BANCA SELLA

Half-Yearly Financial Statements at 30 June 2016

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GRUPPO BANCA SELLA

BANCA SELLA

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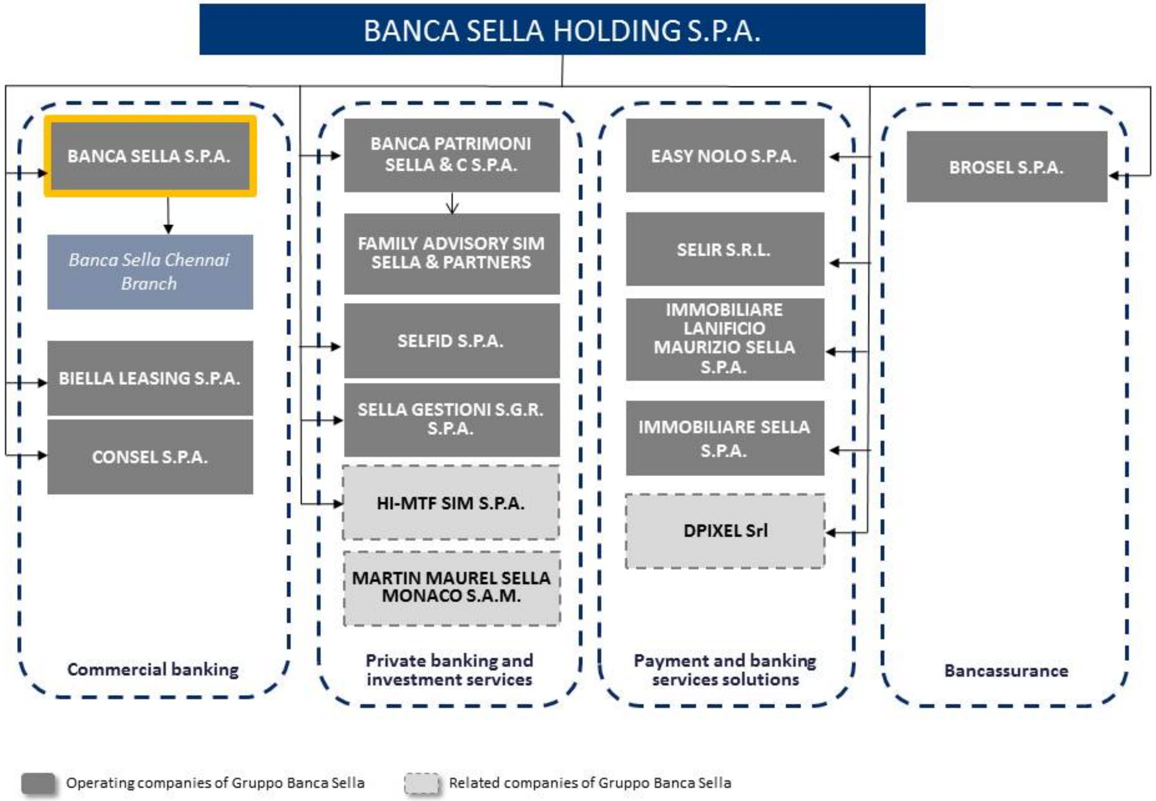
Map of the Group at 30 June 2016



Other line-by-line consolidated companies:	**Investee companies consolidated at net equity:**
Finanziaria 2010 S.p.A	Martin Maurel Sella Monaco S.A.M
Miret S.A.	HI-MTF Sim S.p.A
Sella Synergy India P.LTD	S.C.P. VDP 1
MARS 2600 S.r.l. (special purpose vehicle for the Group's securitisation transactions)	Enersel S.p.A.
Monviso 2014 S.r.l. (special purpose vehicle for the Group's securitisation transactions)	DPixel S.r.l.
Sella Capital Management SGR S.p.A. in liquidation	

Corporate Officers

BOARD OF DIRECTORS

in office up to the approval of the 2016 financial statements

Chairman	Maurizio Sella
Deputy Chairman	Franco Sella
Managing Director	Claudio Musiari
Director	Elisabetta Galati
"	Luigi Gargiulo
"	Andrea Lanciani
"	Ferdinando Parente
"	Carlo Santini
"	Pietro Sella
"	Sebastiano Sella
"	Silvana Terragnolo
"	Paolo Tosolini
"	Attilio Viola

BOARD OF STATUTORY AUDITORS

in office up to the approval of the 2016 financial statements

Regular Auditor - Chairman	Paolo Piccatti
"	Vincenzo Rizzo
"	Riccardo Foglia Taverna
Alternate Auditor	Daniele Frè
" "	Michela Rayneri

GENERAL MANAGEMENT

Director General	Claudio Musiari
Co-Director General	Giorgio De Donno
Co-Director General	Gianluca Bisognani

Interim Report on Operations

Summary data and economic/financial indicators

Summary data (in Euro thousands)

BALANCE SHEET DATA	30/06/2016	31/12/2015	Changes	
			absolute	%
Total assets	11,124,883.6	10,765,853.3	359,030.3	3.3%
Financial assets (1)	1,810,068.4	1,749,371.7	60,696.8	3.5%
Cash loans excluding repurchase agreements receivable	6,967,760.8	6,734,045.2	233,715.6	3.5%
reverse repurchase agreements	351.1	412.3	(61.2)	-14.8%
Total cash loans (2)	6,968,111.9	6,734,457.5	233,654.4	3.5%
Guarantees issued	220,901.7	207,164.0	13,737.7	6.6%
Tangible and intangible fixed assets	90,853.1	90,656.8	196.3	0.2%
Direct deposits excluding repurchase agreements payables	9,561,210.3	9,275,161.1	286,049.2	3.1%
repurchase agreements	9,063.5	46,251.0	(37,187.5)	-80.4%
Total direct deposits (3)	9,570,273.8	9,321,412.0	248,861.8	2.7%
Nominal indirect deposits (4)	11,850,515.1	12,071,544.1	(221,029.0)	-1.8%
Nominal total deposits	21,420,788.8	21,392,956.1	27,832.7	0.1%
Total deposits at market prices (5)	24,401,650.0	24,543,104.0	(141,454.0)	-0.6%
Shareholders' Equity	786,039.5	771,168.6	14,870.8	1.9%
Common Equity Tier 1 (CET 1)	724,974.7	689,345.1	35,629.6	5.2%
Tier 2 (T2)	198,877.8	239,737.8	(40,860.1)	-17.0%
Total own funds	923,852.5	929,083.0	(5,230.5)	-0.6%

RECLASSIFIED ECONOMIC DATA (6)	30/06/2016	30/06/2015	Changes	
			absolute	%
Net interest income	77,976.9	87,265.8	(9,288.8)	-10.6%
Gross income from services	129,993.7	144,598.7	(14,605.0)	-10.1%
Fee expenses	(32,859.5)	(41,263.4)	8,403.9	-20.4%
Net revenues from services (net of fee expenses) (7)	97,134.2	103,335.3	(6,201.1)	-6.0%
Net banking income	175,111.1	190,601.0	(15,489.9)	-8.1%
Operating expenses net of recovery of taxes and stamp duties (8)	(128,531.8)	(122,275.1)	(6,256.7)	5.1%
Operating profit (loss)	46,579.3	68,325.9	(21,746.6)	-31.8%
Net value adjustments for impairment losses	(23,291.8)	(59,722.2)	36,430.5	-61.0%
Other economic items	44,850.1	(2,230.7)	47,080.8	-2110.6%
Income taxes	(10,399.9)	(2,119.5)	(8,280.5)	390.7%
Profit (loss) for the period	57,737.8	4,253.6	53,484.2	1257.4%

(1) The aggregate represents the sum of the following items in the Balance Sheet Assets: item 20 "financial assets held for trading" and item 40 "financial assets available for sale".
(2) The aggregate represents item 70, "Due from customers", in the Balance Sheet Assets and includes net bad loans.
(3) The aggregate represents the sum of the following items from Balance Sheet Liabilities: 20 "Due to customers" and 30 "Securities in issue".
(4) The aggregate does not include the item "cash and cash equivalents", relating to asset management, which is included in the item "direct deposits".
(5) The aggregate, measured at market prices, includes securities and administered funds and is net of deposits of the Group banks.
(6) As per items reported in the reclassified Income Statement.
(7) The aggregate represents the sum of the following items in the Reclassified Income Statement: fee income, net gains (losses) on trading and hedging activities, profit (loss) on sale or repurchase of receivables, financial assets available for sale, financial assets held to maturity, and financial liabilities;
(8) Given by the sum of the following items: "Administrative expenses" item 150, "Value adjustments on tangible assets" item 170, "Value adjustments on intangible assets", item 180 "Other operating income and expenses" item 190.

Staff and branches

Item	30/06/2016	31/12/2015	Changes	
			absolute	%
Employees	2,998	2,989	+9	+0.3%
Branches	293	293	-	-

Alternative performance indicators

PROFITABILITY RATIOS (%)	30/06/2016	30/06/2015
R.O.E. (return on equity) (1)(5)	15.9%	1.4%
R.O.A. (return on assets) (2)(5)	1.0%	0.1%
Net interest income (3) / Net banking income (3)	44.5%	45.8%
Net revenues from services (3) / Net banking income (3)	55.5%	54.2%
Cost to income (4)	72.8%	63.5%
Cost to income net of National Resolution Fund contribution (9)	70.0%	63.5%
PRODUCTIVITY RATIOS (in Euro thousands)	**30/06/2016**	**30/06/2015**
Net banking income (3) (5) / Average no. of employees	117.3	129.0
Operating result (3) (5) / Average no. of employees	31.2	46.3
Cash loans / No. of employees at period end	4,648.3	4,533.2
Direct deposits (net of repurchase agreements payable) / No. of employees at period end	6,378.4	6,243.8
Total deposits / No. of employees at period end	14,153.5	14,262.7
EQUITY AND LIQUIDITY RATIOS (%)	**30/06/2016**	**31/12/2015**
Cash loans (net of repurchase agreements receivable) / Direct deposits (net of repurchase agreements payable)	72.9%	72.6%
Cash loans (net of repurchase agreements receivable) / Total assets	62.6%	62.6%
Direct deposits (net of repurchase agreements payable) / Total assets	85.9%	86.2%
Liquidity Coverage Ratio (LCR) (6)	224.9%	191.7%
Net Stable Funding Ratio (NSFR) (7)	150.8%	152.0%
CREDIT RISK RATIOS (%)	**30/06/2016**	**31/12/2015**
Net impaired loans / Cash loans (net of repurchase agreements receivable)	7.7%	8.3%
Net bad loans / Cash loans (net of repurchase agreements receivable)	4.5%	4.5%
Net value adjustments to loans (8) / Cash loans (net of repurchase agreements receivable) (5)	0.7%	1.5%
Coverage rate for impaired loans	50.2%	47.8%
Coverage rate for bad loans	61.1%	60.0%
SOLVENCY RATIOS (%)	**30/06/2016**	**31/12/2015**
CET 1 ratio	15.09%	14.67%
Tier 1 ratio	15.09%	14.67%
Total capital ratio	19.23%	19.77%

(1) Ratio between "Profit for the year" and the sum of items 160 "Reserves", 170 "Share premiums", and 180 "Share Capital" in the Balance Sheet Liabilities.
(2) Ratio between "Net profit" and "Total assets".
(3) As in the reclassified Income Statement.
(4) Ratio between operating expenses, after deducting IRAP on personnel costs and net of losses related to operational risks and net banking income.
(5) Annualised ratio.
(6) LCR: minimum limit valid for all of 2016: 70% (minimum limit after start-up period, 100%, from 1 January 2018).
(7) NSFR: officially takes effect as of 1 January 2018, with a minimum limit of 100%.
(8) Obtained from the sum of items 130 a) and 100 a) in the reclassified income statement.

(9) Cost to income calculated removing the contribution to the National Resolution Fund.

Summary of the macroeconomic situation

The expansion rate of the global economy came out at modest levels in the first half of 2016.

In the United States, after the gradual slowdown recorded between the second half of 2015 and the First Quarter of 2016, growth showed signs of a modest recovery as a whole, thanks in particular to the solidity of private consumption and despite the weakness of corporate investments. The recovery continued at a moderate pace in the Eurozone, supported by extremely accommodating monetary conditions, low oil prices and the slightly expansive orientation of tax policy. Risk factors persist however and they are affecting the growth prospects in the region. Examples are the necessary budget adjustments in the public and private sectors, the presence of elements of fragility in the panorama of emerging economies, the geopolitical uncertainty and the consequences of the result of the referendum of 23 June on the United Kingdom remaining in the European Union. The implications of the exit of the United Kingdom from the Union seem at the moment hard to weigh up, as they depend on how long the negotiations take to arrive at the definition of a new arrangement and on the result of the negotiations itself; the uncertainty that derives from this could lead to the deferment of spending decisions by consumers and businesses and impede the expected recovery of growth and inflation in the Eurozone. In the emerging economies, although very different macroeconomic conditions persist, the generalised trend of deceleration has come to a halt.

As regards consumer prices, the sharp drop in crude oil prices recorded between the end of 2015 and the beginning of 2016 and the absence of pressures exercised by domestic demand are at the root of the extremely limited trend of inflation observed in the Euro Area in the first half of 2016; the widely expansive orientation of the ECB, which in March announced a new package of stimulation measures, and the recovery of the oil price should contribute to a gradual recovery of inflation with levels in line with the Institution's objective of price stability. In the first six months of the year, leaving behind the figures close to zero recorded in 2015, inflation in the USA came back to around 1%, thanks to the recovery of the most stable components and the less negative contribution of the energy item. During the period the Federal Reserve reaffirmed its intention to proceed gradually to normalise the cost of money in the USA, beginning at the end of 2015 with a first and single rise in official rates, considering the progress made and expected with respect to the double mandate of supporting employment and stabilising inflation at the medium-term target of 2%. The caution shown over these months by the American central bank was also partly due to the uncertainties related to the international context, including the difficulties of the Chinese economy initially, followed by the results of the referendum on the United Kingdom remaining in the European Union.

During the first half of 2016, lending activity in the Italian banking system was relatively stable, as a whole. The amount of loans to the private sector at the end of June came to € 1,413 billion, with a downward trend of 0.4% with respect to the same month the previous year. The persistent weakness in loans to non-financial companies, -2.3% and 792 billion, was counterbalanced by progress seen in loans to households, +2.1% and 621 billion.

The growth in amounts of gross bad loans continued during the half, although the growth rates progressively fell. In June, total stock was at 198 billion, with an annual growth rate of 1.1% and a coverage rate of 57.7%.

In terms of funding, banks are gradually changing the mix, replacing maturing bonds with customer deposits.

Credit spreads fell further during the half. The reduction in market rates and the heavy competitive pressure bearing down on prices for loans to customers were only partially counterbalanced by a reduction in the cost of funding, and in particular institutional funding.

Summary of the first half of 2016 and events subsequent to the end of the half

In November 2015 Visa Inc. and Visa Europe (in which the Bank held minority investments) announced that an agreement had been reached for the strategic acquisition of Visa Europe by Visa Inc., aimed at creating a single company that operates both on the US and European market. The transaction entailed extraordinary dividends paid in cash, and the assignment of Visa Inc. shares worth around € 16.5 billion when the operation was completed. A further earn-out of a maximum of € 4.7 billion will be distributed four years after completion of the transaction. On the basis of this data, Banca Sella, as a “principal member”, for the sale of its stake in Visa Europe, received a cash amount of approximately € 34.1 million and Visa Inc class C shares for a countervalue net of the lock-up clause of € 10.2 million and discounted receivable at maturity for an amount of € 2.6 million.

In November 2015 a commercial agreement was reached with the HDI Assicurazioni Group, (a company belonging to the German Talanx group, the third-largest insurance company in Germany which operates in more than 150 countries, the parent company of which Talanx AG is listed on the Frankfurt Stock Exchange), as insurance partner for the next ten years, consolidating the already well-tested partnership implemented since 2007 in InChiaro Assicurazioni. On 30 June this agreement was signed and the entire equity interest held by Banca Sella Holding in CBA Vita was sold to HDI Assicurazioni. With this therefore went the interest in its subsidiary Sella Life Ltd and the entire stake (49%) held in InChiaro Assicurazioni SpA. In Banca Sella CBA Vita was a non-controlling interest and the transaction described above entailed gains of € 0.5 million.

The Board of Directors at its meeting on 31 May 2016 resolved a number of changes to the Bank's organisation chart, as well as a number of changes of responsibilities. In particular the Pricing Unit service was set up; its mission is to manage and enhance the pricing policies in the traditional business contexts and in that of the new digital economy, divulging and implementing strategies and policies that pursue the obtainment of the right price for the value and services provided to Customers.

On Monday 6 June, as part of the ordinary Supervisory activity, the Bank of Italy began an inspection in Banca Sella regarding: ”Remuneration of overdrafts and over-the-limit positions under the terms of Art.117 bis of Italian Legislative Decree 385/1993 (Consolidated Law on Banking) and Ministerial Decree 644/2012”. This was completed on 1 July 2016.

The Bank subscribed medium/longterm funds made available by the European Central Bank with the two TLTRO Programmes. In particular it extinguished in advance the loans granted in the context of the first Programme (€ 268 million) and at the same time obtained new loans for € 335 million from the first operation of the second TLTRO Programme (settled with value date 29/06/2016) and granted at more favourable interest rate conditions.

We can also note that on 28 July 2016 the update of the EMTN (Euro Medium-Term Note) programme in maturity was completed.

No further significant events have occurred after the interim reporting date.

Risk control

Credit risk

Banca Sella considers the measurement and management of credit risk to be of crucial importance.

The activity of loan disbursement has always been focussed on traditional business forms, supporting family financing needs and providing the necessary support to businesses - in particular small and medium sized enterprises - which have demonstrated that they have, even in the current economic context, adequate prospects in terms of economics and business continuity. The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine customer needs with the need to ensure the maintenance of quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management Services (Credit Risk Reporting & Strategy Unit and Credit Risk Control Unit) of Banca Sella Holding, as well as Banca Sella's Credit Quality and Control Unit.

The Risk Management Service has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. These activities are accompanied by careful verification of individual positions, aimed at determining the appropriateness of classification and allocations, and checking that the recovery process is adequate.

The Credit Quality and Control Unit, which carries out first level controls within the Credit Department, monitors trend data, supervises operations carried out by the distribution network in terms of credit disbursement and management, and by the Credit Department, in terms of managing unlikely to pay positions that have not been revoked.

During the first half of 2016, the parent company's Risk Management Service, in addition to continuing with ordinary progressive maintenance of the processes and IT procedures that support measurement of credit risk, also:

- provided analysis and investigations of specific risk profiling issues;
- carried out a thorough review of the reporting system, which involved both the creation of a structured certified repository (Data Mart) for registering risk data, as well as rationalising, developing and adjusting RAF and trend reporting to best practices.

Market risk

Market risk relates to unexpected variations in market factors such as interest rates, interest rates, exchange rates and security prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

For the compilation of this section we consider financial instruments held in the “regulatory trading book”, as defined in the provisions on market risk regulatory reporting (see Bank of Italy Circular no. 286 of 17 December 2013, as amended).

Interest-rate risk derives from the possibility that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by Banca Sella within the assigned limits and powers.

The price risk inherent in the trading book is mainly a result of trading on the bank’s own account in debt securities.

The Bank’s trading book includes assets held as financial instruments for its own account. Most of these instruments can be traded on regulated markets (fixed and variable-income securities).

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximise returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

The management and control of market risks (interest-rate risk, price risk, exchange rate risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may expose themselves to these types of risk.

The Parent Company's Risk Management Unit is responsible for the market risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For prudential purposes to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the "standardised approach" defined in Circular 285/2013, as updated.

For management purposes, trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is mainly assessed according to the historical simulation approach. *VaR* measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of profits/losses that results is analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

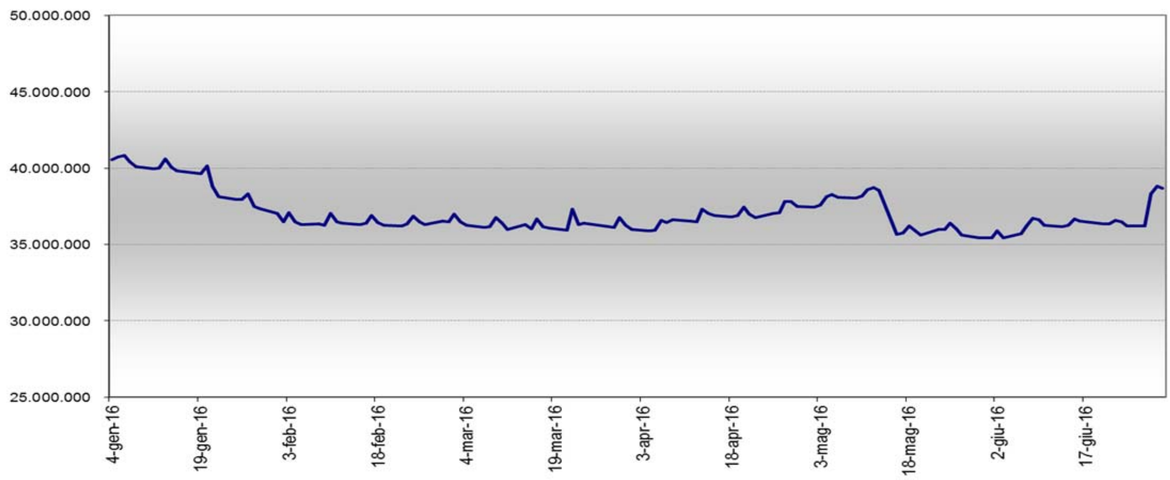
The Group Risk Management service carries out checks on the trend in the VaR (time horizon 10 days and 3 months, confidence interval 99%) for the own portfolios of the companies in the Banca Sella Group and analyses the sensitivity factors including: portfolio duration, effects of sudden interest rate shocks, and finally, checks on the operational limits on investments in securities.

The average duration of the Banca Sella trading book is equal to 1.26 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately Euro 22.08 million (about 1.26% of the portfolio).

The trend in the VaR of the Banca Sella (confidence interval 99%, time horizon three months, historical method) is shown in the chart below. These values have always remained within the prudential limits set by the Parent Company.

Banca Sella – Trading Book

Market Risks VaR (time horizon 3 months – confidence interval 99%)



Interest rate and price risks – banking book

The main sources of interest rate risk generated in the banking book can be traced back to:

• maturity mismatches (risk connected with the exposure of positions to changes in the slope and the shape of the yield curve);

• mismatches arising from the imperfect correlation between changes in charged and paid interest rates on the various instruments (indexing risk).

Interest rate risk is mainly generated by fixed and variable rate securities in the banking book, customer deposits (in current accounts, savings accounts and bonds) and loans to customers (mortgages), as well as derivative instruments contracted to mitigate exposure to the fair value rate risk generated by them**.** The company's policy is aimed at minimising the volatility of the total economic value affected by changes in the structure of interest rates.

Internal interest rate risk management and control processes are based on an organizational structure, which provides that the information is analysed at an operational level and critically assessed by the Group's ALM Committee at least monthly. This Committee also provides appropriate operational guidelines. For management purposes, besides the 20% risk indicator limit defined in the regulations, the internal organisation has been provided with more prudential danger thresholds, which, when exceeded, lead to the assessment of operational strategies aimed at reducing the exposure.

The rate risk is measured using proprietary models for the processing of items in liabilities with undefined contractual due dates. For all other asset and liability items, the rules defined by Bank of Italy Circular no. 285/2013, as subsequently amended, are used. The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities.

To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -40 basis points (lowering scenario).

The sensitivity analysis figures at 30 June 2016 show a low risk for the banking book (see the table below for total and percentage impact on the economic value).

Shift	Total Sensitivity	Regulatory Capital	Sensitivity %
+200 bps / -40 bps	8.16	923.9	0.88%

Amounts in Euro millions

The Banca Sella bank portfolio contains no financial instruments subject to price risk.

Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest-rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans) or bonds issued (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the mortgage loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps are implemented when fixed-rate bond loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Bank generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured. These parameters, which are approved by the Parent Company Risk Management Service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. At every periodic calculation of the fair value of the financial instrument, first and second level controls are carried out on the aforesaid parameters.

Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for interest-rate risk on cash flow generated by variable rate items.

Foreign investment hedging activities

Due to the small amount of foreign investments, no hedging is put in place for the interest-rate risks arising from them.

Exchange rate risk

Currency transactions mainly take place at the Finance Department of the Parent Company, in which the Treasury carries out lending and inter-bank funding operations in foreign currency, and manages the exchange risk connected with currency imbalances.

Foreign exchange risk is monitored with the “standardised method” defined by the Bank of Italy in Circular no. 285/2013, as amended. The Risk Management division of the Group monitors exchange risk exposure values and reports them to the Group’s ALM Committee. This body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, if exposures towards currencies are judged to be too high.

Exchange rate risk hedging activities

Banca Sella hedges transactions in foreign currency daily. The only assets of the Bank subject to this risk are loans and deposits in currency which correspond to a minimum part of the banking portfolio.

Liquidity Risk

Liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk).

Liquidity monitoring and management operations for the Banca Sella Group are formalised in the Group’s Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. These strategies are an integral part of the emergency plan known as the Contingency Funding Plan*.*

The governance model defined for managing and controlling the Banca Sella Group’s liquidity risk is based on the following principles:

- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and distinction of responsibilities among management, controlling and operating bodies.

The Group's liquidity monitoring follows the directives issued in Circular 285/2013, as amended, adding to the national regulations with the principles governed by the Basel Committee and the EU regulations issued by the European Commission[1].

The Group's liquidity level is managed by the Banca Sella Holding Finance Department, which in case of need promptly takes remedial actions with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management Service.

1. Capital Requirements Directive 4.7. 2013 and EC Directive 2015/61 of 10/10/2014

The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity.

Below is the trend of the short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for said indicator was prudentially established at 12%. Throughout the half, the effective level of the indicator was always above this threshold. Liquidity reserves have proven to be sufficient to comply with the commitments made, even under conditions of stress.

Figure 1: Banca Sella short-term liquidity indicator trend.

In addition to the information provided by liquidity indicators, the Risk Management service of Banca Sella Holding and the Finance Department of the Banca Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

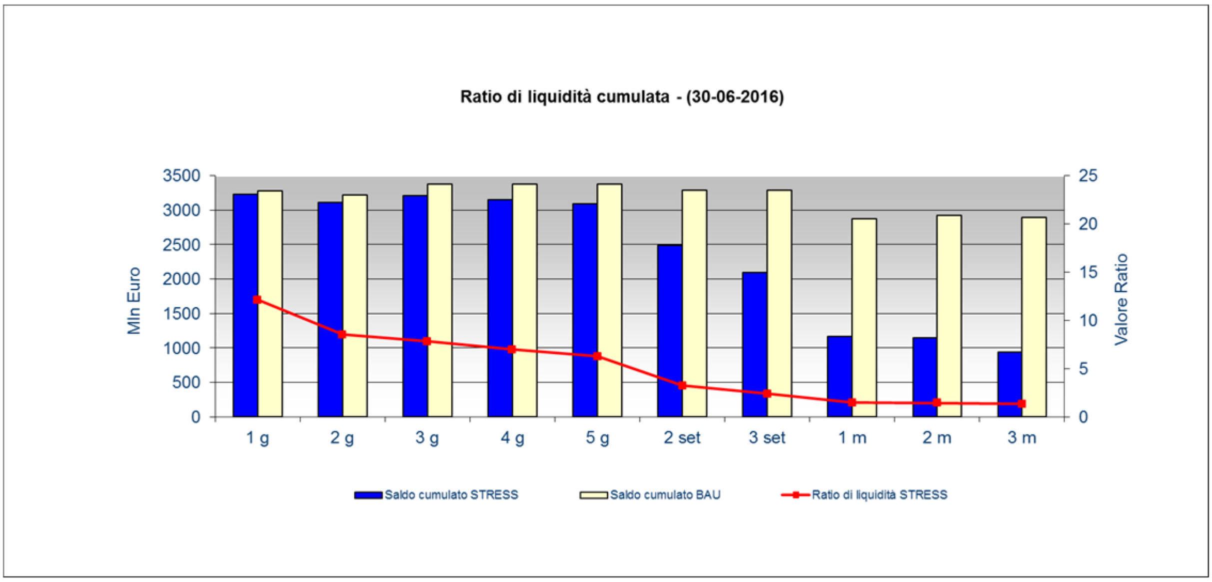
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated under the assumption that the business structure and the capital profile of the Group will not be altered. The stress scenarios used are based on those envisaged in Basel III, integrated with internal hypotheses in order to make the analysis better representative of the Bank’s operations.

The Maturity Ladder is realised through the time-band mapping (horizon up to 3 months) of current and expected cash flows, together with items regarded as “potential liquidity reserves”. This instrument allows assessing in various operational scenarios (business as usual and stress scenario) the net financial position as to liquidity in different time buckets.

The stress test has always demonstrated cash and cash equivalents or easily cashed assets for the Group that are adequate to face any crises, of either systemic or specific origin.

2. A Maturity Ladder is the projection of the net financial position over time.

***Stress Scenario*: Projection of cumulative net financial position and liquidity ratio (Stress test at 30 June 2016)**



The main hypotheses adopted, which are linked to an equal number of occurrence (frequency of onset) and severity (impact on the bank) configurations, are:

- acute tension in individual banks that requires extraordinary counter-measures, often linked to interventions lying outside the actual bank;
- systemic crisis, involving the market as a whole.

Operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

Once again in the first half of 2016 Banca Sella paid careful attention to managing operational risk, through the constant strengthening of organisational measures and tools for mitigation and control, including:

- the so-called Control Cycle, an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them;
- mapping and validation of business processes with an end to end view[3];
- certification and summary of service levels and line controls;
- the controls carried out through the so-called “alarm bells” (automatic processing with the aim of identifying and/or preventing any internal and/or external anomalies).

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organisation, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. The Control Cycle provides the information basis which, at the occurrence of the anomaly and according to a precise escalation, generates and sends communication flows to the parties

[3] The process is defined as end-to-end when it is set up in such a way as to form a “value flow” in complete logic of satisfying the intended purposes of the customer, whether internal or external, starting from the request and running through to delivery of the service.

concerned. In addition, in 2016 the reporting structure was reviewed and automated, both at the synthetic RAF level, and by allowing more detail for trend information, in order to improving monitoring and management of operational risk and, in particular, to more effectively support the work done by the Parent Company's Audit Committee.

In addition, in order to assess management of operational risk, the parent company's Risk Management Service produces regular summary and detailed statements, which summarise the degree of risk assumed by each company in the Group and the Group as a whole, relative to:

- anomalous events and operating losses reported in the Audit Cycle database (highlighting the more serious anomalies);
- monitoring of operational risk indicators, with respect to the Risk Appetite thresholds included in the Risk Appetite Framework;
- the outcome of line audits;
- the trend in service levels.

Business developments - external scenario

The world economy should continued to grow at a moderate rate during the remaining months of 2016.

In the United States, the solidity of private consumption, supported by an improvement in employment conditions, should continue to guide economic growth. The presidential election on 8 November will be of great importance, with potentially significant impacts on the economic climate within the country. The Eurozone is expected to continue along the path of moderate growth, assisted by the recovery in internal demand, in particular in personal consumption. Great attention will be paid to the possible start of negotiations with the United Kingdom relative to its exit from the European Union, and the relative implications for the process of European integration. In regards to consumer prices, the expected recovery in oil prices should contribute to a gradual increase in inflation, both in the USA and the Eurozone. On the basis of the progress achieved relative to both supporting employment and stabilising inflation, by the end of the current year the Federal Reserve will likely raise the policy rate again for the second time since December 2015. The European Central Bank will continue to purchase securities at the rate of € 80 billion/month, and is expected to keep the reference interest rates unchanged. Based on the mandates granted to specific commissions to examine possible options for redefining the quantitative easing plan, changes to the programme's current technical parameters could be announced by the ECB.

In line with the expected developments for the Italian macroeconomic situation in 2016, credit provided to the non-financial private sector by banks should continue on the path of return to positive growth rates and credit quality should further improve, benefiting profitability for the banking system. Further stimulus to increase the volume of loans disbursed should also arrive from the actions announced by the European Central Bank, with particular reference to the new long-term loan auctions (TLTRO2) for the banking system, which create a further incentive for granting loans at low interest rates. Precisely the continuation of interest rates at particularly low levels will keep net interest income still compressed, leading banks to encourage the growth of the component of revenue from services and the diversification of activities other than lending; the uncertainty of development of the revenue from services component in a context of volatile markets, combined with the pressures on net interest income, will lead the banking system, also in 2016, to continue in any case to pay great attention to making operating structures more efficient and to containing costs, essential elements for achieving the necessary further recovery of profitability. Indications coming from the ECB's regulatory supervision relative to management of impaired loans, aimed at reducing amounts in a reliable, viable and timely manner, will lead to an acceleration in the management of NPLs in the system, with greater proactive steps taken by banks relative to collection, provisioning, cancellation and disposals.

Business continuity

With reference to the Bank of Italy, Consob and ISVAP documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, in relation to information to be provided in financial reports on business prospects, with a particular focus on the company's ability to continue as a going concern, on financial risks, on tests for reductions in the value of assets (impairment tests) and on uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Bank can continue its operations in the foreseeable future and therefore attests that the present interim report has been prepared on the basis of this going concern assumption.

In the Bank's capital and financial structure and in the operating performance there are no elements or signs which may lead to uncertainty on the going concern assumption.

For the disclosure relating to financial risks, impairment tests and uncertainties in the use of estimates, please refer to the information given in this report and the comments on operating trends.

Income Data

Reclassified income statement (in Euro thousands)

Item	30/06/2016	30/06/2015	% change since 30/06/2015
10. Interest and similar income	108,589.5	130,688.5	-16.9%
20. Interest and similar expenses	(30,721.0)	(43,485.7)	-29.4%
70. Dividends and similar income	108.4	62.9	72.2%
NET INTEREST AND DIVIDENDS	**77,976.9**	**87,265.8**	**-10.6%**
40. Fee income	126,959.9	126,886.2	0.1%
50. Fee expenses	(32,859.5)	(41,263.4)	-20.4%
Net fees	**94,100.4**	**85,622.7**	**9.9%**
80. Net gains/(losses) on trading activities	4,023.1	6,085.2	-33.9%
90. Net gains/(losses) on hedging activities	(101.9)	(35.8)	184.4%
100. Income (losses) from sale or repurchase of:	(887.4)	11,663.2	-107.6%
a) receivables	(1,310.0)	51.4	-100.0%
b) financial assets available for sale	470.7	11,620.2	-96.0%
d) financial liabilities	(48.1)	(8.5)	467.6%
NET REVENUES FROM SERVICES	**97,134.2**	**103,335.3**	**-6.0%**
NET BANKING INCOME	**175,111.1**	**190,601.0**	**-8.1%**
150. Administrative expenses			
a) personnel expenses	(81,849.6)	(78,154.7)	4.7%
IRAP on net personnel and seconded personnel expenses	(225.0)	(322.2)	-30.2%
Total personnel and IRAP expenses (1)	**(82,074.6)**	**(78,476.9)**	**4.6%**
b) other administrative expenses	(70,576.0)	(66,821.3)	5.6%
Recovery of stamp duty and other taxes	18,316.2	18,615.7	-1.6%
Total administrative expenses and recovery of taxes (1)	**(52,259.7)**	**(48,205.6)**	**8.4%**
170. Value adjustments on tangible assets	(3,554.2)	(3,780.9)	-6.0%
180. Value adjustments on intangible assets	(6,664.3)	(5,834.3)	14.2%
190. Other operating expenses/income (after deducting “Recovery of stamp duty and other taxes”)	16,021.1	14,022.5	14.3%
Operating expenses	**(128,531.8)**	**(122,275.1)**	**5.1%**
OPERATING PROFIT (LOSS)	**46,579.3**	**68,325.9**	**-31.8%**
160. Net provisions for risks and charges	(166.4)	(2,385.8)	-93.0%
130. Net value adjustments for impairment of:			0.0%
a) receivables	(23,291.8)	(59,722.2)	-61.0%
b) financial assets available for sale	(1,834.5)	(6.0)	-100.0%
d) other financial transactions	(539.4)	148.5	-463.2%
240. Profit (loss) from disposal of investments	1.8	12.6	-85.6%
Reclassifications from extraordinary effects (1)			
100. Income (losses) from sale or repurchase of:			
b) financial assets available for sale	47,388.6	-	0.0%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**68,137.7**	**6,373.0**	**969.2%**
290. Income taxes for the period on continuing operations (after deducting “IRAP on net personnel and seconded personnel expenses”)	(10,399.9)	(2,119.5)	390.7%
CURRENT OPERATING INCOME AFTER TAX	**57,737.8**	**4,253.6**	**1257.4%**
PROFIT (LOSS) FOR THE PERIOD	**57,737.8**	**4,253.6**	**1257.4%**

(1) The items in question were reclassified on the basis of more appropriate recognition criteria to represent the content of the items, based on standards of management homogeneity. The reclassifications are explained in the section below “Income statement classification criteria”.

Income Statement Classification Criteria

In order to provide a more easily understandable representation of the income results, an income statement has been prepared on the basis of representation criteria most appropriate to represent the content of the items in accordance with principles of management homogeneity.

Reclassifications involved:

- item 70. “dividends and other income”, which is included within net interest income;
- IRAP on the cost of personnel, which is separated from the item “Income taxes for the period on continuing operations”, and included in personnel expenses;
- the item “Recovery of stamp duties and other taxes” which is separated from item 190. “other operating expense/income” and included in item 150 b) “other administrative expenses”;
- item 100 “gains on disposal or repurchase of financial assets available for sale”, the component related to non-controlling equity investments was separated from net revenues from services and included under operating profit (loss).

Banca Sella ended the first half of 2016 with a profit of € 57.7 million, a great improvement compared to the same period of 2015. Comments on the main Reclassified Income Statement items that contributed to the profit for the period are presented below.

Net interest income

At 30 June 2016 net interest income amounted to Euro 78 million (-10.6% compared to the same period of the previous year). The drop was greatly influenced by the trend in market interest rates: as regards revenue, lower interest income was recorded, mainly on loans to customers, in the presence of decreasing average volumes and average rates on interest income contracting.

This lower interest income was partially offset by a reduction in interest expense (-29.4%), due to the continuing downward trend in the cost of funding, despite higher direct deposit volumes.

Net fees

Continuing with the analysis of the main income statement items a good trend in Net fees can be seen: +9.9%; a contribution to the good result came from net fees on acquiring (+23%), thanks both to the lower costs of interchange fees, following the entry into force of the MIF legislation in December 2015, and to the growth in transaction volumes; those on loans to customers (+21%) and those on placing of insurance products (+5.5%), mainly investment policies.

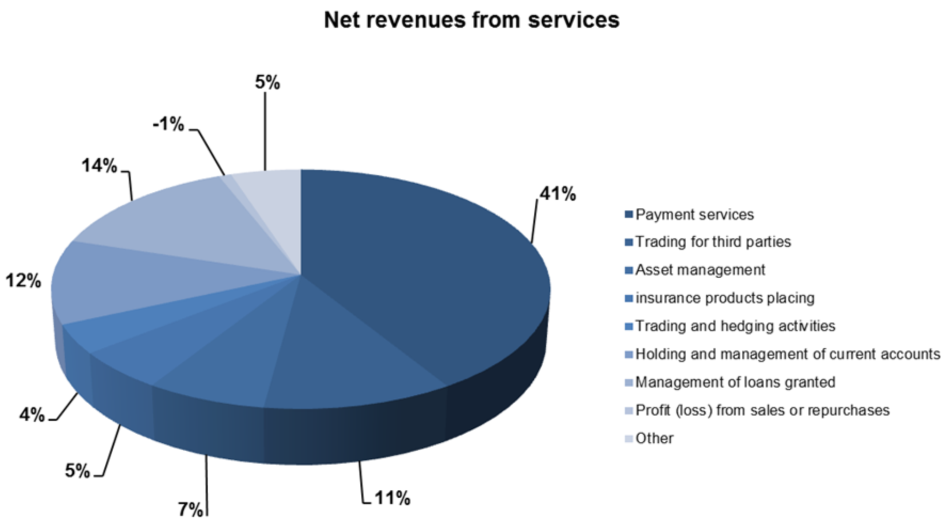
These increases more than offset the negative trend of “Investment services”, down compared to the previous year owing to the adverse trend of the financial markets. In detail fees were down both on trading for third parties and order collection (-15.4%) and on asset management (-1.7%).

Net revenues from services

Overall instead net revenues from services at 30 June 2016 came out at € 97 million (-6% compared to the previous financial year). The contraction was mainly due to gains on the disposal of securities of the financial assets available for sale portfolio, a non-recurring event of approximately € 11.6 million in 2015, not replicated in 2016 (a total of € 0.5 million). In addition, in 2016 the contribution of trading activity was down by approximately € 2 million, owing to the trend of the markets. Finally, in 2016 a sale was made of a batch of bad mortgage loans of a gross € 12.2 million at a price of € 5.6 million. This was completed in June and generated a negative economic effect of € -1.3 million of which approximately € -1.0 million deriving from a revision of the valuations during the year owing to an update of the appraisals on the properties used as guarantees, and approximately € -0.3 million owing to the effective difference between the last valuation and the selling price. The sale of these loans is the result of due diligence activity over several months which led to a narrow selection of positions with properties considered of particular interest for subsequent property development by the purchasers. We must specify also, as already reported in the classification criteria, that the gains deriving from the extraordinary merger operations involving Visa Europe and of the sale of the CBA Vita non-controlling equity investment were reclassified under operating profit (loss) to make the comparison between the two periods more uniform.

Net revenues from services: main components *(in Euro thousands)*

Item	30/06/2016	30/06/2015	Change	
			absolute	%
Payment services	40,649.0	33,042.8	7,606.1	23.0%
Trading for third parties, order collection and placement	10,896.5	12,873.1	(1,976.6)	-15.4%
Asset management	6,887.4	7,008.8	(121.4)	-1.7%
insurance products placing	5,309.9	5,032.1	277.9	5.5%
Trading and hedging activities	3,921.2	6,049.4	(2,128.2)	-35.2%
Holding and management of current accounts	11,273.5	11,450.8	(177.3)	-1.5%
Management of loans granted	14,047.3	11,605.4	2,442.0	21.0%
Profit (loss) from sales or repurchases of credits, financial assets/liabilities	(887.4)	11,663.2	(12,550.5)	-107.6%
Other	5,036.8	4,609.8	427.0	9.3%
Total	**97,134.2**	**103,335.3**	**(6,201.0)**	**-6.0%**



Net banking income

The trends described above led to a total net income of € 175.1 million, down (-8.1%) compared to 30 June 2015.

The good result of net fees, which recorded a positive change of +9.9%, was not sufficient to offset the drop in net interest income, the lower contribution of gains on disposal of financial assets and the losses on disposal of receivables (not considering the extraordinary gains deriving from the Visa Europe merger operation and the sale of CBA Vita).

Operating expenses

Operating expenses, of € 128.5 million, increased by 5.1%. The +4.6% increase in the personnel expenses component (including IRAP tax related to the same) was substantially due to the variable remuneration, on the basis of the better results expected in the year in progress, and to the increase in the Bank's staff.

The increase in administrative expenses was due instead to the contributions to the guarantee funds (approximately € 5 million) net of which they would have been down by approximately 2%. It should be noted that the amount of € 5 million includes € 2.7 million related to a contribution to the FITD (Fondo Interbancario di Tutela dei Depositi - Interbank Deposit Protection Fund) and € 2.2 million for the contribution to the SRF (Single Resolution Fund).

On 16 November 2015 Legislative Decrees no. 180 and 181 came into force, implementing in Italian legislation Directive 2014/59/EU (Banking Resolution and Recovery Directive, “BRRD”), creating a framework to restore and resolve credit institutions and investment companies and establishing the National Resolution Fund managed by the Bank of Italy. The payment of these contributions was recognised in administrative expenses in the Income Statement. These contributions are divided between the SRF – Single Resolution Fund and the DGS – Deposit Guarantee Scheme. At 30 June 2016 only the contribution to the SRF of € 2.2 million had been requested, as previously reported.

In relation to the FITD fund, it needs to be specified that this is an event recognised in the income statement in 2014 when a request was received from the Fund, to help the Tercas bank, which, in April 2016 was adjusted following a decision of the MEF (Ministry of the Economy and Finance). This entailed the return of the amount paid in 2014 (of € 2.7 million in the item “Other operating expenses/income”) and at the same time an outlay of € 2.7 million. Net of the return of the contribution to the FITD, other operating income was down compared to 2015 owing mainly to the reduction in rapid investigation fees on loans, following a reduction in the number of over-the-limit events.

Other operating expenses, up compared to 2015, consist of write-downs on fixed assets, amounting to more than € 0.6 million.

Breakdown of operating expenses (in Euro thousands)

Item	30/06/2016	30/06/2015	Changes	
			absolute	%
Administrative expenses:				
a) Personnel expenses	(81,849.6)	(78,154.7)	(3,695.0)	4.7%
IRAP on net personnel and seconded personnel expenses	(225.0)	(322.2)	97.2	-30.2%
Total personnel and IRAP expenses	**(82,074.6)**	**(78,476.9)**	**(3,597.7)**	**4.6%**
b) Other administrative expenses	(70,576.0)	(66,821.3)	(3,754.7)	5.6%
Recovery of stamp duty and other taxes	18,316.2	18,615.7	(299.5)	-1.6%
Total administrative and stamp duty expenses	**(52,259.7)**	**(48,205.6)**	**(4,054.2)**	**8.4%**
Value adjustments on tangible assets	(3,554.2)	(3,780.9)	226.7	-6.0%
Value adjustments on intangible assets	(6,664.3)	(5,834.3)	(830.0)	14.2%
Other operating expenses/income (after deducting “Recovery of stamp duty and other taxes”)	16,021.1	14,022.5	1,998.6	14.3%
Operating expenses	**(128,531.8)**	**(122,275.1)**	**(6,256.7)**	**5.1%**

Write-downs

Net value adjustments to loans amounted to € 23.3 million, down by 61% compared to the € 59.7 million at 30 June 2015. The change was due to two effects: on the one hand the adjustments at 30 June 2015 included the evidence related to the Bank of Italy inspection completed in the first half of 2015, together with a number of legislative and internal policy updates; on the other the first half of 2016 saw a continuation of the positive trend, which had begun towards the end of 2015, of decreasing new entries to the impaired category and consequent lower write-downs.

The reduction in flows into the impaired category involved all impairment statuses, with a contraction in particular of entries among unlikely to pay and bad loans.

Although there were fewer entries, the percentage of average coverage of impaired positions was instead consolidated. The first half of 2016 ended with even stronger provisioning policies for impaired loans, which led to a coverage rate of 50.2%, meaning total write-downs carried out on all impaired cash loans and gross loans disbursed, which increased by 2.4 points over the previous year. The figure was 47.8% at 31 December 2015 and 44.4% at 31 December 2014.

Write-downs on financial assets available for sale of € 1.8 million, refer to the total write-off of the equity investment in Comital Saiag S.P.A., (now Cuki Group S.p.A.).

At 30 June 2016 the indicator “Net value adjustments to loans / Cash loans (net of repurchase agreements receivable)”, annualised, was 0.7% decidedly improved compared to the 1.5% of 31/12/2015.

Value adjustments for impairment of other operations includes, for approximately € 500 thousand, the amount related to the fraud generated by operations carried out by customers, owners of commercial Bed & Breakfast businesses, on which there was a very high percentage of transactions with credit cards, which ended with negative disputes, that is won by the cardholders.

Profit (loss) from sale or repurchase of financial assets available for sale

The result for the first half of 2016, of € 57.7 million was influenced for € 47.4 million by two extraordinary events: the acquisition by Visa Inc. of the shares of Visa Europe which entailed for Banca Sella, as a “principal member”, a capital gain of € 46.9 million and the sale of CBA Vita, the Group's insurance company, carried out on 30 June 2016 which brought in a gain of € 0.5 million. The details of the two operations can be found on page 10 above under Significant events in the period.

Income taxes

The trend in income tax, up considerably compared to the previous year, can be explained essentially by the evolution of the pre-tax profit and by the different proportion out of the same of dividends and capital gains on the sale of equity investments, partially excluded from taxation.

Exclusive of IRAP related to personnel expenses, which was reclassified increasing this component, the percentage impact of income taxes on continuing operations before taxes was 15.3%. Income taxes for the year on continuing operations are also net of IRAP related to personnel expenses, which was reclassified increasing this component (and which was calculated taking into account the changes introduced by Law 190 of 23/12/2014 regarding the deductibility of IRAP for expenses incurred in relation to employees with permanent contracts). The tax rate percentage was influenced positively by the fact that a significant proportion of the revenues is made up of capital gains and dividends on equity investments having the features provided for under Arts 89 paragraph 2 and 87 of Italian Presidential Decree 917/86, which are almost totally tax-free. This component (which was notably higher compared to 2015) caused lower taxes by approximately € 12.4 million or 18.20 per cent on the tax rate in 2016. The so-called “Robin Hood tax” introduced by Legislative Decree 112/2008 (converted into Italian Law no. 133/2008) which foresees that 4% of interest expenses is non-deductible, caused an increase in taxes of approximately € 0.2 million, corresponding to about 0.3 percentage points in the tax rate.

The IRES and IRAP deduction rules were applied to adjustments made to loans to customers, as foreseen in Italian Law Decree 85/2015, converted by Italian Law 132/2015, which provides for the immediate deductibility from 2016 of value adjustments on receivables and, as a consequence, does not cause increases in deferred tax assets, without, however, having a direct impact on the tax rate with respect to the situation that previously applied. Without the effect of the aforementioned components, the tax rate would have been approximately 33.2%. Banca Sella, as a subsidiary, adheres to the tax consolidation system adopted by the parent company Banca Sella Holding as its controlling and consolidating company.

Balance sheet data

Reclassified balance sheet (in Euro thousands)

Assets	30/06/2016	31/12/2015	% change since 31/12/2015
Financial assets (1)	1,810,068.4	1,749,371.7	3.5%
Due from banks	1,682,951.4	1,584,034.6	6.2%
Cash loans (excluding repurchase agreements receivable) (2)	6,967,760.8	6,734,045.2	3.5%
Reverse repurchase agreements	351.1	412.3	-14.8%
Tangible and intangible fixed assets (3)	90,853.1	90,656.8	0.2%
Tax assets	174,747.4	188,847.6	-7.5%
Other assets (4)	398,151.4	418,485.2	-4.9%
TOTAL ASSETS	**11,124,883.6**	**10,765,853.3**	**3.3%**
Liabilities and Shareholders' equity	**30/06/2016**	**31/12/2015**	**% change since 31/12/2015**
Due to banks	382,907.5	335,182.9	14.2%
Direct deposits, exclusive of repurchase agreements payable (5)	9,561,210.3	9,275,161.1	3.1%
repurchase agreements	9,063.5	46,251.0	-80.4%
Total direct deposits	9,570,273.8	9,321,412.0	2.7%
Financial liabilities	18,871.2	19,007.3	-0.7%
Tax liabilities	19,999.9	23,664.4	-15.5%
Other liabilities (6)	301,759.0	252,193.4	19.7%
Provisions for specific purposes (7)	45,032.8	43,224.7	4.2%
Shareholders' equity (8)	786,039.5	771,168.6	1.9%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,124,883.6**	**10,765,853.3**	**3.3%**

(1) Given by the sum of the following balance sheet asset items: 20 "Financial assets held for trading," 40 "Financial assets available for sale" and 50 "Financial assets held to maturity".
(2) Item 70 "Due from customers" in the balance sheet assets, exclusive of repurchase agreements.
(3) Given by the sum of the following balance sheet asset items: 110 "Tangible assets" and 120 "Intangible assets".
(4) Given by the sum of the following balance sheet asset items: 80 "Hedging derivatives", 90 "Value adjustment of financial assets subject to macrohedging" and 150 "Other assets".
(5) Given by the sum of the following balance sheet liability items: 20 "Due to customers" and 30 "Securities in issue".
(6) Given by the sum of the following balance sheet liability items: 60 "Hedging derivatives" and 100 "Other liabilities".
(7) Given by the sum of the following balance sheet liability items: 110 "Provision for severance indemnities" and 120 "Provisions for risks and charges".
(8) Given by the sum of the following balance sheet liability items: 130 "Valuation reserves", 160 "Reserves", 170 "Share premiums", 180 "Share Capital" and 200 "Profit for the year".

Funding Policies and ALM

As regards funding policies, in the first half of 2016 the bank continued to operate under its normal policy of sound and prudent management. In particular, it acted so as to ensure the maintenance of a solid liquidity position, which originates from and is founded on the ratio, notably lower than parity, between cash loans and direct deposits. The surplus of direct deposits not used in commercial activity is allocated to senior (mainly government) bonds and in demand deposits with the parent company, which constitute a significant buffer of high-quality and easily liquidated assets. The bonds placed with customers that reached maturity were mostly replaced by medium/long-term funds made available by the European Central Bank with the two TLTRO Programmes. In particular the bank extinguished in advance the loans granted in the context of the first Programme (€ 268 million) and at the same time obtained new loans for € 335 million from the first operation of the second TLTRO Programme (settled with value date 29/06/2016) and granted at more favourable interest rate conditions.

Financial assets

Financial assets - breakdown of debt securities (in Euro thousands)

	30/06/2016	31/12/2015	% change over 31/12/2015
Held for trading	28,955.2	40,620.3	-28.7%
Held for sale	1,747,683.2	1,640,612.1	6.5%
Due from banks	134,758.9	186,847.5	-27.9%
Due from customers	123.7	120.1	3.0%
TOTAL	**1,911,521.0**	**1,868,200.0**	**2.3%**

Financial assets held for trading mainly consist of debt securities, in particular Italian Government Securities, senior bank bonds and bonds issued by banks within the Banca Sella Group. At 30 June 2016 the following types of securities were held:

- Italian Government Securities 24%;
- Senior Bank Bonds 6%;
- Banca Sella Group Bonds 70%.

The amount of this component decreased by around € 11.7 million, going from € 40.6 million at 31 December 2015 to € 28.9 million at 30 June 2016; during the period the total exposure decreased.

As regards asset allocation, the floating-rate component was almost entirely absent, and almost all of the category is invested in short-term fixed-rate securities. Exposure to interest-rate risk was contained for the entire period in question.

Financial assets available for sale, after the significant increase recorded in 2015, saw their value up by approximately 6.5%; this increase was mainly due to the purchase of debt securities, with the objective of increasing portfolio profitability and pursuing a diversification strategy for financial assets, with particular attention paid to the quality of bonds from banking, financial and corporate issuers in the portfolio.

This category is made up of Italian Government Securities and bank and corporate bonds with high creditworthiness. During the period, the small equity portion increased slightly through the purchase of a number of units of specialised SICAVs. At 30 June 2016 the following types of securities were held:

- BOT 0.1%;
- CCT 27.4%;
- BTP 59.9%;
- Senior bank bonds 8.3%;
- Senior Corporate Bonds 4.3%;

During the period, the amount of this segment increased by around € 107.2 million, reaching a value of € 1,750.6 million at 30 June 2016. The exposure in CCTs remained more or less stable, while the most significant changes were recorded on BTPs (approximately € +32.7 million), bank bonds (approximately € +48.5 million) and corporate bonds (approximately € +28.9 million).

As regards asset allocation, the floating-rate component, which fell slightly compared to 31 December 2015, represented about 30%, while the remaining 70% was invested in fixed-rate securities with short or medium-term maturity. Exposure to interest-rate risk remained at very low levels for the entire period in question. With an eye to increasing diversification, during the year exposure to both banking and corporate private issuers was increased, with an average maturity of 3 years.

Equity securities also include non-controlling interests, which according to the requirements of the

IFRSs were subjected to impairment tests in continuity with what was done for the financial statements at 31 December 2015. The main ones are the following:

- VISA INC: Visa Inc class C shares for a countervalue net of the lock-up clause of € 10.2 million;
- PENSPLAN INVEST SGR SpA (equity method of measurement): an impairment compared to the book value was found, so a write-down of the equity investment was made in the income statement for € 16,439.78;
- Funivie Madonna di Campiglio (equity method of measurement): the value remained the same as that at 31 December 2015;
- Funivie Folgarida Marilleva (equity method of measurement): the value remained the same as that at 31 December 2015.

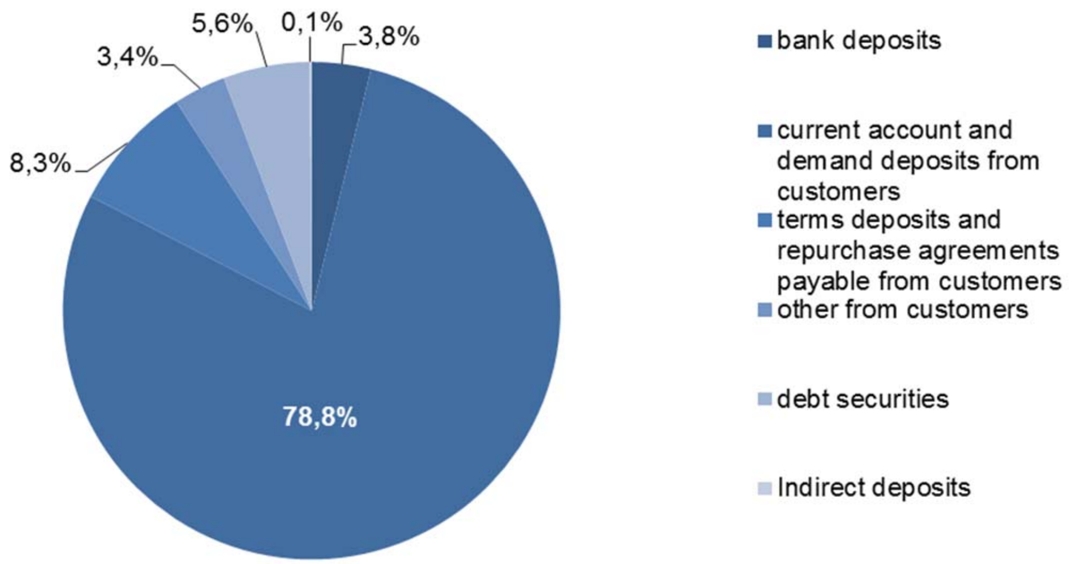
The loans item included as “Financial Equity Instruments” the Comital Saiag S.p.A. now Cuki Group S.p.A. position, for which a restructuring agreement was signed in 2009, which had generated the partial conversion of the total amount owed to the Bank of € 9 million.

On the basis of the economic and financial information provided by the Comital Group, in the context of the presentation of the “Update of the 2016-2018 Business Plan”, and of the Consolidated Financial Statements of the Cuki Group at 31 December 2015, during the first quarter the valuation of the equity instrument was updated. Considering the Company's most recent final data it was considered opportune to write it down in the income statement for € 200,000. During the second quarter, when it became known that the investee company's receivables had been sold and that two leading national banks had sold the Financial Equity Instruments in question to a fund specialised in non-performing receivables, the valuation was changed again. The details of the transactions mentioned establish for the Financial Equity Instruments a value of € 1 for the entire packet in possession of the sellers and therefore it was considered correct to write off the equity investment in the income statement. The book value at 30 June 2016 was therefore zero.

In the item due from banks, debt securities were exclusively represented by bonds issued by Banca Sella Holding. During the year, the segment decreased by about € 52.1 million. The decrease is entirely due to the maturity of bonds that were only partially renewed. Instead, in the item Due from customers, debt securities consisted exclusively of a 6% subordinated Confidi bond, maturing on 27 December 2018.

Total Deposits

Total deposits (in Euro thousands)							
Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Direct deposits excluding repurchase agreements payables	9,561,210.3	45.1%	9,275,161.1	43.8%	286,049.2	3.1%
Repurchase agreements	9,063.5	0.0%	46,251.0	0.2%	(37,187.5)	-80.4%
Indirect deposits	11,850,515.1	55.9%	12,071,544.1	57.0%	(221,029.0)	-1.8%
Total deposits	**21,420,788.8**	**101.0%**	**21,392,956.1**	**101.0%**	**27,832.7**	**0.1%**



Administered Savings

The aggregate of third-party securities in deposit, excluding asset management, SICAVs and financial insurance savings, reached € 8,763 million 30 June 2016, a drop of -5.1% on the figure of € 9,233 million in December 2015. The main underlying trends showed a decrease in both the bond component (€ -327 million compared to December 2015) and in the equity component (€ -225 million compared to December 2015).

Online Trading

Trends for revenues deriving from the online trading service for financial instruments during the first half of 2016 were influenced by trends on the Italian and European markets (our main reference markets), which saw heavy downward trends during the initial months, followed by a lateral phase that did not make it possible to return to the amounts seen at the end of 2015.

As a consequence, we saw a generalised contraction in volumes, which penalised the economic results for the main players on the Italian online trading market.

Operations carried out by Banca Sella customers, with over 1,300,000 orders executed on the market, fell overall by 7% with respect to the previous year, generating trading revenues that were down by 15%. Business performance was also influenced by the simultaneous drop in the average commission, which was required to keep up with the aggressive pricing policies of the competition. As a whole, net banking income from this service fell by 13% with respect to the previous year.

The on line trading service activities developed mainly in the following directions:

- Development of offerings;
- Extension of services for trading via mobile phone;
- Execution of commercial initiatives to acquire new customers.

With reference to development of offerings, in the first half of 2016, Hypomargination Intraday Derivatives was introduced (which allows customers to operate with a selection of futures with reduced margins), as well as online options trading on the CME market. New functions were also added to the platforms, including the Infinite Book for futures on the IDEM market and the Trading Marker, applications dedicated to very short term trading.

Relative to mobile phone-based trading, the SellaXTrading application was developed, available for Android and iOS. This application allows Banca Sella customers to trade using smartphones tablets in a professional and highly-evolved manner, completing the array of services offered for mobile trading.

In the first few months of 2016, the plan for commercial initiatives and on and offline communication was reviewed, to strengthen the brand in the online trading segment and further develop the visibility of the products and services offered by Banca Sella. The main events and fairs for the sector in Italy were also attended, with an eye to the same objectives. Additionally, training events were organised relative to various online trading issues. There were 24 days of classroom training provided, and 15 days of online courses (webinars).

Asset Management

The first half of 2016 was not particularly positive for Banca Sella's Asset Management service. Banking income was below the expected level, thanks to inadequate funding figures.

At 30 June 2016, asset management volumes, including liquidity, came to € 1.755 billion, of which 1.175 billion (67.0%) placed with the Private Banking services, 256 million (14.6%) with the branch network, and 323 million (18.4%) with the network of Banca Patrimoni Sella & C. financial advisors. Aggregate volumes show a decrease of around 3.4% with respect to 31 December 2015 (1.817 billion), also due to the negative effect of the markets.

Net funding figures are not particularly satisfactory (meaning the difference between the value of amounts deposited and the value if divestments and closures), negative at 45.4 million. More specifically, the branch network saw net deposits of -10.9 million, financial advisors saw -5.4 million and private -29 million.

In the first half of 2016, the stock market suffered heavy corrections and a significant increase in volatility due to various factors, mainly connected to the fear of an economic slowdown, the situation of the European financial system, various geopolitical issues, a possible change in the orientation in US monetary policy, and the negative results of the referendum relative to the UK's participation in the monetary union.

In this context, with a highly volatile and uncertain market, and rates on the bond component at historic low levels, in some cases even reaching negative figures, we saw notable withdrawals made by customers relative to managed assets, above all on products with an equity component, which inevitably also led to a drop in banking income.

Figures relative to overperformance and new opening commissions were also not particularly positive.

In the first half of 2016, the array of asset management services saw the addition of the Gpf Azionaria Internazionale Dinamica line. Its greatest characteristic is its extreme flexibility, which can range from 100% shares to 100% monetary products, investing in mutual investment funds and selected SICAVS. While respecting appropriate diversification, which effectively reduces its risk, the line features potentially high variability in portfolio value.

The rationalisation of the lines continued, which led to changing of mandates for old lines that can no longer be subscribed in favour of new ones present in the array of products.

The management of the Banca Sella portfolios is entrusted to Banca Patrimoni Sella & C.

Private banking

The first six months of the year saw the continuation of the project to grow the Private Banking service, adding target customers who at present are not supported by private bankers. Implementation of the plan continued with the strengthening of local specialist structures, with the insertion of an additional 14 resources for internal lines (at the end of the first half of 2016, a total of 26 resources had been added since the project began), and another 3 resources for external lines. This brought total Private Banking service staff to 111, while total deposits in June 2016 reached € 7.093 billion.

The first six months of 2016 saw total net deposits of € 38.1 million, with an increase of € 82.7 million in the managed component, mainly through subscription of insurance products and UCITS, while the figure for asset management in the first half was negative.

With respect to the previous year, economic results saw a decrease in the net interest income item, connected to the structure of interest rates on short-term portions, while revenues from services increased significantly relative to the component associated with asset management. Total net banking income after risks was € 14.288 million.

Specialist training activities provided to Private Banking colleagues continued, in line with the three year strategic plan, as well as activities to recruit and select additional staff.

Receivables

Cash loans (in Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Due from customers (excluding	**6,967,760.8**	**100.0%**	**6,734,045.2**	**100.0%**	**233,715.6**	**3.5%**
Performing	6,432,465.8	92.3%	6,174,346.6	91.7%	258,119.2	**4.2%**
- Current accounts	694,970.6	10.0%	665,522.5	9.9%	29,448.1	**4.4%**
- Mortgage loans	3,787,329.3	54.4%	3,687,754.9	54.8%	99,574.4	**2.7%**
- Credit cards, personal loans and loans on wage assignments	227,352.0	3.3%	247,010.7	3.7%	-19,658.7	**-8.0%**
- Financial leasing	-	0.0%	-	0.0%	-	**0.0%**
- Other transactions	1,722,690.2	24.7%	1,573,938.4	23.4%	148,751.8	**9.5%**
- Debt securities	123.7	0.0%	120.1	0.0%	3.6	**3.0%**
Non-performing assets	535,294.9	7.7%	559,698.6	8.3%	-24,403.7	**-4.4%**
TOTAL CASH LOANS (EXCLUDING REPURCHASE AGREEMENTS)	**6,967,760.8**	**100.0%**	**6,734,045.2**	**100.0%**	**233,715.6**	**3.5%**
Repurchase agreements	351.1	0.0%	412.3	0.0%	-61.2	-14.8%
TOTAL CASH LOANS	**6,968,111.9**	**100.0%**	**6,734,457.5**	**100.0%**	**233,654.4**	**3.5%**

The item Due from customers recorded an increase of 3.5% compared to 31 December 2015. This trend was due mainly to the growth of current accounts, mortgage loans and other loans. This last item includes irrevocable loans and loans without repayment schedule, such as loans in tranches and foreign loans.

The Bank maintained its support for families, offering mortgage loans to purchase or renovate homes, and to companies that have demonstrated appropriate economic prospects and that are going concerns, disbursing short-term loans to support the performance of current activities, and medium/long-term loans for new investments and/or to restructure short-term debt. Loans to businesses also continued in collaboration with Biella Leasing, the Group's leasing company, and with Consel, the Group's consumer credit company, for the disbursement of consumer credit loans to private customers.

Also during 2016, the concrete collaboration with Regional Councils, Industrial Associations and Loan Consortia continued, using the funds made available by the EIB and by Cassa Depositi e Prestiti (the national Deposits and Loans Bank).

Bad loans

Net bad loans at 30 June 2016 amounted to € 311.5 million (the figure includes securitisation volumes) up by 2% compared to 31/12/2015 (€ 305.5 million). The ratio to cash loans was 4.6%; it comes out at 4.5% if loans net of repurchase agreements are considered.

In the first half of 2016 the flow of gross new bad loans totalled € 57.2 million, a significant drop (-53.2%) compared to the first half of 2015. The change in new entries into the bad loan category was due to two effects: on the one hand a reduction in flows into this category, which confirms the positive trend that began already at the end of financial year 2015, on the other the flows of 2015 included the most evident effects of the internal policy update introduced in May 2015, which entailed a reduction in monitoring times for classification as bad. In June 2016 a transaction for sale without recourse of bad loans backed by real guarantees was completed with Algebris through the Nemo SPV s.r.l fund. This regarded 9 positions for € 12.2 million. The sale of these loans is the result of due diligence activity over several months which led to a narrow selection of positions with properties considered of particular interest for subsequent property development by the purchasers. The impact of the transaction on the income statement was not significant.

At 30 June 2016, the number of bad loans was 11,678, of which 72.3% were below the threshold of € 50,000 and 31.2% of € 5,000.

In June 2016, the coverage ratio referred to bad loans was 61.1%, whilst at the end of last year it was 60.0%, a 1.1% increase. Therefore, coverage of bad loans was strengthened, with adequate protection against credit risk in this category.

Unlikely to pay positions

Positions in unlikely to pay amounted at 30 June 2016 to € 213.2 million (net cash exposures including securitisations) down by 12.9% compared to 31 December 2015 (€ 244.8 million).

At 30 June 2016 loans backed by mortgage guarantees amounted to € 153.8 million net and the number of loans classified as unlikely to pay corresponded to 3,973 customers, of which 1,477 with revocation of the credit, for € 38.5 million of net exposures.

In June 2016, the coverage ratio referred to unlikely to pay was 18.9%, whilst at the end of last year it was 18.4%, a 0.5% increase.

Past-due loans

Past-due and over-the-limit loans amounted at 30 June 2016 to € 10.7 million (net cash exposures including securitisations). At 31 December 2015 past-due and over-the-limit loans amounted to € 11.2 million. The exposure decreased by 5.2%.

Past due and over-the-limit loans include 84 positions with total exposure of € 3.6 million, which benefit from mortgage guarantees. At 30 June 2016, the number of past due and over-the-limit loans corresponded to 6,624 customers.

In all, analytical adjustments applied to the volumes of past due and over-the-limit loans of Banca Sella amounted, at 30 June 2016, to € 1.5 million (1.5 million at 31 December 2015).

At June 2016 the coverage ratio with reference to past-due exposures was 12.6%, an increase compared to the previous year, when it was 11.8%.

Equity investments and transactions with the companies of the Group

The following table shows the relations between the Bank and the other Group companies in terms of capital and economic figures. Banca Sella supplies most of the outsourced services to the Group companies; it receives outsourced services from the parent company as concerns the services headed by it, in particular: Inspectorate, IT security and the issue of debenture loans.

Relations with Group companies: balance sheet figures

	Other Assets - other	Other Liabilities - other	Financial assets held for trading - derivatives	Due from banks	Due from customers	Due to banks - other	Due to customers - other	Hedging derivatives	Financial liabilities held for trading - derivatives
Banca Sella Holding	3.334	3.061	6.830	1.497.872	-	337.265	-	122.519	12.301
Sella Gestioni	2.400	-	-	-	3	-	8.723	-	-
Sella Capital Management in liquidaz.	10	-	-	-	-	-	5.523	-	-
Biella Leasing	412	43	-	-	648.091	-	10.314	-	-
Immobiliare Lanificio Sella	20	18	-	-	-	-	5.143	-	-
Immobiliare Sella	13	73	-	-	-	-	10.520	-	-
Selfid	39	-	-	-	-	-	2.127	-	-
Consel	466	163	-	-	690.325	-	302	-	-
Banca Patrimoni Sella & C.	1.376	5.067	-	15	-	6.118	-	-	-
Easy Nolo	461	635	-	-	3.452	-	-	-	-
Brosel	50	1	-	-	-	-	1.083	-	-
Selir	25	565	-	-	-	-	2.851	-	-
Family Advisory sim	14	-	-	-	2	-	508	-	-
Miret	-	-	-	-	-	-	341	-	-
Finanziaria 2010	9	-	1	-	-	-	13.949	-	-
Total	**8.627**	**9.627**	**6.832**	**1.497.887**	**1.341.873**	**343.383**	**61.384**	**122.519**	**12.301**

Relations with Group companies: income statement figures

	Other operating expenses	Other operating income	Other operating income - recovery of taxes	Other operating income - services rendered to Group companies	Fee and commission income	Fee and commission expenses	Ordinary dividends and similar income	Interest receivables and similar income	Interest payable and similar charges	Net gains (losses) on hedging activities	Net gains (losses) on trading activities	Administrative expenses: other administrative expenses	Administrative expense: personnel expenses - Recovery of costs of employees on secondment to other companies	Administrative expense: personnel expenses - Recovery of costs of employees on secondment to other group companies
Banca Sella Holding	1	1.589	1.194	594	3.164	2.378	2.290	1.490	11.359	- 17.324	- 6.474	1.225	1.042	1.344
Sella Gestioni	-	65	58	4.688	-	-	-	-	-	-	-	-	-	-
Sella Capital Management in liquidaz.	-	5	3	-	-	-	-	-	-	-	-	-	-	-
Biella Leasing	-	145	80	172	-	4.681	-	-	-	-	-	- 1	71	20
Immobiliare Lanificio M.Sella	-	13	-	5	-	-	-	3	-	-	-	955	8	-
Immobiliare Sella	-	10	-	-	-	-	-	1	-	-	-	1.001	-	-
Selfid	-	15	11	-	-	-	-	-	-	-	-	-	15	-
Consel	-	94	77	1.484	-	5.551	-	-	-	-	-	1	32	418
Banca Patrimoni Sella & C.	-	863	581	- 1	7.799	3	-	-	-	-	-	156	46	18
Easy Nolo	-	63	317	14	-	16	-	-	-	-	-	3.738	241	-
Brosel	-	28	11	-	-	-	-	1	-	-	-	14	14	-
Selir	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Family Advisory Sim	-	13	36	-	-	-	-	1	-	-	-	2.385	-	2
Miret	-	11	1	-	-	-	-	-	-	-	-	122	-	-
Finanziaria 2010	-	11	1	-	-	-	-	-	-	-	1.337	122	-	-
Total	1	2.925	2.369	6.956	10.963	12.629	2.290	1.495	11.359	- 17.324	- 5.137	9.717	1.468	1.802

Financial Statement Schedules

at 30 June 2016

Balance Sheet

BALANCE SHEET

Assets	30/06/2016	31/12/2015	Difference %
10. Cash and cash equivalents	102,733,620	130,426,196	-21.23%
20. Financial assets held for trading	47,786,487	59,307,804	-19.43%
40. Financial assets available for sale	1,762,281,940	1,690,063,869	4.27%
60. Due from banks	1,682,951,381	1,584,034,567	6.24%
70. Due from customers	6,968,111,878	6,734,457,470	3.47%
80. Hedging derivatives	6,661,725	10,282,377	-35.21%
90. Value adjustment of financial assets subject to macrohedging (+/-)	126,628,924	110,546,374	14.55%
110. Tangible assets	37,846,501	38,998,704	-2.95%
120. Intangible assets	53,006,572	51,658,079	2.61%
of which:			0.00%
- goodwill	13,755,423	13,755,423	0.00%
130. Tax assets	174,747,388	188,847,585	-7.47%
a) current	53,302,870	65,466,047	-18.58%
b) deferred	121,444,518	123,381,538	-1.57%
of which Law 214/2011	111,706,948	114,562,394	-2.49%
150. Other assets	162,127,163	167,230,238	-3.05%
Total assets	**11,124,883,579**	**10,765,853,263**	**3.33%**

Liabilities and shareholders’ equity	30/06/2016	31/12/2015	Difference %
10. Due to banks	382,907,447	335,182,872	14.24%
20. Due to customers	9,009,066,661	8,642,587,036	4.24%
30. Securities in issue	561,207,097	678,824,963	-17.33%
40. Financial liabilities held for trading	18,871,193	19,007,292	-0.72%
60. Hedging derivatives	129,181,069	115,421,762	11.92%
80. Tax liabilities	19,999,846	23,664,350	-15.49%
a) current	10,097,073	11,537,697	-12.49%
b) deferred	9,902,773	12,126,653	-18.34%
100. Other liabilities	172,577,971	136,771,625	26.18%
110. Provision for severance indemnities	35,396,492	32,010,559	10.58%
120. Provisions for risks and charges:	9,636,333	11,214,175	-14.07%
a) retirement and similar obligations	-	-	0.00%
b) other provisions	9,636,333	11,214,175	-14.07%
130. Valuation reserves	1,327,999	40,521,951	-96.72%
160. Reserves	26,655,132	24,315,891	9.62%
170. Share premiums	366,090,483	366,090,483	0.00%
180. Capital	334,228,084	334,228,084	0.00%
200. Profit (loss) for the year (+/-)	57,737,772	6,012,220	860.34%
Total liabilities and Shareholders’ Equity	**11,124,883,579**	**10,765,853,263**	**3.33%**

Income Statement

INCOME STATEMENT

Item	30/06/2016	30/06/2015	Difference %
10. Interest and similar income	108,589,478	130,688,485	-16.91%
20. Interest and similar expenses	(30,720,953)	(43,485,663)	-29.35%
30. Net interest income	**77,868,525**	**87,202,822**	**-10.70%**
40. Fee income	126,959,869	126,886,175	0.06%
50. Fee expenses	(32,859,517)	(41,263,445)	-20.37%
60. Net fees	**94,100,352**	**85,622,730**	**9.90%**
70. Dividends and similar income	108,391	62,933	72.23%
80. Net gains/(losses) on trading activities	4,023,097	6,085,212	-33.89%
90. Net gains/(losses) on hedging activities	(101,876)	(35,826)	184.36%
100. Income (losses) from sale or repurchase of:	46,501,236	11,663,154	298.70%
a) receivables	(1,310,015)	51,425	-2647.43%
b) financial assets available for sale	47,859,349	11,620,203	311.86%
c) financial assets held to maturity	-	-	0.00%
d) financial liabilities	(48,097)	(8,474)	467.58%
110. Net gains/(losses) on financial assets and liabilities carried at fair value	-	-	0.00%
120. Net banking income	**222,499,724**	**190,601,025**	**16.74%**
130. Net value adjustments for impairment of:	(25,665,659)	(59,579,748)	-56.92%
a) receivables	(23,291,781)	(59,722,234)	-61.00%
b) financial assets available for sale	(1,834,503)	(6,021)	30368.41%
c) financial assets held to maturity	-	-	0.00%
d) other financial transactions	(539,375)	148,507	-463.20%
140. Net financial operating gains (losses)	**196,834,065**	**131,021,277**	**50.23%**
150. Administrative expenses:	(152,425,581)	(144,975,914)	5.14%
a) personnel expenses	(81,849,620)	(78,154,656)	4.73%
b) other administrative expenses	(70,575,961)	(66,821,258)	5.62%
160. Net provisions for risks and charges	(166,423)	(2,385,803)	-93.02%
170. Net value adjustments on tangible assets	(3,554,225)	(3,780,881)	-5.99%
180. Net value adjustments on intangible assets	(6,664,284)	(5,834,281)	14.23%
190. Other operating expenses/income	34,337,337	32,638,228	5.21%
200. Operating expenses	**(128,473,176)**	**(124,338,651)**	**3.33%**
240. Income (losses) from the disposal of investments	1,815	12,629	-85.63%
250. Profit (Loss) on current operations before tax	**68,362,704**	**6,695,255**	**921.06%**
260. Income taxes for the period on continuing operations	(10,624,932)	(2,441,683)	335.15%
270. Profit/(Loss) on continuing operations after tax	**57,737,772**	**4,253,572**	**1257.39%**
290. Profit (loss) for the period	**57,737,772**	**4,253,572**	**1257.39%**

Comprehensive income

STATEMENT OF COMPREHENSIVE INCOME

		30/06/2016	30/06/2015
10.	**Profit (loss) for the period**	**57,737,772**	**4,253,572**
	Other income components net of taxes without reversal to income statement		
40.	Defined benefit plans	(2,615,865)	2,277,628
	Other income components net of taxes with reversal to income statement		
100.	Financial assets available for sale	(36,578,087)	(5,398,619)
130.	**Total of other income components after tax**	**(39,193,952)**	**(3,120,991)**
140.	**Comprehensive income (Items 10 +130)**	**18,543,820**	**1,132,581**

Statement of changes in Shareholders' Equity at 30 June 2016

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 June 2016

	balance at 31/12/2015	Changes to opening balance	balance at 01/01/2016	allocation of previous year's profit: reserves: Reserves	allocation of previous year's profit: dividends and other allocations: Dividends and other allocations	changes for the year: changes in reserves	changes for the year: operations on shareholders' equity: issue of new shares	changes for the year: operations on shareholders' equity: purchase of treasury shares	changes for the year: operations on shareholders' equity: distribution of extraordinary dividends	changes for the year: operations on shareholders' equity: change in equity instruments	changes for the year: operations on shareholders' equity: derivatives on treasury shares	changes for the year: operations on shareholders' equity: stock options	Comprehensive income 2016	shareholders' equity at 30/06/2016
Share Capital:														
a) ordinary shares	334,228,084	-	334,228,084	-	-	-	-	-	-	-	-	-	-	**334,228,084**
b) other shares		-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	366,090,483	-	366,090,483	-	-	-	-	-	-	-	-	-	-	**366,090,483**
Reserves:														**-**
a) from profits	162,608,520	-	162,608,520	2,339,241	-	-	-	-	-	-	-	-	-	**164,947,761**
b) from previous year profits	(4,542,710)	-	(4,542,710)	-	-	-	-	-	-	-	-	-	-	**(4,542,710)**
b) other	(133,749,918)	-	(133,749,918)	-	-	-	-	-	-	-	-	-	-	**(133,749,918)**
Valuation reserves:														**-**
a) available for sale	44,418,210	-	44,418,210	-	-	-	-	-	-	-	-	-	(36,578,087)	**7,840,124**
b) cash flow hedging		-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws		-	-	-	-	-	-	-	-	-	-	-	-	**-**
d) other	(3,896,260)	-	(3,896,260)	-	-	-	-	-	-	-	-	-	(2,615,865)	**(6,512,125)**
Equity instruments		-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the period	6,012,220	-	6,012,220	(2,339,241)	(3,672,979)	-	-	-	-	-	-	-	57,737,772	**57,737,772**
Shareholders' Equity	**771,168,629**	**-**	**771,168,629**	**-**	**(3,672,979)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,543,820**	**786,039,470**

Consolidated cash flow statement – Direct method

A. OPERATING ACTIVITIES	30/06/2016	30/06/2015
1. Operations	**52,609,886**	**62,632,740**
Interest income collected (+)	117,816,039	135,189,179
Interest expense paid (-)	(30,720,953)	(43,485,662)
Dividends and similar income	108,390	62,933
Net fees (+/-)	94,100,352	85,622,730
Personnel expenses	(81,830,390)	(78,131,729)
Other costs (-)	(71,963,624)	(68,208,287)
Other revenues (+)	35,725,004	34,025,257
Taxes and duties (-)	(10,624,932)	(2,441,682)
2. Liquidity generated (absorbed) by financial assets	**(355,203,420)**	**(244,008,232)**
Financial assets held for trading	15,470,826	4,272,787
Financial assets available for sale	(32,121,271)	(183,647,840)
Due from customers	(258,256,206)	127,889,092
Due from banks	(98,916,814)	(146,766,259)
Other assets	18,620,045	(45,756,012)
3. Liquidity generated (absorbed) by financial liabilities	**288,986,921**	**174,354,104**
Due to banks	47,724,575	291,668,935
Due to customers	366,479,625	(7,504,366)
Securities in issue	(116,526,797)	(139,123,670)
Financial liabilities held for trading	(136,099)	3,501,517
Other liabilities	(8,554,383)	25,811,689
Net cash provided (used) by operating activities	**(13,606,613)**	**(7,021,388)**

B. INVESTMENT ACTIVITIES	30/06/2016	30/06/2015
1. Liquidity generated by:	**310,731**	**72,041**
Sales of equity investments	-	-
Dividends collected on equity investments	-	-
Sales/redemptions of financial assets held to maturity	-	-
Sales of property, plant and equipment	36,722	33,191
Sales of intangible assets	274,009	38,850
Sales of subsidiaries and company divisions	-	-
2. Liquidity (absorbed) by:	**(10,723,715)**	**(11,627,919)**
Purchases of equity investments	-	-
Purchases of financial assets held to maturity	-	-
Purchases of property and equipment	(2,436,929)	(3,438,539)
Purchases of intangible assets	(8,286,786)	(8,189,380)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(10,412,984)**	**(11,555,878)**

C. FUNDING ACTIVITIES	30/06/2016	30/06/2015
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(3,672,979)	(7,768,848)
Net cash provided (used) by financing activities	**(3,672,979)**	**(7,768,848)**

NET CASH PROVIDED (USED) IN THE PERIOD	**(27,692,576)**	**(26,346,114)**

RECONCILIATION	30/06/2016	30/06/2015
Cash and cash equivalents at start of year	**130,426,196**	**130,631,721**
Total net cash provided (used) in the period	(27,692,576)	(26,346,114)
Cash and cash equivalents at end of year	**102,733,620**	**104,285,607**

Explanatory Notes

Statement of compliance with international accounting standards

This half-yearly financial report has been drawn up according to the international accounting standards IAS/IFRS (including the SIC and IFRIC interpretation documents) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as of 30 June 2016, pursuant to Community Regulation no. 1606 of 19 July 2002. As concerns the schemes and notes to the statements, the financial statements is prepared in application of the decrees of the Bank of Italy in the exercise of the powers established by Art. 9 of Italian Legislative Decree no. 38/2005 with Circular no. 262/05 as subsequently amended, was issued.

In order to facilitate interpretation of the international accounting standards reference was also made to the documents prepared by the OIC and the ABI.

The financial statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of Banca Sella.

General drafting principles

The half-yearly report consists of a brief report on operations, accompanied by tables outlining the main capital and economic figures, the Balance Sheet, Income Statement, Statement of Comprehensive Income and the Statement of Changes in Shareholders' Equity. The schedules are prepared in Euro units and the tables are prepared in thousands of Euro.

The schedules report the corresponding comparative figures related to the balance sheet at the end of the previous financial year, while the income statement figures refer to the corresponding period of the previous financial year. The accounting schedules correspond to those in the annual financial statements.

Preparation is carried out in respect of the general standards foreseen in IAS 1 and in compliance with the general assumptions of the Systematic Framework. Accounting schedules complying with that foreseen in Bank of Italy Circular no. 262/2005.

The half-yearly report was prepared using the same accounting standards and criteria as in the last financial year, as well as the IFRS accounting standards, amendments and interpretations effective from 1 January 2016.

Main risks and uncertainties

The Group carried out the impairment tests on equity investments at 30 June 2016, no test gave indications of losses in value. In addition, no evidence was found to indicate a need to carry out write-downs of the goodwill recognised in the assets in the Balance Sheet connected to the acquisitions of bank branches.

Note that the impairment tests are carried out in the same way as that done in the financial statements as at 31 December 2015 (for more details, please refer to the published document), and in respect of the standards contained in the Impairment Test Policy, issued by the Group within March 2012, with Circular 09/2012.

Other aspects

Relative to the measurement techniques, input and relative adjustments used in measuring the fair value of instruments in level 2 and level 3, below we provide an extract of that specified in the Fair Value Policy adopted by the Group and currently in effect.

The asset swap spread model is used for the valuation of fixed-rate bonds, while the discount margin model is adopted for floating rate bonds. Having recourse to said models is motivated by the consideration that they represent the market standard for these types of securities in Europe.

The Euro swap rate curve used as the pricing input for fixed-rate bonds derives from the info-providers used in the Bank, while the spread levels used derive from the elaboration of variables connected with credit spread reported by info-providers. The purpose of such processing is to consider various variables that may affect pricing processes.

If the bonds contain an optional component, when possible the Bloomberg pricing model is used, so as to guarantee an estimate based on the method most widely used on the market. For this purpose, similarly to the previous cases, the option-adjusted-spread (OAS) used is the spread level deduced from the elaboration of variables connected with credit spreads reported by info-providers.

The bonds with a structure that cannot be priced with Bloomberg models are priced by dividing their structure into simpler components.

The valuation of said components is carried out using some valuations deduced from those provided by counterparties for the hedging instrument or, if they are not available, Monte Carlo simulations, using as inputs the values of the variables reported by the main info-providers.

The OTC derivatives that can typically be found in the financial statements concern swaps, rate options and exchange options.

Rate swaps are evaluated according to the discounted cash flow (DCF) method, which is the market standard and uses the swap rate curve relative to the contact currency as the input data. This curve is periodically drawn from the curve published by the main info-providers (Bloomberg/Reuters) in the Bank. If the swap structure is more complex, and such as to prevent a reasonable certainty in the estimate of the contract value, a valuation of the contract is requested to the counterparty of the transaction.

At present, rate options for BSG include only caps and floors and are measured using the Black model. This choice is based on the consideration that alternative models would present the problem of adjusting pricing parameters and would not provide significant improvement to the price estimate. Further elements supporting this choice are connected with the consideration that a wide amount of implicit volatility is reported by the main info-providers, together with the price of options themselves for standard maturity dates.

Both “plain vanilla” and “exotic” exchange options (European or American barrier options) are evaluated according to the Black&Scholes model. The necessary volatility curves for the calculation of implicit volatility for each option as well as the market rate and exchange quotations used for contract valuations are taken from the main info-providers in the Bank (Bloomberg). In the case of exotic options structures that are more complex and do not allow reasonable certainty about the value of the contract, when possible a measurement algorithm is developed internally or, when possible, an evaluation of the same is requested from a third party external to the transaction. These evaluations, when available, are part of the determination of the price together with the measurement provided by the counterpart in the transaction.

The fair value of ABS securities in the portfolio is measured according to Bloomberg pricing models. These models are based on a DCF (Discounted Cash Flow) method, using as input data the latest data provided by the company in charge of the securitisation.

The discount margin level used is deduced from the one reported by research, according to secondary market spreads for similar securities as to underlying security, country and rating. This level may be rectified to take into consideration external factors (and typical factors of the security) such as the different quality of assets, the performance of the underlying security, etc.

The techniques adopted for evaluating AFS investments each time are:

- the income approach, which determines the value of the company on the basis of its ability to yield income; to that end, the value of the company is calculated by discounting the expected income; average future earnings are estimated on the basis of corporate data (financial statements, interim reports, budgets, industrial plans); in addition to risk-free securities, the discount rate considers a premium for investments in business activities;

- multiple of earnings, which determines the company value on the basis of specific indicators relating market prices to financial statement values; multiple of earnings are expressed by a sample of quoted companies as similar as possible to the company to be evaluated; a number of factors are taken into account to establish sample homogeneity: belonging to the same economic sector, the size of the company, financial risks deriving from the corporate financial structure, market shares, geographical diversification, and so on.
- other measurement techniques commonly used by those participating in the market to give a price to companies if these techniques have demonstrated that the provide reliable estimates of the prices practices in current market transactions (these include the use of the equity method, which determines the value of the company on the basis of the algebraic balance between assets and liabilities; analysis on the basis of historic data obtained from company information; financial statements, half-yearly reports, budgets, industrial plans).

Unquoted close-end funds and private equity funds are evaluated on the basis of the data provided by the issuer or, if these data are not provided, according to the amount appropriated to the fund. Special attention will be paid to ABS funds where, as far as possible, the investor reports for the individual ABS will be analysed, which are available for individual funds in most cases.

In relation to the loans issued by each Bank in the Group and that subject to hedging, the determination of the fair value for the purposes of evaluating the efficacy of the same is done by using the discounted cash flow method. To that end, the same risk-free curve utilised to measure the hedges is used, and the spread paid is obtained from the security coupon according to that indicated in the hedging contract.

Relative to hedged fixed-rate loans, fair value measurement requires financial consistency between the assets hedged and the IRSs agreed upon for the hedge. At every measurement of the fair value, the cumulative stock of hedging IRSs and the cumulative stock of hedged loans are prepared, making sure that the amortization profile of the IRSs corresponds to the amortization profile of the hedged loans.

Subsequently, the weighted average fixed rate of hedging IRSs is calculated. Said rate represents the average effective market rate at the time of the agreement of the various IRSs and reflects the interest that was meant to be hedged at the time of loan hedging. In other words, such rate represents the actual part of interest hedged by the IRS, distinguishing it from the part of interest that is not hedged and corresponds to the spread (expressing customer risk rather than rate risk).

At this point, it is appropriate to prepare, beginning from the residual amortization plan of the principal of all loans hedged, the amortization plan of loans to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual amortisation plan) and the interest obtained applying the weighted average rate of hedging IRSs (expressing the hedged interest) to the residual debt for the period.

The instalments obtained can then be updated adopting the same yield curve used for measuring the fair value of hedging IRSs, and decreased in proportion to the actual hedging percentage at the date of the valuation (ratio between the “surfaces” – i.e. the sum of remaining principals for the respective duration days – of amortisation plans for the remaining IRS amount divided by the remaining loan credit), so as to obtain the current value of hedged loans. The remaining credit (multiplied by the hedging percentage) at the date of loan valuation shall be deducted from this value.

According to this procedure (current value of the instalments minus residual debt reduced by the hedging percentage), the fair value at the end of financial year T and the fair value at the end of financial year T-1 is calculated. The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

Measurement processes and sensitivity

The use of the above described measurement techniques and models requires the selection and quantification of certain parameters, which vary based on the financial instrument to be measured.

These parameters are chosen and set up on the calculation software at the moment of a request for measurement of a new instrument.

The Risk Management service is responsible for validating the parameters defined.

Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Risk Management service.

By way of example, the main observable parameters can be linked to:

Rate Curve

This is a combination of yield rates for zero coupon synthetic securities, ordered in increasing order relative to the maturity dates of the same. These rates are obtained using consolidated “bootstrapping” methods from the market rates for deposits (for maturities no greater than 12 months) and market rates for IRSs (for maturities of no less than 2 years). For the purposes of the measurements, the mid rates are used. This is at the base of the measurement of all OTC derivatives.

Volatility Matrix

This consists of a table that indicates, for every maturity date and strike for the options considered, the relative value of the mid volatility quoted on the market. This table is the same for all cap/floor type options.

Spread

To measure bonds issued by the Group (structured or not), two types of spread are taken into consideration:

- *Rate spread*: represents the margin on the variable rate subject to indexing (for variable rate securities) or the IRS rate for the same maturity dates (for fixed rate securities).
- *Price spread*: represents the differential to be subtracted from the theoretical price to take into account the riskiness of the structure.

Implicit Volatility

This is the volatility of the option prices quoted for a specific underlying instrument.

For every maturity date, the value of the at-the-money options is considered, or a weighted average of the volatility of the prices of the options quoted (even with different strikes) for the same maturity date.

Dividend Yield

In the measurement methodologies, this is obtained as the annualised logarithm of the ratio between dividend and price, as reported by the main information providers (Bloomberg, Reuters, etc.), for maturity dates analogous to those of the derivative in question.

By way of example, the main non-observable parameters can be linked to:

Correlations

To calculate correlations, the logarithmic variations in the prices of the two assets (exchange rate and price of the underlying instrument) considered are used. To that end, data relative to the last 6 months is generally used.

Historic Volatility

In the case that the implicit volatility of the options is not quoted, the historic volatility of the underlying instrument is used, measured on the basis of the standard deviation of the logarithmic variations of the prices of the same.

There is no significant observable input used for fair value measurement of assets and liabilities in level 3.

Fair value hierarchy

Any transfers from a fair value hierarchy level to another occurs as a function of the evolution of the characteristics of each security and in relation to the criteria which determine classification in the various levels of the fair value hierarchy. They are identified twice a year, at the time of the half-yearly and annual financial statements.

Other information

The Bank does not manage groups of financial assets or liabilities on the basis of their net exposure to market risks or credit risk.

Main Items in the Balance Sheet

Assets

Financial assets held for trading - Item 20

Financial assets held for trading: product breakdown

Item/Value	Total 30/06/2016			Total 31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	8,662	20,291	2	20,387	20,231	2
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	8,662	20,291	2	20,387	20,231	2
2. Equity securities	-	-	-	-	-	-
3 UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**8,662**	**20,291**	**2**	**20,387**	**20,231**	**2**
B. Derivative instruments						
1. Financial derivatives:	39	18,792	-	47	18,640	-
1.1 held for trading	39	18,599	-	47	18,576	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	193	-	-	64	-
2. Credit Derivatives:	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**39**	**18,792**	**-**	**47**	**18,640**	**-**
Total (A+B)	**8,701**	**39,083**	**2**	**20,434**	**38,871**	**2**

Financial assets available for sale - Item 40

Financial assets available for sale: breakdown

Item/Value	Total 30/06/2016			Total 31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,734,117	13,566	-	1,628,795	11,817	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,734,117	13,566	-	1,628,795	11,817	-
2. Equity securities	-	-	11,351	-	-	44,600
2.1 Carried at fair value	-	-	-	-	-	41,459
2.2 Carried at cost	-	-	11,351	-	-	3,141
3. UCITS units	1,664	-	1,289	1,489	-	1,250
4. Loans	-	-	295	-	-	2,113
Total	**1,735,781**	**13,566**	**12,935**	**1,630,284**	**11,817**	**47,963**

Due from banks - Item 60

Due from banks: product breakdown

Type of transaction/Value	Total 30/06/2016				Total 31/12/2015			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**1**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	1	X	X	X	1	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**1,682,951**	**-**	**134,948**	**1,548,192**	**1,584,034**	**-**	**187,223**	**1,397,187**
1. Loans	1,548,192	-	-	1,548,192	1,397,187	-	-	1,397,187
1.1 Current accounts and demand deposits	1,338,349	X	X	X	1,207,556	X	X	X
1.2 Term deposits	86,036				83,688			
1.3. Other loans and advances:	123,807	X	X	X	105,943	X	X	X
- Reverse repurchase agreements	-	X	X	X	-	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Other	123,807	X	X	X	105,943	X	X	X
2. Debt securities	134,759	-	134,948	-	186,847	-	187,223	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	134,759	X	X	X	186,847	X	X	X
Total	**1,682,951**	**-**	**134,948**	**1,548,193**	**1,584,034**	**-**	**187,223**	**1,397,187**

Key:
FV = fair value
BV = book value

Almost all current accounts and demand deposits are held by the parent company Banca Sella Holding, as is the term deposit of 86 million used to hold the compulsory reserve with Banca Sella Holding, which manages it on the Bank's account. Other loans include the balance of the current account, again held by Banca Sella Holding, in which Banca Sella deposits the margins for existing derivatives.

Debt securities consist exclusively of bonds issued by Banca Sella Holding. During the year, the segment decreased by about € 52.1 million. The decrease is entirely due to the maturity of bonds that were only partially renewed.

Due from customers - Item 70

Due from customers: product breakdown

Type of transaction/Value	Total 30/06/2016						Total 31/12/2015					
	Book value			Fair Value			Book value			Fair Value		
	Non-impaired	Impaired		L1	L2	L3	Non-impaired	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
Loans	**6,432,693**	**-**	**535,295**	**-**	**-**	**7,116,886**	**6,174,638**	**-**	**559,699**	**-**	**-**	**6,876,060**
1. Current accounts	694,971	-	128,815	X	X	X	665,522	-	136,148	X	X	X
2. Reverse repurchase agreements	351	-	-	X	X	X	412	-	-	X	X	X
3. Mortgage loans	3,787,329	-	311,991	X	X	X	3,687,755	-	322,163	X	X	X
4. Credit cards, personal loans and salary-backed loans	227,352	-	6,651	X	X	X	247,011	-	7,044	X	X	X
5. Financial leasing	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans and	1,722,690	-	87,838	X	X	X	1,573,938	-	94,344	X	X	X
Debt securities	**124**	**-**	**-**	**-**	**124**	**-**	**120**	**-**	**-**	**-**	**120**	**-**
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt	124	-	-	X	X	X	120	-	-	X	X	X
Total	**6,432,817**	**-**	**535,295**	**-**	**124**	**7,116,886**	**6,174,758**	**-**	**559,699**	**-**	**120**	**6,876,060**

The item Due from customers recorded an increase of 3.5% compared to 31 December 2015. This trend was due mainly to the growth of current accounts, mortgage loans and other loans. This last item includes irrevocable loans and loans without repayment schedule, such as loans in tranches and foreign loans.

Credit quality

Distribution of financial assets by portfolios of origin and credit quality (book values)

Portfolio/Quality	Bad loans	Unlikely to pay	Impaired past-due exposures	Other non-impaired exposures	Non-impaired exposures	Total
1. Financial assets available for sale	-	-	-	-	1,747,978	1,747,978
2. Financial assets held to maturity	-	-	-	-	-	-
3. Due from banks	-	-	-	-	1,682,951	1,682,951
4. Due from customers	311,480	213,156	10,659	150,686	6,282,131	6,968,112
5. Financial assets carried at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total 30/06/2016	**311,480**	**213,156**	**10,659**	**150,686**	**9,713,060**	**10,399,041**
Total 31/12/2015	**305,461**	**244,813**	**11,243**	**156,624**	**9,243,076**	**9,961,217**

Breakdown of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolio / Quality	Non-performing assets			Non-impaired assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	-	-	-	1,747,978	-	1,747,978	1,747,978
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Due from banks	-	-	-	1,683,084	(133)	1,682,951	1,682,951
4. Due from customers	1,075,312	(540,017)	535,295	6,464,949	(32,132)	6,432,817	6,968,112
5. Financial assets carried at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total 30/06/2016	**1,075,312**	**(540,017)**	**535,295**	**9,896,011**	**(32,265)**	**9,863,746**	**10,399,041**
Total 31/12/2015	**1,075,793**	**(514,276)**	**561,517**	**9,433,411**	**(33,710)**	**9,399,700**	**9,961,217**

Portfolio / Quality	Assets with evident low creditworthiness		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	121	47,666
2. Hedging derivatives	-	-	6,662
Total 30/06/2016	**-**	**121**	**54,328**
Total 31/12/2015	**-**	**9**	**69,580**

Cash credit and off balance sheet exposures to banks: gross and net amounts and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
c) Impaired past-due loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
d) Non-impaired past-due loans	X	X	X	X	-	X	-	-
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
e) Other non-impaired exposures	X	X	X	X	1,835,333	X	(133)	1,835,200
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
TOTAL A	**-**	**-**	**-**	**-**	**1,835,333**	**-**	**(133)**	**1,835,200**
B. OFF BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-	X	-	X	-
b) non-impaired	X	X	X	X	14,520	X	-	14,520
TOTAL B	**-**	**-**	**-**	**-**	**14,520**	**-**	**-**	**14,520**
TOTAL (A+B)	**-**	**-**	**-**	**-**	**1,849,853**	**-**	**(133)**	**1,849,720**

Cash credit and off balance sheet exposures to customers: gross and net amounts and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	800	-	-	799,453	X	(488,773)	X	311,480
- of which: exposures subject to forbearance	-	-	-	36,184	X	(16,145)	X	20,039
b) Unlikely to pay	165,909	35,106	22,783	39,061	X	(49,703)	X	213,156
- of which: exposures subject to forbearance	110,031	21,363	11,976	24,051	X	(25,603)	X	141,818
c) Impaired past-due loans	2,150	6,999	2,097	954	X	(1,541)	X	10,659
- of which: exposures subject to forbearance	355	809	28	-	X	(77)	X	1,115
d) Non-impaired past-due loans	X	X	X	X	152,809	X	(2,123)	150,686
- of which: exposures subject to forbearance	X	X	X	X	21,699	X	(754)	20,945
e) Other non-impaired exposures	X	X	X	X	7,936,825	X	(30,009)	7,906,816
- of which: exposures subject to forbearance	X	X	X	X	123,038	X	(5,396)	117,642
TOTAL A	**168,859**	**42,105**	**24,880**	**839,468**	**8,089,634**	**(540,017)**	**(32,132)**	**8,592,796**
B. OFF BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	9,903	-	-	-	X	-	X	9,903
b) non-impaired	X	X	X	X	472,298	X	(1,528)	470,770
TOTAL B	**9,903**	**-**	**-**	**-**	**472,298**	**-**	**(1,528)**	**480,673**
TOTAL (A+B)	**178,761**	**42,105**	**24,880**	**839,468**	**8,561,932**	**(540,017)**	**(33,660)**	**9,073,469**

Hedging derivatives - Item 80

Hedging derivatives: breakdown by hedge type and level

	30/06/2016			30/06/2016	30/06/2015			30/06/2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives								
1) Fair value	-	6,662	-	114,940	-	10,282	-	201,639
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,662**	**-**	**114,940**	**-**	**10,282**	**-**	**201,639**

Key:
NV = notional value
FV = fair value

Fair value adjustment of financial assets in hedged portfolios - Item 90

Fair value adjustments of hedged assets: breakdown by hedged portfolio

Value adjustments of hedged assets / Values	Total 30/06/2016	Total 31/12/2015
1. Increases	**126,629**	**110,546**
1.1 of specific portfolios:	126,629	110,546
a) receivables	126,629	110,546
b) financial assets available for sale	-	-
1.2 total	-	-
2. Decreases	**-**	**-**
2.1 of specific portfolios:	-	-
a) receivables	-	-
b) financial assets available for sale	-	-
2.2 total	-	-
Total	**126,629**	**110,546**

The item represents the fair value adjustment for the interest rate risk component of all fixed rate loans hedged for said risk using specific derivative contracts, under "macro fair value hedging". The change during the course of the financial year is due to the extremely small increase in variable rates on the market with respect to fixed rates for loans.

Main Items in the Balance Sheet

Liabilities

Due to banks - Item 10

Due to banks: product breakdown

Type of transaction/Value	Total 30/06/2016	Total 31/12/2015
1. Due to central banks	**-**	**-**
2. Due to banks	**382,907**	**335,183**
2.1 Current accounts and demand deposits	24,104	40,904
2.2 Term deposits	335,000	293,710
2.3 Loans and advances	22,941	23
2.3.1 Repurchase agreements	-	-
2.3.2 Others	22,941	23
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other payables	862	546
Total	**382,907**	**335,183**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**382,907**	**335,183**
Total fair value	**382,907**	**335,183**

The item increased due to the increase in term deposits, which were mainly with the parent company.

Due to customers - Item 20

Due to customers: product breakdown

Type of transaction/Value	Total 30/06/2016	Total 31/12/2015
1. Current accounts and demand deposits	7,847,969	7,356,416
2. Term deposits	813,560	904,064
3. Loans	99,948	117,152
3.1 Repurchase agreements	9,064	46,251
3.2 Others	90,884	70,901
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other payables	247,590	264,956
Total	**9,009,067**	**8,642,587**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**9,009,067**	**8,642,587**
Fair value	**9,009,067**	**8,642,587**

Securities in issue - Item 30

Securities in issue: product breakdown

Type of securities / Values	30/06/2016				31/12/2015			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	561,140	-	583,351	-	678,758	-	681,617	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	561,140	-	583,351	-	678,758	-	681,617	-
2. Other securities	67	-	-	67	67	-	-	67
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	67	-	-	67	67	-	-	67
Total	**561,207**	**-**	**583,351**	**67**	**678,825**	**-**	**681,617**	**67**

Financial liabilities held for trading - Item 40

Financial liabilities held for trading: product breakdown

Type of transaction/Value	30/06/2016					31/12/2015				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Others	-	-	-	-	x	-	-	-	-	x
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	x	38	18,833	-	x	x	21	18,986	-	x
1.1 Held for trading	x	38	18,833	-	x	x	21	18,986	-	x
1.2 Linked to fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Others	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	x	-	-	-	x	x	-	-	-	x
2.1 Held for trading	x	-	-	-	x	x	-	-	-	x
2.2 Linked to fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Others	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**38**	**18,833**	**-**	**x**	**x**	**21**	**18,986**	**-**	**x**
Total (A+B)	**x**	**38**	**18,833**	**-**	**x**	**x**	**21**	**18,986**	**-**	**x**

Key
FV= fair value; FV*= fair value calculated excluding changes in value due to changes in the creditworthiness of the issuer after the issue date.
NV = nominal or notional value;
L1= level 1; L2= level 2; Level 3 = level 3

Hedging derivatives - Item 60

Hedging derivatives: breakdown by type of hedge and level

	Fair Value	30/06/2016		NV	Fair Value	31/12/2015		NV
	L1	L2	L3	30/06/2016	L1	L2	L3	31/12/2015
A. Financial derivatives	**-**	**129,181**	**-**	**482,405**	**-**	**115,422**	**-**	**476,655**
1) Fair value	-	129,181	-	482,405	-	115,422	-	476,655
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**129,181**	**-**	**482,405**	**-**	**115,422**	**-**	**476,655**

Other information

Guarantees Given and Commitments

Transactions	Amount 30/06/2016	Amount 31/12/2015
1) Financial guarantees issued	38,448	32,603
a) Banks	309	16
b) Customers	38,139	32,587
2) Commercial guarantees issued	182,454	174,561
a) Banks	719	1,058
b) Customers	181,735	173,503
3) Irrevocable commitments to disburse funds	248,096	191,788
a) Banks	591	2,147
i) for certain use	591	2,147
ii) usage uncertain	-	-
b) Customers	247,505	189,641
i) for certain use	37,761	22,951
ii) usage uncertain	209,744	166,690
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets used in guarantee of third-party obligations	-	-
6) Other commitments	-	-
Total	**468,998**	**398,952**

Management and broking for customer accounts:

Type of services	Amount 30/06/2016	Amount 31/12/2015
1. Orders carried out on behalf of customers	**-**	**-**
a) purchases	-	-
1. settled	-	-
2. not settled	-	-
b) sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	**1,608,513**	**1,731,760**
a) Individual	1,608,513	1,731,760
b) Collective	-	-
3. Custody and administration of securities	**22,170,911**	**23,028,584**
a) third-party securities on deposit as custodian bank (exclusive of portfolios managed)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) third party securities on deposit (excluding portfolio management): other	9,312,503	9,679,000
1. securities issued by the reporting bank	346,747	398,510
2. other securities	8,965,756	9,280,490
c) third-party securities deposited with third parties	10,285,262	10,815,825
d) own securities deposited with third parties	2,573,146	2,533,759
4. Other transactions	**43,053,576**	**107,757,497**

Indirect deposits, breakdown

	30/06/2016	31/12/2015
a) Indirect deposits from management and broking for third parties (see previous table)		
- Portfolio management	1,608,513	1,731,760
- Custody and administration of securities:		
- third-party securities on deposit as custodian bank (exclusive of assets managed) - Other securities	-	-
- other third party securities on deposit (excluding asset management): other - Other securities	8,965,756	9,280,490
b) Indirect deposits from insurance policies	1,276,246	1,059,294
Total indirect deposits	**11,850,515**	**12,071,544**

Main items in the Income Statement

Interest - Items 10 and 20

Interest and similar income: breakdown

Item/Technical type	Debt securities	Loans	Other transactions	Total 30/06/2016	Total 30/06/2015
1. Financial assets held for trading	204	-	933	1,137	574
2. Financial assets available for sale	5,720	4	-	5,724	8,713
3. Financial assets held to maturity	-	-	-	-	-
4. Due from banks	411	1,457	-	1,868	3,273
5. Due from customers	4	97,556	-	97,560	113,884
6. Financial assets carried at fair value	-	-	-	-	-
7. Hedging derivatives	x	x	2,290	2,290	4,239
8. Other assets	x	x	10	10	6
Total	**6,339**	**99,017**	**3,233**	**108,589**	**130,689**

Interest and similar expenses: breakdown

Item/Technical type	Payables	Securities	Other transactions	Total 30/06/2016	Total 30/06/2015
1. Due to central banks	-	x	-	-	-
2. Due to banks	291	x	-	291	141
3. Due to customers	9,776	x	-	9,776	19,763
4. Securities in issue	x	8,183	-	8,183	10,400
5. Financial liabilities held for trading	-	-	809	809	344
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and reserves	x	x	303	303	44
8. Hedging derivatives	x	x	11,359	11,359	12,793
Total	**10,067**	**8,183**	**12,471**	**30,721**	**43,485**

Fees - Items 40 and 50

Fee income: breakdown

Type of service/Value	Total 30/06/2016	Total 30/06/2015
a) sureties issued	1,613	1,935
b) credit derivatives	-	-
c) asset management, brokerage and advisory services:	37,079	39,169
1. financial instruments trading	-	6
2. currency trading	595	810
3. portfolio management	6,887	7,009
3.1. individual	6,880	7,009
3.2 collective	7	-
4. custody and administration of securities	896	838
5. depositary bank	-	7
6. placement of securities	12,030	12,549
7. activities related to receiving and sending orders	10,184	12,365
8. consultancy activities	39	39
8.1 regarding investments	39	39
8.2 regarding financial structure	-	-
9. distribution of third party services	6,448	5,546
9.1 portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2 insurance products	5,310	5,032
9.3 other products	1,138	514
d) collection and payment services	54,995	54,762
e) servicing of securitisation transactions	-	1
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) activities for management of multilateral trading facilities	-	-
i) current account keeping and management	11,274	11,451
j) other services	21,999	19,568
Total	**126,960**	**126,886**

Below is the breakdown of the sub-item relative to other services:

Fee income: breakdown of sub-item “Other services”

	30/06/2016	30/06/2015
- credit and debit cards	5,362	5,312
- expense recovery on loans to customers	536	574
- fees and commissions on relations with credit institutions	259	309
- safe deposit box leasing	105	96
- recovery of postal, printing and similar expenses	823	901
- fees on loans to customers	12,688	10,130
Other	2,226	2,246
Total “other services”	**21,999**	**19,568**

Fee income: product and service distribution channels

Channel/Amount	Total 30/06/2016	Total 30/06/2015
a) at own branches		
1. portfolio management	6,880	-
2. placement of securities	12,015	-
3. third party products and services	6,279	-
b) off-site sales		
1. portfolio management	-	-
2. placement of securities	15	-
3. third party products and services	120	-
c) other distribution channels		
1. portfolio management	7	-
2. placement of securities	-	-
3. third party products and services	50	-

Fee expenses: breakdown

Service/Amount	Total 30/06/2016	Total 30/06/2015
a) sureties received	161	184
b) credit derivatives	-	-
c) asset management and brokerage services:	12,169	13,082
1. financial instruments trading	2,730	3,648
2. currency trading	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 delegated by third-parties	-	-
4. custody and administration of securities	257	225
5. placement of financial instruments	-	-
6. off-site sales of financial instruments, products and services	9,182	9,209
d) collection and payment services	19,708	27,031
e) other services	821	967
Total	**32,859**	**41,264**

Below is the breakdown of the sub-item relative to other services:

Fee expenses: breakdown of sub-item “Other services”

	30/06/2016	30/06/2015
Relations with banks	83	357
Loans	94	-
Brokering	-	-
Other	644	610
Total “Other services”	**821**	**967**

Dividends and similar income - Item 70

Dividends and similar income: breakdown

Item/Income	Total 30/06/2016		Total 30/06/2015	
	Dividends	Income from UCITS units		
A. Financial assets held for trading	108	-	-	-
B. Financial assets available for sale	-	-	63	-
C. Financial assets carried at fair value	-	-	-	-
D. Equity investments	-	x	-	x
Total	**108**	**-**	**63**	**-**

Net income (losses) from trading activities - Item 80

Net gains/(losses) on trading activities: breakdown

Transactions/Income components	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net gains (losses) [(A+B) - (C+D)]
1. Financial assets held for trading	**83**	**30**	**(20)**	**(12)**	**81**
1.1 Debt securities	83	30	(20)	(12)	81
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans and advances	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange gains (losses)	**x**	**x**	**x**	**x**	**2,830**
4. Derivative instruments	**4,346**	**1,251**	**(4,000)**	**(1,251)**	**1,112**
4.1 Financial derivatives:	4,346	1,251	(4,000)	(1,251)	1,112
- On debt securities and interest rates	4,346	1,251	(4,000)	(1,251)	346
- On equities and equity indices	-	-	-	-	-
- On currencies and gold	x	x	x	x	766
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**4,429**	**1,281**	**(4,020)**	**(1,263)**	**4,023**

Net income (losses) from hedging activities - Item 90

Net gains/(losses) on hedging activities: breakdown

Income components/Amounts	Total 30/06/2016	Total 30/06/2015
A. Income from:		
A.1 Fair value hedging derivatives	444	22,243
A.2 Hedged financial assets (fair value)	16,083	-
A.3 Hedged financial liabilities (fair value)	1,139	2,412
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	**17,666**	**24,655**
B. Expenses from:		
B.1 Fair value hedging derivatives	17,768	2,956
B.2 Hedged financial assets (fair value)	-	21,735
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**17,768**	**24,691**
C. Net gains/(losses) on hedging activities (A-B)	**(102)**	**(36)**

Profit (losses) from sales/repurchases - Item 100

Profit (losses) from sales/repurchases: breakdown

Item/Income component	Total 30/06/2016			Total 30/06/2015		
	Gains	Losses	Net income/losses	Gains	Losses	Net income/losses
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	27	1,337	(1,310)	54	3	51
3. Financial assets available for sale	48,770	910	47,860	12,628	1,008	11,620
3.1 Debt securities	1,380	910	470	12,628	1,008	11,620
3.2 Equity securities	47,389	-	47,389	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**48,797**	**2,247**	**46,549**	**12,682**	**1,011**	**11,671**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	140	188	(48)	6	15	(9)
Total liabilities	**140**	**188**	**(48)**	**6**	**15**	**(9)**

Net value adjustments for impairment - Item 130

Net value adjustments for impairment of loans: breakdown

	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		30/06/2016	30/06/2015
	Write-offs	Other		A	B	A	B		
A. Due from banks									
- Loans	-	-	-	-	-	-	45	45	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers									
Impaired loans acquired									
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other receivables									
- Loans	(1,031)	(43,067)	-	7,901	11,335	-	1,525	(23,337)	(59,722)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(1,031)**	**(43,067)**	**-**	**7,901**	**11,335**	**-**	**1,570**	**(23,292)**	**(59,722)**

Net value adjustments to loans amounted to € 23.3 million, down by 61% compared to the € 59.7 million at 30 June 2015. The change was due to two effects: on the one hand the adjustments at 30 June 2015 included the evidence related to the Bank of Italy inspection, together with a number of legislative and internal policy updates; on the other the first half of 2016 saw a continuation of the positive trend, which had begun towards the end of 2015, of decreasing new entries to the impaired category and consequent lower write-downs.

Net value adjustments due to impairment of financial assets available for sale: breakdown

Transactions/Income components	Write-downs (1)		Write-backs (2)		Total 30/06/2016	Total 30/06/2015
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(16)	-	-	(16)	-
C. UCITS units	-	-	x	x	-	-
D. Loans to banks	-	-	x	-	-	-
E. Loans to customers	-	(1,818)	-	-	(1,818)	(6)
F. Total	**-**	**(1,834)**	**-**	**-**	**(1,834)**	**(6)**

Key: A=from interest B=other write-backs

Write-downs on financial assets available for sale of € 1.8 million, refer to the total write-off of the equity investment in Comital Saiag S.P.A., (now Cuki Group S.p.A.).

Net value adjustments for impairment of other financial transactions: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		30/06/2016	30/06/2015
	Write-offs	Other		A	B	A	B		
A. Sureties issued	-	-	(26)	-	-	-	-	(26)	148
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other operations	(8)	(506)	-	-	-	-	-	(514)	-
E. Total	**(8)**	**(506)**	**(26)**	**-**	**-**	**-**	**-**	**(540)**	**148**

Key: A=from interest B=other write-backs

Value adjustments for impairment of other operations includes, for approximately € 500 thousand, the amount related to the fraud generated by operations carried out by customers, owners of commercial Bed & Breakfast businesses, on which there was a very high percentage of transactions with credit cards, which ended with negative disputes, that is won by the cardholders.

Administrative expenses - Item 150

Personnel expenses: breakdown

Type of expense/Amount	Total 30/06/2016	Total 30/06/2015
1) Employees	81,085	77,446
a) Wages and Salaries	59,365	56,704
b) Social security contributions	14,276	13,807
c) Severance indemnities	1,836	1,652
d) Pension expenses	866	550
e) Provision for severance indemnities	19	23
f) Provision for retirement and similar obligations:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	2,568	2,290
– defined contribution	2,568	2,290
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) other employee benefits	2,156	2,420
2) Other current personnel	181	208
3) Directors and auditors	262	276
4) Retired personnel expenses	-	-
5) Recovery of costs of employees on secondment to other companies	(1,481)	(1,153)
6) Recovery of costs of employees on secondment within the Company	1,802	1,379
Total	**81,850**	**78,156**

Other employee benefits

Type of expense/Amount	Total 30/06/2016	Total 30/06/2015
- early retirement incentives and provision to support income	106	98
- benefits for dependent children	24	21
- benefits in kind	907	768
- insurance expenses	758	715
- professional training courses	183	385
- travel expenses	25	52
Other	152	381
Total	**2,156**	**2,420**

Other administrative expenses: breakdown

Type of service/Value	Total 30/06/2016	Total 30/06/2015
Legal and notarial expenses	2,582	2,723
IT assistance and sundry advice	705	1,596
Other expenses for professional services	-	24
Printing and stationery	204	240
Leasing of electronic machines and software licences	339	251
Sundry rentals and expenses for services provided by third parties	17,827	16,492
Fees for data transmission and telephone	1,584	1,644
Postal and telegraphic expenses	1,522	1,682
Transport expenses	172	200
Cleaning of premises	462	444
Surveillance and escort of valuables	1,215	1,267
Electricity and heating	1,422	1,535
Rent of premises	9,063	9,177
Sundry insurance policies	448	487
Advertising and promotion	813	1,425
Entertainment expenses	82	100
Donations	106	70
Membership fees	398	369
Subscriptions and books	46	49
Information and inspections	1,080	1,315
Travelling expenses	866	1,015
Expenses for interbank network service	328	325
Expenses for web site	46	5
Pension expenses for financial promoters	76	-
Other fees payable	-	-
Other	1,049	841
Maintenance and repair expenses	**3,892**	**3,657**
- Properties owned	117	99
- Movables	1,231	1,319
Hardware and software	2,545	2,239
Indirect taxes	**24,247**	**19,890**
- Stamp duty	17,879	18,616
- Substitute tax Pres. Dec. 601/73	780	695
- Single municipal tax (IMU)	191	140
- DGS and SRF contribution	4,979	-
- Other indirect taxes and duties	419	439
Total	**70,576**	**66,823**

Net provisions for risks and charges - Item 160

Net provisions for risks and charges: breakdown

	Balances as of: 30/06/2016	Balances as of: 30/06/2015
Provisions for risks and charges for revocations	125	115
Provisions for personnel expenses	24	1,290
Provisions for legal disputes	1,133	1,001
Provisions for customer complaints	61	76
Provisions for employee disloyalty	-	1
Provisions for FISC	18	15
Other provisions	220	339
Reattributions to Income Statement relating to provisions for revocations	(61)	(10)
Reattributions to Income Statement relative to provisions for personnel	(7)	(5)
Reattributions to Income Statement relating to legal disputes	(60)	(332)
Reattributions to Income Statement relating to customer complaints	(4)	(64)
Reallocation to income statement relating to operational risks, GBS	(850)	-
Reattributions to Income Statement relating to employee disloyalty	(221)	-
Reattributions to Income Statement relating to other provisions	(212)	(39)
Total	**166**	**2,387**

Net value adjustments on tangible assets - Item 170

Net value adjustments on tangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 30/06/2016
A. Tangible assets				
A.1 Company owned	3,555	-	-	3,555
- For business purposes	3,440	-	-	3,440
- For investment	114	-	-	115
A.2 Assets acquired through financial leasing	-	-	-	-
- For business purposes	-	-	-	-
- For investment	-	-	-	-
Total	**3,554**	**-**	**-**	**3,555**

Net value adjustments on intangible assets - Item 180

Net value adjustments on intangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 30/06/2016
A. Intangible assets				
A.1 Company owned	6,664	-	-	6,664
- Generated internally by the company	1,298	-	-	1,298
- Other	5,366	-	-	5,366
A.2 Assets acquired through financial leasing	-	-	-	-
Total	**6,664**	**-**	**-**	**6,664**

Other operating income and expenses - Item 190

Other operating expenses: breakdown

	Total 30/06/2016	Total 30/06/2015
Amortization of expenses for improvements on third party assets	325	240
Losses connected to operational risk	769	941
Refunds of interest on collection and payment transactions	-	-
Penalties payable for contract defaults	20	2
Restitution of Fund/SICAV incentives to customers (MIFID)	-	-
Other charges	274	204
Total	**1,388**	**1,387**

Other operating income: breakdown

	Total 30/06/2016	Total 30/06/2015
Rents and instalments receivable	179	288
Charges to third parties and refunds received:	18,378	18,634
- taxes recovered	18,316	18,615
- insurance premiums and refunds	62	19
Expenses recovered and other revenues on current accounts and deposits	4,339	4,825
Income for software services	2,801	2,817
Recoveries of interest on collection and payment transactions	3	4
POS fees receivable	1,163	1,192
Administrative services rendered to third parties	2,932	3,155
Penalties receivable for contract defaults	17	13
Expenses recovered for services rendered in relation to credit recovery	1,454	1,365
Recovery of other expenses	-	4
Income from the sale of the business unit	-	-
Other income	4,459	1,729
Total	**35,725**	**34,026**

Income taxes for the year on continuing operations - Item 260

Income taxes for the period on continuing operations: breakdown

Income components/Amounts	Total 30/06/2016	Total 30/06/2015
1. Current taxes (-)	(9,110)	(7,232)
2. Change in current taxes of previous years (+/-)	81	(63)
3. Decreases in current taxes for the year (+)	-	2
3. bis Reduction in current taxes for the year for tax credits pursuant to law 214/2011 (+)	-	-
4. Changes in deferred taxes (+/-)	(1,962)	4,423
5. Changes in deferred taxes (+/-)	366	429
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(10,625)	(2,441)

Information on equity

Own funds and banking capital adequacy ratios

At 30 June 2016 668,456,168 ordinary shares were calculated in Banca Sella's Common Equity Tier 1 – CET1. These have a face value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 782,307,908.

There were no calculable financial instruments in Additional Tier 1 Capital at 30 June 2016.

Tier 2 - T2 included subordinated loans issued by Banca Sella at 30 June 2016 for a countervalue of € 198,643,365.

Regulatory Capital - B. Quantitative information

	Total 30/06/2016	Total 31/12/2015
A. Common Equity Tier 1 – CET1 before application of prudential filters	**782,308**	**767,496**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(225)	(401)
C. CET1 gross of elements to be deducted and the effects of the transitional regime (A +/- B)	**782,083**	**767,095**
D. Elements to be deducted from CET1	**49,971**	**48,783**
E. Transitional regime – Impact on CET1 (+/-)	**(7,137)**	**(28,966)**
F. Total Common Equity Tier 1 (Common Equity Tier 1 – CET1) (C – D +/- E)	**724,975**	**689,346**
G. Additional Tier 1 – AT 1, gross of elements to be deducted and the effects of the transitional regime	**-**	**-**
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime – Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (Additional Tier 1 – AT1) (G – H +/- I)	**-**	**-**
M. Tier 2 – AT 2, gross of elements to be deducted and the effects of the transitional regime	**198,643**	**228,148**
of which T2 instruments subject to transitional provisions	**27,095**	**35,840**
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime – Impact on T2 (+/-)	**234**	**11,589**
P. Total Tier 2 – T2 (M - N +/- O)	**198,877**	**239,737**
Q. Total own funds (F + L + P)	**923,852**	**929,083**

On the basis of the prudential regulatory provisions, the total requirement is equal to the sum of the capital requirements prescribed against credit, counterparty, credit valuation adjustment, regulatory, market and operational risks.

In general, methods used to calculate capital requirements refer to the standardised approach and basic indicator approach (BIA), in terms of operational risk.

Banca Sella's capital management policies have the goal of guaranteeing that the capital base is in line with the level of risk taken on, while complying with regulatory requirements and company development plans.

Capital adequacy

Capital adequacy - B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
A. RISK ASSETS				
A.1 Credit and counterparty risk	11,023,178	10,637,674	4,042,606	3,931,284
1. Standardised method	11,023,178	10,637,674	4,042,606	3,931,284
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			323,408	314,503
B.2 Credit evaluation adjustment risk			-	-
B.3 Regulatory Risk			-	-
B.4 Market risks			2,039	2,462
1. Standard method			2,039	2,462
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			58,905	58,905
1. Basic method			58,905	58,905
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			384,352	375,870
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			4,804,411	4,698,375
C.2 Common equity Tier 1/Risk-weighted assets (CET1 capital ratio)			15.09%	14.67%
C.3 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			15.09%	14.67%
C.4 Total own funds//Risk-weighted assets (Total capital ratio)			19.23%	19.77%

At 30 June 2016, the capital ratios exceeded the minimum requirements provided for in the regulations in effect as of the reporting date:

- Common Equity Tier 1 ratio: 15.09%, against a minimum level of 5.125% at the individual level, as a member of the Banking Group;
- Tier 1 ratio: 15.09%, against a minimum level of 6.625%, as a member of the Banking Group;
- Total Capital ratio: 19.23%, against a minimum level of 8.625%, as a member of the Banking Group.

Transactions with related parties

Information on the remuneration of managers with strategic responsibility

In accordance with IAS 24, the types of related parties, with reference to the specific organisational structure and governance, comprise:

a) Banca Sella Holding S.p.A. as the parent company which controls Banca Sella S.p.A.;

b) directors, statutory auditors and top management of Banca Sella S.p.A. (managers with strategic responsibilities);

c) companies controlled by or associated with one of the subjects referred to in point b);

d) close family members of one of the subjects referred to in point b);

e) directors, statutory auditors and top management of the controlling company Banca Sella Holding (managers with strategic responsibilities);

f) the companies of the Group in as much as, together with Banca Sella S.p.A., subject to the direction and coordination of Banca Sella Holding S.p.A.

With the 9th update, on 12 December 2011, the Bank of Italy introduced into Circular no. 263 “New regulations for the prudential supervision of banks”, the new TITLE V - Chapter 5 (Section IV) “Risk activities and conflict of interest with regards to related parties” in application of CICR Resolution no. 277 of 29 July 2008 and Art. 53, paragraphs 4, 4-ter and 4-quater of Italian Legislative Decree no. 385 of 1 September 1993.

The Bank introduces these provisions, explaining that “The regulation of related party transactions aims to monitor the risk that the nearness of some subjects to the bank’s decision-making units may compromise the objectivity and impartiality of the decisions relating to the granting of loans and other transactions with regards to said subjects, with possible distortion of the resource allocation process, exposure of the bank to risks that have not been adequately measured or monitored and potential damages for investors and shareholders”.

As parent company, Banca Sella Holding S.p.A. has prepared suitable group procedures to ensure compliance with the above provisions, the general rules of which are dictated by two internal regulatory documents: the “Group Regulation for the management of related party transactions” and the “Internal Controls Policies”.

Both documents have been approved by the Board of Directors of the parent company and subsequently enacted by the Bank.

The table below indicates the fees received by managers with strategic responsibilities. The managers with strategic responsibilities also include directors and statutory auditors.

Fees paid to managers with strategic responsibilities *(in Euro thousands)*

Item	30/06/2016
a) Short-term employee benefits	561
b) Post-employment benefits	-
c) Other long-term benefits	-
d) Severance indemnities	33
e) Share-based payments	-
Total	594

Fees paid to Board Members and Statutory Auditors *in Euro thousands*	
Item	**30/06/2016**
Directors	85
Statutory Auditors	56
Total	**138**

Information on transactions with related parties

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

Related party transactions (*in Euro thousands)*			**30/06/2016**		
	Parent company and entities that have joint control or significant influence	**Affiliates and other entities in the same group**	**Associates and joint ventures**	**Managers with strategic responsibilities for the entity or its parent**	**Other related parties**
Interest income	15	21,366	2	122	1,223
Interest expense	-	27	-	5	8
Revenues from dividends	-	-	-	-	-
Revenues from commissions and fees	2	742	1	62	109
Expenses from commissions and fees	23	8,931	-	71	130
Financial assets	1,395	1,176	-	5	5
Financial liabilities	337	372	-	5	-
Nominal amount of commitments to disburse loans, financial guarantees and other commitments made	4	181	-	6	1