvio. Crossroads of Peace», a documentary film produced and directed by Alessandro Melazzini, and the booklet «The Stelvio epic», by the writer and historian Franco Monteforte.

The cultural inserts that traditionally complete the annual reports of the parent and the subsidiary Banca Popolare di Sondrio (SUISSE) SA, in the 2014 annual reports were respectively dedicated to the collection of etchings by Johann Jakob Meyer «Travel through picturesque Stelvio (1831)», owned by the parent, presented by the writer and essayist Attilio Brillì and Franco Monteforte and the monograph «Felix Somary: the man, the economist, banker, between Switzerland and Italy».

Through its «Credaro» library in Sondrio, the parent participated with the topic «The alphabet of the world. We read the signs around us and narrate» in the second edition of the Festival of Creative Culture, promoted by ABI and held on 21 March 2015.

EQUITY

The group's equity totalled € 2,516.654 million (+4.55%) at the reporting date, including the valuation reserves and profit for the period.

The parent's share capital comprises 453,385,777 ordinary shares with a unit nominal amount of € 3, totalling € 1,360.157 million, unchanged from the previous year end. The parent carried out a mixed capital increase in 2014.

The share premium amounted to € 79.005 million, unchanged from the previous year end.

Reserves increased by 15.07% to € 955.037 million, mainly due to the allocation of a significant portion of the 2014 profit and the effect of the appreciation of the Swiss franc on the Swiss subsidiary's equity. On 18 April 2015, the shareholders approved the distribution of a dividend of € 0.06 to each of the 453,385,777 outstanding shares at 31 December 2014.

The valuation reserves, which include the fair value reserve and the actuarial reserve, totalled € 50.482 million, up by 5.30% on the end of 2014, when it amounted to € 47.941 million. The modest increase shows the combined effects of reclassifications to profit or loss made for AFS securities sold during the period and the € 36.766 million post-tax fair value gain on the parent's investments in ICBPI S.p.A. and Cartasi S.p.A.. The fair value gain was calculated based on the appraisal made in connection with the ongoing sale of ICBPI S.p.A. by the current shareholders that are parties to a shareholder agreement, which does not include Banca Popolare di Sondrio.

The parent, which traded in treasury shares in accordance with the specific shareholders' resolution, held 3,650,000 treasury shares with a carrying amount of € 25.322 million, compared to € 25.031 million at the end of 2014. Treasury shares repurchased were recognised in the specific reserve.

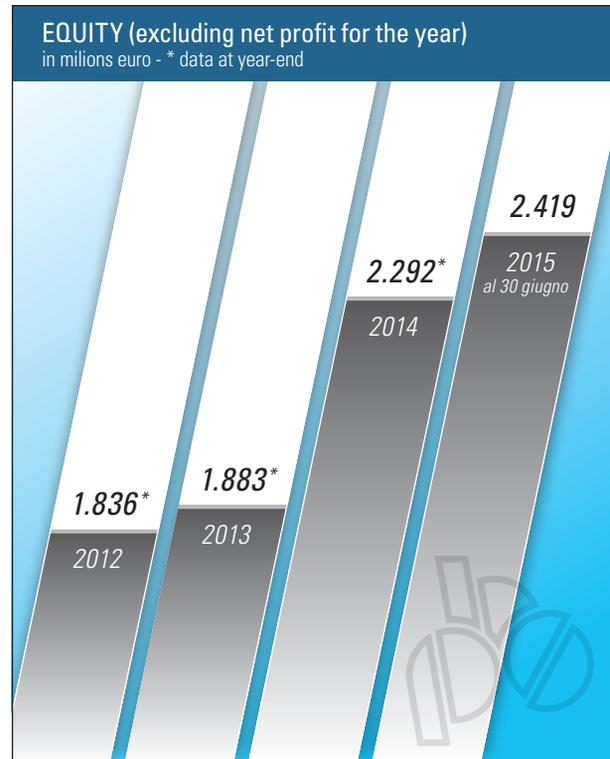
The parent repurchased 100,000 treasury shares with a nominal amount of € 300,000 and equal to 0.022% of its share capital during the first six months of 2015. The total price was € 0.291 million.

The Banca Popolare di Sondrio share, traded on the blue chips section of the Italian stock exchange, jumped by 41.28% during the reporting period, benefitting from the renewed market interest in bank securities and, hence those issued by cooperative banks.

The number of shareholders continued to grow, even though at a slower pace, to 185,453, up by 144 on the end of 2014.

Banca Popolare di Sondrio (SUISSE) SA, Factorit S.p.A., Sinergia Seconda S.r.l. and Popso Covered Bond S.r.l. did not trade in their own treasury shares/quotas or in those of the parent. Likewise, the other consolidated companies did not carry out transactions involving their own treasury shares or quotas or those of the parent. Moreover, there are no cross-investments among the consolidated companies.

With reference to capital adequacy, on 1 January 2014, the new harmonised legislation for banks and investment companies contained in





Regulation (EU) no. 575/2013 (CRR) and EU Directive no. 2013/36 (CRD IV) came into force. On the basis of that legislation, Circular no. 285/13 of the Supervisory Authority introduced new limits to capital ratios: 8% for the CET 1 ratio, 8.50% for the Tier 1 capital ratio and 10.50% for the total capital ratio. As part of its powers, with its decision of 20 February 2015, the European Central Bank raised the level of capital that ensures adequate coverage of the group's risks, bringing the minimum level of common equity to 9% and the total capital ratio to 11%.

The group's own funds for supervisory reporting purposes, including the profit for the period, totalled € 2,921 million.

The group's ratios at 30 June 2015 and the minimum requirements are set out below:

	Group capital ratios	Minimum regulatory capital ratios
CET 1 ratio	10.20%	9%
Tier 1 capital ratio	10.21%	9%
Total capital ratio	12.23%	11%

The ratios of equity, including the profit for the period, to the main financial statements captions at 30 June 2015 compared to 31 December 2014 are set out below:

- *equity/direct funding from customers*
8.39% compared to 8.10%
- *equity/loans and receivables with customers*
10.18% compared to 10.03%
- *equity/financial assets*
28.08% compared to 26.54%
- *equity/total assets*
6.88% compared to 6.76%
- *net non-performing loans/equity*
26.79% compared to 25.53%

RATING

As detailed in the following tables, the group's solvency is assessed by the rating agencies Fitch Ratings and Dagong Europe Credit Rating. The ratings of Dagong Europe Credit Rating relate to the date of first issue (26 February 2015), while those of Fitch Ratings refer to the regular update of 2 July 2015. In its update, the London rating agency, which has rated the parent's creditworthiness since April 1993, confirmed the previous ratings, while revising the outlook from negative to stable.



FITCH RATINGS – issued on 2 July 2015

RATING

LONG-TERM

This measures the probability of default and shows the bank's ability to repay its non-current loans. It ranges from AAA to D, for a total of 11 levels.

BBB

SHORT-TERM

This measures the bank's ability to settle its current liabilities, within 13 months. It comprises seven levels (F1, F2, F3, B, C, RD and D).

F3

VIABILITY

This aims at assessing what the bank's position would be if it were completely independent and could not rely on any external support. It ranges from aaa to d, for a total of 11 levels.

bbb

SUPPORT

This is Fitch's estimate of the likelihood that an external body would support the bank in the case of need. It comprises five levels from 1 (best) to 5 (worst).

5

SUPPORT RATING FLOOR

This is Fitch's estimate of the minimum level, which it will not exceed in assigning the entity the long-term rating in the case the entity should face financial difficulties, based on the propensity of potential supporters (government or institutional owners) to help the entity under such circumstances. The rating «No Floor» is assigned if Fitch believes that such external support is unlikely (probability of support lower than 40%).

No Floor

OUTLOOK

This is a looking-forward measure of the expected trend of the assigned long-term rating over one-two years. It may be «positive», «stable» or «negative»

Stable

DAGONG EUROPE CREDIT RATING – issued on 26 February 2015

RATING

LONG-TERM

This measures the probability of default and shows an entity's ability to settle its financial obligations. It ranges from AAA to a D, for a total of 10 levels.

BBB

SHORT-TERM

This measures an entity's ability to settle its current liabilities. It comprises six levels (A-1, A-2, A-3, B, C and D).

A-3

INDIVIDUAL FINANCIAL STRENGTH ASSESSMENT

This aims at assessing what the entity's position would be if it were completely independent and could not rely on any external support. It ranges from aaa to d, for a total of 10 levels.

bbb

OUTLOOK

This is a looking-forward measure of the expected trend of the assigned long-term rating over one-two years. It may be «positive», «stable» or «negative»

Stable

RECONCILIATION OF THE PARENT'S EQUITY AND PROFIT WITH THE CONSOLIDATED FIGURES

The reconciliation of the parent's equity and profit with the consolidated figures is set out below:

(€ '000)

	Equity	including: profit for the period
As per the parent's separate interim financial statements at 30 June 2015	2,286,205	89,489
Consolidation adjustments	(12,119)	(12,119)
Difference in the carrying amount of the investments in:		
- consolidated companies	222,603	17,237
- equity-accounted investees	19,965	2,688
As per the group's interim consolidated financial statements at 30 June 2015	2,516,654	97,295

INCOME STATEMENT

The general conditions of the markets in which the Group operated in the second quarter showed no discontinuity with respect to the first three months of the year. Financial markets were also affected, especially in June, by greater volatility due to uncertainties arising from the Greek crisis.

As mentioned in the interim report at 31 March 2015, the group's results for the three months was positively affected by net income on financial transactions in securities which is unlikely to be replicated.

Considering the above, the group's profit for the period of € 97.295 million, up by 37.03% on the € 71.001 million recorded for the corresponding period of the previous year, is satisfactory.

Net interest income decreased from € 297.589 million to € 276.592 million, -7.06%, with a bearish interest rate trend. The expansionary monetary policy, which favoured the Italian banks' large recourse to targeted refinancing transactions, and the Eurosystem quantitative easing gradually reduced the borrowing cost for businesses and households. Moreover, they affected the cost of funding, although the latter was hit by the strong competition on the retail funding market. The effects of the above also had an impact on the yields of government bonds, which make up a large part of the group's portfolio.

Net fee and commission income increased by 1,80% from € 146.512 to € 149.154, million, with good results posted by those on guarantees issued, managed funds, currency and foreign currency/exchange rate trading and placing of insurance products.

Dividends collected amounted to € 2.197 million, -27.99%.

Net income from financial transactions related to the overall securities portfolio and currency and derivative trading continued the positive trend seen in the first quarter of the year, coming to € 129.742 million, +9.88%. The rise is due to trading income/gains on sales that largely exceeded those recognised in the corresponding period of the previous year, thanks to the positive trend of shares and bond prices, despite the considerable fall recorded in net gains on sales. Net exchange rate gains also improved considerably.

Net trading income on the HTF portfolio amounted to € 43.747 million compared to € 69.405 million in the corresponding period of 2014. The fall is due to the decreased trading income and net losses on sales, despite the large unrealised exchange rate gains on USD monetary assets and the considerable improvement in exchange rate gains.

RECLASSIFIED INCOME STATEMENT

(in migliaia di euro)	First half 2015	First half 2014	Change	Change %
Net interest income	276,592	297,589	-20,997	-7.06
Dividends	2,197	3,051	-854	-27.99
Net fee and commission income	149,154	146,512	2,642	1.80
Net income on financial transactions	129,742	118,079	11,663	9.88
Total income	557,685	565,231	-7,546	-1.34
Net impairment losses on loans and receivables and financial assets	-200,640	-233,940	33,300	-14.23
Net financial income	357,045	331,291	25,754	7.77
Personnel expense	-117,488	-110,145	-7,343	6.67
Other administrative expenses	-123,575	-117,287	-6,288	5.36
Net other operating income	45,964	37,545	8,419	22.42
Net accruals to provisions for risks and charges	-3,819	-796	-3,023	-
Depreciation/amortisation on property, equipment, investment property and intangible assets	-14,635	-13,950	-685	4.91
Operating costs	-213,553	-204,633	-8,920	4.36
Operating profit	143,492	126,658	16,834	13.29
Share of profits (losses) of investees and on other investments	5,235	2,066	3,169	153.39
Pre-tax profit	148,727	128,724	20,003	15.54
Income taxes on continuing operations	-47,466	-52,011	4,545	-8.74
Profit for the period	101,261	76,713	24,548	32.00
Profit attributable to non-controlling interests	-3,966	-5,712	1,746	-30.57
Profit attributable to the owners of the parent	97,295	71,001	26,294	37.03

Note: The net profit on financial transactions is the sum of captions 80 - 90 - 100 - 110 of the income statement.

The contribution of available-for-sale financial assets, held to-maturity investments and financial liabilities was a positive € 77.932 million compared to € 46.315 million, mainly thanks to the sales of government bonds and USD financial assets in portfolio.

Net gains on financial assets at fair value through profit or loss amounted to € 6.603 million compared to € 2.507 million and net hedging income totalled € 1.460 million, compared to net hedging expense of € 0.148 million in the corresponding period of the previous year.

Despite the good performance of financial transactions and commissions, total income decreased by 1.34% to € 557.685 million, due to the reduction in net interest income, whose contribution fell from 52.65% to 49.60%.

Since the economic recovery was slow, credit risk remained high, especially with regard to small and medium businesses. The few signs of slow improvement perceived in the early months of the year, differentiated by business and geographical segments, were not sufficient to lead to a turnaround in net impairment losses on loans and receivables. In this scenario, the group continued to assess its loans and receivables with customers very prudently, also taking into account the Supervisory Authority's requirements. Net impairment losses on loans and receivables and financial assets have therefore remained high, while showing a drop from € 233.940 million to 200.640 million (-14.23%). The portion related to loans and receivables fell from € 233.667 million to € 190.658 million (-18.41%). The figure, which, as already mentioned, did not effectively benefit from the too slight recovery that occurred in the first half of the year, nonetheless showed a slowdown in provisioning requirements and non-performing loan trends.

Despite remaining at high levels, the net impairment losses on loans and receivables with customers/loans and receivables with customers ratio, i.e. the annualised cost of lending, dropped from 1.96% at 30 June 2014 to 1.54%.

Impairment losses on securities rose from € 1.597 million to € 4.916 million, including € 2.724 million relating to certain equities and OEIC units classified as AFS and € 2.192 million relating to subordinated bonds from one issuer classified as HTM.

Net impairment losses on other financial transactions, which included reversals of previous year impairment losses on endorsement credits of € 1.324 million in the corresponding period of 2014, totalled € 5.066 million, which are solely related to expected losses of € 5.300 million for measures approved by the Interbank Deposit Protection Fund.

As a result, net financial income came to € 357.045 million, +7.77%.

The operating costs, which are constantly and carefully monitored, amounted to € 213.553 million, +4.36%. As a percentage of total income (i.e., the cost/income ratio), they increased to 38.29% from 36.20% for the first six months of 2014 and 37.66% for 2014.

Specifically, administrative expenses totalled € 241.063 million, +5.99%, and comprise personnel expense, which increased by 6.67% to € 117.488 million, partially due to the coming into force of the rises provided for by the

parent's national labour agreement, and other administrative expenses, which increased by 5.36% to € 123.575 million. The increase in the latter is due to the group's ordinary activities and the extension of its network, as well as the need for investments in innovation and technologies. Legal and IT costs increased notably.

Net accruals to provisions for risks and charges jumped from € 0.796 million for the first six months of 2014 to € 3.819 million.

Amortisation/depreciation and impairment losses on property, equipment and investment property and software totalled € 14.635 million, +4.91%.

Net other operating income rose by 22.42% to € 45.964 million.

The share of profits (losses) of investees and other investments, which includes € 3.002 million collected by the parent based on the contractual price adjustments for the 2010 sale of the investments in Arca Vita S.p.A. and Arca Assicurazioni S.p.A., amounted to € 5.235 million (+153.39%).

The pre-tax profit from continuing operations increased by 15.54% to € 148.727 million.

Income taxes dropped by 8.74% to € 47.466 million, benefitting from the recent measures on the IRAP tax and deductibility of fair value and impairment losses. Accordingly, the tax rate, taken as simple ratio of accrued taxes to profit from continuing operations, decreased to 31.91% from 40.41% for the corresponding period of the previous year. Net of the profit attributable to non-controlling interests, the profit for the period came in at € 97.295 million, up by 37.03% from the first six months of 2014, when it was € 71,001 million.

EVENTS AFTER THE REPORTING DATE

At its meeting of 10 July 2015, the parent's board of directors checked the amount of the group's assets in accordance with Law no. 33 of 24 March 2015 reforming cooperative banks and the consequent measures issued by Bank of Italy. The check was conducted for the purposes of the supervisory reporting at 31 December 2014 and showed that the group's consolidated assets at that date amounted to € 35.618 billion, therefore exceeding the ceiling of € 8 billion imposed by legislation for transformation into companies limited by shares. The parent will fulfil the relevant requirements within the terms provided for by primary and secondary legislation.

On 19 June 2015, the banks that are party to a shareholder agreement which hold 93.7% of ICBPI S.p.A. reached an agreement for the sale of their investments in ICBPI S.p.A. to a syndicate comprising Bain Capital, Advent International and Clessidra SGR. The buyers also made an offer for the shares of the non-controlling investors that did not sign the shareholder agreement. The parent holds an interest of 997% in ICBPI S.p.A. and of 1.249% in its subsidiary Cartasì S.p.A.. As discussed in the «Available-for-sale financial assets» section, the parent reversed the impairment losses previously recognised on such investments. It is currently carrying out the related

assessments, also considering the binding commercial agreements to be signed with the new owners that cover significant business segments (e-money and payment systems).

The European Central Bank is conducting a Supervisory Review and Evaluation Process (SREP), in order to establish the group's capital ratio for 2016.

OUTLOOK

The general macroeconomic environment gives a glimpse of signs of improvement, which should however be confirmed in the coming months. It is hoped that the overcoming of the most dramatic moment of the Greek crisis - which could have become the euro crisis - can help to reduce tensions and uncertainties, bringing some calm to financial markets.

As to the performance of the banking group, a credit quality improvement is expected from the restart of the general economic cycle, with a consequent reduction in the related impairment losses. Net interest income is obviously affected by the general trends that seem to indicate that interest rates will remain at minimum levels. The easing of tensions related to the sovereign debt may stabilise the prices of the relevant bonds. Considering the structural increase in costs, it is reasonable to expect an annual performance better than that of 2014.

Sondrio, 7 August 2015

**BOARD OF DIRECTORS
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTHS
ENDED 30 JUNE 2015**



STATEMENT OF FINANCIAL POSITION

(€'000)

ASSETS		30-06-2015	31-12-2014
10.	CASH AND CASH EQUIVALENTS	720,326	264,482
20.	FINANCIAL ASSETS HELD FOR TRADING	2,054,375	2,338,630
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	95,092	84,702
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	6,671,993	6,498,605
50.	HELD-TO-MATURITY INVESTMENTS	141,860	148,620
60.	LOANS AND RECEIVABLES WITH BANKS	946,130	1,088,388
70.	LOANS AND RECEIVABLES WITH CUSTOMERS	24,732,876	24,011,925
100.	EQUITY INVESTMENTS	150,848	155,986
120.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	294,032	254,303
130.	INTANGIBLE ASSETS	24,132	21,572
	including:		
	- goodwill	7,847	7,847
140.	TAX ASSETS	425,447	403,851
	a) current	186	10,691
	b) deferred	425,261	393,160
	b1) as per Law no. 214/2011	363,278	346,451
160.	OTHER ASSETS	346,497	347,783
TOTAL ASSETS		36,603,608	35,618,847

CHAIRMAN
Francesco Venosta

STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Donatella Depperu - Mario Vitali



LIABILITIES AND EQUITY		30-06-2015	31-12-2014
10.	DUE TO BANKS	2,614,342	2,314,035
20.	DUE TO CUSTOMERS	26,727,785	26,310,842
30.	SECURITIES ISSUED	3,269,692	3,406,198
40.	FINANCIAL LIABILITIES HELD FOR TRADING	73,408	56,136
60.	HEDGING DERIVATIVES	62,834	45,562
80.	TAX LIABILITIES	66,197	61,778
	a) current	6,960	2,104
	b) deferred	59,237	59,674
100.	OTHER LIABILITIES	981,293	722,835
110.	POST-EMPLOYMENT BENEFITS	43,584	44,915
120.	PROVISIONS FOR RISKS AND CHARGES:	165,410	166,849
	a) pension and similar obligations	118,590	117,043
	b) other provisions	46,820	49,806
140.	VALUATION RESERVES	50,482	47,941
170.	RESERVES	955,037	829,959
180.	SHARE PREMIUM	79,005	79,005
190.	SHARE CAPITAL	1,360,157	1,360,157
200.	TREASURY SHARES (-)	(25,322)	(25,031)
210.	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	82,409	82,463
220.	PROFIT FOR THE PERIOD (+/-)	97,295	115,203
TOTAL LIABILITIES AND EQUITY		36,603,608	35,618,847

MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

MANAGER IN CHARGE OF FINANCIAL REPORTING
Maurizio Bertoletti



INCOME STATEMENT

(€'000)

		First half 2015	First half 2014
10.	INTEREST AND SIMILAR INCOME	415,683	491,999
20.	INTEREST AND SIMILAR EXPENSE	(139,091)	(194,410)
30.	NET INTEREST INCOME	276,592	297,589
40.	FEE AND COMMISSION INCOME	159,999	157,232
50.	FEE AND COMMISSION EXPENSE	(10,845)	(10,720)
60.	NET FEE AND COMMISSION INCOME	149,154	146,512
70.	DIVIDENDS AND SIMILAR INCOME	2,197	3,051
80.	NET TRADING INCOME	43,747	69,405
90.	NET TRADING INCOME	1,460	(148)
100.	NET GAIN FROM SALES OR REPURCHASES OF:	77,932	46,315
	b) Available-for-sale financial assets	78,611	46,577
	d) financial liabilities	(679)	(262)
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	6,603	2,507
120.	TOTAL INCOME	557,685	565,231
130.	NET IMPAIRMENT LOSSES ON:	(200,640)	(233,940)
	a) loans and receivables	(190,658)	(233,667)
	b) available-for-sale financial assets	(2,724)	(1,597)
	c) held-to-maturity investments	(2,192)	-
	d) other financial transactions	(5,066)	1,324
140.	NET FINANCIAL INCOME	357,045	331,291
170.	NET FINANCIAL AND INSURANCE INCOME	357,045	331,291
180.	ADMINISTRATIVE EXPENSES:	(241,063)	(227,432)
	a) personnel expense	(117,488)	(110,145)
	b) other administrative expenses	(123,575)	(117,287)
190.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(3,819)	(796)
200.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(8,644)	(8,154)
210.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(5,991)	(5,796)
220.	OTHER NET OPERATING INCOME	45,964	37,545
230.	OPERATING COSTS	(213,553)	(204,633)
240.	SHARE OF PROFITS OF INVESTEEES	5,690	2,040
250.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(458)	-
270.	NET GAINS ON SALES OF INVESTMENTS	3	26
280.	PRE-TAX PROFIT FROM CONTINUING OPERATIONS	148,727	128,724
290.	INCOME TAXES	(47,466)	(52,011)
300.	POST-TAX PROFIT FROM CONTINUING OPERATIONS	101,261	76,713
320.	PROFIT FOR THE PERIOD	101,261	76,713
330.	PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(3,966)	(5,712)
340.	PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT	97,295	71,001

STATEMENT OF COMPREHENSIVE INCOME

	First half 2015	First half 2014
10. Profit for the period	101,261	76,713
Other comprehensive income, net of income taxes, that will not be reclassified subsequently to profit or loss		
40. Defined benefit plans	1,484	(3,782)
60. Portion of valuation reserves of equity-accounted investees	(50)	(33)
Other comprehensive income, net of income taxes, that will be reclassified subsequently to profit or loss		
100. Available-for-sale financial assets	1,432	39,166
120. Portion of valuation reserves of equity-accounted investees	(316)	2,326
130. Other comprehensive income, net of income taxes	2,550	37,677
140. Comprehensive income (10 + 130)	103,811	114,390
150. Comprehensive income attributable to non-controlling interests	(3,975)	(5,701)
160. Comprehensive income attributable to the owners of the parent	99,836	108,689



STATEMENT OF CHANGES IN EQUITY

	Balance at 31.12.2014	Change to opening balances	Balance at 1.1.2015	Allocation of prior year profit		Changes in reserves
				Reserves	Dividends and other allocations	
Share capital						
a) ordinary shares	1,393,746	-	1,393,746	-	-	-
c) other shares	-	-	-	-	-	-
Share premium	83,365	-	83,365	-	-	-
Reserves						
a) income-related	859,315	-	859,315	94,169	-	36,959
c) other	5,186	-	5,186	-	-	-
Valuation reserves	47,834	-	47,834	-	-	-
Equity instruments	-	-	-	-	-	-
Treasury shares	(25,031)	-	(25,031)	-	-	-
Profit for the period	125,282	-	125,282	(94,169)	(31,113)	-
Equity attributable to the owners of the parent	2,407,234	-	2,407,234	-	(27,084)	36,959
Equity attributable to non-controlling interests	82,463	-	82,463	-	(4,029)	-

STATEMENT OF CHANGES IN EQUITY

	Balance at 31.12.2014	Change to opening balances	Balance at 1.1.2015	Allocation of prior year profit		Changes in reserves
				Reserves	Dividends and other allocations	
Share capital						
a) ordinary shares	958,019	10	958,029	-	-	-
c) other shares	-	-	-	-	-	-
Share premium	175,807	2	175,809	-	-	-
Reserves						
a) income-related	819,511	-	819,511	42,369	-	1,500
c) other	5,186	-	5,186	-	-	-
Valuation reserves	16,728	-	16,728	-	-	-
Equity instruments	-	-	-	-	-	-
Treasury shares	(24,316)	-	(24,316)	-	-	-
Profit for the period	60,677	-	60,677	(42,369)	(18,308)	-
Equity attributable to the owners of the parent	1,936,174	-	1,936,174	-	(15,286)	1,500
Equity attributable to non-controlling interests	75,438	12	75,450	-	(3,022)	-

Changes for the period							Equity attributable to the owners of the parent 30.06.2015	Equity attributable to non-controlling interests 30.06.2015
Equity transactions								
Issue of new shares	Repurchase of treasury shares	Extraordinary distribution of dividends	Change equity instruments	Derivatives on own shares	Stock options	Comprehensive income		
-	-	-	-	-	-	-	1,360,157	33,589
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	79,005	4,360
-	-	-	-	-	-	-	951,808	38,635
-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	2,550	50,482	(98)
-	-	-	-	-	-	-	-	-
-	(291)	-	-	-	-	-	(25,322)	-
-	-	-	-	-	-	101,261	97,295	3,966
-	(291)	-	-	-	-	99,836	2,516,654	-
-	-	-	-	-	-	3,975	-	82,409

Changes for the period							Equity attributable to the owners of the parent 30.06.2015	Equity attributable to non-controlling interests 30.06.2015
Equity transactions								
Issue of new shares	Repurchase of treasury shares	Extraordinary distribution of dividends	Change equity instruments	Derivatives on own shares	Stock options	Comprehensive income		
92,448	-	-	-	-	-	-	1,016,888	33,589
-	-	-	-	-	-	-	-	-
(92,444)	-	-	-	-	-	-	79,005	4,360
-	-	-	-	-	-	-	830,795	32,585
-	-	-	-	-	-	-	3,229	1,957
-	-	-	-	-	-	37,677	54,474	(69)
-	-	-	-	-	-	-	-	-
-	(115)	-	-	-	-	-	(24,431)	-
-	-	-	-	-	-	76,713	71,001	5,712
(1)	(115)	-	-	-	-	108,689	2,030,961	-
5	-	-	-	-	-	5,701	-	78,134



STATEMENT OF CASH FLOWS: (indirect method)

	First half 2015	First half 2014
A. OPERATING ACTIVITIES		
1. Operations	344,895	319,296
- profit for the period (+/-)	97,295	71,001
- gains on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	(20,288)	(40,657)
- gains/losses on hedging transactions (-/+)	(1,460)	148
- net impairment losses (+/-)	203,166	238,688
- net impairment losses on property, equipment and investment property and intangible assets (+/-)	14,635	13,949
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	17,451	17,179
- unpaid taxes and duties (+)	47,466	52,011
- net impairment losses/reversals of impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	(13,370)	(33,023)
2. Cash flows used for financial assets	(63,253)	(382,354)
- financial assets held for trading	330,544	533,270
- financial assets at fair value through profit or loss	(3,958)	3,098
- available-for-sale financial assets	(175,698)	(735,856)
- loans and receivables with banks: on demand	109,450	(2,177)
- loans and receivables with banks: other	110,421	33,747
- loans and receivables with customers	(440,614)	(164,748)
- other assets	6,602	(49,688)
3. Cash flows generated by financial liabilities	222,456	49,727
- due to banks: on demand	118,156	173,254
- due to banks: other	78,166	(560,712)
- due to customers	23,329	184,268
- securities issued	(163,134)	(80,281)
- financial liabilities held for trading	(592)	(21,142)
- financial liabilities at fair value through profit or loss	-	-
- other liabilities	166,531	354,340
Net cash flows generated by (used in) operating activities	504,098	(13,331)

	First half 2015	First half 2014
B. INVESTING ACTIVITIES		
1. Cash flows generated by	14,265	36,363
- sales of equity investments	-	-
- dividends from equity investments	7,255	7,948
- sales and repayments of HTM investments	7,000	28,403
- sales of property, equipment and investment property	10	12
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	(56,278)	(24,221)
- equity investments	-	(9)
- HTM investments	(2,596)	(6,449)
- property, equipment and investment property	(45,388)	(10,761)
- intangible assets	(8,294)	(7,002)
- business units	-	-
Net cash flows generated by (used in) investing activities	(42,013)	12,142
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	(290)	(114)
- issue/repurchase of equity instruments	-	-
- dividend and other distributions	(31,232)	(18,208)
Net cash flows generated by/used in financing activities	(31,522)	(18,322)
TOTAL NET CASH FLOWS GENERATED/USED IN THE YEAR	430,563	(19,511)

Key:

(+) generated (-) used

RECONCILIATION

Financial statements captions	30-06-2015	30-06-2014
Opening cash and cash equivalents	264,482	196,517
Total net cash flows generated/used in the period	430,563	(19,511)
Cash and cash equivalents: exchange rate effects	25,281	997
Closing cash and cash equivalents	720,326	178,003

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

The interim consolidated financial statements as at and for the six months ended 30 June 2015 have been prepared in accordance with article. 154-ter of Legislative decree no. 58 of 24 February 1998 (the “Consolidated act for financial intermediaries pursuant to articles 8 and 21 of Law no. 52 of 6 February 1996”) and relevant Consob Regulations. Moreover, the provisions of Consob Resolution no. 15520 of 27 July 2006 and Communications nos. DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 have also been considered.

This interim financial report at 30 June 2015 has been prepared in conformity with IAS 34 and comprises:

- the directors’ report;
- the statement of financial position, income statement, statement of comprehensive income and statement of changes in equity and statement of cash flows;
- these notes which comment on the information included in the interim financial report and provided the disclosures required by current legislation.

General part

Statement of compliance

Banca Popolare di Sondrio, a cooperative company limited by shares, states that this interim financial report has been prepared in conformity with IAS 34.

Basis of preparation

The interim consolidated financial statements have been prepared in accordance with the following general requirements of IAS 1:

- 1) Going concern. The interim consolidated financial statements have been prepared on a going concern basis: assets, liabilities and off-statement of financial position transactions have been measured assuming that the group will be able to continue as a going concern. The board of directors and supervisory board assess the going concern assumption with utmost care. As the requirement is fully satisfied, further detailed analyses supporting the going concern assumption in addition to the disclosures provided in the condensed interim consolidated financial statements and in the directors’ report are not required. Considering the structure of its funding, mainly based on current accounts with customers, repurchase agreements and lending, mainly targeted at retail customers and SMEs, which are constantly monitored by the group, and the preponderance of government bonds and bonds issued by top quality issuers, the group does not believe there are critical issues that could negatively affect its financial soundness and profitability, on which the going concern assumption is based, even considering the recent difficulties shown by sovereign debt instruments.
- 2) Accruals basis of accounting. Costs and revenue are recognised on an accruals and matching basis, regardless of when they are paid/collected.
- 3) Consistency of presentation of the interim consolidated financial statements. The presentation and classification of captions are consistent from one period to the next in order to ensure comparability, unless another standard or interpretation requires a change in presentation or it is apparent that another presentation or classification would be more



appropriate to provide information that is reliable and more relevant to the users of the financial statements.

When making such changes in presentation or classification, the group reclassifies its comparative information accordingly, where feasible, and describes the nature of and reasons for the reclassification. The financial statements schedules and the notes have been prepared in accordance with the requirement of the Bank of Italy measure dated 22 December 2005, as subsequently amended.

- 4) Materiality and aggregation. The group presents separately each material class of similar items. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- 5) Offsetting. Assets and liabilities, income and expenses are not offset, unless required or permitted by a standard or an interpretation or is expressly required by regulations governing banks' financial statements.
- 6) Comparative information. Except when the IFRS permit or require otherwise, the group discloses comparative information in respect of the previous period for all amounts reported in the current period's financial statements. It includes comparative information for narrative and descriptive information when this is relevant to an understanding of the current period's financial statements.

Where compatible with the IFRS, the group prepared the interim financial report in accordance with local legislation. Accordingly, this interim financial report complies with the relevant provisions of Legislative decree no. 87/92, the applicable articles of the Italian Civil Code and the provisions of the Consolidated Finance Act for listed companies governing directors' reports (article 2428 of the Italian Civil Code) and legally-required audits (article 2409-bis of the Italian Civil Code).

All amounts set out in the schedules and notes to the condensed interim consolidated financial statements are in thousands of euros.

Basis of consolidation

The interim consolidated financial statements present the financial position, financial performance and cash flows of the Banca Popolare di Sondrio Group as at and for the six months ended 30 June 2015, which comprise the parent, Banca Popolare di Sondrio (Suisse) SA, Factorit S.p.A., Sinergia Seconda, Popso Covered Bond S.r.l. and other entities over which the group exercises control, as defined by IFRS 10.

The following subsidiaries are consolidated:

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

(1) 1 = majority of voting rights at ordinary meetings.

4 = other type of control

* held by Sinergia Seconda S.r.l.

** not part of the banking group

Moreover, the Immobiliare Centro delle Alpi Real Estate fund, which is wholly owned by the parent, was consolidated. As defined by IFRS 10, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control may be obtained in various ways, including through exposure to risks and benefits, and not only as a result of the power to govern an entity's financial and operating policies. Moreover, according to IFRS 10, the vehicle Centro delle Alpi RMBS S.r.l., incorporated in 2011 and wholly owned by SVM Securitisation Vehicles Management S.r.l., is consolidated, as all senior and junior notes issued by the vehicle as part of a performing residential loan securitisation were fully subscribed by the parent.

The following jointly controlled company is measured using the equity method:

	Registered office	Type of relationship ⁽¹⁾	Quota capital (in thousands)	Investment %	Voting rights %
Rajna Immobiliare S.r.l.	Sondrio	7	20	50	50

⁽¹⁾ 7 = joint control.

The consolidation scope includes those companies over which the parent exercises significant influence by holding an investment of between 20% and 50%, or, it holds a smaller investment but one of the following conditions are met:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends;
- material transactions between the investor and the investee;
- interchange of managerial personnel;
- provision of essential technical information.

The group's investments in these companies are measured using the equity method, excluding those immaterial investments which are measured at cost.

Under this method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. Its share of the investee's profit or loss is recognised in a specific caption of the income statement.

The investment percentages are detailed below:

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

* held by Banca Popolare di Sondrio (SUISSE) SA

** held by Pirovano Stelvio S.p.A.

When an investment is consolidated, its carrying amount is eliminated against the group's share of the investee's equity and its total assets, liabilities, guarantees, commitments, other memorandum and contingency accounts, revenue, income, costs and expenses are recognised in the consolidated financial statements.



Immaterial revenue and costs arising from transactions carried out on an arms' length basis, whose recognition would not be cost-effective, have been omitted. The investees' separate financial statements are reclassified, where necessary, for consistency with the group's accounting policies.

Companies other than investees, whose shares have been pledged to the group received with voting rights, are not consolidated as the pledge aims at protecting the group's loans and receivables rather than affecting the company's management policies in order to significantly benefit therefrom.

The significant assessments and assumptions adopted in order to identify control are also disclosed in note 7 "Equity investments", in the accounting policies section.

There are no significant restrictions affecting the group's assets/liabilities as per IFRS 12.3.

Translation of foreign currency financial statements

The interim separate financial statements of Banca Popolare di Sondrio (SUISSE) SA are translated into euros at the official closing rate (assets and liabilities) and the average exchange rate for the period (costs and revenue). Exchange rate gains and losses are recognised in the reserves.

Events after the reporting period

No events that would have required adjustments to approved information or additional disclosures have occurred from the reporting date to the approval of this interim financial report by the board of directors on 7 August 2015.

Other aspects

Except for the coming into force of EU Regulation no. 1361/2014 which endorsed certain standards in accordance with EU Regulation no. 1606/2002 of the European Parliament and Council (IFRS 3, IFRS 13 and IAS 40), the group's accounting policies are unchanged from those adopted in the preparation of the 2014 annual consolidated financial statements.

The interim consolidated financial statements are accompanied by a directors' report and comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

The preparation of the condensed interim consolidated financial statements requires management to make estimates and judgments that may have a significant impact on the carrying amount of assets, liabilities, costs and revenue. These relate, in particular, to the measurement of financial assets, employees benefits and provisions for risks and charges and the use of valuation techniques for measuring the fair value of financial instruments not listed on an active market. The accounting estimates are made assuming that the group will be able to continue as a going concern, i.e., not assuming the compulsory liquidation of its assets i.e., not assuming the compulsory liquidation of its assets. Relevant information is provided in the notes to the individual captions. Moreover, as allowed by IAS 34, these condensed interim consolidated financial statements do not include all disclosures provided in annual consolidated financial statements.

The parent and the other group companies have established the estimation processes supporting the carrying amounts of the most significant captions requiring judgement of these condensed interim consolidated financial statements, as required by the IFRS and relevant legislation.

These processes are largely based on the estimated future recoverability of the carrying amounts under current legislation, assuming that the group will be able to continue as a going concern, i.e., not assuming the compulsory liquidation of its assets.

The resulting estimates support the carrying amounts at 30 June 2015. However, the above-mentioned assessment process has been very complex, due to the persistent macroeconomic and market conditions, with no growth signs and high levels of uncertainty about recovery expectations. Accordingly, forecasting the financial trends that significantly affect the estimates has been difficult, including for the short term.

The parameters and information used to check the carrying amounts mentioned above are, therefore, significantly influenced by the macroeconomic and market situation, which may be hit, as has already occurred in the past, by currently unforeseeable sudden changes, with consequent effects, including significant, on the carrying amounts presented at 30 June 2015.

The condensed interim consolidated financial statements are reviewed by KPMG S.p.A. as part of its 2008-16 nine-year audit engagement assigned thereto by the shareholders at their meeting of 29 March 2008.

Accounting policies

1 - Financial assets held for trading

Classification

This caption includes debt instruments, equity instruments and OEIC units held for trading. It also comprises non-hedging derivatives with positive fair values, excluding those accounted for separately from a host compound financial instrument when the relevant requirements are met. A derivative is a financial instrument whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or other variable. It is settled at a future date and requires a limited initial net investment. An embedded derivative is separated from a host contract and accounted for separately when its economic characteristics and risks are not closely related to those of the host contract. Even when separated, embedded derivatives meet the definition of derivatives and the hybrid instruments to which they belong are not measured at fair value through profit or loss.

Recognition

Assets held for trading are recognised at their settlement date at fair value, which usually equals the consideration paid, excluding any transaction costs or revenue.

Trading derivatives are recognised based on the “trading” date criterion at their fair value at the acquisition date.

Measurement

After initial recognition, financial assets held for trading are measured at the reporting date fair value. The fair value of financial instruments listed on active markets is their quoted price. The fair value of financial instruments not listed on active markets is determined based on the prices indicated by information providers, such as Bloomberg and Reuters. Where this is not possible, the group uses estimation/valuation models that take into account market data, where available. These methods are based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models, considering the different risk profiles of the issuers.

Equity instruments, for which the fair value cannot be determined reliably, are carried at cost.



Recognition of costs and revenue

Gains and losses on financial instruments held for trading are immediately recognised in profit or loss in the caption “Net trading income (expense)”. When there is objective evidence that an asset is impaired, the carrying amount is reduced accordingly and the impairment loss is recognised in profit or loss. These impairment losses cannot be reversed even when the reasons therefor cease to exist. Realised gains and losses on the sale or repayment and fair value gains and losses on the trading portfolio as well as impairment losses on financial assets measured at cost are recognised in the caption “Net trading income (expense)” of the income statement.

Interest income and dividends are recognised in the income statement captions “Interest and similar income” and “Dividends and similar income”, respectively.

Derecognition

Financial assets held for trading are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

2 - Available-for-sale financial assets

Classification

This caption includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading or held-to-maturity investments. Specifically, it comprises securities not held for trading and shares, which are not investments in subsidiaries, jointly controlled entities or associates that are not held for trading.

Recognition

These assets are recognised at their settlement date and initially measured at fair value, which usually equals the consideration paid.

Subject to the exceptions provided for by IAS 39, available-for-sale financial assets cannot be reclassified to other categories and vice versa. If they are reclassified from the held-to-maturity investment category, their carrying amount is their fair value at the reclassification date.

Measurement

After initial recognition, available-for-sale financial assets are measured at fair value using the same criteria as those described for financial assets held for trading.

When the fair value of equity instruments cannot be measured reliably, they are carried at cost. These include shares held to support the group’s core business and the local business development in the areas in which the group operates, which make up most of the available-for-sale portfolio. Considering that the adoption of valuation techniques would be based on significant discretionary features rather than market inputs, their fair value cannot be determined reliably.

At each reporting date, the group assesses whether there is objective indication of impairment. Any subsequent reversals of impairment losses cannot exceed the amount of impairment losses previously recognised.

The group policy provides that equity instruments should be tested for impairment if at least one of the following thresholds is exceeded:

- an accumulated reduction in fair value of over 20% of the original cost requires further investigation in order to assess whether there are other indications that the asset is impaired. At any rate, an accumulated reduction in fair value exceeding 50% of the original cost is deemed to be significant and automatically generates the recognition of an impairment loss;

- a continuous reduction of at least more than nine months in the fair value of the asset requires further investigation in order to assess whether there are other indications that the asset is impaired. At any rate, an accumulated reduction in fair value of more than 18 months is deemed prolonged and automatically generates the recognition of an impairment loss.

Recognition of costs and revenue

Interest calculated using the effective interest method, which considers the difference between cost and repayment value, is recognised in profit or loss.

Fair value gains and losses, net of deferred taxes, are recognised in the “Valuation reserves” up until the asset is derecognised or impaired. When an asset is derecognised or impaired, the accumulated fair value gains or losses are transferred to profit or loss. Dividends are recognised in the income statement caption “Dividends and similar income”. When the reason for the impairment loss no longer exists due to an event occurring after the recognition of the impairment loss, the impairment loss is reversed to profit or loss for loans and receivables or debt instruments and to equity, in the valuation reserves, for equity instrument.

Derecognition

Available-for-sale financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

3. Held-to-maturity investments

Classification

This caption includes debt instruments, mostly unlisted, which the group has the ability and intention to hold until maturity.

Recognition

Held-to-maturity investments are recognised at their settlement date at fair value, which usually equals the consideration paid, including any transaction costs.

Any assets recognised under the amendment to IAS 39 relating to the application of fair value endorsed by the European Union with Regulation (EC) no. 1004/2008 of 15 October 2008 are recognised at their fair value at 1 July 2008, if they had been recognised before 31 October 2008. Otherwise, they are recognised at the fair value measured at the reclassification date.

Measurement

After initial recognition, HTM investments are subsequently measured at amortised cost using the effective interest method. They are tested for impairment when there are indications that the related issuers' solvency has deteriorated.

Recognition of costs and revenue

Costs and revenue are recognised in line with financial amortisation.

Derecognition

Held-to-maturity investments are derecognised when the contractual rights to cash flows therefrom expire.



4 - Loans and receivables

4.1 On-statement of financial position loans and receivables

Classification

Loans and receivables include on-statement of financial position loans and receivables with banks or customers, either issued directly by the group or acquired from third parties, which provide for fixed or determinable payments and are not listed on an active market. They also include trade receivables, repurchase agreements, finance lease receivables and securities acquired as part of underwriting or private placement transactions with fixed or determinable payments that are not listed on an active market.

Recognition

Loans and receivables are initially recognised as such upon disbursement or acquisition and cannot be subsequently reclassified to other categories.

They include advances against the transfer of loans and receivables, with or without recourse, without transferring substantially all the related risks and rewards. Moreover, they comprise loans and receivables transferred to the group, due from the transferred debtor, when the related risks and rewards have been transferred to the transferee.

Repurchase agreements are recognised as lending or funding transactions. Specifically, in the case of spot sale and forward repurchase transactions, the spot amount collected is recognised as a liability, while in the case of spot purchase and forward sale transactions, the spot amount paid is recognised as an asset. Cash inflows and outflows for transactions yet to be settled are recognised using the “settlement date” criterion. The assets are initially recognised at their fair value at the disbursement or acquisition date, which usually equals the amount disbursed or the fair value of the consideration paid.

Their initial carrying amount includes any deferred transaction costs or revenue directly attributable to the individual asset.

Measurement

After initial recognition, they are measured at amortised cost using the effective interest method. Amortised cost is the initial carrying amount net of any principal repayments, adjusted for impairment losses/reversals of impairment losses and amortisation of the difference between the amount disbursed and that repayable at maturity. The effective interest rate is the rate that exactly discounts estimated future cash receipts to the amount disbursed, net of directly attributable costs or revenue. Short-term loans and receivables and those without a specified maturity or revocable are recognised at historical cost, as this does not significantly differ from their amortised cost. The effective interest rate at initial recognition or when the parameter to which a loan is indexed changes, is always used to subsequently discount the expected cash flows, including in the case of restructured loans entailing a change in the contractual interest rate.

At each reporting date, the group tests its loans and receivables for impairment due to a deterioration in the debtor’s solvency.

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

Impaired loans and receivables comprise the following categories:

- a) non-performing exposures;
- b) substandard exposures;
- c) restructured exposures;
- d) overdue exposures.

Non-performing exposures are those with a party facing insolvency or other substantially similar conditions, regardless of any estimated losses. Their classification is, therefore,

irrespective of whether there are guarantees securing the exposures.

Substandard exposures are those with parties that are temporarily facing objective difficulties, which are expected to be resolved in a suitable period of time. Objective substandard exposures are those calculated using the specific parameters established by Bank of Italy, while subjective substandard positions are those classified as such by the group on the basis of its own assessments.

Restructured exposures are those whose original contractual arrangements have been modified by the group giving rise to a loss, due to a deterioration in the debtor's financial position.

Overdue exposures are those past due and/or overdue by more than 90 days on an ongoing basis under the amount and timing parameters established by the relevant supervisory regulations.

Loans and receivables may be tested for impairment individually or collectively. Individual impairment losses are measured as the difference between the asset's recoverable amount and amortised cost. The recoverable amount of collective impairment losses is calculated as the present value of the expected cash flows based on the following elements:

- a) contractual cash flows net of expected losses calculated by considering the debtors' ability to meet their obligations and the value of any collateral or personal guarantee securing the exposure;
- b) the expected recovery timing also based on the recovery procedures in place;
- c) internal rate of return.

Non-performing exposures are assessed either individually or collectively. Individual assessment is based on the following parameters:

- a) recovery estimates made by the positions' managers;
- b) expected recovery times based on historical and statistical trends;
- c) original discount or effective contractual rates in force when the exposure is classified as non-performing.

Collective assessments are adopted for limited overall exposures that do not exceed the established pro rata thresholds identified using streamlined valuation processes, mainly automated, that use specific parameters defined internally based on targeted quantitative analyses.

Substandard exposures are also assessed individually or collectively. The first is based on the following parameters:

- a) recovery estimates made by the relevant departments;
- b) expected recovering times based on historical and statistical trends;
- c) original discount rates represented by the effective contractual rates in force when the exposure is classified as substandard.

Collective impairment losses are calculated using a similar method to that applied to non-performing exposures.

Objective substandard exposures are calculated using automated procedures that extrapolate positions showing irregular trends based on certain parameters identified by the Supervisory Authority. They are impaired by an amount calculated collectively based on targeted analyses of historical/statistical incurred losses

Restructured exposures are tested for impairment using the following parameters:

- a) loan repayment and/or restructuring plans assessed by the relevant departments;
- b) discount rates represented by the effective or contractual interest rates in force before the arrangement with the debtor.

Overdue/past due exposures are calculated using automated procedures that extrapolate positions showing irregular trends based on certain parameters identified by the Supervisory Authority. They are impaired collectively based on historical/statistical evidence of incurred losses on this category of transactions.

The European Banking Authority issued the Implementing Technical Standards ("ITS") on



24 July 2014 whereby it changed the definition of “Non- performing exposures” (“NPE”).

The European Commission endorsed the changes to regulations on impaired financial assets on 9 January 2015, in order to align them with the new rules introduced by the ITS for harmonised consolidated supervisory reporting issued by the EBA. Under the new definitions, the categories of impaired financial assets are non-performing, probable defaults and impaired past due and/or overdue exposures. The sum of these categories gives the total NPE provided for by the ITS. The substandard and restructured categories have been eliminated.

Probable defaults are exposures different to non-performing loans and are classified as such when it is improbable that, without the group’s resorting to measures, such as the enforcement of guarantees, the debtors will fully meet their obligations (principal and/or interest).

Impaired past due and/or overdue exposures include different exposures to those classified as non-performing or probable defaults, are past due and/or overdue by more than 90 days at the reporting date and exceed the established materiality threshold. They may be calculated by reference to an individual debtor or, solely for retail exposures, an individual transaction.

The new definitions came into force on 1 January 2015 for supervisory reporting purposes, while they have not yet been included in the Bank of Italy measure no. 262 dated 22 December 2005, as subsequently amended, governing the preparation of financial statements by banks. However, the group believed it appropriate to adopt the new classification of impaired exposures based on a simplified reclassification of the previous categories. Furthermore, the group is revising its procedures in order to more accurately apply the new rules mentioned above.

Performing exposures, i.e., those for which objective evidence of impairments not identified, are tested for impairment collectively. They are grouped into categories of exposures with similar credit risk characteristics and the loss rate estimated on a statistical basis and expressed as the counterparty’s probability of default (PD) and the loss given default (LGD) rate are applied. The expected loss (EL) is the asset amount multiplied by PD and LGD and is adjusted by the Loss Confirmation Period (LCP), which expresses the timeframe from when a customer’s financial conditions deteriorate to when the group acknowledges this for the different categories of similar exposures.

Recognition of costs and revenue

Interest on loans and receivables is recognised in “Interest and similar income”.

Impairment losses and reversals of impairment losses are recognised in profit or loss.

Any reversals of impairment losses cannot exceed the amount of previously recognised (individual and collective) impairment losses.

Derecognition

Loans and receivables are derecognised when the related risks and rewards are transferred and the group retains no control thereover.

4.2 Endorsement credits

Classification

Endorsement credits are made up of all personal guarantees and collateral issued against third party obligations.

Recognition and measurement

Endorsement credits are measured on the basis of the product risk and the debtor’s creditworthiness.

Recognition of costs and revenue

Accrued fees are recognised in the income statement caption “Fee and commission income”. Impairment losses and subsequent reversals of impairment losses are recognised in the caption “Net impairment losses/reversals of impairment losses on other financial transactions” with a balancing entry in “Other liabilities”.

5. Financial assets at fair value through profit or loss

This category includes those financial instruments to which the group deemed adequate to apply the fair value option. They are recognised, measured and derecognised using the same criteria as those described for financial assets held for trading.

Gains and losses on financial assets at fair value through profit or loss are immediately recognised in profit or loss under “Net gains (losses) on assets and liabilities at fair value through financial or loss”.

6. Hedging

Classification and recognition

Hedging derivatives are those financial instruments used by the group to neutralise or minimise losses that it may incur on the hedged assets or liabilities.

Hedging relationships may be of two types:

- a) fair value hedges that hedge fair value changes in a financial statements caption attributable to a specific risk;
- b) cash flow hedges that hedge cash flow changes in a financial statements caption attributable to a specific risk.

A transaction qualifies for hedge accounting if it meets the following conditions: a) the hedging relationship is formally documented: b) the hedge is effective at inception and prospectively over its entire life. Effectiveness is tested using specific techniques and exists when fair value or cash flow changes in the hedging instruments almost entirely offset fair value or cash flow changes in the hedged instrument (the test result is between 80% and 125%). Hedging effectiveness is tested at each reporting date. If the test shows that effectiveness of the hedging relationships is insufficient, the instrument is reclassified to the trading portfolio.

Hedging derivatives are recognised based on the “trading” date criterion.

Measurement and recognition of costs and revenue

Fair value hedging relationships are measured and recognised as follows:

- 1) the hedging instruments are measured at fair value. The fair value of financial instruments listed on an active market (effective) is based on the market closing prices, while that of financial instruments not listed on an active market is the present value of the estimated future cash flows, calculated by considering the different risk profiles of the financial instrument. The valuation techniques adopted by the group are those normally used by the market. Any resulting fair value gains or losses are recognised in profit or loss under “Net hedging income (expense)”;
- 2) hedged items are measured at fair value and any fair value gains or losses attributable to the hedged risk are recognised in profit or loss under “Net hedging income (expense)”.

Should the hedging relationship no longer meet the requirements for hedge accounting, the difference between the carrying amount of the hedged item when the hedging relationship is discontinued and the carrying amount it would have had if the hedge had never existed is recognised in profit or loss over the residual life of the original hedge, if the financial instrument bears interest, or immediately in profit or loss, if not.

Cash flow hedging relationships are measured and recognised as follows:



- 1) derivatives are recognised at fair value. Any gains or losses on the effective portion of the hedge are recognised in a specific caption of the valuation reserves, net of deferred taxes. Only when the hedged forecast cash flows affect profit or loss, are the gains or losses accumulated in equity transferred to profit or loss;
- 2) the hedged item is recognised using the requirements of the specific category.

Derecognition

Hedging relationships are discontinued prospectively when they expire or are terminated in advance or revoked, or when they no longer meet the effectiveness requirements.

7. Equity investments

Classification

Equity investments include the group's interests in subsidiaries, jointly controlled companies or associates. Control is presumed to exist when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Accordingly, control is presumed to exist under the following circumstances:

- a) effective and potential voting rights at general meetings and/or other contractual rights, relationships or other factors ensuring power to affect the investee's relevant activities;
- b) exposure to variable returns from its involvement with the investee;
- c) in relation to the two points above, ability to use its power over the investee to affect its returns.

An investee is an associate when the group exercises significant influence over it by having at least 20% of its voting rights, or, if the investment is smaller, when one of the following conditions are met:

- a) representation on the board of directors or equivalent governing body of the investee;
- b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- c) material transactions between the investor and the investee;
- d) interchange of managerial personnel;
- e) provision of essential technical information.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Recognition

Equity investments are initially recognised at their settlement date at cost, which is usually the fair value of the consideration paid adjusted for the directly attributable transaction costs.

Measurement

Equity investments are subsequently measured using the equity method based on the figures set out in the most recently approved financial statements.

The initial carrying amount of each investment is increased or decreased in proportion to the investee's profit or loss for the reporting period and is reduced by an amount equal to the dividends collected. When there are indications that an investee's solvency may have deteriorated, the investment is tested for impairment. The impairment loss is the difference between the recoverable and the carrying amount.

Any subsequent reversals of impairment losses cannot exceed the amount of impairment losses previously recognised.

Recognition and measurement of costs and revenue

Initial losses, the group's share of an investee's profit or loss for the period, gains and losses on sales and impairment losses are recognised in the income statement caption "Share of profits (losses) of investees", except for gains or losses on sales which are recognised in the caption "Gains (losses) on sales of investments".

Derecognition

Equity investments are derecognised when they are sold and all related risks and rewards are transferred.

8. Property, equipment and investment property

Classification

This caption includes buildings, land, equipment, furniture, fittings and machinery. Moreover, pursuant to IAS 17, it includes assets under finance leases.

It also comprises investment property, i.e., property held to earn rentals or for capital appreciation.

Recognition

Property, equipment and investment property are initially recognised at cost, including related costs incurred and directly attributable to prepare the asset for its use. Extraordinary maintenance costs that lead to an increase in the future economic benefits are recognised as an increase in the asset's carrying amount, while the other ordinary maintenance costs are recognised in profit or loss.

Measurement

After initial recognition, they are measured at cost net of accumulated depreciation and any impairment losses, except for investment property, which is measured at fair value. Depreciation is calculated systematically over the useful lives defined by classes of similar items. The carrying amount of land is separated from the depreciable amount of the related building, based on specific appraisals, since land is not depreciated as it has an indefinite life. At each reporting date, when there is objective evidence of impairment, the assets are tested for impairment and the difference between an asset's carrying amount and recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use, being the present value of the future cash flows generated by the asset. Any subsequent reversals of impairment losses cannot exceed the amount of impairment losses previously recognised.

Recognition of costs and revenue

Depreciation for the reporting period, impairment losses and any reversals of impairment losses are recognised under "Depreciation and net impairment losses on property, equipment and investment property".

Subsequent reversals of impairment losses are not allowed.

Fair value gains and losses on investment property are recognised in the relevant income statement caption.



Derecognition

Property, equipment and investment property are derecognised when they are disposed of or when the group does not expect to receive future economic benefits from their continued use or sale.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits.

Intangible assets comprise software and goodwill.

Recognition

Intangible assets are recognised at acquisition cost, increased by any related costs only if it is probable that they will generate future economic benefits and their cost can be measured reliably. Otherwise, costs incurred for intangible assets are recognised in profit or loss. Subsequent expenditure is capitalised only if it increases the asset's value or expected future economic benefits.

Goodwill is recognised as an asset when it arises from a business combination in accordance with the requirements of IFRS 3, i.e., as the positive difference between the overall cost incurred and the net fair value of the acquired assets and liabilities making up businesses or business units.

If the cost incurred is lower than the fair value of the acquired assets and liabilities, the negative goodwill is recognised directly in profit or loss.

Measurement

After initial recognition, intangible assets are measured at cost, net of accumulated amortisation and any impairment losses.

Amortisation is calculated systematically over the assets' useful lives on a straight-line basis.

At each reporting date, if there is indication of impairment, the group estimates the asset's recoverable amount. If the carrying amount exceeds the recoverable amount, the difference is recognised as an impairment loss in profit or loss.

Goodwill is not amortised but is tested for impairment annually, or whenever there is indication of impairment. For this purpose, the group identifies the cash-generating units to which individual goodwill is allocated. Any impairment losses are calculated as the negative difference between the carrying amount of goodwill and its recoverable amount. The latter is the higher of the cash-generating unit's fair value less costs to sell and value in use, which is the present value of the estimated future cash flows over the years of operation of the cash-generating unit and those arising from its disposal at the end of the useful life.

Recognition of costs and revenue

Amortisation for the reporting period, impairment losses and any reversals of impairment losses are recognised under "Amortisation and net impairment losses on intangible assets".

Subsequent reversals of impairment losses are not allowed.

Derecognition

The group derecognises intangible assets when it does not expect to receive future economic benefits.

10. Non-current assets held for sale

The caption includes individual non-current assets solely when their sale is highly probable.

They are measured at the lower of carrying amount and fair value less costs to sell. Any resulting loss is recognised in the relevant income statement caption.

11. Current and deferred taxes

Assets and liabilities of a tax nature are respectively recognised in the captions “Tax assets” and “Tax liabilities” of the statement of financial position. They are recognised as current tax assets when the group has made excess payments while current tax liabilities show the amount due by the group for current taxes. The tax liability is calculated using enacted tax rates and legislation. Tax assets/liabilities include the reasonably estimated risk arising from pending tax disputes.

When there are temporary differences, the group recognised deferred tax assets or liabilities. The group has not recognised deferred tax liabilities on the higher tax base of assets taxable on distribution and reserves taxable on distribution because the conditions for their future taxation are not currently expected to be met. Deferred tax assets are recognised using the “liability method” only when their future recovery is reasonably certain.

Tax assets and liabilities are recognised with a balancing entry in profit or loss, except when they arise from transactions affecting equity, in which case they are recognised in equity.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) provisions related to other long-term benefits to employees. They are recognised under “Provisions for risks and charges” based on the reporting date liability measured using the projected unit credit method, the same treatment adopted for post-employment benefits. In accordance with the revised IAS 19 endorsed by EC Regulation no. 475 of 5 June 2012, any actuarial gains and losses are recognised in a specific equity caption, as shown in the statement of comprehensive income. They include:
 - 1) Provision for pension obligations. It is classified as a defined benefit internal pension plan. Any shortfall in the plan assets compared to the obligation is the responsibility of the parent.
 - 2) Provision for loyalty bonuses. It covers the liability for loyalty bonuses to be paid to employees after 30 years of service. It is classified under “Other provisions”.
- b) Other provisions. In addition to the provision for loyalty bonuses described above, it includes accruals for liabilities whose amount or due date is uncertain, which can be recognised when the following conditions are concurrently met:
 - 1) the group has a present legal or constructive obligation, i.e., existing at the reporting date, as a result of a past event;
 - 2) it is probable that an outflow of resources will be necessary to settle the obligation;
 - 3) the obligation can be determined reliably.

When the effect of the time value of money is material, i.e., the outlay is expected to take place after 12 months of the recognition date, the provision is discounted.

13. Liabilities and securities issued

Classification

Due to customers, due to banks and securities issued are financial instruments other than financial liabilities held for trading that represent the typical funding activities carried out by the group with its customers, other banks or in securities. They comprise finance lease



payables and the consideration to be paid to transferors as part of transfers of loans and receivables, when the related risks and rewards have been transferred to the transferee.

Recognition

These financial liabilities are recognised based on the “trading” date criterion. They are initially recognised at fair value which usually equals the amount collected. Their initial carrying amount includes any prepaid transaction costs or revenue directly attributable to the individual liability. It does not include recoverable costs to be borne by the creditor or attributable to internal administrative costs. Structured securities issued, i.e., those comprising a host liability and one or more embedded derivatives, are separated and accounted for separately from the embedded derivatives when the latter’s economic characteristics and risks are not closely related to those of the host financial liability and the derivatives can be classified as independent derivatives.

Measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Current liabilities are retained at the amount collected. Liabilities part of an effective hedging relationship are measured using hedge accounting.

Recognition of costs and revenue

Interest expense on securities issued is recognised in the income statement caption “Interest and similar expense”.

Gains and losses on the repurchase of these liabilities are recognised in profit or loss under “Gains/losses from sales or repurchases of financial liabilities”

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. Securities issued and subsequently repurchased are derecognised.

14. Financial liabilities held for trading

This caption comprises non-hedging derivatives with negative fair values. It includes the embedded derivatives recognised separately from structured financial instruments when the relevant conditions are met. They are recognised, derecognised and measured using the same criteria already described for assets held for trading.

15. Financial liabilities at fair value through profit or loss

These condensed interim financial statements do not include financial liabilities at fair value through profit or loss.

16. Foreign currency transactions

Classification

They comprise all assets and liabilities expressed in a currency other than the Euro.

Recognition

Foreign currency assets and liabilities are initially recognised at the spot exchange rate in force at the transaction date.

Measurement

At the reporting date, foreign currency monetary assets and liabilities are translated into Euros using the spot closing date. Non-current financial assets in foreign currency are translated at the acquisition historical exchange rate.

Recognition of costs and revenue

Exchange rate differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in profit or loss in the period in which they arise. Exchange rate differences on non-monetary assets classified as held for sale are recognised in the valuation reserves.

Derecognition

They are derecognised using the criteria for their captions at the extinguishment date.

17. Italian post-employment benefits

The Italian post-employment benefits are part of defined benefit plans (i.e., a defined benefit obligation) and, therefore, as required by IAS 19, the group measured the obligation by projecting the amount vested into the future using actuarial assumptions in order to estimate the amount to be paid when the employment contract terminates and discount it to present value. Discounting is based on the projected unit credit method, whereby each period of service gives rise to an additional unit of benefit to be used to calculate the final obligation. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The actuarial valuation is carried out by an independent actuary every six months.

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits vested up to 31 December 2006 are retained by the group, while those accruing from 1 January 2007 are to be transferred to a supplementary pension fund or retained by the group and subsequently transferred to INPS (the Italian Social Security Institution), depending on each employee's choice. This reform changed the actuarial assumptions for the calculation of the obligation, which no longer include the average annual salary increase rate.

In accordance with Law no. 335/95, employees employed from 28 April 1993 may opt to transfer their post-employment benefits to a supplementary pension fund pursuant to the relevant internal agreements.

Actuarial gains and losses are recognised with a balancing entry in equity, as shown in the statement of comprehensive income.

18. Other information

The parent and its group companies do not have stock option plans in place.

Revenue is recognised when collected or its collection is probable and the amount can be measured reliably. Default interest on non-performing exposures are only recognised when collected.

Dividends are recognised when collected.

Any treasury shares in portfolio decrease equity. Any gains or losses arising from their subsequent trading are treated likewise.

Securitisations

In 2012, the parent carried out a performing residential loan securitisation. The loans were transferred without recourse to a vehicle, whose senior and junior notes were acquired



by the parent. Since the parent retained all risks and rewards of the securitised loans, it did not derecognise them. Any gains and losses arising from the transaction have been recognised consistently, preferring substance over form.

Covered bonds

On 6 November 2013, the parent's board of directors approved a five-year covered bond programme for a maximum amount of € 5 billion, based on the transfer of property and residential mortgage loans granted by the same parent.

On 30 May 2014, the parent transferred without recourse performing loans totalling € 802 million to the vehicle POPSO Covered Bond S.r.l. in connection with the issue of the first series of covered bonds amounting to € 500 million placed on 5 August 2014.

Non-performing exposures and forbearance

On 9 January 2015, the European Commission approved the changes to the definition of impaired financial assets in order to comply with the new notions of non-performing exposures and forbearance introduced by the ITS for harmonised consolidated supervisory reporting issued by the EBA. Thanks to these changes, the definitions for separate and consolidated supervisory reporting purposes are the same.

TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

(1)	Original portfolio (2)	Portfolio to which amount the transfer is made (3)	Carrying Fair value at 30.06.2015 (4)	(before taxes) at 30.06.2015 (5)	Income or expense if transfer had not taken place (before taxes)		Income or expense for the period	
					Unrealised gain/loss (6)	Other (7)	Unrealised gain/loss (8)	Other (9)
A. Debt instruments	HFT	HTM	64,498	64,497	766	157	237	157

Income or expense do not include those relating to securities belonging to the internal pension plan.

Unrealised gains or losses for the period refer to amortised cost, while those if the transfer had not taken place refer to fair value.

Transfer of financial assets held for trading

Like in 2014, the parent did not reclassify any financial assets during the reporting period. It made a reclassification on the basis of the amendment to IAS 39 endorsed by Regulation no. 1004 issued by European Union on 15 October 2008. The amendment authorises entities, in rare circumstances, to reclassify certain financial instruments. It aims at reducing the volatility of the profit or loss (and equity) of financial institutions and entities that apply the IFRS when markets are illiquid and/or when the market prices do not reflect the realisable value of financial instruments. The previous table provides suitable disclosures about the gains and losses that would have been recognised had that option not been exercised.

FAIR VALUE

Quantitative information

IFRS 13 - Fair value measurement became effective on 1 January 2013. It combines all provisions for fair value measurement previously included in different standards into a single standard. While maintaining the fair value concept substantially unchanged, IFRS 13 provides new application guidance and requires greater disclosures.

The fair value disclosures required by IFRS 13 are provided below. Under this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement. However, observable market transactions or information may be available in relation to certain assets and liabilities, but may also not be available in relation to other assets and liabilities. When the price of an identical asset or liability is not available, an entity shall resort to valuation techniques that maximise the use of relevant observable inputs and minimise the use of non-observable inputs.

One of the main changes introduced by IFRS 13 reflects the instructions about how to measure default risk when calculating the fair value of OTC derivatives. This risk relates to changes in both counterparty credit worthiness and the issuer's credit worthiness. Accordingly, the group adopted a model for the assessment of this risk component, which adjusts the pure market value of the instrument. With reference to derivatives with a positive mark to market value, this risk component is known as CVA (credit value adjustment) and shows the potential loss attributable to the counterparty credit risk, while in the case of derivatives with a negative mark to market value, the DVA (debit value adjustment) measures the issuer risk.

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

Level 2 inputs are inputs other than quoted prices included within Level 1 and include: quoted prices of similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets, input other than observable quoted prices, such as interest rates and yield curves observable at commonly quoted intervals, implied volatility, credit spreads and inputs corroborated by observable market data.

They usually come from information providers or are inferred based on prices calculated using market inputs for similar financial assets.

Level 3 inputs are unobservable inputs for the asset or liability and shall be used to measure fair value when relevant observable inputs are not available. They shall take into account the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. An entity shall mostly use non-observable inputs that derive from internal estimates and valuations based on pricing models that privilege forecast cash flows and information about prices and spreads, as well as data and series of data about historical risk factors and specialised reports.

Measurement processes and sensitivity

The parent measures the fair value of assets and liabilities using different methods. Based on the usable inputs, financial instruments are classified in Level 1, Level 2 or Level 3.

Level 1 includes financial instruments listed on active markets, whose fair value is measured based on quoted market prices. If the instruments are traded on more than one active market, the principal market is taken into account; if there is no principal market, the most advantageous market is considered. Level 1 inputs cannot be adjusted. Active market does not mean regulated market, but, according to IAS 39, is strictly related to the financial instrument. Therefore, if a financial instrument is listed on a regulated market, it does not necessarily mean that it is listed on an active market. Quoted prices are taken from price lists, dealers, brokers, etc. and reflect transactions carried out regularly.

Level 2 financial instruments are those whose inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. In this case, an entity uses valuation techniques, namely the market valuation method, the cost method, the income method, which is in turn based on present value techniques and option pricing models. The use of a present value technique, in turn, includes the following elements:

- a) the estimated future cash flows generated by the asset or liability;
- b) the cash flow uncertainty arising from the possible change in their amount and timing;



- c) the rate applied to risk-free monetary assets with a similar term;
- d) the risk premium;
- e) the default risk for liabilities, including the debtor's credit risk.

Level 3 comprises financial instruments whose inputs are unobservable. In this case, the group uses the best available information in the specific circumstances and takes into account all information about reasonably available assumptions used by market operators.

If the financial instrument is measured using inputs of different levels, it is classified in the fair value level with the lowest significant input.

For level 3 financial assets, IFRS 13 requires disclosures about the sensitivity of profit or loss to changes in the unobservable inputs adopted in the valuation techniques used in fair value measurement.

Also considering that the percentage of level 3 financial instruments is limited considering the group's total financial assets and that the level 3 available-for-sale financial assets mostly comprise assets measured at cost (for which no quantitative disclosures about measurement sensitivity are required), any changes in unobservable inputs would not significantly affect profit or loss.

With reference to level 3 financial instruments for which the group has developed quantitative unobservable inputs, changes to the unobservable inputs, such as, for example, credit spread attributed to the counterparties and used in the valuation techniques, do not significantly affect profit or loss.

Fluctuations of +/- 1 basis point in the credit spread and other inputs do not give rise to significant fair value changes.

Fair value hierarchy

IFRS 13 adopts the fair value hierarchy introduced by an amendment to IFRS 7 which was endorsed by Regulation no. 1165 of 27 November 2009. Accordingly, an entity is required to classify fair value measurements based on the inputs used into the following levels:

- a) quoted prices (unadjusted) in active markets (according to the definition of IAS 39) for identical assets or liabilities (level 1);
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) (level 2);
- c) unobservable inputs for the asset or liability (level 3). In this case, fair value is measured using valuation techniques which are significantly based on estimates and assumptions made by the group's departments.

Allocation to the different levels is not optional. The fair value hierarchy gives the highest priority to quoted prices in active markets. If this are not available and the group uses other methods, it firstly makes reference to other observable inputs, otherwise it adopts other valuation techniques using unobservable inputs.

Transfers of an asset or liability from/to another fair value level are made when the inputs change and the previous classification becomes inconsistent therewith.

Other disclosures

The comments disclosed earlier in conjunction with the information disclosed in the following tables adequately satisfy the disclosure requirements of IFRS 13.91/92. The requirements of IFRS 13.51/93.i/96 are not applicable.

QUANTITATIVE INFORMATION

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

	30/06/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,932,662	62,150	59,563	2,215,590	61,764	61,276
2. Financial assets at fair value through profit or loss	95,092	-	-	84,702	-	-
3. Available-for-sale financial assets	6,542,133	2,613	127,247	6,432,499	2,613	63,493
4. Hedging derivatives	-	-	-	-	-	-
5. Property, equipment and investment property	-	36,044	-	3,425	-	-
6. Intangible assets	-	-	-	-	-	-
Total	8,569,887	64,763	222,854	8,732,791	64,377	128,194
1. Financial liabilities held for trading	3,389	70,019	-	-	56,136	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	62,834	-	-	45,562	-
Total	3,389	132,853	-	-	101,698	-

No transfers among levels took place during the period.

Changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at FVTPL	Available-for-sale financial assets	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	61,276	-	63,493	-	3,425	-
2. Increases	1,328	-	68,890	-	33,077	-
2.1. Purchases	1	-	8,560	-	33,077	-
2.2. Gains recognised in:						
2.2.1. Profit or loss	873	-	-	-	-	-
including: gains on sales	794	-	-	-	-	-
2.2.2. Equity	-	-	40,128	-	-	-
2.3. Transfers from other levels	-	-	260	-	-	-
2.4. Other increases	454	-	19,942	-	-	-
3. Decreases	3,041	-	5,136	-	458	-
3.1. Sales	-	-	-	-	-	-
3.2. Repayments	2,636	-	519	-	-	-
3.3. Loss recognised in:						
3.3.1. Profit or loss	5	-	2,171	-	458	-
including: losses on sales	5	-	2,171	-	458	-
3.3.2. Equity	-	-	344	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	400	-	2,102	-	-	-
4. Closing balance	59,563	-	127,247	-	36,044	-

Changes in financial liabilities at fair value through profit or loss (level 3)

There are no financial liabilities at fair value through profit or loss at level 3.



**Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:
breakdown by fair value level**

	30/06/2015				31/12/2014			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held to maturity investments	141,860	126,865	-	27,464	148,620	135,063	-	27,019
2. Loans and receivables with banks 946,130	-	-	946,130	1,088,388	-	-	1,088,388	-
3. Loans and receivables with customers	24,732,876	-	-	25,176,871	24,011,925	-	-	24,404,742
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets classified as held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	25,820,866	126,865	-	26,150,465	25,248,933	135,063	-	25,520,149
1. Due to banks	2,614,342	-	-	2,614,342	2,314,035	-	-	2,314,035
2. Due to customers	26,727,785	-	-	26,727,785	26,310,842	-	-	26,310,842
3. Securities issued	3,269,692	725,269	2,605,608	-	3,406,198	518,968	2,957,980	-
4. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	32,611,819	725,269	2,605,608	29,342,127	32,031,075	518,968	2,957,980	28,624,877

Key:

VB: carrying amount

L1: level 1

L2: level 2

L3: level 3

INFORMATION ON “DAY ONE PROFIT/LOSS”

The “day one profit/loss” is governed by IFRS 7 and IAS 39.AG76 and is the difference at initial recognition between the negotiated price and fair value of a financial instrument. In general, this difference exists when there is no active market for the financial instrument. It is recognised in profit or loss over the financial instrument’s useful life.

The group did not carry out any transactions that would generate a significant “day one profit/loss”.

Notes to the statement of financial position

Assets

Financial assets held for trading – caption 20

Financial assets held for trading: breakdown by product

	30/06/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	1,811,025	-	59,563	2,124,783	-	61,276
1.1 Structured instruments	25,385	-	44,697	46,659	-	46,534
1.2 Other debt instruments	1,785,640	-	14,866	2,078,124	-	14,742
2. Equity instruments	69,606	1,738	-	54,710	2,133	-
3. OEIC units	49,984	-	-	35,820	-	-
4. Financing-	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,930,615	1,738	59,563	2,215,313	2,133	61,276
B. Derivatives						
1. Financial derivatives:	2,047	60,412	-	277	59,631	-
1.1 trading	2,047	60,412	-	277	59,631	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	2,047	60,412	-	277	59,631	-
Total (A+B)	1,932,662	62,150	59,563	2,215,590	61,764	61,276

Level 3 debt instruments mainly comprise a capitalisation certificate measured at cost and notes issued as part of loan securitisations, which are measured based on data coming from external information providers and which do not meet the conditions to be considered to be traded on an active market.

Financial assets at fair value through profit or loss - caption 30

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

	30/06/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	493	-	-	494	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	493	-	-	494	-	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	94,599	-	-	84,208	-	-
4. Financing	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	95,092	-	-	84,702	-	-
Cost	88,602	-	-	80,209	-	-

This caption includes all securities other than those held for trading that the parent has decided to measure at fair value through profit or loss (the “fair value option”) based on documented risk management in accordance with the board of directors’ resolution of 27 July 2005. Information about their performance is regularly provided to the relevant managers.



Available-for-sale financial assets – caption 40

Available-for-sale financial assets: breakdown by product

	30/06/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	6,257,415	-	6,798	6,035,797	-	6,725
1.1 Structured instruments	677,960	-	3,145	768,884	-	3,293
1.2 Other debt instruments	5,579,455	-	3,653	5,266,913	-	3,432
2. Equity instruments	13,044	2,613	98,134	12,285	2,613	42,007
2.1 FVTPL	13,044	2,613	55,725	12,285	2,613	-
2.2 Cost	-	-	42,409	-	-	42,007
3. OEIC units	271,674	-	22,315	384,417	-	14,761
4. Financing	-	-	-	-	-	-
Total	6,542,133	2,613	127,247	6,432,499	2,613	63,493

Unlisted equity instruments are carried at cost, adjusted for any impairment losses, considering the difficulties in accurately measuring their fair value, except for the investments in ICBPI S.p.A. and Cartasi S.p.A., which include fair value gains based on the consideration defined in connection with the sale of the ICBPI Group by the former shareholders.

The group compared the carrying amount at cost of these unlisted equity instruments to the amount resulting from equity accounting based on their most recently available financial statements, without identifying any impairment losses, except for the investment in Release S.p.A., which has been impaired.

Held-to-maturity investments - caption 50

Held-to-maturity investments: breakdown by product

	30/06/2015				31/12/2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	141,860	126,865	-	27,464	148,620	135,063	-	27,019
- structured	16,943	-	-	16,878	16,895	-	-	16,707
- other	124,917	126,865	-	10,586	131,725	135,063	-	10,312
2. Financing	-	-	-	-	-	-	-	-

In 2008, based on the amendment issued by the IASB on 13 October 2008 and endorsed by the European Commission with Regulation no. 1004/2008 on 15 October 2008, the parent reclassified securities held for trading totalling € 242.686 million to this portfolio.

Had the transferred securities, whose current nominal amount is € 67.372 million, been recognised at the reporting date fair value, they would have amounted to € 64.497 million, in line with their carrying amount which is € 64.498 million.

Loans and receivables with banks - caption 60

Loans and receivables with banks: breakdown by product

	30/06/2015				31/12/2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans and receivables with central banks	213,039	-	-	213,039	269,622	-	-	269,622
1. Term deposits	-	-	-	-	-	-	-	-
2. Minimum reserve	210,814	-	-	-	267,799	-	-	-
3. Reverse repurchase agreements	-	-	-	-	-	-	-	-
4. Other	2,225	-	-	-	1,823	-	-	-
B. Loans and receivables with banks	733,091	-	-	733,091	818,766	-	-	818,766
1. Financing	733,091	-	-	733,091	818,766	-	-	818,766
1.1 Current accounts and demand deposits	212,363	-	-	-	296,707	-	-	-
1.2 Term deposits	384,393	-	-	-	413,184	-	-	-
1.3 Other financing:	136,335	-	-	-	108,875	-	-	-
- Reverse repurchase agreements	-	-	-	-	-	-	-	-
- Finance leases	-	-	-	-	-	-	-	-
- Other	136,335	-	-	-	108,875	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other debt instruments	-	-	-	-	-	-	-	-
Total	946,130	-	-	946,130	1,088,388	-	-	1,088,388

These loans and receivables are not specifically hedged.

Considering that they are on demand or due in the short term, their fair value is deemed to equal their carrying amount.

Loans and receivables with customers - caption 70

Loans and receivables with customers: breakdown by product

	30/06/2015					31/12/2014						
	Performing	Carrying amount		Fair Value			Performing	Carrying amount		Fair Value		
		Impaired Purchased	Other	Level 1	Level 2	Level 3		Impaired Purchased	Other	Level 1	Level 2	Level 3
Financing	22,354,458	-	2,191,688	-	-	24,989,355	21,776,273	-	2,069,433	-	-	24,237,924
1. Current accounts	5,052,044	-	986,508	-	-	-	5,363,010	-	948,754	-	-	-
2. Reverse repurchase agreements	722,610	-	-	-	-	-	587,505	-	-	-	-	-
3. Loans	11,099,841	-	975,972	-	-	-	10,737,430	-	888,032	-	-	-
4. Credit cards, personal loans and salary backed loans	182,497	-	11,326	-	-	-	173,703	-	11,827	-	-	-
5. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
6. Factoring	1,607,084	-	30,349	-	-	-	1,625,791	-	26,249	-	-	-
7. Other financing	3,690,382	-	187,533	-	-	-	3,288,834	-	194,571	-	-	-
Debt instruments	186,730	-	-	-	-	187,516	166,219	-	-	-	-	166,818
8.1 Structured instruments	186,730	-	-	-	-	-	166,219	-	-	-	-	-
8.2 Other instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	22,541,188	-	2,191,688	-	-	25,176,871	21,942,492	-	2,069,433	-	-	24,404,742

These loans and receivables are partly specifically hedged.



They comprise residential loans totalling € 1,762 million which the parent used in a securitisation and a covered bond programme.

As part of the securitisation, the parent transferred the loans without recourse to the vehicle Centro delle Alpi RMBS S.r.l. and acquired all senior and junior notes issued. Since it retained all the risks and rewards related to the securitised loans, it did not derecognise them.

Within the covered bond programme, the parent transferred a first portfolio of performing residential loans to the vehicle POPSO Covered Bond S.r.l. as part of the covered bond issue targeted at institutional customers. Since it retained all the risks and rewards related to the securitised loans, it did not derecognise them.

The group measured the fair value of loans and receivables not due in the short term using valuation models based on the discounted future cash inflows, net of expected losses. The discount rate was determined based on forecast interest rate trends and other specific factors in order to include the transactions' operating costs and the actual borrowing costs incurred by the group in the assessment.

The difference between the fair value and carrying amount is mainly due to the gap between the fixed and market interest rates used in measuring loans and receivables.

Equity investments - caption 100

Equity investments: changes

	30/06/2015	31/12/2014
A. Opening balance	155,986	156,404
B. Increases	1,129	1,771
B.1 Purchases	-	-
B.2 Reversals of impairment losses	-	-
B.3 Fair value gains	-	-
B.4 Other increases	1,129	1,771
C. Decreases	6,267	2,189
C.1 Sales	-	-
C.2 Impairment losses	-	-
C.3 Other decreases	6,267	2,189
D. Closing balance	150,848	155,986
E. Total fair value gains	-	-
F. Total adjustments	(288)	(229)

Other increases and decreases are due to the equity accounting of investments.

Property, equipment and investment property - caption 120

Property and equipment: breakdown of assets measured at cost

	30/06/2015	31/12/2014
1. Owned	229,639	222,019
a) land	60,959	60,594
b) buildings	142,997	136,780
c) furniture	7,361	7,567
d) electronic systems	5,069	4,951
e) other	13,253	12,127
2. Under finance lease	28,349	28,859
a) land	6,083	6,083
b) buildings	21,546	22,056
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	257,988	250,878

Investment property: breakdown of assets measured at fair value

	30/06/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned	-	-	36,044	-	-	3,425
a) land	-	-	-	-	-	-
b) buildings	-	-	36,044	-	-	3,425
2. Under finance lease	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	36,044	-	-	3,425

This is property owned by the Centro delle Alpi Real Estate fund, which is wholly owned by the parent. The increase for the period of € 32.619 million is due to the scheduled investments made.

Intangible assets - caption 130

Intangible assets: breakdown by asset

	30/06/2015		31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	7,847	-	7,847
A.1.1 Attributable to the owners of the parent	-	7,847	-	7,847
A.1.2 Attributable to non-controlling interests	-	-	-	-
A.2 Other intangible assets	16,285	-	13,725	-
A.2.1 Assets measured at cost:	16,285	-	13,725	-
a) Internally generated assets	-	-	-	-
b) Other assets	16,285	-	13,725	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Other internally generated assets	-	-	-	-
b) Other assets	-	-	-	-
Total	16,285	7,847	13,725	7,847

Intangible assets comprises the costs incurred to acquire EDP programs with a finite useful life (usually three years) and amortised accordingly. They also include goodwill arising from the acquisition of Factorit S.p.A., whose carrying amount is € 7,847 million. Goodwill was recognised in accordance with the requirements of IFRS 3 for business combinations. This standard requires that the acquisition, and hence the first consolidation of the acquiree, be recognised when the acquirer effectively obtains control over the acquiree.

Based on IFRS 3, the group allocated goodwill using the purchase method, whereby the identifiable acquired assets and assumed liabilities should be allocated at the acquisition date. Any difference between the consideration paid and the fair value of the assets and liabilities is recognised as goodwill and allocated to the specific cash-generating unit.

The identification of the fair value of assets and liabilities is very important. It is aimed at recognising only the residual purchase price that cannot be allocated to specific assets and liabilities as goodwill. For this reason, IFRS 3 allows the provisional recognition of goodwill within the end of the reporting period in which the business combination takes place, to be subsequently completed within 12 months of the acquisition date. Accordingly, upon initial recognition, the parent provisionally recognised goodwill at € 7.847 million, being the difference between the purchase price and the investee's equity at the acquisition date, reserving the right to definitively measure the fair value of assets and liabilities within the above mentioned term.

The parent conducted a careful analysis and did not identify any fair value difference in the assets and liabilities which could have given rise to adjustments to the amounts allocated thereto at the acquisition date. Accordingly, it did not adjust the carrying amount of goodwill provisionally recognised.

Moreover, goodwill was tested for impairment at the end of 2014 and, since there were no indications of impairment, the test was not repeated.

Other assets - caption 160

Other assets: breakdown

	30/06/2015	31/12/2014
Tax advances	61,843	49,184
Withholdings on accrued interest - customers	269	3,491
Tax assets and related accrued interest	23,969	24,384
Current account cheques drawn on third parties	1,483	31,165
Current account cheques drawn on group banks	83,953	13,575
Customer securities transactions	3,077	4,383
Inventories	10,529	10,264
Costs fully related to the following period	-	1,262
Advances to suppliers	1,104	523
Advances to customers awaiting deposits	11,196	17,927
Sundry charges in progress	25,321	51,870
Pension plan cash	16,471	33,283
Sundry accrued income	32,227	30,877
Sundry prepayments	22,806	9,417
Differences due to intragroup eliminations	3,148	1,334
Residual items	49,101	64,844
Total	346,497	347,783

Liabilities

Due to banks - caption 10

Due to banks: breakdown by product

	30/06/2015	31/12/2014
1. Due to central banks	1,126,721	1,107,248
2. Due to banks	1,487,621	1,206,787
2.1 Current accounts and demand deposits	610,582	418,632
2.2 Term deposits	374,215	289,861
2.3 Financing	498,666	492,373
2.3.1 Repurchase agreements	-	-
2.3.2. Other	498,666	492,373
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	4,158	5,921
Total	2,614,342	2,314,035
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	2,614,342	2,314,035
Total fair value	2,614,342	2,314,035

These financial liabilities are not specifically hedged.

Due to central banks comprise two loans granted by the ECB as part of the “Targeted Longer-Term refinancing operations” (TLTRO), one of € 350 million agreed in September 2014 and another of € 748 million agreed in December 2014. Both are due in 2018, subject to the acceleration clause requiring repayment in September 2016 if the group does not satisfy the credit thresholds established by the ECB. The loans are secured by bonds, mainly government bonds, notes issued as part of the securitisation carried out by the parent and loans and receivables.

The sub-caption “Other financing” mainly includes funds provided by the EIB on the basis of the relevant agreements and special financing granted to the subsidiary Factorit S.p.A..

Considering that they are mainly on demand or due in the short term, their fair value is deemed to equal their carrying amount.

Due to customers - caption 20

Due to customers: breakdown by product

	30/06/2015	31/12/2014
1. Current accounts and demand deposits	23,007,152	23,142,217
2. Term deposits	1,986,242	2,700,506
3. Financing	1,685,326	410,399
3.1 Repurchase agreements	1,568,682	383,722
3.2 Other	116,644	26,677
4. Commitments to repurchase own equity instruments	-	-
5..Other liabilities	49,065	57,720
Total 26,727,785	26,310,842	
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	26,727,785	26,310,842
Fair value	26,727,785	26,310,842

These financial liabilities are not specifically hedged.

Considering that they are on demand or due in the short term, their fair value is deemed to equal their carrying amount.



Securities issued - caption 30

Securities issued: breakdown by product

	30/06/2015				31/12/2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A.. Securities								
1. Bonds	3,149,795	725,269	2,485,711	-	3,327,681	518,968	2,879,463	-
1.1 structured	242,234	-	242,234	-	86,180	-	86,180	-
1.2 other	2,907,561	725,269	2,243,477	-	3,241,501	518,968	2,793,283	-
2. Other securities	119,897	-	119,897	-	78,517	-	78,517	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	119,897	-	119,897	-	78,517	-	78,517	-
Total	3,269,692	725,269	2,605,608	-	3,406,198	518,968	2,957,980	-

The fair value of other securities equal their carrying amount as this caption includes bank and similar drafts and short term bearer certificates of deposit.

Level 1 securities relate to bank covered bonds issued in the previous year and subordinated bonds issued in March 2014.

Financial liabilities held for trading - caption 40

Financial liabilities held for trading: breakdown by product

	30/06/2015					31/12/2014						
	NA	Fair Value				FV*	NA	Fair Value				FV*
		Level 1	Level 2	Level 3	Level 1			Level 2	Level 3			
A. Liabilities												
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-	
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-	
3. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	
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:	-	3,389	70,019	-	-	-	-	56,136	-	-	-	
1.1 Trading	-	3,389	70,019	-	-	-	-	56,136	-	-	-	
1.2 Associated with												
fair value option	-	-	-	-	-	-	-	-	-	-	-	
1.3 Other -	-	-	-	-	-	-	-	-	-	-	-	
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	
2.1 Trading	-	-	-	-	-	-	-	-	-	-	-	
2.2 Associated with												
fair value option	-	-	-	-	-	-	-	-	-	-	-	
2.3 Other	-	-	-	-	-	-	-	-	-	-	-	
Total B	-	3,389	70,019	-	-	-	-	56,136	-	-	-	
Total A+B	-	3,389	70,019	-	-	-	-	56,136	-	-	-	

FV* = Fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date

NA = nominal or notional amount

Hedging derivatives - caption 60

Hedging derivatives: breakdown by type and level

	Fair Value 30/06/2015			Nominal amount	Fair Value 31/12/2014			Nominal amount
	Level 1	Level 2	Level 3	30/06/2015	Level 1	Level 2	Livello 3	31/12/2014
A. Financial derivatives	-	62,834	-	1,249,880	-	45,562	-	1,148,120
1) Fair value	-	62,834	-	1,249,880	-	45,562	-	1,148,120
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	62,834	-	1,249,880	-	45,562	-	1,148,120

Other liabilities - caption 100

Other liabilities: breakdown

	30/06/2015	31/12/2014
Amounts available to third parties	305,775	243,488
Taxes to be paid on behalf of third parties	83,169	49,559
Tax liabilities	1,027	5,717
Employee remuneration and social security contributions	16,005	26,160
Trade payables	18,814	15,981
Sundry suspense accounts	4,685	1,430
Invoices to be received	2,941	12,353
Crediting in progress for financial transactions	3,383	321
Currency differences on portfolio transactions	317,683	141,607
Directors' and statutory auditors' fees	125	1,020
Financing to customers to be completed	12,022	19,313
Sundry crediting in progress	63,696	60,469
Sundry accrued expenses	12,946	7,726
Sundry deferred income	16,454	14,008
Provision for guarantees and commitments	18,969	19,120
Differences due to intragroup eliminations	49,864	6,327
Residual items	53,735	98,236
Total	981,293	722,835

The increase of € 258.458 million is mainly due to currency differences on portfolio transactions (€ 176.076 million) and sums available to third parties (€ 62.287 million).

Post-employment benefits – caption 110

Post-employment benefits: changes

	30/06/2015	31/12/2014
A. Opening balance	44,915	40,527
B. Increases	3,633	11,729
B.1 Post-employment benefits - Accruals	3,622	7,444
B.2 Other increases	11	4,285
C. Decreases	4,964	7,341
B.1 Post-employment benefits - Payments	676	984
C.2 Other decreases	4,288	6,357
D. Closing balance	43,584	44,915



Provisions for risks and charges - caption 120

Provisions for risks and charges: breakdown

	30/06/2015	31/12/2014
1. Internal pension funds	118,590	117,043
2. Other provisions for risks and charges	46,820	49,806
2.1 Legal disputes	32,656	30,225
2.2 Employee benefits	9,833	16,120
2.3 Other	4,331	3,461
Total	165,410	166,849

The parent employees' pension fund is a defined benefit plan that gives supplementary pension benefits compared to the state pension fund. Contributions are paid by the parent and employees as a percentage of the participants' remuneration and are credited on a monthly basis. It is classified as a segregated asset pursuant to article 2117 of the Italian Civil Code.

The amount of the provision is adjusted with reference to the closed group of participants at 28 April 1993. The closed group comprises 417 employees and 241 retirees. Pursuant to the relevant internal agreements, personnel employed after 28 April 1993 may opt to participate in the supplementary open pension fund Arca Previdenza.

An external actuary regularly checks that the provision is consistent with the present value of the obligation at the reporting date, using demographic assumptions broken down by age and gender and technical financial assumptions that reflect the theoretical trend of remuneration and benefits. The technical valuations are based on dynamic financial assumptions. The discount rate is based on the return on primary bonds.

The provision for legal disputes includes accruals covering pending disputes, specifically claw-back claims made by receivers in relation to non-performing exposures or bad debts already recognised in profit or loss and other disputes arising during ordinary activities. The group makes this type of provision when, in agreement with its legal advisors, it believes that an outlay is probable and its amount can be estimated reliably. When disputes are considered ungrounded, no provisions are made.

Considering the slowness of the legal system, the duration of the disputes is difficult to estimate. The group discounted estimated outlays assuming an average duration calculated on the basis of the insolvency proceedings and using the market interest rates at the reporting date.

The provision for employee benefits mainly comprises accruals for deferred remuneration and accrued loyalty bonuses.

Other provisions include the charity provision, comprising net profits which are used for approved donations, in line with the shareholders' resolutions.

Equity - captions 140, 170, 180, 190, 200 and 220

The share capital is fully subscribed and paid up and comprises 453,385,777 ordinary shares with a unit nominal amount of € 3, for a total of € 1,360.157 million. All outstanding shares bear regular dividend rights at 1 January 2015.

The parent's treasury shares in portfolio at the reporting date amounted to € 25.322 million.

Other information

Guarantees and commitments

	30/06/2015	31/12/2014
1) Financial guarantees issued:	363,688	386,283
a) Banks	42,327	40,593
b) Customers	321,361	345,690
2) Commercial guarantees issued:	3,395,339	3,587,813
a) Banks	85,654	75,969
b) Customers	3,309,685	3,511,844
3) Irrevocable commitments to disburse funds	1,637,200	1,235,734
a) Banks	53,749	71,556
i) certain use	41,732	59,946
ii) uncertain use	12,017	11,610
b) Customers	1,583,451	1,164,178
i) certain use	580,085	384,592
ii) uncertain use	1,003,366	779,586
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third party commitments	28,443	26,861
6) Other commitments	74,869	79,560
Total	5,499,539	5,316,251

Management and trading on behalf of third parties

	30/06/2015
1. Execution of customer orders	
a) purchases	634,801
1. Settled	628,139
2. Unsettled	6,662
b) sales	543,071
1. Settled	536,397
2. Unsettled	6,674
2. Asset management	
a) Individual	1,987,478
b) Collective	-
3. Securities custody and administration	
a) third party securities held as part of depository bank services (excluding asset management)	1,251,637
1. securities issued by the consolidated entities	-
2. other securities	1,251,637
b) third party securities on deposit (excluding asset management): other	17,944,463
1. securities issued by the consolidated entities	3,384,028
2. other securities	14,560,435
c) third party securities deposited with third parties	19,799,783
d) securities owned by the bank deposited with third parties	8,847,163
4. Other	-



Notes to the income statement

Interest - captions 10 and 20

Interest and similar income: breakdown

	Debt instruments	Financing	Other transactions	Total First half 2015	Total First half 2014
1. Financial assets held for trading	8,375	-	-	8,375	18,562
2. Financial assets at fair value through profit or loss	1	-	-	1	3
3. Available-for-sale financial assets	30,746	-	-	30,746	35,428
4. Held to maturity investments	394	-	-	394	766
5. Loans and receivables with banks	-	2,360	-	2,360	5,181
6. Loans and receivables with customers	975	372,832	-	373,807	432,035
7. Hedging derivatives	-	-	-	-	24
8. Other assets	-	-	-	-	-
Total	40,491	375,192	-	415,683	491,999

Interest and similar income: gains and losses on hedging transactions

	30/06/2015	30/06/2014
A. Gains on hedging transactions	-	24
B. Losses on hedging transactions	-	-
C. Net gains (A-B)	-	24

Interest and similar income: other information

Interest income on foreign currency financial assets

	30/06/2015	30/06/2014
Interest income on foreign currency financial assets	46,574	47,011

Interest and similar expense: breakdown

	Financial liabilities	Securities	Other liabilities	Total First half 2015	Total First half 2014
1. Due to central banks	(848)	-	-	(848)	(1,978)
2. Due to banks	(2,589)	-	-	(2,589)	(6,444)
3. Due to customers	(83,959)	-	-	(83,959)	(132,901)
4. Securities issued	-	(43,013)	-	(43,013)	(45,706)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	(4)	(4)	-
8. Hedging derivatives	-	-	(8,678)	(8,678)	(7,381)
Total	(87,396)	(43,013)	(8,682)	(139,091)	(194,410)

Interest and similar expense: gains and losses on hedging transactions

	30/06/2015	30/06/2014
A. Gains on hedging transactions	-	-
B. Losses on hedging transactions	(8,678)	(7,381)
C. Net losses (A-B)	(8,678)	(7,381)

Interest and similar expense: other information

Interest expense on foreign currency liabilities

	30/06/2015	30/06/2014
Interest expense on foreign currency liabilities	(13,351)	(16,739)

Interest expense on finance lease payables

	30/06/2015	30/06/2014
Interest expense on finance lease payables	(15)	(27)

Fees and commissions - captions 40 and 50

Fee and commission income: breakdown

	First half 2015	First half 2014
a) guarantees issued	14,458	13,825
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	46,168	43,706
1. trading in financial instruments	7,163	7,177
2. foreign currency transactions	5,587	4,358
3. asset management	4,307	3,189
3.1. individual	4,307	3,189
3.2. collective	-	-
4. securities custody and administration	5,091	5,183
5. depository services	952	664
6. securities placement	9,729	9,485
7. order collection and transmission	6,884	7,464
8. consultancy services	-	59
8.1. concerning investments	-	-
8.2. concerning financial structure	-	59
9. distribution of third party services	6,455	6,127
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	4,644	4,045
9.3. other products	1,811	2,082
d) collection and payment services	33,685	33,588
e) servicing services for securitisations	-	-
f) services for factoring transactions	12,234	15,062
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	14,420	14,777
j) other services	39,034	36,274
Total	159,999	157,232



Fee and commission expense: breakdown

	First half 2015	First half 2014
a) guarantees received	(225)	(198)
b) credit derivatives	-	-
c) management and brokerage services:	(2,090)	(1,623)
1. trading in financial instruments	(1,148)	(824)
2. foreign currency transactions	-	-
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	(942)	(799)
5. placement of financial instruments	-	-
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(4,946)	(5,062)
e) other services	(3,584)	(3,837)
Total	(10,845)	(10,720)

Dividends and similar income - caption 70

Dividends and similar income: breakdown

	First half 2015		First half 2014	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held				
for trading	586	16	571	12
B. Available-for-sale				
financial assets	1,267	315	1,149	1,308
C. Financial assets at fair value				
through profit or loss	-	-	-	-
D. Equity investments	13	-	11	-
Total	1,866	331	1,731	1,320

Net trading income (expense) - caption 80

Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading expense (D)	Net trading income (D) [(A+B)-(C+D)]
1. Financial assets held for trading	19,608	28,234	(16,763)	(3,051)	28,028
1.1 Debt instruments	1,926	2,432	(9,592)	(2,738)	(7,972)
1.2 Equity instruments	822	7,736	(5,566)	(91)	2,901
1.3 OEIC units	38	5,611	(1,279)	(222)	4,148
1.4. Financing	-	-	-	-	-
1.5 Other	16,822	12,455	(326)	-	28,951
2. Financial liabilities held for trading	-	-	-	-	-
2.1. Debt instruments	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate gains					19,319
4. Derivatives	222	17,979	(8,612)	(13,215)	(3,600)
4.1. Financial derivatives:	222	17,979	(8,612)	(13,215)	(3,600)
- On debt instruments and interest rates	-	6,568	(6,827)	(6,914)	(7,173)
- On equity instruments and equity indexes	-	10,738	(1,619)	(5,604)	3,515
- On currencies and gold	-	-	-	-	26
- Other	222	673	(166)	(697)	32
4.2 Credit derivatives	-	-	-	-	-
Total	19,830	46,213	(25,375)	(16,266)	43,747

Net trading income went from € 69.405 million to € 43.747 million. Specifically, trading income on securities decreased and the group recorded net losses on securities, compared to significant net gains in the corresponding period of the previous year.

Income on "other" financial assets mainly comprises exchange rate gains. Net exchange rate gains almost exclusively relate to debt instruments in US dollars.

The above table does not present the net trading income or expense of the internal pension fund, which is disclosed in a separate caption.



Net hedging income (expense) - Caption 90

Net hedging income (expense): breakdown

	First half 2015	First half 2014
A. Income from:		
A.1 Fair value hedging derivatives	-	-
A.2 Hedged financial assets (fair value)	10,154	14,570
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total hedging income (A)	10,154	14,570
B. Expense from:		
B.1 Fair value hedging derivatives	(8,694)	(14,718)
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total hedging expense (B)	(8,694)	(14,718)
C. Net hedging income (expense) (A-B)	1,460	(148)

Gains (losses) from sales/repurchases - caption 100

Gains (losses) from sales or repurchases: breakdown

	First half 2015			First half 2014		
	Gain	Loss	Net gain/loss	Gain	Loss	Net gain/loss
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	78,755	(144)	78,611	46,577	-	46,577
3.1 Debt instruments	66,371	(144)	66,227	46,389	-	46,389
3.2 Equity instruments	349	-	349	-	-	-
3.3 OEIC units	12,035	-	12,035	188	-	188
3.4 Financing	-	-	-	-	-	-
4. Held to maturity investments	-	-	-	-	-	-
Total assets	78,755	(144)	78,611	46,577	-	46,577
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	823	(1,502)	(679)	267	(529)	(262)
Total liabilities	823	(1,502)	(679)	267	(529)	(262)

Net gains (losses) on financial assets and liabilities at fair value through profit or loss - caption 110

Net gains (losses) on financial assets and liabilities at fair value through profit or loss: breakdown

	Fair value gains (A)	Gain on sales (B)	Fair value losses (C)	Loss on sales (D)	Net gains [(A+B)-(C+D)]
1. Financial assets	4,055	113	(12)	-	4,156
1.1 Debt instruments	-	-	(1)	-	(1)
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	4,055	113	(11)	-	4,157
1.4. Financing	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Debt instruments	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: exchange rate gains					2,447
4. Credit and financial derivatives	-	-	-	-	-
Total	4,055	113	(12)	-	6,603

Fair value gains and losses relate to OEIC units and government bonds.

Net impairment losses - caption 130

Net impairment losses on loans and receivables: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				Total First half 2015	Total First half 2015
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Loans and receivables with banks									
- Financing	-	-	-	-	-	-	-	-	
- Debt instruments	-	-	-	-	-	-	-	-	
B. Loans and receivables with customers	- (272,422)	(17,348)		335	46,666	-	52,111	(190,658)	(233,667)
Impaired loans acquired									
- Financing	-	-	-	-	-	-	-	-	
- Debt instruments	-	-	-	-	-	-	-	-	
Other	- (272,422)	(17,348)		335	46,666	-	52,111	(190,658)	(233,667)
- Financing	- (271,144)	(17,162)		335	46,666		52,111	(189,194)	(232,759)
- Debt instruments	- (1,278)	(186)		-	-		-	(1,464)	(908)
C. Total	- (272,422)	(17,348)		335	46,666	-	52,111	(190,658)	(233,667)

Key:

A = from interest

B = other reversals



Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)		Total First half 2015	Total First half 2014
	Individual		Individual			
	Derecognition	Other	A	B		
A. Debt instruments	-	-	-	-	-	-
B. Equity instruments	-	(2,033)	-	-	(2,033)	(1,476)
C. OEIC units	-	(691)	-	-	(691)	(121)
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	-	(2,724)	-	-	(2,724)	(1,597)

Key:

A = from interest

B = from reversal

Net impairment losses on held-to-maturity investments

	Impairment losses			Reversals of impairment losses				Total First half 2015	Total First half 2014
	Individual		Di Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Debt instruments	-	(2,192)	-	-	-	-	-	(2,192)	-
B. Financing to banks	-	-	-	-	-	-	-	-	-
C. Financing to customers	-	-	-	-	-	-	-	-	-
D. Total	-	(2,192)	-	-	-	-	-	(2,192)	-

Key:

A = from interest

B = from reversal

Net impairment losses on other financial transactions: breakdown

	Impairment losses			Reversals of impairment losses				Total First half 2015	Total First half 2014
	Individual		Di Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Guarantees issued	-	(5,834)	-	-	418	-	350	(5,066)	1,324
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	(5,834)	-	-	418	-	350	(5,066)	1,324

Key:

A = from interest

B = from reversal

Administrative expenses - caption 180

Personnel expense: breakdown

	First half 2015	First half 2014
1) Employees	(114,880)	(107,563)
a) wages and salaries	(74,281)	(70,146)
b) social security charges	(18,291)	(17,329)
c) post-employment benefits	-	-
d) pension costs	(2,163)	(1,820)
e) accrual for post-employment benefits	(3,623)	(4,017)
f) accrual for pension and similar provisions:	(4,114)	(2,321)
- defined contribution plans	-	-
- defined benefit plans	(4,114)	(2,321)
g) payments to external supplementary pension funds	(1,693)	(1,500)
- defined contribution plans	(1,693)	(1,500)
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	(10,715)	(10,430)
2) Other personnel	(1,559)	(1,617)
3) Directors' and statutory auditors' fees	(1,049)	(965)
4) Retired personnel	-	-
Total	(117,488)	(110,145)

Average number of employees per category

	First half 2015	First half 2014
1) Employees	3,083	3,068
a) managers	31	32
b) junior managers	733	721
c) other employees	2,319	2,315
2) Other personnel	81	85

	First half 2015	First half 2014
- Number of employees at the reporting date	3,102	3,062
- Other personnel	82	86
BRANCHES	350	348



Other administrative expenses: breakdown

	First half 2015	First half 2014
Telephone, postal and data transmission	(7,855)	(7,706)
Maintenance of property, equipment and investment property	(4,937)	(4,469)
Property lease expense	(13,875)	(13,481)
Surveillance	(3,192)	(3,179)
Transportation	(2,009)	(1,987)
Fees to consultants	(11,191)	(12,044)
Office materials	(1,241)	(1,329)
Electricity, heating and water	(3,077)	(3,136)
Advertising and entertainment	(1,859)	(1,741)
Legal	(8,008)	(6,689)
Insurance premiums	(975)	(879)
Information and reports	(2,722)	(2,922)
Indirect taxes and duties	(27,820)	(26,936)
Lease and maintenance of hardware and software	(7,455)	(6,529)
Registration of data with third parties	(861)	(1,025)
Cleaning	(2,768)	(2,777)
Membership fees	(979)	(966)
Third party services	(1,168)	(1,481)
Outsourcing	(13,642)	(9,773)
Deferred costs	(1,574)	(2,365)
Goods and services for employees	(452)	(443)
Other	(5,915)	(5,430)
Total	(123,575)	(117,287)

Net accruals to provisions for risks and charges - caption 190

Net accruals to provisions for risks and charges: breakdown

This caption amounts to € 3.819 million.

Share of profits (losses) of investees - caption 240

Share of profits of investees: breakdown

	First half 2015	First half 2014
1) Jointly-controlled entities		
A. Income	8	10
1. Fair value gains	8	10
2. Gains on sales	-	-
3. Reversals of impairment losses	-	-
4. Other income	-	-
B. Costs	-	-
1. Fair value losses	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other costs	-	-
Net profits	8	10
2) Associates		
A. Income	6,130	3,000
1. Fair value gains	3,128	3,000
2. Gains on sales	-	-
3. Reversals of impairment losses	-	-
4. Other income	3,002	-
B. Costs	(448)	(970)
1. Fair value losses	(448)	(970)
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other costs	-	-
Net profits	5,682	2,030
Total	5,690	2,040

Gains (losses) on sales of investments - caption 270

Net gains on sales of investments: breakdown

	First half 2015	First half 2014
A. Property	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	3	26
- Gains on sales	3	26
- Losses on sales	-	-
Net gains	3	26



Earnings per shares

Average number of ordinary shares with dilutive effect

From 9 June to 4 July 2014, the parent carried out a mixed capital increase in line with the shareholders' resolution of 26 April 2014, whose methods and terms were approved by the board of directors on 5 June 2014. As a result, the parent issued 30,814,798 bonus shares and 114,422,994 shares against consideration on 9 June and 4 July 2014, respectively. The total number of outstanding shares increased to 453,385,777 and has not changed since 31 December 2014.

	30/06/2015	30/06/2014
number of shares	453,385,777	311,723,182

Other information

IAS 33 requires disclosures about earnings per share (EPS), which are calculated as follows:

the basic EPS are the profit (loss) for the reporting period attributable to the holders of ordinary shares divided by the average number of issued ordinary shares;

the diluted EPS consider any dilutive effect of all potential ordinary shares.

The conditions for a profit dilution are not met and the interim consolidated financial statements do not present assets held for sale requiring the separate indication of basic and diluted earnings per share.

	First half 2015	First half 2014
basic earnings per share - €	0.215	0.228
diluted earnings per share - €	0.215	0.218

Risks and related hedging policies

The disclosures set out in this section may be based on internal management data and, therefore, may not necessarily match the figures presented in the statement of financial position and income statement.

Banking group risks

Credit risk

QUALITATIVE DISCLOSURE

Reference should be made to the 2014 annual consolidated financial statements for the qualitative disclosure on credit risk and to the section "Lending" of directors' report and the paragraph "Loans and receivables" of the basis of preparation section of these notes for information about impaired financial assets.

QUANTITATIVE DISCLOSURE

Credit quality

Impaired and performing exposures: carrying amount, impairment losses, performance and breakdown by business and geographical segment

Breakdown of financial assets by portfolio and credit quality (carrying amount)

	Banking group					Other companies		Total 30/06/2015
	Non-performing exposures	Probable defaults	Impaired past due exposures	Unimpaired past due exposures	Other assets	Impaired	Other assets	
1. Financial assets held for trading	-	-	-	-	1,933,048	-	-	1,933,048
2. Available-for-sale financial assets	-	539	-	-	6,263,675	-	-	6,264,214
3. Held to maturity investments	-	7,773	-	-	134,087	-	-	141,860
4. Loans and receivables with banks	-	298	-	100	944,907	-	825	946,130
5. Loans and receivables with customers	674,233	1,132,744	384,711	1,195,729	21,345,089	-	370	24,732,876
6. Financial assets at fair value through profit or loss	-	-	-	-	493	-	-	493
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total 30/06/2015	674,233	1,141,354	384,711	1,195,829	30,621,299	-	1,195	34,018,621
Total 31/12/2014	614,590	1,079,709	375,666	1,153,966	30,313,539	-	448	33,537,918

Credit exposures comprise equity instruments and OEIC units.



Breakdown of loans by portfolio and credit quality (gross amounts and carrying amounts)

Portafogli/Qualità	Impaired assets			Performing assets			Totale Net exposure
	Gross exposure	Individual impairment losses	Net exposure	Gross exposure	Collective impairment losses	Net exposure	
A. Banking group							
1. Financial assets held for trading	-	-	-	1,933,048	-	1,933,048	1,933,048
2. Available-for-sale financial assets	539	-	539	6,263,675	-	6,263,675	6,264,214
3. Held-to-maturity investments	9,965	2,192	7,773	134,087	-	134,087	141,860
4. Loans and receivables with banks	298	-	298	945,008	1	945,007	945,305
5. Loans and receivables with customers	3,968,377	1,776,689	2,191,688	22,690,577	149,759	22,540,818	24,732,506
6. Financial assets at fair value through profit or loss	-	-	-	493	-	493	493
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total	3,979,179	1,778,881	2,200,298	31,966,888	149,760	31,817,128	34,017,426
B. Other consolidated entities							
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Loans and receivables with banks	-	-	-	825	-	825	825
5. Loans and receivables with customers	-	-	-	370	-	370	370
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	-	-	-	1,195	-	1,195	1,195
Total 30/06/2015	3,979,179	1,778,881	2,200,298	31,968,083	149,760	31,818,323	34,018,621
Total 31/12/2014	3,644,866	1,574,901	2,069,965	31,613,520	145,567	31,467,953	33,537,918

The gross exposure of financial assets held for trading, at fair value through profit or loss and hedging derivatives was measured at the reporting date.

The loans and receivables with customers subjected to forbearance measures are disclosed below:

	Gross amount	Impairment losses	Net amount
Impaired exposures	333,711	108,842	224,869
Performing exposures	215,574	1,511	214,063

Banking group - Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross exposure	Individual impairment losses	Collective impairment losses	Net exposure
A. On-statement of financial position				
a) Non-performing	-	-	-	-
b) Probable defaults	10,263	2,192	-	8,071
c) Impaired past due	-	-	-	-
d) Other assets	1,150,748	-	1	1,150,747
Total A	1,161,011	2,192	1	1,158,818
B. Off-statement of financial position				
a) Impaired	5,184	-	-	5,184
b) Other	179,020	-	38	178,982
Total B	184,204	-	38	184,166
Total A+B	1,345,215	2,192	39	1,342,984

On statement of financial position exposure comprises loans and receivables with banks (caption 60) and the other financial assets made up of bank instruments included in captions 20, 30, 40 and 50 of the statement of financial position assets, excluding those relating to equity instruments. Off-statement of financial position exposure comprises guarantees given, commitments and derivatives (except for those relating to equity instruments).

Banking group - On-statement of financial position loans and receivables with banks: gross impaired positions

	Non-performing	Probable defaults	Past due
A. Gross opening balance	-	-	-
- including: positions transferred but not derecognised	-	-	-
B. Increases	-	10,263	-
B.1 transfers from performing positions	-	10,263	-
B.2 transfers from other impaired positions	-	-	-
B.3 Other increases	-	-	-
C. Decreases	-	-	-
C.1 transfers to performing positions (including unimpaired past due positions)	-	-	-
C.2 derecognitions	-	-	-
C.3 collections	-	-	-
C.4 gains on sales	-	-	-
C.4.bis losses on sales	-	-	-
C.5 transfers to other impaired positions	-	-	-
C.6 other decreases	-	-	-
D. Gross closing balance	-	10,263	-
- including: positions transferred but not derecognised	-	-	-



Banking group - On-statement of financial position loans and receivables with banks: collective impairment losses

	Non-performing	Probable defaults	Past due
A. Opening balance	-	-	-
- including: positions transferred but not derecognised	-	-	-
B. Increases	-	2,192	-
B.1 impairment losses	-	2,192	-
B.1.bis losses on sales	-	-	-
B.2 transfers from other impaired positions	-	-	-
B.3 other increases	-	-	-
C. Decreases	-	-	-
C.1. fair value gains	-	-	-
C.2. reversals of impairment losses due to collections	-	-	-
C.2.bis gains on sales	-	-	-
C.3 derecognitions	-	-	-
C.4. transfers to other impaired positions	-	-	-
C.5 other decreases	-	-	-
D. Closing balance	-	2,192	-
- including: positions transferred but not derecognised	-	-	-

Banking group - Loans and receivables with customers on and off-statement of financial position: gross amounts and carrying amounts

	Gross exposure	Individual impairment losses	Collective impairment losses	Net exposure
A. On-statement of financial position				
a) Non-performing	1,777,380	1,103,147	-	674,233
b) Probable defaults	1,747,719	614,436	-	1,133,283
c) Impaired past due	443,817	59,106	-	384,711
d) Other assets	30,757,133	-	149,759	30,607,374
Total A	34,726,049	1,776,689	149,759	32,799,601
B. Off-statement of financial position				
a) Impaired	76,505	13,299	-	63,206
b) Other	5,267,238	-	5,632	5,261,606
Total B	5,343,743	13,299	5,632	5,324,812
Total A+B	40,069,792	1,789,988	155,391	38,124,413

On-statement of financial position exposures comprise loans and receivables with customers (caption 70) and the other financial assets made up of non-bank instruments included in captions 20, 30, 40 and 50 of the statement of financial position assets, excluding those relating to equity instruments and OEIC units. Off-statement of financial position exposure comprises guarantees given, commitments and derivatives (except for those relating to equity instruments and OEIC units.).

Banking group - On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing	Probable defaults	Past due
A. Gross opening balance	1,581,382	1,634,273	428,931
- including: positions transferred but not derecognised	9,965	26,108	20,501
B. Increases	241,090	438,449	298,351
B.1 transfers from performing positions	24,520	203,532	251,190
B.2 transfers from other impaired positions	182,094	85,320	32,425
B.3 other increases	34,476	149,597	14,736
C. Decreases	45,092	325,003	283,465
C.1 transfers to performing positions (including unimpaired past due positions)	201	14,416	121,349
C.2 derecognitions	4,606	58	-
C.3 collections	39,472	121,521	43,732
C.4 losses on sales	-	-	-
C.4.bis losses on sales	-	-	-
C.5 transfers from other impaired positions	5	181,450	118,384
C.6 other decreases	808	7,558	-
D. Gross closing balance	1,777,380	1,747,719	443,817
- including: positions transferred but not derecognised	15,102	28,051	22,853

Banking group - On-statement of financial position loans and receivables with customers: collective impairment losses

	Non-performing	Probable defaults	Past due
A. Opening balance	966,792	554,786	53,277
- including: positions transferred but not derecognised	3,126	5,339	2,629
B. Increases	160,251	156,053	19,548
B.1 impairment losses	88,796	144,324	12,145
B.1.bis losses on sales	-	-	-
B.2 transfers from other impaired positions	68,981	10,776	7,372
B.3 other increases	2,474	953	31
C. Decreases	23,896	96,403	13,719
C.1 fair value gains	13,957	20,355	834
C.2 reversals of impairment losses due to collections	5,280	1,581	33
C.2.bis gains on sales	-	-	-
C.3 derecognitions	4,606	58	-
C.4 transfers from other impaired positions	5	74,287	12,837
C.5 other decreases	48	122	15
D. Closing balance	1,103,147	614,436	59,106
- including: positions transferred but not derecognised	4,575	5,825	3,207



Credit concentration

Banking group - Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)

	Governments			Other government agencies		
	Net exposure	Individual impairment losses	Collective impairment losses	Net exposure	Individual impairment losses	Collective impairment losses
A. On-statement of financial position						
A.1 Non-performing	-	-	-	-	-	-
A.2 Probable defaults	7,941	4,759	-	-	-	-
A.3 Past due	-	-	-	125	12	-
A.4 Other	7,920,962	-	-	156,192	-	103
Total A	7,928,903	4,759	-	156,317	12	103
B. Off-statement of financial position						
B.1 Non-performing	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-
B.3 Past due	-	-	-	-	-	-
B.4 Other	93,494	-	-	27,680	-	-
Total B	93,494	-	-	27,680	-	-
Total (A+B) 30/06/2015	8,022,397	4,759	-	183,997	12	103
Total (A+B) 31/12/2014	8,127,960	3,654	2	175,700	474	39

Banking group - Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES	
	Net exposure	Impairment losses	Net exposure	Impairment losses
A. On-statement of financial position				
A.1 Non-performing	655,961	1,074,719	18,264	24,776
A.2 Probable defaults	1,092,936	590,212	40,238	24,121
A.3 Past due	382,218	58,706	1,649	254
A.4 Other	26,429,412	134,293	3,845,349	15,273
Total A	28,560,527	1,857,930	3,905,500	64,424
B. Off-statement of financial position				
B.1 Non-performing	12,087	8,729	-	-
B.2 Probable defaults	29,283	4,543	29	1
B.3 Past due	21,744	25	63	-
B.4 Other	4,590,949	4,729	659,623	901
Total B	4,654,063	18,026	659,715	902
Total A+B 30/06/2015	33,214,590	1,875,956	4,565,215	65,326
Total A+B 31/12/2014	32,857,807	1,683,999	3,965,834	52,717

Financial companies			Insurance companies			Non-financial companies			Other		
Net exposure	Individual impairment losses	Collective impairment losses	Net exposure	Individual impairment losses	Collective impairment losses	Net exposure	Individual impairment losses	Collective impairment losses	Net exposure	Individual impairment losses	Collective impairment losses
7,327	22,380	-	-	-	-	546,082	954,522	-	120,824	126,245	-
23,020	25,144	-	-	-	-	896,352	503,133	-	205,970	81,400	-
4,477	531	-	-	-	-	288,545	43,689	-	91,564	14,874	-
2,704,719	-	20,596	23,689	-	10	13,452,040	-	94,041	6,349,772	-	35,009
2,739,543	48,055	20,596	23,689	-	10	15,183,019	1,501,344	94,041	6,768,130	222,519	35,009
-	-	-	-	17	-	11,865	8,425	-	222	288	-
60	-	-	-	-	-	28,060	4,397	-	1,192	147	-
17	-	-	-	-	-	18,706	21	-	3,084	4	-
655,555	-	118	4,417	-	7	4,032,728	-	5,128	447,732	-	379
655,632	-	118	4,417	17	7	4,091,359	12,843	5,128	452,230	439	379
3,395,175	48,055	20,714	28,106	17	17	19,274,378	1,514,187	99,169	7,220,360	222,958	35,388
3,073,376	41,056	18,496	27,038	17	16	19,278,435	1,353,955	98,985	6,701,176	188,927	33,930

AMERICAS		ASIA		REST OF THE WORLD	
Net exposure	Impairment losses	Net exposure	Impairment losses	Net exposure	Impairment losses
8	14	-	3,615	-	23
-	-	109	103	-	-
835	145	-	-	9	1
321,168	127	8,435	46	3,010	20
322,011	286	8,544	3,764	3,019	44
-	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
5,905	2	4,896	-	233	-
5,905	2	4,896	-	233	1
327,916	288	13,440	3,764	3,252	45
508,714	183	48,795	2,611	2,535	41



Banking group - Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (car-rying amount)

	ITALY		OTHER EUROPEAN COUNTRIES	
	Net exposure	Impairment losses	Net exposure	Impairment losses
A. On-statement of financial position				
A.1 Non-performing	-	-	-	-
A.2 Probable defaults	8,071	2,192	-	-
A.3 Past due	-	-	-	-
A.4 Other	827,822	1	283,321	-
Total A	835,893	2,193	283,321	-
B. Off-statement of financial position				
B.1 Non-performing	-	-	-	-
B.2 Probable defaults	5,184	-	-	-
B.3 Past due	-	-	-	-
B.4 Other	101,798	38	59,829	-
Total B	106,982	38	59,829	-
Total A+B 30/06/2015	942,875	2,231	343,150	-
Total A+B 31/12/2014	1,047,540	36	295,989	-

Large exposures

	30/06/2015	31/12/2014
Carrying amount - nominal exposure	14,024,922	14,196,420
Weighted amount - risk position	3,742,451	3,427,061
Number	10	13

The 10% of own funds threshold – after which the counterparty is classified as a large exposure –, is calculated based on the exposure's nominal amount, which is the sum of on-statement of financial position risk assets and off-statement of financial position transactions with a customer or group of related customers. The risk position, on which basis the group's assumption of each large risk is measured, is the amount of the first figure, weighted by considering the counterparty's nature and any acquired guarantees.

€ 14,024.922 million includes exposures with the Italian government of € 7,785.331 million and with Cassa di Compensazione e Garanzia of € 2,550.170 million.

Banking group - Market risks

Reference should be made to the 2014 annual consolidated financial statements for qualitative disclosures on interest, price and currency risks.

AMERICAS		ASIA		REST OF THE WORLD	
Net exposure	Impairment losses	Net exposure	Impairment losses	Net exposure	Impairment losses
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,428	-	12,590	-	6,586	-
20,428	-	12,590	-	6,586	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
580	-	16,540	-	445	-
580	-	16,540	-	445	-
21,008	-	29,130	-	7,031	-
68,421	-	41,153	-	20,950	-



Derivatives

Financial derivatives

Regulatory trading book: notional amounts at the reporting date and average amounts

	Total at 30/06/2015		Total at 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	1,518,296	-	1,601,817	-
a) Options	26,259	-	24,964	-
b) Swaps	1,492,037	-	1,576,853	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indexes	11	232,665	11	62,842
a) Options	11	232,665	11	62,842
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	4,103,211	-	3,438,624	-
a) Options	125,005	-	130,823	-
b) Swaps	-	-	-	-
c) Forwards	3,978,206	-	3,307,801	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	20,403	-	9,087	-
5. Other underlying assets	-	-	-	-
Total	5,641,921	232,665	5,049,539	62,842
Average amounts	5,345,730	147,753	4,482,405	65,353

Banking book: reporting date notional amounts and average amounts

Hedging

	Total at 30/06/2015		Total at 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	1,249,880	-	1,148,120	-
a) Options	-	-	-	-
b) Swaps	1,249,880	-	1,148,120	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indexes	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	1,249,880	-	1,148,120	-
Average amounts	1,199,000	-	1,226,085	-



Financial derivatives: gross positive fair value - breakdown by product

	POSITIVE FAIR VALUE			
	Total at 30/06/2015		Total at 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	60,412	2,047	59,631	277
a) Options	2,947	2,047	2,311	277
b) Interest rate swaps	20,361	-	22,336	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	36,737	-	34,840	-
f) Futures	-	-	-	-
g) Other	367	-	144	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	60,412	2,047	59,631	277

Financial derivatives: gross negative fair value - breakdown by product

	NEGATIVE FAIR VALUE			
	Total at 30/06/2015		Total at 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	70,019	3,389	56,136	-
a) Options	2,830	3,389	2,215	-
b) Interest rate swaps	20,190	-	22,119	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	46,712	-	31,682	-
f) Futures	-	-	-	-
g) Other	287	-	120	-
B. Banking book - hedging	62,834	-	45,562	-
a) Options	-	-	-	-
b) Interest rate swaps	62,834	-	45,562	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	132,853	3,389	101,698	-



OTC financial derivatives - regulatory trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

Governments and central	Other government		Financial	Insurance	Non-financial	Other	
	banks	agencies	Banks	companies	companies	entities	parties
1) Debt instruments and interest rates							
- notional amount	-	-	1,334,148	2,510	-	173,850	7,788
- positive fair value	-	-	7,761	26	-	12,333	355
- negative fair value	-	-	20,210	-	-	89	-
- future exposure	-	-	4,484	1	-	265	20
2. Equity instruments and share indexes							
- notional amount	-	-	-	11	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	14,166	-	2,954,701	91,471	1,602	761,117	280,155
- positive fair value	-	-	14,795	3,525	-	14,836	6,415
- negative fair value	35	-	35,311	1,471	2	8,579	4,033
- future exposure	142	-	29,750	1,139	16	7,621	2,803
4. Other assets							
- notional amount	-	-	11,243	-	-	9,160	-
- positive fair value	-	-	194	-	-	173	-
- negative fair value	-	-	206	-	-	81	-
- future exposure	-	-	1,129	-	-	921	-

OTC financial derivatives - trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial entities	Other parties
1) Debt instruments and interest rates							
- notional amount	-	-	1,249,880	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	62,834	-	-	-	-
- future exposure	-	-	7,867	-	-	-	-
2. Equity instruments and share indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other assets							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
A. Regulatory trading book	4,157,885	1,337,180	146,856	5,641,921
A.1 Financial derivatives on debt instruments and interest rates	60,129	1,311,311	146,856	1,518,296
A.2 Financial derivatives on equity instruments and share indexes	-	11	-	11
A.3 Financial derivatives on currencies and gold	4,077,870	25,341	-	4,103,211
A.4 Financial derivatives on other assets	19,886	517	-	20,403
B. Banking book	189,571	803,803	256,506	1,249,880
B.1 Financial derivatives on debt instruments and interest rates	189,571	803,803	256,506	1,249,880
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other assets	-	-	-	-
Total 30/06/2015	4,347,456	2,140,983	403,362	6,891,801
Total 31/12/2014	3,722,230	2,084,829	390,600	6,197,659



Banking group – Liquidity risk

Reference should be made to the 2014 annual consolidated financial statements for qualitative disclosures on liquidity risk.

Securitisations and transfers of assets

Securitisations

In April 2012, the parent completed a securitisation in line with its funding policies. As part of the securitisation, the parent transferred without recourse performing residential mortgage loans totalling € 1,630 million to the vehicle Centro delle Alpi RMBS S.r.l. pursuant to Law no. 130/1999. The vehicle issued notes amounting to € 1,678 million, including senior and junior notes of € 1,385 million and € 293 million, respectively, all acquired by the parent. The senior notes are listed on the Luxembourg stock exchange and are eligible with the European Central Bank and have been pledged to secure the refinancing operations. Since the parent retained all the risks and rewards related to the securitised loans, in accordance with IAS 39, it did not derecognise them, but retained them in caption 70 “Loans and receivables with customers” of the statement of financial position. It did not recognise the junior and senior notes and the financing to the vehicle. The rating agencies Standard & Poor’s and Moody’s attributed a rating to the securitised notes, which will be monitored over the transaction term. The parent acts as the vehicle’s servicer, i.e., it provides management, administration and loan collection services. It operates on behalf of the vehicle as the sole counterparty for the customers and earns servicing fees. Quarterly reports showing the various transaction flows are provided to the relevant company departments and bodies in order to constantly monitor its performance.

Covered bonds

On 6 November 2013, the parent’s board of directors approved a covered bond programme for a maximum amount of € 5 billion, based on the transfer of property and residential mortgage loans granted by the same parent.

On 30 May 2014, the parent transferred without recourse, pursuant to articles 1 and 4 of Law no. 130 of 30 April 1999, performing loans totalling € 802 million to the vehicle POPSO Covered Bond S.r.l. in connection with the issue of the first series of five year covered bonds amounting to € 500 million placed on 5 August 2014.

The main objectives include providing the parent with financial instruments traded on the market, including by means of public offerings. Moreover, this type of issue may contribute to:

- extending the funding deadlines and, therefore, strengthening the medium to long term funding/lending ratio;
- diversifying long term sources of funds;
- planning in time the replacement of the funds provided by the European Central Bank through the LTROs;
- benefitting from more favourable conditions compared to those applicable to the ordinary funding through uncovered bonds.

The group implemented a complex and structured process to comply with the legal requirements. Specifically, the process enables the calculation and monitoring of legal and contractual tests, checks of eligibility of transferred assets, preparation of regulatory reports as well as those requested by the rating agencies and all control activities. The various parties involved in this process include the independent auditors Mazars S.p.A., also called the “asset monitor”, which is responsible for the regulatory tests.

The transaction is performing regularly and in line with its contractual provisions.

Moreover, according to the relevant legislation, the objective, risks, including legal and

reputational, and control procedure shall be assessed by the bank bodies responsible for strategic supervision and with a supervisory role.

Information on the bonds issued by Banca Popolare di Sondrio S.C.p.A., with respect to which the vehicle, Popso Covered Bond S.r.l., acts as the guarantor, is set out below:

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

Banking group - Operational risks

Reference should be made to the 2014 annual consolidated financial statements for qualitative disclosures on operational risks.

Sovereign debtors

With its Communication no. DEM/11070007 of 5 August 2011, Consob required listed companies to provide disclosures about their exposures with sovereign debtors, i.e., bonds issued by central and local governments, government bodies and loans provided thereto.

The overall group exposure at the reporting date amounted to € 8,584 million, as follows:

- a) Italian government bonds: € 7,620 million;
- b) Other issuers: € 320 million;
- c) Loans to state governments: € 22 million;
- c) Loans to local governments: € 64 million;
- e) Loans to state and local government owned entities: € 475 million;
- f) Loans to other state government agencies and various bodies: € 83 million.

Equity disclosures

Equity

QUALITATIVE DISCLOSURE

The banking sector's good performance is a fundamental public interest need and its solvency and reliability requires it to maintain suitable reserves. These assets should enable the group to cover any losses without jeopardising the bank customers' rights and contribute to build the bank's reputation.

Banks' need to be suitably capitalised has become even more necessary as a result of the crisis and the measures taken by the supervisory authorities, which are now at a supranational level. As a matter of fact, the financial crisis highlighted the importance of banks' assets, due to the considerable losses they recorded, the outburst in expected losses due to the recession and deterioration of credit quality and uncertainties about how to measure the assets. Moreover, there is a need to support the economy in order to boost recovery.

The group has always paid serious attention to its capitalisation structure and size, in order to ensure a suitable capital profile in line with its size and assumed risks, in compliance with relevant supervisory regulations. Pursuant to its cooperative bank nature, the parent identified a capitalisation policy focused on the shareholder/customer figure as the tool that enables it to pursue the independent growth strategy adopted by the board of directors. Therefore, the group's history is characterised by regular capital increases with a simple form and transparent technical methods, so that their terms can be easily understood. To this end, the group has never issued innovative equity instruments and the numerous increases have always been successful, as can be seen by the number of shareholders reached.

The funds gathered through these transactions in addition to the allocations of profits made in conformity with the parent's by-laws have allowed the group to steadily develop its business and look at future challenges with a certain confidence.

The outbreak of the crisis and the negative impact on banks' financial statements impaired their self-financing ability, which has always been a significant contribution to their capitalisation. The tensions that have characterised financial markets in recent years, marked by the well known critical issues, have not allowed the group to implement projects to build up its own funds, despite the constant operational development which led to the acquisition of control over Factorit S.p.A. in 2010, with a view to providing specialised instruments to support the real economy. The easing of tensions on the markets, the need to have adequate capital levels in anticipation of the possible impacts of the assessment of banks by the ECB and the subsequent stress tests, to which the major banks were subjected, had led the parent to approve a capital increase that took place in the period from 9 June to 5 July 2014 by issuing 30,814,798 bonus shares and 114,422,994 shares against consideration (€ 3). Upon conclusion, the parent collected € 343.269 million.

Considering the group's responsibility to its shareholders and as a cooperative bank, the group managed its equity in an extremely prudent manner, as can be seen from the assets and liabilities presented in its statement of financial position.

QUANTITATIVE DISCLOSURE

The following tables provide quantitative disclosures on equity and its components.

Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Share capital	1,393,736	-	10	-	1,393,746
2. Share premium	83,363	-	2	-	83,365
3. Reserves	981,502	-	31	14,096	995,629
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(25,322)	-	-	-	(25,322)
6. Valuation reserves	47,013	-	192	3,179	50,384
- Available-for-sale financial assets	75,537	-	-	-	75,537
- Property, equipment and investment property	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate gains (losses)	-	-	-	-	-
- Non-current assets held for sale-	-	-	-	-	-
- Net actuarial losses on defined benefit plans	(28,524)	-	-	-	(28,524)
- Share of valuation reserves of equity-accounted investees	-	-	-	3,179	3,179
- Special revaluation laws	-	-	192	-	192
7. Profit for the (+/-) period	105,210	-	(568)	(3,381)	101,261
Total	2,585,502	-	(333)	13,894	2,599,063

Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total 30/06/2015	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	39,408	(22,230)	-	-	-	-	-	-	39,408	(22,230)
2. Equity instruments	40,985	-	-	-	-	-	-	-	40,985	-
3. OEIC units	17,593	(219)	-	-	-	-	-	-	17,593	(219)
4. Financing	-	-	-	-	-	-	-	-	-	-
Total 30/06/2015	97,986	(22,449)	-	-	-	-	-	-	97,986	(22,449)
Total 31/12/2014	74,652	(547)	-	-	-	-	-	-	74,652	(547)



Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	57,186	2,454	14,465	-
2. Increases	2,223	38,656	6,836	-
2.1 Fair value gains	1,983	38,656	6,836	-
2.2 Reclassification to profit or loss				
of fair value losses	240	-	-	-
- due to impairment	-	-	-	-
- on sale	240	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	42,231	125	3,927	-
3.1 Fair value losses	17,368	-	30	-
3.2 Impairment losses	-	89	-	-
3.3 Reclassification to profit or loss				
of fair value gains: on sale	24,863	36	3,897	-
3.4 Other decreases	-	-	-	-
4. Closing balance	17,178	40,985	17,374	-

Actuarial reserves: changes

The actuarial reserve on defined benefit plans is negative by € 28.524 million. It includes accumulated actuarial gains and losses and related taxes.

Own funds and ratios

Scope of application of the regulations

Regulation (EU) no. 575/2013 (Capital Requirement Regulation - CRR) and Directive no. 2013/36/EU (Capital Requirement Directive - CRD IV) covering banks and investment companies became effective on 1 January 2014. They transposed the supervisory standards for banks defined by the Basel Committee in the European Union (Basel 3).

The CRR was immediately incorporated into local legislation, while the CRD IV had to be transposed. The regulations were implemented with Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory provisions for Banks", which defined the regulatory decisions at a national level for own funds applicable during the transitory period. The Circular implemented the CRD IV rules for which Bank of Italy is responsible and redefined the overall framework for supervisory reporting, bringing them into line with EU requirements.

Own funds

QUALITATIVE DISCLOSURE

Under article 4.1.71/118 and article 72 of the CRR, own funds (which, under previous legislation, was equal to the regulatory capital, i.e., the sum of Tier 1 capital and Tier 2 capital) are made up of the following:

- Tier 1 Capital (T1);
- Tier 2 Capital (T2).

Tier 1 capital (article 25 of the CRR) is the sum of:

- Common Equity Tier 1 (CET 1);
- Additional Tier 1 (AT1).

CET 1 comprises the following positive and negative items:

- share capital;
- share premium;
- income-related reserves;
- negative valuation reserves (ex OCI);
- other reserves;
- CET 1 instruments subject to transitional regulations (grandfathering);
- prudential filters;
- deductions.

The prudential filters are regulatory adjustments to the carrying amount of CET 1 positive and negative items.

Deductions are negative items of CET 1.

AT1 comprises the following positive and negative items:

- equity instruments and related premiums;
- AT1 instruments subject to transitional regulations (grandfathering);
- deductions.

T2 comprises the following positive and negative items:

- equity instruments, subordinated loans and related premiums;
- positive valuation reserves (ex OCI);
- T2 instruments subject to transitional regulations (grandfathering);
- deductions.

The new regulations provide for a transitional period, from 2014 to 2017, with the phase of part of the new regulation on own funds and capital requirements and protection clauses that enable the partial recognition, with their gradual exclusion by 2021, of the previous equity instruments that do not meet all requirements provided for by the CRR for inclusion in CET 1, AT1 and T2.

The transitory provisions for own funds of Bank of Italy Circular no. 285 gave banks the possibility to exclude unrealised profits or losses on exposures with central governments classified as “available-for-sale” under IAS 39 from their own funds. This options could be exercised before 31 January 2014. The parent decided to exclude its positive and negative reserves on exposures with central governments classified as AFS from its own funds, in continuity with that already decided based on the Bank of Italy measure of 18 May 2010. This decision entailed the non-recognition of fair value gains of roughly € 17 million, net of the tax effect.



QUANTITATIVE DISCLOSURE

	30.06.2015	31.12.2014
A. Common Equity Tier 1 – CET 1 before application of prudential filters	2,458,747	2,344,771
including CET 1 instruments covered by the transitional measures	-	-
B.1 CET 1 prudential filters (+/-)	-	-
C. CET 1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	2,458,747	2,344,771
D. Elements to be deducted from CET 1	52,556	51,471
E. Transitional regime - Impact on CET 1 (+/-), including non-controlling interests subject to transitional measures	30,736	41,894
F. Total Common Equity Tier 1 (Common equity Tier 1 - CET 1) (C - D +/- E)	2,436,927	2,335,194
G. Additional Tier 1 (AT1) including the elements to be deducted and the effects of the transitional regime	5,818	3,642
including AT1 instruments covered by the transitional measures	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional measures – Impact on AT1 (+/-), including instruments issued by the consolidated entities and included in AT1 due to transitional measures	-3,491	-2,914
L. Total Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	2,327	728
M. – Tier 2 Capital (T2) including the elements to be deducted and the effects of the transitional regime	236,937	17,565
including T2 instruments covered by the transitional measures	-	-
N. Elements to be deducted from T2	191	223
O. Transitional regime - Impact on T2 (+/-), including instruments issued by the consolidated entities and included in T2 due to transitional measures	244,534	346,375
P. Total Tier 2 (T2) (M - N +/- O)	481,280	363,717
Q. Total own funds (F + L + P)	2,920,534	2,699,639

Capital adequacy

QUALITATIVE DISCLOSURE

The capital ratios are calculated in line with the new Basel 3 rules. The regulations introduced by Bank of Italy with Circular no. 285/2013 requires the following minimum ratios for banking groups for 2015:

- CET 1 equal to 4.50%;
- Tier 1 equal to 6%;
- Total capital ratio equal to 8%.

In addition to the above ratios, the following further requirements have been introduced:

- capital conservation buffer (CCB), i.e., an additional requirement of 2.5% of CET 1 in order to protect the minimum level of regulatory capital in adverse market conditions;
- countercyclical buffer, aimed at protecting the banking systems in periods of high credit growth. Presently, it is not applied and, following measures of the supervisory authorities, it may be required in periods of economic growth using CET 1 in order to cover any losses

of descending phases of the cycle, based on a specific ratio established at national level;

- additional buffers, again using CET 1, for entities with strong global relevance and other institutions of systemic importance. The buffer for entities with global relevance may vary from a minimum of 1% to a maximum of 3.5%; for the other entities, there is a non-binding maximum threshold of 2%;
- buffer covering systemic risk, which is established by each member state and should be at least 1%.

The sum of regulatory requirements and additional buffers gives the level of minimum capital requirement, which is as follows:

- CET 1 equal to 7%;
- Tier 1 equal to 8.5%;
- total capital ratio equal to 10.5%.

Banks that do not comply with the required buffers are subject to limits on distributions which could be otherwise comprised in own funds, such as profits. Moreover, they are required to introduce a capital conservation plan stating the measures that the group intends to adopt to return to the level of capital necessary to meet the relevant buffers within a suitable timeframe.

With reference to banks with EU relevance, which include the Banca Popolare di Sondrio Group, with its note of 23 October 2013, the EBC added 1% to the CET 1 ratio, bringing its minimum threshold to 8%, a more stringent limit compared to the previous requirements. As part of its powers, with its decision of 20 February 2015, the ECB increased the group's capital requirements covering its risk, bringing the CET 1 capital ratio to 9% and the total capital ratio to 11%.

In line with the new relevant legislation, the group had the following ratios at the reporting date:

- CET 1 capital ratio 10.20%;
- Tier 1 capital ratio 10.21%;
- Total capital ratio 12.23%.



QUANTITATIVE DISCLOSURE

	Unweighted amounts		Weighted amounts/ requirements	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	36,263,122	35,182,339	20,784,308	20,686,939
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	186,730	170,600	168,536	162,835
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			1,676,228	1,667,982
B.2 Credit valuation adjustment risk			1,008	993
B.3 Market risk			-	-
B.4 Operational risk			-	-
1. Standardised method			82,131	94,803
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Other prudential requirements			-	-
1. Basic method			151,369	151,369
2. Standardised method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			1,910,736	1,915,147
C. EXPOSURES AND SUPERVISORY RATIOS				
C.1 Risk-weighted assets			23,884,200	23,939,338
C.2 CET 1 capital /risk-weighted assets (CET 1 capital ratio)			10.20	9.75
C.3 Tier 1 capital/risk-weighted assets (T1 capital ratio)			10.21	9.76
C.4 Total own funds/risk-weighted assets (Total capital ratio)			12.23	11.28

Related party transactions

Related party transactions

In accordance with the Regulation enacted with CONSOB Resolution no. 17221 of 12 March 2010, as subsequently amended, on 11 November 2010 the parent's board of directors approved its internal regulation for related party transactions. A related party is a party that, considering its role may be able to influence the group's operations favouring, directly or indirectly, personal interests.

The group identified the following related parties as defined by IAS 24 and the above-mentioned Consob Regulation.

1. Subsidiaries, parents or jointly controlled companies.
2. Companies that may exercise significant influence over the reporting company.
3. Associates.
4. Joint ventures in which the reporting company is an investor.
5. Key management personnel of the reporting company and its parent.
6. Close family members of one of the parties set out in point 5.
7. Subsidiaries, jointly controlled companies or associates of one of the parties set out in points 5 and 6.
8. Pension funds of the employees or any other entities related thereto.

Close family members are spouses not legally separated and live-in partners of the party, children and dependants of the party, their spouses not legally separated and live-in partners, parents of the party, their second degree relatives and other people living with them.

Taking into account its cooperative bank nature pursuant to Title II, Chapter V, Section I of the Consolidated Banking Act, there are no shareholders that may be considered related parties to the group as a result of their investment.

The group did not carry out any atypical and/or unusual transaction with related parties during the reporting period.

Transactions with investees are carried out as part of the ordinary activities and mainly relate to joint current accounts, deposits and financing. These transactions are performed on an arm's length basis. The other transactions with related parties other than investees are also carried out at the market conditions of each transaction or in line with the conditions applied to employees, if the relevant requirements are met. The group did not recognise specific impairment losses on loans and receivables with related parties. The fees paid to directors and statutory auditors are approved by the shareholders. The board of directors established the remuneration of its members holding specific positions provided for by the by-law.

Reference should be made to the "Remuneration report of Banca Popolare di Sondrio" prepared pursuant to article 123-ter of the Consolidated Finance Act, which is also available on the group's intranet, for information on fees to directors and managers.

The related parties with administration, management and supervisory roles are subjected to the special resolution procedure for granting bank financing provided for by article 136 of the Consolidated Banking Act, which requires the unanimous approval of the transaction of the board of directors and the favourable vote of all members of the board of statutory auditors.



	Assets	Liabilities	Income	Costs	Guarantees issued	Guarantees received
Directors	477	10,150	8	63	-	-
Statutory auditors	335	384	7	2	-	-
Management	4	852	-	5	15	-
Family members	1,303	24,640	25	130	36	7,050
Subsidiaries	2,344,639	478,807	29,677	425	855,304	13,306
Associates	513,247	116,718	2,846	764	105,510	1,368
Other related parties	264,765	56,272	1,471	179	12,561	20,341

Exposure with subsidiaries is mainly due to transactions with Banca Popolare di Sondrio (Suisse) SA and Factorit S.p.A., while those with associates refer to Alba Leasing S.p.A. (€ 401 million) and Banca della Nuova Terra S.p.A. (€ 81 million). Transactions with other related parties include financing of € 160 million granted to the investee Release S.p.A..

Segment reporting

Primary reporting

Breakdown by business segment: income statement

	Companies	Private and other customers	Securities segment	Central structure	Total	Reconciliation	Total H1 2015
Interest income	275,434	240,791	-	144,129	660,354	-244,671	415,683
Interest expense	-83,451	-147,071	-	-153,240	-383,762	244,671	-139,091
Net interest income (expense)	191,983	93,720	-	-9,111	276,592	-	276,592
Fee and commission income	77,275	37,135	40,262	5,758	160,430	-431	159,999
Fee and commission expense	-4,133	-4,066	-2,631	266	-10,564	-281	-10,845
Dividends and similar income	-	-	-	2,197	2,197	-	2,197
Net trading income	-	-	-	43,057	43,057	690	43,747
Net hedging income (expense)	-	1,679	-	-219	1,460	-	1,460
Net gains from sales or repurchases	-	-	-	77,932	77,932	-	77,932
Net gains on financial assets and liabilities at fair value through profit or loss	-	-	-	6,603	6,603	-	6,603
Total income	265,125	128,468	37,631	126,483	557,707	-22	557,685
Net impairment losses on financial assets	-149,989	-45,711	-	-4,940	-200,640	-	-200,640
Net financial income	115,136	82,757	37,631	121,543	357,067	-22	357,045
Administrative expenses	-64,008	-79,207	-27,625	-44,048	-214,888	-26,175	-241,063
Net accruals to provisions for risks and charges	3,230	-6,552	-	-497	-3,819	-	-3,819
Net impairment losses on property, equipment and investment property	-2,131	-3,117	-1,072	-2,324	-8,644	-	-8,644
Net impairment losses on intangible assets	-1,710	-2,415	-806	-1,060	-5,991	-	-5,991
Other operating income/costs	5,852	4,062	-14	9,867	19,767	26,197	45,964
Share of profits of investees	-	-	-	5,690	5,690	-	5,690
Net fair value losses on property, equipment and investment property and intangible assets	-	-	-	-458	-458	-	-458
Net profit on sale of investments	-	-	-	3	3	-	3
Pre-tax profit (loss)	56,369	-4,472	8,114	88,716	148,727	-	148,727



	Companies	Private and other customers	Securities segment	Central structure	Total	Reconciliation	Total H1 2014
Interest income	350,000	293,318	-	202,345	845,663	-353,664	491,999
Interest expense	-134,662	-192,836	-	-220,576	-548,074	353,664	-194,410
Net interest income (expense)	215,338	100,482	-	-18,231	297,589	-	297,589
Fee and commission income	79,256	35,266	38,772	4,478	157,772	-540	157,232
Fee and commission expense	-4,667	-3,493	-2,519	292	-10,387	-333	-10,720
Dividends and similar income	-	-	-	3,051	3,051	-	3,051
Net trading income	-	-	-	68,555	68,555	850	69,405
Net hedging income (expense)	-	-347	-	199	-148	-	-148
Net gains from sales or repurchases	-	-	-	46,315	46,315	-	46,315
Net gains on financial assets and liabilities at fair value through profit or loss	-	-	-	2,507	2,507	-	2,507
Total income	289,927	131,908	36,253	107,166	565,254	-23	565,231
Net impairment losses on financial assets	-204,768	-27,576	-	-1,596	-233,940	-	-233,940
Net financial income	85,159	104,332	36,253	105,570	331,314	-23	331,291
Administrative expenses	-61,338	-74,942	-25,688	-40,078	-202,046	-25,386	-227,432
Net accruals to provisions for risks and charges	2,326	-2,336	-	-786	-796	-	-796
Net impairment losses on property, equipment and investment property	-1,986	-2,940	-1,017	-2,211	-8,154	-	-8,154
Net impairment losses on intangible assets	-1,627	-2,354	-801	-1,014	-5,796	-	-5,796
Other operating income/costs	6,547	4,955	88	546	12,136	25,409	37,545
Share of profits of investees	-	-	-	2,040	2,040	-	2,040
Net fair value gains (losses) on property, equipment and investment property and intangible assets	-	-	-	-	-	-	-
Net profit on sale of investments	-	-	-	26	26	-	26
Pre-tax profit	29,081	26,715	8,835	64,093	128,724	-	128,724

H1 2014 figures have been presented consistently with the H1 2015 figure for comparative purposes.

Breakdown by business segment: statement of financial position

	Companies	Private and other customers	Securities segment	Central structure	Total 30/06/2015
Financial assets	15,533,739	10,337,627	-	8,921,808	34,793,174
Other assets	-	-	-	1,492,270	1,492,270
Property, equipment and investment property	53,965	76,625	25,730	137,712	294,032
Intangible assets	4,692	6,543	2,163	10,734	24,132
Financial liabilities	6,986,144	23,022,029	-	2,739,888	32,748,061
Other liabilities	27,500	7,498	-	1,012,492	1,047,490
Provisions	63,069	91,081	20,984	33,860	208,994
Guarantees issued	3,203,468	456,021	-	127,981	3,787,470
Commitments	938,515	662,402	57,404	53,748	1,712,069



	Companies	Private and other customers	Securities segment	Central structure	Total 30/06/2014
Financial assets	15,264,516	9,893,049	-	9,169,291	34,326,856
Other assets	-	-	-	1,016,116	1,016,116
Property, equipment and investment property	52,160	73,852	24,786	103,505	254,303
Intangible assets	3,899	5,517	1,851	10,305	21,572
Financial liabilities	7,158,873	22,568,657	-	2,405,243	32,132,773
Other liabilities	30,802	7,884	-	745,927	784,613
Provisions	69,734	87,091	21,716	33,223	211,764
Guarantees issued	3,274,140	610,254	-	116,563	4,000,957
Commitments	927,964	220,545	95,228	71,557	1,315,294

Secondary reporting

Breakdown by geographical segment: income statement

	North Italy	Central Italy	Switzerland	Total	Reconciliation	Total H1 2015
Interest income	547,281	82,248	33,286	662,815	-247,132	415,683
Interest expense	-314,600	-56,909	-15,541	-387,050	247,959	-139,091
Net interest income	232,681	25,339	17,745	275,765	827	276,592
Fee and commission income	118,549	25,347	17,286	161,182	-1,183	159,999
Fee and commission expense	-6,242	-3,609	-1,506	-11,357	512	-10,845
Dividends and similar income	15,623	-	-	15,623	-13,426	2,197
Net trading income	36,918	-	14,626	51,544	-7,797	43,747
Net hedging income	-	-	1,679	1,679	-219	1,460
Net gains from sales or repurchases	77,932	-	-	77,932	-	77,932
Net gains on financial assets and liabilities at fair value through profit or loss	6,481	-	-	6,481	122	6,603
Total income	481,942	47,077	49,830	578,849	-21,164	557,685
Net impairment losses on financial assets	-180,664	-17,965	-2,011	-200,640	-	-200,640
Net financial income	301,278	29,112	47,819	378,209	-21,164	357,045
Administrative expenses	-166,502	-19,923	-30,489	-216,914	-24,149	-241,063
Net accruals to provisions for risks and charges	-2,233	-1,088	-498	-3,819	-	-3,819
Net impairment losses on property, equipment and investment property	-6,679	-654	-1,311	-8,644	-	-8,644
Net impairment losses on intangible assets	-4,715	-534	-742	-5,991	-	-5,991
Other operating income	12,011	1,851	-93	13,955	32,009	45,964
Share of profits of investees	1,817	-	-	1,817	3,873	5,690
Net fair value losses on property, equipment, investment property and intangible assets	-458	-	-	-458	-	-458
Net profit on sale of investments	3	-	-	3	-	3
Pre-tax profit	134,522	8,764	14,872	158,158	-9,431	148,727

	North Italy	Central Italy	Switzerland	Total	Reconciliation	Totale H1 2014
Interest income	713,608	104,646	33,946	852,200	-360,201	491,999
Interest expense	-462,265	-74,096	-19,090	-555,451	361,041	-194,410
Net interest income	251,343	30,550	14,856	296,749	840	297,589
Fee and commission income	116,292	26,450	15,766	158,508	-1,276	157,232
Fee and commission expense	-6,310	-3,727	-1,129	-11,166	446	-10,720
Dividends and similar income	15,624	-	3	15,627	-12,576	3,051
Net trading income	63,729	-	6,050	69,779	-374	69,405
Net hedging income (expense)	-	-	-347	-347	199	-148
Net gains on sales or repurchases	46,315	-	-	46,315	-	46,315
Net gains on financial assets and liabilities at fair value through profit or loss	2,507	-	-	2,507	-	2,507
Total income	489,500	53,273	35,199	577,972	-12,741	565,231
Net impairment losses on financial assets	-166,433	-66,413	-1,094	-233,940	-	-233,940
Net financial income (expense)	323,067	-13,140	34,105	344,032	-12,741	331,291
Administrative expenses	-158,277	-19,591	-26,074	-203,942	-23,490	-227,432
Net accruals to provisions for risks and charges	-45	35	-786	-796	-	-796
Net impairment losses on property, equipment and investment property	-6,333	-630	-1,191	-8,154	-	-8,154
Net impairment losses on intangible assets	-4,472	-520	-804	-5,796	-	-5,796
Other operating income	11,941	1,840	109	13,890	23,655	37,545
Share of profits of investees	-	-	-	-	2,040	2,040
Net fair value losses on property, equipment investment property and intangible assets	-	-	-	-	-	-
Net profit on sale of investments	26	-	-	26	-	26
Pre-tax profit (loss)	165,907	-32,006	5,359	139,260	-10,536	128,724

H1 2014 figures have been presented consistently with the H1 2015 figure for comparative purposes.



Breakdown by geographical segment: statement of financial position

	North Italy	Central Italy	Switzerland	Total 30/06/2015
Financial assets	28,363,139	2,480,672	3,949,363	34,793,174
Other assets	829,399	-	662,871	1,492,270
Property, equipment and investment property	252,303	16,830	24,899	294,032
Intangible assets	20,914	1,477	1,741	24,132
Financial liabilities	20,774,075	7,694,958	4,279,028	32,748,061
Other liabilities	1,004,534	5,422	37,534	1,047,490
Provisions	184,510	19,232	5,252	208,994
Guarantees issued	2,900,116	665,768	221,586	3,787,470
Commitments	1,204,063	475,750	32,256	1,712,069

	North Italy	Central Italy	Switzerland	Total 30/06/2014
Financial assets	28,477,540	2,359,517	3,489,799	34,326,856
Other assets	835,871	-	180,245	1,016,116
Property, equipment and investment property	215,359	16,630	22,314	254,303
Intangible assets	18,672	1,244	1,656	21,572
Financial liabilities	20,016,095	8,697,399	3,419,279	32,132,773
Other liabilities	743,907	9,979	30,727	784,613
Provisions	187,397	20,082	4,285	211,764
Guarantees issued	3,061,961	734,655	204,341	4,000,957
Commitments	890,831	333,996	90,467	1,315,294

Statement pursuant to article 154-bis.5 of Legislative decree no. 58/98 on the condensed interim consolidated financial statements

The undersigned, Mario Alberto Pedranzini as managing director and Maurizio Bertoletti as the manager in charge of financial reporting of Banca Popolare di Sondrio Società cooperativa per azioni, considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, confirm:

- the adequacy, in relation to the parent's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements throughout the period from 1 January to 30 June 2015.

The assessment of the adequacy and effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements are based on the model established by Banca Popolare di Sondrio Società cooperativa per azioni, which makes reference to the "Internal Control – Integrated Framework (CoSO)", issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a reference framework for internal controls and financial reporting generally accepted at international level.

Moreover, we confirm that the condensed interim consolidated financial statements:

- have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council dated 19 July 2002;
- are consistent with the group companies' accounting ledgers and records;
- are suitable to provide a true and fair view of the issuer and its consolidated companies' financial position and financial performance.

The directors' report includes a reliable analysis of the significant events that took place during the first six months of the year and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the next six months of the year. It also includes a reliable analysis of the relevant transactions with related parties.

Sondrio, 6 August 2015

Managing director

Mario Alberto Pedranzini



Manager in charge of
financial reporting
Maurizio Bertoletti





KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

Telefono +39 02 6763.1
Telefax +39 02 67632445
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banca Popolare di Sondrio Group comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2015. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banca Popolare di Sondrio Group as at and for the six months ended 30 June 2015 have not been prepared, in all material respects, in



Banca Popolare di Sondrio Group
Report on review of condensed interim consolidated financial statements
30 June 2015

accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 12 August 2015

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

Annex 1

**INTERIM FINANCIAL STATEMENTS
OF THE PARENT
AS AT AND FOR THE SIX MONTHS
ENDED 30 JUNE 2015**



STATEMENT OF FINANCIAL POSITION

ASSETS		30-06-2015	31-12-2014
10.	CASH AND CASH EQUIVALENTS	91,531,258	108,352,180
20.	FINANCIAL ASSETS HELD FOR TRADING	2,073,067,910	2,341,476,201
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	132,113,608	88,358,337
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	6,670,182,921	6,496,843,763
50.	HELD-TO-MATURITY INVESTMENTS	141,860,219	148,620,141
60.	LOANS AND RECEIVABLES WITH BANKS	2,019,611,044	1,591,500,904
70.	LOANS AND RECEIVABLES WITH CUSTOMERS	20,735,281,339	20,535,826,086
100.	EQUITY INVESTMENTS	439,256,089	411,565,806
110.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	164,321,335	159,370,059
120.	INTANGIBLE ASSETS	14,418,078	11,917,167
130.	TAX ASSETS	380,202,957	360,228,837
	a) current	-	8,105,885
	b) deferred	380,202,957	352,122,952
	b1) as per Law no. 214/2011	336,948,841	320,197,761
150.	OTHER ASSETS	304,444,538	319,159,596
TOTAL ASSETS		33,166,291,296	32,573,219,077

CHAIRMAN
Francesco Venosta

STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Donatella Depperu - Mario Vitali

LIABILITIES AND EQUITY		30-06-2015	31-12-2014
10.	DUE TO BANKS	2,461,565,291	2,305,353,629
20.	DUE TO CUSTOMERS	23,986,938,104	23,733,700,374
30.	SECURITIES ISSUED	3,173,586,560	3,290,923,515
40.	FINANCIAL LIABILITIES HELD FOR TRADING	122,749,625	98,098,533
80.	TAX LIABILITIES	44,704,000	45,844,815
	a) current	3,687,831	-
	b) deferred	41,016,169	45,844,815
100.	OTHER LIABILITIES	894,400,295	679,296,184
110.	ITALIAN POST-EMPLOYMENT BENEFITS	41,112,804	42,441,900
120.	PROVISIONS FOR RISKS AND CHARGES:	155,029,387	156,141,205
	a) pension and similar obligations	118,589,559	117,042,900
	b) other provisions	36,439,828	39,098,305
130.	VALUATION RESERVES	47,158,198	44,266,836
160.	RESERVES	735,717,009	665,468,678
170.	SHARE PREMIUM	79,005,128	79,005,128
180.	SHARE CAPITAL	1,360,157,331	1,360,157,331
190.	TREASURY SHARES (-)	(25,321,549)	(25,031,162)
200.	PROFIT FOR THE PERIOD (+/-)	89,489,113	97,552,111
TOTAL LIABILITIES AND EQUITY		33.166.291.296	32.573.219.077

MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

MANAGER IN CHARGE OF FINANCIAL REPORTING
Maurizio Bertoletti

INCOME STATEMENT

		First half 2015	First half 2014
10.	INTEREST AND SIMILAR INCOME	367,888,654	441,827,784
20.	INTEREST AND SIMILAR EXPENSE	(125,112,450)	(179,000,561)
30.	NET INTEREST INCOME	242,776,204	262,827,223
40.	FEE AND COMMISSION INCOME	130,038,805	126,061,745
50.	FEE AND COMMISSION EXPENSE	(7,530,241)	(7,597,769)
60.	NET FEE AND COMMISSION INCOME	122,508,564	118,463,976
70.	DIVIDENDS AND SIMILAR INCOME	15,610,059	15,612,927
80.	NET TRADING INCOME	37,592,199	64,579,103
100.	NET GAINS FROM SALES OR REPURCHASES OF:	77,931,470	46,314,918
	a) loans and receivables	(76)	-
	b) available-for-sale financial assets	78,610,564	46,576,558
	c) held-to-maturity investments	-	1
	d) financial liabilities	(679,018)	(261,641)
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	6,481,243	2,507,223
120.	TOTAL INCOME	502,899,739	510,305,370
130.	NET IMPAIRMENT LOSSES ON:	(197,410,912)	(230,707,513)
	a) loans and receivables	(187,618,124)	(229,169,693)
	b) available-for-sale financial assets	(2,724,233)	(1,597,320)
	c) held-to-maturity investments	(2,192,309)	-
	d) other financial transactions	(4,876,246)	59,500
140.	NET FINANCIAL INCOME	305,488,827	279,597,857
150.	ADMINISTRATIVE EXPENSES:	(199,896,469)	(190,366,930)
	a) personnel expense	(90,668,134)	(86,662,195)
	b) other administrative expenses	(109,228,335)	(103,704,735)
160.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(3,607,488)	(1,614,284)
170.	NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(6,383,412)	(6,002,774)
180.	NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(5,218,690)	(4,959,923)
190.	OTHER NET OPERATING INCOME	36,556,434	35,727,867
200.	OPERATING COSTS	(178,549,625)	(167,216,044)
210.	SHARE OF PROFITS OF INVESTEEES	1,816,925	-
240.	NET GAINS ON SALES OF INVESTMENTS	3,185	9,753
250.	PRE-TAX PROFIT FROM CONTINUING OPERATIONS	128,759,312	112,391,566
260.	INCOME TAXES	(39,270,199)	(43,529,426)
270.	POST-TAX PROFIT FROM CONTINUING OPERATIONS	89,489,113	68,862,140
290.	PROFIT FOR THE PERIOD	89,489,113	68,862,140

