Banca Popolare di Sondrio

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2016

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Founded in 1871

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Società cooperativa per azioni
Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. 0342 528.111 - Fax 0342 528.204
Website: http://www.popso.it - E-mail: info@popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842
Official List of Cooperative Banks no. A160536
Parent 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
Share capital: € 1,360,157,331 – Reserves: € 942,519,617
(figures approved by the shareholders' meeting of 23 April 2016)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa 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 scpa on 22 February 2016
  – Long-term: BBB
  – Short-term: A-3
  – Individual Financial Strength Assessment: bbb
  – Outlook: Stable

BOARD OF DIRECTORS

Chairman	FRANCESCO VENOSTA*
Deputy Chairman	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	PAOLO BIGLIOLI CECILIA CORRADINI LORETTA CREDARO* FEDERICO FALCK ATTILIO PIERO FERRARI GIUSEPPE FONTANA CRISTINA GALBUSERA* ADRIANO PROPERSI ANNALISA RAINOLDI SERENELLA ROSSI RENATO SOZZANI* DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

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

ADVISORY COMMITTEE

Advisors	ALBERTO CRESPI GIUSEPPE GUARINO ANDREA MONORCHIO
Alternate advisors	DIANA BRACCO ANTONIO LA TORRE

GENERAL MANAGEMENT

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI CESARE POLETTI

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

* Members of the Chairman's Committee

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

INTRODUCTION

Legislative Decree no. 25 of 15 February 2016 was passed to amend the Consolidated Finance Act by cancelling the disclosure requirements for the first and third quarter of the year, which issuers had to comply with, unless Consob obliged issuers to provide additional periodic financial information.

As far as our Group is concerned, we prefer full disclosure, so we have prepared this interim financial report at 31 March 2016 in accordance with the recognition and measurement criteria of the International Accounting Standards (IAS/IFRS) adopted by the European Community and currently in force.

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

BASIS OF PREPARATION

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

The accounting policies adopted for the period are consistent with those of the prior year, although the following new (EU) Regulations came into force from 1 January 2016:

- Regulation (EU) no. 28/2015 dated 17 December 2014 that adopted amendments to the following international accounting standards: IFRS 2 «Share-based payment», IFRS 3 «Business combinations», IFRS 8 «Operating segments», IAS 16 «Property, plant and equipment», IAS 24 «Related party disclosures», IAS 37 «Provisions, contingent liabilities and contingent assets», IAS 38 «Intangible assets» and IAS 39 «Financial instruments: Recognition and measurement»;
- Regulation (EU) no. 29/2015 that amends IAS 19 «Employee benefits»;
- Regulation (EU) no. 2113/2015 dated 23 November 2015 that, by modifying earlier regulations, amends IAS 16 «Property, plant and equipment» and IAS 41 «Agriculture»;
- Regulation (EU) no. 2173/2015 dated 24 November 2015 which specifies that the references to IFRS 9 in IFRS 11 «Joint arrangements», regarding the classification and measurement of financial assets, cannot be applied for the moment, as IFRS 9 has not yet been endorsed by the EU, and must be read as references to the «corresponding» IAS 39 - Financial instruments: Recognition and measurement;

– Regulation (EU) no. 2231/2015 dated 2 December 2015 that amends Regulation (EC) no. 1126/2008, which adopted certain international accounting standards in compliance with Regulation (EC) no. 1606/2002 relating to IAS 16 and IAS 38. Clarifications are provided about the acceptable methods of depreciation and amortisation;
– Regulation (EU) no. 2343/2015 dated 15 December 2015 that amends Regulation (EC) no. 1126/2008, which adopted certain international accounting standards in compliance with Regulation (EC) no. 1606/2002 relating to IFRS 5, IFRS 7, IAS 19 and IAS 34;
– Regulation (EU) no. 2406/2015 dated 18 December 2015 that amends Regulations (EC) no. 1126/2008, which adopted certain international accounting standards in compliance with Regulation (EC) no. 1606/2002 relating to IAS 1. The objective is to promote the use of professional judgement in the required disclosures, in order to make them more effective;
– Regulation (EU) no. 2441/2015 dated 18 December 2015 that amends Regulations (EC) no. 1126/2008, which adopted certain international accounting standards in compliance with Regulation (EC) no. 1606/2002 relating to IAS 27. The equity method can now be used in separate financial statements, in addition to the cost and fair value methods, to measure the investments held on subsidiaries, joint ventures and associates.

For full details of the accounting policies applied, reference should be made to the disclosure thereof in the consolidated financial statements for the year ended 31 December 2015.

All figures reported in the financial statements are stated in thousands of euro. Balances at 3 December 2015 have been presented as balance sheet comparatives.

Income statement comparatives are the results for the period ended 31 March 2015.

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

THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent bank:

Banca Popolare di Sondrio scpa, - Sondrio;

Group companies:

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

The Parent bank holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF.

Factorit spa - Milano,

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

Sinergia Seconda srl - Milano,

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

Popso Covered Bond srl – Conegliano

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

SCOPE AND METHODS OF CONSOLIDATION

The consolidated interim report on operations presents the financial position as at 31 March 2016 and the results for the period then ended of Banca Popolare di Sondrio Banking Group, which comprises the Parent Bank, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda Srl and Popso Covered Bond srl, as well as the entities over which the Group exercises control as defined by IFRS 10.

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

Name	Location	Share capital (in thousands)	% held %
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milano	85,000	60.5
Sinergia Seconda srl	Milano	60,000	100
Pirovano Stelvio spa *	Sondrio	2,064	100
Immobiliare San Paolo srl *	Tirano	10	100
Immobiliare Borgo Palazzo srl *	Tirano	10	100
Popso Covered Bond srl	Conegliano	10	60

* equity investments not included in the banking group

In addition, Fondo Immobiliare Centro delle Alpi Real Estate, which is 100% held by the Parent Bank, has been consolidated in compliance with the definition of control laid down in IFRS 10.

The joint venture shown below is valued at equity:

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

The scope of consolidation also includes investees over which the Parent Bank exercises a significant influence, that is, where the holding therein, directly or indirectly, is between 20% and 50% or, even in cases where the equity interest is lower, if one or more of the following circumstances apply:

a) the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;

b) it takes part in the decision-making process, including decisions regarding dividends;

c) there are significant transactions between the parent company and the affiliate;

d) there is an exchange of managers;

e) essential technical information is being provided.

These holdings are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the company's net result for the period pertaining to the bank is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Location	Share capital (in thousands)	% held %
Alba Leasing spa	Milano	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Banca della Nuova Terra spa	Milano	50,000	19.609
Arca SGR spa	Milano	50,000	21.137
Unione Fiduciaria spa	Milano	5,940	24.000
Polis Fondi Sgrpa	Milano	5,200	19.600
Sofipo SA *	Lugano	(CHF) 2,000	30.000
Bormio Golf spa	Bormio	631	26.578
Servizi Internazionali e Strutture Integrate 2000 srl	Milano	75	33.333
Acquedotto dello Stelvio srl **	Bormio	21	27.000
Sifas spa **	Bolzano	1,209	21.614

* held by Banca Popolare di Sondrio (SUISSE)
** held by Pirovano Stelvio S.p.a.

With line-by-line consolidation, the book value of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries. Insignificant income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The quarterly reports of the investees have been appropriately reclassified and adjusted, where necessary, to bring them into line with the accounting policies used by the Group.

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

As regards the goodwill recorded in the financial statements, with respect to the assumptions used for the impairment test for the 2015 financial statements, no circumstances have arisen that denote the presence of indicators of impairment.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

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

SUBSEQUENT EVENTS

No events have taken place between the reporting date for this consolidated interim report and the date of its approval by the Board of Directors on 12 May 2016 that would require any adjustments thereto, and nothing of significance has occurred that would require the provision of supplementary information.

INTERNATIONAL BACKGROUND

Internationally, the economic cycle was still affected by the weakness in emerging markets, despite the growth recorded in the major advanced countries. Japan and the USA continued their positive trend - though America's rise in interest rates was immediately interrupted - whereas the uncertainty involved above all China's prospects, as it is struggling with a delicate process of rebalancing the economy in favour of consumption and services.

Raw material prices are still low, with oil around $32 a barrel in January. Subsequent recoveries have not changed the basic scenario, marked by a continued weakness in prices. This merely helped inflation to remain at all-time lows in the major advanced economies.

SUMMARY OF RESULTS

(in millions of euro)	2016	2015	Change %
Balance sheet			
Loans and receivables with customers	23,962	23,997	-0.14
Loans and receivables with banks	608	980	-38.01
Financial assets	7,983	8,401	-4.97
Equity investments	203	198	2.39
Total assets	34,639	35,538	-2.53
Direct funding from customers	28,051	29,528	-5.00
Indirect funding from customers	26,424	28,237	-6.42
Direct funding from insurance premiums	1,190	1,100	8.23
Customer assets under administration	55,665	58,865	-5.44
Other direct and indirect funding	5,318	4,762	11.66
Equity	2,567	2,563	0.17
Income statement			
Net interest income	128	140	-9.05
Total income	208	349	-40.25
Profit from continuing operations	31	130	-76.36
Profit of the period	22	83	-73.30
Key ratios (%)			
Cost/Income ratio	57.12	44.11	
Net interest income/Total assets	0.37	0.38	
Net financial income/Total assets	0.42	0.65	
Net interest income/Total income	61.22	40.22	
Administrative expenses/Total income	61.99	34.90	
Profit for the period/Total assets	0.06	0.36	
Bad loans/Customer loans	3.00	3.06	
Loans and receivables with customers/Direct funding from customers	85.42	81.27	
Capital ratios			
CET1 Capital ratio	10.50%	10.49%	
Total Capital ratio	13.23%	13.44%	
Free capital	1,215	1,265	
Other information on the banking group			
Number of employees	3,121	3,112	
Number of branches	354	354	

* the 2015 figures and capital ratios are as of 31 December, whereas those relating to the income statement refer to 31 March, if more significant.

The Eurozone has had to deal with limited growth, while being exposed to the risks generated by uncertainty in international developments and the difficult geopolitical situation. The situation has been weighed down by a series of quandaries affecting important markets and unresolved tensions in many areas of the world, the Middle East above all. The renewed stimulus policy implemented by the Monetary Authorities was not in itself sufficient to bring inflation to the desired level, whereas monetary expansion was more effectively transmitted to the credit market.

As for Italy, the recovery that began in 2015, albeit at a low level, continued in the early part of this year. Exports ran into some difficulties, but the situation was saved by domestic demand, bolstered above all by household spending, reflecting a higher level of confidence and some progress in the job market. As regards businesses, the main production sectors have benefited from a chance to consolidate the activity. At least the recession in the construction sector came to an end. However, it is worth emphasising the impact of the uncertainty about foreign markets that we mentioned earlier and the extent to which the trend in investments is still uneven. Inflation is around zero and the forecasts for 2016 indicate a very weak trend.

With regard to the banking sector, the positive general economic situation should give some continuity to the improvement that we have already seen in credit quality. On the other hand, extremely favourable supply conditions are definitely an incentive to firms to increase their capital expenditure.

In Switzerland, after last year's extreme fluctuations, stabilisation of the franc should help business confidence linked to expectations of a recovery in foreign demand. After a difficult 2015, the turnover of Swiss companies in real terms has stabilised during the first few months of this year. Profit margins are still being squeezed, but the measures taken to increase production efficiency are remedying this. Inflation is still negative.

FUNDING

At system level, the trend in funding has remained stable, also influenced by the trend in interest rates and by the consequent inability to offer attractive returns to customers. In fact, rates on government bonds at new historical lows, and even negative, have affected the entire chain of returns, influencing counterparties' allocation decisions as a result.

Liquidity has continued to be high, thanks to the expansive monetary policy being pushed strongly by the European Central Bank.

Our Group has continued to limit the more costly aggregates with a view to safeguarding profitability.

In this challenging environment, customer deposits came to a total of 28,051 million, a decrease of 5.00% on the end of 2015 and of 5.68% compared with March 2015. On the other hand, it should be pointed out that the Parent Company's covered bond issue in early April was very successful. Against an offer for a nominal amount of 500 million, the demand quickly rose to about three times that figure. This bears witness to the high level of solidity that national and international investors recognise in Banca Popolare di Sondrio.

Indirect funding from customers totalled 26,424 million at market values, down by 6.42% since the end of 2015, also reflecting the volatility of financial markets.

Direct funding from insurance premiums came to 1,190 million, +8.23%.

Total funding from customers therefore amounted to 55,665 million (-5.44%).

Amounts due to banks totalled 2,615 million, +13.58%. They include the refinancing operations with the European Central Bank for a total of 1,098 million, as explained in the chapter on «Treasury and trading operations».

Indirect funding from banks amounted to 2,703 million, +9.87%.

Total funding from customers and banks therefore came to 60,983 million, +4.16%.

DIRECT FUNDING FROM CUSTOMERS

(in thousands of euro)	31-03-2016	% %	31-12-2015	% %	Change %
Savings deposits	556,994	1.99	571,509	1.94	-2.54
Certificates of deposit	5,405	0.02	5,395	0.02	0.19
Bonds	2,996,310	10.68	3,111,549	10.54	-3.70
Repo transactions	58,665	0.21	727,070	2.46	-91.93
Bank drafts and similar	83,612	0.30	64,242	0.22	30.15
Current accounts	21,003,158	74.87	21,277,751	72.05	-1.29
Time deposit accounts	920,640	3.28	1,253,473	4.24	-26.55
Accounts in foreign currency	2,426,415	8.65	2,517,406	8.53	-3.61
Total	**28,051,199**	**100.00**	**29,528,395**	**100.00**	**-5.00**

TOTAL DEPOSITS

(in thousands of euro)	31-03-2016	% %	31-12-2015	% %	Change %
Total direct funding from customers	28,051,199	46.00	29,528,395	46.41	-5.00
Total indirect funding from customers	26,423,633	43.33	28,237,275	44.38	-6.42
Total direct funding from insurance premiums	1,190,234	1.95	1,099,735	1.73	8.23
Total	**55,665,066**	**91.28**	**58,865,405**	**92.52**	**-5.44**
Due to banks	2,614,797	4.29	2,302,136	3.62	13.58
Indirect deposits from banks	2,702,703	4.43	2,460,008	3.86	9.87
Grand total	**60,982,566**	**100.00**	**63,627,549**	**100.00**	**-4.16**

Euro and currency current accounts declined to 23,430 million, -1.54%, while time deposit accounts have fallen to 921 million, -26.55%. Euro and currency accounts represent 83.52% of total direct funding. Repo transactions fell sharply to 59 million, -91.93%; savings deposits decreased at a slower pace to 557 million, -2.54%. Bonds have also contracted, -3.70%, to 2,996 million. Certificates of deposit remained stable at 5 million, +0.19%, and are entirely marginal. Bank drafts amount to 84 million, +30.15%.

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

LENDING

Continued improvement in the economy, albeit at lower speeds, is to a certain extent reflected in the trend of bank lending, also favoured by the better supply conditions. The level of interest rates was pushed down both by monetary policy and by competitive pressure.

The more propitious economic environment has benefited the situation of impaired loans. Preliminary data at system level indicate that gross impaired loans decreased slightly in absolute terms for the first time since 2008.

Against this general background, the Group has confirmed its primary role as a pillar of the local economy in the territories served.

Amounts due from customers totalled 23,962 million, down by 2.28% y/y and by 0.14% on 23,997 million at the end of 2015.

The various types have contributed to total customer loans to a different extent.

Mortgage loans have slightly increased by 0.21%, to 9,231 million, thank to household demand and represent the largest percentage (38.52%) of total loans and receivables with customers. This line item includes loans assigned but not derecognised of 1,351 million in relation to the issue of covered bonds.

These loans have not been derecognised because the requirements of IAS 39 are not met. Current account overdrafts, which are the second largest component of loans (22.22%), have increased by 1.26% to 5,328 million. Other unsecured loans have risen to 4,306 million, +5.99%, as did; advances, 447 million, +4.57%; personal loans, 206 million, +2.95%. Repo transactions, representing the temporary employment of excess liquidity, have decreased, from 706 to 632 million, -10.52%. Foreign currency loans, 1,261 million, have decreased by 6.97%. Factoring loans, granted by Factorit spa, have fallen to 1,287 million, -14.54%, while advances subject to collection have decreased by 7.38% to 201 million. Debt securities amounted to 274 million, +11.65%, and relate to customer loan securitisations carried out by the affiliates Banca della Nuova Terra spa and Alba Leasing spa. The ratio of loans and receivables with customers to amounts due to customers has risen to 85.42% from 81.27% at the end of 2015.

As mentioned above, the slight improvement in the overall economic situation reflected positively on the dynamics of impaired positions. Further

LOANS AND RECEIVABLES WITH CUSTOMERS

(in thousands of euro)	31-03-2016	%	31-12-2015	%	% Change %
Current accounts	5,327,546	22.22	5,261,348	21.93	1.26
Foreign currency loans	1,260,855	5.26	1,355,350	5.65	-6.97
Advances	447,132	1.87	427,592	1.78	4.57
Advances subject to collection	201,440	0.84	217,489	0.91	-7.38
Discounted portfolio	6,991	0.03	6,459	0.03	8.24
Artisan loans	35,170	0.15	36,047	0.15	-2.43
Agricultural loans	27,631	0.12	25,867	0.11	6.82
Personal loans	205,592	0.86	199,710	0.83	2.95
Other unsecured loans	4,306,268	17.97	4,062,907	16.93	5.99
Mortgage loans	9,230,644	38.52	9,211,530	38.39	0.21
Bad loans	719,921	3.00	734,682	3.06	-2.01
Repo transactions	631,799	2.64	706,060	2.94	-10.52
Fixed-yield securities	274,444	1.15	245,802	1.02	11.65
Factoring	1,286,806	5.37	1,505,700	6.27	-14.54
Total	**23,962,239**	**100.00**	**23,996,543**	**100.00**	**-0.14**

significant provisions have been made against impaired loans, as in 2015, which reflect the outcome of the Asset Quality Review and Comprehensive Assessment. For details, please see the 2015 Group report on operations.

Total impaired loans (bad loans, unlikely-to-pay loans and past due and/or impaired overdrawn exposures) amounted to 2,340 million, -0.95%, representing 9.76% of loans and receivables with customers, compared with 9.84% at the end of 2015. As we said previously, while these loans continue to be affected by the difficulties of the long crisis, they have benefited from the recent improvement in the economic situation. Writedowns of impaired loans come to a total of 1,962 million, representing 45.61% of the gross amount, compared with 44.47% at the end of 2015. The table gives a overview of impaired and performing loans.

Net bad loans, after writedowns, total 720 million, -2.01%, or 3% of total customer loans, compared with 3.06% at 31 December 2015 and 2.68% at 31 March 2015. The value of bad loans shows a reversal in the previous trend, even if it is limited for the time being, which follows a slowdown in growth already seen the previous year, and that leads to cautious optimism about the effects of the economic recovery, even if it is still weak.

To cover estimated losses on bad loans in the portfolio, value adjustments rose to 1,241 million, +19.91% compared with 31 March 2015 and +4% on December of the same year, with a degree of coverage of 63.28%, compared with 61.89% at the end of 2015. The level of coverage reflects our prudent provisioning policy and positions the Group among those with the highest level of coverage in Italy.

Considering the amounts written off in prior years against bad loans that are still on the books in the hope of future recoveries, the coverage of such loans amounts to 72.81%.

Unlikely to pay loans are credit exposures, other than bad loans, for which it is deemed improbable that the obligor will pay its credit obligations in full without recourse to measures such as the enforcement of guarantees. They have come in at 1,288 million, +6.48%, or 5.38% of total loans and receivables with customers versus 5.04% at the end of 2015, while the related adjustments amount to 667 million, +5.69%, with a level of coverage of 34.10% compared with 34.27% at the end of 2015.

Past due exposures and/or impaired overdrawn accounts, other than bad loans or unlikely-to-pay loans, which, at the reporting date, have remained unpaid and/or overdrawn for more than 90 continuous days and which exceed a set materiality threshold, amount to 332 million, -20.60%, and represent 1.38% of the total compared with 1.74% at the end of 2015.

The performing loans amounted to 21,622 million, -0.05%, and writedowns came to 152 million, corresponding to 0.70% of them.

Total adjustments come to 2,114 million (+3.06%).

In accordance with the terms established by Consob Communication no. DEM/RM11070007 of 5 August 2011, the amount of loans and receivables with customers included loans made to central and local government for 83 million, local and state-owned enterprises for 610 million and various other entities for 170 million.

LOANS AND RECEIVABLES WITH CUSTOMERS - IMPAIRED AND PERFORMING LOANS

(in thousands of euro)		31/03/2016	31-12-2015	(+/-)	% Change
Impaired loans	Gross exposure	4,301,612	4,253,913	47,699	1.12
	Adjustments	1,961,848	1,891,705	70,143	3.71
	Net exposure	**2,339,764**	**2,362,208**	**-22,444**	**-0.95**
- Bad loans	Gross exposure	1,960,544	1,927,608	32,936	1.71
	Adjustments	1,240,623	1,192,926	47,697	4.00
	Net exposure	**719,921**	**734,682**	**-14,761**	**-2.01**
- Unlikely to pay loans	Gross exposure	1,954,511	1,840,192	114,319	6.21
	Adjustments	666,501	630,597	35,904	5.69
	Net exposure	**1,288,010**	**1,209,595**	**78,415**	**6.48**
- Past due and/or impaired overdrawn exposures	Gross exposure	386,557	486,113	-99,556	-20.48
	Adjustments	54,724	68,182	-13,458	-19.74
	Net exposure	**331,833**	**417,931**	**-86,098**	**-20.60**
Performing	Gross exposure	21,774,712	21,793,988	-19,276	-0.09
	Adjustments	152,237	159,653	-7,416	-4.65
	Net exposure	**21,622,475**	**21,634,335**	**-11,860**	**-0.05**
Total loans and receivables with customers	Gross exposure	26,076,324	26,047,901	28,423	0.11
	Adjustments	2,114,085	2,051,358	62,727	3.06
	Net exposure	**23,962,239**	**23,996,543**	**-34,304**	**-0.14**

TREASURY AND TRADING OPERATIONS

The first quarter saw considerable uncertainty and high volatility on financial markets, with a hefty correction in equity markets, especially in Europe.

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

At 31 March 2016, the Group's net interbank borrowing amounts to 2,007 million, up by 685 million from 1,322 million at the end of 2015.

Net of Targeted Longer-Term Refinancing Operations (T-LTROs), which the Parent Company has entered into with the ECB and which amount to 1,098 million, the balance would have been a net negative interbank position of 909 million. The Group has benefited from good liquidity throughout the period. Treasury activity during the quarter was intensive, with a preference for lending transactions over funding transactions.

The exposure to liquidity risk is monitored both in the short term, taking a three-month view every day, and over the long term with a monthly check.

The latest available short and medium to long term liquidity indicators, respectively the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) came in well over the minimum requirements. In addition, the Group can always rely on a substantial portfolio of assets eligible for refinancing which, net of haircuts, amounts to 7,659 million, down by 8.44% on the end of 2015.

The total of all portfolios of financial assets amounts to 7,983 million at 31 March 2016, a decrease of 4.97% compared with the end of 2015 when it came to 8,401 million, and a decrease of 11.13% compared with 12 months ago.

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

FINANCIAL ASSETS

(in thousands of euro)	31-03-2016	31-12-2015	Change %
Financial assets held for trading (HFT)	1,798,489	1,859,435	-3.28
of which, derivatives	*60,414*	*64,058*	-5.69
Financial assets carried at fair value (CFV - Carried at Fair Value)	90,028	94,495	-4.73
Available-for-sale financial assets (AFS - Available For Sale)	5,981,835	6,321,023	-5.37
Held-to-maturity investments (HTM - Held to Maturity)	112,692	125,777	-10.40
Total	**7,983,044**	**8,400,730**	**-4.97**

Even though there were considerable movements both in and out, which affected above all the HFT and AFS portfolios, the decrease indicates a prevalence of disposals. Management policies reflect long-standing guidelines and, as always, have given preference to Government bonds, which represent the bulk of the portfolio. We sold securities, mainly government bonds, resulting in the recognition of substantial trading/disposal gains and the subsequent purchase of newly issued securities. New investments mainly involved BTPs and CTZs, which are securities with a relatively short duration. The composition of the portfolio remains dominated by government securities, with a duration of just over 4 years and 3 months, slightly up on the end of 2015.

In accordance with the requirements of Consob Communication no. DEM/RM11070007 of 5 August 2011, we inform you that these portfolios include bonds that form part of the sovereign debt (i.e. issued by local and central governments) totalling 6,970 million, mainly relating to issues made by the Italian Government.

Financial assets held for trading

Financial assets held for trading (HFT), details of which are shown in the following table, amount to 1,798 million, down by 3.28% as a result of sales of government securities close to maturity and the criteria used in the allocation to various portfolios of similar securities, but with longer maturities, which replaced the previous ones.

(in thousands of euro)	31-03-2016	31-12-2015	Change %
Floating-rate Italian government securities	789,761	810,126	-2.51
Fixed-rate Italian government securities	216,085	492,905	-56.16
Bank bonds	221,598	222,632	-0.46
Bonds of other issuers	62,833	55,260	13.70
Bonds of other issuers in foreign currency (USD)	219,441	–	–
Securitisations	27,109	31,265	-13.29
Variable-yield securities and mutual funds	201,248	183,189	9.86
Net book value of derivative contracts	60,414	64,058	-5.69
Total	**1,798,489**	**1,859,435**	**-3.28**

There have not been any substantial changes in the structure of the HFT portfolio, which has remained quite straightforward. Preference has again been given to Italian government securities: despite the fact that they have decreased as a result of sales, at the end of the period they amounted to 1,006 million, making up 55.92% of the portfolio. Of these securities, 790 million were floating rate, down by 2.51%, and 216 were fixed rate (BOTs, BTPs and CTZs) which were also down by 56.16%, given that sales were higher than the replacements of newly issued securities. The former account for 43.91% of the portfolio, while the latter account for 12.01%.

The derivatives component has declined from 64 to 60 million, -5.69%.

The corporate bonds held are all of high standing, comprising bank bonds of 222 million, -0.46%, bonds of other issuers of 63 million, +13.70%, and bonds in foreign currency of 219 million. Securities deriving from securitisations have decreased by 13.29% to 27 million and are all classified as senior. The component represented by equities and mutual funds remains marginal with respect to the portfolio as a whole, and increased to 201 million, +9.86%.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss (CFV), which entirely consist of units in mutual funds, amount to 90 million, -4.73%, with this decrease being mainly attributable to period end measurement.

Available-for-sale financial assets

The portfolio of available-for-sale financial assets (AFS) - in which certain securities are classified with the objective of containing, at least in part, the impact on the income statement of any volatility affecting the securities portfolio as a result of turbulence in financial markets - decreased from 6,321 million to 5,982 million, -5.37%. This decrease was essentially attributable to the Government securities element, and was generated by disposals and loss recognition.

Available-for-sale financial assets were also comprised of Italian Government securities amounting to 5,682 million, -5.54%; funds and sicavs of 196 million, -0.24%; bonds of other issuers of 5 million, +0.13%; equities of 98 million, -5.30%.

Impairment writedowns were recognised for 2.069 million, of which 1.797 million on listed and unlisted securities and 0.272 million on funds.

(in thousands of euro)	31-03-2016	31-12-2015	Change %
Floating-rate Italian government securities	1,472,980	1,513,876	-2.70
Fixed-rate Italian government securities	4,209,189	4,501,533	-6.49
Other bonds	5,369	5,362	0.13
Variable-yield securities	97,975	103,454	-5.30
Mutual funds in euro	196,322	196,798	-0.24
Total	**5,981,835**	**6,321,023**	**-5.37**

Held-to-maturity investments

The HTM portfolio, comprising solely fixed-yield securities, has decreased to 113 million, -10.40%, as a result of redemptions. Unrealised gains at the end of March amount to 18.6 million.

Asset management

Public interest in the asset management sector remained high during the period under review. This is partly due to the performance of financial markets and partly to the persistence of all-time low interest rates. At the end of March, the various forms of asset management amounted to 4,454 million, -3.26% on December 2015, a decline essentially due to market volatility.

EQUITY INVESTMENTS

Equity investments were up by 5 million to 203 million. The increase was attributable to the measurement under the equity method.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets total 345 million, down 0.43%. The former totalled 322 million, -0.77%, the second category amounted to 23 million, +4.56% and includes goodwill of 8 million. Goodwill is subjected to annual impairment testing to check for any loss of value. The most recent test was performed when preparing the consolidated financial statements at 31 December 2015. It was not deemed necessary to repeat the procedure at 31 March 2016.

PROVISIONS

These comprise post-employment benefits of 44 million, +0.50%, and provisions for risks and charges totalling 169 million, +2.05%.

HUMAN RESOURCES

At 31 March 2016 the Banking group had 3,121 employees with an increase of 9 on the prior year end, to which should be added 3 employees of the subsidiary Pirovano Stelvio spa.

CAPITAL AND RESERVES

Consolidated shareholders' equity at 31 March 2016, inclusive of valuation reserves and the profit for the period, amounts to 2,567.189 million, being an increase of 4.360 million, +0.17%.

This aggregate does not reflect the effects of distributing the 2015 profit reported by the Parent bank. The Ordinary Shareholders' Meeting of 23 April 2016 approved the distribution of a dividend of 0.07 euro for each of the 453,385,777 shares outstanding at 31 December 2015. The dividend will be paid on 25 May 2016, going ex-coupon on 23 May.

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

The share premium reserve remained unchanged at 79.005 million.

Reserves increased to 1,052.635 million +13.15%, primarily due to the allocation of the profit for 2015.

The valuation reserves, representing the net unrealised gains and losses recorded on AFS financial assets and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a net positive balance of 78.602 million, down 12.09% from the positive balance of 89.416 million reported at the end of 2015. The decrease is mainly to do with reversals to the income statement on the sale of securities in the AFS portfolio.

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. The Parent Bank holds 3,650,000 treasury shares with a carrying amount of 25.322 million, which is unchanged since the end of 2015.

The price for BPS stock, which is listed in the Blue Chips segment of the MTA, the screen-based market of the Italian Stock Exchange, dropped by 25.77% during the period, in conjunction with the bearish wave that has hit financial markets and the banking sector in particular.

The shareholder base currently consists of 184,794 shareholders.

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

Consolidated own funds for supervisory purposes, including the share of profit at 31 March 2016, amount to 3,071.425 million. Risk-weighted assets totalled 23,207.158 million.

Set out below are the Group's adequacy requirements at 31 March 2016 and the minimum requirements:

	Group's capital ratios	Minimum capital ratio requirement
CET 1 Ratio	10.50%	9.25%
Tier 1 Capital Ratio	10.51%	8.50%*
Total Capital Ratio	13.23%	10.50%*

* minimum requirements

The leverage ratio at 31 March 2016 came to 6.38%, applying the Phased In transitional criteria in force for 2016 and 6.32% based on the Fully Phased criteria. These figures rank among the best when compared with those of the main Italian and European banking groups.

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

– *capital/direct funding from customers*
  9.15% v. 8.68%

– *capital/customer loans*
  10.71% v. 10.68%

– *capital/financial assets*
  32.16% v. 30.51%

– *capital/total assets*
  7.41% v. 7.21%

– *net bad loans/capital*
  28.04% v. 28.67%

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, as shown in greater detail in the following tables, has been assessed by the rating agencies Fitch Ratings and Dagong Europe Credit Rating. On 22 February 2016 Dagong Europe Credit Rating confirmed the opinions it had previously attributed.

FITCH RATINGS - issued on 2 July 2015

	GIUDIZIO
LONG – TERM It is a measure of the probability of default and reflects the bank's ability to repay medium/long-term loans. It is expressed on a scale from AAA to D, for a total of 11 levels.	**BBB**
SHORT – TERM It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term, i.e. within the next 13 months. The scale includes seven levels (F1, F2, F3, B, C, RD and D).	**F3**

VIABILITY RATING	
It aims to assess what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from aaa to d, for a total of 11 levels.	**bbb**
SUPPORT	
It reflects Fitch's assessment of the probability that an external body would provide support to the bank, if it needed it. The scale has five levels from 1 (best) to 5 (worst).	**5**
SUPPORT RATING FLOOR	
It reflects Fitch's assessment of the minimum level below which it will not lower the long-term rating of the issuer in the event that it found itself in financial difficulty, given the propensity of potential supporters (government or institutional owner) to help the bank in such circumstances. The scale of values associated with this assessment reflects that of a long-term rating. A further possible score, represented by the «No Floor» (NF), indicates that according to Fitch it is unlikely that aid could come from an external source (probability of support lower than 40%).	**No Floor**
OUTLOOK	
It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative».	**Stable**

DAGONG EUROPE CREDIT RATING - issued on 22 February 2016

	GIUDIZIO
LONG – TERM	
It is a measure of the probability of default and reflects the bank's ability to meet its financial obligations. It is expressed on a scale from AAA to D, for a total of 10 levels.	**BBB**
SHORT – TERM	
It measures the ability of the organisation to which the rating is assigned to meet payments due in the short-term. The scale includes six levels (A-1, A-2, A-3, B, C and D).	**A-3**
INDIVIDUAL FINANCIAL STRENGHT ASSESSMENT	
It aims to assess what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from aaa to d, for a total of 10 levels.	**bbb**
OUTLOOK	
It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative».	**Stable**

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

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

(in thousands of euro)	Equity	of which: Profit of the period
Equity of the Parent Bank as of 31.3.2016	2,337,246	14,097
Consolidation adjustments	(1,134)	(1,134)
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	214,856	5,613
– companies valued using the equity method	16,221	3,536
Balance as of 31.3.2016, as reported in the consolidated financial statements	**2,567,189**	**22,112**

INCOME STATEMENT

The scenario in which our Group has been operating featured a moderate recovery in production, still exposed to the risks related to the international situation where economic uncertainties are accompanied by the persistence of crises that in some countries have led to armed conflict. The performance of financial markets, especially in Europe, has been marked by tensions and hefty declines which rocked the energy and banking sectors, among others. The latter was also penalised by the trend in interest rates, which are also expected to remain at all-time lows in the near future.

In this difficult context, our Group has worked hard to combine growth in size and profitability with careful management of the various risk profiles. This made it possible to achieve a profit of 22.112 million. The 73.30% decrease on the comparative period, when net profit amounted to 82.823 million, is due to the fact that the first quarter of 2015 saw an extremely favourable situation on financial and stock markets, thanks to which it was possible to achieve good securities trading/disposal gains and recognize these capital gains in the income statement. The quarter under review was also affected by having to account for the 11.216 million contribution to the Resolution Fund for the whole of 2016.

Net interest income dropped from 140.199 million to 127.505, -9.05%. Its performance was determined by the very low level of interest rates, with those on the interbank market even negative on short maturities. The beneficiaries were the borrowers - businesses and individuals - who have enjoyed extremely favourable conditions. These are the effects of the expansionary monetary policy, which have been reflected above all on the yields of the securities portfolio, which consists mainly of government securities, also negative on short maturities.

Net fee and commission income has declined from 74.052 million to 71.486 million, -3.47%. The slight decrease is due in particular to the reduction in commissions on order collection and on loans granted.

Dividends collected amounted to 0.142 million, compared with 0.345 million.

Income from financial activities, including that from the securities portfolio, foreign exchange and derivatives, came to 9.139 million, -93.18%

compared with the 133.987 million in the comparative period, when significant gains on securities trading/disposal were recorded as well as a sizeable positive difference between writedowns and revaluations, as well as substantial exchange gains on securities in foreign currency. On the contrary, the first quarter of 2016 saw limited gains from trading/disposal and a negative difference between gains and losses.

Among the financial activities, the net trading income associated with the HFT portfolio was negative for 14.639 million compared with the positive amount of 64.598 million in the comparative period. The contribution made by available-for-sale financial assets, held-to-maturity investments and financial liabilities amounted to 28.531 million, as against 59.617 million. Lastly, the result from assets carried at fair value through profit or loss was 4.468 million, compared with 8.433 million, and net hedging losses was a loss of 0.285 million, compared with a gain of 1.339 million in the comparative period.

Total income fell to 208.272 million, -40.25%. Within this aggregate, the weighting of net interest income increased from 40.22 to 61.22%.

The improvement in the economic situation, albeit limited, was reflected favourably on the trend in impaired loans, which is decelerating, and in the related adjustments. The latter were determined on the basis of careful assessments by the relevant functions.

Net adjustments to loans, available-for-sale financial assets, held-to-maturity investments and other financial transactions came to 62.158 million compared with 111.553 million (-44.28%). Without wanting to overdo an optimism that might be out of place given the uncertainty about the general economic trends, the significant decrease could mark a turning point. In particular, the loans element fell from 111.139 million to 59.812 million, -46.18%.

The ratio of net adjustments to loans and receivables with customers to loans and receivables with customers (so-called annualised cost of lending) showed a strong improvement, passing to 1% from 1.80% at the end of March 2015 and to 1.63% at the end of 2015.

The impairment adjustments on securities in the portfolio of available-for-sale financial assets rose from 0.691 million to 2.069 million, of which 1.797 million relating to certain equities and 0.272 million relating to mutual funds.

Adjustments to other financial transactions, that in the comparative period saw the release of 0.277 million for excess provisions made in previous years for the impairment of unsecured loans, presented a negative balance of 0.277 million for net provisions, resulting from the difference between provisions for the period and the use of funds.

The result from financial management was therefore 146.114 million, -38.36%.

Operating costs amounted to 118.955 million, compared with 106.885 million, +11.29%. As mentioned previously, the increase is mainly attributable to recognition of the 11.216 million contribution to the Single Resolution Fund for the whole of 2016, and already recorded in the quarter in accordance with IFRIC 21.

The relationship operating costs/total income, the «cost/income ratio», came in at 57.12% on 30.66% in the comparative period and 44.11% at the end of 2015. Net of the above contribution, it would have amounted to 51.73%.

Considering the individual components, administrative expenses amounted to 129.109 million, +6.13%, and consist of personnel expenses of 57.230 million, down 3.81%, mainly due to lower gains accrued on the employee pension fund, which are allocated to that fund and booked to other operating income for the same amount, whereas other administrative expenses increased by 15.64% to 71.879 million. The latter increase reflects the contribution to the National Resolution Fund for the whole of 2016, in addition to the physiological progress.

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	31/03/2016	31/03/2015	(+/-)	% Change
Net interest income	127,505	140,199	-12,694	-9.05
Dividends	142	345	-203	-58.84
Net fee and commission income	71,486	74,052	-2,566	-3.47
Result of financial activities	9,139	133,987	-124,848	-93.18
Total income	**208,272**	**348,583**	**-140,311**	**-40.25**
Net adjustments to loans and financial assets	-62,158	-111,553	49,395	-44.28
Net financial income	**146,114**	**237,030**	**-90,916**	**-38.36**
Personnel costs	-57,230	-59,497	2,267	-3.81
Other administrative expenses	-71,879	-62,157	-9,722	15.64
Other operating income/expense	17,396	27,720	-10,324	-37.24
Net accruals to provisions for risks and charges	-136	-6,084	5,948	-97.76
Adjustments to property, equipment and investment property and intangible assets	-7,106	-6,867	-239	3.48
Operating costs	**-118,955**	**-106,885**	**-12,070**	**11.29**
Operating profit (loss)	**27,159**	**130,145**	**-102,986**	**-79.13**
Net gains (losses) of equity investments and other investments	3,558	-216	3,774	-
Profit (loss) before tax	**30,717**	**129,929**	**-99,212**	**-76.36**
Income taxes	-7,657	-44,893	37,236	-82.94
Profit (loss)	**23,060**	**85,036**	**-61,976**	**-72.88**
Profit pertaining to minority interests	-948	-2,213	1,265	-57.16
Profit pertaining to the Parent Bank	**22,112**	**82,823**	**-60,711**	**-73.30**

DISTRIBUTION BY GEOGRAPHICAL AREA

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

The contribution made to the Group by this subsidiary is summarised by the following statistics: the «Suisse» holds 10.39% of direct funding from customers and 13.96% of loans and receivables with customers, generating 8.17% of net fee and commission income and 10.86% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

With regard to significant events after the end of the quarter, note that the Parent Bank placed a new issue of covered bonds with a 7-year maturity on 23 March, but with payment due on 4 April. Against an offer of 500 million, the demand amounted to about 1.5 billion.

On 18 April, the Parent Bank participated with an amount of 50 million in the newly established closed-end securities investment fund called «Atlante», the purpose of which is to stabilise the Italian banking system by providing support for the recapitalisation of certain banks and initiatives to facilitate the management of non-performing loans.

As for the outlook, the continuity of a monetary policy designed to aid economic recovery suggests that rates will continue to stay at current lows, negatively affecting net interest income. The extreme volatility of financial markets may also weigh unfavourably. The current slow economic recovery, especially in Italy, should have an impact on the performance of the credit market, in terms of new loans and a further gradual improvement in credit quality.

Overall, it is reasonable to expect our Group to improve its profit compared with the first quarter.

Sondrio, 12 May 2016

THE BOARD OF DIRECTORS

Certification of the Financial Reporting Officer

The Financial Reporting Officer, Maurizio Bertoletti, certifies pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, that the accounting information contained in this consolidated interim report for the period ended 31 March 2016 agrees with the underlying documents, registers and accounting entries.

The Financial Reporting Officer
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 31 MARCH 2016

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	ASSET ITEMS		31-03-2016		31-12-2015
10.	CASH AND CASH EQUIVALENTS		**729,887**		**766,097**
20.	FINANCIAL ASSETS HELD FOR TRADING		**1,798,489**		**1,859,435**
30.	FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS		**90,028**		**94,495**
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS		**5,981,835**		**6,321,023**
50.	HELD-TO-MATURITY INVESTMENTS		**112,692**		**125,777**
60.	LOANS AND RECEIVABLES WITH BANKS		**607,749**		**980,339**
70.	LOANS AND RECEIVABLES WITH CUSTOMERS		**23,962,239**		**23,996,543**
100.	EQUITY INVESTMENTS		**202,922**		**198,176**
120.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**321,668**		**324,180**
130.	INTANGIBLE ASSETS		**23,260**		**22,246**
	of which:				
	- Goodwill	7,847		7,847	
140.	TAX ASSETS		**484,525**		**491,938**
	a) current	61,187		64,592	
	b) deferred	423,338		427,346	
	b1) of which as per Law 214/2011	374,826		379,570	
160.	OTHER ASSETS		**323,607**		**357,399**
	TOTAL ASSETS		**34,638,901**		**35,537,648**

THE CHAIRMAN
Francesco Venosta

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

EQUITY AND LIABILITY ITEMS			**31-03-2016**		**31-12-2015**
10.	DUE TO BANKS		**2,614,797**		**2,302,136**
20.	DUE TO CUSTOMERS		**24,965,872**		**26,347,209**
30.	SECURITIES ISSUED		**3,085,327**		**3,181,186**
40.	FINANCIAL LIABILITIES HELD FOR TRADING		**68,118**		**48,709**
60.	HEDGING DERIVATIVES		**55,263**		**53,483**
80.	TAX LIABILITIES		**61,993**		**68,208**
	a) current	3,500		4,059	
	b) deferred	58,493		64,149	
100.	OTHER LIABILITIES		**923,285**		**678,166**
110.	POST-EMPLOYMENT BENEFITS		**43,591**		**43,374**
120.	PROVISIONS FOR RISKS AND CHARGES:		**169,118**		**165,725**
	a) pension and similar obligations	117,854		117,912	
	b) other provisions	51,264		47,813	
140.	VALUATION RESERVES		**78,602**		**89,416**
170.	RESERVES		**1,052,635**		**930,273**
180.	SHARE PREMIUM RESERVE		**79,005**		**79,005**
190.	SHARE CAPITAL		**1,360,157**		**1,360,157**
200.	TREASURY SHARES (-)		**(25,322)**		**(25,322)**
210.	MINORITY INTERESTS		**84,348**		**86,623**
220.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**22,112**		**129,300**
	TOTAL LIABILITIES AND EQUITY		**34,638,901**		**35,537,648**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

VOCI			31-03-2016		31-03-2015
10.	INTEREST AND SIMILAR INCOME		176,734		213,530
20.	INTEREST AND SIMILAR EXPENSE		(49,229)		(73,331)
30.	**NET INTEREST INCOME**		**127,505**		**140,199**
40.	FEE AND COMMISSION INCOME		75,898		79,385
50.	FEE AND COMMISSION EXPENSE		(4,412)		(5,333)
60.	**NET FEE AND COMMISSION INCOME**		**71,486**		**74,052**
70.	DIVIDENDS AND SIMILAR INCOME		142		345
80.	NET TRADING INCOME		(14,639)		64,598
90.	NET HEDGING GAINS (LOSSES)		(285)		1,339
100.	GAINS/LOSSES FROM SALES OR REPURCHASES OF:		28,531		59,617
	b) available-for-sale financial assets	28,859		59,680	
	d) financial liabilities	(328)		(63)	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		(4,468)		8,433
120.	**TOTAL INCOME**		**208,272**		**348,583**
130.	NET IMPAIRMENT LOSSES ON:		(62,158)		(111,553)
	a) loans and receivables	(59,812)		(111,139)	
	b) available-for-sale financial assets	(2,069)		(691)	
	d) other financial transactions	(277)		277	
140.	**NET FINANCIAL INCOME**		**146,114**		**237,030**
170.	**NET FINANCIAL AND INSURANCE INCOME**		**146,114**		**237,030**
180.	ADMINISTRATIVE EXPENSES:		(129,109)		(121,654)
	a) personnel expenses	(57,230)		(59,497)	
	b) other administrative expenses	(71,879)		(62,157)	
190.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(136)		(6,084)
200.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(4,358)		(4,179)
210.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(2,748)		(2,688)
220.	OTHER OPERATING INCOME/EXPENSE		17,396		27,720
230.	**OPERATING COSTS**		**(118,955)**		**(106,885)**
240.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS		3,536		(217)
270.	NET GAINS ON SALES OF INVESTMENTS		22		1
280.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**30,717**		**129,929**
290.	INCOME TAXES		(7,657)		(44,893)
300.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**23,060**		**85,036**
320.	**PROFIT (LOSS) FOR THE PERIOD**		**23,060**		**85,036**
330.	PROFIT (LOSS) FOR THE PERIOD OF MINORITY INTERESTS		(948)		(2,213)
340.	**PROFIT (LOSS) FOR THE PERIOD OF THE PARENT BANK**		**22,112**		**82,823**
	BASIC EPS		**0.049**		**0.183**
	DILUTED EPS		**0.049**		**0.183**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items/Amounts		31-03-2016	31-03-2015
10.	**Profit (loss) for the period**	**23,060**	**85,036**
	Other income items net of income taxes that will not be reclassified to profit or loss		
60.	Share of valuation reserves of equity investments valued at net equity	101	(43)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
100.	Available-for-sale financial assets	(11,365)	42,292
120.	Share of valuation reserves of equity investments valued at net equity	450	1,570
130.	**Total other income items net of income taxes**	**(10,814)**	**43,819**
140.	**Comprehensive income (Item 10+130)**	**12,246**	**128,855**
150.	Consolidated comprehensive income pertaining to minority interests	(948)	(2,213)
160.	**Consolidated comprehensive income pertaining to the Parent Bank**	**11,298**	**126,642**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2015	Change in opening balances	Opening balance at 1.1.2016	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	–
c) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	**–**	**–**
Reserves							
a) from earnings	965,679	–	965,679	134,277	–	(6,938)	–
c) other	5,186	–	5,186	–	–	–	–
Valuation reserves	**89,310**	**–**	**89,310**	**–**	**–**	**–**	**–**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(25,322)**	**–**	**(25,322)**	**–**	**–**	**–**	**–**
Profit for the period	**137,500**	**–**	**137,500**	**(134,277)**	**(3,223)**	**–**	**–**
Equity attributable to the group	**2,562,829**	**–**	**2,562,829**	**–**	**–**	**(6,938)**	**–**
Equity attributable to minority interests	**86,623**	**–**	**86,623**	**–**	**(3,223)**	**–**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2014	Change in opening balances	Opening balance at 1.1.2015	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,746	–	1,393,746	–	–	–	–
c) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,365**	**–**	**83,365**	**–**	**–**	**–**	**–**
Reserves							
a) from earnings	859,315	–	859,315	125,282	–	35,886	–
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**	**(125,282)**	**–**	**–**	**–**
Equity attributable to the group	**2,407,234**	**–**	**2,407,234**	**–**	**–**	**35,886**	**–**
Equity attributable to minority interests	**82,463**	**–**	**82,463**	**–**	**–**	**–**	**–**

Changes during the period								
Equity transactions							**Equity**	**Equity**
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	% change in interest held	Comprehensive income	**attributable to the group at 31.03.2016**	**attributable to minority interests 31.03.2016**
–	–	–	–	–	–	–	**1,360,157**	**33,579**
–								
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	**1,049,406**	**43,612**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**(10,814)**	**78,602**	**(106)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(25,322)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**23,060**	**22,112**	**948**
–	**–**	**–**	**–**	**–**	**–**	**11,298**	**2,567,189**	**–**
–	**–**	**–**	**–**	**–**	**–**	**948**	**–**	**84,348**

Changes during the period								
Equity transactions							**Equity**	**Equity**
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	% change in interest held	Comprehensive income	**attributable to the group at 31.03.2015**	**attributable to minority interests 31.03.2015**
–	–	–	–	–	–	–	**1,360,157**	**33,589**
–								
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,360**
–	–	–	–	–	–	–	**977,819**	**42,664**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**43,819**	**91,760**	**(107)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(291)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,322)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**85,036**	**82,823**	**2,213**
(291)	**–**	**–**	**–**	**–**	**–**	**126,642**	**2,569,471**	**–**
–	**–**	**–**	**–**	**–**	**–**	**2,213**	**–**	**84,676**