GE Capital
Interbanca

Consolidated Half-year Financial Report
30 June 2014

Board of Directors
29 August 2014

GE imagination at work

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Corporate bodies of GE Capital Interbanca S.p.A. – Parent Company of the GE Capital Interbanca Banking Group

Board of Directors (1)

Chairman	Richard Alan Laxer
Chief Executive Officer	Paolo Braghieri
Directors	Enrico Maria Luigi Fagioli Marzocchi (*)
	Mario Garraffo (*)
	Patricia Marie Halliday
	Todd Lamar Smith

Board of Statutory Auditors

Chairman	Paolo Andrea Colombo
Standing Auditors	Marco Giorgino
	Piera Vitali (2)

Alternate Auditor	Guido Sazbon

General Management

General Manager	Paolo Braghieri

Executive charged with preparing the company's financial reports	Ettore Colombo

(1) Director Giuseppe Recchi resigned from office effective 23 June 2014

(2) In office since 27 June 2014 replacing Auditor Alberto Dalla Libera, who resigned effective 26 June 2014

(*) Independent director

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INTRODUCTION

This consolidated half-year financial report was prepared in summary form in accordance with IAS 34 "Interim Financial Reporting". Therefore, this report does not include all the information required by the annual financial statements and must be read together with the annual financial statements prepared for the year ending at 31 December 2013.

In compliance with the afore-mentioned provisions, the half-year financial report favours information at consolidated level; for information on the main financial and economic figures of the individual companies included in the scope of consolidation, reference should be made to the following section entitled “Main information on the companies included in the scope of consolidation”.

COMPOSITION OF THE BANKING GROUP

As at 30 June 2014, the GE Capital Interbanca Banking Group consists of the following:

Parent Company:

- GE Capital Interbanca S.p.A.

Group companies:

- GE Capital Servizi Finanziari S.p.A.
- GE Capital Finance S.r.l.
- GE SPV S.r.l.

SCOPE OF CONSOLIDATION

FULLY CONSOLIDATED EQUITY INVESTMENTS

Name	Registered offices	Parent Company's percentage of direct investment	Banking Group's percentage of investment
GE Capital Servizi Finanziari S.p.A.	Mondovì – Cuneo	100	100
GE Capital Finance S.r.l. (1)	Milan	60	100
GE SPV S.r.l. (2)	Conegliano - Treviso	-	100
GE Capital Services S.r.l. (3)	Rome	79	100

(1) the remaining 40% is owned by the Group through GE Capital Servizi Finanziari S.p.A., which is part of the GE Capital Interbanca Banking Group, and 100% owned by GE Capital Interbanca S.p.A.

(2) the company is wholly owned by the GE Capital Interbanca Banking Group through the subsidiary GE Capital Servizi Finanziari S.p.A.

(3) the remaining 21% is owned by the Group through GE Capital Servizi Finanziari S.p.A., which is part of the GE Capital Interbanca Banking Group, and 100% owned by GE Capital Interbanca S.p.A.

INVESTMENTS CONSOLIDATED UNDER THE EQUITY METHOD

Name	Registered offices	Parent Company's percentage of direct investment	Banking Group's percentage of investment
Renting Italease S.r.l. (*)	Milan	-	50

(*) Joint venture between Italease Gestione Beni S.p.A. and GE Capital Services S.r.l.

BASES FOR PREPARATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL REPORT

The companies included in the scope of consolidation as at 30 June 2014 were already part of it on 31 December 2013.

HIGHLIGHTS AND INFORMATION ON THE COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

In thousands of Euros	GE CAPITAL INTERBANCA S.p.A.	GE CAPITAL FINANCE S.r.l.	GE CAPITAL SERVIZI FINANZIARI S.p.A.	GE SPV S.r.l.	GE CAPITAL SERVICES S.r.l.	CONTRIBUTION TO THE CONSOLIDATED FIGURES OF GE CAPITAL INTERBANCA
BALANCE SHEET						
DUE FROM BANKS	204,208	165	439	7	10,539	216,018
LOANS TO CUSTOMERS	2,025,781	227,859	986,287	-	328,576	3,829,719
TANGIBLE AND INTANGIBLE ASSETS	49,745	453	1,153	-	129,232	180,645
TAX ASSETS	243,059	10,138	46,825	1	40,703	321,836
PROVISION FOR RISKS AND CHARGES	19,153	1,016	5,642	-	12,763	41,766
EQUITY	548,188	117,650	235,932	10	98,764	626,880
INCOME STATEMENT						
INTEREST MARGIN	15,230	1,350	11,095	-	9,092	36,795
NET FEES AND COMMISSIONS	2,511	1,837	936	28	(515)	4,769
NET ADJUSTMENTS	565	219	(10,736)	-	528	(9,424)
OPERATING COSTS	(29,296)	(3,841)	(10,025)	(28)	(2,292)	(45,500)
NET PROFIT (LOSS)	(11,069)	(498)	(6,382)	-	4,219	(13,743)

GE Capital Interbanca S.p.A.

GE Capital Interbanca S.p.A, Corporate Bank Parent Company of the GE Capital Interbanca Banking Group, is dedicated to the sector of medium-sized businesses in support of entrepreneurial projects by offering a wide range of corporate finance and commercial banking services and targeted consultancy.

The principal financial figures show net loans to customers under assets decreasing by 4.2%, as a result of lower disbursements with respect to loans reaching maturity and repaid.

Total disbursements in the first half of 2014 were € 136 million, down 16.5% with respect to the same period in the previous year (€ 163 million).

With regard to portfolio quality, gross impaired loans decreased by 4.3%, similar to net loans, which fell 1.8% from the 2013 year-end figure, leaving the coverage index essentially unchanged (-1.2%).

The decrease in absolute values of net loans, along with the growth in equity, improves the ratio between these two financial statement components for the first time since the economic crisis began, bringing the ratio to 97.6%, compared to 100% at the end of 2013.

As at 30 June 2014, the Equity Investment portfolio, fully classified under "available for sale", comprised 7 active equity investments totalling € 75.9 million, an increase from € 60.3 million as at 31 December 2013, due to the adjustment of the fair value on available-for-sale financial instruments. There were no new investment or divestment transactions during the first half of 2014.

As regards funding, which totalled € 2,416 million, € 2,075 million is represented by GE intercompany funding, whereas bonds, in the absence of new issues, dropped to approximately € 211 million.

The intercompany debt was entirely restructured during the first half of 2014, extending the duration to 10 years and applying market rates.

As at 30 June 2014, equity – inclusive of the loss for the period – amounted to € 548.2 million, up € 3.4 million (+ 0.6%) with respect to the figure recorded at the end of 2013.

When compared to the same period of the prior year, the GE Capital Interbanca income statement as at 30 June 2014 was characterised, on one hand, by an increase in the cost of funding as a result of restructuring the entire intercompany debt and, on the other, by the positive impact of loan impairments which, conversely, have had a negative impact on the income statement since the beginning of the financial crisis in 2008.

Although the final result is still negative, with a loss of € 11 million, this represents a substantial improvement from the loss of € 47 million recorded for the first half of 2013.

GE Capital Servizi Finanziari S.p.A.

The Company, enrolled in the Register pursuant to art. 107 of the Consolidated Banking Act, belongs to the GE Capital Interbanca Banking Group and is subject to the management and coordination of GE Capital Interbanca S.p.A. The Company is specialised in vehicle leasing and equipment leasing and operates via a selected network of agents and suppliers/resellers of operating assets throughout Italy.

In addition, the Company has:

- 100% of the share capital of GE SPV S.r.l.;
- 40% of the share capital of GE Capital Finance S.r.l;
- 21% of the share capital of GE Capital Services S.r.l.

The main financial figures show a slight decline in the asset category of loans to customers (€ 987 million), down 0.4% compared to the end of 2013.

The volumes of disbursements in the core business of auto leasing during the period, amounting to € 143 million, increased 8.8% compared to the same period the previous year, despite the continued crisis in the automotive sector and confirming the Company as market leader with a 13% share. With regard to the Equipment Lease portfolio, the volume of disbursements amounted to € 17 million compared to € 16 million for the same period the previous year.

From a portfolio quality perspective, the ratio of net non-performing loans to total net loans was marginally higher than the prior year, reaching 8.1% (7.9% as at 31 December 2013), while the level of cover is 64.8% compared to 64.3% as at 31 December 2013.

The income statement for the first half of 2014 shows net interest and other banking income down € 0.5 million, due to various factors including the loss of returns from portfolios in run-off.

Net impairment losses on loans amounting to € 10.7 million should be noted, with a 39% decrease compared to the figure recorded in June of the previous year. This improvement is mainly due to run-off portfolios, in particular the mortgage loan portfolio, for which it was necessary to adjust the valuation models in the first half of 2013 following the reduction in real estate prices caused by the decline in the market.

Net of income taxes, the result for the year was a loss of € 6.4 million, an improvement over the € 10.3 million loss posted as at 30 June 2013.

GE Capital Finance S.r.l.

The Company, enrolled in the Register pursuant to art. 107 of the Consolidated Banking Act, belongs to the GE Capital Interbanca Banking Group, is subject to the management and coordination of GE Capital Interbanca S.p.A., and operates in the factoring market. Over the years, the business has gradually begun to focus on the components of service, creating internal competencies in offering a vast array of products designed for the Italian market and, specifically, for medium to large businesses that are seeking to optimise their credit risk profile, administrative management and working capital.

With regard to operating results, in the first half of 2014, the Company's overall turnover increased 66.2% over the same period in 2013, from € 490 million to € 815 million in the first half of 2014.

Net loans to customers were € 228 million, a slight decline from € 231 million at the end of 2013.

As regards portfolio quality, the ratio of net non-performing loans to total net loans remained the same as the 2013 year-end figure, or 0.06%.

With reference to the main income statement items, the improvement in net interest and other banking income should be noted, mainly due to increased turnover, which came to approximately € 3.2 million, up 73% compared to the first six months of 2013.

Administrative expenses (including personnel expenses) amounted to € 4 million compared to € 4.6 million in the first half of 2013. This reduction of 13.6% is mainly attributable to extraordinary costs incurred in 2013 for the merger of GE Commercial Distribution Finance S.r.l. in GE Capital Finance S.r.l and for non-recurring expenses related to the Company's reorganisation process.

Net of income taxes, the loss for the year amounts to € 0.5 million, considerably less than the loss of € 2 million posted in the same period of the previous year.

GE SPV S.r.l.

The Company, a fully owned subsidiary of GE Capital Servizi Finanziari S.p.A, was established in March 2008 pursuant to art. 3 of Law no. 130 of 30 April 1999, to carry out a securitisation of performing loans, originated by said Parent Company, in December 2010, for 70% of the auto leasing portfolio volume or € 400 million, with the objective of simultaneously diversifying funding sources necessary to finance the growth of business activities.

This securitisation transaction was completed, consistent with the amortisation of the underlying portfolio, with the repayment and cancellation of the Senior Notes on 25 June 2014, the repayment and cancellation of the Junior Notes on 21 July 2014 and the repurchasing by GE Capital Servizi Finanziari S.p.A. of the existing vehicle as at 30 June 2014.

The appropriate decision-taking bodies are currently evaluating the opportunity to begin the liquidation process for the vehicle.

As at 30 June 2014, the Company's results were breakeven.

GE Capital Services S.r.l.

Effective 31 December 2012, GE Capital Services S.r.l. is wholly owned by the Bank – through a direct ownership stake of 79% and the remaining 21% through GE Capital Servizi Finanziari S.p.A. – and is subject to management and coordination of the Bank, as part of the Bank's scope of consolidation.
GE Capital Services S.r.l., classified as a "non-financial company", operates primarily in the market of long-term rentals of vehicles and operating assets.
The Company has an interest in Renting Italease S.r.l., which represents a joint venture with Italease Gestione Beni S.p.A.

As regards operating results during the first half of 2014, note that the total volume disbursed amounts to € 116 million, a 2.5% decrease over the same period in the previous year. The Company posted a profit of € 4.2 million as at 30 June 2014, characterised by the absence of loan impairments due to the improvement in portfolio quality, while maintain a coverage level of 93%.

INTERIM REPORT ON OPERATIONS

LOANS AND RECEIVABLES

Total loans to customers and due from banks decreased by 2.9% compared to the end of 2013.

In thousands of Euros	**30.06.2014**	**%**	**31.12.2013**	**%**
Due from banks	214,775	5.7	236,839	6.1
Loans to customers	3,568,503	94.3	3,658,308	93.9
Total	**3,783,278**	**100.0**	**3,895,147**	**100.0**

DUE FROM BANKS

Due from banks, equivalent to € 215 million, decreased 9.3% over 31 December 2013. This item primarily consists of deposits held as collateral for syndicated loans (IBLOR) of € 95 million, current accounts of € 79 million, collateral relationships associated with derivative transactions of € 30 million, and rental transactions of € 10 million. The decrease is mainly due to the change in the balances of current accounts.

LOANS TO CUSTOMERS

Loans to customers declined 2.5% from the figure as at 31 December 2013. This decline is lower than previous years and can be understood by analysing the disbursements made in the first half of 2014, which totalled € 1,226 million, an increase of 33.4% compared to € 919 million disbursed in the first half of 2013, proving the continued acceleration of lending activities. The higher growth, both in absolute terms as well as percentages, is due to Factoring, whose results for the first half of 2014 confirm the complete turnaround of the business with new volumes originated of € 815 million, up 66,2% from the figure recorded for the same period in 2013.

Specifically, disbursements in the various business areas were as follows:

- Factoring for € 815 million (€ 490 million in the first half of 2013, +66.2%);
- Automotive Leasing for € 143 million (€ 132 million in the first half of 2013, +8.8%);
- Lending for € 136 million (€ 163 million in the first half of 2013, -16.5%);
- Rental for € 116 million (€ 119 million in the first half of 2013, -2.5%);
- Operating Asset Leasing for € 17 million (€ 16 million in the first half of 2013, +10.6%).

ENDORSEMENTS AND GUARANTEES

Endorsements and guarantees of € 153 million include sureties issued of € 100 million (of which € 95 million for related IBLOR loan transactions) and a pledge recognised on shares of the Bank's equity portfolio of € 53 million.

The total reserve covering endorsements and guarantees amounts to € 18.1 million as at 30 June 2014 and is recorded under the liabilities in the item "other liabilities".

CREDIT REVIEW

Performing loans

The performing loans portfolios of the various elements of the Banking Group are subject to collective valuations, whose various calculation criteria are mainly based on long-term statistical data together with estimates referring to the Loss Given Default (LGD); the results of these processes led to a collective write-down of the balances of approximately € 79.5 million, which corresponds to coverage of the entire performing loans portfolio of 2.5%, compared to 2.7% recorded at the end of 2013.

Impaired loans

The following table shows a breakdown of cash loans by risk category.

In thousands of Euros	Gross exposure 30.06.2014 (A)	Total impairment losses 30.06.2014 (B)	Net exposure 30.06.2014 (C)	% (C)	% Coverage ratio (B/A)	Gross exposure 31.12.2013	Net exposure 31.12.2013 (D)	% Chg (C/D)
Impaired loans	**1,457,643**	**827,756**	**629,887**	**16.6**	**56.8**	**1,502,937**	642,757	**-2.0**
Non-performing	616,509	464,126	152,383	4.0	75.3	636,966	148,443	**2.7**
Sub-standard	624,692	293,534	331,158	8.8	47.0	626,619	332,506	**-0.4**
Restructured	145,845	49,688	96,157	2.5	34.1	109,018	58,085	**65.5**
Past due	70,597	20,408	50,189	1.3	28.9	130,334	103,723	**-51.6**
Performing loans	3,232,940	79,549	**3,153,391**	**83.4**	**2.5**	3,341,293	3,252,390	**-3.0**
Total loans	**4,690,583**	**907,305**	**3,783,278**	**100.0**	**19.3**	**4,844,230**	**3,895,147**	**-2.9**

In terms of overall exposure, gross impaired loans decreased 3% from 31 December 2013. The new defaults increased the figure for gross impaired loans by € 64 million, partially offset by collections of € 34 million, reclassifications to "performing" for € 36 million and cancellations for € 52 million.

Thus, the decrease in gross exposures affected net exposures by 2% compared to the figure at the end of 2013; the percentage of coverage is currently at 56.8%, slightly down from 57.2% recorded at the previous year-end.

The decrease in net exposures in absolute terms, along with the growth in equity – due to higher positive changes in the valuation reserves compared to the loss recognised for the period – brought about an improvement in the ratio of these two financial statement items for the first time since the financial crisis began in 2008, with a ratio of 110.3% compared to 112.7% at the end of 2013.

EQUITY INVESTMENTS

Note that the sole equity investment at the consolidated level refers to Renting Italease S.r.l., a joint venture with Italease Gestione Beni S.p.A., recognised at a value of € 754 thousand.

CORPORATE FINANCE

EQUITY INVESTMENT

As at 30 June 2014, the Equity Investment portfolio, fully classified under "available for sale", comprised 7 active equity investments totalling € 75.9 million, an increase from € 60.3 million as at 31 December 2013, due to the fair value adjustment of financial instruments.

There were no new investment or divestment transactions during the first half of 2014.

OTHER EQUITY INTERESTS

At the end of the first half of 2014, the "Other equity interests" portfolio, fully classified under "available for sale", amounted to approximately € 8.6 million, and was mainly made up of restructuring transactions for businesses in temporary financial difficulty, which resulted in part of the debt being converted to capital or similar equity instruments.

TANGIBLE ASSETS

Tangible assets amount to € 177.5 million as at 30 June 2014 and consist of long-term rented assets of € 129 million (vehicles and machinery) and real estate in Milan and Turin owned by the Parent Company for € 47.5 million.

FUNDING

MAIN FUNDING ITEMS

In thousands of Euros	30.06.2014	%	31.12.2013	%
Due to banks	9,379	0.2	11,957	0.3
Due to customers	3,551,895	94.2	3,629,261	94.0
Securities in issue	210,686	5.6	219,705	5.7
Total	**3,771,960**	**100.0**	**3,860,923**	**100.0**

Total funding (including subordinated liabilities) decreased 2.3% from 31 December 2013, consistent with the decline in loans during the first half of 2014.

Due to banks

Due to banks, which amounts to € 9.4 million, is essentially made up of short-term collections on the MID (Market for Interbank Deposit).

The Banking Group did not take advantage of the sources of financing made available by the ECB.

Due to customers

In thousands of Euros	30.06.2014	%	31.12.2013	%
Group loans	3,347,640	94.2	3,362,422	92.6
Corporate deposits and demand deposits	120,585	3.4	110,792	3.1
Intercompany deposits and demand deposits	61,165	1.7	104,049	2.9
Other liabilities	22,505	0.6	15,891	0.4
Securitisation	-	-	36,107	1.0
Total	**3,551,895**	**100.0**	**3,629,261**	**100.0**

The financing lines consist of intercompany funding granted by GE Capital Group financial companies.

During the first half of 2014, the entire intercompany debt of the Parent Company Bank was subject to a restructuring process that involved 16 contracts for revolving credit lines outstanding as at April 2014. Effective 24 April, the Bank's intercompany debt consisted of 11 senior revolving credit lines for a total nominal value of € 1.8 billion, extending the duration to 10 years and applying market rates, as well as 3 subordinated revolving credit lines, for a total nominal value of € 100 million, with a 10-year duration at market rates. Furthermore, the Bank was granted 9 new revolving credit lines for a total amount of € 875 million, with a duration of 10 years at market rates.

The item "Group loans" includes the subordinated loan for € 200 million originally granted by ABN Amro Bank NV and, following the change in ownership, first by Santander and now General Electric Group.

Liquidity generated from corporate customers – a service to support businesses in managing excess liquidity and optimising yields through time deposits – increased during the first half of 2014 with respect to the previous year, caused by dynamics in liquidity management on the part of said customers.

The item "Intercompany deposits and demand deposits" consists of cash pooling funds used for temporary liquidity needs with financial companies of the GE Capital Group.

The financing line obtained following the securitisation transaction was closed, consistent with the amortisation of the underlying portfolio, with the repayment and cancellation of the Senior Notes on 25 June 2014, the repayment and cancellation of the Junior Notes on 21 July 2014 and the repurchasing by GE Capital Servizi Finanziari S.p.A. of the existing vehicle as at 30 June 2014.

Securities in issue

In thousands of Euros	**30.06.2014**	**%**	**31.12.2013**	**%**
Bonds	208,533	99.0	216,509	98.5
Certificates of deposit	2,153	1.0	3,196	1.5
Total	**210,686**	**100.0**	**219,705**	**100.0**

This item consists almost entirely of bonds. As at 30 June 2014, there were 7 bonds in issue, of which 2 were listed for a total value of € 74.3 million.

No bond issues were carried out during the first half of 2014.

FINANCIAL ASSETS AND LIABILITIES

In thousands of Euros	30.06.2014	31.12.2013
Debt securities	**45,515**	**45,404**
- available for sale	45,515	45,404
Derivatives recognised as assets	**56,455**	**50,504**
- held for trading	56,176	50,010
- held for hedging	279	494
Derivatives recognised as liabilities	**58,458**	**53,668**
- held for trading	58,458	53,668

Debt securities

The final balance of debt securities includes Italian Treasury Certificates (CCT) and Long-Term Treasury Bonds (BTP) for € 45.5 million, used as collateral in favour of Bank of Italy to operate on the Interbank Deposit Market (MID) and the Collateralised Interbank Market (MIC).

Derivatives held for trading

Almost all derivatives recognised as assets and liabilities held for trading as at 30 June 2014 were tied to interest rate and currency contracts, traded with Corporate customers of the Parent Company through 2009, to provide these customers with tools for hedging risks associated with business operations, such as fluctuations in interest rates and exchange rates. At the same time, the Bank closed individual positions with leading financial institutions.
Write-downs on impaired positions total € 6.3 million, while the credit value adjustment on the performing positions totals approximately € 1.3 million. This component, remaining at insignificant levels, does not affect the current classification of the fair value of the derivatives portfolio as belonging to Level 2, in that the value is substantially determined based on valuation models using observable inputs in active markets.

Hedging derivatives

As at 30 June 2014, there was only one outstanding derivative transaction as a hedge on the interest rate risk of a bond issue.

DEFERRED TAX ASSETS

The balance for this item, equivalent to € 250.8 million, decreased € 37.9 million from 31 December 2013. This is largely due to the conversion of deferred tax assets into tax credits pursuant to Law no. 214/2011. The assets were recognised as at 31 December 2013 in association with loan impairments deductible over 5 years (over 18 years until 31 December 2012).

EQUITY

As at 30 June 2014, share capital and reserves – inclusive of the loss for the period – amounted to € 570.9 million, an increase of € 0.6 million (+0.1%) with respect to the same figure recorded at the end of 2013.

The principal changes relate to:

- positively, valuation reserves, with a balance of € 14.3 million, in relation to the adjustment of the fair value on available-for-sale financial instruments and actuarial changes for the severance indemnity for the period;
- negatively, the loss for the period, equal to € 13.7 million.

FINANCIAL RESULTS FOR THE FIRST HALF OF 2014

During the first half of 2014, the international macroeconomic scenario, albeit showing slight signs of recovery arising from global trade and industrial production, still showed signs of uncertainty involving both emerging countries (so-called "BRICs") whose GDPs, though still high, are declining, and the USA, where the recovery continues at a much slower pace than anticipated. The Euro zone presented conflicting data, with the GDP improving during the first quarter of 2014 and indications of a recovery in industrial production, but with confidence levels that were slightly lower.

In Italy, the GDP trend returned to negative levels in the first half of 2014, and continues to cause a contraction in consumption and investments that is reflected in a persistent reduction in bank loans to households and businesses, while existing loans show increased deterioration in quality, with the gross non-performing loans at € 168 billion, a sharp increase from the previous year (*Source: ABI Monthly Outlook)*.

Within this framework of economic instability, GE Capital Interbanca Banking Group has continued to restructure and rebuild the business, confirming its competitive position in the market, as evidenced by total disbursements during the first half of the year that increased 33.4% compared to the previous year, proof that the Group's commercial activities are continuing to recover. Specifically, the Factoring company posted a 66.7% increase in volumes in the first six months of the year.

GE Capital Interbanca Banking Group's income statement, although showing a loss of € 13.7 million, improved significantly compared to the considerable loss in the same period of the previous year (-€ 61.1 million).

There were several factors, mainly positive, that caused this improvement: the primary factor is the significant reduction in loan impairments, down more than € 71 million compared to 30 June 2013, particularly associated with the Bank's lending portfolio; secondary in amount but not in importance was the decline in operating costs of 4.5% despite the existence of extraordinary charges. Conversely, net interest and banking income was down 11.6%, affected by higher funding costs resulting from the restructuring of the entire intercompany debt of the Parent Company GE Capital Interbanca, which, however, now has a more solid structure, with an extension of the duration to 10 years for new funding lines.

RESTATED INCOME STATEMENT

Item	30.06.2014	30.06.2013	Chg 14/13	Chg % 14/13
Net interest margin	**36,795**	**44,171**	**(7,376)**	**-16.7%**
Net fee and commission income	**4,769**	**5,490**	**(721)**	**-13.1%**
Dividends	10	3	7	233.3%
Profits (Losses) on trading	(936)	(2,307)	1,371	-59.4%
Net result of hedge accounting	(29)	(86)	57	-66.3%
Gains on disposal of Corporate Finance assets	-	4	(4)	n.a.
Gains on disposal of financial liabilities	1,203	-	1,203	n.a.
Net interest and other banking income	**41,812**	**47,275**	**(5,463)**	**-11.6%**
Net impairment losses/recoveries on loans, financial assets and guarantees provided	(9,424)	(80,921)	71,497	-88.4%
Operating income	**32,388**	**(33,646)**	**66,034**	**-196.3%**
Personnel expenses	(27,458)	(30,272)	2,814	-9.3%
Other administrative expenses	(28,133)	(23,554)	(4,579)	19.4%
Net provisions for risks and charges	(127)	1,078	(1,205)	n.a.
Net adjustments to tangible/intangible assets	(19,283)	(19,694)	411	-2.1%
Other operating expense/income	29,517	24,803	4,714	19.0%
Operating expenses	**(45,484)**	**(47,639)**	**2,155**	**-4.5%**
Pre-tax profit (loss)	**(13,096)**	**(81,285)**	**68,189**	**-83.9%**
Income tax	(647)	20,156	(20,803)	-103.2%
Profit (loss) for the period	**(13,743)**	**(61,129)**	**47,386**	**-77.5%**

Net interest margin

The net contribution of the interest margin amounted to € 36.8 million, a decrease from € 44.2 million achieved at the end of the first half of 2013.
The negative variation in mainly due to the higher funding cost as a result of the restructuring of all of the Bank's financing lines with GE Capital Group, together with a drop in assets.

Net fee and commission income

Net fee and commission income amounted to € 4.8 million, down 13.1% over the figure for the first half of 2013.
This decrease is mainly due to lower restructuring and settlement commissions, consistent with fewer requests for rescheduling and/or restructuring in the Bank's loan portfolio.

Dividends

Dividends collected during the first half of 2014 of € 10 thousand are fully attributable to the equity investment in S.I.A. S.p.A.

Profits (losses) on trading

Trading consists of derivative transactions carried out for Corporate customers until 2009, in order to provide them with hedges for business operating risks, while the Bank carried out a counter-transaction with leading financial institutions.
The period result revealed a negative balance of € 0.9 million, down 59% with respect to the figure achieved as at 30 June 2013 and amounting to a loss of € 2.3 million; in particular, this figure was affected by lower analytic write-downs of impaired positions.

Net result of hedge accounting

This income statement item, showing a marginal loss of € 29 thousand, reflects changes in fair value of hedging derivatives and the underlying assets and liabilities; moreover, it reflects the effects from the buyback and retirement of our own fully hedged bonds (item 100 d) as well as the early closing of the derivatives linked to them.

Gains on disposal of financial liabilities

The positive result for the first half, equivalent to € 1.2 million, is due solely to the gains recognised from the early settlement of the financing lines with GE Capital Group.

Net impairments, charge-offs and reversals of loans, financial assets and guarantees provided

Net impairments, charge-offs / reversals

Analysis of the performance of net impairments on loans shows a negative balance of € 9.4 million, with a positive variation of more than € 71 million, specifically linked to the Bank's lending portfolio which, for the first time since 2008 when the financial crisis began, showed recoveries higher than impairments.

Net impairments / reversals of available-for-sale financial assets

Valuation activities for available-for-sale financial assets, which essentially reflect equity interests and related convertible loans for the Corporate Finance department, did not show significant variations in the first half of 2014 with an impact on the income statement.

Operating expenses

Personnel expenses

This item shows a decline of € 2.8 million from the first half of 2013 (-9.3%), related to the decrease in average number of employees for € 1.1 million, affecting both the fixed and variable salary components and the charges incurred in the first half of 2013 for departure incentives for € 1.7 million, of which € 0.6 million for adjustments to the 2009 redundancy programme, for extension of the inclusion in the Banking Sector Solidarity Fund.

Other administrative expenses

Other administrative expenses

In thousands of Euros	30.06.2014	30.06.2013	Chg %
Costs for services from Group companies	(11,288)	(9,518)	18.6
External consulting and professional services	(6,604)	(2,883)	129.1
Leasing of equipment and software	(1,979)	(2,603)	(24.0)
Outsourcing	(2,025)	(2,207)	(8.2)
Indirect taxes paid	(1,260)	(1,606)	(21.5)
Rental and office expenses	(1,740)	(1,527)	13.9
Maintenance expenses	(324)	(807)	(59.9)
Information expenses	(496)	(660)	(24.8)
Postage and telephone expenses	(966)	(584)	65.4
Advertising and other promotional expenses	(187)	(142)	31.7
Other costs	(1,264)	(1,017)	24.3
Total	**(28,133)**	**(23,554)**	**19.4**

Other administrative expenses increased 19.4% compared to the first half of the previous year. This increase was primarily related to consultancy fees, equivalent to € 2.5 million, for developing a feasibility study for the Parent Company regarding the actions necessary to upgrade the technology infrastructure to meet business needs.

In addition, there was an increase in costs for services from General Electric Group companies due, in part, to activities previously outsourced to third party companies and, in part, to a different allocation of costs on local platforms.

Net provisions for risks and charges

The negative balance for this item, equivalent to just € 0.1 million, shows that the negative trend seen through 31 December 2013 did not continue for positions existing at that time. The change of € 1.2 million from the same period in the prior year reflects the releases for surpluses on transactions concluded in the first half of 2013.

Amortisation, depreciation and property disposals

The total of income statement items 180, 190 and 250 for amortisation, depreciation and property disposals, equivalent to € 19.3 million, is down 2.1% from 30 June 2013, mainly related to assets associated with the long-term rental of automobiles and machinery.

Other operating expense/income

This item shows an increase of € 4.7 million compared to 30 June 2013, mainly due to the higher contribution from invoicing of rental fees for fleet vehicles and other rental assets for € 1.8 million, as well as charges incurred in the first half of 2013 for € 2.9 million following the settlement of tax disputes with the Revenue Agency.

Income tax and net profit (loss) for the period

The pre-tax loss amounts to € 13.1 million and was heavily influenced by higher structural costs compared to the revenue generated by ordinary activities.
Income tax, negative for € 0.6 million, is directly related to the prudent decision to not recognise deferred tax assets defined according to assumptions other than those in the governing regulations that result in the transformation to tax credits.
Therefore, net of income taxes, the loss for the period amounts to € 13.7 million, a marked improvement compared to the result of the same period of the previous financial year that showed a loss of € 61.1 million, caused by the positive trend in loan write-downs.

ADDITIONAL INFORMATION

HUMAN RESOURCES

Breakdown of Personnel

The employees of the companies belonging to the scope of consolidation amount in total to 629, including 56 with part-time contracts, compared to 621 employees present as at 31 December 2013.

Collective dismissal procedure set forth in Italian Law 223/91

The collective dismissal procedure, initiated 5 April 2013 for GE Capital Services S.r.l, was completed on 30 June 2014 after the last employees identified as redundant in March 2014 left the company, as provided for in the agreement signed with the trade unions on 18 June 2013 at the Ministry of Labour.

In implementing this agreement, 17 employees were reassigned to other Group companies, 27 employees were declared redundant, and 1 employee will conclude his/her employment relationship with the company at the end of the effective period for Law no. 104/92.

CORPORATE GOVERNANCE

The overall corporate governance framework of the Bank and all of the GE Capital Interbanca Banking Group companies, intended as the system of rules and procedures to which corporate bodies refer to guide their behaviour and fulfil their responsibilities, was defined in consideration of governing legislation as well as regulations prescribed by Bank of Italy.

The Parent Company Bank and all of the companies in the GE Capital Interbanca Banking Group use the “traditional” model that, in applying the principle of organisational independence and proportionality, the Parent Company Bank deems the most suitable model to ensure management independence, operating efficiency and effectiveness of controls to achieve sound and prudent management, allowing a clear distinction of roles and responsibilities, an appropriate division of powers and balanced composition of bodies.

Modifications to the current internal corporate governance rules are currently being defined to reflect recent regulations issued by the supervisory authority.

MANAGEMENT AND COORDINATION ACTIVITIES

As at 30 June 2014, GE Capital Interbanca S.p.A. performs management and coordination activities for the companies of the GE Capital Interbanca Banking Group, in accordance with Article 2497 et sequitur of the Italian Civil Code. In performing these activities, GE Capital Interbanca S.p.A., as Parent Company of the GE Capital Interbanca Banking Group, issues directives to Group companies for

carrying out instructions issued by Bank of Italy to maintain the Banking Group stability in accordance with art. 61 of Italian Legislative Decree no. 385/93.

As Parent Company, the Bank decided not to have an ad-hoc department for the management and coordination of the GE Capital Interbanca Banking Group and for the management of equity investments in the companies belonging to the Group. This choice was justified by the GE Capital Interbanca Banking Group's size and the current level of organisational complexity.

However, it was deemed necessary to equip the Parent Company and the GE Capital Interbanca Banking Group with a management and control structure based on two pillars: the senior management of the Parent Company and the GE Capital Interbanca Banking Group companies and an internal set of rules.

The General Meeting of Shareholders of the Parent Company Bank resolved on 31 January 2012 to approve the Articles of Association that define GE Capital Corporation as the company performing activities of management and coordination for GE Capital Interbanca S.p.A., pursuant to art. 2497-bis of the Italian Civil Code.

RELATIONS WITH SUPERVISORY BODIES

The GE Capital Interbanca Banking Group fulfils reporting requirements with Bank of Italy (and other supervisory authorities) according to the imposed methodologies and timing.

Specifically, note that, in the first the first half of 2014, there were new supervisory regulations for reporting on internal audit systems, information systems and operational continuity, as set out in Bank of Italy Circular no. 263/2006 and subsequent amendments.

Following the Supervisory Review and Evaluation Process (SREP) conducted in 2013, Bank of Italy, in reviewing the capital objectives for leading intermediaries in the banking system, requested GE Capital Interbanca S.p.A. (in Protocol no. 144784/14 of 10 February 2014), as Parent Company, to maintain a consolidated Common Equity Tier 1 ratio greater than 9.5% and a consolidated Total Capital ratio of at least 11.5%. The Parent Company Bank's Board of Directors and Board of Statutory Auditors were informed of this request by the competent internal departments during the Parent Company Bank's Board of Directors meeting held on 27 February 2014.

During the first half of 2014, the Parent Company Bank also periodically informed Bank of Italy regarding the process, currently underway, of strengthening the Bank's Common Equity Tier 1 ratio.

RELATIONS WITH THE REVENUE AGENCY

Note that tax assessment notices and notifications of penalties were received by GE Capital Servizi Finanziari S.p.A and GE Capital Services S.r.l, related to the claim that the companies had not properly applied withholding taxes on interest expense paid to the Hungarian lender for funding provided during the 2007 and 2008 tax years.

In reference to said withholding taxes, the Group companies, including the Parent Company, responded to specific questionnaires from the Revenue Agency regarding interest paid in 2009. Subsequently, on 16 May 2014, GE Capital Services S.r.l. received a tax assessment notice and notification of penalty for the 2009 tax year. The only hearing that had been set so far in relation to the 2007 tax year for GE Capital Servizi Finanziari S.p.A. was rescheduled on petition by both parties.

Furthermore, note that GE Capital Servizi Finanziari S.p.A. is involved in a dispute for the 2004-2008 period in relation to loan impairments/losses and pro-rated VAT. The company has filed petitions against all of the tax assessment notices with the appropriate levels of jurisdiction. At present, the dispute regarding the non-deductibility of the loan write-downs for 2005 was definitively resolved with the ruling in the Bank's favour, while a positive ruling was issued by the Provincial Tax Commission for 2007. As regards the 2004 tax year, the positive ruling in the first instance was overturned in the second instance and an appeal is underway with the Court of Cassation. The hearing set for the 2008 tax year was postponed until December 2014. With regard to the dispute involving the pro-rated VAT, the Bank will appeal the negative ruling issued in the first instance for the 2007 tax year, for which external tax consultants agree that the Bank has a strong case.

At the time these consolidated financial statements were being drafted, the aforementioned companies, confident that the findings in the tax assessment notices were baseless, submitted, within the timing prescribed by law, tax settlement proposals, appeals and statements in their defence in relation to the penalties applied, and paid one-third of the tax amount pending the resolution of the dispute, amounting to € 14.3 million. This amount was recognised in the financial statements under "Other assets".

Finally, note that on 10 March 2014, the Revenue Agency – Milan Office of Major Taxpayers - initiated a tax audit at GE Capital Interbanca S.p.A.

The audit covers direct taxes (IRES, IRAP), VAT and required substitute taxes for the 2010 and 2011 tax years. On 4 June 2014, the audit was extended to the 2009 tax year, solely with regard to the correct application of withholding taxes on intercompany interest expense.

The findings report, issued 31 July 2014, claimed that withholding taxes had not been applied on interest expense paid in the 2009, 2010 and 2011 tax years to GE Holding Hungary, GE Infrastucture and GE Hungary KFT for loans disbursed to the Bank.

Moreover, note that, upon receiving that tax assessment notice for the respective tax years, GE Capital Interbanca S.p.A. will take all appropriate and necessary actions to challenge and refute, at the pertinent judicial level, the claims and any allegations by the financial administration in terms of

both higher withholdings as well as penalties and interest, as has already been undertaken for the other companies mentioned above.

TAX CONSOLIDATION

The current scope of the National Tax Consolidation Scheme includes GE Capital Interbanca S.p.A. (as consolidating company), together with GE Capital Servizi Finanziari S.p.A., GE Capital Finance S.r.l., GE SPV S.r.l. and GE Capital Services S.r.l. (as consolidated companies).

Consistent with adopted General Electric Group practices, the consolidation agreements in effect within the Italian tax group envisage that any tax losses brought into the tax consolidation by individual companies are not reimbursed to said companies. In addition, the agreements envisage that taxes on any taxable income due from individual entities making up the tax group are reimbursed only if, and to the extent that, they are effectively paid to tax authorities by the consolidating body, on the basis of the results of the Group's tax consolidation.

SHAREHOLDERS AND SHARES

As at 22 December 2009, GE Capital Corporation became the shareholder of GE Capital Interbanca S.p.A., with a 99.99% shareholding.
On 24 April 2014, GE Capital Corporation transferred to the subsidiary GE Capital Global Financial Holding Inc. 5% of its investment in GE Capital Interbanca S.p.A, which represents approximately 4.99% of the total share capital of the latter.
As a result, as at 30 June 2014, the primary shareholders of GE Capital Interbanca S.p.A. are:

- GE Capital Corporation, with registered office in the United States of America, wholly owned by General Electric Company;
- GE Capital Global Financial Holdings Inc., with registered office in the United States of America, a subsidiary of GE Capital Corporation; the financial data of GE Capital Global Financial Holdings Inc. is included in the consolidated financial statements of GE Capital Corporation.

Since 2011, GE Capital Corporation and GE Capital Global Financial Holding Inc. are subject to supervision by the Federal Reserve.

Note that on 16 April 2014, the Board of Directors of GE Capital Interbanca S.p.A. resolved to restructure the intercompany debt of the Parent Company Bank, as previously indicated, as well as to recapitalise the company through the injection of capital (to be included in the Bank's Common Equity Tier 1) equivalent to € 550 million from the controlling shareholder GE Capital Corporation Inc., or a subsidiary of the latter.

RECONCILIATION STATEMENT BETWEEN EQUITY AND PROFIT/LOSS FOR THE PERIOD INDICATED IN THE HALF-YEAR REPORT OF GE CAPITAL INTERBANCA S.P.A. AND THOSE INDICATED IN THE CONSOLIDATED HALF-YEAR REPORT AS AT 30 JUNE 2014

	Equity (*)	of which: Profit (Loss) for the Year
Balance as at 30 June 2014 as per the Parent Company Financial Statements	548,188	(11,069)
Profit (Loss) for the year from consolidated subsidiaries	(2,661)	(2,661)
Differences in equity of consolidated subsidiaries with the consolidation method and their book value, excluding minority interests	25,432	-
Positive consolidation differences	-	-
Elisions of intra-group dividends	-	-
Other consolidation adjustments	(13)	(13)
Total consolidated equity	**570,946**	**(13,743)**

(*) Consisting of: share capital, share premium, reserves, revaluation reserves, profit/(loss) for the year

Transactions with GE Group companies not consolidated by GE Capital Interbanca S.p.A.

In thousands of Euros	30.06.2014	
	GE Capital Interbanca Consolidated Financial Statements	GE Group
ASSETS		
LOANS TO CUSTOMERS	3,568,503	2,085
OTHER ASSETS	117,050	370
TOTAL ASSETS	**3,685,553**	**2,455**
LIABILITIES		
DUE TO CUSTOMERS	3,551,895	3,415,346
OTHER LIABILITIES	130,400	3,220
TOTAL LIABILITIES	**3,682,295**	**3,418,566**
INCOME STATEMENT		
INTEREST INCOME AND SIMILAR REVENUES	70,112	24
INTEREST EXPENSE AND SIMILAR CHARGES	(33,317)	(26,461)
FEE AND COMMISSION INCOME	8,189	1,127
FEE AND COMMISSION EXPENSE	(3,420)	(328)
ADMINISTRATIVE EXPENSES	(55,591)	(13,536)
OTHER EXPENSE/INCOME	63,804	182
TOTAL REVENUES	**142,105**	**1,333**
TOTAL COSTS	**(92,328)**	**(40,325)**

The item "Due to customers" primarily consists of:

- loans from financial companies of the GE Capital Group, for a total of € 3,148 million as at 30 June 2014, at market conditions;
- a subordinated loan held by GE Capital Global Financial Holding Inc., for a total of € 200 million as at 30 June 2014, at market conditions.

Administrative expenses mainly refer to expenses for services rendered by other Group companies as part of the Master Service Agreement, invoiced on the basis of an analytic cost allocation model. The balance also includes royalties for the use of the General Electric name and brand, as part of the standard contractual agreement applicable within the General Electric Group.

Intercompany transactions with General Electric Group companies are carried out at arm's length.

EVENTS AFTER THE REPORTING DATE AND OUTLOOK FOR THE YEAR IN PROGRESS

Not applicable.

Business outlook

In the coming months, global market conditions indicate a situation of relative uncertainty and stagnation for businesses in Europe, and to a larger degree, Italy.

This situation will continue to have a negative impact on both consumption and investments in the country during the second half of 2014.

To counteract these trends, the ECB is ready to launch the new LTRO (Long Term Refinancing Operations) programme that will inject liquidity into the banking system and facilitate access to credit for businesses at a lower cost.

Italian banks have already requested € 52 billion in new loans from the ECB, which they will be required to disburse to businesses.

If, on one hand, this new low-cost liquidity will likely bring about a contraction in margins, on the other, it is hoped that it will generate a virtuous increase in credit demand from companies, with a return in confidence for new investments.

Within this context, GE Capital Interbanca Banking Group will operate in a scenario of profitable growth and a stable competitive recovery in its activities.

ABRIDGED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS

CONSOLIDATED BALANCE SHEET (in thousands of Euros)

	Assets	30.06.2014		31.12.2013	
10.	Cash and cash equivalents		2		2
20.	Financial assets held for trading		56,176		50,010
40.	Financial assets available for sale		130,359		115,228
60.	Due from banks		214,775		236,839
70.	Loans to customers		3,568,503		3,658,308
80.	Hedging derivatives		279		494
100.	Equity investments		754		754
120.	Tangible assets		177,543		178,986
130.	Intangible assets		3,040		3,564
	- of which goodwill	-		-	
140.	Tax assets		340,828		348,773
	a) current	89,976		60,098	
	b) deferred	250,852		288,675	
	- of which as per Law no. 214/2011	*212,662*		*250,437*	
160.	Other assets		117,050		92,311
	Total assets		**4,609,309**		**4,685,269**

CONSOLIDATED BALANCE SHEET (in thousands of Euros)

	Liabilities and Equity	30.06.2014		31.12.2013	
10.	Due to banks		9,379		11,957
20.	Due to customers		3,551,895		3,629,261
30.	Securities issued		210,686		219,705
40.	Financial liabilities held for trading		58,458		53,668
80.	Tax liabilities		31,310		27,529
	a) current	7,189		3,734	
	b) deferred	24,121		23,795	
100.	Other liabilities		130,400		119,903
110.	Severance indemnity fund		7,661		7,408
120.	Allowances for risks and charges:		38,574		45,542
	a) staff retirement funds and similar liabilities	-		-	
	b) other allowances	38,574		45,542	
140.	Valuation reserves		57,844		43,451
170.	Reserves		(44,638)		74,339
180.	Share premium reserve		354,148		354,148
190.	Share capital		217,335		217,335
220.	Net profit (loss) for the year (+/-)		(13,743)		(118,977)
	Total Liabilities and Equity		**4,609,309**		**4,685,269**

CONSOLIDATED INCOME STATEMENT (in thousands of Euros)

	Item	30.06.2014	30.06.2013
10.	Interest income and similar revenues	70,112	69,733
20.	Interest expense and similar charges	(33,317)	(25,562)
30.	**Net interest margin**	**36,795**	**44,171**
40.	Fee and commission income	8,189	8,829
50.	Fee and commission expense	(3,420)	(3,334)
60.	**Net fee and commission income**	**4,769**	**5,495**
70.	Dividends and similar revenues	10	3
80.	Profits (losses) on trading	(936)	(2,307)
90.	Net result of hedge accounting	(29)	(86)
100.	Profits (Losses) on disposal or repurchase of:	1,203	4
	a) loans	-	-
	b) financial assets available for sale	-	4
	c) financial assets held to maturity	-	-
	d) financial liabilities	1,203	-
120.	**Net interest and other banking income**	**41,812**	**47,280**
130.	Net impairment losses and reversals of (impairment on):	(9,424)	(80,921)
	a) loans	(9,372)	(80,640)
	b) financial assets available for sale	(8)	(821)
	c) financial assets held to maturity	-	-
	d) other financial assets	(44)	540
140.	**Operating income**	**32,388**	**(33,641)**
180.	Administrative expenses:	(55,591)	(53,826)
	a) personnel expenses	(27,458)	(30,272)
	b) other administrative expenses	(28,133)	(23,554)
190.	Net provisions for risks and charges	(127)	1,078
200.	Net adjustments to/recoveries on tangible assets	(18,659)	(19,192)
210.	Net adjustments to/recoveries on intangible assets	(640)	(522)
220.	Other operating expense/income	29,517	24,798
230.	**Operating costs**	**(45,500)**	**(47,664)**
270.	Profits (Losses) on disposal of investments	16	20
280.	**Profit (Loss) before tax from continuing operations**	**(13,096)**	**(81,285)**
290.	Taxes on income from continuing operations	(647)	20,156
300.	**Profit (Loss) after tax from continuing operations**	**(13,743)**	**(61,129)**
320.	**Net profit (loss) for the year**	**(13,743)**	**(61,129)**
340.	**Parent Company's net profit (loss)**	**(13,743)**	**(61,129)**

STATEMENT OF COMPREHENSIVE INCOME

	Item	30.06.2014	30.06.2013
10.	**Profit (Loss) for the year**	**(13,743)**	**(61,129)**
	Other income components net of taxes not reversed in the income statement	**(162)**	**95**
40.	Defined benefit plans	(162)	95
	Other income components net of taxes reversed in the income statement	**14,555**	**2,958**
90.	Cash flow hedges	-	40
100.	Financial assets available for sale	14,555	2,918
130.	**Total other income components net of taxes**	**14,393**	**3,053**
140.	**Comprehensive income (items 10 + 130)**	**650**	**(58,076)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2013)

	Balances as at 31.12.2012	Changes in opening balances	Balances as at 1.1.2013	Allocation of prior year's result		Changes in the year								Equity as at 30.06.2013
							Movements in equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	2013 comprehensive income	
Share capital:	**217,335**	**-**	**217,335**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**217,335**
a) ordinary shares	217,335	-	217,335	-	-	-	-	-	-	-	-	-	-	217,335
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**354,148**	**-**	**354,148**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**354,148**
Reserves:	**243,047**	**-**	**243,047**	**(168,707)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,340**
a) retained earnings	168,155	-	168,155	(168,707)	-		-	-	-	-	-			(552)
b) other	74,892	-	74,892	-	-	-	-	-	-	-	-	-	-	74,892
Valuation reserves: (*)	**39,133**	**-**	**39,133**										**3,053**	**42,186**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**(168,707)**	**-**	**(168,707)**	**168,707**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(61,129)**	**(61,129)**
Equity	**684,956**	**-**	**684,956**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(58,076)**	**626,880**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2014)

	Balances as at 31.12.2013	Changes in opening balances	Balances as at 1.1.2014	Allocation of prior year's result		Changes in the year								Equity as at 30.06.2014
							Movements in equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	2014 comprehensive income	
Share capital:	**217,335**	**-**	**217,335**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**217,335**
a) ordinary shares	217,335	-	217,335	-	-	-	-	-	-	-	-	-	-	217,335
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**354,148**	**-**	**354,148**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**354,148**
Reserves:	**74,339**	**-**	**74,339**	**(118,977)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(44,638)**
a) retained earnings	-	-	-		-	-	-	-	-	-	-		-	-
b) other	74,339	-	74,339	(118,977)	-	-	-	-	-	-	-	-	-	(44,638)
Valuation reserves: (*)	**43,451**	**-**	**43,451**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,393**	**57,844**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**(118,977)**	**-**	**(118,977)**	**118,977**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,743)**	**(13,743)**
Equity	**570,296**	**-**	**570,296**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**650**	**570,946**

CONSOLIDATED CASH FLOW STATEMENT (Direct method, in thousands of Euros)

OPERATING ACTIVITIES	30.06.2014	30.06.2013
1. MANAGEMENT	**50,500**	**32,249**
Interest received	70,175	68,598
Interest paid	(23,680)	(8,476)
Dividends and similar revenues		
Net fee and commission income	4,769	5,495
Personnel expenses	(27,458)	(30,272)
Other costs	(3,100)	(1,242)
Other revenue	29,794	(1,853)
Taxes paid	-	-
Costs/Revenue for assets held for sale net of tax effect		
2. CASH FLOWS FROM REDUCTIONS IN FINANCIAL ASSETS	**63,874**	**325,983**
Financial assets held for trading	(6,195)	23,925
Financial assets designated at fair value through profit and loss	-	-
Financial assets available for sale	(15,139)	(2,916)
Due from banks	22,071	111,989
Loans to customers	80,363	167,559
Other assets	(17,226)	25,426
4. CASH FLOWS FROM INCREASES IN FINANCIAL LIABILITIES	**(97,058)**	**(337,019)**
Due to banks	(2,579)	(3,152)
Due to customers	(88,409)	(203,263)
Securities issued	(7,612)	(25,824)
Financial liabilities held for trading	4,790	(19,531)
Financial liabilities designated at fair value through profit and loss	-	(103)
Other liabilities	(3,248)	(85,146)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	**17,316**	**21,214**

INVESTING ACTIVITIES	30.06.2014	30.06.2013
1. CASH FLOW FROM	**16**	**1,520**
Sale of equity investments		
Dividends received		1,500
Sale/Repayment of financial assets held to maturity		
Sale of tangible assets	16	20
Sale of intangible assets		
Sale of business units		
2. CASH FLOW USED IN	**17,332**	**22,735**
Acquisition of equity investments	-	0
Acquisition of financial assets held to maturity		
Acquisition of tangible assets	17,216	22,185
Acquisition of intangible assets	116	550
Acquisition of business units		
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	**(17,316)**	**(21,215)**
FINANCING ACTIVITIES		
1. CASH FLOW FROM	-	-
Proceeds from the issue of share capital / repurchase of treasury shares		
Proceeds from the issue of equity instruments / repurchase of equity instruments		
Dividends paid	-	-
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**-**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**-**	**(1)**

RECONCILIATION	30.06.2014	30.06.2013
Cash and cash equivalents at beginning of the year	2	1
Total increase/(decrease) in cash and cash equivalents during the year	-	(1)
Cash and cash equivalents at end of the year	2	-

EXPLANATORY NOTES

ACCOUNTING POLICIES

BASES FOR PREPARATION, PRESENTATION AND VALUATION

In preparing the Consolidated Half-Year Financial Report, the same accounting principles for the preparation of the financial statements as at 31 December 2013 were applied.
The consolidated financial statements were prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to Regulation No. 1606/2002. These abridged consolidated half-year financial statements were prepared in summary form in accordance with IAS 34 "Interim Financial Reporting".
Therefore, these abridged half-year financial statements do not include all the information required for the annual financial statements and must be read together with the annual financial statements prepared for the year ending on 31 December 2013.

In compliance with IAS 34, the report consists of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and all information needed to understand the business and equity situation and the results for the period. It is also accompanied by the Directors' Report.
Unless otherwise stated, the half-year report has been prepared in thousands of Euros and is based on the following overall considerations set by IAS 1.

- Going concern. Assets, liabilities, and off-balance sheet transactions are valued assuming the entity's ability to continue as a going concern.
- Accrual basis of accounting. Costs and revenues are accrued and are recognised when they satisfy the definitions and recognition criteria.
- Consistency of presentation. The presentation and classification of items in the financial statements are retained from one period to the next unless a change is justified by a requirement of a new international accounting standard (IAS/IFRS) or an interpretation (SIC) or where it is deemed necessary to increase the relevance and reliability of the accounting presentation. In the event of change, the new criteria will be adopted retrospectively – as far as possible – providing details of the nature, reason and amount of the affected items. The presentation and classification of the items comply with the regulations prescribed by the Bank of Italy with regard to banks' financial statements.
- Materiality and aggregation. In accordance with the regulations prescribed by the Bank of Italy for banks' financial statements, each material class of similar items is presented separately. Dissimilar items, instead, are aggregated unless they are material.
- Offsetting is not allowed. The Group's assets and liabilities, income and expenses are not offset unless required or permitted by an international accounting standard (IAS/IFRS), an interpretation (SIC) or the regulations prescribed by the Bank of Italy.
- Comparative figures. Comparative data for the previous year is provided with regard to all the information provided in these financial statements – also qualitative information where deemed useful for a better understanding of the Group's situation – unless otherwise required and permitted by an international accounting standard or a related interpretation.

Notes on the Principal Accounting Items

Financial assets held for trading

Classification criteria

This category includes debt and equity securities and the positive fair value of derivative contracts, held with the intention of generating short-term profits from price changes in said instruments. Derivative contracts include those embedded in combined financial instruments that are separately recognised where:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative;
- the (combined) hybrid instrument is not recorded among financial assets and liabilities held for trading.

An embedded derivative financial instrument is the component of a (combined) hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a manner similar to those of the stand-alone derivative.

Initial recognition and subsequent derecognition criteria

Financial assets such as debt and equity securities are initially recognised on the settlement date whereas derivative contracts are recognised on the subscription date.
Financial assets held for trading are initially recognised at cost, deemed as the fair value of the instrument, without considering any transaction costs or revenues directly attributable to the instrument.
The embedded derivative in the structured instruments not closely related to the host contract and that meets the definition of a derivative instrument is recorded separately from the host contract and measured at fair value whereas the host contract is accounted for in accordance with the requirements of the relevant IFRS.
Financial assets are derecognised when the contractual rights to the cash flows from those financial assets expire or when the financial assets are sold, transferring substantially all the risks and benefits of ownership.

Measurement criteria

After initial recognition, financial assets held for trading are recorded at fair value.
Fair value is determined by reference to the prices recorded in active markets, prices provided by market operators or internal valuation models commonly used by market participants, which take into account all risk factors related to the instruments and are based on observable market data.
Specifically, the instruments included in this item are unlisted derivative instruments that are valued using generally accepted valuation models populated on the basis of market parameters. Counterparty risk related to existing derivatives with corporate counterparties was estimated using the PD and LGD parameters on which the model for collective loan impairment was based.

Financial assets available for sale

Classification criteria

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as Loans and receivables, Assets held for trading or Assets held to maturity.
In particular, this category includes all securities that act as liquidity reserves for the Bank, securities relating to investments in guarantee and placement syndicates, convertible notes held by the Bank as part of its equity investment activities, shareholdings held by the Group, excluded from the trading book and that cannot be classified as interests in subsidiaries, associates, or joint ventures, including private equity investments as well as shares of subscribed syndicated loans that are originally designated as available for sale.

Initial recognition and subsequent derecognition criteria

Initial recognition of financial assets under this category occurs on the settlement date for debt securities and equity instruments and on the disbursement date for loans.
Financial assets are initially recognised at cost, deemed as the fair value of the instrument, inclusive of any transaction cost or revenue directly attributable to the instrument.
Financial assets are derecognised when the contractual rights to the cash flows from those financial assets expire or when the financial assets are sold, essentially transferring all the risks and benefits of ownership related to them.

Measurement criteria

Subsequent to initial recognition, financial assets available for sale are measured at fair value, the interest (as per application of amortised cost) is recognised in the income statement whereas any gain and loss arising from changes in fair value is recorded in a specific Equity reserve until the financial asset is derecognised or an impairment loss is recorded. When the financial assets are sold or become impaired, the cumulative gain or loss is transferred to the income statement. Capital instruments for which fair value cannot be reliably measured according to the above guidelines are stated at cost.
The fair value of debt instruments included in this category is calculated based on market prices for listed instruments, or, for unlisted instruments, based on the discounted contractual cash flows using interest rates representing the credit risk of the security being valued, derived from the market.
The fair value of equity instruments included in this category is calculated, for listed instruments, based on market prices, or, for unlisted instruments, based on commonly used valuation models with parameters taken from the market.
At each balance sheet date or interim report date, the financial assets included in this portfolio are assessed for indication of impairment. In the event of impairment, the loss is recognised in the income statement as the difference between the value on initial recognition and the fair value on the reference date.

The impairment indicators on equity instruments can be divided into two categories:

- internal factors inherent to the company in question, and therefore, qualitative;
- external factors resulting from the business market value (only for listed equity instruments), and therefore quantitative.

The qualitative indicators include the following factors deemed significant: a significant variance from budget or forecast objectives as per long-term business plans, the announcement or initiation of restructuring plans or insolvency or bankruptcy proceedings.
Among the quantitative factors external to the company, the following are important indicators of potential issues for equity instruments: the listing of the security under the initial recognition value by more than 20% or for an on-going period of more than 9 months.

The presence of a listing more than 20% lower than the initial recognition value or for a continuous period of more than 9 months results in the recognition of impairment. In the other cases, the recognition of the loss in value must be corroborated also by the result of specific analysis relating to the security and the investment.
For debt instruments, objective evidence of impairment is ascribable to events following the initial recognition that negatively affect the estimate of future cash flows of the investment.
If, in a subsequent period, the reasons for impairment cease to exist following an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, the reversal being recognised in the income statement in the case of loans or debt securities or under equity in the case of equity instruments. The amount of the reversal cannot, in any case, exceed the amortised cost the instrument would have had in the absence of said adjustments.

Loans and receivables

Classification criteria

Loans and receivables represent loans to customers and amounts due from banks, both directly provided and acquired from third parties, with fixed or determinable payments, that are not listed on an active market and other than those that upon initial recognition are designated as available for sale.
They also include trade receivables – other than those associated with payment for goods and services provided, classified under "other assets" – repurchase agreements, receivables originating from finance lease transactions and securities acquired by subscription or private placement, with fixed or determinable payments, that are not listed in active markets. Loans and receivables acquired without recourse are included under loans and receivables only upon verification that no contractual clauses would significantly invalidate the transfer of all risks and benefits to the transferee company.

Initial recognition and subsequent derecognition criteria

Loans and receivables are initially recognised on the date they are disbursed or, in the case of debt securities, on the settlement date, on the basis of the fair value of the financial instrument, equal to the amount disbursed, or the subscription price, including any cost and revenue directly attributable to the loans and determinable from the inception of the transaction, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or classified as ordinary internal administrative expenses are excluded.
Where the net disbursement amount differs from the fair value of the asset, as a result of the application of a lower interest rate than the one prevailing on the market or the one commonly applied to loans with similar features, the loan is initially recognised for an amount equal to the present value of future cash flows using an appropriate discount rate. The difference between the fair value and the amount disbursed or the subscription price is booked directly to the income statement.
Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are generally treated as collateralised financing transactions (funding or investment transactions). In particular, spot sales and forward repurchases are recognised as payables for the spot amount received, while spot purchases and forward sales are recognised as receivables for the spot amount paid.
Any transferred loan is derecognised from financial statement assets only where the sale essentially transferred all the risks and benefits related to the loans. Where, instead, all the risks and benefits related to the loan have been retained, the latter continue to be recognised as assets in the financial statements even if legal ownership has effectively been transferred. If it is not possible to verify whether the risks and benefits have been essentially transferred, the loans are derecognised from the financial statements if no control whatsoever has been retained over them. On the contrary, where even partial control is retained, loans are maintained in the financial statements with respect to the residual involvement, at an amount determined by the exposure to the variability in the amounts of the loans transferred and the changes in the related cash flows. Finally, transferred loans are derecognised from the financial statements where the contractual rights to receive the related

cash flows are maintained assuming a contractual obligation to pay such cash flows and only such cash flows, to third parties.
Finance lease contracts are recognised based on the financial method established in IAS 17, which envisages that the lessor recognise the assets included in the finance lease as a receivable at a value equivalent to the net investment in the lease.
A lease is classified as a finance lease if essentially all of the risks and benefits from ownership of the asset is transferred.
According to IAS 17, lessors must include initial direct costs incurred during lease negotiations in the initial amount of the financing.
Initial direct costs to be charged as an increase in the net investment include only those costs, such as commission expenses, that are directly attributable to the finance lease transaction and are, most importantly, certain and immediately quantifiable at the moment in which the leasing receivable is recognised.

Measurement criteria

After initial recognition, loans are measured at *amortised cost*, using the *effective interest rate method*. Amortised cost is the amount at which loans are measured upon initial recognition plus or minus any principal repayment, write-down, write-back and amortisation – calculated using the effective interest rate method – of the difference between the initial amount disbursed and the amount repayable on maturity represented by any income or charge directly attributable to the individual loan. The effective interest rate is the rate that exactly discounts estimated future cash flows generated by the loan, in terms of both principal and interest, to the disbursed amount including any revenue and charge related to the loan itself. This measurement method, which follows a financial approach, allows the allocation of the economic effect of the costs or revenues through the expected residual life of the loan.
The estimated cash flows and contractual term of the loan take into account all the contractual clauses that may affect the amounts and maturity dates, without, however, considering any loss expected thereon. The effective interest rate initially recorded (original contract rate) is the rate that is used to discount the estimated cash flows and, as a result, it determines the amortised cost after initial recognition.
The amortised cost method is not used for short-term loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. These loans are valued at historical cost and income and charges related to them are recognised in the income statement on a straight-line basis over the contractual term of the loan. A similar valuation criterion is adopted for loans with unspecified maturity or repayable with notice period.

At every close of annual or interim financial statements, the loans are reassessed to identify those that, following events occurring after initial recognition, show objective evidence of possible impairment.
A loan is considered impaired when it is probable that all contractual principal and interest payments due in accordance with the terms of the original loan agreement or an equivalent amount will not be collected.
Non-performing, sub-standard, restructured loans, and loans past due by 90 days or more are all reviewed for impairment in accordance with the rules issued by the Bank of Italy, consistent with IAS provisions.
Non-performing loans are assessed individually, the adjustments made to the individual loans being equal to the difference between the carrying amount of the loan at the time of valuation (amortised cost) and the present value of the expected future cash flows, calculated using the original effective interest rate. The expected cash flows take into account the estimated recovery time, the estimated realisable value of any guarantee received as well as costs that may be sustained for the recovery of the exposure.
The original effective interest rate of each loan remains unchanged over time even where a restructuring may have given rise to a change in the contractual rate and even though the loan no longer bears contractual interest. The write-down is recognised in the income statement.

The write-downs are reversed and the amount of the loan restated to its original value if, in following years, the circumstances that had given rise to the write-down cease to exist, as long as the valuation can be objectively related to an event occurring after the impairment was recognised. The reversal is recognised in the income statement; however, it cannot exceed the amortised cost of the instrument if impairment loss had not occurred.
Restructuring transactions on impaired loans that include the partial or full conversion of the loans into equity of the borrowing company are assessed based on the fair value of the shares received in compensation of the loan, as provided for in IFRIC 19; the fair value of said shares are assessed by applying the same methodologies used for equity investments, based on their classification in the financial statements.
For other renegotiation transactions, with the exception of those defined as "restructuring" transactions, when the changes to contractual terms are substantial, Group companies derecognise the credit position and recognise a new financial asset.
Transactions that are considered "restructured" include credit positions with customers in financial difficulties for which the renegotiation resulted in a financial loss for the Group companies. In this case, the specific write-down is calculated based in the original interest rate.
Loans for which no individual objective evidence of impairment was assessed, that is, generally, performing loans, including loans to counterparties in countries at risk, are collectively evaluated for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics and the related loss percentages are estimated taking into account historical loss experience, based on observable data as of the measurement date that allow estimation of the intrinsic loss for each loan category. Impairment losses of collectively assessed loans are recognised in the income statement.
At each balance sheet date or interim report date, any additional write-down or write-back is separately calculated with reference to the entire performing loan portfolio at the same date.

Hedging transactions

Recognition criteria

Hedging transactions are aimed at offsetting potential losses arising on a specific item or group of items (hedged item) due to a specific risk, against the profits achieved on another instrument or group of instruments (hedging instrument) in the event that specific risk actually occurs.

IAS 39 recognises the following types of hedges:

- fair value hedge: its purpose is to hedge the exposure to changes in fair value of an asset or liability attributable to a particular risk;
- cash flow hedge: its purpose is to hedge the exposure to variability in future cash flows attributable to particular risks associated with assets and liabilities;
- hedge of a net investment in a foreign currency: pertaining to the hedging of the risks of an investment in a foreign company expressed in foreign currency.

Measurement criteria

Hedging derivatives are measured at fair value. In the case of a fair value hedge, the change in fair value of the hedged item is offset by the change in fair value of the hedging instrument. This offsetting is recognised by recording in the income statement the changes in fair value relating to both the hedged item (as regards the changes attributable to the underlying risk factor) and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is the net economic effect.
In the case of cash flow hedges, changes in fair value of the derivative, to the extent the hedge is effective, are recognised under equity and reclassified in the income statement only when – with reference to the item hedged – the change in the cash flows to be offset manifests.
Fair value is determined by reference to the prices recorded in active markets, as previously defined, prices provided by market operators or internal valuation models commonly used by market

participants, which take into account all risk factors related to the instruments and are based on observable market data such as:

- methods based on the valuation of listed instruments with the same characteristics;
- calculation of the present value of the cash flows generated by the instrument;
- option pricing models.

A derivative instrument is designated as a hedging instrument if the hedging relationship between the hedged item and the hedging instrument is formally documented and if such relationship is highly effective at the inception of the hedge and on an ongoing basis.
The effectiveness of the hedging relationship depends on the ability of the derivative to generate changes in fair value that offset changes in the fair value of the hedged item or the related cash flows.

The effectiveness is assessed at each balance sheet date or interim report date using:

- prospective testing, which justifies the application of hedge accounting as it proves its expected effectiveness;
- retrospective testing, which highlights the degree of hedge effectiveness achieved in the period to which it relates. In other words, the testing measures to what extent actual results differ from the perfect hedge.

If the hedge fails the effectiveness test, hedge accounting, according to the methods stated above, is discontinued and the derivative is reclassified under financial instruments held for trading.

Tangible assets

Classification criteria

This item includes land, buildings used for business, investment properties, technical plants, furniture, fittings, and sundry equipment.
Own-used buildings are buildings owned by the Group for the purpose of providing services or for administrative purposes whereas investment property is property held to earn rental income or for capital appreciation or both.
These are tangible assets held for use in the production or supply of goods and services, for rental to others or for administrative purposes and that are expected to be used during more than one period.

Initial recognition and subsequent derecognition criteria

Tangible assets are initially recognised at cost, which includes the purchase price and any cost directly attributable to the purchase and set-up costs.
Tangible assets are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and when no future economic benefits are expected from its use or disposal.
Extraordinary maintenance expenses that give rise to an increase in future economic benefits are added to the value of the assets whereas ordinary maintenance costs are charged directly to the income statement.
Rented assets are recognised at the purchase cost net of additional discounts, plus accessory charges, less accumulated depreciation, which considers the technical residual economic life of the individual assets.

Measurement criteria

Subsequent to initial recognition, tangible fixed assets, including buildings not used for business purposes, are carried at cost less accumulated depreciation and any impairment loss. They are systematically depreciated over their estimated useful life, on a straight-line basis, excluding land.
Land purchased vacant or with buildings has an indefinite useful life and is therefore not depreciated.
If the value of the land is incorporated in the value of the building erected thereon, then, by virtue of

the application of the components approach, it is considered as an asset separate from the buildings. With regard to fully owned buildings and where the ownership percentage is deemed significant, the allocation of the total value between the land and the buildings is made on the basis of an evaluation made by an expert appraiser.
At each balance sheet date or interim report date, where there is objective evidence that an asset may be impaired, its carrying value is compared to its recoverable value, equal to the higher of fair value less costs to sell, and its value in use, that is, the present value of future cash flows expected to be derived from the asset. Impairment losses are recognised in the income statement. If and when the circumstances that gave rise to the impairment cease to exist, a recovery value is recorded, which, however, cannot exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairments.

Intangible assets

Classification criteria

Intangible assets are recorded as balance sheet assets only if:

- they are identifiable;
- they are controlled by the entity;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be reliably measured.

Intangible assets include application software that will be used over the long-term.
Other assets are recorded as intangible assets if they are identifiable and arise from contractual or other legal rights.

Initial recognition and subsequent derecognition criteria

Intangible assets are stated at cost, as adjusted by any incidental charges, only if it is probable that the future economic benefits attributable to the assets will flow from the assets and if their cost can be measured reliably. If that is not the case, the cost of the intangible asset is recognised in the income statement for the year in which it was incurred.
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected from the assets.

Measurement criteria

The cost of intangible assets with defined useful lives is amortised on a straight-line basis over the expected useful life of the asset. Where the expected useful life is indefinite, then the assets are not amortised but are systematically tested for impairment.
At each balance sheet date, where an indication of impairment exists, the company estimates the recoverable amount of the assets in question. The impairment loss, recognised in the income statement, is equal to the difference between the carrying value of the asset and its recoverable amount.

Current and deferred tax

Income taxes are calculated in accordance with tax regulations currently in force. Tax expense is the aggregate amount included in the determination of profit and loss for the period in respect of current tax and deferred tax.
Income taxes are recorded in the income statement with the exception of those relating to items that are directly debited or credited to equity.
Income tax provisions are calculated based on a prudent estimate of the current tax charges, deferred tax assets and deferred tax liabilities.
Deferred tax assets and deferred tax liabilities are calculated taking into account the temporary differences between the carrying amount of an asset or liability pursuant to the Italian Civil Code criteria and their tax base, with no time limitation.

Deferred tax assets represent the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry-forward of unused tax losses;
- the carry-forward of unused tax credits.

Deferred tax liabilities represent the amounts of income taxes payable in future periods in respect of taxable temporary differences.
All deferred tax liabilities are included in the financial statements.
Deferred tax assets and liabilities are systematically reviewed to take into account any change in tax rates or regulations as well as any change in the tax status of Group companies, including agreements related to the National Tax Consolidation scheme.

Effects of tax consolidation

The tax consolidation agreements, effective in Italy beginning in 2011 for companies participating in the consolidation scheme, envisage, among other items, that any tax loss brought to the tax consolidation by individual companies is not remunerated to said companies by the consolidating body.
Similarly, the agreements provide that taxes due for any taxable income produced by the individual entities making up the tax consolidation are paid only if, and to the extent that, the taxes are effectively paid to the tax authorities by the consolidating body, based on the tax consolidation.
IAS 12 does not govern the accounting methods for the effects of the tax consolidation on the individual financial statements of either the consolidating body or the companies included in the consolidation. Taking into account the specific provisions envisaged in the tax consolidation agreements referenced above, among the accounting models that were deemed applicable in such circumstances based on prevailing professional opinions and considering statutory regulations, the Group defined the following methodology for the accounting representation of the IRES effects of the tax consolidation for individual financial statements:

- Each entity will recognise its tax burden accrued for the year in the income taxes item, in current taxes if there is taxable income or in deferred taxes in the event of tax losses, in application of IAS 12;
- These effects are corrected directly in the income statements in the same tax item (current or deferred) in the same year and in the amount that would result in no financial settlement between the entities and the Group as a result of the tax consolidation agreements;
- The detailed transactions for accrued taxes will include separate information on its impact on the effective taxes for each individual entity that is attributable to the national tax consolidation scheme;
- Unused tax losses that each year should be definitively transferred from the subsidiaries to the tax consolidating body will be included in the estimate of recoverability for the financial statements of the consolidating body.

Allowances for risks and charges

Classification criteria

This item includes provisions for actual obligations arising as a result of a past event, the settlement of which is certain or highly probable, but in respect of which uncertainties exist about the timing or amount required in settlement.

Recognition criteria

A provision is recognised if it meets the following criteria:

- a legal obligation (actual or implicit) exists as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reasonable estimate can be made of the amount of the obligation.

In the event the time factor is significant, the provisions are discounted using discount rates that reflect current market rates. The effect of discounting is recognised in the income statement.

Liabilities, securities issued

Classification criteria

Due to banks, Due to customers, Securities issued and Subordinated loans encompass the various types of interbank funding and deposits from customers as well as the funding through certificates of deposit and debt securities in issue, less any amount repurchased.

Initial recognition and subsequent derecognition criteria

Initial recognition of such financial liabilities occurs at the time of collection of the sums deposited or on the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any income or charge directly attributable to each deposit or issue transaction and not reimbursed by the funding counterpart. Internal administrative expenses are excluded.
Financial liabilities are derecognised from the financial statements when the relevant obligation has expired or has been extinguished.
Derecognition also occurs for repurchase of previously issued securities.
The difference between the carrying amount of the liability and the amount paid to repurchase it is recognised in the income statement. Own securities placed on the market subsequent to their repurchase are treated as a new issue recognised at the new placement price with no impact on the income statement.

Measurement criteria

Subsequent to initial recognition, financial liabilities are carried at amortised cost using the effective interest rate method.
An exception is made for short-term liabilities, where time is irrelevant. These are stated at the amount collected and related costs, if any, are recognised in the income statement on a straight-line basis over the contractual term of the liability.

Financial liabilities held for trading

This item includes the negative value of derivative contracts held for trading, valued at fair value, of implicit contracts in other financial instruments. It also includes other liabilities, designated at fair value, which originate from uncovered short positions generated by security trading activities.
The measurement, recognition and derecognition criteria are equivalent to those for financial assets held for trading.

Foreign currency transactions

Recognition criteria

Foreign currency transactions are initially recognised in the functional currency, by applying the spot exchange rate on the transaction date to the foreign currency amount.

Measurement criteria

At each balance sheet date or interim report date, financial statement items denominated in foreign currency are translated as follows:

- Monetary amounts are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction;
- Non-monetary items that are measured at fair value are translated using the exchange rate on the closing date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognised in the income statement relating the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly under equity, any exchange component of that gain or loss is also recognised under equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, any exchange component of that gain or loss is also recognised in the income statement.

Leasehold improvements

Leasehold improvements are capitalised in consideration of the fact that the company enjoying the use of the premises has control over the assets and the future economic benefits generated by it over the entire term of the lease. Leasehold improvements are amortised for a period not exceeding the term of the lease.

Severance indemnity fund

The severance indemnity fund is initially recognised based on its actuarial value. For the purposes of defining actuarial value, the Projected Unit Credit Method is used, which involves the estimate of future payments based on historical statistical analyses, the demographic curve and the present value of those cash flows using a market interest rate. The contributions paid in each financial year are considered as separate units, separately measured and recorded to build up the final post-

employment benefit obligation. The current service costs of the plan are accounted for under personnel expenses as the net amount of contributions paid, contributions of prior years not yet recorded, accrued interest cost, expected return on plan assets, and actuarial gains and losses.
With Regulation no. 475/2012, the European Commission endorsed, among other things, the new version of IAS 19, which has the objective of enhancing the clarity and comparability of financial statements, particularly in reference to defined benefit plans.
As from 1 January 2013, the elimination of the "corridor method" has an impact on the Bank's net equity at the date of the first application of the new standard, in the amount equivalent to the actuarial losses not recognised in applying the corridor method; this amendment to the standard resulted in a decrease in valuation reserves of equity as at 31 December 2012 of € 646 thousand. In the first half of the year, actuarial losses were reduced by a net amount of € 95 thousand, decreasing the relevant valuation reserve to € 551 thousand.
Following the reform of supplementary social security as per Italian Legislative Decree no. 252/2005, supplemented by the innovations made by the 2007 Finance Law and its subsequent implementing decrees:

- Employee termination indemnities accrued as at 31 December 2006 remain with the company and continue to be considered a "defined benefit plan": the obligation for the benefits accrued by the employees is valued by using actuarial techniques;
- Employee termination benefits under accrual as at 1 January 2007 are considered a "defined contribution plan" irrespective of allocation by employee to supplementary social security or to the Treasury allowance at INPS. The obligation is determined by the amounts to be contributed for each period.

Also, other employee benefits such as seniority bonuses and pension fund contributions, provided for by IAS 19, are recorded as liabilities by estimating the single amount to be paid to each employee using actuarial calculation methods.

Stock options

Stock option plans on shares in the Parent Company General Electric Company, which are currently assigned to some of the Banking Group's employees, are directly regulated in the balance sheet of the Parent Company.
Charges related to said plans are calculated based on the fair value of the options at the balance sheet date, allocated across the vesting period.

Dividends and revenue recognition

Revenues are recognised when received or at least when it is probable that future benefits will be received and that such benefits can be measured reliably. In particular:

- Default interest, if provided for in the terms of the contract, is recognised in the income statement only when actually collected;
- Dividends are recognised in the income statement when the right to receive payment is established;
- Revenues generated through brokerage of traded financial instruments, calculated as the difference between the transaction price and the fair value of the instruments, are recognised in the income statement when the transaction is recorded if the fair value can be determined by reference to recent parameters or transactions observable on the same market where the instrument is traded. Income related to financial instruments for which the above measurement is not possible is recognised in the income statement over the entire duration of the transaction.

Additional information

Use of estimates and assumptions in preparing the half-year financial report

Amounts in the financial statements were valued based on the principles indicated above. In applying said principles, if the value of certain financial statement items could not be determined precisely, estimates and assumptions were used that have a significant impact on the values recorded in the balance sheet and income statement.

While reaffirming that the use of reasonable estimates is a fundamental part of preparing the financial statements, without negatively affecting its fairness, the list below details the items in the financial statements that make significant use of estimates and assumptions:

- loan valuations;
- valuation of financial instruments not listed on active markets;
- valuation of intangible assets and equity investments;
- quantification of provisions to allowances for risks and charges;
- quantification of deferred taxes;
- definition of the depreciation/amortisation rate of tangible and intangible assets with a defined useful life.

Furthermore, an estimate may be adjusted following changes in the circumstances on which the estimate was based, upon receiving new information, or as a result of more experience. Any change in the estimate is applied on an ongoing basis and therefore has an impact on the income statement for the year in which the change occurred and, possibly, on future income statements.
There were no significant changes during the period to the estimation criteria that were applied in preparing the financial statements as at 31 December 2013.

SCOPE AND METHODS OF CONSOLIDATION

The companies included in the scope of consolidation as at 30 June 2014 were already part of it on 31 December 2013.

1. Equity investments in subsidiaries, wholly-owned or under joint control (proportionally consolidated)

Name of company	Registered office	Type of relationship (*)	Investment ratio		Effective voting rights %
			Stakeholder	% Share	
A. Companies					
A.1. Fully consolidated					
1. GE Capital Servizi Finanziari S.p.A.	Mondovì (Cuneo)	1	GE Capital Interbanca S.p.A.	100%	100%
2. GE Capital Finance S.r.l.	Milan	1	GE Capital Interbanca S.p.A.	60%	100%
2. GE Capital Finance S.r.l.	Milan		GE Capital Servizi Finanziari S.p.A.	40%	100%
3. GE SPV S.r.l.	Conegliano (Treviso)	1	GE Capital Servizi Finanziari S.p.A.	100%	100%
4. GE Capital Services S.r.l.	Rome	1	GE Capital Interbanca S.p.A.	79%	100%
4. GE Capital Services S.r.l.	Rome		GE Capital Servizi Finanziari S.p.A.	21%	100%

(*) 1= majority of voting rights at the shareholders' meeting

Fair Value Disclosure

Qualitative disclosure

This section contains the fair value disclosure as requested by IFRS 13 "Fair Value Measurement", a new accounting standard that came into force as from 1 January 2013, in its joint interpretation with IAS 34 and IFRS 7.

The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an ordinary transaction between market counterparts in the main market at the date of measurement (exit price).

The fair value of a financial liability that is due (for example, a sight deposit) cannot be less than the amount payable on demand, discounted from the first date on which payment may be required.

In the case of financial instruments quoted on active markets, the fair value is determined on the basis of the official prices of the main (or most favourable) market to which the company has access (Mark to Market).

A financial instrument is considered to be quoted in an active market if the quotations are immediately and duly available in a listing, dealers, brokers, pricing agency or regulatory authorities, and these prices represent actual market transactions that occur regularly in normal trading. If the official price in an active market does not exist for a financial instrument as a whole, but there are active markets for the parts forming it, the fair value is measured on the basis of the relevant market prices for the parts forming it.

If market prices or other observable inputs, such as the quoted price of a similar asset in a market that is not active, are not available, alternative valuation models are used:

- Market valuation method: uses market prices of liabilities or similar equity instruments held as assets by other market players;
- Cost method: reflects the amount - replacement cost - that would be required currently to replace the service capacity of an asset;
- Profit method: discounted value technique based on future cash flows expected by a market counterpart that holds a liability of an equity instrument as assets.

The valuation methods (Mark to Model) used are in line with the methods generally accepted and used by the market. The valuation models include techniques based on the discounting of future cash flows and on the estimation of volatility and are reviewed during their development and periodically, in order to ensure their full consistency with the objectives of the valuation.

These methods use inputs based on prices formed in recent transactions in the instrument being assessed and/or prices/listings of instruments with similar characteristics in terms of risk profile.

These prices/listings are important for determining the significant parameters, in terms of credit risk, liquidity risk, price risk and any other relevant risk, related to the instrument being assessed.

The reference to such "market" parameters allows to limit the degree of discretion in the valuation, while ensuring the verifiability of the resulting fair value.

Fair Value Levels 2 and 3: valuation techniques and input used

Valuation techniques are used to measure positions for which market sources do not provide a market price. GE Capital Interbanca uses valuation techniques common on the market to determine the fair value of financial and non-financial instruments, which are not listed and actively traded on the market. The valuation techniques used for Level 2 assets and liabilities are described below.

Discounted cash flow

The valuation techniques based on the discounted cash flow generally consist in determining an estimate of the future cash flows expected over the life of the instrument. The model requires the estimate of cash flows and the adoption of market parameters for the discount: the discount rate or margin reflects the credit and/or funding spread required by the market for instruments with similar risk and liquidity profiles, in order to define a "discounted value". The fair value of the contract is the sum of the discounted future cash flows.

Option Pricing Model

Option pricing model are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the exceeding of a set strike price by the price of a reference asset.

Option models estimate the probability a specific event will occur, including assumptions such as the volatility of the estimates, the price of the underlying instrument and the expected rate of return.

Market Approach

A valuation technique that uses prices generated by market transactions involving assets, liabilities or groups of identical or comparable assets and liabilities.

Valuation processes and sensitivity

For processes, refer to Part E - Section 2 Market Risks.

The Bank has no Level 3 financial assets or liabilities and related input that cannot be readily observed.

Fair value hierarchy

IFRS 13 requires classification according to the degree of observability of the inputs analysed for pricing.

In particular, three levels are provided:

- Level 1: the fair value of instruments classified in this level is measured based on quoted prices in active markets;
- Level 2: the fair value of instruments classified in this level is measured based on valuation models that use inputs observable in active markets;
- Level 3: the fair value of instruments classified in this level is measured based on valuation models that use mainly inputs unobservable in active markets.

There were no transfers between the various levels of the fair value hierarchy.

Additional information

Assets and liabilities measured at fair value

The information required by IFRS 13 on accounting portfolios measured at fair value on a recurring basis is shown below.

Fixed-income bonds

Fixed-income bonds are measured through two main processes based on the liquidity of the reference market. Liquid instruments in active markets are assessed at market price (Mark-to-Market) and therefore these instruments are classified at Level 1 of the fair value hierarchy.

The instruments not traded in active markets are assessed at Mark-to-Model by using the implicit credit spread curves related to the rating of the issuer and to the business segment. The model maximises the use of observable parameters and minimises the use of non-observable parameters.

Equity securities

Equity securities are assigned to Level 1 when a market price is available and to Level 2 or 3, depending on the level of observability of the inputs used in the valuation, when there are no prices or the prices have been suspended permanently. In this case, the valuations are carried out with a Market Approach by applying the model of market multiples assumed from observable comparables and using the DCF model as a control method.

Equity instruments measured at cost may be impaired if the carrying amount exceeds the present value of future cash flows significantly and/or for a long time.

Derivatives

Significant inputs of the valuation techniques used and mainly based on methods of net present value of future flows are observable or derived from observable data; these instruments are classified as level 2.

Financial assets and liabilities not measured at fair value whose fair value disclosure is provided

Financial instruments not measured at fair value, such as customer loans and deposits, are not managed on the basis of fair value; for these instruments, the fair value is calculated only for the purposes of disclosure and has no impact on the balance sheet and income statement values. Moreover, since these instruments are not generally traded, the fair value measurement includes assumptions of the management with regard to important variables.

Due from banks

Due from banks include the balance of active current accounts and deposits held as collateral for syndicated loans (the so-called IBLOR). For active current accounts, the book value can be considered a good proxy of the fair value.
The fair value of IBLOR deposits is measured with the same method used for loans to customers described below.

Loans to customers

The fair value of due from banks and loans to customers, recognised at amortised cost, is measured by using the discounted cash flow model, which includes the best estimate of the elements required for reflecting the current market conditions.
The cash flows include payments of principal, interest payments and all other costs, and depend on the contractual terms and market conditions (see interest rates).
The discount rate includes the risk-free rate, which represents the amount of interest that the market would require for risk-free investments over a certain period, and the Credit Spread (CS), which represents the excess return that a market player would ask for an investment with a certain degree of risk. The CSs for unlisted products cannot be derived from observable market prices and are, therefore, estimated based on specific factors of the counterparty and/or transaction.

Non-performing loans

With reference to non-performing loans, based on interest rates, recovery curves, funding and operating costs, the book value can be considered a good proxy of fair value in that the current measurement already includes the best estimate of the discounted expected recoveries.

Liabilities - Subordinated loan

The fair value of the liability, recognised at amortised cost, is measured using a DCF model, such as L&R, by using a discount rate that includes the risk-free rate, which represents the amount of interest that the market would require for risk-free investments over a certain period, and a spread comparable to the rate expressing the cost of funding for similar duration.

Liabilities – Revolving loans

Since these are revolving credit lines with continuous and predetermined drawdowns, the book value can be considered a good proxy of the fair value of the liability, recognised at amortised cost.

Securities issued

For debt securities issued by the Bank measured at amortised cost that have a price in an active market, the fair value is measured by using the market price of the same securities; for unlisted securities, the fair value is measured by using a DCF model. The fair value of structured finance products is measured using the appropriate measurement method given the nature of the incorporated structure.

Quantitative disclosure

Fair value hierarchy

The table below shows the breakdown of the portfolio of financial assets and liabilities measured at fair value based on the aforementioned fair value hierarchy level.

A.4.5.1 Assets and liabilities valued at fair value on a recurring basis: breakdown by fair value level

Assets/liabilities measured at fair value	30.06.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	-	56,176	-	-	50,010	-
3. Financial assets available for sale	48,482	81,877	-	48,477	66,751	-
4. Hedging derivatives	-	279	-	-	494	-
Total	**48,482**	**138,332**	**-**	**48,477**	**117,255**	**-**
1. Financial liabilities held for trading	-	58,458	-	-	53,668	-
Total	**-**	**58,458**	**-**	**-**	**53,668**	**-**

There were no transfers of assets and/or liabilities between Levels 1 and 2 during the year.

The following table presents the breakdown of financial assets and liabilities not measured at fair value, or measured at fair value on a non-recurring basis, according to the fair value hierarchy levels.

A.4.5.4 Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis: breakdown by fair value level

Financial assets/liabilities	30.06.2014				31.12.2013			
	Book Value	Level 1	Level 2	Level 3	Book Value	Level 1	Level 2	Level 3
2. Due from banks	214,775			211,422	236,839			232,786
3. Loans to customers	3,568,503			3,514,337	3,658,308			3,590,330
Total	**3,783,278**	**-**	**-**	**3,725,759**	**3,895,147**	**-**	**-**	**3,823,116**
1. Due to banks	9,379			9,379	11,957			11,957
2. Due to customers	3,551,895			3,545,186	3,629,261			3,618,270
3. Securities issued	210,686	64,582	127,319		219,705	82,536	117,583	
Total	**3,771,960**	**64,582**	**127,319**	**3,554,565**	**3,860,923**	**82,536**	**117,583**	**3,630,227**

Disclosure on "day one profit/loss"

As provided in IFRS 7, section 28 and IAS 39 AG 76, a financial instrument must be initially recognised at its fair value, which is equivalent to the price paid/collected at trading, unless there is evidence to the contrary. In practice, there are cases in which the two values differ. The aforementioned principle governs such situations, stating that the recognition of a financial instrument at a fair value other than the amount paid/collected is legitimate, only if the fair value is calculated:

- by making reference to current and observable market transactions on the same instrument;
- through valuation techniques that use only data from observable markets as variables.

In other words, the IAS 39 assumption, according to which the fair value is equivalent to the price paid/collected, can be circumvented only if objective evidence exists that the price paid/collected does not represent the real market value of the financial instrument traded.
Said evidence must be inferred only from objective and irrefutable parameters, thereby eliminating any discretion on the part of the assessor.
Exclusively under the conditions indicated above, the difference between the fair value and the traded price represents the "day one profit" and is immediately recognised in the income statement.
There were no transactions of this type undertaken by GE Capital as part of its activities during the reporting period.

INFORMATION ON THE BALANCE SHEET

ASSETS

Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Item/Amount	30.06.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt securities	-	-	-	-	-	-
1.1. Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Investment fund units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives						
1. Financial derivatives:	-	56,176	-	-	50,010	-
1.1 Trading	-	56,176	-	-	50,010	-
1.2 Under the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Under the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**56,176**	**-**	**-**	**50,010**	**-**
Total (A+B)	**-**	**56,176**	**-**	**-**	**50,010**	**-**

Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown

Item/Amount	30.06.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**45,515**	**-**	**-**	**45,404**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	45,515	-	-	45,404	-	-
2. Equities	**2,967**	**81,877**	**-**	**3,073**	**66,751**	**-**
2.1 Valued at fair value	2,967	81,876	-	3,073	66,750	-
2.2 Valued at cost	-	1	-	-	1	-
3. Investment fund units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**48,482**	**81,877**	**-**	**48,477**	**66,751**	**-**

Due from banks – Item 60

6.1 Due from banks: breakdown

Transaction type/Amount	30.06.2014				31.12.2013			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**70,333**	**-**	**-**	**70,333**	**94,316**	**-**	**-**	**94,316**
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve	70,333	X	X	X	94,316	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**144,442**	**-**	**-**	**141,089**	**142,523**	**-**	**-**	**138,470**
1. Loans	**144,442**	**-**	**-**	**141,089**	**142,523**	**-**	**-**	**138,470**
1.1. Current accounts and demand deposits	8,995	X	X	X	6,953	X	X	X
1.2. Time deposits	125,185	X	X	X	125,320	X	X	X
1.3. Other loans:	10,262	X	X	X	10,250	X	X	X
- Repurchase agreements	-	X	X	X	-	X	X	X
- Finance leases	179	X	X	X	236	X	X	X
- Other	10,083	X	X	X	10,014	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-
2.1 Structured	-	X	X	X	-	X	X	X
2.2 Other	-	X	X	X	-	X	X	X
Total	214,775			211,422	236,839			232,786

Loans to customers – Item 70

7.1 Loans to customers: breakdown

Transaction type/Amount	30.06.2014						31.12.2013					
	Book Value			Fair Value			Book Value			Fair Value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	2,947,596	-	609,662	-	-	3,489,665	3,021,558	80,004	544,829	-	-	3,578,798
1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	1,659,231	-	579,471	X	X	X	1,738,375	51,492	544,829	X	X	X
4. Credit card loans and personal loans, inc. loans guaranteed by salary	58,054	-	5,348	X	X	X	72,275	5,361	-	X	X	X
5. Finance leases	675,699	-	19,011	X	X	X	652,347	21,514	-	X	X	X
6. Factoring	210,917	-	1,074	X	X	X	228,940	1,137	-	X	X	X
7. Other loans	343,695	-	4,758	X	X	X	329,621	500	-	X	X	X
Debt securities	-	-	11,245	-	-	11,532	11,917	-	-	-	-	11,532
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X
9. Other	-	-	11,245	X	X	X	11,917	-	-	X	X	X
Total	**2,947,596**	**-**	**620,907**			**3,500,525**	**3,033,475**	**80,004**	**544,829**			**3,590,330**

Item "7. Other loans" mainly consists of long-term lease contracts of operating assets, signed by GE Capital Services S.r.l., which under IAS 17 are classified as financial leasing transactions.

Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by type of hedging and fair value hierarchies

	Fair value 30.06.2014			Notional value 30.06.2014	Fair value 31.12.2013			Notional value 31.12.2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**279**	**-**	**15,000**	**-**	**494**	**-**	**25,000**
1) Fair value	-	279	-	15,000	-	494	-	25,000
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**279**	**-**	**15,000**	**-**	**494**	**-**	**25,000**

Equity investments – Item 100

10.1 Investments in subsidiaries under joint control (measured at equity) and in companies subject to significant influence: information on equity relationships

Description	Registered office	Type of relationship	Investment ratio		Voting rights %
			Stakeholder	% Share	
A. Companies					
1. Renting Italease S.r.l.	Rome	joint control	GE Capital Services S.r.l.	50%	50%
Total					

10.2 Investments in subsidiaries held jointly and in companies subject to significant influence: financial highlights

Name	Total assets	Total revenues	Net income (loss)	Equity	Consolidated book value	Fair Value
A. Companies measured at equity						
A.1 subject to joint control						
1. Renting Italease S.r.l.	1,706	599	200	1,508	754	x

The figures in table 10.2, relating to Total Assets, Total Revenues and Profit/(loss) of Renting Italease S.r.l., refer to the book values approved as at 31 December 2013.

Tangible assets – Item 120

12.1 Tangible assets: breakdown of assets valued at cost

Asset/Amount	30.06.2014	31.12.2013
1. Owned	**177,543**	**178,986**
a) land	29,154	29,154
b) buildings	18,009	18,438
c) furniture and fittings	258	326
d) electronic equipment	370	599
e) other	129,752	130,469
2. Leased	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture and fittings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**177,543**	**178,986**

Intangible assets – Item 130

13.1 Intangible assets: breakdown by type of asset

Asset/Amount	30.06.2014		31.12.2013	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	x	-	x	-
A.1.1 attributable to the Banking Group	x	-	x	-
A.1.2 attributable to minority interests	x	-	x	-
A.2 Other intangible assets	3,040	-	3,564	-
A.2.1 Assets valued at cost:	3,040	-	3,564	-
a) Internally-generated intangible assets	-	-	-	-
b) Other assets	3,040	-	3,564	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally-generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,040**	**-**	**3,564**	**-**

Other assets – Item 160

16.1 Other assets: breakdown

Item	30.06.2014	31.12.2013
Sums due from third parties	53,721	42,911
Due from taxation authorities	34,731	28,855
Advance payments	10,168	1,541
Accrual income and prepaid expenses	5,762	14,600
Securitisation transactions under approval	7,456	-
Other items	5,212	4,404
Total	**117,050**	**92,311**

LIABILITIES

Due to banks – Item 10

1.1 Due to banks: breakdown

Transaction type/Amount	30.06.2014	31.12.2013
1. Due to Central Banks	**-**	**-**
2. Due to banks	**9,379**	**11,957**
2.1 Current accounts and demand deposits	863	1,837
2.2 Time deposits	-	-
2.3 Loans	8,516	10,120
2.3.1 Repurchase agreements	-	-
2.3.2 Other	8,516	10,120
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	-	-
Total	**9,379**	**11,957**
Fair value - Level 1	**-**	
Fair value - Level 2	**-**	
Fair value - Level 3	**9,379**	**11,957**
Total fair value	**9,379**	**11,957**

Due to customers – Item 20

2.1 Due to customers: breakdown

Transaction type/Amount	30.06.2014	31.12.2013
1. Current accounts and demand deposits	114,484	104,106
2. Time deposits	6,719	6,719
3. Loans	3,425,605	3,476,778
3.1 Repurchase agreements	-	-
3.2 Other	3,425,605	3,476,778
4. Commitments to repurchase own equity instruments	-	-
5. Other liabilities	5,087	41,658
Total	**3,551,895**	**3,629,261**
Fair value - Level 1	**-**	**-**
Fair value - Level 2	**-**	**-**
Fair value - Level 3	**3,545,186**	**3,618,270**
Total fair value	**3,545,186**	**3,618,270**

Securities issued – Item 30

3.1 Securities issued: breakdown

Type of security/Amount	30.06.2014				31.12.2013			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	**208,533**	**74,396**	**125,166**	**-**	**216,509**	**82,536**	**114,387**	**-**
1.1 structured	74,336	74,396	-	-	83,016	82,536	-	-
1.2 other	134,197	-	125,166	-	133,493	-	114,387	-
2. other securities	**2,153**	**-**	**2,153**	**-**	**3,196**	**-**	**3,196**	**-**
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,153	-	2,153	-	3,196	-	3,196	-
Total	**210,686**	**74,396**	**127,319**	**-**	**219,705**	**82,536**	**117,583**	**-**

Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown

Transaction Type/ Amount	30.06.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities (non-derivatives)										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-		-	-	-	-		-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Other	-	-	-	-	x	-	-	-	-	x
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	292,624	-	58,458	-	-	339,737	-	53,668	-	-
1.1 Trading	x	-	58,458	-	x	x	-	53,668	-	x
1.2 Under the fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	x	-	-	-	x	x	-	-	-	x
2.2 Under the fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Other	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**-**	**58,458**	**-**	**x**	**x**	**-**	**53,668**	**-**	**x**
Total (A+B)	**x**	**-**	**58,458**	**-**	**x**	**x**	**-**	**53,668**	**-**	**x**

FV = fair value
FV* = fair value calculation without adjustments for credit rating
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Hedging derivatives – Item 60

6.1 Hedging derivatives: breakdown by type of hedging and fair value hierarchies

	Fair value 30.06.2014			Notional value 30.06.2014	Fair value 31.12.2013			Notional value 31.12.2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Other liabilities – Item 100

10.1 Other liabilities: breakdown

Liability/Amount	30.06.2014	31.12.2013
Due to suppliers	64,967	52,402
Deferred income and accrued expenses not reconciled as an individual item	18,545	13,522
Adjustments to guarantees granted	18,079	18,035
Payables to tax authorities	8,372	4,010
Personnel charges	4,906	5,935
Amounts due to third parties	3,474	9,437
Guarantee deposits	2,562	2,539
Items under processing	2,278	6,856
Other items	7,217	7,167
Total	**130,400**	**119,903**

Allowances for risks and charges – Item 120

12.1 Allowances for risks and charges: breakdown

Item/Amount	30.06.2014	31.12.2013
2. Other allowances for risks and charges	38,574	45,542
2.1 legal disputes	8,740	9,995
2.2 personnel expenses	9,873	13,676
2.3 other	19,961	21,871
Total	**38,574**	**45,542**

Group Equity – Items 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

Item/Amount	30.06.2014	31.12.2013
1. Share capital	217,335	217,335
2. Share premium reserve	354,148	354,148
3. Reserves	(44,638)	74,339
4. (Treasury shares)	-	-
a) Parent Company	-	-
b) subsidiaries	-	-
5. Valuation reserves	57,844	43,451
6. Equity instruments	-	-
7. Profit (Loss) for the year	(13,743)	(118,977)
Total	**570,946**	**570,296**

INFORMATION ON THE INCOME STATEMENT

Interest income and expense – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Item/Type	Debt securities	Loans	Other assets	30.06.2014	30.06.2013
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets available for sale	348	-	-	348	438
3. Financial assets held to maturity	-	-	-	-	-
4. Due from banks	-	211	-	211	875
5. Loans to customers	-	52,055	17,250	69,305	68,206
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-
7. Hedging derivatives	x	x	248	248	214
8. Other assets	x	x	-	-	-
Total	**348**	**52,266**	**17,498**	**70,112**	**77,445**

1.4 Interest expense and similar charges: breakdown

Item/Type	Liabilities	Securities	Other transactions	30.06.2014	30.06.2013
1. Due to Central Banks	-	x	-	-	-
2. Due to banks	(127)	x	-	(127)	(130)
3. Due to customers	(23,807)	x	(5,409)	(29,216)	(19,661)
4. Securities issued	x	(3,973)	-	(3,973)	(5,609)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	x	x	(1)	(1)	(160)
8. Hedging derivatives	x	x	-	-	-
Total	**(23,934)**	**(3,973)**	**(5,410)**	**(33,317)**	**(25,560)**

Net fee and commission income – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amount	30.06.2014	30.06.2013
a) guarantees granted	**773**	**747**
b) credit derivatives	**-**	**-**
c) management, brokerage and consulting services:	**1,426**	**1,647**
1. brokerage of financial instruments	-	-
2. foreign exchange trading	-	-
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	-	-
5. custodian bank	-	-
6. placement of securities	-	-
7. order collection	-	-
8. advisory services	-	-
8.1 related to investments	-	-
8.2 related to financial structures	-	-
9. distribution of third party services	1,426	1,647
9.1. asset management	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	1,426	1,647
d) collection and payment services	**-**	**-**
e) servicing for securitisation transactions	**309**	**559**
f) services for factoring transactions	**2,397**	**1,569**
g) tax collection services	**-**	**-**
h) management of multilateral trading facilities	**-**	**-**
i) management of current accounts	**-**	**-**
j) other services	**3,284**	**4,307**
Total	**8,189**	**8,829**

2.3 Fee and commission expense: breakdown

Type of service/Amount	30.06.2014	30.06.2013
a) guarantees received	**(6)**	**(6)**
b) credit derivatives	**-**	**-**
c) management and brokerage activities:	**(1,873)**	**(1,801)**
1. brokerage of financial instruments	-	-
2. foreign exchange trading	(2)	(2)
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 customers' portfolios	-	-
4. custody and administration of securities	(23)	(15)
5. placement of financial instruments	(1)	(1)
6. door-to-door selling of financial instruments, products and services	(1,847)	(1,783)
d) collection and payment services	**(139)**	**(163)**
e) other services	**(1,402)**	**(1,364)**
Total	**(3,420)**	**(3,334)**

Profits (Losses) on trading – Item 80

4.1 Profits (losses) on trading: breakdown

Transaction/Item	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	**-**
1.2 Equities	-	-	-	-	**-**
1.3 Investment fund units	-	-	-	-	**-**
1.4 Loans	-	-	-	-	**-**
1.5 Other	-	-	-	-	**-**
2. Financial liabilities held for trading					**-**
2.1 Debt securities	-	-	-	-	**-**
2.2 Liabilities	-	-	-	-	**-**
2.3 Other	-	-	-	-	**-**
3. Other financial liabilities: exchange differences	**x**	**x**	**x**	**x**	**(59)**
4. Derivatives	**13,275**	**1,064**	**(14,623)**	**(593)**	**(877)**
4.1 Financial derivatives:	**13,275**	**1,064**	**(14,623)**	**(593)**	**(877)**
- On debt securities and interest rates	13,275	1,064	(14,623)	(593)	**(877)**
- On equities and share indexes	-	-	-	-	**-**
- On foreign exchange and gold	x	x	x	x	**-**
- Other	-	-	-	-	**-**
4.2 Credit derivatives	-	-	-	-	**-**
Total	**13,275**	**1,064**	**(14,623)**	**(593)**	**(936)**

Net result of hedge accounting – Item 90

5.1 Net result of hedge accounting: breakdown

Item/Amount	30.06.2014	30.06.2013
A. Income relating to:		
A.1 Fair value hedging derivatives	-	-
A.2 Financial assets hedged (fair value)	-	-
A.3 Financial liabilities hedged (fair value)	219	200
A.4 Derivatives designated as cash flow hedges	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging operations (A)	**219**	**200**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(248)	(286)
B.2 Financial assets hedged (fair value)	-	-
B.3 Financial liabilities hedged (fair value)	-	-
B.4 Derivatives designated as cash flow hedges	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging operations (B)	**(248)**	**(286)**
C. Net result of hedge accounting (A - B)	**(29)**	**(86)**

Profits (Losses) on disposals/repurchases – Item 100

6.1 Profits (Losses) on disposals/repurchases: break

Asset/Item	30.06.2014			30.06.2013		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	4	-	4
3.1 Debt securities	-	-	-	-	-	-
3.2 Equities	-	-	-	4	-	4
3.3 Investment fund units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**4**	**-**	**4**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	1,203	-	1,203	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**1,203**	**-**	**1,203**	**-**	**-**	**-**

Net impairment losses and reversals of impairment – Item 130

8.1 Net impairment losses/recoveries on loans: breakdown

Transaction/Item	Impairment losses (1)			Recoveries (2)				Total 30.06.2014 (1)-(2)	Total 30.06.2013
	Individual		Collective	Individual		Collective			
	Derecognitions	Other		A	B	A	B		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16**
- Loans	-	-	-	-	-	-	-	-	16
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	**-**	**(49,466)**	**(5,339)**	**2,550**	**37,382**	**543**	**4,958**	**(9,372)**	**(78,376)**
Impaired loans purchased	-	-	-	-	-	-	-	**-**	**-**
- Loans	-	-	X	-	-	X	X	**-**	**-**
- Debt securities	-	-	X	-	-	X	X	**-**	**-**
Other receivables	**-**	**(49,466)**	**(5,339)**	**2,550**	**37,382**	**543**	**4,958**	**(9,372)**	**(78,376)**
- Loans	-	(49,466)	(5,339)	2,550	37,382	543	4,958	(9,372)	(78,376)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(49,466)**	**(5,339)**	**2,550**	**37,382**	**543**	**4,958**	**(9,372)**	**(78,360)**

Key
A = From interest
B = Other recoveries

8.2 Net impairment losses/recoveries on financial assets available for sale: breakdown

Transaction/Item	Impairment losses (1)		Recoveries (2)		30.06.2014 (1)-(2)	30.06.2013
	Individual		Individual			
	Derecognitions	Other	A	B		
A. Debt securities	-	(8)	-	-	(8)	(781)
B. Equities	-	-	x	-	-	(40)
C. Investment fund units	-	-	x	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(8)**	**-**	**-**	**(8)**	**(821)**

Key
A = From interest
B = Other recoveries

8.4 Net impairment losses/recoveries on other financial transactions

Transaction/Item	Impairment losses (1)			Recoveries (2)				30.06.2014 (1)-(2)	30.06.2013
	Individual		Collective	Individual		Collective			
	Derecognitions	Other		A	B	A	B		
A. Guarantees granted	-	-	(44)	-	-	-	-	(44)	540
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant financing	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-**	**(44)**	**-**	**-**	**-**	**-**	**(44)**	**540**

Key

A = From interest

B = Other recoveries

Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Expense type/Amount	30.06.2014	30.06.2013
1) Employees	**(26,265)**	**(28,763)**
a) salaries and wages	(17,453)	(18,483)
b) social security contributions	(5,017)	(5,079)
c) provision for post-retirement benefits	-	-
d) insurance contributions	(20)	(20)
e) provisions to staff severance indemnity fund	(1,553)	(1,286)
f) provisions to the pension fund and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) contributions to supplemental external pension funds:	(297)	(318)
- defined contribution	(297)	(318)
- defined benefit	-	-
h) costs related to share-based payments	-	-
i) other employee benefits	(1,115)	(3,577)
other expenses	(810)	
2) Other personnel	-	**-**
3) Directors and Statutory Auditors	(326)	**(369)**
4) Early retirement costs	-	**-**
5) Recovery of expenses for Bank employees seconded to other companies	213	**809**
6) Reimbursement of expenses for employees of other entities seconded to the Bank	(1,080)	**(1,949)**
Total	**(27,458)**	**(30,272)**

11.5 Other administrative expenses: breakdown

	30.06.2014	30.06.2013
Costs for services from Group companies	(11,288)	(9,518)
External consulting and professional services	(6,604)	(2,883)
Leasing of equipment and software	(2,025)	(2,207)
Outsourcing	(1,979)	(2,603)
Rental and office expenses	(1,740)	(1,527)
Maintenance expenses	(966)	(584)
Information expenses	(496)	(660)
Postage and telephone expenses	(324)	(807)
Advertising and other promotional expenses	(187)	(142)
Other costs	(1,264)	(1,017)
	(26,873)	**(21,948)**
Indirect taxes and duties:		
- stamp duty	(476)	(379)
- substitute tax (DPR 601/73)	(226)	(344)
- municipal property tax	(192)	(192)
- other	(366)	(691)
	(1,260)	**(1,606)**
Total	**(28,133)**	**(23,554)**

Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

	30.06.2014	30.06.2013
Corporate and tax litigation	(722)	218
Supplementary customer indemnity	(332)	13
Other risks	(201)	1
Staff loyalty fund	(91)	(43)
Employment litigation	-	(2,734)
Uses for surpluses during the year	1,219	3,623
Total	**(127)**	**1,078**

Net adjustments to/recoveries on tangible assets – Item 200

13.1 Net adjustments to tangible assets: breakdown

Asset/Item	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(18,659)	-	-	(18,659)
- for use	(18,659)	-	-	(18,659)
- for investment	-	-	-	-
A.2 Leased	-	-	-	-
- for use	-	-	-	-
- for investment	-	-	-	-
Total	**(18,659)**	**-**	**-**	**(18,659)**

Net adjustments to/recoveries on intangible assets – Item 210

14.1 Net adjustments to intangible assets: breakdown

Asset/Item	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(640)	-	-	(640)
- Internally generated	-	-	-	-
- Other	(640)	-	-	(640)
A.2 Leased	-	-	-	-
Total	**(640)**	**-**	**-**	**(640)**

Other operating expense/income – Item 220

15.1 Other operating expense: breakdown

	30.06.2014	30.06.2013
Charges relating to rental transactions	(23,193)	(23,375)
Charges relating to leasing transactions	(10,177)	(9,602)
Charges relating to company/tax transactions	-	(2,877)
Other charges	(917)	(1,043)
Total	**(34,287)**	**(36,897)**

15.2. Other operating income: breakdown

	30.06.2014	30.06.2013
Rental revenue and recovery	48,955	47,340
Leasing revenue and recovery	13,803	13,432
Other income	1,046	928
Total	**63,804**	**61,695**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income

Statement of Comprehensive Income

	Item	Gross amount	Income tax	Net amount
10.	**Profit (Loss) for the year**	(13,096)	(647)	(13,743)
	Other income components not reclassified to profit or loss	(223)	61	(162)
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(223)	61	(162)
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves connected with investments carried at equity	-	-	-
	Other income components that may be reclassified to profit or loss	14,998	(443)	14,555
70.	Hedge of net investments in foreign operations	-	-	-
	a) changes in fair value	-	-	-
	b) transfers to the income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange differences:	-	-	-
	a) changes in value	-	-	-
	b) transfers to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) transfers to the income statement	-	-	-
	c) other changes	-	-	-
100.	Financial assets available for sale:	14,998	(443)	14,555
	a) changes in fair value	14,998	(443)	14,555
	b) transfers to the income statement	-	-	-
	- from impairment	-	-	-
	- realised profit/loss	-	-	-
	c) other changes	-	-	-
110.	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) transfers to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) changes in fair value	-	-	-
	b) transfers to the income statement	-	-	-
	- from impairment	-	-	-
	- realised profit/loss	-	-	-
	c) other changes	-	-	-
130.	**Total other income components**	14,775	(382)	14,393
140.	**Comprehensive income (items 10 + 130)**	1,679	(1,029)	650

INFORMATION ON CREDIT RISK

Quantitative information relating to tables A1.3, A1.6, A1.7 and A1.8 refer only to the companies belonging to the Banking Group and therefore exclude the non-regulated companies included in the scope of consolidation.

Quantitative disclosure

A.1.1 Breakdown of financial assets by portfolio classification and credit quality (book value)

Portfolio/Quality	Banking Group						Other companies		Total
	Non-performing	Sub-standard	Restructured	Impaired Past due	Not Impaired Past due	Other assets	Impaired	Other	
1. Financial assets held for trading	-	6,635	-	-	6,859	42,682	-	-	**56,176**
2. Financial assets available for sale	-	-	-	-	-	45,515	-	-	**45,515**
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	**-**
4. Due from banks	-	-	-	-	165	204,071	-	10,539	**214,775**
5. Loans to customers	152,056	330,289	96,157	37,981	402,925	2,220,519	4,426	324,150	**3,568,503**
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	**-**
7. Financial assets under disposal	-	-	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	279	-	-	**279**
Total 30.06.2014	**152,056**	**336,924**	**96,157**	**37,981**	**409,949**	**2,513,066**	**4,426**	**334,689**	**3,885,248**
Total 31.12.2013	**148,099**	**337,145**	**58,085**	**87,226**	**1,268,490**	**1,760,415**	**17,922**	**313,673**	**3,991,055**

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

Portfolio/Quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	13,075	6,440	6,635	×	×	49,541	56,176
2. Financial assets available for sale	15,252	15,252	-	45,515	-	45,515	45,515
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	204,814	2	204,812	204,812
5. Loans to customers	1,377,661	761,177	616,484	2,697,071	73,629	2,623,442	3,239,926
6. Financial assets designated at fair value through profit and loss	-	-	-	×	×	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	×	×	624	624
Total A	**1,405,988**	**782,869**	**623,119**	**2,947,400**	**73,631**	**2,923,934**	**3,547,053**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	×	×	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	10,218	135	10,083	10,083
5. Loans to customers	71,003	66,577	4,426	329,935	5,784	324,151	328,577
6. Financial assets designated at fair value through profit and loss	-	-	-	×	×	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	×	×	-	-
Total B	**71,003**	**66,577**	**4,426**	**340,153**	**5,919**	**334,234**	**338,660**
Total 30.06.2014	**1,476,991**	**849,446**	**627,545**	**3,287,553**	**79,550**	**3,258,168**	**3,885,713**
Total 31.12.2013	**1,529,837**	**881,360**	**648,477**	**3,386,699**	**88,903**	**3,342,578**	**3,991,055**

A.1.3 Banking Group - On- and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amount	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On-Balance Sheet exposures				
a) Non-performing loans	-	-	x	-
b) Sub-standard loans	-	-	x	-
c) Restructured exposures	-	-	x	-
d) Past due exposures	-	-	x	-
e) Other assets	214,777	x	2	214,775
Total A	**214,777**	**-**	**2**	**214,775**
B Off-Balance Sheet exposures				
a) Non-performing	-	-	x	-
b) Other	13,326	x	-	13,326
Total B	**13,326**	**-**	**-**	**13,326**
Total (A+B)	**228,103**	**-**	**2**	**228,101**

A.1.6 Banking Group - On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amount	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Non-performing loans	602,556	450,500	x	152,056
b) Sub-standard loans	596,431	266,141	x	330,289
c) Restructured exposures	145,845	49,688	x	96,157
d) Past due exposures	48,081	10,100	x	37,981
e) Other assets	2,743,028	x	73,630	2,669,397
TOTAL A	**4,135,940**	**776,429**	**73,630**	**3,285,881**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	99,863	22,203	x	77,660
b) Other	285,381	x	2,317	283,064
TOTAL B	**385,244**	**22,203**	**2,317**	**360,724**
TOTAL A + B	**4,521,184**	**798,632**	**75,947**	**3,646,605**

A.1.7 Banking Group - On-balance sheet credit exposures to customers: changes in gross impaired exposures

Causes/Categories	Non-performing	Sub-standard	Restructured	Past due
A. Gross opening exposures	**625,472**	**596,014**	**109,018**	**106,069**
of which: exposures sold not derecognised	-	-	-	-
B. Increases	**34,580**	**105,358**	**49,526**	**17,793**
B.1 inflows from performing exposures	720	47,713	331	15,291
B.2 transfers from other categories of impaired exposures	30,795	40,928	47,273	136
B.3 other increases	3,065	16,717	1,922	2,366
of which for changes in the scope of consolidation	-	-	-	-
C. Decreases	**57,496**	**104,941**	**12,699**	**75,781**
C.1 outflows to performing exposures	-	1,047	-	35,391
C.2 derecognitions	40,393	11,189	34	41
C.3 collections	8,909	19,002	4,527	1,324
C.4 losses on disposal	-	-	-	-
C.5 transfers to other categories of impaired exposures	7,950	72,443	7,945	39,024
C.6 other decreases	244	1,260	193	1
D. Gross closing exposure	**602,556**	**596,431**	**145,845**	**48,081**
of which: exposures sold not derecognised	-	-	-	-

A.1.8 Banking Group - On-balance sheet credit exposures to customers: changes in total adjustments

Causes/Categories	Non-performing	Sub-standard	Restructured	Past due
A. Total adjustments: opening balance	**477,378**	**264,586**	**50,933**	**18,844**
of which: exposures sold not derecognised	-	-	-	-
B. Increases	**24,887**	**55,422**	**34,396**	**2,837**
B.1 impairment losses	11,915	32,992	853	2,291
B.1 bis losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired exposures	12,797	15,453	33,173	59
B.3 other increases	175	6,977	370	487
of which: for changes in the scope of consolidation	-	-	-	-
C. Decreases	**51,765**	**53,867**	**35,641**	**11,581**
C.1 reversals of impairment losses	2,507	2,776	30,255	62
C.2 recoveries on repayments	1,541	2,499	36	288
C.2 bis profit non disposal	-	-	-	-
C.3 derecognitions	39,597	10,240	34	27
C.4 transfers to other categories of impaired exposures	7,946	38,068	5,197	10,206
C.5 other decreases	174	284	119	998
D. Total adjustments	**450,500**	**266,141**	**49,688**	**10,100**
of which: exposures sold not derecognised	-	-	-	-

Securitisation transactions and sale of business units

The securitisation transaction initiated in 2010 by GE Capital Servizi Finanziari, in accordance with Italian Law no. 130/99, involving the sale of leasing contracts stipulated with Italian residents, was concluded on 25 June 2014 with the repayment of the Senior Notes, consistent with the amortisation of the underlying portfolio.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

PARENT COMPANY

GE Capital Corporation

COMPANIES BELONGING TO THE BANKING GROUP

GE Capital Interbanca S.p.A. - Parent Company of the Banking Group

GE Capital Servizi Finanziari S.p.A.

GE Capital Finance S.r.l.

GE SPV S.r.l.

SUBSIDIARIES NOT BELONGING TO THE BANKING GROUP INCLUDED IN THE SCOPE OF CONSOLIDATION

GE Capital Services S.r.l.

RELATED PARTIES - SUMMARY AS AT 30 JUNE 2014

	Description	Controlling entity	Entities exercising significant influence	Subsidiaries	Associates	Joint ventures	Key management personnel	Other related parties	TOTAL RELATED PARTIES (A)	TOTAL GE CAPITAL SPA GROUP (B)	% A/B
ASSETS	FINANCIAL ASSETS AVAILABLE FOR SALE				61,763				61,763	130,359	47.4
	LOANS TO CUSTOMERS						1,744	341	2,085	3,568,503	0.1
	OTHER ASSETS	69			301				370	117,050	0.3
LIABILITIES	DUE TO CUSTOMERS							3,415,346	3,415,346	3,551,895	96.2
	OTHER LIABILITIES	373						2,847	3,220	130,400	2.5
GUARANTEES					**52,916**				**52,916**	**153,071**	**34.6**
INTEREST	INCOME						10	14	24	70,112	0.0
	EXPENSE							(26,461)	(26,461)	(33,317)	79.4
FEES AND COMMISSIONS	COMMISSION INCOME AND SIMILAR REVENUES							1,127	1,127	8,189	13.8
	COMMISSION EXPENSE AND SIMILAR CHARGES							(328)	(328)	(3,420)	9.6
OTHER	ADMINISTRATIVE EXPENSES	23					(2,021)	(11,538)	(13,536)	(55,591)	24.3
	GAINS/LOSSES ON DISPOSAL							1,203	1,203	1,203	100.0
	OTHER INCOME							182	182	63,804	0.3

SEGMENT REPORTING

Segment reporting reflects the organisational structure used in reporting Banking Group results, broken down into the following activities: corporate & investment banking, leasing and factoring.

A.1 - Segment reporting: financial data

In thousands of Euros	CORPORATE & INVESTMENT BANKING	LEASING	LEASING TO BE SETTLED	FACTORING	OTHER COMPANIES INCLUDING ELISIONS AND ADJUSTMENTS	TOTAL CONSOLIDATED AS AT 30.06.2014
Net interest margin	**15,230**	**11,095**	**9,092**	**1,350**	**28**	**36,795**
Net fee and commission income	**2,511**	**936**	**(515)**	**1,837**	**-**	**4,769**
Dividends and similar revenues	10	-				10
Profits (Losses) on trading	(936)	-		-	-	(936)
Net result of hedge accounting	(29)	-		-	-	(29)
Gains on disposal of financial liabilities	1,203	-		-	-	1,203
Net result of assets and liabilities recognised at fair value	-	-		-	-	-
Net interest and other banking income	**17,989**	**12,031**	**8,577**	**3,187**	**28**	**41,812**
Net impairments / reversals on loans, financial assets and guarantees issued	565	(10,736)	528	219	-	(9,424)
Operating income	**18,554**	**1,295**	**9,105**	**3,406**	**28**	**32,388**
Personnel expenses	(15,232)	(6,872)	(3,625)	(1,705)	(24)	(27,458)
Other administrative expenses	(16,082)	(6,455)	(6,932)	(2,297)	3,633	(28,133)
Net provisions for risks and charges	105	(593)	143	218	-	(127)
Amortisation, depreciation and property disposals	(1,053)	(227)	(17,897)	(122)	-	(19,299)
Other operating expense/income	2,966	4,122	26,019	65	(3,655)	29,517
Operating expenses	**(29,296)**	**(10,025)**	**(2,292)**	**(3,841)**	**(46)**	**(45,500)**
Profit (Loss) on disposal of investments	-	16		-	-	16
Pre-tax profit (loss)	**(10,742)**	**(8,714)**	**6,813**	**(435)**	**(18)**	**(13,096)**
Income tax	(327)	2,332	(2,594)	(63)	5	(647)
Profit (Loss) for the year	**(11,069)**	**(6,382)**	**4,219**	**(498)**	**(13)**	**(13,743)**

A.2 - Segment reporting: balance sheet data and total risk-weighted assets (RWA)

In thousands of Euros	CORPORATE & INVESTMENT BANKING	LEASING	LEASING TO BE SETTLED	FACTORING	OTHER COMPANIES INCLUDING ELISIONS AND ADJUSTMENTS	TOTAL CONSOLIDATED AS AT 30.06.2014
Due from banks and loans to customers	2,229,989	986,726	339,115	228,024	(576)	3,783,278
Due to banks and customers	2,204,960	878,545	373,332	10,502	(583)	3,466,756
Total risk-weighted assets (Basel II)	3,037,642	820,996	N/A	224,816		4,083,455

In reference to the revenue breakdown by geographic area, the figures indicated above are produced almost exclusively in Italy based on relationships with Italian customers, and properties owned by the Parent Company are located exclusively in Italy.

There are no individual customers whose revenues represent 10% of the total Group revenues.

CERTIFICATION OF THE ABRIDGED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

Certification of the Abridged Consolidated Half-year Financial Statements pursuant to Article 154-bis, para. 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998

The undersigned, Paolo Braghieri and Ettore Colombo, in their capacities as Chief Executive Officer and Executive charged with preparing the financial reports of GE Capital S.p.A., in accordance with the provisions of Article 154-bis, para. 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, do certify:

- its adequacy with regard to the characteristics of the business and
- the actual implementation of the administrative and accounting procedures for preparing the Abridged Consolidated Half-year Financial Statements from 1 January 2014 to 30 June 2014

Furthermore, we attest that the Abridged Consolidated Half-year Financial Statements:

a) have been prepared under international accounting standards recognised by the European Commission in compliance with (EC) Regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002;

b) correspond to the books and accounting entries;

c) provide a true and correct representation of the equity, economic and financial position of the Issuer and all the businesses included in the consolidation.

The Interim Report on Operations refers to important events that occurred in the first six months of the financial year and their impact on the Abridged consolidated half-year financial statements, whilst also describing the main risks and uncertainties for the remaining six months of the financial year.

Milan, 29 August 2014

[signature]
Paolo Braghieri
Chief Executive Officer

[signature]
Ettore Colombo
Executive charged with preparing
the company's financial reports

OFFICES

GE Capital Interbanca S.p.A.

Registered office and General Management Corso Venezia 56 – 20121 Milan, Italy

North West Area Branch

Corso Venezia 56 – 20121 Milan

Central South Area Branch

Via Federico Cesi, 72 – 00193 Rome

Bologna Branch

Via Emilia Ponente – 40125 Bologna

GE Capital Finance S.r.l.

Registered office Via Borghetto 5 – 20121 Milan

Operating headquarters Piazza Indro Montanelli 20 – 20099 Sesto San Giovanni (Milan)

GE Capital Servizi Finanziari S.p.A.

Registered office and operating headquarters Via Vecchia di Cuneo 136 – 12084 Loc. Pogliola Mondovì (Cuneo)

GE Capital Services S.r.l.

Registered office Via Giuseppe Rosaccio, 33 - 00156 Rome

Operating headquarters Piazza Indro Montanelli 20 – 20099 Sesto San Giovanni (Milan)