Banco Desio

Financial statements at December 31, 2014

Banco di Desio e della Brianza S.p.A.

Content

Report on Operations for 2014

Directors and officers

Board of Directors

Chairman	Agostino Gavazzi
Deputy Chairman	Stefano Lado*
Chief Executive Officer	Tommaso Cartone*
Directors	Egidio Gavazzi* Paolo Gavazzi Tito Gavazzi* Graziella Bologna* Cristina Finocchi Mahne Gerolamo Pellicanò Sandro Appetiti Gigliola Zecchi Balsamo

* *Members of the Executive Committee*

Board of Statutory Auditors

Chairman	Eugenio Mascheroni
Acting Auditors	Rodolfo Anghileri Giulia Pusterla
Substitute Auditors	Giovanni Cucchiani Paolo Pasqui Elena Negonda

General Management

General Manager	Luciano Colombini
Deputy Genaral Manager	Ippolito Fabris

Financial Reporting Manager as per art. 154-bis CFA

Financial Reporting Manager	Mauro Walter Colombo

INTRODUCTION

It should be noted that, in accordance with International Accounting Standard IFRS 5, with reference to 31 December 2014 the balance sheet captions 140 - "Non-current assets and disposal groups held for sale" and 90 - "Liabilities associated with groups of assets held for sale", as well as the income statement caption 280 - "Profit (loss) after tax on non-current assets held for sale", group together the values reclassified in the relevant captions in relation to 32 branches of the Tuscany and Lazio area included in the scope of transfer of the business unit by the Bank to Banca Popolare di Spoleto S.p.A., as specified in greater detail in Part B - Section 14 and Part C - Section 19 of the Explanatory Notes.

The transfer of the branches was approved by the respective Boards of Directors on 18 December 2014 and has the purpose of redefining the scope of the distribution network of Banca Popolare di Spoleto S.p.A., enabling it to strengthen its role in Central Italy.

At the same meeting, the Board of Directors of Banca Popolare di Spoleto S.p.A. approved the proposed increase in capital reserved for the Bank and set at Euro 90.6 million, by contributing the business unit.

The legal effectiveness of the contribution is scheduled for 1 April 2015, after the resolution by the Shareholders' Meeting of Banca Popolare di Spoleto S.p.A. called for 30 March 2015 concerning the increase in capital.

Again in accordance with IFRS 5, with reference to the comparative year at 31 December 2013, the reclassified values of the relevant captions for the Tuscany Area were grouped together in the income statement caption 280 - "Profit (loss) after tax on non-current assets held for sale", as those of the Lazio Area were at the time related to the former subsidiary Banco Desio Lazio (the merger of the subsidiary in the Bank took place in 2014).

However, in order to provide a more consistent comparison between the years and therefore better represent the figures and ratios accompanied by specific comments on performance, reclassified balances at 31 December 2013 of the relevant captions in relation to the branches in the Tuscany Area were also grouped together in this Report on Operations under balance sheet captions 140 - "Non-current assets and disposal groups held for sale" and 90 - "Liabilities associated with groups of assets held for sale"; the balance sheet determined in this way, which differs from the financial statements as a result of these reclassifications, is shown as "restated".

The figures and ratios included in this Report on Operations, as well as the comments on the composition of the captions and the changes relating thereto, where due, refer to the balance sheet included in the financial statements and to the reclassified income statement, which has been prepared from the financial statements, as explained in the appropriate paragraph (for the comparative period at 31 December 2013, the balance sheet to which they refer is therefore shown as "restated").

1 - KEY FIGURES AND RATIOS

BALANCE SHEET

Amounts in thousands of Euro	31.12.2014	31.12.2013 Restated	Change amount	%
Total assets	9.491.033	8.454.550	1.036.483	12,3%
Financial assets	1.357.669	1.604.819	-247.150	-15,4%
Due from banks	315.884	229.698	86.186	37,5%
Loans to customers	6.076.574	5.814.732	261.842	4,5%
of which: Loans to ordinary customers	*5.878.213*	*5.696.790*	*181.423*	*3,2%*
of which: Loans to institutional customers	*198.361*	*117.942*	*80.419*	*68,2%*
Property, plant and equipment	137.803	134.881	2.922	2,2%
Intangible assets	3.500	3.040	460	15,1%
Non-current assets and disposal groups held for sale	1.117.528	336.768	780.760	231,8%
Due to banks	790.090	481.075	309.015	64,2%
Due to customers	4.709.455	4.561.607	147.848	3,2%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	1.978.647	2.129.373	-150.726	-7,1%
Liabilities associated with groups of assets held for sale	993.775	304.926	688.849	225,9%
Shareholders' equity (including Net profit/loss for the period)	817.770	781.577	36.193	4,6%
Own Funds *(formerly Capital for supervisory purposes) (1)*	912.963	808.137	104.826	13,0%
Indirect deposits	10.516.263	9.769.018	747.245	7,6%
of which: Indirect deposits from ordinary customers	*6.754.180*	*6.553.685*	*200.495*	*3,1%*
of which: Indirect deposits from institutional customers	*3.762.083*	*3.215.333*	*546.750*	*17,0%*

INCOME STATEMENT [(2)]

Amounts in thousands of Euro	31.12.2014	31.12.2013	Change amount	%
Operating income	319.175	305.139	14.036	4,6%
of which: Net interest income	*159.858*	*155.595*	*4.263*	*2,7%*
Operating costs	174.461	171.744	2.717	1,6%
Result of operations	144.715	133.395	11.320	8,5%
Profit (loss) from operations after tax	9.496	-472	9.968	n.s.
Non-recurring profit (loss) after tax	9.332	5.571	3.761	67,5%
Profit (loss) after tax on non-current assets held for sale	14.158	4.475	9.683	216,4%
Net profit for the year	32.986	9.574	23.412	244,5%

(1) the figure at 31.12.2013 was recomputed in accordance with the new regulations (Bank of Italy Circular no. 285 and EU Regulation 575/2013), whereas the former Capital for supervisory purposes amounted to Euro 809.8 million;

(2) from the reclassified income statement

KEY FIGURES AND RATIOS

	31.12.2014	31.12.2013	Changes
Capital/Total assets	8,6%	9,2%	-0,6%
Capital/Loans to customers	13,5%	13,4%	0,1%
Capital/Due to customers	17,4%	17,1%	0,3%
Capital/Debt securities in issue and Financial liabilities designated at fair value through profit and loss	41,3%	36,7%	4,6%
Common Equity Tier 1 (CET 1) / Risk-weighted assets (Common Equity Tier 1 ratio)	13,7%	n.a.	
Core Tier 1 capital (T1) / Risk-weighted assets (Tier 1 ratio) *(3)*	13,8%	14,7%	-0,9%
Total Own Funds / Risk-weighted assets (Total capital ratio) *(3)*	15,8%	16,0%	-0,2%
Financial assets/Total assets	14,3%	19,0%	-4,7%
Due from banks/Total assets	3,3%	2,7%	0,6%
Loans to customers/Total assets	64,0%	68,8%	-4,8%
Loans to customers/Direct customer deposits	90,9%	86,9%	4,0%
Due to banks/Total assets	8,3%	5,7%	2,6%
Due to customers/Total assets	49,6%	54,0%	-4,4%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss/Total assets	20,8%	25,2%	-4,4%
Direct customer deposits/Total assets	70,5%	79,1%	-8,6%

	31.12.2014	31.12.2013	Changes
Cost/Income ratio	54,7%	56,3%	-1,6%
Net interest income/Operating income	50,1%	51,0%	-0,9%
Result of operations/Operating income	45,3%	43,7%	1,6%
Net profit (loss) from operations after tax/Shareholders' equity *(4)*	1,2%	-0,1%	1,3%
ROE *(4)*	4,2%	1,2%	3,0%
Profit (loss) from operations before tax/Total assets (ROA)	0,2%	0,1%	0,1%

	31.12.2014	31.12.2013	Changes
Doubtful loans/Loans to customers	3,7%	3,5%	0,2%
Impaired loans/Loans to customers	6,6%	6,5%	0,1%
% coverage of doubtful loans	49,2%	39,4%	9,8%
% coverage of doubtful loans, gross of cancellations	63,2%	60,0%	3,2%
% Total coverage of impaired loans	41,8%	33,6%	8,2%
% Coverage of impaired loans, gross of cancellations	53,2%	48,9%	4,3%
% Coverage of performing loans	0,60%	0,67%	-0,06%

STRUCTURE AND PRODUCTIVITY RATIOS

	31.12.2014	31.12.2013	Change amount	Change %
Number of employees	1.687	1.563	124	7,9%
Number of branches	180	164	16	9,8%
Amounts in thousands of Euro				
Loans and advances to customers per employee *(5)*	3.913	3.698	215	5,8%
Direct deposits from customers per employee *(5)*	4.307	4.255	52	1,2%

	31.12.2014	31.12.2013	Change Amount	Change %
Operating income per employee *(5)*	206	194	12	6,2%
Result of operations per employee *(5)*	93	85	8	9,4%

(3) capital ratios at 31.12.2013 have been restated with the estimate of the support factor not foreseen in the previous legislation; however, comparison with those at 31.12.2014 is not completely homogeneous;

(4) equity excluding net profit (loss) for the period;

(5) based on the number of employees calculated as a straight average (for consistency, the average used for 31.12.2014 excludes the employees of the former subsidiary Banco Desio Lazio).

2 - UNDERLYING SCENARIO

2.1 - THE MACROECONOMIC SCENARIO

The profound changes in the macroeconomic scenario in the last few months of 2014, as regards oil prices, the depreciation of the euro and the announcement of Quantitative Easing in the Eurozone, all went to increase the sense of fragmentation with which the latest cycle of the world economy is developing. The latest available figures show the strong acceleration of the US economy in contrast to disappointing growth in Europe and another contraction in the Japanese economy. Among emerging nations, India has maintained good momentum, China has marginally lowered its pace, Brazil is more or less in a state of stagnation after two consecutive quarters in decline, while Russia seems to be sinking into a severe economic crisis.

Then, against the low rate of inflation in industrialised countries, there is the risk of rising prices in emerging nations that in the past two years have suffered a sharp devaluation of their national currency; even though the internal conditions of their economies required support from economic policy, the governments of these countries (Russia, Brazil, Argentina and Indonesia) have in fact increased their policy rates on several occasions.

At the end of 2014, there was clearly discrimination between the countries that are (net) exporters and importers of raw materials. In the case of the former, the decline in proceeds from sales in these markets is eroding the resources needed for growth; for the importing countries, on the other hand, the fall in commodity prices is helping considerably to keep domestic inflation under control, to raise purchasing power and to boost demand for consumer goods. The sharp fall in oil prices in the last quarter of 2014, brought about by a combination of higher supply and weak demand, should help support the growth expected in 2015 for these countries, though it is not without risk for the financial stability of the exporting countries.

In the fourth quarter of 2014, volatility in the Eurozone's financial markets increased when elections were called in Greece; the possible repercussions of the new Greek Government's economic policies and management of the public debt are fuelling concerns that the Eurozone might fall apart. Interest rates on Greek 3-year bonds are now over 15%, in light of a possible debt renegotiation; the decline in European stock markets was accompanied by a substantial stability in risk premiums on government bonds in the peripheral countries, probably due to rising expectations of further monetary policy measures by the ECB. However, the downgrade of Italy's sovereign debt by Standard & Poors in December because of the country's uncertain growth prospects, has not had a significant impact on government bond yields.

United States

At the end of 2014, US GDP was reckoned to be growing at 2.2% a year, thanks to positive contributions from private consumption (+2.3%), industrial production (+4%) and non-residential investment (+6.1%). Among the components of domestic demand, only public sector consumption and net exports posted a negative annual change (of -0.2% and -0.1%, respectively). The performance of domestic demand is largely due to factors that reflect the long post-crisis adjustment: household budgets looking healthier, the labour market on the mend, and interest costs at all-time lows as a percentage of disposable income. The conditions of the labour market have gradually improved during 2014, in terms of both increased employment and the supply of labour, despite the fact that wage growth still remains relatively low. Unemployment at the year-end is put at 6.2%, a significant improvement compared with the end of 2013 (7.4%). From the second half of 2014, the trend in consumer prices was held down by appreciation of the exchange rate and the drop in oil prices: overall, inflation at the end of 2014 was 1.3%. The combination of low inflation and low wage growth opens potential room for monetary policy manoeuvres expected over the course of 2015 and characterised by a prudent increase in the policy rate.

Japan

The Japanese economy is reckoned to be growing weakly at the end of 2014 (+0.3%), exclusively thanks to net exports (+0.2%) and public sector spending (+0.1%). The lack of any contribution to growth from domestic demand is due to the fall in capital investment in construction (-6.8%) and industry (-0.5%), in addition to the difficulties of private consumption.

The economic stability seen in the last quarter of 2014 was in fact solely due to the trend in oil prices and depreciation of the exchange rate which favoured large exporting companies. The labour market improved, with unemployment at the end of 2014 of 3.3% (4.0% at the end of 2013) but with real wages at a standstill and without any clear sign of recovery. The monetary situation continues to worry the Central Bank: inflation at the end of 2014 is expected to be 0.7%, far from the target value (2%). Monetary and fiscal policies continued to provide support to the economy in the fourth quarter of 2014, but the deflationary pressures generated by the drop in oil prices persuaded the Central Bank to increase liquidity injections, launch a package to support private consumption and postpone by 18 months the fiscal manoeuvre to increase consumption tax that was expected by the end of 2015.

Emerging Economies

Russia's GDP at the end of 2014 is reckoned to be up by 0.5%, exclusively due to the positive contribution of net exports, though conditioned by the weakness of domestic demand and by trade sanctions. The country is going through a period of economic weakness: the depreciation of the rouble, which has almost halved in value over the last 12 months, and the sharp drop in oil prices have come on top of the sanctions, which are mainly trade in nature, but also financial, related to the troubles in Ukraine. The Central Bank has had to implement a drastic squeeze on interest rates to try to defend the currency and to curb inflation, which is expected to come in at 7.8% at the end of 2014. The prospects are for a further deterioration in the coming months: inflation, financing difficulties, lack of confidence and trade barriers will hit consumption and investment severely, leading to a deep recession that, in the absence of some change in relations with the West, could drag on into 2016 as well.

In China, GDP experienced a slight slowdown in the fourth quarter of 2014, with an expected annual growth of 7.4% in December, thanks to the positive contribution of domestic demand (+5.9%) and net exports (+1.5%). The low rates of growth in manufacturing output compared with past averages (+7.9%), flat retail sales, the decline in housing prices and inflation generally (1.5% at end 2014) are all elements of a business cycle is far from brilliant. However, the decline in oil prices (for a country that is voracious for commodities) and the exchange rate (of a currency that is getting stronger and stronger) may help the country during the year to rejig its growth model, giving more weight to consumer spending.

In India, GDP at the end of 2014 is reckoned to be up by 5.8%, thanks to the contribution of domestic demand (+5.0%) and net exports (+0.8%). The service sector is booming and there are many signs (higher profits, greater confidence on the part of businesses and households) that a further improvement in the economy during the first part of 2015 is likely. The monetary situation at the end of 2014 is also a good deal better: inflation is down to 4.1% and the prospects of lower prices for oil and food on the world market are a further element that should hold down prices in the coming quarters. During 2014, the Central Bank reduced interest rates by 25 basis points.

In Latin America, Brazil's stagnation, the weakness of Argentina and Venezuela, and lower revenues for commodity-exporting countries (like Chile and Peru) are the origin of the slowdown in GDP in the second half of 2014, with growth during the year depending to a considerable extent on domestic demand. The region's GDP at the end of 2014 is expected to grow by 0.6%. The depreciation of national currencies that took place in 2014 means that there is still a high risk of local governments losing control over price dynamics and the prospects for 2015 suggest the adoption of restrictive economic policies to keep domestic inflation in check, trying to ensure the macroeconomic stability needed to boost the confidence of national and foreign operators.

Europe

In 2014, the Eurozone stumbled into the trap of modest growth and low inflation: GDP at the end of 2014 turned in growth of 0.8%, largely due to the results of the German and Italian economies which were even more disappointing than expected. Geopolitical tensions have played a not insignificant role in the most recent cyclical dynamics, not only by exports, but also indirectly, as higher global uncertainty has weighed and continues to weigh on decisions regarding consumption (+0.9%) and investment (+0.7%).

The latest indicators confirm the cyclical weakness of the Eurozone economy that is showing limited growth, though with different trends from country to country: at the end of 2014, industrial production was up by 0.8%, after the decline recorded in 2013 (-1.1%). This improvement has had a positive effect on the labour market: the unemployment rate is tending to decrease, although it is still high (11.6%) Consumer price changes in December fell below zero (-0.2%), mainly because of the downward trend in energy prices (-6.3%): net of the more volatile components, inflation is expected to come in at around 0.5%. The low level reached by inflation and the risk that this could be contagious to prices and wages, convinced the ECB in January 2015 to adopt Quantitative Easing, involving the purchase of government and corporate securities on the market from March. This policy is expected, on the one hand, to maintain low interest rates and, on the other, to inject into the markets a large mass of cheap liquidity to reignite the engines of consumption and investment. These expectations of a long-term expansionary monetary policy by the ECB contrast with the Fed's expected "tapering" (or gradual normalisation) of its own monetary policy: this difference in policies in the two areas is favouring the dollar, which has strengthened against the euro. The prospects of falling interest rates, a weak euro and oil prices dropping even further should permit a stabilisation of the macroeconomic scenario in the Eurozone during the course of 2015, which should also benefit Italy.

Italy

At the end of 2014, GDP was down by 0.4%, though this was better than at the end of 2013 (-1.9%). Capital investment has been weak (-2.5%) mainly because there are still ample margins of spare capacity, whereas the slow recovery in household consumption (+0.3%), which has been underway since the summer of 2013, is continuing. Foreign trade (+2.0%) continues to support GDP, despite the fluctuations in global demand. In December, unemployment stood at 12.8%, higher than at the end of the previous year (12.2%), despite signs of increased responsiveness on the part of the labour market, especially with regard to employees thanks to substantial Government incentives to promote full-time employment (whose effects will be seen above all in 2015). The rise in inflation observed in the autumn months of 2014 came to an end and then fell back to zero because of the collapse in oil prices, leading to a year-end forecast of 0.2%. Similarly to the Eurozone, the prospects for Italy in 2015 are also for a recovery in competitiveness helped by low interest rates, the fall in oil prices and a weak euro, which should stimulate household spending and boost exports.

2.2 - CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

Monetary and financial markets did not react significantly in December in anticipation of Europe's Quantitative Easing. In fact, neither the European Central Bank nor the Federal Reserve changed their policy rate (respectively 0.05% and at a rate of between 0% and 0.25%).

In the first ten days of January 2015, the 3-month Euribor slipped to a record low (0.07%): The average figure for December (0.08%) showed a drop of 19 basis points compared with the same period last year (0.27%). The 10-year IRS rate dropped in the first ten days of 2015 by 14 basis points on the average figure in December 2014 (0.90%).

On the bond market, 10-year benchmark rates fell in USA (2.21%, having been 2.32% in November) and in the Eurozone; in Germany, the benchmark rate slipped to 0.64% (from 0.80%) and in Italy it fell to 1.98% (from 2.28%). The spread between the average December yield on 10-year Italian and German government bonds fell again to 133 bps (from 149 in November).

In December, international share prices have shown rising trends on monthly and yearly basis. In detail: the Dow Jones Euro Stoxx index rose by 0.3% m/m (+6.8% y/y), the Standard & Poor's 500 index by 0.5% (+13.6% y/y) and the Nikkei 225 index by 2.3% (+11.8% y/y). in contrast with international share prices, the major European stock markets showed different trends in December: the FTSE MIB and FTSE100 fell by 0.9% (+4.6% y/y) and by 1.4% (-0.5% y/y) respectively, while the CAC40 and DAX30 rose by 0.1% (+2.4% y/y) and 3.5% (+5.8% y/y) respectively.

Unlike the main stock markets, all of the major banking indices were positive m/m and y/y: the Italian FTSE Banks grew by 1.8% m/m (+17.1% y/y), the Dow Jones Euro Stoxx Banks by 0.1% (+0.7% y/y) and the S&P 500 Banks by 1.6% (+14.6% y/y).

The annual trend in funding from resident customers was stable at the end of 2014, though still negative (-1.6% y/y); the trend in deposits was positive, whereas bonds fell considerably. Observing the different components of funding by duration, a clear gap has been created between short-term and long-term sources. Deposits from resident customers (net of central counterparties) grew in December by 3.6% y/y, whereas bonds continued to mark a substantial decline (-13.8%), a trend already seen in previous quarters. Foreign deposits also maintained their downward trend over the year, as seen in previous postings (-11.6% y/y).

The average remuneration of bank deposits was 1.49%, decreasing again on the previous quarter (1.59%). The rate on deposits in Euro paid to households and non-financial companies came to 0.71% (formerly 0.78%), as well as the rate on bonds which was 3.16% (formerly 3.21%) and 1.55% on repurchase agreements (formerly 1.66%).

On the credit front, the bank loans to households and businesses in December registered an annual decline of 1.8%, even if the gap compared with the same period last year continued to shrink with constant signs of improvement on a monthly basis. In detail, this trend can be seen in total loans to residents in Italy (-1.8% y/y, formerly 2.2%), in loans to private sector residents in Italy (-2.3% y/y, formerly -2.8%), in loans to households and non-financial companies (+0.1% y/y, formerly -0.9%). The monthly recovery on an annual basis can be seen better by looking at the breakdown by maturity: both the short-term segment and the medium-long term segment recorded a change of 0.1% (compared with a decrease of 0.9% and 0.8% respectively in September).

3 - REGIONAL MARKET PRESENCE AND CORPORATE ISSUES

3.1 - THE DISTRIBUTION NETWORK

The Bank's distribution network, which is characterised by the high centrality of the customer relationship, aims to focus on markets where the Bank has its roots, on adjacent and complementary areas, as well as on other local opportunities and has led the Bank to increase its presence over the years in Lombardy, the territory of origin, and to expand into Emilia Romagna, Piedmont, Liguria, Tuscany and Veneto.

At 31 December 2014, the distribution network consists of 180 branches, recording an increase of 16 units, due to the merger by absorption of the former subsidiary Banco Desio Lazio S.p.A. with its 21 branches as of 1 October 2014 (as mentioned in the paragraph entitled "Significant events") and the closure of five branches, including two in Lombardy, Bresso (MI) and Crema (CR), one in Piedmont, Novi Ligure (AL) and two in Veneto, Bussolengo (VR) and Conegliano Veneto (TV) as part of the streamlining process, transferring their workload to other branches nearby.

During the year, work continued on the project to restructure the Bank's distribution network, with a view to strengthening territorial coverage by means of structured development. This project has involved the following measures:

a) the establishment of "aggregated" branches, which are smaller branches staffed by three employees that report to larger "principal" branches, which supervise their operations; this measure was implemented in two phases, the first starting in January 2014, the second in May 2014, for a total of 13 "aggregated" branches;

b) the organisation of the distribution network, from April 2014, into eight Regional Areas, each supervised by an Area Manager and assigned the following support roles:

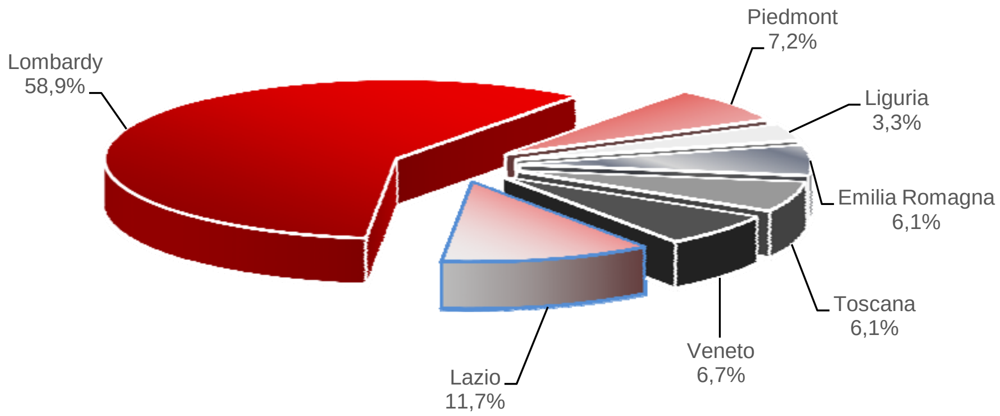
   - *Area Credit Manager and Loan Officer*, who provides support for the granting and management of credit and who intervenes in the credit granting process and in the monitoring of credit quality at aggregate level;
   - *Area Sales Manager,* who intervenes in the coordination of sales development, by applying the policy issued by the office of the Deputy General Manager of Corporate Affairs and as communicated by the Sales Department for effective organisation of each sales campaign;
   - *Area International Coordinator*, for the development of customers that work with foreign countries.

These activities have involved a review of the branch size, having resources focus more on business development and customer support, along with further training of network resources (those chosen to fill the role of Area International Coordinator have completed a period of targeted and personalised training at the Bank's International Department).

During the course of 2014, the Bank continued strengthening its online product offering, in a logic of multi-channel customer service alongside traditional banking services, moving towards a "virtual" bank.

The following chart shows the breakdown of the Group's distribution network by region at the end of 2014.

Chart no. 1 - **BREAKDOWN OF THE GROUP'S DISTRIBUTION NETWORK BY REGION**



In connection with the acquisition of Banca Popolare di Spoleto S.p.A., as detailed in the paragraph entitled "Significant events", over the coming months, the Group's distribution network will be rationalised so as to focus on the competitive positioning of the Bank in the North and, for Central Italy, to concentrate the branches in Lazio and Tuscany in Banca Popolare di Spoleto S.p.A.

3.2 - SIGNIFICANT EVENTS

Acquisition by the Bank of a majority interest in Banca Popolare di Spoleto S.p.A. and related transactions

Having obtained the necessary approvals from the Supervisory Authorities (Bank of Italy, Antitrust Authority and Consob) in connection with the acquisition of control of Banca Popolare di Spoleto in Extraordinary Administration ("BPS") by the Bank, steps were taken to complete the transactions envisaged by the Investment Agreement that was signed on 1 April 2014, aimed at strengthening BPS's capital and a return to healthy solvency and capital ratios, as well as the reconstitution of BPS's corporate bodies to be appointed by the Bank and closure of BPS's Extraordinary Administration procedure.

An Extraordinary Shareholders' Meeting of BPS held on 16 June 2014 approved the following motions:

- subscription of a cash capital increase of Euro 139.7 million reserved for the Bank, after which the Bank will hold ordinary shares in Banca Popolare di Spoleto S.p.A. in Extraordinary Administration equal to 72.16% of its share capital;
- a cash increase in capital with the exclusion of option rights, reserved for the employees of BPS pursuant to art. 5, paragraph 2, of BPS's Articles of Association, of a maximum of Euro 15.5 million; it was subscribed on 2 July 2014 for an amount of Euro 0.1 million, after which the Bank's holding came to 72.13%.

In accordance with the relevant accounting standard (IFRS 10 - Consolidated Financial Statements), "power over the entity" and the possibility of being in charge of its governance came about on 1 August 2014, when new administration and control bodies (Board of Directors and Statutory Auditors) took office, having been appointed at the Extraordinary and Ordinary Shareholders' Meeting held on 30 July 2014 with the consequent closure of the extraordinary administration proceedings.

On 13 October 2014, the Spoleto Credito e Servizi SC ("SCS", BPS's previous parent which also emerged from extraordinary administration proceedings) sold to the Bank 1,100,000 BPS shares at the same price of Euro 1.812 per share. The Bank's interest in BPS therefore comes to 73.16%.

The Bank considers that there is significant strategic value to be gained from BPS joining the Group, in order to achieve the following objectives:

- ✓ to expand the customer base, given the high commercial penetration of BPS in its own catchment area, making a leap in size considered to be indispensable to be able to compete in the current banking environment and in the foreseeable future;
- ✓ the rationalisation of the distribution network so as to focus on the competitive positioning of the Bank in the North and to aim for the concentration of the Group's branches in Lazio and in Tuscany within BPS, a bank characterised by a strong local brand, which is known and is well entrenched, with staff that, notwithstanding the difficult situation that the bank found itself in and the difficult economic environment, has been able to maintain a historically strong relationship with its customers that is based on trust;
- ✓ to redistribute the head office's burden to a larger «banking body», with a view to efficiency gains and synergies aimed at increasing the effectiveness of the Network's business.

With this in mind, we developed a process of centralising various functions previously performed by BPS at the Bank, in particular internal control (where the Bank's audit, compliance and risk management functions were given responsibility for BPS on 19 November 2014).

Moreover, still on the subject of strengthening/streamlining governance controls at Group level, without prejudice, in any case, to the operational autonomy of each subsidiary (a process that is linked to the adoption of the so-called "Group Regulation" on 24 July 2014), Deloitte & Touche S.p.A., the Group's independent auditors, also took on the audit of BPS, subject to agreed termination of the previous audit engagement with KPMG S.p.A., as resolved by the Ordinary Shareholders' Meeting on 9 October 2014.

On 18 December 2014, as already foreseen in the investment agreement signed on 1 April 2014 and announced to the market on the same day (the "Investment Agreement"), the Boards of Directors of the Bank and of BPS approved, among other things, this project, which provides for the Parent Company's contribution (the "Contribution") to BPS of a business unit consisting of 32 branches (the "Business Unit"), of which 11 branches in Tuscany and 21 branches in Lazio. The project therefore allows BPS to strengthen its role in "Central Italy", particularly in Tuscany (rising from 3 to 14 branches) and in Lazio (rising from 17 to 38 branches). This should result in various kinds of benefits, mainly due to efficiency and profitability targets, benefits in terms of cost synergies and simplification, taking into account the extent to which the existing networks of the Bank and of BPS are complementary.

In line with this Group network rationalisation project, the Boards of Directors of the Bank and of BPS also approved the sale by BPS to the Bank of the only BPS branch in Milan (the "Purchase/Sale of the Branch").

The Board of Directors of BPS also agreed to propose to the Extraordinary Shareholders' Meeting to issue, subject to the effectiveness of the Contribution resolution, up to 11,104,626 "Banca Popolare di Spoleto S.p.A. Warrants 2015-2017" (the "BPS Warrants") to be allocated free of charge to the holders of BPS ordinary shares - other than the Bank - at a ratio of 12 BPS warrants for every 31 BPS ordinary shares held which will entitle them to subscribe newly issued BPS ordinary shares at a ratio of 1 ordinary share for every 1 BPS Warrant exercised at a subscription price of Euro 1.812 per share. Issuance of the BPS Warrants will be proposed for approval by the Extraordinary Shareholders' Meeting in execution of the Investment Agreement which, as announced to the market on 1 April 2014, provides that the BPS Warrants (a) should be allocated free of charge to all shareholders of BPS, other than the Bank, as the Bank is expected to waive its share of the allocation, and (b) should have the following main characteristics: (i) maturity, 30 June 2017; (ii) exercise period, from 30 June 2015 to 30 June 2017; (iii) exercise ratio, 1 BPS Warrant = 1 new ordinary share; and (iv) subscription price for the conversion shares of Euro 1,812 (equal to the subscription price of the BPS shares subscribed by the Bank and BPS employees as part of the Bank's increase in capital approved on 16 June 2014).

For the purposes of the Contribution it is foreseen that, subject to obtaining the necessary authorisations, the BPS Shareholders' Meeting convened to approve the financial statements at 31 December 2014 is also called upon to approve, in extraordinary session, the proposed increase in capital with exclusion of option rights pursuant to art. 2441, fourth paragraph, first sentence, of the Italian Civil Code, reserved to the Bank for a total of Euro 90,628,000 (the "Capital Increase to Service the Contribution"), by issuing a total of 50,015,453 newly issued ordinary shares (the "New Shares"), to be paid through the Contribution of the Business Unit, with regular rights and having the same characteristics as those outstanding on the issue date. In setting the terms and conditions of the Contribution of the Business Unit, the Boards of Directors of the Bank and of BPS have taken appropriate steps to protect the interests of their respective shareholders. With particular reference to BPS, appropriate procedures were adopted to protect the integrity of BPS's share capital, also taking into account the exclusion of option rights in favour of the Bank and, therefore, for the purposes of valuing the Business Unit, the Bank appointed, pursuant to art. 2343-ter, paragraph 2, letter b) of the Civil Code, Professor Mario Massari as an independent expert with adequate and proven professionalism, whose report concludes as follows: "the value of the Business Unit being contributed, as of 30 September 2014, is estimated at Euro 90.6 million. On the basis of this value, the increase in capital needed to service the contribution to be approved by the Shareholders' Meeting of the transferee company cannot exceed Euro 90.6 million."

The Board of Directors of BPS therefore set at Euro 1.812 per share the issue price of the New Shares (the "Issue Price of the New Shares") for the increase in capital reserved to service the contribution of the Bank's "Business Unit" and the subscription price of the Conversion Shares (the "Subscription Price of the Conversion Shares") for the increase in capital to service the BPS Warrants to be allocated free of charge to the holders of BPS ordinary shares, other than the Bank, subject to the effectiveness of the resolution to contribute the business unit. The Issue Price of the New Shares was set taking into account the reasons given in Prof. Mario Massari's fairness opinion on the value of the shares of Banca Popolare di Spoleto S.p.A. to be issued in exchange for the contribution of the "Business Unit" of Banco di Desio e della Brianza S.p.A., for an amount equal to the subscription price of the BPS shares subscribed by the Bank and BPS employees as part of BPS's increases in capital approved on 16 June 2014, given the absence of significant changes in the scenario or new facts that could have significantly altered the valuation of BPS compared with the one involved in the Investment Agreement. The Subscription Price of the New Shares and the Subscription Price of the Conversion Shares have been the subject of the fairness opinion issued by the auditors Deloitte & Touche S.p.A. on 6 March 2015 pursuant to art. 158 of Legislative Decree 58/1998 (the "Consolidated Finance Act" or CFA). As a result of the Contribution, the Bank will hold 128,240,177 BPS ordinary shares equal to 81.71% of the share capital.

In line with the plan to rationalise the Group's network, the Boards of Directors of the Bank and of BPS have also approved the terms of the Purchase/Sale of the Branch which will take place at the same time as the Contribution takes effect. The sale by BPS to the Bank will involve BPS's only branch in Milan for a cash payment of Euro 448,000. The value of the branch being sold was determined on the basis of its net asset value at 30 September 2014, applying the same criteria as were used to value the Business Unit involved in the Contribution.

As far as the Bank is concerned, the Contribution and the Purchase/Sale Trend of the Branch represent, since they are transactions with its own subsidiary (BPS),"significant" intercompany transactions under the procedures governing related-party transactions that were approved by the Board of Directors on 25 November 2010, as subsequently amended and supplemented (the "Banco Desio Procedure"). The Bank's Related-Party Transactions Committee reviewed the Contribution and the Purchase/Sale of the Branch and on 15 December 2014 unanimously issued a reasoned opinion in favour of these transactions. As regards BPS, its Related-Party Transactions Committee (the "BPS Committee") was involved in the preliminary phase of the transactions, also by receiving complete and timely information flows; it too unanimously issued a reasoned opinion in favour of the transactions on 18 December 2014, pursuant to art. 14, paragraph 1 of the Related Parties Regulation. In accordance with art. 5 of the Related Parties Regulation, by the deadline and in the manner required by current regulations, BPS made available to the public, on 24 December 2014, an information document on the Contribution and Purchase/Sale of the Branch, prepared in accordance with Attachment 4 of the Related Parties Regulation (the "Information Document on Related Parties"). For the sake of completeness, with reference to the Bank, we would point out that, given that BPS should not have any significant interests in other related parties of the Bank, the Contribution and the Purchase/Sale Trend of the Milan Branch are exempt from this reporting requirement because of what is foreseen in the Banco Desio Procedure.

Merger by absorption into the Bank of Banco Desio Lazio S.p.A.

On 22 July 2014, the merger deed was executed for the merger by absorption into the Bank of the former subsidiary Banco Desio Lazio S.p.A. (a wholly-owned subsidiary), in implementation of the merger resolutions passed by the Boards of each of the aforementioned companies on 26 June 2014 and which have been made public along with the draft terms of merger and the Directors' Report on the merger. The merger took effect for legal purposes on 1 October 2014, whereas for accounting and tax purposes it took effect on 1 January 2014.

Completion of the proposed merger, which has its own autonomous strategic and organisational value, took place together with the development of the integration plan for Banco Desio Group and Banca Popolare di Spoleto ("BPS"), as indicated in the preceding paragraph, with the result that BPS will become the Group's Bank for Central Italy.

Note that, on 3 July 2014, an agreement on the merger was signed with the trade unions and the planned spin-off of Banco Desio Lazio's branches will not in itself have any impact on jobs.

Brianfid-Lux S.A. in liquidation

As regards the liquidation of the former subsidiary Brianfid-Lux S.A., on having obtained approval from the Luxembourg Financial Sector Supervisory Commission (CSSF), on 23 July 2014, a Shareholders' Meeting was held to close the liquidation proceedings and for the consequent definitive cancellation of the company. The company was cancelled from the Companies Register on 11 August 2014.

Credito Privato Commerciale S.A. in liquidation

The liquidation of the Swiss subsidiary Credito Privato Commerciale S.A. is proceeding faster than originally expected by the liquidators with whom we are constantly in touch. So providing various initiatives undertaken to facilitate the closure of the residual relationships and the resolution of any outstanding legal disputes are successful, final closure could take place much earlier than had been assumed.

Under these circumstances, the liquidators have again revised their estimates in the liquidation plan, foreseeing a reduction in the time needed for the proceedings, thereby reducing the future liabilities (for technical and administrative expenses) previously taken into consideration. In addition to this, note that, in the course of the year, no event occurred for which the procedure would prudently have required an increase in the provisions for risks and charges in relation to alleged contingent liabilities and thus, to date, there does not exist any obligation of a legal or implicit nature. Following the agreement entered into by the US Department of Justice and the Swiss Federal Department of Finance, numerous Swiss banks, despite not having yet been accused, but with the belief that they could have been involved in dealings with American citizens guilty of tax evasion, in 2013 decided to sign up for the "Program for non-prosecution agreements or non-target letter for Swiss banks"; for Credito Privato Commerciale SA in liquidation, signing up for this program involved making a specific provision for risks and charges for a total of CHF 5.5 million, which in 2014 was reduced to CHF 0.8 million based on further examination carried out by the liquidators.

The application of international accounting standards (IAS/IFRS) adopted by the Banco Desio Group for the preparation of the separate financial statements of the Bank has led to a positive impact on the income statement of some Euro 2.2 million (line item "Profit (loss) from investments"), corresponding to the partial write-back of an impairment adjustment to the investment in Credito Privato Commerciale S.A. in liquidation due to the combined effect of the circumstances described above. We would also point out that, again in accordance with the IAS/IFRS adopted by the Group, the consolidated financial statements recorded an overall positive contribution to the income statement by the Swiss subsidiary of approximately Euro 0.9 million, including the capital gain of Euro 2.2 million realised on the sale of its property.

Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation - Legal investigations

With reference to Criminal Proceedings 22698/08, at the hearing held on 24 January 2014, the Court of Rome upheld the application for settlement presented by the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation, which in 2011 became involved in these proceedings in connection with the administrative liability of legal persons pursuant to Legislative Decree 231/2001 for alleged offences committed by their former officers. The payment made for the settlement (which closed the legal proceedings in question) led to a partial release in 2013 of the provision that had previously been set up.

TLTRO – ECB refinancing operations

As mentioned in a press release on 5 June 2014, the ECB launched a new plan for extraordinary loans to banks at subsidised rates to support the real economy through increased lending to the non-financial sector (*Targeted Longer-Term Refinancing Operations* - "TLTRO"). Banks have therefore been given an opportunity to apply for a 4-year loan at the main refinancing rate, currently 0.05% plus 10 basis points, for a total of 0.15%. Access to TLTRO operations is permitted both individually and as a group together with other banks through a "lead institution" authorised to carry out open market transactions. The maturity of the loan has been scheduled for 26 September 2018, regardless of the date that it was requested; however, early redemption is always possible on a voluntary basis after 28 September 2016. The other conditions of the loan include a request from the ECB for guarantees represented by securities with the same requirements of the previous LTROs. Banks were also given the right to apply for an amount equal to 7% of their stock of loans to households (excluding property purchase loans) and non-financial companies in the Eurozone at 30 April 2014. This amount can be requested in two tranches (at 18 September 2014 and 11 December 2014) or in a lump sum.

In August 2014, the Bank, as the "lead institution" of the TLTRO Group created together with the former subsidiary Banco Desio Lazio S.p.A., sent in a request to participate in the first tranche of TLTRO loans planned for September 2014. Banca Popolare di Spoleto S.p.A., which is not included in the TLTRO Group as it joined the scope of consolidation from 1 August 2014, did not take part in the first TLTRO auction.

On 11 September 2014, the "initial allowance", i.e. the maximum amount that can be requested at the TLTROs in September and December 2014, (Euro 404.8 million) was communicated to the Bank.

On 6 November 2014 the Governing Council of the ECB approved the inclusion of Banca Popolare di Spoleto S.p.A. in the TLTRO Group created by the Bank in August 2014, also updating its composition for the merger of Banco Desio Lazio S.p.A. with the Bank with effect from 1 October 2014.

On 4 December 2014 the Bank was informed of the Initial Allowance for the TLTRO of December 2014, involving the subsidiary Banca Popolare di Spoleto S.p.A. for an amount of Euro 159.6 million. The total Initial Allowance communicated to the Group in 2014 amounts to Euro 564.4 million.

Tax audits

The assessment notices in connection with the tax audit performed by the Tax Police and which were issued to the Bank on 27 December 2013, were accepted and finalised by means of a tax settlement proposal.

In relation to the findings for alleged "foreign-dressing" of overseas subsidiaries, we would inform you that:

- all of the assessment notices issued to the former subsidiary Brianfid SA in liquidation were accepted and finalised by means of a tax settlement proposal; the company has been liquidated and was cancelled from the register of companies on 11 August 2014;
- the assessment notices relating to CPC S.A. in liquidation for the tax years 2001 to 2004 were withdrawn unilaterally by the Tax Authorities;
- with reference to CPC S.A. in liquidation, for the tax years 2005 to 2009, and Rovere SdG S.A., for the tax year 2009, the Regional Tax Office of Lombardy has changed the allegations of "foreign-dressing" into observations on transfer pricing, issuing assessment notices to the Bank for IRES and IRAP, which the Bank has already accepted.

With the issuance of these assessment notices, notified to the Bank on 30 December 2014 on the question of transfer pricing, the Tax Authorities definitively abandoned their allegations against CPC S.A. in liquidation and Rovere SdG S.A. on the question of "foreign-dressing".

As regards the issue of transfer pricing, given the figures established by the Tax Authorities for 2009, the Bank decided to supplement the provisions for risks and charges in the 2014 financial statements by Euro 325 thousand, given that assessments will probably be issued for 2010 and 2011 as well.

Inspections by the Bank of Italy

The Bank of Italy carried out partial inspections at the Group between 29 September and 19 December 2014. The inspection report delivered to the Bank on 24 February 2015 did not give rise to any sanctions.

Bank of Italy Circular no. 263

On 27 January 2014, the Board of Directors of the Bank approved the Gap Analysis Report and the action plan that the Group has to implement in accordance with the Bank of Italy Circular no. 263 and which envisages the strengthening of internal controls, the information system and business continuity.

The measures planned were approved by the Board on 26 June, as the result of project work that involved all the business functions, in accordance with the deadlines established in the Circular. The following aspects of these measures should be noted in particular:

- Update of the Articles of Association and of the internal regulations for corporate bodies in light of the duties assigned to them by the new provisions;
- Amendments to the "Risk management policy";
- Amendments to the credit and counterparty risk management process – First and second level controls;
- Update of Compliance Model;
- Adoption of a new organisational and operational model by the Internal Audit Department;
- Adoption of Human Resources Policy setting out the policy for the management and development of human resources in compliance with supervisory requirements.

In addition, the Board of Directors, at its meeting of 7 August 2014, approved the "IT risk analysis and management model" and the "Methodology of analysis and management of ICT risk", as well as the adoption of an integrated process, through a dedicated technology platform, for the detection of risks and internal controls and the sharing of information and its storage within a single database.

FATCA (Foreign Account Tax Compliance Act)

Effective as of 1 July 2014, an intergovernmental agreement has been entered into between the U.S. and Italian governments (Model 1 IGA) to ensure the application as national law of the Foreign Account Tax Compliance Act (FATCA), which was introduced by the U.S. Government to counteract offshore tax evasion by U.S. citizens and businesses that hide assets held in accounts in non U.S. territories and which make use of foreign financial institutions to conceal from the U.S. IRS (Internal Revenue Service) the income generated thereby; in particular, more rigid obligations have been imposed on non U.S. financial institutions (FFIs – Foreign Financial Institutions) for customer identification (U.S. and non U.S.) and for reporting requirements to the U.S. tax authorities.

In relation to this international legislation, the Bank took steps to ensure the implementation of the technical, procedural and organisational measures needed for its prompt application. In particular, Banco Desio Group has registered with the IRS via its portal, with the Bank having assumed the role of Lead FFI (company that is responsible for the coordination of the Group registration process and, in more general terms, for the supervision of FATCA compliance by all Group entities).

Disposal of held to maturity securities portfolio

At the end of January 2014, as it was no longer opportune to hold fixed-rate debt instruments with medium to long durations to maturity, the Bank decided to sell all of the financial instruments in the HTM portfolio. The contribution to the income statement for 2014 that originated from this disposal amounted to some Euro 12.4 million. The Bank will not be able to use this portfolio category for the next two years (under the so-called "tainting rule").

Directors and officers

On 29 April 2014, the Ordinary Shareholders' Meeting appointed the Board of directors and the Board of Statutory Auditors for the years 2014-2016. The composition of these bodies - after appropriate resolutions had been passed by the Board that met at the end of the Shareholders' Meeting - is that previously reported in the relevant paragraph.

Deputy General Manager of Corporate Affairs

On 13 March 2014, the Board of Directors of the Bank appointed Mr Ippolito Fabris as Deputy General Manager of Corporate Affairs.

Financial Reporting Manager

Mr Mauro Walter Colombo has been appointed as Financial Reporting Manager of the Bank in accordance with art. 154-bis of the Consolidated Finance Act as a replacement for Mr Piercamillo Secchi, who went into retirement on 30 April 2014.

4 - SIGNIFICANT SUBSEQUENT EVENTS

Approval of the Group Business Plan for the 2015-2017 three-year period

On 10 February 2015 the Board of Directors of the Bank approved the Group Business Plan for the 2015-2017 three-year period.

In brief, the strategic measures underlying the Plan concern:

- rationalisation of the distribution perimeter and gradual revision of the network model;
- convergence of network performances to internal best practice;
- constant review and updating of products on offer;
- revival of private banking;
- progressive development of digitisation and a multichannel approach;
- further streamlining of administrative costs;
- evolution of the model for the handling of impaired loans (doubtful and watchlist loans) with recourse to specialised companies (outsourcing) for the management of part of the stock;
- rationalisation and expansion of distribution agreements with product companies outside the Group, with a view to gradually increasing the economic component of the service margin.

These strategic measures are in-keeping with the territorial and organisational decisions taken, which envisage the Bank overseeing the northern regions and the subsidiary Banca Popolare di Spoleto S.p.A. overseeing the regions of Central Italy, based on a commercial and distribution model that reflects the new size of the Group. A model that could become more integrated, thanks to the traditional service that is handled through the physical channel, to seize opportunities for local development, and the electronic channel, in line with the size that the web-oriented clientele is likely to assume.

In view of the above, the objectives of the business plan in terms of risk/return can be summarised as follows:

- development of the Group model, encouraging full integration of BDB and BPS at both an organisational and cultural level;
- compliance with capital and liquidity requirements with appropriate prudential margins;
- a progressive increase in profitability (ROE and RORAC);
- adequate remuneration for all shareholders.

Decision by the Council of State on the Extraordinary Administration of Banca Popolare di Spoleto S.p.A.

The Boards of Directors of the Bank and of the subsidiary Banca Popolare di Spoleto S.p.A. have taken note of the decision taken by the Council of State, filed on 9 February 2015, which cancelled the judgement of the Regional Administrative Tribunal that rejected the appeals of certain former Directors of Banca Popolare di Spoleto S.p.A. and that the Ministry of Economy and Finance had failed to critically examine the proposal of the Bank of Italy which led to the Extraordinary Administration of Banca Popolare di Spoleto S.p.A. at the beginning of 2013.

In light of our research into the possible legal implications and consequences of the Council of State's decision regarding the operations of Banca Popolare di Spoleto S.p.A., backed by authoritative legal opinions, it is reasonable to believe that this decision is unlikely to have any impact on the full validity and legitimacy of the Capital Increase Reserved for the Bank. Likewise, we believe that the decision of the Council of State does not have any effect on the full legitimacy of its corporate bodies appointed by the shareholders' meeting of Banca Popolare di Spoleto S.p.A. that was held after the Reserved Capital Increase had been carried out.

Increase in capital of Banca Popolare di Spoleto S.p.A.

The Extraordinary Shareholders' Meeting of Banca Popolare di Spoleto S.p.A. approved on 30 March 2015 the cash increase in capital with a nominal value of Euro 90,628,000 by issuing 50,015,453 new ordinary shares at a price of Euro 1.812 per share, reserved for the Parent Company Banco di Desio e della Brianza S.p.A., to be paid up by a contribution in kind of 32 branches in Lazio and Tuscany in accordance with the Business Plan.

5 - LEGISLATIVE DECREE 231/2001

With reference to measures implemented concerning the administrative liability of companies for offences committed by their officers and/or employees, in 2004 the Board of Directors of the Bank approved the adoption of an Organisation and Management Model for the prevention of criminal offences contemplated by Legislative Decree no. 231/2001 (hereinafter "Model 231"). This Model has been implemented over time in compliance with subsequent provisions of the law.

As regards Banca Popolare di Spoleto S.p.A., its Model 231 is currently being aligned to that of the Bank and the general part has already been partially implemented.

Further information on Model 231 and on the Supervisory Body pursuant to the aforementioned Legislative Decree (the functions of which have been performed since 2012 by the Board of Statutory Auditors) is provided in the Annual Report on Corporate Governance (particularly in paragraph 7), which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

The Model 231 has been published on the Group's website, together with the Code of Ethics.

6 - HUMAN RESOURCES

6.1 - MANAGEMENT AND BREAKDOWN OF RESOURCES

While respecting the specific nature of individual businesses, the management of resources is performed in a unitary and synergistic manner, with an emphasis on expectations and favouring professional development, as well as ensuring there are shared values within the Group. This orientation, in line with the policy of regional development, accompanies the dissemination of information and growth in the regions of origin as well as growth as an interregional reality.

At 31 December 2014, the number of employees rose to 1,687, an increase of 124 employees (+7.9%) considering the merger of the former subsidiary Banco Desio Lazio S.p.A. with its workforce of 144 resources from 1 October 2014 (as mentioned in the paragraph entitled "Significant events"), partly offset by the Bank's employees that took advantage of the first of the three "windows" for voluntary access to the Solidarity Fund under the redundancy plan (with a gradual reduction in the number of middle managers).

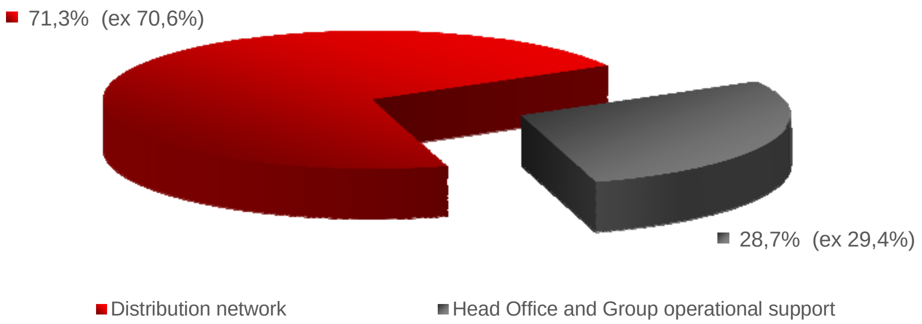
The following table analyses the breakdown of personnel by employee level.

Table no. 1 - **BREAKDOWN OF EMPLOYEES BY LEVEL**

No. of Employees	31.12.2014	%	31.12.2013	%	Change Amount	%
Managers	23	1,3%	25	1,6%	-2	-8,0%
3rd and 4th level middle managers	401	23,8%	379	24,3%	22	5,8%
1st and 2nd level middle managers	474	28,1%	443	28,3%	31	7,0%
Other personnel	789	46,8%	716	45,8%	73	10,2%
Employees	**1.687**	**100,0%**	**1.563**	**100,0%**	**124**	**7,9%**

The following graph provides a breakdown of the workforce at the year end between Head Office and operational support of the Group and the distribution network.

Chart no. 2 - **BREAKDOWN OF EMPLOYEES BY AREA**



The average age of employees at the year end was almost 45, while the percentage of female staff increased to 35.9%.

6.2 - TRAINING ACTIVITIES

As regards training activities, which accompany processes of growth and development of resources, in compliance with Group guidelines and procedures, 9,317 man days of training were provided during the year, in internal courses, conferences, external seminars and online training activities that correspond to an average of 5.7 days of training for each employee.

Activities for 2014 were developed by following guidelines laid down at the start of the year, aimed, in particular at:

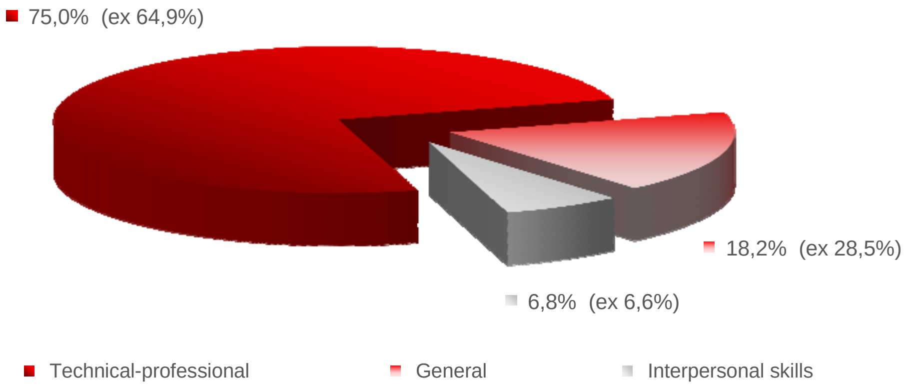
- promoting the managerial skills of those holding managerial positions and of those who are destined to take part in the generational change;
- improving the ability to select and monitor credit:
- strengthening the regional presence and the relationship of trust that ties the customer to the Group by improving the means of offering products and services and by improving sales efficiency, while paying particular attention to companies that operate in international markets;
- constantly providing regulatory updates to staff to reduce operational risks.

The type of training offered can be summarised as follows:

- "General": courses catering for all professional groups with the objective of developing transverse knowledge;
- "Technical-professional": comprises courses aimed at the development of technical skills of resources that have commenced the performance of specific duties and are interested in consolidating and further improving the skills required by the role;
- "Interpersonal skills": these courses are aimed at the development of behavioural skills and facilitate the spread of corporate culture as well as the internalisation of corporate values.

The following graph shows the breakdown in percentage terms of training days that were held in the year by type of course.

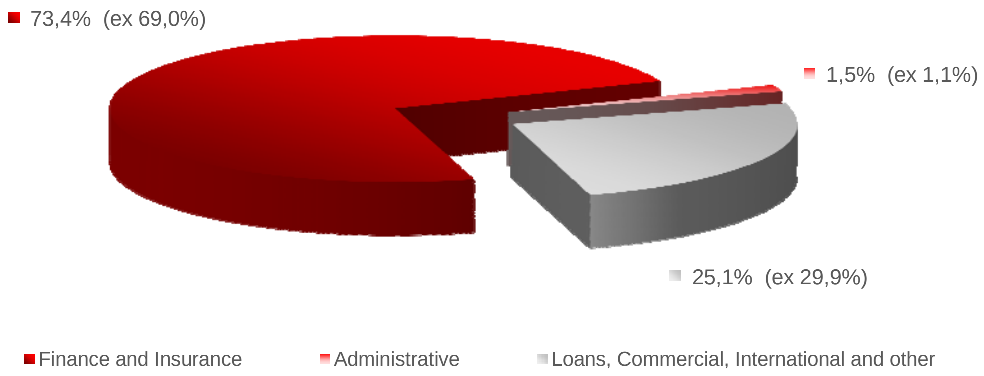
Chart no. 3 - **BREAKDOWN OF TRAINING DAYS IN 2014 BY TYPE OF TRAINING OFFERED**



As part of the "General" training and with the aim of continuously updating the staff's knowledge of legal requirements, around 1,700 man/days were delivered through specific refresher modules on issues such as the Model 231, Anti-Money Laundering, Health and Safety at Work, Circular 263.

As regards "Technical-professional" training, the breakdown of the topics covered by the courses held is shown below in percentage terms.

Chart no. 4 - **BREAKDOWN OF "TECHNICAL-PROFESSIONAL" TRAINING IN 2014 BY TOPIC**



We point out, in particular, that courses are made up of modules and periods of on-the-job training, designed to improve skills in identifying and monitoring credit risks, accompanied by training carried out after the release of the new "Credit Rating System" (CRS) and the new "Credit Origination" procedure.

This area also encompasses the basic programmes for new members of staff being introduced to the field of insurance brokerage and IVASS professional development courses for those who are already qualified.

There are new courses on "Interpersonal Skills", aimed at all the branch and head office managers, to help them develop their management skills, continuing what we started the previous year. We have also started a training course to develop selling skills, aimed at Corporate Account Managers: this programme will be proposed again in 2015.

The attention paid by the Bank and by the Group in general to the growth and development of professional skills has again been acknowledged and supported in 2014 by the Fondo Banche Assicurazioni (FBA), which provided funding for training activities.

6.3 - INDUSTRIAL RELATIONS

During the year, the effects of the union agreement regarding the Redundancy Fund were put into practice, which meant implementing all of its obligations from an operational and trade union point of view.

More generally at Group level, when Banca Popolare di Spoleto S.p.A. joined the Group, this triggered off the contractual procedure provided for and governed by art. 21 of the National Collective Labour Agreement of 19 January 2012, involving a "discussion at Group level", with a view to reaching an agreement with the Group's union representatives on a partial reorganisation of the subsidiary. This has become necessary in order to ensure effective governance of the Group and overall management of Group risk with a view to improving efficiency and holding down costs.

On 17 October 2014, agreement was reached with the Group's union representatives that the manoeuvre would involve a relocation of the resources concerned within the Group, but without this in itself implying any impact on overall employment, also by using appropriate intercompany service agreements.

ABI recently gave notice terminating the current labour contract for the banking industry, so negotiations for its renewal will commence at national level during 2015.

7 - CONTROL ACTIVITIES

7.1 - THE LEVELS OF CONTROL IN THE MANAGEMENT CONTROL AND COORDINATION FUNCTION

In exercising its management control and coordination function, the Bank, in its capacity as Parent Company, uses a triple level of control over subsidiaries, in order to put into effect the specific “coordination model” that has been chosen, taking into account the nature and the size of the activities performed by each company, as well as its specific location, and by identifying the competent internal functions for the specific control mechanisms.

The first level, of a strategic nature, is aimed at constantly verifying the guidelines provided by the Parent Company and is put into effect mainly by means of the presence on the Boards of Directors of each subsidiary of a certain number of its own officers that would normally represent the majority of Board members.

The second level is of a management type and regards the performance of analysis and the systematisation and measurement of periodic information flows from the subsidiaries, in order to verify the pursuit of strategic objectives in compliance with regulatory provisions, the preparation of adequate reporting on trends and earnings, the analysis of development, research or investment projects and of strategic opportunities, forecast cash flows and the other information needed for the preparation of the Group budget.

The third level is defined as technical-operational and mainly consists of monitoring the internal control system.

Further information on management control and coordination activities is included in paragraph 2.3 of the Annual Report on Corporate Governance which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

7.2 - THE INTERNAL CONTROL SYSTEM

The internal control system consists of a set of principles of conduct, rules and organisational procedures, which - in compliance with the law, Supervisory Authorities' regulations and corporate strategies - enables proper management of all of the Group's activities, with the involvement of corporate bodies and senior management and, generally, all the personnel.

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and also on systems for risk management and for internal control in relation to the financial reporting process, are included in paragraphs 1 and 7 of the Annual Report on Corporate Governance which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

7.3 - RISK MEASUREMENT AND MANAGEMENT

As regards the specific activities performed by the Bank's Risk Management function, with the objective of ensuring that controls over the management of various types of risk by means of the adoption of integrated processes, reference should be made to Part E of the explanatory notes – Information on risks and related hedging policy.

8 - RESULTS OF OPERATIONS

As indicated in the introduction to this Report on Operations, in accordance with IFRS 5, with reference to 31 December 2014 the balance sheet captions 140 - "Non-current assets and disposal groups held for sale" and 90 - "Liabilities associated with groups of assets held for sale", as well as the income statement caption 280 - "Profit (loss) after tax on non-current assets held for sale", group together the values reclassified in the relevant captions in relation to 32 branches of the Tuscany and Lazio area included in the scope of transfer of the business unit by the Bank to Banca Popolare di Spoleto S.p.A.

Again in accordance with IFRS 5, with reference to the comparative year at 31 December 2013, the reclassified values of the relevant captions in relation to the Tuscany Area were grouped together in the income statement caption 280 - "Profit (loss) after tax on non-current assets held for sale", as those of the Lazio Area were at the time related to the former subsidiary Banco Desio Lazio (the merger of the subsidiary in the Bank took place in 2014).

However, in this Report on Operations, in order to provide a more consistent comparison between the years and therefore better represent the figures and ratios accompanied by specific comments on performance, reclassified values with reference to 31 December 2013 of the relevant captions in relation to the branches in the Tuscany Area were also grouped together under balance sheet captions 140 - "Non-current assets and disposal groups held for sale" and 90 - "Liabilities associated with groups of assets held for sale";

The balance sheet so determined at 31 December 2013, and that differs for these reclassifications from the financial statements, has been indicated as "restated" and is reported below for comparison purposes with 2014.

Table no. 2 - **BALANCE SHEET AT 31.12.2014 COMPARED WITH THE "RESTATED" BALANCE SHEET AT 31.12.2013**

	Assets *Amounts in thousands of Euro*	**31.12.2014**	**31.12.2013 Restated**
10	Cash and cash equivalents	33.788	23.303
20	Financial assets held for trading	3.572	2.798
40	Financial assets available for sale	1.354.097	1.420.453
50	Financial assets held to maturity		181.568
60	Due from banks	315.884	229.698
70	Loans to customers	6.076.574	5.814.732
80	Hedging derivatives	2.784	5.052
100	Equity investments	214.379	117.460
110	Property, plant and equipment	137.803	134.881
120	Intangible assets	3.500	3.040
	of which:		
	- goodwill	*1.729*	*1.729*
130	Tax assets	110.650	84.377
	a) current		*3.987*
	b) deferred	*110.650*	*80.391*
	- of which Law 214/2011	*110.579*	*70.516*
140	Non-current assets and disposal groups held for sale	1.117.528	336.768
150	Other assets	120.474	100.420
	Total assets	**9.491.033**	**8.454.550**

	Liabilities *Amounts in thousands of Euro*	**31.12.2014**	**31.12.2013 Restated**
10	Due to banks	790.090	481.075
20	Due to customers	4.709.455	4.561.607
30	Debt securities in issue	1.955.021	2.090.756
40	Financial liabilities held for trading	2.084	480
50	Financial liabilities designated at fair value through profit ai	23.626	38.617
60	Hedging derivatives		2.894
80	Tax liabilities	14.713	13.417
	a) current	1.581	1.852
	b) deferred	*13.132*	*11.565*
90	Liabilities associated with groups of assets held for sale	*993.775*	*304.926*
100	Other liabilities	128.435	125.415
110	Provision for termination indemnities	24.342	23.191
120	Provisions for risks and charges	31.722	30.595
	b) other provisions	*31.722*	*30.595*
130	Valuation reserves:	24.511	24.879
160	Reserves	676.423	663.274
170	Share premium reserve	16.145	16.145
180	Share capital	67.705	67.705
200	Net profit (loss) for the period (+/-)	32.986	9.574
	Total liabilities and shareholders' equity	**9.491.033**	**8.454.550**

8.1 - SAVINGS DEPOSITS: CUSTOMER FUNDS UNDER MANAGEMENT

Total customer funds under management rose at the year end to Euro 17.2 billion, up by Euro 0.7 million (+4.5%), attributable to the increase in indirect deposits (+7.6%) and considering the stable performance of direct deposits.

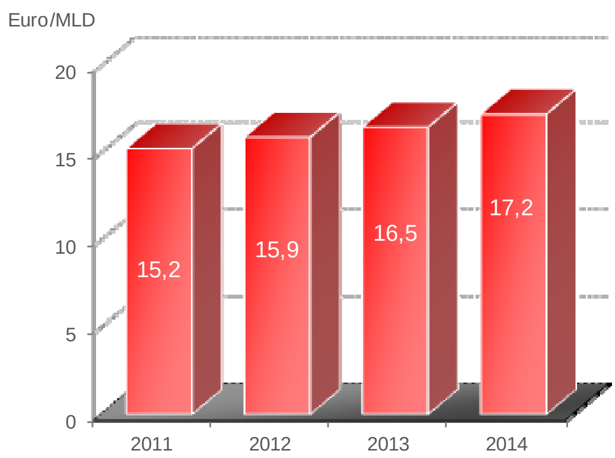
The composition and balances that make up this aggregate are shown in the following table.

Table no. 3 - **CUSTOMER DEPOSITS**

Amounts in thousands of Euro	31.12.2014	%	31.12.2013	%	Change Amount	Change %
Due to customers	4.709.455	27,4%	4.561.607	27,7%	147.848	3,2%
Debt securities in issue and Financial liabilities	1.978.647	11,5%	2.129.373	12,9%	-150.726	-7,1%
Direct deposits	**6.688.102**	**38,9%**	**6.690.980**	**40,6%**	**-2.878**	**0,0%**
Ordinary customer deposits	6.754.180	39,2%	6.553.685	39,8%	200.495	3,1%
Institutional customer deposits	3.762.083	21,9%	3.215.333	19,6%	546.750	17,0%
Indirect deposits	**10.516.263**	**61,1%**	**9.769.018**	**59,4%**	**747.245**	**7,6%**
Total customer deposits	**17.204.365**	**100,0%**	**16.459.998**	**100,0%**	**744.367**	**4,5%**

The trend in total deposits in recent years can be seen in the following chart, which shows them growing at an average annual rate of 4.2% from 2012.

Chart no. 5 - **TREND IN TOTAL DEPOSITS IN RECENT YEARS**



Direct deposits

The balance of direct deposits at the end of 2014 came to Euro 6.7 billion (+3.2%), in line with the previous year, posting an increase in due to customers (+3.2%) offset by the decrease in debt securities in issue and financial liabilities designated at fair value through profit and loss (-7.1%)

Due to customers of Euro 4.7 billion represents the most significant component as it makes up 70.4% of the total balance, of which some Euro 4 billion relates to demand deposits, that is, current accounts and savings deposits, while some Euro 0.6 billion relates to restricted deposits and the remainder relates to repurchase agreements and other payables.

Debt securities in issue and financial liabilities designated at fair value through profit and loss relate to bonds issued and placed of some Euro 1.9 billion (including some Euro 0.2 billion of subordinated bonds) and certificates of deposits of some Euro 0.1 billion.

In the course of 2014 the total nominal value of bonds issued and placed amounted to some Euro 0.5 billion and bonds redeemed on maturity amounted to almost Euro 0.7 billion.

Indirect deposits

Indirect deposits grew in the year by some Euro 0.7 billion, being an increase of 7.6% on the prior year end balance, to Euro 10.5 billion.

The increase is attributable both to ordinary customer deposits, amounting to some Euro 6.7 billion, with a positive annual change of Euro 0.2 billion (+3.1%) attributable to the performance of assets under management (+10.7%), partially offset by that of assets under administration (-4%) and institutional customer deposits which, with growth of some Euro 0.5 billion, came to Euro 3.8 billion (+17%).

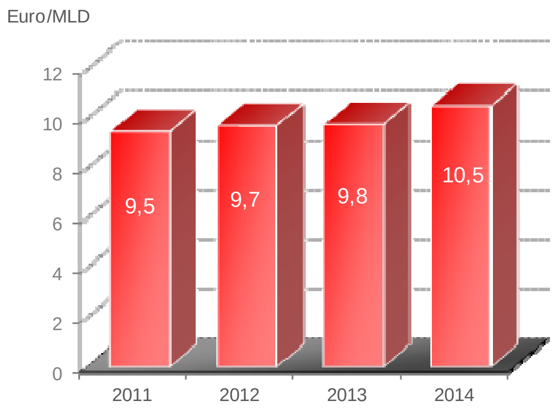
The following table provides details of the items under review, highlighting the changes that have taken place since the prior year end.

Table no. 4 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	31.12.2014	%	31.12.2013	%	Change Amount	Change %
Assets under administration	**3.268.205**	**31,1%**	**3.404.551**	**34,9%**	**-136.346**	**-4,0%**
Assets under management	**3.485.975**	**33,1%**	**3.149.134**	**32,2%**	**336.841**	**10,7%**
of which: Mutual funds and Sicavs	*849.829*	*8,1%*	*741.757*	*7,6%*	*108.072*	*14,6%*
Managed portfolios	*406.952*	*3,9%*	*273.314*	*2,8%*	*133.638*	*48,9%*
Bancassurance	*2.229.194*	*21,2%*	*2.134.063*	*21,8%*	*95.131*	*4,5%*
Ordinary customer deposits	**6.754.180**	**64,2%**	**6.553.685**	**67,1%**	**200.495**	**3,1%**
Institutional customer deposits	**3.762.083**	**35,8%**	**3.215.333**	**32,9%**	**546.750**	**17,0%**
Indirect deposits	**10.516.263**	**100,0%**	**9.769.018**	**100,0%**	**747.245**	**7,6%**

The trend in indirect deposits in recent years can be seen in the following graph, which reflects growth at an average annual rate of 3.6% from 2012.

Chart no. 6 - **TREND IN INDIRECT DEPOSITS IN RECENT YEARS**



The following graph shows the breakdown in percentage terms of indirect customer deposits at 31 December 2014, highlighting, compared with the previous year's total, the reversal of the majority share in favour of assets under management as opposed to assets under administration, whereas the one after focuses on the breakdown of assets under management.

Chart no. 7 - **BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2014**

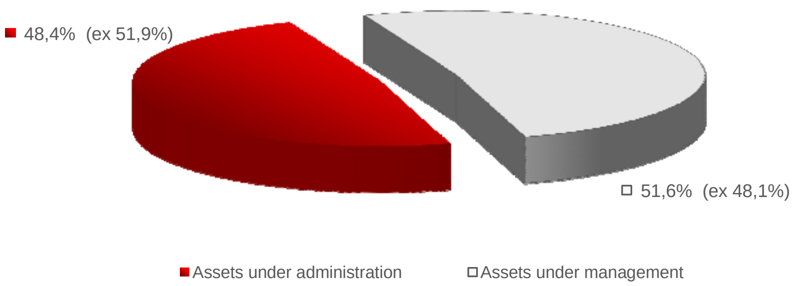
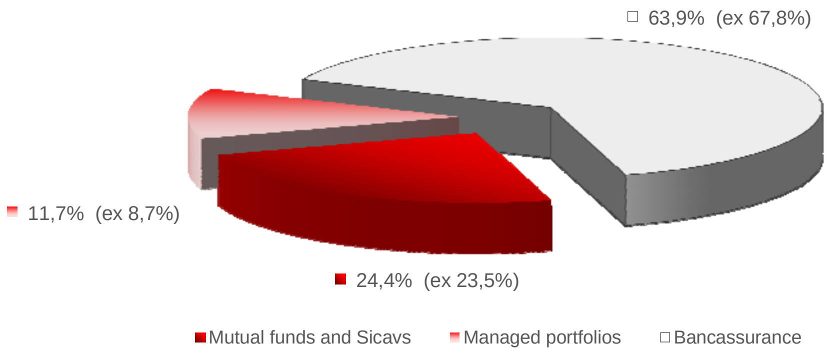


Chart no. 8 - **BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AT 31.12.2014**



Within the ambit of mutual funds, sicavs and managed portfolios, there has been a moderately positive trend during the year in equity markets but with strong geographical differences, while for bonds there has been a general decline in returns; the most positive returns were obtained from government issues in the peripheral countries. The maturities of Italian and Spanish government bonds held in managed bond portfolios have been increased slightly. In addition, the exposure to corporate issues has been decreased as the yield differential compared with government bonds has reached levels that are far too low. In managed equity portfolios, the Bank maintained a good level of diversification, giving geographical preference to continental Europe and the United States, while investment in emerging countries has been totally marginal. At a sector level, preference went to those related to the business cycle, in particular industrial, automotive and technology.

A Wealth Management Department was set up in November 2014, composed of the Managed Portfolio Office (formerly part of the Finance Department) and Retail Asset Management Office (newly established) to provide support for General Management in corporate governance for their areas of competence, playing a pro-active and coordination role on issues and business activities related to "Investment Services for customers". Since 1 December 2014, the Managed Portfolio Office has also been handling 20 portfolio lines for Banca Popolare di Spoleto S.p.A. under a management mandate granted as part of a wider service agreement.

8.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

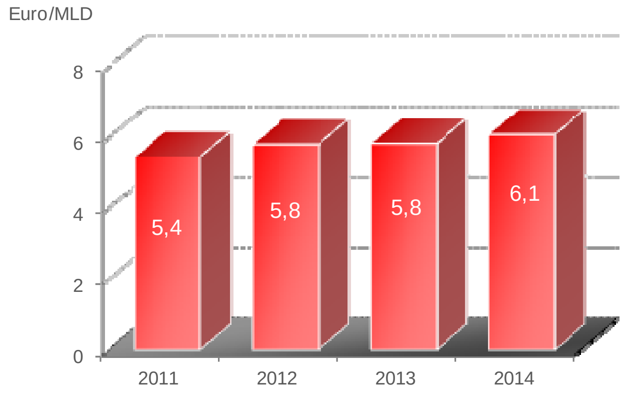
The total value of loans to ordinary customers at 31 December 2014 rose to Euro 5.9 billion, exceeding the prior figure by Euro 0.2 billion (+3.2%).

Loans to institutional customers, consisting of repurchase agreements, which at the year end amounted to some Euro 0.2 billion, with an increase of Euro 0.1 billion on the 2013 year end figure.

The Bank's lending activity led to a total value of net loans to customers of Euro 6.1 billion, with growth during the year of Euro 0.3 million (+4.5%).

The following chart shows the trend in net loans to customers in recent years, reflecting an average annual compound growth rate of 3.7% from 2012.

Chart no. 9 - **TREND IN CUSTOMER LOANS IN RECENT YEARS**



Changes in the amounts of the components of loans to customers by technical form are summarised in the following table, while the subsequent table shows changes in the year by customer grouping.

Table no. 5 - **LOANS TO CUSTOMERS**

Amounts in thousands of Euro	31.12.2014	%	31.12.2013	%	Change Amount	%
Current accounts	1.489.863	24,5%	1.476.737	25,4%	13.126	0,9%
Repurchase agreements			18		-18	-100,0%
Mortgages and other long-term loans	3.547.272	58,4%	3.514.139	60,4%	33.133	0,9%
Other	841.078	13,8%	705.896	12,2%	135.182	19,2%
Loans to ordinary customers	**5.878.213**	**96,7%**	**5.696.790**	**98,0%**	**181.423**	**3,2%**
Repurchase agreements	198.361	3,3%	117.942	2,0%	80.419	68,2%
Loans to institutional customers	**198.361**	**3,3%**	**117.942**	**2,0%**	**80.419**	**68,2%**
Loans to customers	**6.076.574**	**100,0%**	**5.814.732**	**100,0%**	**261.842**	**4,5%**

Table no. 6 - **BREAKDOWN OF LOANS TO CUSTOMERS BY TYPE OF CUSTOMER**

Amounts in thousands of Euro	**31.12.2014**	**%**	**31.12.2013**	**%**	**Change Amount**	**%**
Households	1.425.117	23,5%	1.460.168	25,1%	-35.051	-2,4%
Non-financ cos, artisans and other fam. bus.	4.014.362	66,1%	3.842.826	66,1%	171.536	4,5%
Financial companies	622.423	10,2%	475.634	8,2%	146.789	30,9%
Private and other social institutions (1)	14.673	0,2%	36.105	0,6%	-21.432	-59,4%
Loans to customers	**6.076.574**	**100,0%**	**5.814.732**	**100,0%**	**261.842**	**4,5%**

(1) *inclusive of financial and non-financial companies in the rest of the world*

As can be seen, the absolute value of the category that includes non-financial companies, artisans and family businesses, amounting to Euro 4.1 billion, represents 66.1% of the total.

The graph below shows the breakdown in percentage terms of loans at the 2014 year end by type of customer, while the subsequent graph focuses on the breakdown of loans to the customer categories non-financial companies, artisans and family businesses by business sector.

Chart no. 10 - **BREAKDOWN OF LOANS TO CUSTOMERS BY TYPE OF CUSTOMER**

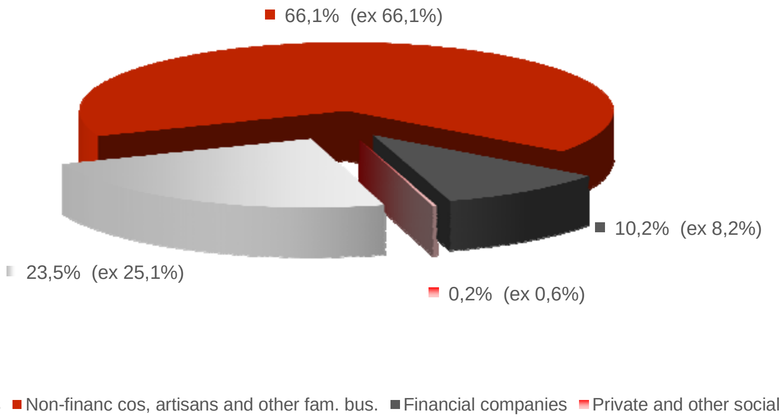
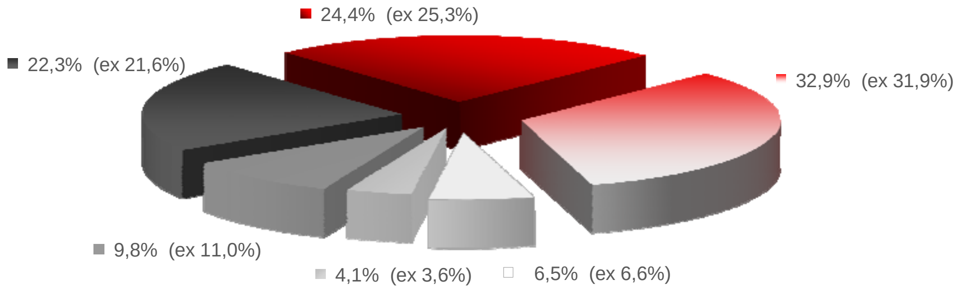


Chart no. 11 - **BREAKDOWN OF LOANS TO CUSTOMERS AT 31.12.2014 REGARDING NON-FINANCIAL COMPANIES, ARTISANS AND FAMILY BUSINESSES**



As can be seen from the above, loans to customers pertaining to the tertiary sector, in general, represent a major component, particularly those pertaining to other sales related services, to wholesale and retail services, recoveries and repairs and to the construction industry. Taken together, these loans represent 56.5% of the total of the category subject to analysis, corresponding to some Euro 2.3 billion.

Within the distribution of gross loans, including endorsement credits, the percentage of drawdowns by the largest customers at the end of the year continues to reflect a high degree of risk diversification, as shown in the following table.

Table no. 7 - **CONCENTRATION OF CREDIT ON LARGEST CUSTOMERS**

Number of customers (1)	**31.12.2014**	**31.12.2013**
First 10	1,5%	1,7%
First 20	2,5%	2,7%
First 30	3,4%	3,5%
First 50	4,7%	4,9%

(1) net of loans to the subsidiary FIDES S.p.A. and to Cassa di Compensazione e Garanzia S.p.A.

In accordance with current supervisory regulations, at the end of 2014 there are three positions that are classifiable as "Major Risks" and which amount to a total nominal value (including guarantees given and commitments) of Euro 2.5

billion which, in terms of the total weighted amount, decreases to Euro 0.1 billion. These are exposures to the Group companies, the Treasury Ministry and Cassa di Compensazione e Garanzia S.p.A. (clearing house).

The Bank is engaged in more and more systematic monitoring of exposures and in the application of more precise policies in terms of specific writedowns that reflect the ongoing difficulties created by the prolonged adverse economic conditions.

The total amount of the Bank's net impaired loans at 31 December 2014 - also considering those of the former subsidiary Banco Desio Lazio S.p.A., now merged with the Bank - consisting of doubtful, watchlist, past due loans and restructured loans, came to Euro 476.3 million, net of write-downs of Euro 342.4 million. The increase compared with the end of 2013 amounts to Euro 75 million.

In particular, at 31 December 2014, net doubtful loans totalled Euro 264.1 million, net watchlist loans Euro 173 million, past due loans Euro 35.1 million and restructured loans Euro 4.1 million.

The following table summarises the gross and net indicators relating to credit risk, showing figures that are up on the end of the previous year.

Table no. 8 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% of gross loans	**31.12.2014**	**31.12.2013**
Gross non-performing loans to customers	10,83%	9,46%
of which:		
- gross doubtful loans	6,88%	5,54%
- gross w atchlist loans	3,37%	3,25%
- gross past due loans	0,52%	0,64%
- gross restructured loans	0,06%	0,03%

% of net loans	**31.12.2014**	**31.12.2013**
Net non-performing loans to customers	6,64%	6,53%
of which:		
- net doubtful loans	3,68%	3,49%
- net w atchlist loans	2,41%	2,40%
- net past due loans	0,49%	0,62%
- net restructured loans	0,06%	0,03%

The main indicators on the coverage of non-performing loans are reported below, also considering, for doubtful loans, the amount of direct write-downs made over the years, together with those relating to performing loans, which show rising levels of coverage with respect to the comparative figures.

Table no. 9 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% Hedging of impaired and performing loans	**31.12.2014**	**31.12.2013**	**Changes ass.**
% Hedging Non-performing loans	49,2%	39,4%	9,8%
% Hedging Non-performing loans gross of canc	63,2%	60,0%	3,2%
% Hedging Total Impaired loans	41,8%	33,6%	8,2%
% Hedging Impaired loans gross of cancellation:	53,2%	48,9%	4,3%
% Hedging performing loans	0,60%	0,67%	-0,06%

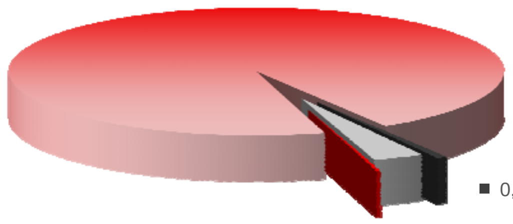
8.3 - THE SECURITIES PORTFOLIO AND INTERBANK POSITION

Securities portfolio

At 31 December 2014, the Bank's total financial assets amounted to some Euro 1.4 billion, a decrease of some Euro 0.2 billion compared with the end of 2013 (-15.4%), mainly attributable to the disposal of all financial instruments included in the Held To Maturity portfolio, as previously indicated in the paragraph on *"Significant events".*

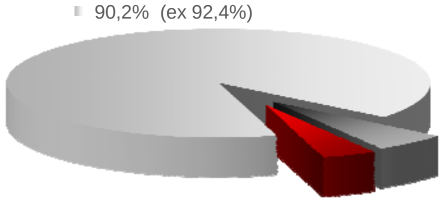
The breakdown of the portfolio by type of security is shown in the following chart, which shows that almost all (95.7%) of the total investment relates to debt securities.

Chart no. 12 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2014 BY TYPE OF SECURITIES**



With reference to the issuers of securities, of the total portfolio at the end of 2014, 90.2% relates to government securities, 5.6% to securities issued by banks and the remainder to other issuers, as shown by the following chart.

Chart no. 13 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2014 BY TYPE OF ISSUER**



During 2014, in a context that featured periods of uncertainty and volatility mainly due to geopolitical factors, bond markets maintained a very good tone. Expectations of interventions by the ECB and of falling inflation favoured government bonds in the Eurozone, particularly those of peripheral countries.

The reduction in yields on Italian government bonds has been very significant: the yield on the 2-year security fell from 1.25% to 0.53%, while that on the 10-year went from 4.12% from 1.89%.

Sovereign debt exposures

With reference to document 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning disclosures about sovereign risk to be included in the annual and interim reports prepared by listed companies adopting IAS/IFRS, positions at 31.12.2014 are reported below, bearing in mind that, according to the guidelines of this European Supervisory Authority, "sovereign debt" has to include bonds issued by central and local governments and government bodies, as well as any loans granted to them.

Table no. 10 - **SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO AND ISSUER**

Amounts in thousands of Euro		Italy	31.12.2014
Financial assets available for sale	Nominal value	1.218.000	1.218.000
	Book value	1.224.877	1.224.877
Sovereign debt	**Nominal value**	**1.218.000**	**1.218.000**
	Book value	**1.224.877**	**1.224.877**

Table no. 11 - **SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO, ISSUER AND MATURITY**

Amounts in thousands of Euro		Italy	31.12.2014 Nominal value	31.12.2014 Book value
Financial assets available for sale	up to 1 year	160.000	160.000	159.753
	1 to 3 years	323.000	323.000	323.039
	3 to 5 years	550.000	550.000	556.147
	over 5 years	185.000	185.000	185.938
	Total	1.218.000	1.218.000	1.224.877
Sovereign debt	**up to 1 year**	**160.000**	**160.000**	**159.753**
	1 to 3 years	**323.000**	**323.000**	**323.039**
	3 to 5 years	**550.000**	**550.000**	**556.147**
	over 5 years	**185.000**	**185.000**	**185.938**
	Total	**1.218.000**	**1.218.000**	**1.224.877**

Net interbank position

The net interbank position at 31 December 2014 is negative for Euro 0.5 billion, compared with the position at the end of the previous year, which was also negative for Euro 0.3 billion.

With reference to treasury activities, the Bank's excess liquidity during the year was largely invested in the MMF market.

8.4 - SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

Shareholders’ equity at 31 December 2014, inclusive of net profit for the year, increased to Euro 817.8 million compared to Euro 781.6 million at the 2013 year end.

Shareholders' equity calculated in accordance with the new regulatory provisions (Bank of Italy Circulars nos. 285 and 286 and EU Regulation 575/2013), defined as Own Funds, with an expected pay out of not more than 30.33%, amounts at 31 December 2014 to Euro 913 million (CET1 + AT1 of Euro 793.6 million + T2 of Euro 119.4 million), while the figure at 31.12.2013 recomputed in accordance with the new regulations amounts to Euro 808.1 million (the former Capital for supervisory purposes under the previous regulations amounted to Euro 809.8 million).

The new harmonised framework for banks and investment firms contained in EU Regulation ("CRR") and Directive ("CRD IV") of 26/6/2013 is applicable from 1 January 2014; it transposes the standards defined by the Basel Committee on Banking Supervision (the so-called "Basel 3 Framework") into the European Union. The Basel Committee has sought to improve the resilience of the banking system by pursuing - among other things - the objective to raise the quality of capital for supervisory purposes in order to increase the banks' ability to absorb losses. In particular, the new provisions enhance the importance of ordinary shares as a component of capital and extend and harmonise the list of amounts to be deducted and of prudential adjustments.

The minimum capital required by law for 2014 for banks that belong to a banking group, including the capital conservation buffer of 0.625%, amounted to 5.125% for the Common Equity Tier 1 ratio, 6.125% for the Tier 1 ratio and 8.625% for the Total Capital ratio.

The new prudential regulations have imposed a capital reserve that is in addition to the minimum regulatory requirements, with the objective of equipping the banks with high quality capital to be used in times of market stress to prevent any malfunctioning of the banking system and to avoid interruptions in the credit granting process.

At 31 December 2014, the Common Equity Tier 1 ratio (Common Equity Tier 1 (CET 1)/Risk-weighted assets) came to 13.7% (versus the minimum requirement provided for by the regulations of 5.125%). The Tier 1 ratio (Core Tier 1 capital (T1)/Risk-weighted assets) came to 13.8%, while the Total capital ratio (total Own Funds/Risk-weighted assets) came to 15.8% (versus the minimum requirements of 6.125% and 8.625%, respectively). The Tier 1 and Total capital ratios at 31.12.2013 restated with an estimate of the support factor not provided for under the previous regulations amounted to 14.7% and 16.0% respectively; however, the comparison with the figures at 31.12.2014 is not completely homogeneous.

8.5 - RECLASSIFIED INCOME STATEMENT

To allow readers to see figures that better reflect the results of operations, we have prepared a reclassified version of the income statement with respect to the one in the financial statements and which forms the basis of the specific comments below.

The presentation criteria for this table are as follows:

- the "Result of operations" has been split into its two component parts, namely "Operating income" and "Operating costs";
- the "Net profit (loss) for the period" has been split between "Profit (loss) from operations after taxes" and "Non-recurring profit (loss) after tax";
- "Operating income" also includes the balance of caption 190 "Other operating income/expense", net of recoveries of tax duties on current accounts and securities deposit accounts of customers and flat-rate tax on long-term loans, as well as amortisation of leasehold improvements, reclassified respectively as a reduction to caption 150b) "Other administrative expenses" and as an increase in caption 180 "Net adjustments to intangible assets" included in "Operating expenses";
- dividends receivable from investments in subsidiaries have been reclassified from caption 70 "Dividends and similar income" to the caption "Dividends from investments in subsidiaries" below "Result of operations";
- the balance of caption 100a) "Gains (losses) on disposal or repurchase of loans" of "Operating income" is reclassified to the appropriate caption "Gains (losses) on disposal or repurchase of loans" after "Operating profit";
- provisions relating to claw-back suits on disputed receivables are reclassified from caption 190 "Net provisions for risks and charges" to caption 130a) "Net impairment adjustments to loans and advances", both captions coming after the "Result of operations";
- provisions and expenses of an extraordinary nature or which are "one-off", as well as gains on disposal of financial assets available for sale, have been reclassified to the caption "Extraordinary provisions for risks and charges/other provisions and expenses / gains on disposal of financial assets held to maturity";
- the tax effect on "Non-recurring profit (loss)" is reclassified from caption 260 "Income tax for the period on current operations" to "Income taxes on non-recurring items".

As shown in the following table, which presents the reclassified income statement, 2014 closed with a net profit of Euro 33 million, an increase of Euro 23.4 million compared with the previous year.

Table no. 12 - **RECLASSIFIED INCOME STATEMENT**

Captions *Amounts in thousands of Euro*		31.12.2014	31.12.2013	Change Amount	%
10+20	Net interest income	159.858	155.595	4.263	2,7%
70	Dividends and similar income	718	2.117	-1.399	-66,1%
40+50	Net commission income	98.467	94.445	4.022	4,3%
80+90+100 +110	Net income from trading and hedging and disposal/repurchase of loans, financial assets and liabilities designated at fair value through profit and loss	50.277	41.465	8.812	21,3%
190	Other operating income/expense	9.855	11.517	-1.662	-14,4%
	Operating income	**319.175**	**305.139**	**14.036**	**4,6%**
150 a	Payroll costs	-114.937	-113.440	-1.497	1,3%
150 b	Other administrative costs	-51.247	-50.494	-753	1,5%
170+180	Net adjustments to property, plant and equipment and intangible assets	-8.277	-7.811	-466	6,0%
	Operating costs	**-174.461**	**-171.744**	**-2.717**	**1,6%**
	Result of operations	**144.715**	**133.395**	**11.320**	**8,5%**
	Gains (Losses) on disposal or repurchase of loans	-1.634	-1.229	-405	32,9%
130 a	Net impairment adjustments to loans and advances	-125.758	-120.251	-5.507	4,6%
130 b	Net impairment adjustments to financial assets available for sale		-574	574	-100,0%
130 d	Net impairment adjustments to other financial assets	546	-1.552	2.098	-135,2%
160	Net provisions for risks and charges	-2.283	-7.577	5.294	-69,9%
	Dividends from equity investments in subsidiaries	2.457	2.846	-389	-13,7%
	Profit (loss) from operations before tax	**18.042**	**5.058**	**12.984**	**256,7%**
260	Income taxes on current operations	-8.546	-5.530	-3.016	54,5%
	Profit (loss) from operations after tax	**9.496**	**-472**	**9.968**	**n.s.**
210	Profit (loss) from equity investments	2.585	17.466	-14.881	-85,2%
240	Profit (loss) from sale of investments	217		217	
	Provisions for risks and costs, provisions and other expenses / income from sale of financial assets held to maturity	10.025	-16.183	26.208	n.s.
	Non-recurring profit (loss) before tax	**12.827**	**1.283**	**11.544**	**899,9%**
	Income taxes from non-recurring items	-3.495	4.288	-7.783	n.s.
	Non-recurring profit (loss) after tax	**9.332**	**5.571**	**3.761**	**67,5%**
280	Profit (loss) of non-current assets held for sale after tax	14.158	4.475	9.683	216,4%
290	**Profit (loss) for the period**	**32.986**	**9.574**	**23.412**	**244,5%**

In order to facilitate the reconciliation of the reclassified income statement with the financial statements, a reconciliation that shows the numbers corresponding to the aggregated captions and reclassified balances is shown below for each period.

Table no. 13 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2014**

Captions		As per financial statements	Reclassifications							Reclassi inco statem
Amounts in thousands of Euro		**31.12.2014**	Recovery of taxes	Dividends from subsidiaries	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions and expenses	Gains on disposal of financial assets held to maturity	Income taxes	**31.12.2**
10+20	Net interest income	159.858								159
70	Dividends and similar income	3.174		-2.457						
40+50	Net commission income	98.467								98
80+90+100+110	Net income from trading and hedging and disposal/repurchase of loans, financial assets and liabilities designated at fair value through profit and loss	61.071				1.634		-12.428		50
190	Other operating income/expense	27.364	-20.017		2.509			0		9
	Operating income	**349.935**	**-20.017**	**-2.457**	**2.509**	**1.634**	**0**	**-12.428**	**0**	**319**
150 a	Payroll costs	-115.178					241			-114
150 b	Other administrative costs	-73.426	20.017				2.162			-51
170+180	Net adjustments to property, plant and equipment and intangible assets	-5.768			-2.509					-8
	Operating costs	**-194.372**	**20.017**		**-2.509**		**2.403**	**0**	**0**	**-174**
	Result of operations	**155.563**	**0**	**-2.457**	**0**	**1.634**	**2.403**	**-12.428**	**0**	**144**
	Gains (Losses) on disposal or repurchase of loans					-1.634				-1
130 a	Net impairment adjustments to loans and advances	-125.629					-129			-125
130 b	Net impairment adjustments to financial assets available for sale	0								
130 d	Net impairment adjustments to other financial assets	546								
160	Net provisions for risks and charges	-2.413					129			-2
	Dividends from equity investments in subsidiaries			2.457						2
	Profit (loss) from operations before tax	**28.067**	**0**	**0**	**0**	**0**	**2.403**	**-12.428**	**0**	**18**
260	Income taxes on current operations	-12.041							3.495	-8
	Profit (loss) from operations after tax	**16.026**	**0**	**0**	**0**	**0**	**2.403**	**-12.428**	**3.495**	**9**
210	Profit (loss) from equity investments	2.585								2
240	Gains (losses) on disposal of investments	217								
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity						-2.403	12.428		10
	Non-recurring profit (loss) before tax	**2.801**	**0**	**0**	**0**	**0**	**-2.403**	**12.428**	**0**	**12**
	Income taxes from non-recurring items								-3.495	-3
	Non-recurring profit (loss) after tax	**2.801**	**0**	**0**	**0**	**0**	**-2.403**	**12.428**	**-3.495**	**9**
280	Profit (loss) after tax on non-current assets held for sale	14.158								14
290	**Net profit (loss) for the period**	**32.986**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**32**

Table no. 14 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2013**

Captions		As per financial statements	Reclassifications							Reclassifi incor stateme
Amounts in thousands of Euro		31.12.2013	Recovery of taxes	Dividends from subsidiaries	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions and expenses	Gains on disposal of financial assets held to maturity	Income taxes	31.12.20
10+20	Net interest income	155.595								155.5
70	Dividends and similar income	4.963		-2.846						2.1
40+50	Net commission income	94.445								94.4
80+90+100+110	Net income from trading and hedging and disposal/repurchase of loans, financial assets and liabilities designated at fair value through profit and loss	40.236				1.229				41.4
190	Other operating income/expense	26.944	-17.583		2.156					11.5
	Operating income	**322.182**	**-17.583**	**-2.846**	**2.156**	**1.229**	**0**	**0**	**0**	**305.1**
150 a	Payroll costs	-129.623					16.183			-113.4
150 b	Other administrative costs	-68.076	17.583							-50.4
170+180	Net adjustments to property, plant and equipment and intangible assets	-5.655			-2.156					-7.8
	Operating costs	**-203.354**	**17.583**		**-2.156**		**16.183**	**0**	**0**	**-171.7**
	Result of operations	**118.828**	**0**	**-2.846**	**0**	**1.229**	**16.183**	**0**	**0**	**133.3**
	Gains (Losses) on disposal or repurchase of loans					-1.229				-1.2
130 a	Net impairment adjustments to loans and advances	-120.246					-5			-120.2
130 b	Net impairment adjustments to financial assets available for sale	-574								-5
130 d	Net impairment adjustments to other financial assets	-1.552								-1.5
160	Net provisions for risks and charges	-7.582					5			-7.5
	Dividends from equity investments in subsidiaries			2.846						2.8
	Profit (loss) from operations before tax	**-11.125**	**0**	**0**	**0**	**0**	**16.183**	**0**	**0**	**5.0**
260	Income taxes on current operations	-1.242							-4.288	-5.5
	Profit (loss) from operations after tax	**-12.367**	**0**	**0**	**0**	**0**	**16.183**	**0**	**-4.288**	**-4**
210	Profit (loss) from equity investments	17.466								17.4
240	Gains (losses) on disposal of investments	0								
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity						-16.183			-16.1
	Non-recurring profit (loss) before tax	**17.466**	**0**	**0**	**0**	**0**	**-16.183**	**0**	**0**	**1.2**
	Income taxes from non-recurring items								4.288	4.2
	Non-recurring profit (loss) after tax	**17.466**	**0**	**0**	**0**	**0**	**-16.183**	**0**	**4.288**	**5.5**
280	Profit (loss) after tax on non-current assets held for sale	4.475								4.4
290	**Net profit (loss) for the period**	**9.574**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9.5**

Based on the above, the breakdown and changes in the main reclassified income statement captions are summarised below.

Operating income

Core revenues increased by 4.6% on prior year, rising to Euro 319.2 million, being an increase of some Euro 14 million. This increase is attributable for Euro 8.8 million to the increase in the contribution of *Net trading income, hedging and disposal/repurchase of loans and financial assets and liabilities designated at fair value* (net of the contribution of Euro 12.4 million before taxes resulting from the Parent Company's sale of all its financial instruments in the HTM portfolio, reclassified to non-recurring profit/loss), for some Euro 4.3 million to *Net interest income* which, at Euro 159.9 million, has risen by 2.7% and for Euro 4 million to the aggregate of net commission income (+4.3%). On the other hand, there has been a decline in the contribution made by *Dividends and similar income* of Euro 1.4 million (due to the lower dividend received from the associate Chiara Assicurazioni S.p.A.) and *Other operating income/expense* of Euro 1.7 million.

From the following table that shows the breakdown of net commission income by type, it can be seen that the increase is mainly attributable to commissions from the placement of securities.

Table no. 15 - **BREAKDOWN OF NET COMMISSION INCOME BY TYPE OF SERVICE**

Amounts in thousands of Euro	**31.12.2014**	**%**	**31.12.2013**	**%**	**Change Amount**	**Change %**
Collection and payment services	14.780	15,0%	15.912	16,9%	-1.132	-7,1%
placement of securities	8.886	9,0%	5.979	6,3%	2.907	48,6%
Managed portfolios and order taking	11.053	11,2%	9.724	10,3%	1.329	13,7%
Distribution of insurance products	9.006	9,2%	9.188	9,7%	-182	-2,0%
Maintenance and management of current account	45.922	46,6%	46.334	49,1%	-412	-0,9%
Other commission	8.820	9,0%	7.308	7,7%	1.512	20,7%
Net commission income	**98.467**	**100,0%**	**94.445**	**100,0%**	**4.022**	**4,3%**

Operating costs

Operating costs, which include *payroll costs, other administrative expenses* and *net adjustments to property, plant and equipment and intangible assets*, show a rise of Euro 2.7 million (+1.6%) with respect to the comparative period, coming in at Euro 174.5 million.

In particular, the changes involved *Payroll costs* for Euro 1.5 million (+1.3%), net of Euro 0.2 million for the release of IAS discounting on the Solidarity Fund and early retirement incentives as per the Redundancy Plan, reclassified to Non-recurring profit (loss), *Other administrative expenses* for Euro 0.8 million (+1.5%), net of advisory fees related to the plan for the acquisition of control of Banca Popolare di Spoleto S.p.A. of some Euro 2.2 million and reclassified to Non-recurring profit (loss), as well as *Net adjustments to property, plant and equipment and intangible assets* for Euro 0.5 million (+6%).

Result of operations

The *result of operations* for the year comes to Euro 144.7 million, which, in comparison to the prior year result of Euro 133.4 million, is up by Euro 11.3 million (+8.5%).

Profit (loss) from operations after tax

The proportion of *Net impairment adjustments to loans and advances*, equal to Euro 125.8 million, an increase compared with Euro 120.3 million the previous year, reflects the ongoing difficult economic environment and increasingly stringent loan assessment policies.

Given the net impairment losses to loans, *net profit from operations after tax* at 31 December 2014 amounts to Euro 9.5 million and includes: (i) *losses on disposal or repurchase of loans* of Euro 1.6 million; (ii) the positive balance of *net impairment adjustments to other financial transactions* of Euro 0.5 million; (iii) *net provisions for risks and charges* of Euro 2.3 million; (iv) the contribution of *dividends from subsidiaries* of Euro 2.5 million, and (v) *taxes on income from continuing operations* of Euro 8.6 million.

The previous year's result was a *loss from operations after tax* of Euro 0.5 million.

Non-recurring profit (loss) after tax

At the end of the year, *non-recurring profit after tax* amounts to Euro 9.3 million, compared with Euro 5.6 million in 2013.

The result has been determined for Euro 12.4 million by the contribution before tax originating from the disposal of all financial instruments included in its HTM portfolio, the partial write-back of an impairment adjustment to the investment in Credito Privato Commerciale S.A. in liquidation for Euro 2.2 million, the write-back on the closure of the liquidation procedure of the former subsidiary Brianfid-Lux S.A. for Euro 0.4 million and by the impact of consulting fees relating to the acquisition of control of Banca Popolare di Spoleto S.p.A. for Euro 2.2 million. in addition, there was the impact of IAS discounting of the solidarity fund and retirement incentives for the Redundancy Plan of Euro 0.2 million, the gain on partial sale of a former branch of Euro 0.2 million and the related tax effects, which had a total net impact of Euro 3.5 million.

The prior year balance of Euro 5.6 million was made up of: (i) the capital gain realised by way of price adjustment on the sale in late 2012 of the residual 30% interest in the former associated company Chiara Vita S.p.A. of Euro 7.2 million; (ii) the capital gain realised on the sale of the controlling interest in Chiara Assicurazioni S.p.A. of Euro 4.6 million; (iii) the impact of one-off charges for all of the measures affecting human resources in implementation of the Group's Business Plan 2013-2015 of Euro 16.2 million and (iv) taxes for a total of Euro 4.3 million on the one-off charges and capital gains referred to above.

Profit (loss) after tax on non-current assets held for sale

In accordance with IFRS 5, at 31 December 2014, the caption "*Profit (loss) after tax on non-current assets held for sale*" includes the amounts reclassified from other income statement captions for the 32 branches of the Tuscany and Lazio Area included in the scope of transfer by the Bank to Banca Popolare di Spoleto S.p.A. for a total of Euro 14.2 million. With reference to the prior year balance of Euro 4.5 million, this item includes the reclassified amounts for the Tuscany branches only, as at that time those of the Lazio Area were included in the former subsidiary Banco Desio Lazio S.p.A., which was merged with the Bank with effect from 1 October 2014.

Net profit for the period

The total of the profit from operations after tax and the non-recurring profit after tax, as well as the result of non-current assets and groups of assets held for sale, leads to a *net profit* for 2014 of Euro 33 million, up by Euro 23.4 million compared with the prior year figure of Euro 9.6 million.

9 - OTHER INFORMATION

9.1 - INVESTMENTS IN BANCO DI DESIO E DELLA BRIANZA S.P.A. HELD BY MEMBERS OF THE BOARDS OF DIRECTORS AND STATUTORY AUDITORS, BY THE GENERAL MANAGER AND BY THE DEPUTY GENERAL MANAGER HOLDING OFFICE AT THE YEAR END

Name and Surname	Offices held at Banco di Desio e della Brianza S.p.A.	Title / Nature of holding	Ordinary shares at 31.12.2013	%	Savings shares at 31.12.2013	%	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2014	%	Savings shares at 31.12.2014	%
Agostino Gavazzi	Chairman	Owned	78.244	0,067	0	0,000	0	0	0	0	78.244	0,067	0	0,000
		Bare ownership	5.500	0,005	0	0,000	0	0	0	0	5.500	0,005	0	0,000
		Registered to spouse	2.900	0,002	0	0,000	0	0	0	0	2.900	0,002	0	0,000
Stefano Lado *	Deputy Chairman	Owned	2.122.656	1,814	196.000	1,485	0	0	0	0	2.122.656	1,814	196.000	1,485
		Registered to spouse	6.500	0,006	0	0,000	0	0	0	0	6.500	0,006	0	0,000
		Owned via Vega Finanziaria SpA	6.885.730	5,885	571.522	4,329	0	0	0	0	6.885.730	5,885	571.522	4,329
Tommaso Cartone	Chief Executive Officer		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Sandro Appetiti **	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Graziella Bologna **	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Pier Antonio Cutellè	Director (ceased to hold office on Apr. 29, 2014)		0	0,000	139.000	1,053	0	0	0	0	0	0,000	139.000	1,053
Cristina Finocchi Mahne	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Egidio Gavazzi	Director	Owned	15.000	0,013	0	0,000	0	0	0	0	15.000	0,013	0	0,000
Luigi Gavazzi	Director	Owned	84.340	0,072	0	0,000	0	0	0	0	84.340	0,072	0	0,000
	(ceased to hold office on Apr. 29, 2014)	Bare ownership	5.500	0,005	0	0,000	0	0	0	0	5.500	0,005	0	0,000
Paolo Gavazzi	Director	Owned	750.453	0,641	15.004	0,114	0	0	90.000	0	660.453	0,564	15.004	0,114
Tito Gavazzi **	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Gerolamo Pellicano'	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Guido Pozzoli	Director	Owned	37.000	0,032	0	0,000	0	0	0	0	37.000	0,032	0	0,000
	(ceased to hold office on Apr. 29, 2014)	Registered to spouse	12.500	0,011	0	0,000	0	0	0	0	12.500	0,011	0	0,000
		Usufruct	50.000	0,043	3.000	0,023	0	0	0	0	50.000	0,043	3.000	0,023
Lorenzo Rigodanza	Director (ceased to hold office on Apr. 29, 2014)		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Gigliola Zecchi Balsamo **	Director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Luciano Colombini	General director		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Eugenio Mascheroni	Chairman Board of Auditors		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Rodolfo Anghileri	Statutory Auditor		0	0,000	20.000	0,151	0	0	0	0	0	0,000	20.000	0,151
Marco Piazza	Statutory Auditor (ceased to hold office on Apr. 29, 2014)		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Giulia Pusterla **	Statutory Auditor		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Giovanni Cucchiani	Alternate Statutory Auditor	Owned	14.240	0,012	1.000	0,008	0	0	0	0	14.240	0,012	1.000	0,008
		Registered to spouse	3.200	0,003	0	0,000	3.600	0	0	0	6.800	0,006	0	0,000
Clemente Domenici	Alternate Statutory Auditor (ceased to hold office on Apr. 29, 2014)	Owned	1.000	0,001	0	0,000	0	0	0	0	1.000	0,001	0	0,000
Elena Negonda **	Alternate Statutory Auditor		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Paolo Pasqui **	Alternate Statutory Auditor		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Carlo Mascheroni	Alternate Statutory Auditor (ceased to hold office on Apr. 29, 2014)		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000
Ippolito Fabris	Deputy Director General Affairs (appointed by the BoD on March 17,		0	0,000	0	0,000	0	0	0	0	0	0,000	0	0,000

* Mr. Stefano Lado has granted general power of attorney to his brother Mr. Luigi Lado by which he holds a stake of 0.227% of the ordinary shares of the Bank as well as the control of Vega Finanziaria SpA.
** ** Appointed by the Ordinary Shareholders Meeting of 29 April 2014. It should be noted that for Representatives resign from office on April 29, 2014 n. of shares it is updated at that date.

9.2 - INVESTMENTS IN SUBSIDIARIES HELD BY MEMBERS OF THE BOARDS OF DIRECTORS AND STATUTORY AUDITORS, BY THE GENERAL MANAGER AND BY THE DEPUTY GENERAL MANAGER HOLDING OFFICE AT THE YEAR END

At 31 December 2014 no equity investments were held in subsidiaries by members of the Boards of directors and statutory auditors, by the General Manager and by the Deputy General Manager holding office at the year end and neither have there been any movements in relation thereto in the course of the year.

9.3 - TREASURY SHARES

At 31 December 2014, as was the case at the previous year end, the Bank did not hold any treasury shares nor any shares in its parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and neither have there been any movements in relation thereto in the course of the year.

9.4 - TRANSACTIONS BETWEEN BANCO DI DESIO E DELLA BRIANZA S.P.A. AND THE PARENT COMPANY AND WITH SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Set out below is a summary of balances at 31 December 2013 and transactions in the year then ended with the Bank's parent company and with its subsidiaries or companies subject to significant influence, by counterparty and by nature.

Note that all the transactions disclosed in the above table have been entered into, where it has been possible to make a comparison, by applying market conditions and rates.

In compliance with art. 37 paragraph 2 of Consob's Market Regulations (Resolution 16191 of 29 October 2007), it is hereby disclosed that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., the Bank's parent company, as laid down by its articles of association, does not exercise any management control and coordination activities over the Bank and its subsidiaries and neither does it do so under banking legislation nor under civil law. For further details on the Group structure concerning the exercise of management control and coordination activities, reference should be made to paragraph 2.3 of the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations.

Table no. 15 - **TRANSACTIONS WITH THE PARENT COMPANY AND WITH SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE IN THE YEAR ENDED 31.12.2014**

Amounts in thousands of Euro	Assets	Liabilities	Guarantees/commit	Income	Expenses
Parent Company					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	927	0	7	7
Subsidiaries					
Banca Popolare di Spoleto S.p.A.	148.133	129	0	392	0
Brianfid-Lux S.A. in liquidation	0	0	0	0	0
Credito Privato Commerciale S.A. in liquidation	0	7.590	0	1	0
Rovere Societé de Gestion S.A.	0	0	0	0	0
FIDES S.p.A.	422.573	2.009	0	16.536	26
Associates (subject to significant influence)					
Chiara Assicurazioni S.p.A.	0	1.279	5	605	375
Istifid S.p.A.	2.109	0	0	6	90
Transactions by company	**572.815**	**11.934**	**5**	**17.547**	**498**
Breakdown of transactions by type					
Financial	572.549	11.934	0	17.035	411
Trade	158	0	5	109	0
Lease / management of assets	0	0	0	0	0
Supply of services	108	0	0	203	87
Other	0	0	0	200	0
Transactions by type	**572.815**	**11.934**	**5**	**17.547**	**498**

9.5 - RATINGS

On 19 December 2014, as part of the rating for the resolution of the Rating Watch Negative (RWN), the international agency Fitch Ratings assigned the following new ratings to the Parent Company Banco di Desio e della Brianza S.p.A.:

- Long term IDR "BBB" Outlook Stable (formerly "BBB+" Negative outlook)
- Short term IDR "F3" (formerly "F2")
- Viability Rating "bbb" (formerly "bbb+")

and left unchanged the following ratings:

- Support Rating: "4"
- Support Rating Floor: "B+"

The rating was carried out in connection with the acquisition of Banca Popolare di Spoleto S.p.A. (BPS), which entered the scope of consolidation on 1 August 2014 at the end of the period of extraordinary administration, which lasted for 19 months and which resulted in a rise in the incidence of gross impaired loans to total gross loans of BPS, accompanied by a significant increase in coverage ratios.

The rating agency recognises the potentially positive strategic impacts of the operation as it will decrease the geographical concentration of the Group's distribution network, not change the risk appetite (BPS's customers are similar to those of the Parent Company), generate cost synergies, cross selling opportunities and commercial policies that will increase the expected profitability in the medium to long term. The acquisition also has only a marginal influence on the Group's capital ratios, which are still more than adequate.

These factors have positively influenced the Group's Outlook, which has gone from Negative to Stable.

9.7 - TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED PERSONS

For a more detailed description of the procedures that govern transactions with related parties (pursuant to art. 2391-bis of the Civil Code) and with associated persons (pursuant to art. 53 of the CFA), reference should be made to paragraph 5 of the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations.

Details of transactions with related parties approved by the Board of directors in the course of 2014 are disclosed in Part H of the explanatory notes.

9.8 - INFORMATION ON INCENTIVE PLANS

With reference to the Stock Grant Plan for the three-year period 2011-2013, note that the threshold for free allocation of ordinary shares of the Bank in favour of management of the Group was not reached. The conditions for the allocation of shares in relation to the 3rd and last allocation cycle linked to performance during the period 2013-2015 are still to be verified. The bonus system in which this Plan operated was revised and approved by Board resolution on 19 December 2013. Please refer to Part I of the explanatory notes to the consolidated financial statements.

9.9 - REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

Information about the adoption of the Code of Conduct for listed companies is provided in the Annual Report on Corporate Governance in compliance with art. 123-bis of the CFA, which is available on the Group's website, along with this report on operations, and to which reference should be made.

9.10 - RESEARCH AND DEVELOPMENT ACTIVITIES

In its capacity as Parent Company, the Bank, as described in paragraph 7.1 "The levels of control in the management control and coordination function", undertakes development with a view to supporting and coordinating the companies belonging to the Group, as well as research and investment in operational solutions aimed, in particular, at continuous improvements in the customer relationship.

9.11 - OPT-OUT FROM OBLIGATION TO PUBLISH INFORMATION DOCUMENTS FOR EXTRAORDINARY OPERATIONS PURSUANT TO CONSOB REGULATIONS

Pursuant to art. 3 of Consob resolution no. 18079 of 20 January 2012, the Bank has exercised its right to opt-out as provided by art. 70, paragraphs 8 and by art. 71, paragraph 1-bis of Consob Regulation 11971/99, effectively exercising its right to opt-out from the obligation to publish information documents required by Attachment 3B of the aforementioned Consob Regulation for significant mergers, demergers, increases in capital by contribution in kind, acquisitions and disposals.

10 - OUTLOOK FOR 2014 AND PRINCIPAL RISKS AND UNCERTAINTIES

Operating performance in the first few months of the current year confirms the estimates for 2015 outlined in the Business Plan for the period 2015-2017. These foresee year-end results of ordinary operations in line with those of the year just ended.

As regards the principal risks and uncertainties, note that this report and, more generally, the financial statements at 31 December 2014 has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future. The capital and financial structure and operating performance of the business provide absolute confirmation of the foregoing.

In the paragraph on the macroeconomic scenario, a description has been provided of trends in the world economy and financial markets with the principal risks that they involve, while the controls over the Bank's operations and the various types of risk are described in detail in Part E of the explanatory notes – Information on risks and related hedging policy.

Furthermore, explanatory notes on the levels of control in the management control and coordination function and on the internal control system are included in the relevant paragraphs of this report, with references made, for further detailed information, to the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations.

11 - MOTION FOR APPROVAL OF FINANCIAL STATEMENTS AND ALLOCATION OF NET PROFIT

Dear Shareholders,

we hereby submit for your approval the financial statements for the year ended 31 December 2014, which report a net profit for the year of Euro 32,986,004.82 as shown by the income statement.

Taking account of the provisions of art. 31 of the Articles of Association, the following allocation of net profit is hereby proposed:

- 10% to be allocated to the legal reserve	Euro	3,298,600.00
- 10% to be allocated to the statutory reserve	Euro	3,298,600.00
- to the shareholders:		
Euro 0.0753 for each of the 117,000,000 ordinary shares	Euro	8,810,100.00
Euro 0.0904 for each of the 13,202,000 savings shares	Euro	1,193,460.80
- further allocation to the statutory reserve	Euro	16,385,244.02
Total net profit	**Euro**	**32,986,004.82**

Desio, 19 March 2015

The Board of Directors

Report of the Board of Statutory Auditors

BANCO DI DESIO E DELLA BRIANZA S.p.A.

Head office Via Rovagnati 1 – 20832 Desio (MB)
Tax code 01181770155
Registered in the Monza Brianza Companies Register
Share capital Euro 67,705,040.00 fully paid
Member of the Interbank Deposit Protection
and the National Guarantee Fund
Bank Register at ABI Code no. 3440/5
Parent Company of the Banco di Desio e della Brianza Banking Group
Register of Banking Groups no. 3440/5

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF BANCO DI DESIO E DELLA BRIANZA S.P.A.

(ART. 153 D.Lgs 58 OF 24 FEBRUARY 1998 AND ART. 2429, c. 3 ITALIAN CIVIL CODE)

YEAR ENDED 31/12/2014

Dear Shareholders,

In accordance with art. 153 of Legislative Decree 58 of 24/2/1998 (the Consolidated Finance Act or "CFA") and art. 2429, paragraph 3, of the Italian Civil Code, we submit this report to you on the supervision and inspections that we performed during 2014, that ended with the financial statements at 31/12/2014 and which will be presented together with the Directors' Report on Operations and supporting documentation where the performance, financial and economic data and results of the Bank and its subsidiaries are explained in sufficient detail.

As regards the audit of the books of accounts and financial statements, we would remind you that this task was carried out by the Independent Auditors, Deloitte & Touche S.p.A. ("Deloitte"), who were appointed for the years 2012 to 2020, on our proposal, by the Shareholders' Meeting of 26 April 2012.

On 27/03/2015, the Independent Auditors issued their report on the financial statements at 31/12/2014, which contained a clean opinion with no qualifications or matters to be highlighted.

The financial statements for the year ended 31/12/2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the accounting policies explained in the notes; in particular, the financial statements and notes have been prepared in accordance with the rules laid down by the Bank of Italy in its Circular no. 262 of 22 December 2005 and subsequent updates.

Please note that pursuant to art. 2426, para. 5, of the Civil Code, there are no start-up, expansion, research, development and advertising costs in the balance sheet.

Again in accordance with art. 2426, para. 6, of the Civil Code, after the necessary checks, we had expressed our consent to registration under asset caption 120 of the balance sheet of goodwill for € 1,728,505, which relates in particular to the purchase some time ago of five branches of Banco Ambroveneto.

The report on operations adequately comments on and illustrates the Bank's performance during the year and gives an outlook on operations. It also provides, among other things, the information required by art. 123-bis of the CFA on the ownership structure, with appropriate reference to the related Annual Report on Corporate Governance approved by the Board of Directors on 19 March 2015.

We can confirm that we carried out our supervisory activities during the year in accordance with the law.

In performing our duties of supervision and control, we have had meetings with senior management, with the functions of Internal Control (Compliance, Anti-Money Laundering, Risk Management, Financial Reporting, Internal Audit), with Deloitte, with the heads of the Company's various departments, as well as with the Audit and Risk Committee, the Related Party Transactions Committee and the Nominations and Remuneration Committee. Together, we took part in meetings of these Committees, ensuring an even larger presence than what is required in the regulations. These meetings, as well as an examination of information flows prepared by the various functions, allowed us to acquire the necessary information in the various sectors on the organisation, on the internal control and risk management system and on the accounting and administration system, in order to assess their adequacy for the needs the company, as well as their operational reliability. In particular, meetings with these internal control functions have provided us with adequate information on the internal control and risk management system.

Please note that by resolution of the Board of Directors of 13 March 2014, the Compliance and Anti-Money Laundering Offices have been separated from the Risk Management and Compliance Department and now report directly to the Board of Directors.

We have held meetings and carried out checks on general and specific subjects required to be monitored and controlled, as well as checks at the branches.

We have ascertained, by taking part in all meetings of the Board of Directors and of the Executive Committee, that the delegated bodies reported to the Board of Directors and the Statutory Auditors on the transactions carried out, in accordance with the powers conferred on them, and on the general results and outlook of operations.

By participating in meetings of the Board of Directors and Executive Committee and reading the minutes of these meetings, we received adequate information about the Company's activities and its major economic and financial transactions. On the basis of the information gathered on these transactions, we can confirm that they were carried out in accordance with the law and the articles of association and always in the interest of the Company; nor are they manifestly imprudent or risky, in conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting and the Board or such as to compromise the integrity of the Company's assets.

Contacts with the Financial Reporting[1] and Administration Managers have given us feedback on compliance with the policies and control procedures relating to the administrative and accounting system, which is adequate and efficient.

1 With a view to strengthening the control functions, on 25 September 2014, the Board of Directors approved the setting up of the Financial Statements and Accounting Controls Office under Law 262, which reports to the Financial Reporting Manager.

Continuous and fruitful contact with the Company's various departments, which we thank for their collaboration, allowed us to follow all supervisory activities carried out within the Group.

As regards how we performed our institutional duties, we can confirm that we:

- attended two Shareholders' Meetings (for holders of ordinary shares and savings shares respectively), 15 meetings of the Board of Directors and 13 Executive Committee meetings held during the year and received timely and adequate information on their activities from the directors and top management;
- performed 72 collegiate and individual checks at head office, of which 14 as the Supervisory Body under Decree 231 (SB 231) and 10 at the branches to test proper application of the operating and control systems;
- attended 14 meetings of the Control and Risk Committee, 7 meetings of the Nominations and Remuneration Committee and 7 meetings of the Related Party Transactions Committee;
- acquired the knowledge required to perform the control activities, to the extent of our sphere of competence, on the adequacy of the Company's organisational structure, also as regards the links with the subsidiaries, through direct enquiries, collection of information from the heads of the functions involved and exchanges of data and information with the Independent Auditors;
- monitored compliance with the requirements of the Bank of Italy and Consob;
- monitored implementation of the anti-money laundering rules;
- monitored the functioning of the internal control, administrative and accounting systems in order to assess their adequacy to support operational requirements and their reliability in the representation of management events, by examining company documentation, obtaining information from the heads of the respective functions and analyses of the results of the work performed by the Independent Auditors.

- monitored the Parent Company's controls of the subsidiaries through the presence of members of the Parent's Board of Statutory Auditors on the subsidiaries' boards, in accordance with Consob Communication DAC/RM/97001574 dated 20/2/1997 and subsequent updates, and through meetings between the Parent Company's Statutory Auditors and the various Boards of Statutory Auditors of the subsidiaries.

We can therefore confirm the adequacy:

- of the Governance System and related Internal Control and Risk Management System, the foundations of which are outlined in the Annual Report on Corporate Governance pursuant to art. 123-bis of the CFA;
- of the Internal Capital Adequacy Process (ICAAP), the development and updating of which is being checked in accordance with the specific regulatory provisions;
- of the organisational monitoring and controls in line with the law and the regulatory provisions on Anti-Money Laundering;
- of the Information Flow Regulations regarding the Corporate Bodies and internal control functions and the attached Controls Coordination Document drawn up in accordance with the Supervisory Provisions concerning Corporate Governance and relating to Internal Control Systems, Information Systems and Business Continuity;
- of the control activities carried out by pertinent functions and, in particular, by the Financial Reporting Manager, by the Internal Audit Department, by the Risk Management Department and by the Compliance and Anti-Money Laundering Offices, also through periodic evaluation of the institutional reports;
- of procedures for management of the complaints received from Group customers, also with reference to those relating to investment services;
- of the activities carried out on Privacy issues (Law 196/2003), pointing out that on 8 July 2014 the Board of Directors approved the Consolidated Privacy Document which repealed

and replaced the "Company Regulations for the processing of personal data under Legislative Decree 196/2003 - Measures for the security of personal data - Guidelines, operating instructions, obligations".

- of existing controls in matters of Safety at Work under Legislative Decree 81/2008.

In reporting to you in further detail on the audit work that we have carried out, we are complying with the instructions laid down in Consob Communication DEM/1025564 dated 6.4.2001 and subsequent additions.

In particular, we carried out a review of significant events that occurred during and after the end of the year, the main ones being listed below:

Inspections by the Bank of Italy

The Bank of Italy carried out partial inspections at Banco di Desio e della Brianza between 29 September and 19 December 2014 and the inspection report was delivered to the Bank on 24 February 2015 with a "partially favourable" positive outcome. On 19 March 2015, the Board of Directors of the Bank sent the Bank of Italy a joint letter together with the Board of Statutory Auditors in reply to the findings and observations made in the inspection report.

Directors and officers

On 29 April 2014, the Ordinary Shareholders' Meeting appointed the Board of Directors and the Board of Statutory Auditors for the years 2014-2016.

Amendments to the Articles of Association

The Board of Directors of the Parent Company of 13 March 2014 and the Shareholders' Meeting of 29 April 2014 approved the amendments to the Articles of Association introduced mainly in light of:

- the corrective provisions (Legislative Decree 91/2012, which amended Legislative Decree 27/2010) concerning "rights of the shareholders";

- the evolution of the supervisory regulations with particular reference to the 15th update of Bank of Italy Circular no. "263" in the field of internal control system. In particular:

  - the tasks set by Circ. 263/2006 and Supervisory Board functions pursuant to Legislative Decree 231/2001 have been explicitly assigned to the Board of Statutory Auditors;
  - the restrictions in the Articles of Association on the composition and term of office of the Executive Committee have been removed;

At the same time, a number of changes were made to bring the rules more into line with the equivalent statutory provisions.

We would also inform you that on 10 February 2015 another project was launched to review the Articles of Association in order to make them fully consistent with Bank of Italy Circular no. 285 - 1st update regarding Corporate Governance - May 2014.

Credito Privato Commerciale SA in liquidation

The liquidation of the Swiss subsidiary Credito Privato Commerciale S.A. is proceeding faster than originally expected by the liquidators with whom we are constantly in touch. So providing various initiatives undertaken to facilitate the closure of the residual relationships and the resolution of any outstanding legal disputes are successful, final closure should be possible fairly soon.

Under these circumstances, the liquidators have again revised their estimates in the liquidation plan, foreseeing a reduction in the time needed for the proceedings, thereby reducing the future liabilities (for technical and administrative expenses).

Brianfid-Lux SA in liquidation

As regards the liquidation of the former subsidiary Brianfid-Lux S.A., on having obtained approval from the Luxembourg Financial Sector Supervisory Commission (CSSF), on 23 July 2014, a Shareholders' Meeting was held to close the liquidation proceedings and for the consequent definitive cancellation of the company. The company was cancelled from the Companies Register on 11 August 2014.

Acquisition by the Bank of a majority interest in Banca Popolare di Spoleto S.p.A. and related transactions

Having obtained the necessary approvals from the Supervisory Authorities (Bank of Italy, Antitrust Authority and Consob) in connection with the acquisition of control of Banca Popolare di Spoleto in Extraordinary Administration by the Bank, steps were taken to complete the transactions envisaged by the Investment Agreement that was signed on 1 April 2014, aimed at strengthening BPS's capital and a return to healthy solvency and capital ratios, as well as the reconstitution of BPS's corporate bodies to be appointed by the Bank and closure of BPS's Extraordinary Administration procedure.

An Extraordinary Shareholders' Meeting of BPS held on 16 June 2014 approved the following motions:

- subscription of a cash capital increase of Euro 139.7 million reserved for the Bank, after which the Bank will hold ordinary shares in Banca Popolare di Spoleto S.p.A. in Extraordinary Administration equal to 72.16% of its share capital;
- a cash increase in capital with the exclusion of option rights, reserved for the employees of BPS pursuant to art. 5, paragraph 2, of BPS's Articles of Association, of a maximum of Euro 15.5 million; it was subscribed on 2 July 2014 for an amount of Euro 0.1 million, after which the Bank's holding came to 72.13%, which then rose on 13 October 2014 to 73.16% following a share purchase from the former Parent Company SCS, which is also in Extraordinary Administration.

On 18 December 2014, as already foreseen in the investment agreement, the Boards of Directors of the Bank and of BPS approved, among other things, this project, which provides for the Parent Company's contribution to BPS of a business unit consisting of 32 branches, of which 11 branches in Tuscany and 21 branches in Lazio.

With a view to streamlining the Group, a process of centralising various functions previously performed by BPS at the Bank was developed, in particular internal control, formalised with the Service Agreement approved by the Board of Directors of BPS on 10 November 2014 and by the Board of Directors of the Bank on 13 November 2014.

The general section of the Agreement lists all of the activities subject to outsourcing by BPS in BDB:

A - Audit Governance, Remote Controls

B - Risk Management

C - Compliance

D - Portfolio Management

E - Information and Communication Technology

F - Organisation and Systems

G - Back Office

H - Retail Asset Management

I - Resources

L - Legal Advice

M - Planning and Management Control

N - Financial Activities

O - Marketing, Products and Commercial Services

P - Contact Centre

Q - International

R- Credits

S - External Relations

Lastly, please note that Banca Popolare di Spoleto has appointed Deloitte & Touche S.p.A. as independent auditors, following the agreed termination of the previous appointment of KPMG. This means having Deloitte as the Independent Auditors for the entire Group with the advantage of standard controls and reporting.

Merger by absorption of Banco Desio Lazio S.p.A. with the Bank

On 22 July 2014, the merger deed was executed for the merger by absorption of the former subsidiary Banco Desio Lazio S.p.A. (a wholly-owned subsidiary) with the Bank, in implementation of the merger resolutions passed by the Boards of the two companies on 26 June 2014. The merger took effect for legal purposes on 1 October 2014, whereas for accounting and tax purposes it took effect on 1 January 2014.

Judicial investigation - Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A.

As mentioned in last year's Report with reference to Criminal Proceedings 22698/08, at the hearing held on 24 January 2014, the Court of Rome upheld the application for settlement presented by the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation, which in 2011 became involved in these proceedings in connection with the administrative liability of legal persons pursuant to Legislative Decree 231/2001 for alleged offences committed by their former officers.

Appointment of the Deputy General Manager of "Corporate Affairs"

On 13 March 2014, the Parent Company's Board of Directors appointed Mr Ippolito Fabris as Deputy General Manager of Corporate Affairs (a newly created position).

Financial Reporting Manager

Mr Mauro Walter Colombo has been appointed as Financial Reporting Manager of the Bank in accordance with art. 154-bis of the Consolidated Finance Act as a replacement for Mr Piercamillo Secchi, who went into retirement on 30 April 2014.

Territorial Organisation

At 31 December 2014, the Bank's distribution network consists of 180 branches, an increase - prior to the transfer - of 16 units due to the absorption of the former subsidiary Banco Desio Lazio S.p.A. with its 21 branches at 1 October 2014, partially offset by the closure of five branches, including two in Lombardy, Bresso (MI) and Crema (CR), one in Piedmont, Novi Ligure (AL), and two in Veneto, Bussolengo (VR) and Conegliano Veneto (TV). As part of the process to improve efficiency, these closures involved transferring their workload to other branches nearby.

Corporate Governance and Organisation

During the course of 2014, there were no significant changes in the structure of the Group's corporate governance.

For completeness, we would inform you that in compliance with the provisions introduced in Circular 285, the Nominations and Remuneration Committee was split on 10 February 2015 into the "Nominations Committee" and the "Remuneration Committee".

All information about this structure is provided in the Annual Report on Corporate Governance, which we examined at the board meeting held on 19 March 2015.

Activities carried out by the Board of Statutory Auditors acting as the Supervisory Board (SB 231)

As mentioned, the Bank established that the SB 231 functions were to be the responsibility of the Board of Statutory Auditors.

We therefore think it appropriate to inform you, with regard to this assignment of duties, of the various activities that the Board of Statutory Auditors carried out during 2014, particularly during our 14 meetings.

Briefly, we would like to mention:

– detailed training for the Bank's staff and top management on Legislative Decree 231/2001;
– the checks carried out on certain administrative matters;
– as regards Legislative Decree 81/2008 (safety at work), information meetings were held with those in charge;
– particular attention was paid to the implementation and monitoring of the anti-money laundering regulations;
– in particular, we monitored application of the Know Your Customer (KYC) rules to ensure that customers were adequately verified;
– individually and collectively, we periodically accessed the emailbox Organismo231BDBrianza@bancodesio.it which receives information flows for the Supervisory Body and verified the correctness and completeness of the information received, while also checking that there were no reports of suspicious events. An independent annual budget of Euro 50,000.00 for 2014 (confirmed in 2015) has been assigned to the SB 231, which was partially used in 2014 for the above training activities.

Atypical and/or unusual transactions, intercompany or with related parties/associated persons

We can confirm that intercompany transactions and other transactions with related parties/associated persons, pursuant to art. 2391-bis of the Italian Civil Code and art. 53 of the Consolidated Banking Act (CBA), as well as transactions with bank officers pursuant to art. 136 CBA, have always been subject to specific review by the Board of Directors.

In addition, we would point out that, on 18 December 2014, the Related-Party Transactions Committee was asked to give its binding opinion on the transaction mentioned previously involving:

- Banco Desio's contribution to BPS of a business unit consisting of 32 branches; and
- the simultaneous purchase by Banco Desio of BPS's only branch in Milan, in via Achille Mauri 6.

This transaction qualifies as a "significant" transaction with related parties as defined by Consob Regulation 17221/2010.

Please note that, as part of the alignment of the provisions introduced by the 15th update of Circular 263/2006, particularly those relating to chapter 7 on the internal control system, the Bank has defined the approval process of "More Significant Transactions", i.e. transactions that - because they exceed certain risk parameters - require prior assessment by the Risk Management Department. The transactions in question are subject to a particular process and are identified in the areas of operation relating to:

- credit and loans;
- finance;
- and extraordinary transactions, such as those mentioned above.

In compliance with these primary regulations and related implementation rules, the Bank applies an internal procedure regarding transactions with related parties/associated persons, aimed at ensuring the transparency and substantive and procedural fairness of all such transactions, mainly by means of a Related Party Transactions Committee as part of the decision-making process.

We can also confirm that the operating procedures adopted are effective and suitable for monitoring and identifying any transaction of this kind.

As for intercompany transactions, after examining the profiles of legitimacy and reasonableness, we can confirm that they are based on correct economic, financial and accounting principles.

The report on operations and notes provide full information on these transactions.

There have been no atypical or unusual transactions.

Relationship with the Independent Auditors and any comments

We have had meetings and exchanges of information with the independent auditors, Deloitte, about the supervisory and control activities in our respective spheres of competence.

During these meetings, the independent auditors said that their checks had not revealed any serious irregularities or situations that would have to be reported to us and the Supervisory Authorities; they also said that the financial statements had been drawn up properly in accordance with the rules governing their preparation. As mentioned previously, on 27/03/2015 the independent auditors have issued a clean opinion with no qualifications or matters to be highlighted.

Complaints as per Art. 2408 of the Italian Civil Code - Art. 2409 of the Italian Civil Code

We have not received any complaints under Art. 2408 of the Italian Civil Code nor have any complaints been lodged with the Court under Art. 2409 of the Italian Civil Code.

Opinions issued by the Board of Statutory Auditors

At the meeting of the Board of Directors on 29 April 2014, the Board of Statutory Auditors, pursuant to Circular "263" (Title 1 - Chapter 1 - Part 4 - Par. 2.3: "the body with control functions monitors the adequacy and compliance of the management and risk control system, as well as the ICAAP process, with the requirements of the law") gave a favourable opinion on the ICAAP (internal capital adequacy assessment process) Report at 31 December 2013, which was sent promptly to the Bank of Italy.

On 13 March 2014, we issued a favourable opinion on the "Annual Report on the remuneration policies of the Banco Desio Group".

On 10 April 2014, we expressed a favourable opinion on the Group's Internal Control System as mentioned in the "Report of the Internal Audit Department for the Bank of Italy as per art. 19 and 53 of the CBA".

Complaints

For the sake of completeness, we would point out that all of the complaints received by the Company from customers during 2014 (301, of which 10 relating to investment services) were duly examined by the Legal and Corporate Affairs Department which then took action as required; of these complaints, 275 (of which 5 relating to investment services) were rejected and 26 were accepted.

In addition, the Bank of Italy sent 23 requests for information on the basis of complaints submitted to it by customers.

Assignments to the Independent Auditors

On 13 May 2014, the Board of Directors resolved to grant to Deloitte, with the approval of the Board of Statutory Auditors, the appointment for the limited audit of the separate and consolidated quarterly balance sheet and income statement of Banco di Desio e della Brianza S.p.A. and Banco Desio Group, prepared for the purpose of determining quarterly regulatory capital at 31 March 2014.

The task in question integrates that given to Deloitte on 23 March 2012 to perform the legal audit for the years 2012-2020.

Circular 285 provides that "Under art. 26, par. 2 of (EU) Regulation 575/2013, banks can include in Common Equity Tier 1 capital, profits for the period or year-end profits for which a formal resolution confirming the final result for the year has not yet been passed as long as they meet the requirements of the above EU provision and the regulatory technical standards provided for in art. 26, par. 4 CRR". This article provides that the competent authority can grant an authorisation if, among others, the condition that "the profits have been verified by persons independent from the entity that is responsible for auditing the accounts of the entity" is satisfied.

For this task, a total amount of Euro 15,800 plus a flat 6% for out-of-pocket expenses plus VAT has been granted.

We would also point out that the meeting of the Board of Directors on 24 July 2014 approved, with the consent of the Board of Statutory Auditors, a proposal to supplement the assignment of Deloitte for the legal audit of the Bank based to the original proposal of 23 March 2012, with an update of the fees for the years 2014 to 2020 in view of the new structure of the Group. This adjustment arises from the extraordinary transactions mentioned above. Overall, the proposed adjustment leads to a fee of Euro 185,000 plus a flat 6% for out-of-pocket expenses, plus VAT (for the legal audit of the Bank and for the limited review of the separate and consolidated quarterly financial statements of the Bank).

Deloitte was also given a letter of assignment for the translation of the Bank's periodic financial reports, namely:

- Translation from Italian into English of the interim financial statements at 31 March, the consolidated half-year financial statements at 30 June, the interim financial statements at 30 September, the separate and consolidated financial statements at 31 December of each of the years from 2013 to 2020 of Banco di Desio e della Brianza S.p.A., as well as the respective audit reports for an annual fee of Euro 35,000.00 plus a flat 6% for out-of-pocket expenses, and VAT.

We would also point out that in relation to the IT migration for the integration of Banca Popolare di Spoleto, the analyses to determine the manner and timing of the collaboration with Deloitte Consulting Srl, a company belonging to the "network" of the independent auditors Deloitte, have been commenced in order to:

- evaluate the Cedacri contractual structure of both Banco Desio and Banca Popolare di Spoleto, highlighting any gaps vis-à-vis best practices;
- provide macroplanning benchmarking of outsourcing projects, exemplifying the characteristic activities of the project (such as assumptions, constraints, critical success factors) and comparing benchmark costs of recent migration projects.

The fee for this work was Euro 45,000 + a flat Euro 2,700 for out-of-pocket costs (plus VAT).

In our view, these assignments do not have any impact on the audit firm's independence.

Lastly, an overdraft of € 2,000,000 was granted on 27 February 2014 by the Board of Directors to Deloitte Financial Advisory S.r.l., a company belonging to the Deloitte network, which provides assistance to companies and public or private entities carrying out corporate finance interventions and projects.

Nor do these relationships result in any incompatibility in our opinion, also in light of the provisions of art. 149 quinquies of the Issuers' Regulation, as they are settled at normal market conditions and are of a size that does not create one party's dependency on the other.

Respect for the principles of proper management, adequacy of the administrative structure

We examined and supervised the adequacy of the Company's administrative structure and compliance with the principles of proper management.

As part of the checks that we carried out and our participation in the Company's activities, with particular reference to meetings and checks with the Financial Reporting Manager and the Administration Department, we can affirm that the administrative structure is adequate for the Company's activity and we can assure you that it complies with the principles of proper management as established by current law and regulations.

The accounting system, which makes use of outsourcing for the IT system assigned mainly to Cedacri S.p.A., is reliable and appropriate to represent corporate events and transactions in a correct manner.

Adequacy of the Internal Control System

The internal control system consists of a set of principles of conduct, rules and organisational procedures, which - in compliance with the law, Supervisory Authorities' regulations and corporate strategies - enables proper management of all of the Group's activities, with the involvement of corporate bodies and senior management and, generally, all the personnel.

On 27 January 2014, the Board of Directors of the Bank approved the Gap Analysis Report and the action plan that the Group has to implement in accordance with the Bank of Italy Circular no. 263 and which envisages the strengthening of internal controls, the information system and business continuity.

The measures planned were approved by the Board on 26 June 2014, as the result of project work that involved all the business functions, in accordance with the deadlines established in the Circular.

The following aspects of these measures should be noted in particular:

- Update of the Articles of Association and of the internal regulations for corporate bodies in light of the duties assigned to them by the new provisions;
- Amendments to the "Risk management policy";
- Amendments to the credit and counterparty risk management process – First and second level controls;
- Update of Compliance Model;
- Adoption of a new organisational and operational model by the Internal Audit Department;
- Adoption of Human Resources Policy setting out the policy for the management and development of human resources in compliance with supervisory requirements.

A document for "Coordination of Controls" between control functions/corporate bodies has also been adopted with the aim to:

- ensure a smooth interaction between all functions/bodies with control duties;
- avoid overlaps or gaps in day-to-day operations.

The document describes the components of the Internal Control System and mechanisms of interaction and coordination between the control functions and between them and the corporate bodies. In particular:

- the internal control duties and responsibilities of corporate bodies and control functions;
- information flows between the various functions and between them and corporate bodies;
- procedures for coordination and collaboration, by eliminating areas of potential overlap and developing synergies.

We would also point out the "Dissemination of a control culture", which - within the integrated process of risk management - assumes an important position in the scale of corporate values; it does not just involve control functions, but also the entire corporate organisation (corporate bodies, structures, hierarchical levels, staff), in the development and application of logical and systematic methods to identify, measure, communicate and manage risks.

We would also point out the introduction of the so-called "Risk Meetings", which are held periodically between the internal control functions, at some of which we also participated, and which represent a moment to share risk issues of greater impact by internal control functions.

In addition, the Board of Directors, at its meeting of 7 August 2014, approved the "IT risk analysis and management model" and the "Methodology of analysis and management of ICT risk", as well as the adoption of an integrated process, through a dedicated technology platform, for the detection of risks and internal controls and the sharing of information and its storage within a single database.

The Annual Report on Corporate Governance also explains the guidelines of the Group's Internal Control System in line with the articles of association and regulatory provisions.

While making exceptions for the specific operational features of each type of company, all Group companies share risk measurement and management models defined in general terms by the Parent Company.

The task of supporting the corporate bodies in assessing the effectiveness of the internal control and risk management system lies primarily with the Internal Audit and Risk Management Departments, as part of the functions attributed to them by virtue of supervisory regulations and company regulations. Their assessments were promptly reported to the corporate bodies.

The Statutory Auditors and the Control and Risk Committee, within the ambit of their respective duties, and having regard to the provisions of Decree 39/2010 on auditing, have the task of assessing the effectiveness and efficiency of the control services established by virtue of the resolutions of the Board of Directors.

To this end, we have maintained constant links with the Internal Audit and Risk Management Departments, Compliance and Anti-Money Laundering Offices, which have provided us with adequate support for our duties; also on the basis of the reports produced by these departments, we are able to say that the Company's internal control functions can be considered proportionate and appropriate with respect to the Company's operations and related risks and that they are performed constantly, adequately and efficiently.

<u>Administrative liability of legal persons under Legislative Decree no. 231/2001</u>

Over the course of various meetings, we constantly monitored the updating of the Organisation and Management Model of the Parent Company and of the subsidiaries Banca Popolare di Spoleto and Fides.

Please note that as part of the "BDB/BPS Integration Project", with the centralisation at the Parent Company of certain activities/services (e.g. Treasury) that are outside the business scope of the Bank, it was necessary to update the General and Special Part of the related Organisation and

Management Model, which will also cover the changes that occurred in the organisational structure of the Bank . These activities, which are closely monitored by the Supervisory Board, are subject to specific programming that will be developed in the first half of 2015.

Furthermore, we acknowledge that 1 January 2015 marked the introduction of Law 186 of 15 December 2014 "Measures for the emergence and return of funds held abroad as well as strengthening the fight against tax evasion. Measures on self-money laundering" (a new predicate offence introduced by Legislative Decree no. 231/2001). As of the reporting date, these measures are being examined in detail and their implementation will accompany the aforementioned work to update the Organisation and Management Model of all Group companies.

Instructions given to subsidiaries (Art. 114 Legislative Decree 58/98)

The relationships between the Parent Company and its subsidiaries have always been a topic of debate at board meetings of the Parent Company and we have always obtained comprehensive replies to our requests for further study. The planning, coordination and control system implemented by the Bank in the performance of its functions of policy and strategic leadership of the entire Group, in accordance with art. 61 of the CBA and art. 2497 of the Italian Civil Code is appropriate and functional.

Adequacy of the control systems applied to the foreign subsidiary

We acknowledge that the subsidiary C.P.C. - Credito Privato Commerciale S.A. has been in liquidation since 8 June 2012 with the appointment of Ernst & Young as liquidator, who provide periodic reports on how the liquidation is progressing.

We have reported on the status of the liquidation procedure in another part of this report.

Remuneration and incentive policies

We have verified the methods used to ensure that the Bank's remuneration practices comply with the regulatory environment, making use of the results of the checks carried out by the internal control functions within their respective scope of competence.

We have examined, without comment, the Annual Report on Group Remuneration and Incentive Policies, approved by the Board Meeting of 19 March 2015 and prepared in accordance with the new Supervisory Provisions of the Bank of Italy with regard to policies and practices of remuneration and incentive in banks and banking groups issued on 18 November 2014.

In the interests of all stakeholders and in compliance with the instructions of the Supervisory Authority, the remuneration systems adopted by the Banco Desio Group are in line with its long-term strategy and objectives, linked to business results suitably adjusted to take into account all of the risks, consistent with the levels of capital and liquidity needed for the activities being undertaken and, in any case, such as to prevent any incentives giving rise to conflicts of interest and excessive risk-taking.

The expanded scope of the Group following the merger of BPS now requires a new way of adopting remuneration policies and updating the incentive plan for management of the Banco Desio Group, in order to bring the bonus for key personnel of subsidiaries into line with the results effectively produced, appropriately adjusted for the risks that they take individually.

Code of Conduct for Listed Companies

We would like to reiterate that the Company has been applying the Code of Conduct for Listed Companies since 1999.

As part of the Code's recommendations, we have from time to time carried out the usual verification that Directors' independence requirements have been correctly assessed by the Board and have directly verified the existence of similar requirements for each of the Statutory Auditors.

Considering that, in accordance with Circular 285, "the control body is also called upon to perform a self-assessment on its composition and performance, based on criteria and methods in line with its own characteristics", in 2014 we adopted an analytical approach to self-assessment similar to that of the Board of Directors; this activity was carried out according to a procedure formalised in special "Rules of Self-Assessment" approved by the Board of Directors on 10 February 2015 and agreed by the Board to the extent applicable. The outcome of the self-assessment remains positive.

For the sake of completeness, we would point out that the greatest innovation introduced this year in the process of self-assessment was the individual interviews entrusted to PwC Advisory. The company also worked on updating the self-assessment questionnaires and formulation of the results of the preliminary investigation to support our own assessments.

Any further information regarding compliance with the Code is given in the Annual Report on Corporate Governance.

<u>Final assessment of supervisory activity and proposals under art. 153 of Legislative Decree 58/98</u>

As a result of the supervisory activity that we carried out, we can reasonably assure you that no significant and reprehensible facts emerged that need to be reported to the Control Bodies or such as to constitute grounds for findings or proposals to be made to the Shareholders' Meeting pursuant to art. 153, para. 2 of Legislative Decree 58/98.

We can therefore conclude, taking account of the measures introduced to strengthen the internal control system, that through the work performed we were able to ascertain:

- observance of the law and the Articles of Association;
- the adequacy of the administrative and accounting system;
- the adequacy of the organizational and internal control structure;
- the principles of proper administration;
- the implementation of the corporate governance rules;

- the adequacy of instructions given to subsidiaries;
- the supervision of related-party transactions;
- preparation of the financial statements in accordance with IAS/IFRS and the instructions of the Bank of Italy (Circular 262 of 22/12/2005 and subsequent updates), also considering the specific communications on this topic sent by the Bank of Italy to the whole of the banking system, including Banco Desio.

  The report on operations is comprehensive and consistent with the data and information provided in the financial statements and notes. In addition to illustrating the facts and transactions that took place during the year and any significant subsequent events, together with the notes, the report on operations provides the necessary information on transactions with related parties, including its subsidiaries and associates.

Consolidated financial statements at 31/12/2014

We have also examined the consolidated financial statements at 31 December 2014, as presented by the Directors, and can attest that they have been prepared in accordance with the law and that the report on operations helps to explain the performance of the Company and of its subsidiaries, as well as the structure of the Group, as required by art. 25 et seq. of Legislative Decree 127/91, as amended.

The following subsidiaries are fully consolidated on a line-by-line basis:

- Banca Popolare di Spoleto held 73.16%
- Fides S.p.A., held 100% directly after the absorption of BDL;
- Rovere Société de Gestion S.A. held 80%;

- Credito Privato Commerciale S.A. in liquidation held 100%

The following associates are consolidated at equity:

- Chiara Assicurazioni S.p.A. held 32.665%;
- Istifid S.p.A. held 31.389%

Preparation of the consolidated financial statements is, as you know, the responsibility of the Board of Directors, as required by art. 25 et seq. of Legislative Decree 127/91, as amended, and it is up to the Independent Auditors is to express an opinion on them, based on their audit. Deloitte issued a clean opinion on 27/03/2015 with no qualifications or matters to be highlighted

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Dear Shareholders,

We conclude this report on our control activities carried out in 2014 as illustrated above, giving a positive opinion on the Company's activities and organisation, on its internal control and risk management system and on its compliance with the law and Articles of Association.

We therefore recommend that you approve the financial statements at 31.12.2014 as submitted to you by the Board of Directors (which close with a net profit for the year of Euro 32,986,004.82), as well as the proposed dividend of Euro 0.0753 for each of the 117,000,000 ordinary shares and Euro 0.0904 for each of the 13,202,000 savings shares, for a total dividend of Euro 10,003,560.80 and the proposed allocation of the remainder to the legal reserve for Euro 3,298,600.00, to the statutory reserve for Euro 3,298,600.00 and to further increase the statutory reserve for Euro 16,385,244.02.

Desio, 27/03/2015

THE STATUTORY AUDITORS

Eugenio Mascheroni – Chairman

Rodolfo Anghileri

Giulia Pusterla

Financial statements

BALANCE SHEET

ASSETS

Assets	31.12.2014	31.12.2013	Change amount	Change %
10. Cash and cash equivalents	33,788,451	24,322,157	9,466,294	38.9%
20. Financial assets held for trading	3,572,302	2,797,735	774,567	27.7%
40. Financial assets available for sale	1,354,097,087	1,420,453,094	(66,356,007)	-4.7%
50. Financial assets held to maturity	0	181,567,955	(181,567,955)	-100.0%
60. Due from banks	315,883,630	229,698,156	86,185,474	37.5%
70. Loans to customers	6,076,574,340	6,141,481,121	(64,906,781)	-1.1%
80. Hedging derivatives	2,783,566	5,052,139	(2,268,573)	-44.9%
100. Equity investments	214,379,098	117,459,942	96,919,156	82.5%
110. Property, plant and equipment	137,803,245	137,285,382	517,863	0.4%
120. Intangible assets	3,500,287	8,270,489	(4,770,202)	-57.7%
of which:				
- goodwill	*1,728,505*	*6,958,401*	*(5,229,896)*	*-75.2%*
130. Tax assets	110,650,361	84,398,939	26,251,422	31.1%
a) current		*3,986,724*	*(3,986,724)*	*-100.0%*
b) deferred	*110,650,361*	*80,412,215*	*30,238,146*	*37.6%*
of which Law 214/2011	*100,578,539*	*70,516,308*	*30,062,231*	*42.6%*
140. Non-current assets and disposal groups held for sale	1,117,527,763		1,117,527,763	n.s.
150. Other assets	120,473,210	101,763,271	18,709,939	18.4%
Total assets	**9,491,033,340**	**8,454,550,380**	**1,036,482,960**	**12.3%**

LIABILITIES

Liabilities and shareholders' equity	31.12.2014	31.12.2013	Change amount	Change %
10. Due to banks	790,090,154	481,074,887	309,015,267	64.2%
20. Due to customers	4,709,455,145	4,846,469,176	(137,014,031)	-2.8%
30. Debt securities in issue	1,955,020,588	2,091,798,521	(136,777,933)	-6.5%
40. Financial liabilities held for trading	2,083,973	480,308	1,603,665	333.9%
50. Financial liabilities designated at fair value through profit and loss	23,626,180	38,617,148	(14,990,968)	-38.8%
60. Hedging derivatives		2,893,904	(2,893,904)	-100.0%
80. Tax liabilities	14,712,929	13,417,374	1,295,555	9.7 %
a) current	*1,581,166*	*1,852,358*	*(271,192)*	*-14.6 %*
b) deferred	*13,131,763*	*11,565,016*	*1,566,747*	*13.5 %*
90. Liabilities associated with assets held for sale	993,775,308		993,775,308	
100. Other liabilities	128,435,134	144,167,691	(15,732,557)	-10.9 %
110. Provision for termination indemnities	24,341,922	23,438,562	903,360	3.9 %
120. Provisions for risks and charges:	31,721,568	30,615,624	1,105,944	3.6 %
b) other provisions	*31,721,568*	*30,615,624*	*1,105,944*	*3.6 %*
130. Valuation reserves	24,510,955	24,878,836	(367,881)	-1.5 %
160. Reserves	676,423,351	663,274,449	13,148,902	2.0 %
170. Share premium reserve	16,145,088	16,145,088		
180. Share capital	67,705,040	67,705,040		
200. Net profit (loss) for the period (+/-)	32,986,005	9,573,772	23,412,233	244.5 %
Total liabilities and shareholders' equity	**9,491,033,340**	**8,454,550,380**	**1,036,482,960**	**12.3 %**

INCOME STATEMENT

	31.12.2014	31.12.2013	Change amount	%
10. Interest and similar income	250,152,960	260,778,667	(10,625,707)	-4.1%
20. Interest and similar expense	(90,294,546)	(105,183,654)	14,889,108	-14.2%
30. Net interest income	**159,858,414**	**155,595,013**	**4,263,401**	**2.7%**
40. Commission income	103,390,489	98,860,449	4,530,040	4.6%
50. Commission expense	(4,923,467)	(4,415,926)	(507,541)	11.5%
60. Net commissions	**98,467,022**	**94,444,523**	**4,022,499**	**4.3%**
70. Dividends and similar income	3,174,189	4,962,755	(1,788,566)	-36.0%
80. Net trading income	2,038,469	1,595,082	443,387	27.8%
90. Net hedging gains (losses)	(1,041,084)	4,052	(1,045,136)	n.s.
100. Gains (losses) on disposal or repurchase of:	60,023,377	40,043,004	19,980,373	49.9%
a) loans	*(1,633,603)*	*(1,228,982)*	*(404,621)*	*32.9%*
b) financial assets available for sale	*51,249,864*	*41,594,322*	*9,655,542*	*23.2%*
c) financial assets held to maturity	*12,428,166*		*12,428,166*	
d) financial liabilities	*(2,021,050)*	*(322,336)*	*(1,698,714)*	*527.0%*
110. Net results on financial assets and liabilities designated at fair value	50,712	(1,405,813)	1,456,525	-103.6%
120. Net interest and other banking income	**322,571,099**	**295,238,616**	**27,332,483**	**9.3%**
130. Net impairment adjustments to:	(125,082,783)	(122,371,358)	(2,711,425)	2.2%
a) loans	*(125,628,720)*	*(120,245,815)*	*(5,382,905)*	*4.5%*
b) financial assets available for sale		*(573,814)*	*573,814*	*-100.0%*
d) other financial assets	*545,937*	*(1,551,729)*	*2,097,666*	*-135.2%*
140. Net profit from financial activities	**197,488,316**	**172,867,258**	**24,621,058**	**14.2%**
150. Administrative costs:	(188,604,199)	(197,699,513)	9,095,314	-4.6%
a) payroll costs	*(115,178,446)*	*(129,623,174)*	*14,444,728*	*-11.1%*
b) other administrative costs	*(73,425,753)*	*(68,076,339)*	*(5,349,414)*	*7.9%*
160. Net provisions for risks and charges	(2,412,645)	(7,581,696)	5,169,051	-68.2%
170. Net adjustments to property, plant and equipment	(5,054,199)	(5,041,064)	(13,135)	0.3%
180. Net adjustments to intangible assets	(713,705)	(613,483)	(100,222)	16.3%
190. Other operating charges/income	27,363,568	26,943,766	419,802	1.6%
200. Operating costs	**(169,421,180)**	**(183,991,990)**	**14,570,810**	**-7.9%**
210. Profit (loss) from equity investments	2,584,528	17,465,873	(14,881,345)	-85.2%
240. Gains (losses) on disposal of investments	216,889		216,889	
250. Profit (loss) from current operations before tax	**30,868,553**	**6,341,141**	**24,527,412**	**386.8 %**
260. Income taxes on current operations	(12,040,930)	(1,242,001)	(10,798,929)	869.5 %
270. Profit (loss) from current operations after tax	**18,827,623**	**5,099,140**	**13,728,483**	**269.2 %**
280. Profit (loss) after tax on non-current assets held for sale	14,158,382	4,474,632	9,683,750	216.4 %
290. Net profit (loss) for the period	**32,986,005**	**9,573,772**	**23,412,233**	**244.5 %**

STATEMENT OF COMPREHENSIVE INCOME,

	Captions	31.12.2014	31.12.2013
10.	**Net profit (loss) for the period**	**32,986,005**	**9,573,772**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined-benefit pension plans	(1,876,443)	41,310
50.	Non-current assets and disposal groups held for sale	-	-
60.	Portion of the valuation reserves of the equity investments carried at equity:	-	-
	Other elements of income, net of income taxes with reversal to income statement	-	-
70.	Foreign investment hedges	-	-
80.	Exchange differences	732,499	(558,237)
90.	Cash-flow hedges	-	-
100.	Financial assets available for sale	874,896	327,824
110.	Non-current assets and disposal groups held for sale	-	-
120.	Portion of the valuation reserves of the equity investments carried at equity	-	-
130.	**Total other elements of income (net of income taxes)**	**(269,048)**	**(189,103)**
140.	**Total comprehensive income (Captions 10+130)**	**32,716,957**	**9,384,669**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31.12.2014

	Balance at 31.12.2013	Changes in opening balances	Balance at 01.01.2014	Allocation of prior year results		Changes during the year								Shareholders' equity at 31.12.2014
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income at 31.12.2014	
Share capital:														
a) ordinary shares	60,840,000	-	60,840,000											60,840,000
b) other shares	6,865,040	-	6,865,040	-	-	-	-	-	-	-	-	-	-	6,865,040
Share premium reserve	16,145,088	-	16,145,088	-	-	-	-	-	-	-	-	-	-	16,145,088
Reserves:														-
a) from profits	662,365,539	-	662,365,539	6,589,419		6,152,969						-		675,107,927
b) other	908,910	-	908,910	-	-	-	-	-	-	-	-	406,514	-	1,315,424
Valuation reserves:	24,878,836	-	24,878,836			(98,833)							(269,048)	24,510,955
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the period	9,573,772	-	9,573,772	(6,589,419)	(2,984,353)	-	-	-	-	-	-	-	32,986,005	32,986,005
Shareholders' equity	**781,577,185**	**-**	**781,577,185**	**-**	**(2,984,353)**	**6,054,136**	**-**	**-**	**-**	**-**	**-**	**406,514**	**32,716,957**	**817,770,439**

Changes in reserves: The column shows the changes that arose during the year due to the merger of Banco Desio Lazio S.p.A. with Banco di Desio e della Brianza with effect for legal purposes from 1 October 2014 and from 1 January 2014 for accounting and tax purposes.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31.12.2013

	Balance at 31.12.2012	Changes in opening balances	Balance at 01.01.2013	Allocation of prior year results		Changes during the year								Shareholders' equity at 31.12.2013
						Changes in reserves	Transactions on shareholders' equity						Comprehensive income at 31.12.2013	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:														
a) ordinary shares	60,840,000		60,840,000											60,840,000
b) other shares	6,865,040	-	6,865,040	-	-	-	-	-	-	-	-	-	-	6,865,040
Share premium reserve	16,145,088	-	16,145,088	-	-	-	-	-	-	-	-	-	-	16,145,088
Reserves:														-
a) from profits	659,510,311	(1,542,748)	657,967,563	4,368,865		-						29,111		662,365,539
b) other	378,843	-	378,843	-	-	-	-	-	-	-	-	530,067	-	908,910
Valuation reserves:	23,525,191	1,542,748	25,067,939			-							(189,103)	24,878,836
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the period	9,204,593	-	9,204,593	(4,368,865)	(4,835,728)	-	-	-	-	-	-	-	9,573,772	9,573,772
Shareholders' equity	**776,469,066**	**-**	**776,469,066**	**-**	**(4,835,728)**	**-**	**-**	**-**	**-**	**-**	**-**	**559,178**	**9,384,669**	**781,577,185**

Changes in opening balances: The column shows the effects of reclassifying other long-term employee benefits from valuation reserves to retained earnings, for a more precise application of IAS 19 "*Employee Benefits*" as amended from 1 January 2013. Comprehensive income has been adjusted for the amount accrued during the period.

CASH FLOW STATEMENT

A. OPERATING ACTIVITIES	Amount	
	31.12.2014	31.12.2013
1. Cash generated from operations	**174,020,053**	**137,618,485**
- interest received (+)	247,073,659	258,829,569
- interest paid (-)	(89,773,595)	(104,792,845)
- dividends and similar income (+)	-	-
- net commissions (+/-)	99,249,433	95,033,276
- payroll costs (-)	(114,760,927)	(129,101,394)
- other costs (-)	(57,263,027)	(64,694,708)
- other revenues (+)	87,377,058	79,427,584
- taxation (-)	(12,040,930)	(1,344,621)
- costs/revenues for disposal groups, net of tax effect (+/-)	14,158,382	4,261,625
2. Cash generated (absorbed) by financial assets	**(426,676,662)**	**(601,239,336)**
- financial assets held for trading	1,184,739	2,829,185
- financial assets designated at fair value through profit and loss	-	-
- financial assets available for sale	72,761,504	(411,883,935)
- loans to customers	(383,402,033)	(142,857,620)
- due from banks: on demand	(130,228,076)	13,057,599
- due from banks: other receivables	35,222,591	(20,859,781)
- other assets	(22,215,387)	(41,524,784)
3. Cash generated (absorbed) by financial liabilities	**223,529,337**	**475,972,553**
- due to banks: on demand	33,078,785	16,211,715
- due to banks: other debts	325,748,007	(3,160,067)
- due to customers	175,521,235	481,449,534
- debt securities in issue	(282,543,259)	2,692,529
- financial liabilities held for trading	1,449,083	(646,256)
- financial liabilities designated at fair value through profit and loss	(14,990,923)	285,795
- other liabilities	(14,733,591)	(20,860,697)
Net cash generated/absorbed by operating activities (A)	**(29,127,272)**	**12,351,702**
B. INVESTING ACTIVITIES		
1. Cash generated by	**192,526,095**	**19,135,796**
- sale of equity investments	4,416,424	12,305,452
- dividends collected on equity investments	3,174,188	4,962,755
- sale/redemption of financial assets held to maturity	181,567,955	1,839,010
- sale of property, plant and equipment	3,367,528	28,579
- sale of intangible assets	-	-
- sale of businesses	-	-
2. Cash absorbed by	**(154,686,437)**	**(32,561,912)**
- purchase of equity investments	(141,826,868)	(48,419)
- purchase of financial assets held to maturity	-	(30,635,151)
- purchase of property, plant and equipment	(11,596,479)	(1,418,423)
- purchase of intangible assets	(1,263,090)	(459,919)
- purchase of businesses	-	-
Net cash generated/absorbed by investing activities (B)	**37,839,658**	**(13,426,116)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividends distributed and other allocations	(2,984,353)	(4,835,727)
Net cash generated/absorbed by financing activities (C)	**(2,984,353)**	**(4,835,727)**
NET CASH GENERATED (ABSORBED) IN THE PERIOD (A+B+C)	**5,728,033**	**(5,910,141)**

Reconciliation

Captions	2014	2013
Cash and cash equivalents at beginning of period	24,322,157	29,218,319
Business combinations	5,484,715	
Reclassification of "Non-current assets and disposal groups held for sale" (IFRS 5)	(3,898,566)	
Net increase (decrease) in cash and cash equivalents	5,728,033	(5,910,141)
Cash and cash equivalents: effect of change in exchange rates	2,152,111	1,013,979
Cash and cash equivalents at end of period	33,788,451	24,322,157

Explanatory notes

PART A - ACCOUNTING POLICIES

A.1 GENERAL INFORMATION

Section 1 - Declaration of compliance with International Financial Reporting Standards

In application of Legislative Decree no. 38 of 28 February 2005, which endorses the EC Regulation 1606 of 19 July 2002, the financial statements of Banco di Desio e della Brianza are prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Reporting Interpretations Committee (IFRC) applicable as of 31 December 2014.

Accounting standards that became applicable as from 1 January 2014 are IFRS 10, IFRS 11 and IFRS 12, with respect to matters concerning control and consolidation, as well as a number of amendments to IAS 27 and 28, as endorsed by Commission Regulation (EU) no. 1254/2012 and with subsequent amendments endorsed by Commission Regulations (EU) nos. 313 and 1174 of 2013.

Also applicable as from 1 January 2014 are amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* as endorsed by Commission Regulation (EU) no. 1375/2013 that make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The update arises from the introduction of the European Market Infrastructure Regulation (EMIR), which aims to impose central clearing for certain classes of over-the-counter derivatives. Also applicable are the amendments to IAS 32 – *Financial Instruments: presentation* introduced by EU Regulation 1256/2012 on offsetting financial assets and liabilities.

For completeness sake, we would point out that, at the date of approval of these financial statements, and limited to situations with a potential impact on the Bank, the IASB has issued the following new standards and interpretations/modifications of existing standards not yet approved by the European Union:

- IFRS 15 - *Revenue from Contracts with Customers* published on 28 May 2014, which will replace IAS 18 - *Revenue* and IAS 11 - *Construction Contracts*, as well as the interpretations IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 - *Revenues - Barter Transactions Involving Advertising Services*. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers except for those that fall within the scope of other IAS/IFRS, such as leases, insurance contracts and financial instruments. The principle is applicable from 1 January 2017; although early application is allowed, the Bank has not made use of this option.

- IFRS 9 - *Financial Instruments* issued on 24 July 2014, which replaced the previous versions published in 2009 and 2010 for "classification and measurement" and in 2013 for "hedge accounting". With this publication, the process of revising IAS 39 which was divided into three phases ("classification and measurement", "impairment" and "hedge accounting"), has now been completed; the review of the rules for macro hedge accounting, which is being handled as a separate project from IFRS 9, still has to be finalised. The new standard has to be applied in financial statements beginning on 1 January 2018.

- Amendment to IAS 27 issued on 12 August 2014, under which it is now possible to use the equity method in the separate financial statements for the valuation of investments in subsidiaries, associates and joint ventures, in addition to the existing options of cost or fair value. The changes will apply from 1 January 2016; although early application is allowed, the Bank has not made use of this option.

- Amendments to IFRS 10 and IAS 28, issued on 11 September 2014, which govern the accounting treatment of a sale or contribution of assets between an investor and its associate or joint venture, depending on whether or not the object of the transaction qualifies as a "business" according to IFRS 3. The changes will apply from 1 January 2016; although early application is allowed, the Bank has not made use of this option.

Section 2 - Basis of preparation

The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the explanatory notes; they are also accompanied by the Directors' report on operations.

For the preparation of the financial statements, reference was made to the Bank of Italy Circular 262 of 22 December 2005 as subsequently updated on 22 December 2014. The additional disclosure requirements and the clarifications provided by the Supervisory Authority were also taken into account.

The financial statements have been prepared in the interests of clarity and give a true and fair view of the balance sheet, financial position and results of operations for the year.

The financial statements have been prepared on a going-concern basis, in accordance with the accrual principle and, in the recognition and presentation of the results of operations, the principle of substance over form has been given precedence.

The accounting policies are consistent with those used for the preparation of the financial statements of the previous year.

The amounts in the financial statements are expressed in Euro, while the figures reported in the explanatory notes and in the Report on Operations are expressed in thousands of Euro – unless otherwise indicated.

Section 3 - Subsequent events

Please refer to the Report on Operations.

Section 4 - Other aspects

Use of estimates and assumptions in preparing the financial statements

Preparing the financial statements also requires the use of estimates and assumptions that could have a significant impact on the amounts shown in the balance sheet and income statement.

The use of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, these estimates and assumptions may change from year to year and, therefore, it cannot be excluded that the values currently shown here may in future differ because of a change in the subjective assessments used.

The main areas in which the use of subjective assessment is applied are:

- the valuation models used for carrying out impairment tests relating to investments and to intangible assets with an indefinite useful life (goodwill);
- quantification of the losses arising from the impairment of loans and financial assets in general;
- determination of the fair value of financial instruments for disclosure purposes;
- the use of valuation models for determining the fair value of financial instruments not quoted in active markets;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets.

The description of the accounting policies applied to balance sheet captions provides more detailed information on the assumptions and subjective assessments used in preparing the financial statements.

Comparative figures in the balance sheet, income statement and comprehensive income

For each account in the financial statements, the previous year's balance is also given: if the accounts are not comparable, the prior year figures have to be adjusted. However, in the case of business combinations (for example, the merger that took place during the year), the comparative figures for the previous year in the financial statements are those of the purchaser (the merging company) pursuant to IFRS 3.

However, given the disclosure requirements of IFRS 5 for non-current assets and groups of assets held for sale in the financial statements, we have reclassified the balance sheet figures at 31 December 2014 and the income statement figures at 31 December 2014 and 31 December 2013 for the assets and liabilities of Banco Desio included in the scope of transfer.

IAS 19 Employee Benefits - reclassification

EC Regulation no. 475 of 5 June 2012 approved the new version of IAS 19 applicable on a mandatory basis from 1 January 2013, relating to the accounting treatment of employee benefits. For a more accurate application of the standard, the actuarial effects of other long-term staff benefits resulting from long service bonuses have been reclassified from valuation reserves to retained earnings (actuarial gains and losses are now recognised immediately in the income statement).

The changes introduced by the new accounting standard are accounted for on a retrospective basis.

Banco Desio Brianza

(amounts in EUR)

Balance sheet - Liabilities		Balance 31.12.2013 (published data)	Change in IAS 19	Change in IFRS 5	Balance 31.12.2013 (restated data)
130	Valuation reserves	23.482.442	1.396.394	-	24.878.836
160	Reserves	664.817.197	(1.542.748)	-	663.274.449
200	Profit (loss) for the period	9.427.418	146.354	-	9.573.772

Income Statement		Balance 31.12.2013 (published data)	Change in IAS 19	Change in IFRS 5 (1)	Balance 31.12.2013 (restated data)
150	Administrative costs	(207.336.747)	201.868	9.435.366	(197.699.513)
150 a)	Staff costs	(135.584.042)	201.868	5.759.000	(129.623.174)
200	Operating costs	(192.201.238)	201.868	8.007.380	(183.991.990)
250	Profit (loss) from current operations before tax	13.123.606	201.868	(6.984.333)	6.341.141
260	Income taxes on current operations	(3.696.188)	(55.514)	2.509.701	(1.242.001)
270	Profit (loss) from current operations after tax	9.427.418	146.354	(4.474.632)	5.099.140
290	Net profit (loss) for the period	9.427.418	146.354	-	9.573.772

(1) Changes relating to the reclassification referred to IFRS 5 indicated in the previous paragraph

Statement of Comprehensive Income		Balance 31.12.2013 (published data)	Change in IAS 19	Change in IFRS 5	Balance 31.12.2013 (restated data)
10	Net profit (loss) for the period	9.427.418	146.354	-	9.573.772
40	Actuarial gains (losses) on defined benefit plans	187.664	(146.354)	-	41.310
130	Total other comprehensive income after tax	(42.749)	(146.354)	-	(189.103)

Domestic tax group election

Banco di Desio e della Brianza and the Italian companies of the Group adopted the so-called "domestic tax group", governed by arts. 117-129 of the Consolidated Income Tax Law, which was introduced into tax legislation by Legislative Decree no. 344/2003. This law provides an optional system, under which the total income or tax loss of each subsidiary in the tax consolidation - as well as withholdings, deductions and tax credits - are transferred to the parent company, which then calculates a single taxable income or tax loss to be carried forward (as resulting from the sum of its own taxable income or tax losses and those of the participating subsidiaries) and, consequently, a single tax liability or tax credit. Banca Popolare di Spoleto S.p.A. is not included in the tax group at 31 December 2014 as it did not satisfy the regulatory requirements for Group taxation.

Audit

These financial statements have been audited by Deloitte & Touche S.p.A., pursuant to D.Lgs. 39 of 27 January 2010 and to the resolution of the Shareholders' Meeting of 26 April 2012.

A.2 MAIN CAPTIONS IN THE FINANCIAL STATEMENTS

Financial assets held for trading

Recognition

The initial recognition of financial assets held for trading takes place at the settlement date for debt securities and equities and at the execution date for derivatives.

Financial assets held for trading are designated on initial recognition as assets at fair value through profit and loss, corresponding to the price paid, without taking account of transaction costs or income that are recognised directly in the income statement.

Classification

"Financial assets held for trading" include debt securities, equities, positive derivatives held for trading and other assets that, according to the initial designation, are classified as financial instruments held for trading in the short term. Since classification derives from initial designation, subsequent transfers to other categories are generally not allowed for this category of financial assets, except as in rare circumstances specified in IAS 39. The transfer value is represented by the fair value at the time of reclassification.

Measurement

Equities, Italian and foreign government bonds and derivatives traded in an active market are measured at the closing price on the assessment date (Level 1).

Italian and foreign government bonds, Italian and foreign corporate bonds, equities and derivatives not traded in an active market are measured by using valuation techniques (fair value level 2 or 3, based on the significance of unobservable inputs used in the valuation models).

Derecognition

Assets held for trading are derecognised when they are sold or cancelled.

Recognition of items affecting the income statement

Subsequent to initial recognition, financial assets held for trading are measured at fair value with value changes recognised in profit or loss.

Financial assets available for sale

Recognition

The initial recognition of financial assets available for sale takes place at the settlement date at fair value, including any transaction costs or income directly attributable to the instrument concerned.

If, for those cases permitted by the applicable accounting standards, the recognition takes place upon a reclassification of financial assets held to maturity, the amount recognised is represented by the fair value at the time of transfer.

Classification

"Financial assets available for sale" include financial assets - derivatives excluded - not classified as Loans, Assets held for trading or as Assets held to maturity.

This caption thus includes, in addition to bonds that are not held for trading and which are not classified as Assets held to maturity, equity interests not held for trading and which do not qualify as controlling interests or as a placement as well as mutual fund units.

Financial assets can be transferred from "available for sale" to "held to maturity", but only in the following circumstances:

- change in the intention or ability to continue holding the asset,
- in rare cases where a reliable measurement of fair value is not available.

A transfer to "Loans and receivables" is only allowed in particular circumstances.

Measurement

Subsequent to initial recognition, the price component of financial assets available for sale is measured at fair value, whereas the interest component is calculated at the actual rate of return.

For the purposes of determining fair value, the same criteria as for assets held for trading are applied.

For unquoted financial assets, inclusive of non-controlling interests, the fair value measurement is carried out using valuation techniques, that is, when a reliable determination of fair value is not possible, the assets in question are measured at cost (Level 3).

UCITS units that are traded in an active market are measured at the closing price observable in the principal market on the assessment date or, in the absence thereof, in the most advantageous market (Level 1).

UCITS units that are not traded in an active market (particularly closed-end funds and hedge funds) are measured at the latest published N.A.V. or the N.A.V. that has been provided by the fund manager, to which an appropriate adjustment is made (of 20%) to take account of the liquidability of the units (Level 3).

At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated, taking into account whether the issuer is in financial difficulty or other similar factors. As required by IAS 39, paragraph 61, for debt securities, listed and unlisted equities and for UCITS units traded in an active market, "significant" (higher than 25%) or "extended" (more than 24 months) write-downs are considered to be objective impairment indicators. For UCITS units not traded in an active market and equity investments in investees other than subsidiaries or associates, "significant" (higher than 30%) or "extended" (more than 60 months) write-downs are considered to be objective impairment indicators.

In accordance with internal policy, pre-established thresholds being exceeded is considered to be impairment, with the consequent recognition in the income statement of the accumulated impairment loss incurred since the date of initial recognition.
The amount of the impairment is the difference between the asset's book value and its recoverable amount.

Derecognition

Financial assets available for sale are derecognised when the asset is sold, cancelled or transferred to another category.

Recognition of items affecting the income statement

The effect of the assessment is recorded in shareholders' equity as a contra-entry to the valuation reserves, net of tax, until the asset is derecognised, while the amortised cost element is charged to the income statement.
On extinction, sale, transfer to another category or detection of an impairment loss, the cumulative amount in the valuation reserve is charged to the income statement.
If impairment losses recorded in the income statement no longer apply because of subsequent revaluations, the write-back, up to the amount of such losses, is recorded in the income statement for debt securities, and in an equity reserve for equities.

Financial assets held to maturity

Recognition

The initial recognition of financial assets held to maturity takes place at the settlement date at fair value, including any transaction costs or income directly attributable to the purchase.

Classification

"Financial assets held to maturity" comprise debt securities that have fixed or determinable contract payments and a fixed maturity, for which there is the intention and ability to hold them to maturity.
The category of financial assets held to maturity was created on the basis of specific resolutions passed by the corporate bodies, who also approve any subsequent movements on it, in compliance with IAS 39.
For those cases permitted by the applicable accounting standards, transfers are only permitted to Financial assets available for sale. The inclusion of financial assets in this category is no longer permitted in the current period and the next two years in the event of sales or transfers of a not insignificant amount, excluding investments that are close to maturity and isolated events that are beyond the Bank's control.
If the conditions that ban the use of this category come about, the assets concerned have to be reclassified to financial assets available for sale (under the so-called "tainting provision").

Measurement and recognition of items affecting the income statement

Measurements subsequent to initial recognition are recorded at amortised cost using the effective interest rate method with the contra-entry going to the income statement.
At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated. If they do exist, the impairment losses are recognised in the income statement.
If the reasons for making the impairment adjustment cease to apply, the related asset is written back and the amount of the write-back is recognised in the income statement. The write-back may not exceed the amortised cost that the financial instrument would have had if no adjustments had been made previously.

Derecognition

Financial assets held to maturity are derecognised when the asset is sold, cancelled or transferred to another category.

Loans and receivables

Recognition

Loans and receivables are recognised at the contract date, which is usually equal to the date the loan is granted.
If the two dates do not coincide, upon the execution of the contract, a commitment is assumed to provide funds that terminates on the date the loan is granted. Loans and receivables are recognised at fair value, which normally equates to the amount granted, including any costs or income directly attributable to the loan and which are determinable at the outset of the transaction.
If the recognition in this category takes place as a result of a reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset at the date of reclassification represents the new amortised cost of the asset.

Classification

"Loans and receivables" include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
They generally comprise transactions with customers and banks and debt securities not quoted in an active market that have similar characteristics to receivables, excluding assets held for trading and available for sale.
They also include finance lease receivables and repurchase agreements with obligation to resale.
Transfers from "Financial assets available for sale" and "Financial assets held for trading" are only allowed in particular circumstances, as specified in IAS 39.

Measurement

Subsequent to initial recognition, loans and receivables are measured on the basis of the principle of amortised cost, calculated using the effective interest method.
The amortised cost is equal to the initial value net of any principal repayments, plus or minus adjustments and write-backs and the amortisation of the difference between the amount paid and the amount repayable at maturity.
The effective interest rate is the rate that makes the present value of future cash flows equal to the amount of the loan issued, adjusted by directly attributable costs or revenues.
Loans are assessed periodically and split between "performing" and "non-performing", depending on the degree of impairment of the loan.
The amortised cost method is not used in relation to short-term loans, which are measured at historical cost; the same method is applied to loans without a defined maturity or which can be revoked at any time.
Loans are subjected to assessment to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired.
Non-performing loans include the various categories of impaired loans established by the Bank of Italy: doubtful loans, watchlist loans, restructured loans and past due or overrun loans.

The loan portfolio is subject to periodic review at least at every annual or interim balance sheet date to identify and determine any objective impairment. This is done taking into account the specific solvency situation of each debtor, as well as the local or national economic conditions relating to the debtor's business sector.

Performing loans have been evaluated on a general basis by dividing them into classes of risk. The Expected Loss (EL) is computed by applying the Probability of Default (PD) by risk class and the loss that would be incurred in the event of default (Loss Given Default - LGD) produced by the Credit Rating System. These parameters are derived from a historical-statistical analysis of the trend of a series of predictor variables for a probable future deterioration of credit quality. The expected loss is an estimation of the latent loss at the reference date.

Specific analyses are carried out for exposures of a significant amount.

Non-performing loans include all receivables for which there is objective evidence of impairment, measured as the difference between the book value and the present value of future estimated cash flows, discounted at the original effective interest rate. This valuation, based on internal policy, is analytical, and takes account of the estimated likelihood of recovery, the expected timing of collection and any guarantees that are in place.

Receivables for interest on arrears accrued on impaired assets are only recorded in the financial statements once it has been collected.

The value of loans to non-residents is adjusted on a general basis in relation to the difficulties in servicing debt by the countries of residence.

The fair value of loans is calculated solely for the purpose of disclosure in the notes of any performing loans beyond the short term. Non-performing loans already evaluated analytically and short-term positions are shown at book value, which represents a reasonable approximation of their fair value.

The fair value is determined using a valuation technique that involves discounting the expected cash flows using discount factors that incorporate not just the risk free rate, but also a specific credit spread for each legal entity; in addition, for each relationship, credit risk is considered in terms of PD and LGD as measured by the CRS model. In general, they are classified at Level 3, except in the case where the significance of the observable inputs compared with the entire assessment is higher than a predetermined threshold (Level 2).

Derecognition

Loans are only derecognised if their sale involved the transfer of essentially all the risks and benefits associated with the loan. Conversely, if a significant part of the risks and benefits relating to loans that have been sold are retained, then they continue to be reported as assets in the balance sheet, even if formally ownership of the loans has been transferred.

Even if the transfer of essentially all the risks and benefits cannot be demonstrated, loans are derecognised if no form of control over them has been retained. By contrast, the partial or total retention of such control means that the related loans are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the loans sold and to changes in their cash flows.

Lastly, loans sold are derecognised if there is retention of the contractual rights to collect the related cash flows, with a parallel commitment to pay all such flows, and only these, to third parties.

Recognition of items affecting the income statement

Valuation at amortised cost generates in the income statement a deferral of the transaction costs and ancillary revenues over the life of the financial asset, rather than impacting the income statement on initial recognition.

Interest on arrears is only recorded in the income statement when collected.

The interest that accrues over time as an effect of discounting impaired loans is recognised in the income statement under write-backs.

The effects of analytical and general assessments are recognised in the income statement.

The original value of the loan is reinstated when the reasons for the write-down cease to apply, recognising the effects in the income statement.

Hedging transactions

Recognition

The recognition of hedging transactions assumes:

- The involvement of external counterparties;
- a specific designation and identification of financial hedging and hedged instruments used for the transaction;
- definition of the risk management objectives being pursued, specifying the nature of the risk being hedged;
- passing the effectiveness test at the beginning of the hedging relationship and prospectively, with specific measurement procedures and frequency;
- preparation of formal documentation of the hedging relationship.

Classification

Hedging transactions are intended to offset certain risks of potential loss on financial assets or liabilities through specific financial instruments, the use of which is intended to cushion the effects on the income statement of the securities being hedged.

The type of hedge used is the fair value hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

Measurement and recognition of items affecting the income statement

The fair value of hedging financial instruments not quoted in an active market is determined using valuation models for estimating and discounting future cash flows; with specific reference to OTC hedging derivatives, the model applied is the Credit Value Adjustment and Debit Value Adjustment (see paragraph "A.4 Information on fair value" in these financial statements for details of the impact of these models in measuring these types of instruments). The contra-entries to changes in the fair value of hedging derivatives and of the financial instruments being hedged (to the extent attributable to the hedged risk) are recorded in the income statement.

Such offsetting is booked through the recognition in the income statement under item 90 "Net hedging gains (losses)" of changes in the value of both the hedged element (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference determines the consequent net economic effect.

A hedging transaction is defined as effective if the changes in fair value (or cash flows) of the hedging instrument offset the changes in the financial instrument being hedged within the 80%-125% limits laid down in IAS 39.

Effectiveness tests are performed at each annual or interim balance sheet date, both in retrospective terms, to measure the actual results, and in prospective terms, to demonstrate the expected efficacy for future periods.

If the tests do not confirm the effectiveness of the hedge and, depending on corporate policy, hedge accounting is interrupted from that moment, the hedging derivative is reclassified under trading instruments and the hedged instrument reacquires the method of valuation corresponding to its classification in the financial statements.

Derecognition

The recognition of hedging transactions is interrupted when it no longer meets the criteria of effectiveness, when they are revoked, when the hedging instrument or the hedged instrument expire, or when they are cancelled or sold.

If the instrument being hedged is subject to valuation at amortised cost, the difference between the fair value determined at the date of "discontinuing" (interruption of the hedging relationship) and the amortised cost is spread over its residual life.

Equity investments

Recognition

Equity investments are recognised on the settlement date. Initial recognition is at cost, including directly attributable ancillary costs.

Classification

Equity investments are classified as investments in subsidiaries pursuant to IFRS 10. as investments in associates in accordance with IAS 28, or as investments in companies subject to joint control, as defined in IFRS 11 Other equity investments are booked in accordance with IAS 39. They are classified as financial assets available for sale and follow the measurement criteria provided for that class of financial assets.

Measurement

Subsequent to initial recognition, investments in subsidiaries and associates are measured at cost.

At each annual or interim balance sheet date, tests are carried out to see if there is objective evidence that the investment has suffered an impairment loss.

Impairment occurs when the carrying amount of the asset exceeds its recoverable value, this being the greater of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between independent parties, net of disposal costs) and its value in use (i.e. the present value of the cash flows expected to be derived from continuing use and disposal of the asset at the end of its useful life).

On completion of impairment testing, stress tests are also performed on certain key parameters used in the valuation model in order to reduce the recoverable amount to the carrying amount.

As required by IAS 36, impairment testing is performed annually; moreover, at each interim reporting date, steps are taken to verify whether conditions exist that would require impairment tests to be repeated: in particular, monitoring is performed of qualitative and quantitative indicators of presumed impairment of an investment (trigger event).

Any impairment write-downs are charged to the income statement.

If the reasons for making the impairment adjustment cease to apply due to an event occurring after recognition of an impairment, the related asset is written back and the amount of the write-back is recognised in the income statement.

Derecognition

Equity investments are derecognised when the contractual rights on cash flows from financial assets expire or when they are sold, substantially transferring all the risks and benefits of ownership.

Recognition of items affecting the income statement

Dividends are recognised when the right to collect them is established. Gains/losses on disposal are determined based on the difference between the carrying amount of the investment measured at weighted average cost and the purchase price, net of directly attributable transaction costs.

Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all attributable costs of purchasing and bringing the asset to working condition.

On first-time adoption of IAS/IFRS, we made use of the exemption provided by art. 16 of IFRS 1, opting to assess

property at fair value as the deemed cost at 1 January 2004. After that date, buildings have been valued at cost.
Extraordinary maintenance costs are attributed to the assets to which they relate. Routine maintenance costs are charged directly to the income statement.
In application of IAS 17, financial leases are recognised in the financial statements in accordance with the financial method. Assets leased to others are therefore shown under receivables. Conversely, assets held under finance lease contracts are included in this caption, even though the lessor retains legal title.

Classification
Property, plant and equipment include land. buildings, equipment, furniture and fittings and other office equipment
This consists of property, plant and equipment held for use in the provision of services and for rental to third parties and for which it is deemed that they will be used for more than one financial year.

Measurement
Property, plant and equipment are shown at purchase cost, including ancillary expenses, less accumulated depreciation and any impairment losses.
Property, plant and equipment are systematically depreciated, on a straight-line basis at rates that reflect the residual useful life of the asset in question. Exceptions are made for land and works of art, which are not subject to depreciation because of the uncertainty of their useful life, and in view of the fact that normally their value is unlikely to fall over time.
Extraordinary maintenance costs are capitalised and depreciated over the residual useful life of the assets to which they relate.
Impairment tests are performed on an annual basis. If it is ascertained that the carrying amount of an asset is higher than its recoverable value, the carrying amount is adjusted as appropriate in the income statement.
If the reasons for recognising an impairment loss cease to apply, the asset is written back but without exceeding the carrying amount that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.
Solely for disclosure purposes, the fair value of investment property is measured at cost less accumulated depreciation.
The fair value is estimated through the use of property market information sources, appropriately adjusted based on the specifics of the assets and as advised by independent external experts (Level 3).

Derecognition
Property, plant and equipment are derecognised on disposal.

Recognition of items affecting the income statement
Depreciation, amortisation and impairment losses, if any, are recognised in the income statement as net adjustments to property, plant and equipment

Intangible assets

Recognition
Goodwill is the positive difference between the purchase cost and the fair value of assets and liabilities acquired in business combinations. It is booked to intangible assets when it is actually representative of future economic benefits generated by the assets acquired. Other intangible assets are stated at cost and are only recognised if they meet the requirements of independent identifiability and separation from goodwill, probable realisation of future economic benefits and reliable measurability of cost.

Classification

Intangible assets include goodwill, compensation for abandonment of leasehold premises and software purchase costs. Leasehold improvements are booked to other assets.

Measurement

Intangible assets are recognised in the balance sheet at purchase cost, including ancillary charges, less the amount of accumulated amortisation and impairment losses, if any.

Amortisation is calculated on a straight-line basis at rates that reflect the residual useful life of the asset in question.

Goodwill is not amortised as it is considered to have an indefinite useful life; instead, it is subjected annually to an impairment test. The cash-generating unit to which the goodwill was allocated is identified for this purpose. The amount of any impairment loss is determined as the amount by which the goodwill's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of the cash-generating unit's fair value, net of any selling costs, or its related value in use.

On completion of impairment testing, stress tests are also performed on certain key parameters used in the valuation model in order to reduce the recoverable amount to the carrying amount.

As required by IAS 36, impairment testing is performed annually; moreover, at each interim reporting date, steps are taken to verify whether conditions exist that would require impairment tests to be repeated: in particular, monitoring is performed of qualitative and quantitative indicators of presumed impairment of an investment (trigger event).

Any impairment write-downs are charged to the income statement, with no possibility of a subsequent write-back.

Compensation for abandonment of leasehold premises is amortised at rates based on the duration of the lease contract (renewal included).

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from them.

Recognition of items affecting the income statement

Amortisation and impairment losses, if any, are recognised in the income statement as net adjustments to intangible assets. Adjustments to leasehold improvements are recognised in the income statement under other operating charges.

Non-current assets and disposal groups held for sale

Recognition

Non-current assets and disposal groups held for sale are measured at the time of initial recognition at the lower of book value and fair value less costs to sell.

Classification

These captions include non-current assets and groups of assets held for sale, when the book value will be recovered principally through a sale transaction that is considered highly probable, rather than through continued use.

In accordance with IFRS 5, so-called "discontinued operations" (i.e. assets sold or held for sale) are also recognised, if they:

- represent a significant line of business or geographical area of operations;
- form part of a single coordinated plan to dispose of a significant separate line of business or geographical area of operations;

- involve a subsidiary acquired solely with a view to reselling it.

Measurement and recognition of items affecting the income statement

Subsequent to initial recognition, non-current assets and disposal groups held for sale are valued at the lower of book value and fair value less costs to sell. The related income and expenses (net of taxes) are presented in the income statement under a separate item called "Profit (loss) after tax on non-current assets held for sale" when they relate to discontinued operations.

Derecognition

Non-current assets and groups of assets held for sale are eliminated from the balance sheet on disposal.

Current and deferred taxation

Income taxes for the year are calculated by estimating the amount of tax due on an accrual basis, in a consistent manner with the recognition in the financial statements of the costs and revenue that generated the taxation in question. In addition to current taxes, calculated according to current tax rules, deferred taxation, arising as a result of timing differences between the amounts recorded in the financial statements and the corresponding tax bases, is also recognised. Taxes therefore reflect the balance of current and deferred taxation on income for the period.

Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that there will be sufficient future taxable income to recoup the asset. They are shown in the balance sheet under caption 130 "Deferred tax assets". Conversely, deferred tax liabilities are shown on the liabilities side of the balance sheet under caption 80 "Deferred tax liabilities".

In the same way, current taxes not yet paid at the balance sheet date are recognized under caption 80 "Current tax liabilities". In the event of the payment of advances that exceed the final amount due, the recoverable amount is accounted for under caption 130 "Current tax assets".

If deferred tax assets and liabilities relate to transactions that were recognised directly in equity without passing through the income statement, these are recorded with a contra-entry to the appropriate equity reserve (e.g. valuation reserve).

Lastly, it should be noted that Banco Desio, along with the other Italian Group companies, has elected to form part of a domestic tax group. In administrative terms, the tax affairs of the Bank and those of the other Group companies are managed separately.

Provision for termination indemnities

Measurement

The provision for termination indemnities is recorded in the financial statements using actuarial techniques.

The evaluation is carried out by independent external actuaries according to the accrued benefit method, using the Projected Unit Credit Method. This amount represents the present value, calculated from a demographic/financial point of view, of benefits payable to employees (termination indemnities) for the period of service already accrued, which is obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the valuation date, taking into account the likelihood of resignations and requests for advances.

To determine the discount rate, reference is made to an index which represents the yield on a basket of high quality corporate bonds. In line with prevalent practice, an "AA" class index was selected.

Recognition of items affecting the income statement

The provision for termination indemnities arising from the actuarial valuation, as allowed by IAS 19, is recorded as a contra-entry to the valuation reserves for the component of actuarial gains (losses) and in the income statement under provisions for other components such as accrued interest due to the passage of time (discounting).

Provisions for risks and charges - Other provisions

Classification

Provisions for risks and charges include provisions made to cover ongoing obligations that are related to work relationship or disputes, also tax disputes, that are the result of past events, for the settlement of which it is probable that there will be an outflow of resources that can be reliably estimated

Provisions represent the best estimate of the future cash flows needed to settle the obligation at the balance sheet date.

Measurement

In cases where the effect of time is a significant factor, the amounts provided are discounted, taking into account when the obligation is likely to fall due. The discount rate reflects the current value of money, taking into consideration the risks specific to the liability.

The evaluation of long-service bonuses to employees is made by independent external actuaries and follows the same logic as described above for calculating the provision for termination indemnities.

Recognition of items affecting the income statement

Provisions are charged to the income statement.

The effects arising from the passage of time for the discounting of future cash flows are recorded in the income statement under provisions.

Debts and debt securities in issue

Recognition

Recognition of these financial liabilities takes place on the date of the contract, which normally coincides with the receipt of the amounts collected or on issue of the debt securities. The first recognition is at fair value of the liability, usually equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual operation or issue.

Classification

This includes various forms of funding put in place by Banco Desio: amounts due to banks, amounts due to customers, bonds and certificates of deposit issued by the Bank, repurchase agreements with obligation to repurchase and other payables, which include cashier's checks and checks issued by Banco.

Measurement and recognition of items affecting the income statement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the contra-entry going to the income statement.

Financial liabilities not measured at amortised cost are measured at the amount paid to transfer the liability.

Financial liabilities subject to fair value hedges follow the same measurement criteria as the hedging instrument, being limited to changes in the fair value since designation of the hedge, with the contra-entry going to the income statement.

If the hedging relationship is interrupted, the difference between the fair value determined at the discontinuing date and the amortised cost is recognised in the income statement over the residual life of the financial instrument.
Securities issued are shown net of any repurchases.

Solely for disclosure purposes, the fair value is determined of debt and securities issued; for issued debt and certificates of deposit, the fair value substantially equates to book value, which represents a reasonable approximation thereof (Level 3). For bonds issued by the Bank, the fair value is determined by using valuation models to estimate and discount future cash flows (Level 2).

Derecognition
Financial liabilities are derecognised on disposal, expiration or termination.
The repurchase of previously issued bonds results in their derecognition; the difference between the carrying amount of the liability and the amount paid for its repurchase is recognised in the income statement.
The re-placement of own securities previously repurchased is considered as a new issue measured at the new sale value.

Financial liabilities held for trading

Recognition
Liabilities held for trading are recorded at fair value.

Classification
The financial instruments included in this caption are recognised on the subscription date or on the date of issue at an amount equal to the fair value of the instrument, without considering transaction costs or income directly attributable to the instrument concerned.
This caption includes, in particular, trading derivatives with a negative fair value.

Measurement and recognition of items affecting the income statement
Financial liabilities held for trading are measured at fair value, booking the effects to the income statement.
Derivative instruments traded in active markets are valued at the closing price on the valuation date.
Derivative instruments that are not traded in active markets are priced by using valuation techniques.

Derecognition
Financial liabilities are derecognised on disposal, expiration or termination.

Financial liabilities designated at fair value through profit and loss

Recognition
Recognition is at fair value, equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual issue.

Classification
This caption includes financial liabilities designated at fair value through profit and loss.
In particular, this caption refers to the application of the fair value option for financial liabilities subject to "natural

hedging", designed to achieve a better balance of the effects of measuring financial assets and liabilities on the income statement.

Financial liabilities may be designated at fair value through the income statement in the following cases:

- elimination or reduction of valuation inconsistencies
- evaluation of instruments containing embedded derivatives
- evaluation of groups of financial assets or liabilities on the basis of a documented risk management or investment strategy.

This category comprises bonds issued with an embedded derivative or financial hedge.

Measurement and recognition of items affecting the income statement

These are recorded at fair value, with the effects charged to the income statement.

The fair value is determined through valuation techniques using observable elements in active markets. The methodology is that of discounting cash flows using a zero coupon curve based on elements available in the market, and applying a credit spread calculated using the euro swap curve and the yield curve for bonds issued by European banks with ratings equal to that of Banco Desio. For subordinated bonds, a specific adjustment factor is also considered.

Derecognition

Financial liabilities measured at fair value are derecognised on disposal, expiration or termination.

Repurchases of own issues substantially lead to the termination of the part subject to repurchase. The re-placement of own securities previously repurchased is considered as a new issue at the sale value.

Currency transactions

Recognition

Currency transactions are recorded at the time of settlement by converting them into euro at the exchange rate ruling on the transaction date.

Measurement

At each annual or interim balance sheet date, caption in foreign currency are valued as follows:

- monetary items: conversion at the exchange rate ruling at the balance sheet date;
- non-monetary items measured at cost: converted at the exchange rate ruling at the transaction date;
- non-monetary items measured at fair value: conversion at the exchange rate ruling at the balance sheet date.

Recognition of items affecting the income statement

For monetary items, the effect of the measurements is recognised in the income statement.

For non-monetary items with recognition of gains and losses in the income statement, exchange differences are also recognised in the income statement; if gains and losses are recognised in shareholders' equity, any exchange differences are also booked to equity.

Other information

Valuation reserves

This caption includes valuation reserves of financial assets available for sale, derivative contracts to hedge cash flows, valuation reserves created under special laws in past years and reserves for the actuarial valuation of employee benefits under IAS 19. They also include the effects of the application of fair value as the deemed cost of property, plant and equipment upon first-time adoption of IAS/IFRS.

Recognition of costs and revenues

Revenues are recognised when they are earned or, in any case, when it is probable that benefits will be received and these benefits can be reliably measured. In particular:

- interest expense is recognised on a pro-rata basis at the contractual interest rate or, in the case of application of amortised cost, at the effective interest rate. Interest income (expense) also includes positive (negative) differentials or margins on financial derivatives accrued at the date of the financial statements:
  a) hedging assets and liabilities that generate interest;
  b) classified in the balance sheet in the trading book, but operationally linked to assets and/or liabilities measured at fair value (fair value option);
  c) operationally linked to assets and liabilities classified as held for trading and providing for the settlement of differentials or margins on several maturities;
- default interest, which may be provided by contract, is recognised in the income statement only when actually collected;
- dividends are recognised in the income statement when distribution has been approved;
- commission income from services is recognised based on contractual agreements during the period in which the services are rendered. The fees and commissions considered in amortised cost for the purpose of determining the effective interest rate are booked as interest;
- revenues or costs from trading in financial instruments, determined by the difference between the transaction price and the fair value of the instrument, are booked to the income statement on recognition of the transaction, if the fair value can be determined with reference to parameters or recent transactions observable in the same market in which the instrument is traded. If these values cannot easily be determined or have a reduced level of liquidity, the financial instrument is recognised for an amount equal to the transaction price, net of the trading margin; the difference with respect to the fair value is booked to the income statement over the duration of the transaction through a progressive reduction in the valuation model of the corrective factor linked to the reduced liquidity of the instrument;
- gains/losses from trading in financial instruments are recognised in the income statement on completion of the sale, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues from the sale of non-financial assets are recognised on completion of the sale, unless most of the risks and benefits associated with the asset have been retained.

Expenses are recognised in the income statement in the periods when the related revenues are booked. If costs and revenues can be associated in a generic and indirect way, costs are allocated systematically to several periods with rational procedures.

Costs that cannot be associated with income are booked immediately to the income statement.

Finance leases

Assets leased to others under finance leases are shown as receivables, for an amount equal to the net investment of the lease. The recognition of financial income reflects a constant periodic rate of return.

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

The amendments to IAS 39 and IFRS 7 "Reclassification of financial assets" approved by the IASB in 2008 allow companies to reclassify certain financial assets out of "assets held for trading" and "assets available for sale" after initial recognition.

In particular, it is possible to reclassify:

- financial assets held for trading or available for sale that would have met the definition provided by the International Accounting Standards for the loan portfolio (if such assets were not classified as held for trading or available for sale at initial recognition) if the entity has the intention and ability to hold them for the foreseeable future or until maturity;
- financial assets held for trading that at the time they were recorded did not meet the definition of loans, but "only in rare circumstances".

The Bank has not made any portfolio transfers during the reference period of this report.

A.4 INFORMATION ON FAIR VALUE

Qualitative information

The accounting standard IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants (exit price). The definition of fair value provided by IFRS 13 makes it clear that fair value measurements are market based and not entity specific.

This standard introduced disclosure requirements about fair value measurements and the inputs used for the measurement of assets and liabilities that are measured at fair value on a recurring or non-recurring basis after initial financial statement recognition, as well as about the effect on comprehensive income of fair value measurements of instruments using effective unobservable inputs.

When a price is not detectable for the same asset or a liability, the fair value is estimated by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

As required by IFRS 13 and for the purpose of the determination of the fair value of OTC derivatives, counterparty risk needs to be considered.

The fair value hierarchy provides for 3 levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (*level 2 and 3* inputs). The fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value. A fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

Fair value measurement with use of level 1 inputs

The fair value falls within Level 1 if determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A price quoted in an active market provides the most reliable evidence of fair value and, when available, should be used without any adjustments.

An active market is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fundamental elements are the following:

- Identification of the *principal market* for the asset or liability or, in the absence of a principal market, the *most advantageous market* for the asset or liability;
- the ability of the entity to carry out a transaction in the asset or liability at the price of that market on the valuation date.

The principal market is the market with the greatest volume and level of activity for the asset or liability. In the absence thereof, the most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability.

A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used

The fair value of financial assets and liabilities is measured by using valuation techniques that take into account the characteristics of the financial instrument being measured.

For Level 2 of the fair value hierarchy, the fair value is determined by using a valuation price from an external information provider or a price calculated using internal valuation techniques that use directly or indirectly observable inputs for the asset or liability and include:

- prices quoted for similar assets or liabilities in active markets;
- prices quoted for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatilities;
    - credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ("market-corroborated inputs").

For Level 3 of the fair value hierarchy, unobservable inputs are used for the asset or liability. Use of these inputs, including those from internal sources, is allowed if there is no observable market information to help make estimates; they should reflect the assumptions that market participants would make in determining the price.

For Level 3 of the fair value hierarchy and with specific reference to OTC derivatives, the input relating to credit spread for non-institutional customers is provided by an internal rating model which categorises each counterparty in risk classes with the same probability of insolvency.

Also worth noting is the application of the Credit Value Adjustment (CVA) model for OTC derivatives, in order to highlight the impact of the counterparty's credit quality, an intrinsic factor in the pricing of bonds, but not of derivatives. The method applied consists of determining the fair value by discounting the derivative's positive mark to market (MTM) over the residual life of the instrument using the weighted credit spread.

On the other hand, as regards OTC derivatives with a negative MTM, the model applied is the Debit Value Adjustment (DVA), with the aim of highlighting, for the Bank, the impact of its own creditworthiness. The model applies the same formula of discounting the CVA to the negative value (MTM) of the derivative including the credit spread of the Bank.

The fair value of non-financial assets and liabilities (receivables and payables) is determined using the DCF (discounted cash flow) method; the currently used module permits consistent integration in fair value measurement of market factors, financial characteristics of the transaction and credit risk components.

Regarding the fair value of assets and liabilities provided in the explanatory notes solely for disclosure purposes, the following should be noted.

For the purpose of the determination of fair value:

- medium/long-term performing loans are valued by discounting future cash flows, applying a risk free discount rate and weighting them for the specific credit risk of the Bank (Level 2 or 3 based on the significance of observable inputs compared with the entire assessment). non-performing loans are measured at book value, which represents a reasonable approximation of their fair value (Level 3);
- debt and certificates of deposit issued by the Bank are measured at book value, which represents a reasonable approximation of their fair value (Level 3);
- bonds issued by the Bank are measured by discounting future cash flows and the application of a credit spread (Level 2);
- investment property: fair value is estimated through the use of property market information sources, appropriately adjusted based on parameters such as location, size, age, intended use and maintenance and based on value estimates performed by external independent experts (Level 3).

A.4.2 Process and sensitivity of valuations

Valuation techniques and inputs selected are applied consistently, except where events take place that require them to be replaced or modified, such as: new markets develop, new information becomes available, information previously used is no longer available or valuation techniques improve.

The measurement process for financial instruments consists of the phases summarised below:

– for each asset class, market inputs are identified as well as the manner in which they have to be incorporated and used;
– the market inputs used are checked to ensure they are worthy of use in the valuation techniques employed;
– the valuation techniques used are compared with market practices to identify any critical issues and to determine if any changes need to be made to the valuation.

For financial instruments that are measured at fair value on a recurring basis and which are categorised as Level 3, no sensitivity analysis is provided due to their nature and the immateriality of the amounts involved.

A.4.3 Fair value hierarchy

For financial assets and liabilities measured at fair value on a recurring basis, their categorisation within the aforementioned fair value hierarchy levels reflects the significance of the inputs used for the valuation.

If the market for assets and liabilities no longer qualifies as active, then the valuation technique and inputs are changed and the assets and liabilities are categorised within a lower level of the fair value hierarchy.

A valuation technique is used consistently from period to period, except where circumstances arise that necessitate the use of a more appropriate technique, such as the development of new markets, the availability of new information or a change in market conditions. This could lead to assets and liabilities measured at different dates being categorised in a different fair value hierarchy.

The policy for the determination of the levels is applied on a monthly basis.

A.4.4 Other information

There is nothing to add to the information that has been previously disclosed.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities designated at fair value	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	36	1,400	2,136	596	1,705	497
2. Financial assets designated at fair value through profit and loss						
3. Financial assets available for sale	1,265,147	74,920	14,030	1,287,725	125,046	7,682
4. Hedging derivatives		2,784			5,052	
5. Property, plant and equipment						
6. Intangible assets						
Total	**1,265,183**	**79,104**	**16,166**	**1,288,321**	**131,803**	**8,179**
1. Financial liabilities held for trading			2,084			480
2. Financial liabilities designated at fair value through profit and loss		23,626			38,617	
3. Hedging derivatives					2,894	
Total		**23,626**	**2,084**		**41,511**	**480**

Investments valued on the basis of unobservable inputs (Level 3) are a very limited share of financial assets measured at fair value (1.04% compared with 0.57% last year).

These investments consist of Euro 9,208 thousand of non-controlling interests classified as "Financial assets available for sale".

At 31 December 2014, the impact of applying the Credit Value Adjustment to derivatives with a positive MTM amounts to 16 thousand euro (of which 5 thousand euro on trading derivatives and 11 thousand euro on hedging derivatives); as regards instruments with a negative MTM, the impact of applying the Debit Value Adjustment to derivatives with a negative MTM amounts to 3 thousand euro on trading derivatives.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (Level 3)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**497**		**7,682**			
2. Increases	**2,136**		**8,159**			
2.1. Purchases			1,562			
2.2. Profits posted to:						
2.2.1. Income statement	2,136		125			
- of which: capital gains	2,136					
2.2.2. Shareholders' equity						
2.3. Transfers from other levels			6,472			
2.4. Other increases						
- of which: business combinations						
3. Decreases	**497**		**1,811**			
3.1. Sales						
3.2. Redemptions			211			
3.3. Losses posted to:						
3.3.1. Income statement	497					
- of which: capital losses	497					
3.3.2. Shareholders' equity			1,600			
3.4. Transfers to other levels						
3.5. Other decreases						
- of which: business combinations						
4. Closing balance	**2,136**		**14,030**			

A.4.5.3 Annual changes in financial assets measured at fair value on a recurring basis (Level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	Hedging derivatives
1. Opening balance	**480**		
2. Increases	2,084		
2.1. Issues			
2.2. Losses posted to:			
2.2.1. Income statement	2,084		
- of which: capital losses	*2,084*		
2.2.2. Shareholders' equity			
2.3. Transfers from other levels			
2.4. Other increases			
3. Decreases	**480**		
3.1. Redemptions			
3.2. Repurchases			
3.3. Profits posted to:			
3.3.1. Income statement	480		
- of which: capital gains	*480*		
3.3.2. Shareholders' equity			
3.4. Transfers to other levels			
3.5. Other decreases			
4. Closing balance	**2,084**		

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2014				31.12.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity					181,568	181,066	10,434	
2. Due from banks	315,884			315,884	229,698			229,698
3. Loans to customers	6,076,574		3,512,827	2,819,325	6,141,481			6,506,265
4. Investment property	1,095			943	1,111			972
5. Non-current assets and disposal groups held for sale	1,117,528							
Total	**7,511,081**		**3,512,827**	**3,136,152**	**6,553,858**	**181,066**	**10,434**	**6,736,935**
1. Due to banks	790,090			790,090	481,075			481,075
2. Due to customers	4,709,455			4,709,455	4,846,469			4,846,469
3. Debt securities in issue	1,955,021		1,837,178	115,236	2,091,799		1,872,406	218,837
4. Liabilities associated with assets held for sale	993,775							
Total	**8,448,341**		**1,837,178**	**5,614,781**	**7,419,343**		**1,872,406**	**5,546,433**

A.5 INFORMATION ON "DAY ONE PROFIT/LOSS"

IAS 39 requires a financial instrument upon initial recognition to be measured at fair value, which is normally the transaction price (that is, the amount paid for the financial assets and the amount received for the financial liabilities). The foregoing holds true for exchanges of instruments quoted in an active market. If the market for a financial instrument is not active, then valuation techniques are used to determine its fair value. If a difference arises (so-called "day one profit/loss") between the transaction price and the amount determined at the time of initial recognition through the use of valuation techniques and this difference is not recognised immediately in the income statement, then disclosure needs to be provided as per paragraph 28 of IFRS 7, by indicating the accounting policy adopted for the income statement recognition, subsequent to initial recognition of the instrument, of the difference.

In relation to the Group's operations and on the basis of the internal valuation methodologies currently in use, no such differences have been recognised, since the fair value of financial instruments upon initial recognition coincides with the transaction price.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2014	31.12.2013
a) Cash	33,788	24,322
b) Demand deposits with central banks		
Total	**33,788**	**24,322**

The table is presented net of Euro 3,899 thousand for the cash of the branches included in the scope of transfer, reclassified in accordance with IFRS 5 under "Non-current assets and disposal groups held for sale".

Section 2 - Financial assets held for trading - caption 20

2.1 Financial assets held for trading: breakdown

Captions/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities				563		
1.1 Structured securities						
1.2 Other debt securities				*563*		
2. Equity instruments						
3. UCITS units						
4. Loans						
4.1 Repurchase agreements						
Other						
Total A				**563**		
B. Derivatives:						
1. Financial derivatives:	36	1,339	2,136	33	1,541	497
1.1 for trading	*36*		*2,136*	*33*		*497*
1.2 connected with the fair value option		*1,339*			*1,541*	
1.3 other						
2. Credit derivatives		61			164	
2.1 for trading		*61*			*164*	
2.2 connected with the fair value option						
2.3 other						
Total B	**36**	**1,400**	**2,136**	**33**	**1,705**	**497**
Total (A+B)	**36**	**1,400**	**2,136**	**596**	**1,705**	**497**

Caption 20 "Financial assets held for trading" comprises derivatives held for trading and those for which the fair value option has been exercised.
The derivatives for which the fair value option has been exercised consist of derivatives operationally linked to bond issues for which the Bank exercised the fair value option.

The policy adopted for the categorisation of financial instruments within the three levels of the fair value hierarchy is disclosed in the previous section "A.4 Information on fair value" in Part A "Accounting policies" of the explanatory notes.

All financial instruments included in financial assets held for trading are measured at fair value.

2.2 Financial assets held for trading: breakdown by borrower/issuer

Captions/Amounts	31.12.2014	31.12.2013
A. CASH ASSETS		
1. Debt securities		**563**
a) Government and central banks		*563*
b) Other public entities		
c) Banks		
d) Other issuers		
2. Equity instruments		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. UCITS units		
4. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total A		**563**
B. DERIVATIVES		
a) Banks	2,014	2,041
b) Customers	1,558	194
Total B	**3,572**	**2,235**
Total (A+B)	**3,572**	**2,798**

2.3 Financial assets held for trading: changes in the year

	Debt securities	Equity instruments	UCITS units	Loans	Total
A. Opening balance	**563**				**563**
B. Increases	**107,417**	**121**			**107,538**
B.1 Purchases	107,319	118			107,437
B.2 Positive changes in fair value					
B.3 Other changes	98	3			101
C. Decreases	**107,980**	**121**			**108,101**
C.1 Sales	103,086	117			103,203
C.2 Redemptions	4,745				4,745
C.3 Negative changes in fair value					
C.4 Transfers to other portfolios					
C.5 Other changes	149	4			153
D. Closing balance					

As regards "Debt securities", caption "B 3 Other changes" includes trading profits of Euro 98 thousand. Conversely, the caption "C 5 Other changes" includes trading losses and losses on redemption of Euro 149 thousand.

As regards "Equity instruments", caption "B 3 Other changes" shows the trading profits that have been recognised, whereas caption "C 5 Other changes" includes the trading losses and losses on redemption for this category.

Section 3 - Financial assets designated at fair value through profit and loss - caption 30

There are nil balances at both year ends.

Section 4 - Financial assets available for sale - caption 40

4.1 Financial assets available for sale: breakdown

Captions/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,224,877	74,920		1,261,819	125,046	86
1.1 Structured securities		*6,875*			*1,950*	
1.2 Other debt securities	*1,224,877*	*68,045*		*1,261,819*	*123,096*	*86*
2. Equity instruments			9,158			7,596
2.1 Valued at fair value						*6,034*
2.2 Valued at cost			*9,158*			*1,562*
3. UCITS units	40,270		4,872	25,906		
4. Loans						
Total	**1,265,147**	**74,920**	**14,030**	**1,287,725**	**125,046**	**7,682**

Caption 40 "Financial assets available for sale" comprises:

- the bond portfolio and UCITS units not held for trading,
- portions of equity investments in companies with voting rights of less than 20% of the share capital of companies that are not strategic investments for the Bank.

Debt securities include securities associated with repurchase agreements.

UCITS units: breakdown by main category

	31.12.2014	31.12.2013
Equity funds		
Bond funds	20,221	17,138
Flexible funds	20,049	2,197
Hedge funds		100
Closed-ended real estate funds	4,872	6,471
Total	45,142	25,906

The table provides a breakdown of the main categories of investments made in mutual funds included in financial assets available for sale.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Captions/Amounts	31.12.2014	31.12.2013
1. Debt securities	**1,299,797**	**1,386,950**
a) Government and central banks	1,224,877	1,311,704
b) Other public entities		
c) Banks	74,277	62,996
d) Other issuers	643	12,250
2. Equity instruments	**9,158**	**7,596**
a) Banks		
b) Other issuers:	9,158	7,596
- *insurance companies*		
- *financial companies*	*1,534*	*1,534*
- *non-financial companies*	*7,324*	*6,062*
- *other*	*300*	
3. UCITS units	**45,142**	**25,906**
4. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total	**1,354,097**	**1,420,453**

4.3 Financial assets available for sale with specific hedge

Captions/Amounts	31.12.2014	31.12.2013
1. Financial assets with specific fair value hedges		**19,636**
a) interest rate risk		19,636
b) exchange rate risk		
c) credit risk		
d) other risks		
2. Financial assets with specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total		**19,636**

There were no financial assets in the available-for-sale portfolio with specific hedges during the reporting period.

4.4. Financial assets available for sale: changes in the year

	Debt securities	Equity instruments	UCITS units	Loans	Total
A. Opening balance	**1,386,950**	**7,597**	**25,906**		**1,420,453**
B. Increases	**3,234,118**	**1,561**	**20,935**		**3,256,614**
B.1 Purchases	3,175,673	1,561	20,000		3,197,234
of which: business combinations	*2,865*				*2,865*
B.2 Positive changes in fair value	6,372		935		7,307
B.3 Write-backs					
- recognised in income statement					
- recognised in equity					
B.4 Transfers from other portfolios					
B.5 Other changes	52,073				52,073
C. Decreases	**3,321,271**		**1,699**		**3,322,970**
C.1 Sales	3,047,171		69		3,047,240
C.2 Redemptions	268,847				268,847
C.3 Negative changes in fair value	603		1,600		2,203
C.4 Impairment writedowns					
- recognised in income statement					
- recognised in equity					
C.5 Transfers to other portfolios					
C.6 Other changes	4,650		30		4,680
D. Closing balance	**1,299,797**	**9,158**	**45,142**		**1,354,097**

The captions "B2 Positive changes in fair value" and "C3 Negative changes in fair value" relate to gains and losses, gross of the tax effect, recognised in equity in the caption "130 Valuation reserves".

As regards "Debt securities", the caption "B5 Other changes" comprises:

- gains from trading and from redemption of Euro 48,245 thousand, recognised in the income statement in the caption "100 Gains/losses on disposal or repurchase of financial assets available for sale";
- accrued interest, including that for issue spread, and the positive change in amortised cost of Euro 3,827 thousand, recognised in the income statement in the caption "10 interest income on securities".

conversely, caption "C6 Other changes" includes:

- prior year accrued interest and the negative change in amortised cost of Euro 3,191 thousand, recognised in the income statement in the caption "10 interest income on securities",
- losses from hedge accounting adjustment of Euro 706 thousand, recognised in the income statement in caption "90 Net hedging gains (losses)";
- losses from trading and from redemption of Euro 753 thousand, recognised in the income statement in caption "100 Gains/losses on disposal or repurchase of financial assets available for sale".

Lastly, as regards the "UCITS units" column, the amount indicated by the caption "C6 Other changes" relates to trading profits recognised in the income statement in the caption "100 Gains/losses on disposal or repurchase of financial assets available for sale".

Impairment tests of financial assets available for sale

As required by applicable accounting standards (IFRS), at the year end, financial assets available for sale are tested for impairment to verify the potential existence of negative events that might indicate that the carrying amount of the assets may not be fully recoverable.

The policy for the performance of impairment testing of financial assets available for sale is described in the specific section of "Part A - Accounting policies" of these explanatory notes.

Section 5 - Financial assets held to maturity - caption 50

5.1 Financial assets held to maturity: breakdown

Type of transaction/Amounts	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities					181,568	181,066	10,434	
- structured								
- other					*181,568*	*181,066*	*10,434*	
2. Loans								

Key:

FV = fair value

BV = book value

During the year, the Bank sold all of the financial instruments included in the HTM portfolio; for further details please see the section "Significant events" in the Report on Operations.

5.2. Financial assets held to maturity: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Debt securities		**181,568**
a) Government and central banks		171,446
b) Other public entities		
c) Banks		10,122
d) Other issuers		
2. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total		**181,568**
Total FV		**191,500**

5.3 Financial assets held to maturity: with specific hedge

At the reference date there are no financial assets held to maturity with specific hedge.

5.4. Financial assets held to maturity: changes during the year

	Debt securities	Loans	Total
A. Opening balance	**181,568**		**181,568**
B. Increases	**12,431**		**12,431**
B.1 Purchases			
B.2 Write-backs			
B.3 Transfers from other portfolios			
B.4 Other changes	12,431		12,431
C. Decreases	**193,999**		**193,999**
C.1 Sales	193,073		193,073
C.2 Redemptions			
C.3 Write-downs			
C.4 Transfers from other portfolios			
C.5 Other changes	926		926
D. Closing balance			

Caption "B4 Other changes" includes:

- Euro 12,428 thousand of profits from the disposal of all financial instruments in the held to maturity portfolio, recognized in the income statement under caption "100 Gains/losses on disposal of financial assets held to maturity";
- Euro 3 thousand from the share of amortised cost accrued up to the date of disposal of the portfolio, recorded in the income statement under caption "10 Interest and similar income".

Caption "C5 Other changes" includes prior year-end accruals and the negative change in amortised cost accrued up to the date of disposal of the portfolio; both components are recognised in the income statement as offsetting entries to the caption "10 interest and similar income".

Section 6 - Due from banks - caption 60

6.1 Due from banks: breakdown

Type of transaction/Amounts	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	**55,356**			55,356	**92,096**			92,096
1. Restricted deposits								
2. Reserve requirement	55,356				92,096			
3. Repurchase agreements								
4. Other								
B. Due from banks	**260,528**				**137,602**			
1. Loans	235,514			235,514	112,582			112,582
1.1 Current accounts and demand deposits	189,206				67,793			
1.2 Restricted deposits	46,276				44,742			
1.3 Other loans:	32				47			
- Repurchase agreements								
- Finance leases								
- Other	32				47			
2. Debt securities	25,014			25,014	25,020			25,020
2.1 Structured securities	25,014				25,020			
2.2 Other debt securities								
Total	**315,884**			**315,884**	**229,698**			**229,698**

Key:

FV = fair value

BV = book value

Amounts due from central banks include the amount of the reserve requirement at the Bank of Italy. For the purpose of maintaining the average level of the reserve in line with the requirement, the amount thereof may fluctuate, even significantly, in relation to the contingent liquidity needs of the Bank.

At the year end, Banco Desio's commitment to maintain the reserve requirement amounts to Euro 59.6 million (Euro 50.1 million at the prior year end).

Amounts due from banks do not include loans and receivables classified as non-performing loans.

Amounts due from the subsidiary Banca Popolare di Spoleto amount to Euro 147,975 thousand, of which Euro 141,072 thousand relates to the balance of the loan provided in the form of a revocable credit line and Euro 6,904 thousand as the balance of the current account opened by BPS at the Bank.

6.2 Due from banks with specific hedge

At the date of the financial statements there are no amounts due from banks with specific hedge.

6.3 Finance leases

Banco Desio has no amounts due from banks linked to finance leases.

Section 7 - Loans to customers - caption 70

7.1 Loans to customers: breakdown

Type of transaction/Amounts	31.12.2014						31.12.2013					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Non-performing loans		L1	L2	L3	Performing loans	Non-performing loans		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	5,637,636		438,938		3,512,827	2,819,325	5,740,246		401,235			6,506,265
1. Current accounts	1,370,922		118,941				1,474,279		112,284			
2. Repurchase agreements	198,361						117,960					
3. Mortgage loans	2,758,161		284,408				2,925,249		253,198			
4. Credit cards, personal loans and assignments of one-fifth of salary	56,130		2,052				55,097		2,651			
5. Finance leases	417,456		29,065				464,042		27,758			
6. Factoring	22,776		373				17,698		478			
7. Other loans	813,830		4,099				685,921		4,866			
Debt securities												
8. Structured ...												
9. Other debt securities												
Total	**5,637,636**		**438,938**		**3,512,827**	**2,819,325**	**5,740,246**		**401,235**			**6,506,265**

Gross loans amount to Euro 6,439,292 thousand (Euro 6,382,632 thousand at the prior year end), while total writedowns amount to Euro 362,718 thousand (Euro 241,151 thousand at the prior year end). The table is shown net of loans for Euro 1,096,495 thousand relating to the branches included in the scope of transfer, reclassified in accordance with IFRS 5 under "Non-current assets and disposal groups held for sale".

"Repurchase agreements" are exclusively for investing surplus liquidity with institutional counterparties.

As regards non-performing loans, in addition to the disclosures made in the report on operations, reference should be made to "Section E" of these explanatory notes.

Loans and receivables from companies belonging to the Banco Desio Group amount to Euro 340,414 thousand; they all relate to the subsidiary Fides S.p.A. (Euro 278,241 thousand in the previous year), plus additional loans for Euro 82,051 thousand, also relating to the subsidiary Fides S.p.A., included in the portfolio of loans reclassified to "Non-current assets and disposal groups held for sale".

Banco Desio

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014			31.12.2013		
	Performing loans	Non-performing loans		Performing loans	Non-performing loans	
		Purchased	Other		Purchased	Other
1. Debt securities						
a) Governments						
b) Other public entities						
c) Other issuers						
- non-financial companies						
- financial companies						
- insurance companies						
- other						
2. Loans to:	**5,637,636**		**438,938**	**5,740,246**		**401,235**
a) Governments						
b) Other public entities						
c) Other parties	5,637,636		438,938	5,740,246		401,235
- non-financial companies	*3,686,850*		*328,848*	*3,765,222*		*290,352*
- financial companies	*624,709*		*1,215*	*478,133*		*545*
- insurance companies	*3,731*			*26,126*		
- other	*1,322,346*		*108,875*	*1,470,765*		*110,338*
Total	**5,637,636**		**438,938**	**5,740,246**		**401,235**

7.3 Loans to customers: assets with specific hedge

At the date of the financial statements there are no loans to customers with specific hedge.

7.4 Finance leases

Reconciliation between gross investment in leases and present value of minimum lease payments and unsecured residual value payable to lessor.

Type of transaction	31.12.2014				31.12.2013			
	Gross investment	Deferred profit	Net investment	Unsecured residual value (purchase option)	Gross investment	Deferred profit	Net investment	Unsecured residual value (purchase option)
Finance lease	533,630	(95,289)	438,341	67,482	591,359	(110,444)	480,915	70,796
- of which leaseback agreements	32,767	(6,475)	26,292	5,196	37,231	(7,350)	29,881	5,629
Total	**533,630**	**(95,289)**	**438,341**	**67,482**	**591,359**	**(110,444)**	**480,915**	**70,796**

Falling due	31.12.2014 Gross investment	31.12.2014 Deferred profit	31.12.2014 Net investment	31.12.2013 Gross investment	31.12.2013 Deferred profit	31.12.2013 Net investment
- Within one year	13,008	(224)	12,784	10,189	(183)	10,006
- Between one and five years	159,661	(11,797)	147,864	187,804	(14,255)	173,549
- Beyond five years	360,961	(83,268)	277,693	393,366	(96,006)	297,360
Total	**533,630**	**(95,289)**	**438,341**	**591,359**	**(110,444)**	**480,915**

The net investment corresponds to the outstanding capital element of lease obligations at the year end.

Section 8 - Hedging derivatives - caption 80

8.1 Hedging derivatives: breakdown by type and level

Type of transaction/Amounts	31.12.2014 FV Level 1	31.12.2014 FV Level 2	31.12.2014 FV Level 3	31.12.2014 NV	31.12.2013 FV Level 1	31.12.2013 FV Level 2	31.12.2013 FV Level 3	31.12.2013 NV
A) Financial derivatives		2,784		79,617		5,052		174,217
1) Fair value		2,784		79,617		5,052		174,217
2) Cash flows								
3) Foreign investments								
B) Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**2,784**		**79,617**		**5,052**		**174,217**

Key
NV = Notional value
FV = fair value

The table shows the positive book value of hedging derivative contracts.

8.2 Hedging derivatives: breakdown by hedge portfolios and by type of hedge

Type of transaction/Amounts	Fair value						Cash flows		Foreign investments
	Specific hedge					Generic hedge	Specific hedge	Generic hedge	
	interest rate risk	exchange rate risk	credit risk	price risk	other risks				
1. Financial assets available for sale									
2. Loans and receivables									
3. Financial assets held to maturity									
4. Portfolio									
5. Other transactions									
Total assets									
1. Financial liabilities	2,784								
2. Portfolio									
Total liabilities	**2,784**								
1. Expected transactions									
2. Financial assets and liabilities portfolio									

The specific fair value hedge in connection with financial liabilities relates to hedges in place for bonds issued by the bank.

Retrospective and prospective assessments performed during the year in compliance with the requirements of IAS 39 have confirmed the effectiveness of the hedging relationship.

Section 9 - Adjustment to financial assets with generic hedge - caption 90

At the balance sheet date there are no financial assets with generic hedge.

Section 10 - Equity investments - caption 100

10.1 Equity investments: details of holdings

Name	Head office	% Held
A. Subsidiaries		
Fides S.p.A.	*Rome*	100.00
Rovere Société de gestion S.A.	*Luxembourg*	80.000
Credito Privato Commerciale S.A. in liquidation	*Lugano*	100.000
Banca Popolare di Spoleto	*Spoleto*	73.156
C. Associates (subject to significant influence)		
Chiara Assicurazioni S.p.A.	*Milan*	32.665
Istifid S.p.A.	*Milan*	31.389

10.2 Significant equity investments: book value, fair value and dividends received

This type of information does not have to be provided here by banks that prepare consolidated financial statements in accordance with Circular 262 of the Bank of Italy; reference is therefore made to Table 10.2 of the Banco Desio Group's consolidated financial statements.

10.3 Significant equity investments: accounting information

This type of information does not have to be provided here by banks that prepare consolidated financial statements in accordance with Circular 262 of the Bank of Italy; reference is therefore made to Table 10.2 of the Banco Desio Group's consolidated financial statements.

10.3.1 Impairment testing of equity investments

In compliance with the requirements of IAS 36 and taking account of the guidance laid down in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, details are provided below of impairment testing of equity investments held at 31 December 2014.

Impairment testing is designed to check that the carrying amount of equity investments does not exceed their recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the investment.

The recoverable amount of equity investments was determined, where there was no fair value arising from transactions concerning the target of the impairment test (as was the case for Istifid S.p.A.) or from market transactions involving similar targets, by reference to the value in use. For the determination of value in use, IAS 36 allows the use of a discounted cash flow methodology. This approach computes the value in use of a CGU or of a company based on the present value of the future (operating) cash flows expected to be derived therefrom, using an appropriate discount rate for the time period in which the cash flows will be generated.

In practice, for credit or financial companies, use is made of Free Cash Flow to Equity (FCFE) methodology, or, more specifically, an Excess Capital variant of the Dividend Discount Model (DDM). This methodology determines the value of a company based on future cash flows that it will be capable of distributing to its shareholders, without touching the assets needed to support its expected growth in compliance with regulatory capital requirements imposed by the Supervisory Authorities, discounted using a discount rate that reflects the specific risk premium. Note, however, that despite the term "Dividend Discount Model", the cash flows considered by the model are not dividends expected to be distributed to shareholders, but are cash flows from which a shareholder could benefit and which are surplus to operating capital requirements.

Impairment testing has thus been performed on the basis of the criteria and assumptions set out below.

a) Criterion to estimate the recoverable amount (impairment)

To estimate the recoverable amount of an equity investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time period for the determination of future cash flows

The time horizon used is the same as the 2015-2017 Business Plan approved by the Directors in February 2015, as well as the further development of this plan, prepared by the management, with projections of future results extended to include an explicit forecast period of five years, to minimise potential distortions from using only the time horizon of the Business Plan. In the current climate, it could be strongly influenced by a complex systemic situation because of the considerable uncertainty in forecasting the macroeconomic scenario; this because of the prolonged effects of the economic and financial crisis, the lasting impacts that it had on the money market and on interest rates, or otherwise connected with extraordinary events in respect of which it is appropriate to try to normalise the results so as to focus better on the effective medium/long term potential the entity being tested.

Approval of the new business plan has become necessary, prior to the expiry of the 2013-2015 Business Plan, following the acquisition of Banca Popolare di Spoleto on 1 August 2014. This has been a strong element of discontinuity in terms of the Group's size, because of the income statement/balance sheet effects of BPS leaving extraordinary administration.

The time horizon for impairment testing of the associate Chiara Assicurazioni Spa is the period covered by the 2013-2019 business development plan backed by contractual arrangements for the period 2013-2022 executed with Helvetia Group, appropriately revised at the reporting date to take account of more recent data provided by management.

For companies in liquidation, the time horizon considered reflects the specific circumstances of those cases for which it was possible to accurately estimate future cash flows for an "explicit" time horizon.

Cash flows

For the valuation of banks and financial intermediaries, an equity side approach to DDM methodology is used for the determination of equity value, as, due to the characteristic activities undertaken by a financial intermediary (deposit taking and lending), it is particularly difficult to distinguish between financial payables and operating payables; furthermore, for the Excess Capital approach, cash flows available to shareholders are cash flows from which a shareholder could potentially benefit in excess of operating capital requirements and, thus, they take due account of regulatory capital absorption.

Discount rate

For the valuation of banks and financial intermediaries, reference is made to Ke, the so-called cost of capital (cost of equity).

Growth rate of cash flows beyond the "explicit" time period for the determination of future cash flows

A long term growth rate is used in line with the projected long term inflation rate.

Terminal Value

This is determined by the application of a formula that accounts for the value of free cash flows that continue into perpetuity in the future within a finite time horizon (as in the case of CPC in liquidation).

The equity value of the investment at the date of testing, determined on the basis of the above procedure, is then compared with the book value of the specific equity investment, with the sole objective of verifying whether there is any impairment.

b) Parameters used for impairment testing

The main assumptions used for impairment testing are set out below.

Legal entity	Model	Input used	CAGR RWA / Assets under management / Gross premiums	Ke	g	Currency	Plan flows	Capital ratio
Banca Popolare di Spoleto Spa	DDM	2015-2017 Business Plan (*) extended to 2019	3.6%	8.20%	1.5%	€	Net results	CET 1 8.5% (**)
Fides Spa	DDM	2015-2017 Business Plan extended to 2019	7.5%	9.70%	1.5%	€	Net results	CET 1 8.5% (**)
Rovere Sdg Sa	DDM	2015-2017 Business Plan extended to 2019	1.3%	10.70%	1.5%	€	Net results	(***)
CPC in Liquidation	DDM	2015-2017 Revised liquidation plan	-	-	-	CHF	Net results	(***)
Chiara Assicurazioni Spa	DDM	Updated 2013-2022 development plan backed by contractual agreements	7.9%	9.43%	1.5%	€	Net results	(***)
Istifid Spa	-	MKT transaction price	-	-	-	€	-	-

(*) In order to take account of the investment in its current configuration, the future cash flows of Banca Popolare di Spoleto have been estimated, subtracting the cash flows relating to the business being contributed from those foreseen in the 2015-2017 Business Plan approved by the Board of Directors in February 2015 - including the income statement and financial impact of the transfer of the Banco di Desio e della Brianza branches in Lazio and Tuscany approved by the respective Boards of Directors of 18.12.2014.
(**) The ratio of Common Equity Tier 1 to Risk Weighted Assets (RWA)
(***) Complies with the requirements of the respective industry specific or local regulatory authorities in the countries where the entity is located.

As a result of the impairment testing performed, no writedown was needed of the aforementioned equity investments.

As regards the equity investment in CPC in liquidation, the value in use exceeds the carrying amount net of writedowns made in 2012. The higher value in use determined at the reporting date is a consequence of the liquidators having again revised the 2015-2017 liquidation plan to take account of an expected significant reduction in liquidation costs and a forecast for its definition no later than 2017; accordingly, conditions have arisen again this year to support a further partial write-back of impairment of Euro 2.176 million.

It should be emphasised that the parameters and the information used for impairment testing are influenced by the economic downturn and by financial markets and could be subject to changes, which are currently unforeseeable, that would consequently have an impact on the main assumptions applied and, thus, potentially, also on the results of future years that could be different from those set out herein.

c) Sensitivity analysis

Since the measurement of impairment is rendered particularly complex due to the current macroeconomic and market environment and by the consequent difficulties in forecasting long term earnings, to support the testing performed, stress tests were carried out assuming a change in the main parameters applied for impairment testing.

The table below provides a summary of the changes in the percentage or percentage points of the underlying assumptions that would be required to have the recoverable amount of the equity investments match their carrying amounts. CPC in liquidation has been excluded from the sensitivity analysis as there would be no need for significant change to have the recoverable amount substantially in line with the book value.

Equity investments	SCR multiplier (1)	Increase in p.p. of discount rate used for future cash flows (FCFE) (2)	Decrease in p.p. of growth rate in projections used to calculate the terminal value	Decrease in net future results (RN)	MKT transaction price difference
Banca Popolare di Spoleto Spa	-	58	58	-	-
Fides Spa	-	Over 1,000	Over 1,000	-	
Rovere SdG Sa	-	-	-	107%	-
Chiara Assicurazioni Spa	120%	Over 1,000	Over 1,000	-	-
	150%	Over 1,000	Over 1,000	-	-
Istifid Spa		-	-	-	35%

(1) Sensitivity measured on the basis of two different scenarios for capital allocation: of 120% and of 150% of the SCR Solvency Capital Requirement – Solvency II – IVASS
(2) Free Cash Flow to Equity

For further verification, an assessment was also made of the investment in BPS in the same configuration that it will subsequently have after the extraordinary contribution of the business unit and sale of a branch already explained above; once again, no problems emerged with regard to the carrying amount of the investment.

10.4 Not significant equity investments: accounting information

This type of information does not have to be provided here by banks that prepare consolidated financial statements in accordance with Circular 262 of the Bank of Italy; reference is therefore made to Table 10.2 of the Banco Desio Group's consolidated financial statements.

10.5 Equity investments: changes in the year

	31.12.2014	31.12.2013
A. Opening balance	**117,460**	**104,807**
B. Increases	**167,352**	**25,784**
B.1 Purchases	141,814	48
B.2 Write-backs	2,585	5,690
B.3 Revaluations		
B.4 Other changes	22,953	20,046
C. Decreases	**70,433**	**13,131**
C.1 Sales		12,554
C.2 Write-downs		0
C.3 Other changes	70,433	577
D. Closing balance	**214,379**	**117,460**
E. Total revaluations		
F. Total write-downs		

Details of the main changes in the year are provided below.

Caption "B.1 Purchases" shows the following transactions:

- Acquisition of 20,972 shares of Istifid S.p.A. for Euro 71 thousand, now owned 31.390% (formerly 29.943%);
- Acquisition of 77,124,724 shares of Banca Popolare di Spoleto S.p.A. on 16.06.2014 with subsequent "off-market" purchase of 1,100,000 shares on 13.10.2014 for a total of Euro 141,743 thousand. The overall shareholding acquired amounts to 73.156%.

Caption "B.2 Write-backs" refers to write-backs of the subsidiary CPC in liquidation for Euro 2,176 thousand due to the changes made by the liquidators to the estimated timing of the procedure contained in the liquidation plan and the consequent reduction of future charges previously estimated. The caption also includes the value of write-backs relating to the former subsidiary Brianfid-Lux SA for Euro 409 thousand. Both companies were written down in previous years.

Caption "B.4 Other changes" mainly includes the effects of the merger of the former subsidiary Banco Desio Lazio S.p.A. with Banco di Desio e della Brianza S.p.A.:

- Transfer of the 100% investment in Fides S.p.A. for Euro 22,172 thousand: as a result, the company is now controlled directly by the Parent Company;
- Transfer of the 10% investment in Rovere Societè de gestion S.A. for Euro 50 thousand. The Parent Company's interest therefore increased to 80%.

The caption "C.3 Other changes" reflects the elimination of the following equity investments:

- Banco Desio Lazio for Euro 66,017 thousand, as a result of the merger with Banco di Desio e della Brianza;
- Brianfid-Lux SA for Euro 4,416 thousand, as a result of its cancellation from the companies register on 11 August 2014.

LISTING OF EQUITY INVESTMENTS AND SIGNIFICANT EQUITY INVESTMENTS

(amounts in Euro)

Equity investments	***Number of shares or quotas***	***% held***	***Nominal value***	***Book value***
Subsidiaries				
Banca Popolare di Spoleto S.p.A.	78,224,724	73	-	141,743,200
Credito Privato Commerciale S.A. in liquidation	11,000	100	11,000,000	41,633,013
Fides S.p.A.	2,264,922	100	2,264,922	22,184,222
Rovere Societè de gestion S.A.	40,000	80	400,000	400,000
Total subsidiaries				**205,960,435**
Associates				
ISTIFID S.p.A. (1)	455,150	31.390	455,150.00	1,003,094
Chiara Assicurazioni S.p.A.	4,054,001	32.665	4,054,001.00	7,415,569
Total associates				**8,418,663**
Total Equity investments				**214,379,098**

(1) of which 0.499%, equating to 7228 shares, in bare ownership

(amounts in Euro)

Equity investments	***Number of shares or quotas***	***% held***	***Nominal value***	***Book value***
Other (*)				
Cedacri S.p.A.	898	7.122	898,000.00	7,296,428
Be.Ve.Re.Co. S.r.l.	*30,000*	*5.825*	*15,000.00*	*15,494*
SI Holding S.p.A.	*60,826*	*0.103*	*36,496.00*	*34,173*
S.S.B. Società Servizi Bancari S.p.A.	*51,491*	*0.030*	*6,694.00*	*3,640*
Consorzio Bancario S.I.R. S.p.A.	*882,939*	*0.057*	*883.00*	*274*
S.W.I.F.T. - Bruxelles	*10*	*0.011*	*1,250.00*	*5,572*
Sviluppo Brianza	*1*	*0.698*	*2,462.00*	*2,613*
AcomeA sgr S.p.A.	*50,000*	*9.091*	*500,000.00*	*1,500,000*
Baires Produzioni s.r.l.	-	-	-	*300,000*
				9,158,194

(*) Investments recognised in caption 40 "Financial assets available for sale"

LIST OF SIGNIFICANT EQUITY INVESTMENTS (art. 126 Consob resolution 11971/1999)

Name	Number of shares or quotas with voting rights	% stake with voting rights	Title	Nature of holding
Banca Popolare di Spoleto S.p.A.	78,224,724	73.156	owned	direct
Chiara Assicurazioni S.p.A.	4,054,001	32.665	owned	direct
Credito Privato Commerciale S.A. in liquidation	11,000	100.000	owned	direct
FIDES S.p.A.	2,264,922	100.000	owned	direct
ISTIFID S.p.A.	455,150	31.390	owned	direct
Rovere Societè de gestion S.A.	40,000	80.000	owned	direct

Section 11 - Property, plant and equipment - caption 110

11.1 Property, plant and equipment - for business purposes: breakdown of assets valued at cost

Assets/Amounts	31.12.2014	31.12.2013
1 Own assets	**136,708**	**136,174**
a) land	41,806	39,148
b) property	83,396	83,676
c) furniture	4,464	5,495
d) electronic systems	1,977	1,574
e) other	5,065	6,281
2 Land and property under finance lease		
a) land		
b) property		
c) furniture		
d) electronic systems		
e) other		
Total	**136,708**	**136,174**

As at the year end, there were no tangible fixed assets being purchased under finance leases.

The table is shown net of fixed assets for Euro 5,623 thousand relating to the branches included in the scope of transfer, reclassified in accordance with IFRS 5 under "Non-current assets and groups of assets held for sale".

Land and buildings are measured at the amount revalued on 1 January 2004 on the first-time application of IAS. Otherwise, all other tangible fixed assets are measured at cost.

The expected useful lives of the main asset categories are as follows:

- property: 50 years,
- office furniture, fittings, miscellaneous plant and equipment, armoured counters and compasses and alarm systems: 10 years,
- vehicles used for business purposes: 8 years
- terminals and PCs, mixed use vehicles: 4 years.

Within each asset category, where necessary, certain types of assets may be attributed different and specified useful lives.

All categories of property, plant and equipment are depreciated on a straight line basis, except for land and works of art, which are not depreciated.

11.2 Investment property: breakdown of assets valued at cost

Assets/Amounts	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Own assets	**1,095**			**943**	**1,111**			**972**
a) land	448			387	448			395
b) property	647			556	663			577
2. Assets purchased under finance leases								
a) land								
b) property								
Total	**1,095**			**943**	**1,111**			**972**

The book value reflects the capitalisation of construction and/or renovation costs, in addition to taxes, particularly on new properties acquired, factors that the market value do not fully reflect.

11.3 Property, plant and equipment for business purposes: breakdown of revalued assets

As at the respective balance sheet dates, the Bank did not have any revalued property, plant and equipment for business purposes.

11.4 Investment property: breakdown of assets carried at fair value

As at the respective balance sheet dates, the Bank did not have any investment property measured at fair value.

11.5 Property, plant and equipment for business purposes: change in the year

Assets/Amounts	Land	Property	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**39,148**	**99,951**	**30,459**	**19,256**	**36,804**	**225,618**
A.1 Total net writedowns		16,275	24,964	17,682	30,523	89,444
A.2 Net opening balance	**39,148**	**83,676**	**5,495**	**1,574**	**6,281**	**136,174**
B. Increases	**4,753**	**7,397**	**2,089**	**2,490**	**4,290**	**21,019**
B.1 Purchases	4,753	6,773	1,757	2,388	2,799	18,470
of which: business combinations	933	1,096	1,437	1,081	1,958	6,505
B.2 Capitalised improvement costs						
B.3 Write-backs						
B.4 Increase in fair value booked to:						
- a) shareholders' equity						
- b) income statement						
B.5 Exchange gains						
B.6 Transfer from investment property						
B.7 Other changes		624	332	102	1,491	2,549
C. Decreases	**2,095**	**7,677**	**3,120**	**2,087**	**5,506**	**20,485**
C.1 Sales	796	3,059	373	102	1,587	5,917
C.2 Depreciation		2,100	1,273	867	1,494	5,734
C.3 3. Impairment write-downs booked to:						
- a) shareholders' equity						
- b) income statement						
C.4 Decreases in fair value booked to:						
- a) shareholders' equity						
- b) income statement						
C.5 Exchange losses						
C.6 Transfers to:	1,299	2,297	625	290	1,112	5,623
- a) investment property, plant and equipment						
- b) assets held for sale	1,299	2,297	625	290	1,112	5,623
C.7 Other changes		221	849	828	1,313	3,211
D. Net closing balance	**41,806**	**83,396**	**4,464**	**1,977**	**5,065**	**136,708**
D.1 Net total write-downs		17,646	23,819	17,993	28,430	87,888
D.2 Gross closing balance	**41,806**	**101,042**	**28,283**	**19,970**	**33,495**	**224,596**
E. Measurement at cost						

The sub-captions A.1 and D.1 – "Net total write-downs" relate to accumulated depreciation.

From the sale of property, plant and equipment, as indicated by the sub-caption "C.1 Sales", realised gains of Euro 98 thousand and realised losses of Euro 50 thousand arose on disposal and have been recognised in the income statement in the caption 190 "Other operating charges/income".

The caption "B.7 Other changes" relates to the reversal of accumulated depreciation pertaining to assets disposed of or transferred to another category.

11.6 Investment property: changes in the year

	Total	
	Land	Buildings
A. Opening balance	**448**	**663**
B. Increases		
B.1 Purchases		
B.2 Capitalised improvement costs		
B.3 Positive changes in fair value		
B.4 Write-backs		
B.5 Foreign exchange gains		
B.6 Transfers from assets used in business		
B.7 Other changes		
C. Decreases		**(16)**
C.1 Sales		
C.2 Depreciation		(16)
C.3 Negative changes in fair value		
C.4 Impairment write-downs		
C.5 Foreign exchange losses		
C.6 Transfers to other asset categories		
a) assets used in business		
b) non-current assets and disposal groups held for sale		
C.7 Other changes		
D. Closing balance	**448**	**647**
E. Measurement at fair value		

11.7 Commitments to purchase property, plant and equipment (IAS 16/74.c)

At year-end there are no commitments to purchase property, plant and equipment.

FREEHOLD PROPERTY
(excluding property under finance lease)

Assets used in business

Location of the property		surface area of office space (sqm)	Net carrying amount (in thousands of Euro)
ALBINO	Viale Libertà 23/25	332	701
ARCORE	Via Casati, 7	362	564
BAREGGIO	Via Falcone, 14	200	282
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	831
BOLOGNA	Porta Santo Stefano, 3	1,223	8,748
BOLOGNA SANTA VIOLA	Via Della Ferriera, 4	200	1,014
BOVISIO MASCIAGO	Via Garibaldi, 8	382	429
BRESCIA	Via Verdi, 1	530	1,836
BRESCIA	1st floor Via Verdi, 1	190	1,099
BRIOSCO	Via Trieste, 14	430	417
BRUGHERIO	Viale Lombardia, 216/218	425	1,291
BUSTO ARSIZIO	Via Volta, 1	456	1,007
CADORAGO	Via Mameli, 5	187	300
CANTU'	Via Manzoni, 41	1,749	2,235
CARATE BRIANZA	Via Azimonti, 2	773	987
CARUGATE	Via XX Settembre, 8	574	623
CARUGO	Via Cavour, 2	252	378
CASTELLANZA	Corso Matteotti, 18	337	424
CESANO MADERNO	Corso Roma, 15	692	886
CHIAVARI	Piazza Matteotti	68	1,021
CINISELLO BALSAMO	Via Frova, 1	729	920
CINISELLO BALSAMO	Piazza Gramsci	26	15
COLOGNO MONZESE	Via Cavallotti, 10	128	48
CUSANO MILANINO	Viale Matteotti, 39	522	691
DESIO	Piazza Conciliazione, 1	1,694	2,112
DESIO	Via Rovagnati, 1	20,032	29,378
DESIO	Via Volta, 96	238	598
EMPOLI	Via Masini, 58	448	1,653
GARBAGNATE	Via Varese, 1	400	1,221
GIUSSANO	Via Addolorata, 5	728	941
LECCO	Via Volta, ang. Via Montello	615	1,714
LEGNANO	Corso Italia, 8	1,545	2,716
LISSONE	Via San Carlo, 23	583	1,370
MEDA	Via Indipendenza, 60	678	812
MILAN	Via della Posta, 8	1,912	7,759
MILAN	Via Foppa	223	798
MILAN	Via Menotti	825	2,971
MILAN	Via Moscova, 30/32	668	5,276
MILAN	Via Trau', 3	422	2,097
MILAN	Piazza De Angeli, 7/9	385	2,220
MISINTO	Piazza Mosca, 3	330	365
MODENA	Via Saragozza, 130	720	4,308
MONZA	Via Manzoni, 37	397	737
MONZA	Corso Milano, 47	453	892
MONZA	Via Rota, 66	330	554
MONZA	Piazza S. Paolo, 5	496	3,768
NOVA MILANESE	Piazza Marconi, 5	526	688
NOVATE MILANESE	Via Matteotti, 7	462	656

Location of the property		surface area of office space (sqm)	Net carrying amount (in thousands of Euro)
ORIGGIO	Largo Croce, 6	574	769
PADUA	Via Matteotti, 20	550	3,507
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	662
PIACENZA	Via Vittorio Veneto,67/a	486	1,453
REGGIO EMILIA	Via Terrachini,1 ang. Via Risorgimento	713	2,679
RENATE	Piazza don Zanzi, 2	429	654
RHO	Via Martiri Libertà, 3	410	720
ROME	Via Val di Non 58/60 ang. Via Val di Maggia	197	1,943
RUBIERA	Via Emilia Ovest, 7	310	1,403
SARONNO	Via Rimembranze, 42	530	747
SEGRATE	Via Cassanese, 200	170	294
SEREGNO	Via Trabattoni, 40	1,233	2,106
SESTO SAN GIOVANNI	Piazza Oldrini	377	807
SEVESO	Via Manzoni, 9	382	1,093
SOVICO	Via Frette, 10	673	1,082
TURIN	Via Filadelfia, 136	370	1,711
VAREDO	Via Umberto I°, 123	501	529
VEDUGGIO	Via Vittorio Veneto, 51	257	244
VERANO BRIANZA	Via Preda, 17	322	393
VERANO BRIANZA	Via Furlanelli, 3	790	707
VIGEVANO	Via Decembrio, 21	480	1,992
VIMERCATE	Via Milano, 6	338	952
Sub total		**57,199**	**128,798**
Investment property			
MEDA parking space	Via Indipendenza, 60	15	6
MILAN	1st floor Via Trau', 3	205	1,090
Sub total		**220**	**1,096**
Total		**57,419**	**129,894**

Table of revalued assets recognised in the financial statements
(pursuant to art. 10 of Law no. 72 of 19/3/1983)

(amounts in Euro)

	Revaluations in line with inflation			Revaluations to reflect change in value		TOTAL
	Law 576/75	Law 72/83	Law 413/91	Merger deficit	Voluntary revaluation	
DESIO, via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO, P.zza Gramsci			1,173			1,173
CUSANO M.NO, Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU', Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE, Via XX Settembre			355		4,132	4,487
MILAN, Via della Posta			189,958		51,645	241,603
NOVATE M.SE, Via Matteotti			22,022	170,257		192,279
GIUSSANO, Via dell'Addolorata			26,067			26,067
MEDA, Via Indipendenza			51,616			51,616
MONZA, Corso Milano			227,521			227,521
BOVISIO, Via Garibaldi			26,357			26,357
PADERNO DUGNANO, Via Casati			24,339			24,339
LEGNANO, Corso Garibaldi			176,676			176,676
SOVICO, Via G. da Sovico			62,703			62,703
Total	**10,170**	**985,736**	**7,858,976**	**1,491,970**	**68,702**	**10,415,554**

Section 12 - Intangible assets - caption 120

12.1 Intangible assets: breakdown by type

Assets/Amounts	31.12.2014		31.12.2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		1,729		6,958
A.2 Other intangible assets	1,771		1,312	
A.2.1 Carried at cost:	1,771		1,312	
a) Intangible assets generated internally				
b) Other assets	1,771		1,312	
A.2.2 Carried at fair value:				
a) Other intangible assets generated internally				
b) Other assets				
Total	**1,771**	**1,729**	**1,312**	**6,958**

The table is shown net of intangible assets for Euro 8,116 thousand relating to the branches included in the scope of transfer (including goodwill of Euro 8,068 thousand), reclassified in accordance with IFRS 5 under "Non-current assets and disposal groups held for sale".

The intangible assets of the Bank are valued at cost.

Goodwill recorded in the financial statements, having an indefinite useful life, is not amortised on a straight-line basis but subjected to impairment testing at least once a year, particularly at the year end reporting date or, in any case, any time circumstances arise that suggest that there may be impairment. The assessment at year-end showed no impairment.

Other intangible assets are amortised on a straight-line basis over their useful lives. For compensation for abandonment of leasehold premises, the useful life is the length of the lease agreement, while for computer software it is four years and for application software it is four or five years, based on the useful life specified within the asset category.

12.1.1 Impairment test

According to the provisions of IAS 36 and taking into account the information contained in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, we report below information on the impairment test on cash generating units (CGU) carried out at 31 December 2014.

Impairment testing is designed to check that the carrying amount of the CGU does not exceed its recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the CGU.

The recoverable amount of the CGU has been determined with reference to its value in use. For the determination of value in use, IAS 36 allows the use of a discounted cash flow methodology. This approach computes the value in use of a CGU or of a company based on the present value of the future (operating) cash flows expected to be derived therefrom, using an appropriate discount rate for the time period in which the cash flows will be generated.

In practice, for credit or financial companies, use is made of Free Cash Flow to Equity (FCFE) methodology, or, more specifically, an Excess Capital variant of the Dividend Discount Model (DDM). This methodology determines the value of a company based on future cash flows that it will be capable of distributing to its shareholders, without touching the assets needed to support its expected growth in compliance with regulatory capital requirements imposed by the Supervisory Authorities, discounted using a discount rate that reflects the specific risk premium. Note, however, that despite the term "Dividend Discount Model", the cash flows considered by the model are not dividends expected to be distributed to shareholders, but are cash flows from which a shareholder could benefit and which are surplus to operating capital requirements.

On a basis consistent with that of the prior year financial statements, individual legal entities have been identified as CGUs, taking account of the fact that the Banking Group envisages that the Parent Company shall provide guidance and strategic coordination aimed at the achievement of the objectives concerning the development and earnings of each legal entity and, as a consequence, results are reported autonomously (by means of the management reporting system) in a manner which sees the CGU coincide with the legal entity and, accordingly, management reports, as well as the budget process, analyse, monitor and forecast earnings and financial position based on this approach.

Impairment testing was thus conducted for the legal entity Banco di Desio e della Brianza Spa on the basis of the criteria and assumptions set out below.

a) Criterion to estimate the recoverable amount (impairment)

To estimate the recoverable amount of the goodwill pertaining to the specific legal entity, reference is made to the so-called "value in use" ("equity value" for banks and financial intermediaries).

"Explicit" time period for the determination of future cash flows

The time horizon used is the same as the 2015-2017 Business Plan approved by the Directors in February 2015, as well as the further development of this plan, prepared by the management, with projections of future results extended to include an explicit forecast period of five years, to minimise potential distortions from using only the time horizon of the Business Plan. In the current climate, it could be strongly influenced by a complex systemic situation because of the considerable uncertainty in forecasting the macroeconomic scenario; this because of the prolonged effects of the economic and financial crisis, the lasting impacts that it had on the money market and on interest rates, or otherwise connected with extraordinary events in respect of which it is appropriate to try to normalise the results so as to focus better on the effective medium/long term potential the entity being tested.

Approval of the new business plan has become necessary, prior to the expiry of the 2013-2015 Business Plan, following the acquisition of Banca Popolare di Spoleto. This has been a strong element of discontinuity in terms of the Group's size, because of the income statement/balance sheet effects of BPS leaving extraordinary administration.

Cash flows

For the valuation of banks and financial intermediaries, an equity side approach to DDM methodology is used for the determination of equity value, as, due to the characteristic activities undertaken by a financial intermediary (deposit taking and lending), it is particularly difficult to distinguish between financial payables and operating payables; furthermore, for the Excess Capital approach, cash flows available to shareholders are cash flows from which a shareholder could potentially benefit in excess of operating capital requirements and, thus, they take due account of regulatory capital absorption.

Discount rate

For the valuation of banks and financial intermediaries, reference is made to Ke, the so-called cost of capital (cost of equity).

Growth rate of cash flows beyond the "explicit" time period for the determination of future cash flows

A long term growth rate is used in line with the projected long term inflation rate.

Terminal Value

This is determined by the application of a formula that accounts for the value of free cash flows that continue into perpetuity.

The equity value of the CGU at the date of testing, determined on the basis of the above procedure, after deducting the book value of shareholders' equity, is then compared with the book value of the specific goodwill pertaining to the CGU in question, with the sole objective of verifying whether there is any impairment.

b) Parameters used for impairment testing

The main assumptions used for impairment testing are set out below.

CGU	Model	Input used	CAGR RWA	Ke	g	Plan flows	Capital ratio
Banco di Desio e della Brianza Spa	DDM	2015-2017 Business Plan (*) extended to 2019	1.95%	8.20%	1.5%	Net results	CET 1 8.5% (**)

(*) In order to take account of the Bank in its current configuration, future cash flows of Banco di Desio e della Brianza Spa have been estimated, adding to those foreseen in the 2015-2017 Business Plan approved by the Board of Directors in February 2015 - including the income statement and financial impact of the transfer of the Banco di Desio e della Brianza branches in Lazio and Tuscany approved by the respective Boards of Directors of 18.12.2014 - the cash flows relating to the business being contributed to Banca Popolare di Spoleto.
(**) The ratio of Common Equity Tier 1 to Risk Weighted Assets (RWA)

As a result of the impairment testing performed, no writedown was needed of the aforementioned goodwill.

It should be emphasised that the parameters and the information used for impairment testing are influenced by the economic downturn and by financial markets and could be subject to changes, which are currently unforeseeable, that would consequently have an impact on the main assumptions applied and, thus, potentially, also on the results of future years that could be different from those set out herein.

c) Sensitivity analysis

Since the measurement of impairment is rendered particularly complex due to the current macroeconomic and market environment and by the consequent difficulties in forecasting long term earnings, to support the testing performed, stress tests were carried out assuming a change in the main parameters applied for impairment testing.

The table below provides a summary of the changes in the percentage or percentage points of the underlying assumptions that would be required to have the recoverable amount of the CGU, after having deducted the shareholders' equity allocated thereto, match the carrying amount of goodwill.

CGU	Increase in p.p. of discount rate used for future cash flows (FCFE)	Decrease in p.p. of growth rate over the plan (g) for the calculation of the terminal value
Banco di Desio e della Brianza Spa	539	Over 1,000

For further verification, the ongoing value of goodwill was also evaluated based on the configuration of the two CGUs represented by the legal entities Banco di Desio e della Brianza and Banca Popolare di Spoleto that they will have after the extraordinary branch transfers and sale already explained above; once again, no problems emerged with regard to the carrying amount of this goodwill.

12.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets:		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**8,966**			**5,425**		**14,391**
A.1 Total net writedowns	2,008			4,113		6,121
A.2 Net opening balance	**6,958**			**1,312**		**8,270**
B. Increases	**2,838**			**1,271**		**4,109**
B.1 Purchases	2,838			1,271		4,109
of which: business combinations	2,838			9		2,847
B.2 Increases in internally generated intangible						
B.3 Write-backs						
B.4 Positive changes in fair value						
- recognised in equity						
- recognised in income statement						
B.5 Foreign exchange gains						
B.6 Other changes						
C. Decreases	**8,067**			**812**		**8,879**
C.1 Sales						
C.2 Write-downs				764		764
- amortisation				764		764
- Write-downs						
+ shareholders' equity						
+ income statement						
C.3 Negative changes in fair value						
- recognised in equity						
- recognised in income statement						
C.4 Transfers to non-current assets held for sale	8,067			48		8,115
C.5 Foreign exchange losses						
C.6 Other changes						
D. Net closing balance	**1,729**			**1,771**		**3,500**
D.1 Total net write-downs	1,729			4,877		6,606
E. Gross closing balance	**3,458**			**6,648**		**10,106**
F. Measurement at cost						

12.3 Other information

At year-end there are no commitments to purchase intangible assets.

Section 13 - Tax assets and liabilities - Asset caption 130 and Liability caption 80

13.1 Deferred tax assets: breakdown

Temporary differences	Ires	Irap	31.12.2014	31.12.2013
A) With contra-entry to the income statement:				
Tax deductible goodwill	2,361	478	2,839	1,271
Write-down of loans to customers deductible on a straight-line basis	87,153	10,587	97,740	69,245
General allowance for doubtful accounts	305		305	305
Write-down of loans to customers outstanding at 31.12.1994	9		9	9
Statutory depreciation of property, plant and equipment	76		76	64
Provision for guarantees and commitments and country risk	217		217	363
Provisions for personnel costs	5,019		5,019	3,956
Provision for lawsuits	2,314		2,314	2,158
Provision for claw-backs	325	66	391	369
Provision for sundry charges	320		320	116
Tax provision for termination indemnities	301		301	238
Other general expenses deductible in the following year	10		10	352
Other		32	32	32
Total A	**98,410**	**11,163**	**109,573**	**78,478**
B) With contra-entry to shareholders' equity:				
Tax provision for termination indemnities	205		205	586
Write-down of securities classified as AFS	717	155	872	1,348
Total B	**922**	**155**	**1,077**	**1,934**
Total (A+B)	**99,332**	**11,318**	**110,650**	**80,412**

The table is shown net of deferred tax assets of Euro 175 thousand relating to the branches included in the scope of transfer, reclassified in accordance with IFRS 5 under "Non-current assets and disposal groups held for sale".

The deferred tax assets that have been recognised, with an opposite entry to the income statement, are derived mainly from temporary differences, deductible in future years, relating to:

- writedown of loans to customers exceeding the limit of immediate deductibility as per the tax regulations, for a total of Euro 98,054 thousand;
- provision for guarantees and commitments of Euro 217 thousand;
- provision for solidarity Fund of Euro 3,075 thousand;
- other employee related provisions of Euro 1,340 thousand;
- provision for long-service bonus for Euro 604 thousand;
- tax provision for termination indemnities of Euro 301 thousand;
- provision for future charges of Euro 3,025 thousand;
- tax deductible goodwill of Euro 2,839 thousand;
- statutory depreciation of property, plant and equipment of Euro 76 thousand;

- writedown of securities classified as AFS of Euro 32 thousand;
- other general expenses deductible in the following year of Euro 10 thousand.

Probability test on deferred taxes

In relation to the deferred tax assets described above, it should be noted that they refer for Euro 100,579 thousand to taxes as per Law 214/2011, which made it certain that they would be recovered, thereby making the IAS 12 probability test automatically satisfied.

The additional deferred tax assets described above, which are outside the scope of Law 214/2011, have been recognised in view of the probability of their recovery, expecting there to be sufficient taxable income in the future to recover these assets. In particular, an analysis was made of deferred tax assets by type and timing of recovery, as well as of the future profitability of the Bank and the related taxable income on the basis of the provisions contained in the 2015-2017 Business Plan approved by the Board of Directors on 10 February 2015. The analysis showed that there will be sufficient taxable income in the future to recover these assets.

13.2 Deferred tax liabilities: breakdown

Temporary differences	IRES	IRAP	31.12.2014	31.12.2013
A) With contra-entry to the income statement:				
Tax depreciation of buildings	6,697	871	7,568	7,997
Tax depreciation of property, plant and equipment		15	15	15
Tax amortisation of goodwill	1,024	208	1,232	673
Tax amortisation of deferred charges (software)	2	5	7	7
Tax provision as per art. 106, paragraph 3	20		20	
Other	2,038		2,038	319
Total A	**9,781**	**1,099**	**10,880**	**9,011**
B) With contra-entry to shareholders' equity				
Revaluation of AFS securities	1,848	374	2,222	2,329
Revaluation of equity investments	6	24	30	30
Tax provision for termination indemnities				195
Total B	**1,854**	**398**	**2,252**	**2,554**
Total (A+B)	**11,635**	**1,497**	**13,132**	**11,565**

Deferred taxes are generated by positive income components taxable in years subsequent to that in which they are recognised in the income statement, or negative income components deducted in advance with respect to their year of accrual.

Deferred tax liabilities recognised in the financial statements, with a contra-entry to the income statement, refer to:

- capital gains on financial assets that, in accordance with art. 86, para. 4, of the Consolidated Income Tax Act, are taxable in five equal portions in the year of the gain and in the four subsequent years, for Euro 2,038 thousand;
- tax depreciation of property, plant and equipment of Euro 7,583 thousand;
- tax depreciation of intangible assets of Euro 1,239 thousand;
- loan losses covered by off-balance sheet provisions for Euro 20 thousand.

13.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**78,478**	**43,789**
2. Increases	**46,977**	**39,171**
2.1 Deferred tax assets recognised during the year	37,835	39,029
a) relating to prior years		
b) due to changes in accounting policies		
c) write-backs		
d) other	37,835	39,029
2.2 New taxes or increases in tax rates		
2.3 Other increases	9,142	142
of which: business combinations	*8,098*	
3. Decreases	**15,882**	**4,482**
3.1 Deferred tax assets cancelled in the year	14,043	4,475
a) reversals	14,043	4,475
b) written down as no longer recoverable		
c) change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	1,839	7
a) Conversion to tax credits as per L. 214/2011		
b) Other	1,839	7
of which: business combinations	-	-
4. Closing balance	**109,573**	**78,478**

Caption "2.1 Deferred tax assets recognised during the year" mainly concerns the recognition of deferred tax assets:

- Euro 35,469 thousand relating to write-downs and loan losses in connection with customer loans, deductible over four subsequent years (Law no. 147 of 27 December 2013);
- Euro 2,189 thousand relating to non deductible provisions for risks and charges and employee related provisions.

Caption "2.3 Other increases" mainly refers to the reclassification of deferred tax assets on long-service bonuses, previously recorded as a contra-entry to equity, in addition to the deferred tax assets of Banco Desio Lazio S.p.A. (shown in "business combinations").

The main components of deferred tax assets cancelled during the year come:

- for Euro 11,668 thousand from the recovery of prior year loan write-downs on a straight-line basis,
- for Euro 2,108 thousand from the use of taxed provisions.

Caption "3.3 Other decreases" mainly refers to the cancellation of deferred tax assets as a result of the recalculation, on the payment of taxes, of deferred tax assets at 31/12/2013 relating to write-downs and losses on loans in fifths, pursuant to art. 106 of the Consolidated Income Tax Act, as a result of the clarifications provided by the Tax Authorities in their Circular 14/E of 4 June 2014.

13.3.1 Change in deferred tax assets as per L. 214/2011 (as a contra-entry of the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**70,516**	**39,196**
2. Increases	**43,486**	**33,869**
of which: business combinations	*7,621*	
3. Decreases	**13,423**	**2,549**
3.1 Reversals	11,809	2,549
3.2 Conversion to tax credits		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases	1,614	
of which: business combinations		
4. Closing balance	**100,579**	**70,516**

Caption "2. Increases" mainly refers to the recognition of deferred tax assets relating to write-downs and loan losses in connection with customer loans, deductible over the four subsequent years (Law no. 147 of 27 December 2013), in addition to the deferred tax assets of Banco Desio Lazio S.p.A.

Caption "3.1 Reversals" refers to:

- Euro 11,668 thousand relating to the recovery in equal portions of write-downs of loans in prior years;
- Euro 141 thousand relating to an adjustment to the deferred tax asset on the step-up for tax purposes of goodwill in 2012.

Caption "3.3 Other decreases" mainly refers to the cancellation by Parent Company of deferred tax assets as a result of the recalculation, on the payment of taxes, of deferred tax assets at 31/12/2013 relating to write-downs and losses on loans in fifths, pursuant to art. 106 of the Consolidated Income Tax Act, as a result of the clarifications provided by the Tax Authorities in their Circular 14/E of 4 June 2014.

13.4 Change in deferred tax liabilities (as a contra-entry of the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**9,011**	**8,697**
2. Increases	**2,635**	**405**
2.1 Deferred tax liabilities recognised during the year	1,983	405
a) relating to prior years		
b) due to changes in accounting policies		
c) other	1,983	405
2.2 New taxes or increases in tax rates		
2.3 Other increases	652	
of which: business combinations	*438*	
3. Decreases	**766**	**91**
3.1 Deferred tax liabilities cancelled during the year	766	91
a) reversals	766	91
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
of which: business combinations		
4. Closing balance	**10,880**	**9,011**

The sub-caption "2.1 Deferred tax liabilities recognised during the year" relates to the recognition of deferred tax liabilities of Euro 1,799 thousand relating to capital gains on financial assets that, in accordance with art. 86, para. 4, of the Consolidated Income Tax Act, are taxable in five equal portions in the year of the gain and in the four subsequent years.

Deferred tax liabilities cancelled during the year are attributable:

- for Euro 429 thousand to the difference between the capital gain on the property sold during the year for statutory purposes and the equivalent figure for tax purposes;
- for Euro 257 thousand relating to the reversal of deferred tax on off-balance sheet deductions of loan provisions;
- for Euro 80 thousand to the share of capital gains realised on financial assets in 2013, deductible on a straight-line basis over the following four years.

13.5 Changes in deferred tax liabilities (with matching entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**1,934**	**3,596**
2. Increases	**1,008**	**942**
2.1 Deferred tax assets recognised during the year	956	942
a) relating to prior years		
b) due to changes in accounting policies		
c) other	956	942
2.2 New taxes or increases in tax rates		
2.3 Other increases	52	
of which: business combinations	*52*	
3. Decreases	**1,865**	**2,604**
3.1 Deferred tax assets cancelled in the year	1,270	2,604
a) reversals	1,270	2,604
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	595	
of which: business combinations		
4. Closing balance	**1,077**	**1,934**

Deferred tax assets recognised during the year are attributable to:
- for Euro 751 thousand to the measurement of securities classified as financial assets available for sale;
- for Euro 205 thousand to the valuation of the actuarial reserve for termination indemnities.

Deferred tax assets cancelled in the year of Euro 1,270 thousand relate to the measurement of securities classified as Financial assets available for sale.

Caption "3.3 Other decreases" refers to the reclassification of taxes relating to the long-service bonuses among deferred tax assets recorded as a contra-entry to the income statement.

13.6 Changes in deferred tax liabilities (with matching entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**2,554**	**4,204**
2. Increases	**2,014**	**2,081**
2.1 Deferred tax liabilities recognised during the year	2,014	2,081
a) relating to prior years		
b) due to changes in accounting policies		
c) other	2,014	2,081
2.2 New taxes or increases in tax rates		
2.3 Other increases		
of which: business combinations		
3. Decreases	**2,316**	**3,731**
3.1 Deferred tax liabilities cancelled during the year	2,316	3,731
a) reversals	2,316	3,731
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
of which: business combinations		
4. Closing balance	**2,252**	**2,554**

Deferred tax liabilities recognised during the year of Euro 2,014 thousand are attributable to the measurement of securities classified as Financial assets available for sale.

Deferred tax liabilities cancelled during the year of Euro 2,316 thousand relate for Euro 2,121 thousand to the measurement of securities classified as financial assets available for sale and for Euro 195 thousand to the measurement of the actuarial reserve for termination indemnities.

13.7 Other information

Current tax assets

Captions	**Total 31.12.2014**	**Total 31.12.2013**
IRES		
IRAP		3,987
Total		**3,987**

Current tax liabilities

Captions	**Total 31.12.2014**	**Total 31.12.2013**
IRES	1,569	1,852
IRAP	12	
Total	**1,581**	**1,852**

Section 14 - Non-current assets and disposal groups held for sale associated liabilities - Asset caption 140 and Liability caption 90

14.1 Non-current assets and disposal groups held for sale: breakdown by type

	31.12.2014	31.12.2013
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, plant and equipment		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A		
of which carried at cost		
of which designated at fair value through profit and loss level 1		
of which designated at fair value through profit and loss level 2		
of which designated at fair value through profit and loss level 3		
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading		
B.2 Financial assets designated at fair value through profit and loss		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Due from banks		
B.6 Loans to customers	1,096,495	
B.7 Equity investments		
B.8 Property, plant and equipment	5,623	
B.9 Intangible assets	8,116	
B.10 Other assets	7,294	
Total B	**1,117,528**	
of which carried at cost	1,117,528	
of which designated at fair value through profit and loss level 1		
of which designated at fair value through profit and loss level 2		
of which designated at fair value through profit and loss level 3		
C. Liabilities associated with assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C		
of which carried at cost		
of which designated at fair value through profit and loss level 1		
of which designated at fair value through profit and loss level 2		
of which designated at fair value through profit and loss level 3		
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	10,659	
D.2 Due to customers	950,182	
D.3 Debt securities in issue	548	
D.4 Financial liabilities held for trading		
D.5 Financial liabilities designated at fair value through profit and loss		
D.6 Provisions	817	
D.7 Other liabilities	31,569	
Total D	**993,775**	
of which carried at cost	993,775	
of which designated at fair value through profit and loss level 1		
of which designated at fair value through profit and loss level 2		
of which designated at fair value through profit and loss level 3		

The table provides information about non-current assets and disposal groups held for sale and associated liabilities, reclassified under asset caption 140 and liability caption 90 in accordance with IFRS 5. These figures relate to the 32 branches included in the scope of transfer of the business unit to the subsidiary Banca Popolare di Spoleto S.p.A. The transfer of the business unit was approved by the boards of directors of the Company and the subsidiary on 18 December 2014 and aims to redefine the scope of the distribution network of Banca Popolare di Spoleto S.p.A., enabling it to strengthen its role in central Italy. At the same meeting, the Board of Directors of Banca Popolare di Spoleto S.p.A. approved the proposed increase in capital reserved for the Parent Company and set at Euro 90,628 million, by contributing the business unit.

The legal effect of the contribution is scheduled for 1 April 2015, following the resolution to increase the share capital of the Shareholders' Meeting of Banca Popolare di Spoleto S.p.A. called for 30 March 2015.

14.2 Other information

Asset caption 140 "Non-current assets and disposal groups held for sale" and liability caption 90 "Liabilities associated with assets held for sale" include all assets and liabilities included in the scope of the transfer as mentioned previously. The business unit transferred consists of all the specific assets and liabilities including those that are possibly related to assets strictly necessary for the performance of banking activities, with the exception of:

- financial assets (asset captions 20 to 50) and liabilities relating to bonds issued by the transferor;
- net doubtful loans;
- provisions for legal disputes (as the transferor will continue to own any items in dispute and to be responsible for managing the related risk).

Balance sheet assets and liabilities at 31 December 2014 relating to the branches being contributed are reported below.

"Cash and cash equivalents"

This caption includes the nominal value of cash and cash equivalents held at the branches transferred (including cash, cash held in ATMs and foreign currency) for an amount of Euro 3,899 thousand.

"Loans to customers"

This caption includes loans to customers, including principal not yet due and principal and interest due but not collected, consisting of asset balances arising from bank contracts with customers of the Branch (including ordinary current accounts and employees transferred, current accounts and loans subject to collection, import/export loans, mortgages and other loans). Note that, in view of the Bank of Italy's classification by credit risk, overdue and watchlist loans are subject to transfer, excluding loans classified as non-performing.

Net loans to customers at 31 December 2014 amounted to Euro 1,096,495 thousand. This amount includes loans to a Group company, Fides S.p.A., for Euro 82,051 thousand.

"Property, plant and equipment"

Property, plant and equipment being transferred include land, buildings, furniture and furnishings, electronic equipment and other properties used in the business unit's activity, for a total of Euro 5,623 thousand.

Property, plant and equipment are shown at purchase cost, including ancillary expenses, less accumulated depreciation and any impairment losses. Property, plant and equipment are systematically depreciated on a straight-line basis at rates that reflect the residual useful life of the asset in question. Exceptions are made for land, which are not subject to depreciation because of the uncertainty of their useful life, and in view of the fact that normally their value is unlikely to fall over time. Extraordinary maintenance costs are capitalised and depreciated over the residual useful life of the assets to which they relate.

"Intangible assets"

Intangible assets include goodwill relating to the branches being contributed for Euro 8,068 thousand and other intangible assets consisting of deferred charges for Euro 48 thousand, for a total of Euro 8,116 thousand.

The total value of goodwill being transferred includes:

- the goodwill resulting from the initial transfer of branches to the former subsidiary Banco Desio Toscana S.p.A. at the time it was being set up and the deficit for the merger of the former subsidiary Banco Desio Toscana into the Parent Company, for a total amount of Euro 5,230 thousand;
- the goodwill arising from the acquisition of two branches from IBL Banca, as well as the initial transfer of branches to the former subsidiary Banco Desio Lazio S.p.A. at the time it was being set up, for a total of Euro 2,838 thousand.

"Tax assets"

This caption includes deferred tax assets, which arose as a result of temporary differences between the amounts recorded in the transfer balance sheet and the corresponding tax amounts, for a total of Euro 175 thousand.

The theoretical tax rates applied to the temporary differences are those in effect at the time of their absorption. Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that there will be sufficient future taxable income to recoup the asset.

"Other assets"

The caption includes all assets not attributable to other asset items for a total of Euro 3,220 thousand, mainly relating to:

- leasehold improvements of Euro 3,082 thousand
- work in progress of Euro 138 thousand.

"Due to banks"

The caption includes credit balances on current accounts held at other Italian and foreign banks for a total of Euro 10,659 million.

"Due to customers"

The caption includes credit balances under contracts outstanding with customers (including overdrafts, demand deposits and foreign current accounts) for a total of Euro 950,182 thousand. Note that this amount includes payables to a Group company, Fides S.p.A., for 1,844 thousand euro.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the contra-entry going to the income statement. However, financial liabilities not measured at amortised cost are measured at the amount paid to transfer the liability.

"Debt securities in issue"

The caption shows funding represented by certificates of deposit for a total of 548 thousand euro. As explained above, the bonds issued by the parent company, Banco di Desio e della Brianza S.p.A., and by the former subsidiary, Banco Desio Lazio S.p.A., are not included in this account.

"Other liabilities"

The caption includes all of the liabilities and payables not attributable to other liability items for a total of 31,569 thousand euro, broken down as follows:

- Euro 30,254 thousand relate to currency differences on portfolio transactions;
- 510 thousand euro relate to provisions for guarantees given and commitments
- 431 thousand euro to items being processed;
- 162 thousand euro of personnel costs not yet paid;
- 212 thousand euro of accrued expenses and deferred income.

"Provision for termination indemnities"

This caption includes the provision for termination indemnities of the employees of the transferred business who left their indemnities at the company for a total amount of 724 thousand euro.

"Provisions for risks and charges"

This caption includes provisions of 93 thousand euro for long-service bonuses and additional holidays of employees of the business unit transferred.

Section 15 - Other assets - caption 150

15.1 Other assets: breakdown

	31.12.2014	31.12.2013
Tax credits		
- capital portion	7,562	6,914
Amounts recoverable from the tax authorities for advances paid	33,252	17,049
Withholding tax credits	3	
Cheques negotiated to be cleared	20,827	21,511
Invoices issued to be collected	250	857
Items being processed and in transit with branches	25,835	23,229
Currency spreads on portfolio transactions	213	36
Investments of the supplementary fund for termination indemnities	443	549
Leasehold improvement expenditure	13,522	17,010
Accrued income and prepaid expenses	693	476
Other items	17,873	14,132
Total	**120,473**	**101,763**

The figures in the table are shown net of assets for 3,220 thousand euro relative to the branches included in the scope of transfer, reclassified in accordance with IFRS 5 under "Non-current assets and groups of assets held for sale".

The change in "Tax credits - capital portion", equal to Euro 651 thousand, mainly refers to the following:

- the increase of 558 thousand euro for a tax credit of Banco Desio Lazio S.p.A., acquired by Banco as a result of the merger of 2014 (of which 537 thousand euro deriving from the claim for IRES reimbursement for the years prior to 2012, restated as a result of the integral deduction of IRAP on labour costs for IRES purposes, in accordance with art. 2, paragraph 1-quater of Legislative Decree no. 201/2011);
- the increase of 108 thousand euro for the tax refunds requested in relation to the IRES assessment notice for the 2008 tax period, on the treatment of write-downs and loan losses;
- the reduction of 10 thousand euro using the 2004 IRES credit to offset other amounts due.

"Amounts recoverable from the tax authorities for advances paid" relate to payments of tax advances that exceed the tax liability as per the applicable tax return; in detail, they refer to:

- a receivable for withholding tax on interest on deposits and current accounts of Euro 2,740 thousand;
- a receivable for virtual stamp duty of Euro 20,834 thousand;

- a receivable for an advance payment of substitute tax due on capital gains of Euro 9,626 thousand, as per art. 2, para. 5, of Legislative Decree no. 133 of 30 November 2013;
- a receivable for an advance payment of substitute tax on medium/long term loans of Euro 53 thousand.

"Items being processed and in transit with branches" include transactions that are usually settled in the first days of the year.

The amount of "Currency spreads on portfolio transactions" results from the offset of illiquid liability positions against illiquid asset positions relating to remittances pertaining to customers' and the bank's portfolios.

"Leasehold improvement expenditure" is amortised each year in accordance with the residual period of the lease agreement. New investments of Euro 169 thousand have been made during the year; the related amortisation charge, which is recognised in the caption "190 – Other operating charges", amounts to Euro 2,509 thousand. The balance at 31 December 2014 is net of charges on third-party assets transferred for 1,147 thousand euro.

"Accrued income and prepaid expenses" include amounts that are not attributable to specific asset captions; this caption relates to prepaid administrative costs.

The more significant figures in “Other items” are those related to loans and receivables not yet collected of 13,183 thousand euro and invoices to be issued of 1,331 thousand euro. The caption also includes the receivable of Euro 841 thousand from the former liquidator of Brianfid Lux S.A. for the guarantee given with regard to the litigation still pending on the date of cancellation of the company. This receivable is of a specific nature and recoverable for the excess over the amount of Euro 100 thousand allocated to the provision for risks and charges in respect of such litigation.

LIABILITIES

Section 1 - Due to banks - caption 10

1.1 Due to banks: breakdown

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Due to central banks	**702,355**	**405,546**
2. Due to banks	**87,735**	**75,529**
2.1 Current accounts and demand deposits	47,063	35,009
2.2 Restricted deposits	3,622	40,518
2.3 Loans	37,050	
2.3.1 Repurchase agreements		
2.3.2 Other	37,050	
2.4 Payables for commitments to repurchase own equity instruments		
2.5 Other payables		2
Total	**790,090**	**481,075**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**790,090**	**481,075**
Total fair value	**790,090**	**481,075**

The figures in the table are shown net of payables of 10,659 thousand euro relating to the branches being transferred, reclassified under IFRS 5 to "Liabilities associated with groups of assets held for sale".

Intragroup balances at the year end with the subsidiary Banco Popolare di Spoleto amount to Euro 129 thousand related to current accounts and demand deposits.

1.2 Details of caption 10 "Due to banks": subordinated loans

As at the reporting date, Banco Desio did not have any subordinated loans due to banks.

1.3 Details of "Due to banks": structured loans

As at the reporting date, Banco Desio did not have any structured loans due to banks.

1.4 Due to banks with specific hedge

At the reference dates, Banco Desio did not have amounts due to banks with specific hedge.

1.5 Finance lease payables

At the reference dates, Banco Desio did not have finance lease contracts with banks.

Banco Desio

Section 2 - Due to customers - caption 20

2.1 Due to customers: breakdown

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Current accounts and demand deposits	4,039,618	3,770,883
2. Restricted deposits	553,997	720,500
3. Loans	96,429	333,292
3.1 Repurchase agreements	93,756	326,207
other	2,673	7,085
4. Payables for commitments to repurchase own equity instruments		
5. Other payables	19,411	21,794
Total	**4,709,455**	**4,846,469**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**4,709,455**	**4,846,469**
Total fair value	**4,709,455**	**4,846,469**

The figures in the table are shown net of payables of 950,183 thousand euro relating to the branches being transferred, reclassified under IFRS 5 to "Liabilities associated with groups of assets held for sale".

Caption "3.1 repurchase agreements" include transactions with institutional counterparties of Euro 93,049 thousand (Euro 324,445 thousand last year).

The main components of "Other payables" relate to: cashier's checks for Euro 18,789 thousand and checks for Euro 532 thousand (last year cashier's checks for Euro 21,098 thousand and checks for Euro 557 thousand respectively).

The loans to companies belonging to the Banco Desio Group amount to 165 thousand euro, all relating to the subsidiary Fides S.p.A. (81 thousand euro last year), as well as additional loans for 1,844 thousand euro, also to Fides S.p.A., included in the loan portfolio reclassified under "Liabilities associated with assets held for sale". Transactions are carried out at market rates.

2.2 Details of caption 20 "Due to customers": subordinated loans

As at the reporting date, Banco Desio did not have any subordinated loans due to customers.

2.3 Details of caption 20 "Due to customers": structured loans

As at the reporting date, Banco Desio did not have any structured loans due to customers.

2.4 Due to customers with specific hedge

At the reference dates, Banco Desio did not have amounts due to customers with specific hedge.

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Section 3 - Debt securities in issue - caption 30

3.1 Debt securities in issue: breakdown

Type of security/Amounts	31.12.2014				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	1,839,785		1,837,178		1,872,962		1,872,406	
1.1 structured	*51,739*		*51,739*		*51,327*		*51,688*	
1.2 other	*1,788,046*		*1,785,439*		*1,821,635*		*1,820,718*	
2. Other securities	115,236			115,236	218,837			218,837
2.1 structured								
2.2 other	*115,236*			*115,236*	*218,837*			*218,837*
Total	**1,955,021**		**1,837,178**	**115,236**	**2,091,799**		**1,872,406**	**218,837**

The figures in the table are shown net of certificates of deposit of 548 thousand euro related to the branches being transferred, reclassified under IFRS 5 to “Liabilities associated with groups of assets held for sale”.

This caption includes funding by means of securities, which include bonds and certificates of deposit, the book value of which is measured at amortised cost, inclusive of accrued interest thereon. The total funds collected are shown net of repurchased securities.

During the year, new debt securities were issued of Euro 525,918 thousand, while debt securities redeemed on maturity amounted to Euro 671,454 thousand. Again, during the year, repurchases were made of securities for Euro 114,865 thousand and which were subsequently reissued for Euro 101,060 thousand.

"A.2.2 Other securities: other" consist of certificates of deposit and related accrued interest, of which Euro 108,441 thousand were issued with a short term maturity and Euro 6,789 thousand were issued with a longer than short term maturity. The remainder consists of certificates of Euro 6 thousand that have reached maturity and which are due to be redeemed.

The fair value columns represent the theoretical market value of the debt securities in issue.

3.2 Details of caption 30 "Debt securities in issue": subordinated securities

Bonds	Issue date	Maturity date	Currency	Rate	31.12.2014	31.12.2013
ISIN code IT0004481872	04.05.2009	04.05.2014	EUR	FR		30,015
ISIN code IT0004552110	15.12.2009	15.12.2014	EUR	FR		29,984
ISIN code IT0004654866	01.12.2010	01.12.2015	EUR	FR	12,998	12,993
ISIN code IT0004780182	29.12.2011	29.12.2016	EUR	FR	13,001	13,001
ISIN code IT0004815855	15.06.2012	15.06.2017	EUR	FR	13,010	13,009
ISIN code IT0004921166	03.06.2013	03.06.2018	EUR	FR	13,027	13,029
ISIN code IT0005038085	28.08.2014	28.08.2019	EUR	FR	50,441	
ISIN code IT0005070179	22.12.2014	22.12.2019	EUR	FR	50,024	
Total					**152,501**	**112,031**

During the year, Banco Desio issued two subordinated bonds with the following characteristics, similar to those of the loans issued in previous years:

- duration: 5 years;
- interest rate: floating, with coupon paid half-yearly;
- redemption: in a lump sum on maturity;
- early redemption clause: not foreseen;
- repurchase: the repurchase of securities of this kind is subject to prior approval of the credit line by the Bank of Italy;
- subordination: the subordination clauses envisage that, in the event of the issuer's liquidation, the bonds will only be redeemed once all the other creditors not equally subordinated have been satisfied.

3.3 Debt securities in issue with specific hedge

	31.12.2014	31.12.2013
1. Securities with specific fair value hedge:	81,433	176,323
a) interest rate risk	81,433	176,323
b) exchange rate risk		
c) other risks		
2. Securities with specific cash flow hedge:		
a) interest rate risk		
b) exchange rate risk		
c) other		

Section 4 - Financial liabilities held for trading - caption 40

4.1 Financial liabilities held for trading: breakdown

Type of transaction/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivatives										
1. Financial derivatives				2,084					480	
1.1 For trading				2,084					480	
1.2 Connected with the fair value option										
1.3 Other										
2. Credit derivatives										
2.1 For trading										
2.2 Connected with the fair value option										
2.3 Other										
Total B				**2,084**					**480**	
Total A+B				**2,084**					**480**	

Key:

FV = fair value

FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
NV = Nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Details of caption 40 "Financial liabilities held for trading": subordinated liabilities

At the reference dates, Banco Desio did not have subordinated financial liabilities held for trading.

4.3 Details of caption 40 "Financial liabilities held for trading": structured loans

As at the reporting date, Banco Desio's financial liabilities held for trading did not include any structured loans.

4.4 Trading cash financial liabilities (excluding short positions): changes during the year

No change during the year.

Section 5 - Financial liabilities designated at fair value through profit and loss - caption 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown

Type of transaction/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks										
1.1 Structured										
1.2 Other										
2. Due to customers										
2.1 Structured										
2.2 Other										
3. Debt securities	**22,850**		**23,626**		**24,386**	**37,800**		**38,617**		**39,731**
3.1 Structured	22,850		23,626			37,800		38,617		
3.2 Other										
Total	**22,850**		**23,626**		**24,386**	**37,800**		**38,617**		**39,731**

Key:

FV = fair value

FV* = fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The table shows financial liabilities that consist of bonds, which have been measured at fair value and which have been systematically hedged by the use of derivatives.

5.2. Financial liabilities designated at fair value through profit and loss: subordinated liabilities

As at the reporting date, Banco Desio had not issued any subordinated bonds classifiable as financial liabilities designated at fair value through profit and loss.

5.3 Financial liabilities designated at fair value through profit and loss: changes in the year

	Due to banks	Due to customers	Debt securities in issue	Total
A. Opening balance			**38,617**	**38,617**
B. Increases			**2,100**	**2,100**
B.1 Issues				
B.2 Sales			1,481	1,481
B.3 Positive change in fair value			14	14
B.4 Other changes			605	605
C. Decreases			**17,091**	**17,091**
C.1 Purchases			1,430	1,430
C.2 Redemptions			15,003	15,003
C.3 Negative changes in fair value			14	14
C.4 Other changes			644	644
D. Closing balance			**23,626**	**23,626**

The caption "B.2 Sales" includes amounts relating to the reissue of bonds that had previously been repurchased.

The captions "B.3 Positive changes in fair value" and "C3 Negative changes in fair value" relate to gains and losses arising from changes in fair value measurements, which are recognised in the income statement under the caption "110 Net results from financial assets and liabilities designated at fair value".

The caption "B.4 Other changes" includes interest and issue spread accrued at the year end of Euro 584 thousand and trading losses of Euro 21 thousand.

The caption "C.4 Other changes" includes the reversal of prior year end accruals of Euro 593 thousand and trading profits of Euro 51 thousand.

Section 6 - Hedging derivatives - caption 60

6.1 Hedging derivatives: breakdown by type and level

	31.12.2014				31.12.2013			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives						**2,894**		**15,000**
1) Fair value						2,894		15,000
2) Cash flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total						**2,894**		**15,000**

Section 7 - Adjustment to financial liabilities with generic hedge - caption 70

At the reference dates, Banco Desio did not have financial liabilities with generic hedge.

Section 8 - Tax liabilities - caption 80

The breakdown and changes in the year of tax liabilities are disclosed in Section 13, Assets, together with information on deferred tax assets.

Section 9 - Liabilities associated with assets held for sale - caption 90

The composition of liabilities associated with assets held for sale is detailed in Section 14 of Assets.

Section 10 - Other liabilities - caption 100

10.1 Other liabilities: breakdown

	31.12.2014	31.12.2013
Due to tax authorities	246	46
Amounts payable to tax authorities on behalf of third parties	16,779	11,863
Social security contributions to be paid	4,986	4,663
Dividends due to shareholders	8	9
Suppliers	9,572	9,609
Amounts available to customers	10,189	13,749
Interest and dues to be credited	593	217
Payments against bill instructions	237	221
Early payments on loans not yet due	123	96
Items being processed and in transit with branches	44,901	32,176
Currency differences on portfolio transactions	23,799	47,383
Due to personnel	3,778	4,845
Sundry creditors	11,155	15,503
Provisions for guarantees given and commitments	787	2,290
Accrued expenses	1,282	1,498
Total	**128,435**	**144,168**

The figures in the table are shown net of liabilities of 31,569 thousand euro related to the branches being transferred, reclassified under IFRS 5 to "Liabilities associated with assets held for sale".

"Items being processed and in transit with branches" are generally settled in the early days of the new year. The main component thereof relates to bank transfers being processed of Euro 38,736 thousand (Euro 24,594 thousand at the prior year end).

The amount of "Currency differences on portfolio transactions" is the result of the offset of illiquid liability positions against illiquid asset positions, in relation to various types of transactions in connection with the accounts of customers and of correspondent banks.

"Due to personnel" includes the payable relating to early retirement incentives of Euro 2,666 thousand (Euro 3,610 thousand last year) and the year end balance of the amount due for holiday pay of Euro 1,112 thousand (Euro 1,235 thousand at the prior year end).

The main items included under caption "Sundry creditors" refer to: bank transfers being processed of Euro 933 thousand (Euro 2,626 thousand last year), sundry creditors arising from currency trading of Euro 3,705 thousand (Euro 4,475 thousand last year) and creditors for bills paid of Euro 2,645 thousand (Euro 3,396 thousand last year).

Section 11 - Provision for termination indemnities - caption 110

11.1 Provision for termination indemnities: changes in the year

	31.12.2014	31.12.2013
A. Opening balance	**23,439**	**23,883**
B. Increases	**3,442**	**809**
B.1 Provision for the year	465	809
B.2 Other changes	2,977	
C. Decreases	**2,539**	**1,253**
C.1 Payments made	1,815	1,196
C.2 Other changes	724	57
D. Closing balance	**24,342**	**23,439**

The figures in the table are shown net of the portion of termination indemnities of 724 thousand euro relating to the employees of the branches being transferred, reclassified in accordance with IFRS 5 to "Liabilities associated with assets held for sale".

In accordance with international accounting standards, the provision for termination indemnities is classified as a defined benefit scheme and is thus subject to actuarial measurement, for which the related assumptions applied are set out in the following paragraph.

The effective payable accrued at year-end to employees in place at the Bank, with inclusion of active employees at the branches subject of future transfer, amounts to Euro 23,611 thousand (Euro 24,652 thousand of last year).

The provision made in the year does not include amounts paid directly by the Bank, depending on the choice made by employees, to supplementary pension schemes or to the state pension scheme managed by INPS. The cost of the foregoing payments, which for the year just ended amounts to Euro 7,820 thousand (Euro 7,994 thousand last year), is recognised in Personnel expenses in the sub-caption "g) payments to external supplementary pension funds: defined contribution".

The caption "C.2 Other changes" represent the portion of termination indemnities of personnel of the transferred branches who left their indemnities at the company

11.2 Other information

The actuarial assumptions used by the independent actuary for the measurement of the liability at the reporting date are the following:

Demographic assumptions

- for the probability of death, those determined by gender by the State General Accounting Department, denominated RG 48;
- for the probability of disability, those, by gender, adopted by the 2010 INPS forecasting model. These probabilities were arrived at by starting with the distribution by age and gender of pensions at 1 January 1987 with effect from 1984, 1985 and 1986 relating to personnel in the credit sector;
- for the retirement age for the general working population, it was assumed that the first of the pension requirements valid for compulsory social security insurance had been met;
- for the probability of leaving employment for reasons other than death, based on internal statistics, an annual frequency of 2.50% was used; account has also been taken of the Bank's redundancy plan;
- for the probability of advances, an annual amount of 4% was assumed;

Economic-financial assumptions

Technical measurement was performed on the basis of the following assumptions:
- technical discounting rate 1.50%
- annual inflation rate 1.75%
- total annual income growth rate 2.75%
- termination indemnity annual growth rate 2.81%.

As regards the discount rate, the iBoxx Eurozone Corporates AA 10+ index at the valuation date has been taken as reference for the valuation of this parameter.

Section 12 - Provisions for risks and charges - caption 120

12.1 Provisions for risks and charges: breakdown

Captions/Amounts	31.12.2014	31.12.2013
1. Pensions and similar commitments		
2. Other provisions for risks and charges	31,722	30,616
2.1 legal disputes	*10,076*	*9,188*
2.2 personnel expenses	*18,750*	*16,844*
2.3 other	*2,896*	*4,584*
Total	**31,722**	**30,616**

The figures in the table are shown net of payables of 93 thousand euro relating to the branches being transferred, reclassified under IFRS 5 to "Liabilities associated with groups of assets held for sale".

The "Legal disputes" caption includes provisions made for losses expected to arise from disputes, of which Euro 8,895 thousand relates to legal disputes (Euro 7,847 thousand at the prior year end) and Euro 1,180 thousand relates to bankruptcy clawback actions (Euro 1,341 thousand at the prior year end). The caption "personnel expenses" includes: the provision to the Solidarity Fund of 11,183 thousand euro (12,573 thousand euro last year); provision for bonuses of Euro 3,073 thousand (Euro 1,797 thousand at the prior year end); provisions for long-service bonuses and additional holidays of Euro 2,288 thousand (Euro 1,926 thousand at the prior year end).

The caption "other" includes provisions for charges pertaining to other operating risks, including those relating to tax disputes.

For further details of disputes concerning legal disputes, tax disputes and other operating risks, reference should be made to "Part E – Information on risks and hedging policies".

12.2 Provisions for risks and charges: changes in the year

	Pensions and similar commitments	Other provisions	Total
A. Opening balance		**30,616**	**30,616**
B. Increases		**9,865**	**9,865**
B.1 Provision for the year		7,191	7,191
B.2 Changes due to the passage of time		319	319
B.3 Changes due to changes in the discount rate			
B.4 Other changes		2,355	2,355
C. Decreases		**8,759**	**8,759**
C.1 Utilisations during the year		7,614	7,614
C.2 Changes due to changes in the discount rate			
C.3 Other changes		1,145	1,145
D. Closing balance		**31,722**	**31,722**

"B.1 Provisions of the year" include provisions for:
. to the bonus fund of 3,073 thousand euro,
. other employee related provisions of Euro 1,800 thousand,
. charges for legal disputes and bankruptcy of Euro 1,327 thousand,
. other operational risks of Euro 991 thousand.

The caption "B.2 Changes due to the passage of time" includes discount interest accrued during the year on the provision for legal disputes and on the staff provision for solidarity, due to the proximity of the expected maturities of the liabilities.

The caption "B.4 Other increases" includes provisions for risks and charges as a result of the merger of Banco Desio Lazio S.p.A. of 1,738 thousand euro and positive changes in personnel provisions of 617 thousand euro.

The caption "C.1 Utilisations in the year" includes direct utilisations of Provisions for risks and charges as a result of agreements and settlements executed in the year, as well as conditions having been met for the payment of provisions to the personnel. In particular, the utilisations relate to payments made with respect to legal disputes and bankruptcy clawback actions of Euro 1,443 thousand, to personnel costs of Euro 3,474 thousand and to other operating risks of Euro 2,697 thousand.

The caption "C.3 Other changes" includes the release of provisions made in prior years, of which Euro 1,145 thousand relates to personnel costs.

12.3 Pensions and similar commitments - defined benefits

At the reference dates, the caption shows a zero balance.

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12.4 Provisions for risks and charges: other provisions

	31.12.2014	31.12.2013
legal disputes	10,076	9,188
other operating risks	2,896	4,584
solidarity fund	11,183	12,573
long-service bonuses and additional holidays	2,195	1,926
other employee related provisions	5,372	2,345
Total	**31,722**	**30,616**

Section 13 - Redeemable shares - caption 140

Banco Desio does not have this type of shares.

Section 14 - Shareholders' equity - captions 130, 150, 160, 170, 180, 190 and 200

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

	31.12.2014	31.12.2013
A. Share capital	67,705	67,705
A.1 Ordinary shares	60,840	60,840
A.2 Savings shares	6,865	6,865
A.3 Preference shares		
B. Treasury shares		
B.1 Ordinary shares		
B.2 Savings shares		
B.3 Preference shares		
Total	**67,705**	**67,705**

The share capital of Banco Desio Brianza, fully subscribed and paid, consists of:

117,000,000 ordinary shares with nominal value of Euro 0.52 each,

13,202,000 savings shares with nominal value of Euro 0.52 each.

14.2 Share capital - Number of shares: changes in the year

	Ordinary	Other
A. Shares at the beginning of the year	**117,000,000**	**13,202,000**
- fully paid	117,000,000	13,202,000
- not fully paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**117,000,000**	**13,202,000**
B. Increases		
B.1 New issues		
- for payment		
- business combination		
- conversion of bonds		
- exercise of warrant		
- other		
- bonus issues		
- in favour of employees		
- in favour of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Business sale transactions		
C.4 Other changes		
D. Shares in circulation: closing balance	**117,000,000**	**13,202,000**
D.1 Treasury shares (+)		
D.2 Shares at the end of the year	117,000,000	13,202,000
- fully paid	117,000,000	13,202,000
- not fully paid		

14.3 Share capital: other information

There is no other information to be disclosed in addition to that already disclosed in the previous paragraphs.

14.4 Revenue reserves: other information

In compliance with the requirements of art. 2427, paragraph 1.7 bis of the Civil Code, set out below is a summary of the components of shareholders' equity in accordance with their origin and with an indication of their possible use and distribution, as well as their utilisation in the previous three years.

	31.12.2014	Possible uses	Unrestricted portion	Uses in the last three years	
				Loss coverage	Other uses
Share capital	67,705				
Share premium reserve	16,145	A,B,C (1)	16,145		
Legal reserve	81,206	A, B (2)			
Statutory reserve	469,213	A,B,C	469,213		
Stock grant/option plan reserve	1,835	A			
Merger surplus/deficit reserve	(27)				
Valuation reserves:					
. financial assets available for sale	3,048	(3)			
. actuarial measurement of provision for termination indemnities	(1,433)	(3)			
. special revaluation laws	22,199	A,B (4)			
. revaluation reserve Law 413/1991	697	A,B,C			
. exchange differences	-				
IAS transition reserve	121,936	(5)			
Other	2,260	A,B,C	2,260		
Total	**784,784**		**487,618**		

Key: A = increase in share capital B = for loss coverage C = for distribution

(1) Pursuant to article 2431 of the Civil Code, that portion of the share premium reserve needed to ensure the legal reserve meets the minimum legal requirements (one fifth of share capital) is non distributable

(2) This may be used for increases in share capital, but only the portion that exceeds one fifth of the share capital

(3) Restricted reserve as per art. 6 of Legislative Decree 38/2005

(4) Reserve set up on first-time adoption of IAS/IFRS for the impact of the valuation at "deemed cost" of property and equipment, as required by the "IAS decree"

(5) The IAS/IFRS transition reserve complies with article 7 of Legislative Decree 38/2005

14.5 Equity instruments: breakdown and changes in the year

None.

14.6 Other information

There is no other information to be provided apart from what is already given in this Section.

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	31.12.2014	31.12.2013
1) Financial guarantees:	13,553	11,541
a) Banks	9,567	8,427
b) Customers	3,986	3,114
2) Commercial guarantees:	251,094	196,798
a) Banks	6,157	12,293
b) Customers	244,937	184,505
3) Irrevocable commitments to disburse loans	119,196	114,806
a) Banks	21,460	13,803
i) certain to be called on	18,127	10,470
ii) not certain to be called on	3,333	3,333
b) Customers	97,736	101,003
i) certain to be called on	5,525	20,582
ii) not certain to be called on	92,211	80,421
4) Commitments underlying credit derivatives: sale of protection	25,000	25,000
5) Assets pledged to guarantee third-party commitments	1,556	1,529
6) Other commitments		
Total	**410,399**	**349,674**

2. Assets pledged as guarantees for own liabilities and commitments

Portfolios	31.12.2014	31.12.2013
1. Financial assets held for trading		
2. Financial assets designated at fair value through profit and loss		
3. Financial assets available for sale	1,027,351	757,347
4. Financial assets held to maturity		130,145
5. Due from banks		
6. Loans to customers		
7. Property, plant and equipment		

3. Information on operating leases

This is not foreseen in Banco Desio.

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4. Administration and trading on behalf of third parties

Type of services	31.12.2014
1. Execution of orders on behalf of customers	
a) purchases	
1. Settled	48,737
2. Unsettled	1,288
b) sales	
1. Settled	51,609
2. Unsettled	594
2. Asset management	
a) Individual	457,100
b) Collective	533,055
3. Custody and administration of securities	
a) third-party securities on deposit as custodian bank (excluding portfolio management schemes)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held on deposit (excluding portfolio management schemes): other	
1. securities issued by the reporting bank	1,951,158
2. other securities	6,579,497
c) third-party securities deposited with third parties	8,411,117
d) portfolio securities deposited with third parties	1,359,721
4. Other transactions	

5. Financial assets subject to offsetting in the financial statements, or subject to framework offsetting agreements or similar arrangements

Technical forms		Gross amount of financial assets (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
					Financial instruments (d)	Deposits of cash received as collateral (e)		
1. Derivatives		4,305		4,305	182	2,390	1,733	603
2. Repurchase								
3. Securities lending								
4. Other								
Total	**31.12.2014**	**4,305**		**4,305**	**182**	**2,390**	**1,733**	
Total	**31.12.2013**	**6,593**		**6,593**	**640**	**5,350**		**603**

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6. Financial liabilities subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
					Financial instruments (d)	Cash deposits posted as collateral (e)		
1. Derivatives		182		182	182			
2. Repurchase								
3. Securities lending								
4. Other transactions								
Total	**31.12.2014**	**182**		**182**	**182**			
Total	**31.12.2013**	**2,894**		**2,894**	**640**	**1,571**		**683**

Tables 5 and 6 show the positive fair values (Table 5 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and the negative fair values (Table 6 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") of derivatives for which there are ISDA agreements (Credit Support Annex). While these agreements do not comply with all of the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, they do provide for mechanisms to mitigate the risk of counterparty default through the exchange of collateral on restricted deposits and allow the netting of receivables and payables relating to financial and credit derivatives on the occurrence of certain events such as the default of the counterparty. In line with the provisions of IFRS 7 and the latest provisions on rules for the preparation of banks' financial statements, in the compilation of tables, account has been taken of:

- the effects of the potential compensation of financial assets and liabilities, indicated in column (d) "Financial instruments";
- the effects of potential compensation of exposures with cash collateral, as indicated in column (e) "Cash deposits received as collateral".

These effects are calculated for counterparties with whom there is a framework netting agreement within the limits of the amount indicated in column (c) "Net amount of financial assets reported in the financial statements".

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	31.12.2014	31.12.2013
1. Financial assets held for trading			617	617	1,077
2. Financial assets available for sale	18,874			18,874	25,692
3. Financial assets held to maturity	619			619	7,060
4. Due from banks	587	1,647		2,234	1,860
5. Loans to customers		225,346		225,346	220,934
6. Financial assets designated at fair value through profit					
7. Hedging derivatives			2,458	2,458	4,150
8. Other assets			5	5	6
Total	**20,080**	**226,993**	**3,080**	**250,153**	**260,779**

The figures are shown net of Euro 46,753 thousand relating to the branches being transferred, reclassified under IFRS 5 to "Profit (loss) after tax on non-current assets held for sale".

Caption "1. Financial assets held for trading – Other transactions" includes the positive net balance of differentials on derivative contracts.

Interest on "Loans to customers" is recognised net of default interest accrued in the year on non-performing loans, since this is only recorded in the financial statements when collected. The interest in question amounts to Euro 5,792 thousand (Euro 7,835 thousand last year).
Conversely, the caption includes default interest collected in the year of Euro 340 thousand (Euro 490 thousand last year), of which Euro 281 thousand relates to prior years (Euro 442 thousand last year).
The caption includes interest payable to Group companies of Euro 14,612 thousand (Euro 9,607 thousand last year), of which:

- Euro 14,335 thousand on loans and receivables from Fides S.p.A. (9,233 thousand euro last year);
- Euro 277 thousand of loans and receivables from Banca Popolare di Spoleto S.p.A.

1.2 Interest and similar income: differentials on hedging transactions

Captions	31.12.2014	31.12.2013
A. Positive differentials on hedging transactions	3,415	6,222
B. Negative differentials on hedging transactions	(957)	(2,072)
C. Balance (A-B)	**2,458**	**4,150**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

Captions	31.12.2014	31.12.2013
Interest income on financial assets in foreign currency	1,031	1,010

1.3.2 Interest income from finance leases

Total interest recognised as income in the year is included in the caption "Loans to customers – loans" and amounts to Euro 13,005 thousand (Euro 13,686 thousand last year); of this, Euro 12,245 thousand relates to index-linked contracts, of which Euro 644 thousand relates to leaseback agreements (in 2013 Euro 12,713 thousand related to index-linked contracts, of which Euro 630 thousand related to leaseback agreements).

Financial income pertaining to subsequent years amounts to Euro 95,289 thousand, of which Euro 6,475 thousand relates to leaseback agreements (last year Euro 110,444 thousand and Euro 7,350 thousand, respectively).

1.4 Interest and similar expense: breakdown

Captions/Technical forms	Payables	Securities	Other transactions	31.12.2014	31.12.2013
1. Due to central banks	(825)			(825)	(2,250)
2. Due to banks	(13)			(13)	(978)
3. Due to customers	(37,726)			(37,726)	(46,617)
4. Debt securities in issue		(50,851)		(50,851)	(54,174)
5. Financial liabilities held for trading	(11)			(11)	
6. Financial liabilities designated at fair value through		(863)		(863)	(1,162)
7. Other liabilities and provisions			(5)	(5)	(3)
8. Hedging derivatives					
Total	**(38,575)**	**(51,714)**	**(5)**	**(90,294)**	**(105,184)**

The figures are shown net of Euro 10,180 thousand relating to the branches being transferred, reclassified under IFRS 5 to “Profit (loss) after tax on non-current assets held for sale”.

The caption includes interest payable to Group companies of Euro 26,487 thousand (Euro 925 thousand last year).

1.5 Interest and similar expense: differentials on hedging transactions

Details are provided at point 1.2 above.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

Captions	31.12.2014	31.12.2013
Interest expense on foreign currency financial liabilities	(126)	(260)

1.6.2 Interest expense on finance leases

Banco Desio is not party to any finance lease agreements that generate interest expense.

Section 2 - Commission - Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31.12.2014	31.12.2013
a) guarantees given	2,086	1,848
b) credit derivatives		
c) management, brokerage and consulting services:	31,973	27,531
1. trading in financial instruments		
2. trading in foreign exchange	1,373	903
3. asset management	3,312	2,439
3.1. individual	2,783	1,866
3.2. collective	529	573
4. custody and administration of securities	1,328	1,398
5. custodian bank		
6. placement of securities	8,888	6,002
7. order taking	7,741	7,285
8. advisory services		
8.1 regarding investments		
8.2 regarding financial structuring		
9. distribution of third-party services	9,331	9,779
9.1 asset management	78	215
9.1.1. individual	78	215
9.1.2. collective		
9.2 insurance products	9,006	9,188
9.3 other products	247	101
d) collection and payment services	17,215	18,309
e) servicing related to securitisation		
f) services for factoring transactions	170	157
g) tax collection services		
h) management of multilateral trading systems		
i) maintenance and management of current accounts	45,922	46,334
j) other services	6,024	4,681
Total	**103,390**	**98,860**

The figures are shown net of Euro 17,654 thousand relating to income statement items of the branches being transferred, reclassified under IFRS 5 to “Profit (loss) after tax on non-current assets held for sale”.

Commission income from Group companies amounts to Euro 1,868 thousand (Euro 1,869 thousand last year).

2.2 Fee and commission income: product and service distribution channels

Channels/Amounts	31.12.2014	31.12.2013
a) at own branches		
1. portfolio management	3,312	2,439
2. placement of securities	8,888	6,002
3. distribution of third-party services and products	9,331	9,779
b) doorstep banking		
1. portfolio management		
2. placement of securities		
3. distribution of third-party services and products		
c) other distribution channels		
1. portfolio management		
2. placement of securities		
3. distribution of third-party services and products		

2.3 Commission expense: breakdown

Services/Amounts	31.12.2014	31.12.2013
a) guarantees received	(160)	(27)
b) credit derivatives		
c) management and brokerage services	(1,269)	(1,217)
1. trading in financial instruments	(53)	(58)
2. trading in foreign exchange		
3. asset management:		
3.1 own portfolio		
3.2 third-party portfolio		
4. custody and administration of securities	(1,214)	(1,136)
5. placement of financial instruments	(2)	(23)
6. offer of securities, financial products and services through		
d) collection and payment services	(2,435)	(2,397)
e) other services	(1,059)	(775)
Total	**(4,923)**	**(4,416)**

The figures are shown net of Euro 535 thousand relating to income statement items of the branches being transferred, reclassified under IFRS 5 to “Profit (loss) after tax on non-current assets held for sale”.

During the year, commission expenses have not been recognized to Group companies, whereas last year there were commission expenses for 41 thousand euro recognized to the former subsidiary Banco Desio Lazio, which was merged in 2014.

Section 3 - Dividends and similar income - caption 70

3.1 Dividends and similar income: breakdown

Caption/Income	31.12.2014		31.12.2013	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading				
B. Financial assets available for sale	114		117	
C. Financial assets designated at fair value through				
D. Equity investments	3,060		4,846	
Total	**3,174**		**4,963**	

In addition to the amounts of dividends received from subsidiaries and associates, the table shows dividend income from non-controlling interests classified as financial assets available for sale.

Dividend income from equity investments, as per "caption D", relates to:

Chiara Assicurazioni	Euro 604 thousand	(versus Euro 2,000 thousand)
Rovere Société de Gestion	Euro 656 thousand	(versus Euro 556 thousand)
Fides S.p.A. (*)	Euro 1,800 thousand	

(*) directly held by Banco Desio from 2014.

Section 4 - Net trading income - caption 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading		**228**		**(153)**	**75**
1.1 Debt securities		98		(149)	(51)
1.2 Equity instruments		3		(4)	(1)
1.3 UCITS units					
1.4 Loans					
1.5 Other		127			127
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange differences					**2,026**
4. Derivatives	**46**	**7**	**(112)**	**(4)**	**(63)**
4.1 Financial derivatives:	46	7	(112)	(4)	(63)
- On debt securities and interest rates	8		(112)		(104)
- On equities and equity indices	3	7		(4)	6
- On currency and gold					35
- Other					
4.2 Credit derivatives					
Total	**46**	**235**	**(112)**	**(157)**	**2,038**

The captions "1. Financial assets held for trading" and "4. Derivatives" include income from financial assets held for trading, with the exception of derivatives hedging financial instruments for which the fair value option was adopted and for which the measurement results are shown in Section 7.

Caption "3 Other financial assets: exchange differences" includes the gains (or losses) arising from the translation of foreign currency assets and liabilities that differ from those held for trading.

Section 5 - Net hedging gains (losses) - caption 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31.12.2014	31.12.2013
A. Income relating to:		
A.1 Fair value hedges	152	4,196
A.2 Hedged financial assets (fair value)		48
A.3 Hedged financial liabilities (fair value)	1,849	3,959
A.4 Cash flow hedges		
A.5 Foreign currency assets and liabilities		
Total income from hedging activity (A)	**2,001**	**8,203**
B. Charges relating to:		
B.1 Fair value hedges	(2,301)	(7,235)
B.2 Hedged financial assets (fair value)	(706)	(964)
B.3 Hedged financial liabilities (fair value)	(35)	
B.4 Cash flow hedges		
B.5 Foreign currency assets and liabilities		
Total charges from hedging activity (B)	**(3,042)**	**(8,199)**
C. Net hedging gains (losses) (A-B)	**(1,041)**	**4**

The caption includes net hedging gains (losses). The various sub-captions indicate income components arising from the measurement process for hedged assets and liabilities – financial assets available for sale and bonds issued by the Bank, respectively – as well as from the related hedging derivatives.

Section 6 - Gains (losses) on disposal or repurchase - caption 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2014			31.12.2013		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Due from banks						
2. Loans to customers	61	(1,695)	(1,634)	13	(1,242)	(1,229)
3. Financial assets available for sale	54,659	(3,409)	51,250	45,556	(3,962)	41,594
3.1 Debt securities	54,653	(3,379)	51,274	44,152	(3,865)	40,287
3.2 Equity instruments				49	(1)	48
3.3 UCITS units	6	(30)	(24)	1,355	(96)	1,259
3.4 Loans						
4. Financial assets held to maturity	12,428		12,428			
Total assets	**67,148**	**(5,104)**	**62,044**	**45,569**	**(5,204)**	**40,365**
Financial liabilities						
1. Due to banks						
2. Due to customers		1	1			
3. Debt securities in issue	36	(2,058)	(2,022)	138	(460)	(322)
Total liabilities	**36**	**(2,057)**	**(2,021)**	**138**	**(460)**	**(322)**

The caption includes the net gain (loss) on disposal of financial assets, excluding those held for trading and those designated at fair value through profit and loss, as well as the net gain (loss) from the repurchase of own securities.

The caption "2. Loans to customers" includes the net gain (loss) on disposal of non-performing loans.

The caption "3. Financial assets available for sale" includes the net gain (loss) on sales in the year, inclusive of the release of the related valuation reserve, gross of the tax effect. The gains from the sale of UCITS units include the related tax credit.

As regards financial liabilities, the caption "3. Debt securities in issue" includes the net gain (loss) from the repurchase of our bonds.

Section 7 - Net results on financial assets and liabilities designated at fair value - caption 110

7.1 Net change in value of financial assets and liabilities designated at fair value: breakdown

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) − (C+D)] 31.12.2014
1. Financial assets					
1.1 Debt securities					
1.2 Equity instruments					
1.3 UCITS units					
1.4 Loans					
2. Financial liabilities	**14**	**51**	**(14)**	**(21)**	**30**
2.1 Debt securities	14	51	(14)	(21)	30
2.2 Due to banks					
2.3. Due to customers					
3. Other financial assets and liabilities: exchange differences					
4. Derivatives	**608**	**175**	**(762)**		**21**
Total	**622**	**226**	**(776)**	**(21)**	**51**

The net gains (losses) on financial assets and liabilities designated at fair value result from the difference between the fair value measurement of bonds, subject to "natural hedging" on having applied the fair value option and the corresponding financial derivatives.

They also include the net gains (losses) from trading in our bonds.

Section 8 - Net impairment write-downs/write-backs - caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks									
- Loans									
- Debt securities									
B. Loans to customers									
Impaired loans acquired									
- Loans									
- Debt securities									
Other receivables									
- Loans	(3,883)	(149,451)	(198)	12,909	12,132		2,862	(125,629)	(120,246)
- Debt securities									
C. Total	**(3,883)**	**(149,451)**	**(198)**	**12,909**	**12,132**		**2,862**	**(125,629)**	**(120,246)**

Key:
A = Interest
B = Other write-backs

The figures are shown net of Euro 8,148 thousand for the net writedowns (of which writedowns of 10,798 thousand euro net of write-backs for 2,650 thousand euro) on loans to customers of the branches being transferred, reclassified under IFRS 5 to "Profit (loss) after tax on non-current assets held for sale".

This caption includes impairment write-downs and write-backs recognised in connection with loans to customers.

As regards "Write-downs" the figure in the "Write-offs" column relates to losses of Euro 3,882 thousand (Euro 31,411 thousand last year) from the write-off of non-performing loans.

"Write-downs – Other", determined by the analytical assessment of the probability of recovery of doubtful loans and by discounting cash flows expected to be generated thereby, particularly from non-performing loans, relate to:

- non-performing loans Euro 95,763 thousand (versus Euro 56,245 thousand)
- watchlist loans Euro 50,437 thousand (versus Euro 47,703 thousand)
- restructured loans Euro 16 thousand (versus Euro 60 thousand)
- persistent breaches Euro 3,235 thousand (versus Euro 2,398 thousand)

Portfolio" write-downs, which amount to Euro 198 thousand (Euro 2,602 thousand last year), relate to the performing loans portfolio.

Specific "interest" write-backs relate to the write-back of interest at the assumed discount rates on the capital element which is deemed to be recoverable, of which Euro 10,638 thousand relates to non-performing loans (Euro 6,665 thousand last year) and 2,261 to watchlist loans (Euro 1,626 thousand last year).

"Other" specific write-backs relate to:

- non-performing loans amortised in previous years 1,612 thousand euro (versus 2,095 thousand euro)
- collections of loans previously written down 6,320 thousand euro (versus 4,652 thousand euro)
- measurement write-backs 4,200 thousand euro (versus 3,773 thousand euro)

8.2 Net impairment write-downs/write-backs of financial assets available for sale: breakdown

Transactions/Income components	Write-downs (1)		Write-backs (2)		31.12.2014	31.12.2013
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities						(574)
B. Equity instruments						
C. UCITS units						
D. Loans to banks						
E. Loans to customers						
F. Total						**(574)**

Key:

A = Interest

B = Other write-backs

Last year, this caption included a write-down of bonds classified as Financial assets available for sale.

8.3 Net impairment write-downs / write-backs of financial assets held to maturity: breakdown

No impairment adjustments have been made to financial assets held to maturity in the year just ended nor in the prior year.

8.4 Net impairment adjustments to other financial assets: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given		(294)			141		699	546	(1,552)
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions									
E. Total		**(294)**			**141**		**699**	**546**	**(1,552)**

Key:

A = Interest

B = Other write-backs

This table includes impairment write-downs/write-backs concerning guarantees given in relation to losses that have already occurred and expected to occur on enforcement of the guarantees.

In addition, the figures are shown net of Euro 140 thousand, relating to the branches being transferred, reclassified under IFRS 5 to "Profit (loss) after tax on non-current assets held for sale".

Section 9 - Administrative costs - caption 150

9.1 Payroll costs: breakdown

Type of expense/Amounts	31.12.2014	31.12.2013
1) Employees	(110,896)	(126,560)
a) Wages and salaries	(75,793)	(77,710)
b) Social security charges	(19,615)	(19,629)
c) Termination indemnities		
d) Pension expenses		
e) Provision for termination indemnities	130	(381)
f) Provision for post-retirement benefits and similar commitments:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pension funds:	(7,820)	(7,887)
- defined contribution	(7,820)	(7,887)
- defined benefit		
h) Equity-based payments	(302)	(339)
i) Other personnel benefits	(7,496)	(20,614)
2) Other active employees	(441)	(639)
3) Directors and auditors	(4,041)	(2,840)
4) Retired personnel		
5) Recovery of cost of employees seconded to other companies	200	416
6) Reimbursement of cost of third-party employees seconded to the Company		
Total	**(115,178)**	**(129,623)**

The figures are shown net of Euro 15,634 thousand, relating to personnel costs of the branches being transferred, reclassified under to IFRS 5 to "Profit (loss) after tax on non-current assets held for sale".

The caption "1.g – payments to external supplementary pension funds: defined contribution" includes part of the termination indemnities paid to the state pension scheme and to supplementary pension funds.

Details of caption "1.i) – other employee benefits" are provided in table 9.4 below.

9.2 Average number of employees by level

	31.12.2014	31.12.2013
1) Employees	**1,686**	**1,572**
a) managers	23	26
b) middle managers	873	828
c) other employees	790	718
2) Other personnel	**10**	**11**

9.3 Defined post-employment benefit obligations: total costs

None.

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9.4 Other personnel benefits

	31.12.2014	31.12.2013
Provision for sundry charges	(3,837)	(981)
Contributions to healthcare fund	(1,155)	(1,176)
Training and instruction costs	(903)	(151)
Rent expense of property used by employees	(121)	(93)
Redundancy incentives	560	(16,183)
Other	(2,040)	(2,030)
Total	(7,496)	(20,614)

The main components of the "Other" caption include company canteen costs of Euro 1,261 thousand (Euro 1,468 thousand last year) and costs relating to insurance premiums of Euro 262 thousand (Euro 286 thousand last year).

9.5 Other administrative costs: breakdown

	31.12.2014	31.12.2013
Indirect taxes and duties:		
- Stamp duty	(18,279)	(15,578)
- Other	(4,120)	(4,258)
Other costs:		
- IT expenses	(8,936)	(8,584)
- Lease of property and other assets	(7,323)	(8,013)
- Maintenance of buildings, furniture and equipment	(3,562)	(3,083)
- Post office and telegraph	(1,613)	(1,618)
- Telephone and data transmission	(3,817)	(3,334)
- Electricity, heating, water	(3,101)	(3,403)
- Cleaning services	(846)	(914)
- Printed matter, stationery and consumables	(500)	(550)
- Transport costs	(743)	(588)
- Surveillance and security	(1,064)	(1,048)
- Advertising	(1,042)	(834)
- Information and surveys	(649)	(887)
- Insurance premiums	(920)	(987)
- Legal fees	(5,853)	(5,338)
- Professional consulting fees	(5,642)	(4,411)
- Various contributions and donations	(118)	(144)
- Sundry expenses	(5,298)	(4,504)
Total	**(73,426)**	**(68,076)**

The figures are shown net of Euro 12,380 thousand, relating to administrative expenses of the branches being transferred, reclassified under IFRS 5 to "Profit (loss) after tax on non-current assets held for sale”.

This caption includes fees payable to the Independent Auditors Deloitte & Touche S.p.A. for services provided to the Bank amounting to Euro 234 thousand (297 thousand last year) consisting of the following:

- Audit Euro 194 thousand,
- Attestation services Euro 5 thousand,
- Review of translation of financial reports Euro 35 thousand.

There are also fees paid to Deloitte Consulting S.r.l. for methodological support and benchmarking for the migration of subsidiaries amounting to 45 thousand euro.
The fees shown for the two companies are net of expenses, the CONSOB contribution (where due) and VAT.

Section 10 - Net provisions for risks and charges - caption 160

10.1 Net provisions for risks and charges: breakdown

	Provision	Utilisations	31.12.2014	31.12.2013
charges for legal disputes	(2,574)	1,153	(1,421)	(3,453)
other	(3,561)	2,569	(992)	(4,129)
Total	**(6,135)**	**3,722**	**(2,413)**	**(7,582)**

Charges for legal disputes include provisions made in the year for expected losses arising from legal disputes and bankruptcy clawback actions.

Other charges include provisions for other operating risks, inclusive of tax disputes.

Section 11 - Net adjustments to property, plant and equipment - caption 170

11.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b + c) 31.12.2014
A. Property, plant and equipment				
A.1 Owned	(5,054)			(5,054)
- for business purposes	(5,038)			(5,038)
- for investment purposes	(16)			(16)
A.2 Held under finance leases				
- for business purposes				
- for investment purposes				
Total	**(5,054)**			**(5,054)**

The adjustments consist entirely of depreciation computed over the useful lives of the assets.

Details, by asset category, of the impact on the income statement of adjustments to property, plant and equipment are shown in caption "C.2 Depreciation" of the table "11.5 and 11.6 Changes in the year" of Section 11, Assets.

Section 12 - Net adjustments to intangible assets - caption 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b + c) 31.12.2014
A. Intangible assets				
A.1 Owned	(714)			(714)
- Generated internally				
- Other	*(714)*			*(714)*
A.2 Held under finance leases				
Total	**(714)**			**(714)**

The adjustments consist entirely of amortisation computed over the useful lives of the assets.

Section 13 - Other operating charges/income - caption 190

13.1 Other operating charges: breakdown

	31.12.2014	31.12.2013
Amortisation of leasehold improvements	(2,173)	(2,157)
Losses on disposal of property, plant and equipment	(50)	(9)
Charges on non-banking services	(294)	(326)
Total	**(2,517)**	**(2,492)**

The figures are shown net of Euro 386 thousand relating to income statement items of the branches being transferred, reclassified under IFRS 5 to “Profit (loss) after tax on non-current assets held for sale”.

"Charges on non-banking services” include:insurance deductibles for robberies of Euro 50 thousand.

13.2 Other operating income: breakdown

	31.12.2014	31.12.2013
Recovery of taxes from third parties	20,016	17,584
Recharge of costs of current accounts and deposits	6,534	7,832
Rental and leasing income	49	24
Other expense recoveries	2,754	2,528
Gains on disposal of property, plant and equipment	98	29
Other	430	1,439
Total	**29,881**	**29,436**

The figures are shown net of Euro 5,856 thousand relating to income statement items of the branches being transferred, reclassified under IFRS 5 to “Profit (loss) after tax on non-current assets held for sale”.

"Recharge of costs of current accounts and deposits" includes recoveries for rapid preliminary investigation fees of Euro 4,696 thousand and other recoveries for various communications to customers of Euro 1,708 thousand.

"Other expense recoveries" include, in particular, recoveries of investigation costs relating to various loans of Euro 1,236 thousand, the recovery of costs of appraisals in connection with mortgage loans of Euro 381 thousand and the recovery of sundry expenses relating to lease applications of Euro 659 thousand.

As regards the caption "Other" the main component relates to income from Group companies of Euro 219 thousand (Euro 1,032 thousand last year); Also included are recharges of legal dispute costs of Euro 142 thousand.

Section 14 - Profit (loss) from equity investments - caption 210

14.1 Profit (loss) from equity investments: breakdown

Income item/Amounts	31.12.2014	31.12.2013
A. Income	2,585	17,466
1. Revaluations		
2. Gains on disposal		11,776
3. Write-backs	2,585	5,690
4. Other income		
B. Losses		
1. Write-downs		
2. Impairment write-downs		
3. Losses on disposal		
4. Other charges		
Net result	**2,585**	**17,466**

“Writebacks” refer to C.P.C. in liquidation for 2,176 thousand euro and the former subsidiary Brianfid-Lux S.A. for 409 thousand euro (which was cancelled from the Companies Register on 11 August 2014): both companies were written down in previous years.

Section 15 - Net gains (losses) arising from the fair value measurement of property, plant and equipment and intangible assets - caption 220

Banco Desio does not have any property, plant and equipment or intangible assets measured at fair value.

Section 16 - Goodwill impairment - caption 230

The outcome from impairment testing of goodwill recognised in the financial statements did not require any impairment adjustments to be made.

As regards the method adopted for the performance of the testing, reference should be made to "Section 12 – Intangible assets", Assets.

Section 17 - Gains (losses) on disposal of investments - caption 240

17.1 Gains (losses) on disposal of investments: breakdown

Income item/Amounts	31.12.2014	31.12.2013
A. Property	217	
- Gains on disposal	217	
- Losses on disposal		
B. Other assets		
- Gains on disposal		
- Losses on disposal		
Net result	**217**	

Caption "A. Property" refers to gains/losses on the disposal of properties used in operations by the Bank.

Section 18 - Income taxes on current operations - caption 260

18.1 Income taxes on current operations: breakdown

Income item/Amounts	31.12.2014	31.12.2013
1. Current taxes (-)	(34,741)	(35,485)
2. Change in prior period income taxes (+/-)	125	2
3. Reduction in current taxes (+)		
3. bis Reduction in current taxes for tax credits under Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	23,792	34,555
5. Change in deferred tax liabilities (+/-)	(1,217)	(314)
6. Income taxes for the period (-)	(12,041)	(1,242)

Caption 2. "Change in prior period income taxes" refers mainly to the recalculation, carried out for the purpose of the tax return, of current IRAP accrued to 31.12.2013, in relation to loans sold in 2013, whose assessment components (adjustments and write-backs) recorded in the income statement in 2008, were not recognised for IRAP purposes at the time of their inclusion.

The caption "4. Change in deferred tax assets" comprises the balance of captions "2.1 Deferred tax assets recognised during the year" and "3.1 Deferred tax assets cancelled in the year" (booked as a contra-entry to the income statement).

Caption "5. Change in deferred taxes" comprises the balance of the captions "2.1 Deferred tax liabilities recognised during the year" and "3.1 Deferred tax liabilities cancelled during the year" (booked as a contra-entry to the income statement).

18.2 Reconciliation between the theoretical and current tax charge

	IRES		IRAP	
Result before taxes	52,984		52,984	
Costs not deductible for IRAP purposes			146,129	
Revenue not taxable for IRAP purposes			(18,421)	
Sub-total	52,984		180,692	
Theoretical tax charge 27.5% IRES - 5.57% IRAP		**(14,571)**		**(10,065)**
Temporary differences taxable in subsequent years	(6,968)		(426)	
Temporary differences deductible in subsequent years	115,259		107,383	
Reversal of prior year temporary differences	(42,796)		(27,081)	
Differences that will not reverse in subsequent years	(7,624)		(41,310)	
Taxable income	110,855		219,258	
Current taxes for the year 27.5% IRES - 5.57% IRAP		**(30,485)**		**(12,213)**

The overall actual tax burden, Euro 42,698 thousand, is equal to the sum of caption "1. Current tax" in table 18.1 and under caption "1. Current tax" in table 19.2 (relative to assets/liabilities held for sale).

Section 19 - Profit (loss) after tax on non-current assets held for sale - caption 280

19.1 Profit (loss) after tax on non-current assets/liabilities held for sale: breakdown

Income items/Amounts	31.12.2014	31.12.2013
1. Income	69,877	21,347
2. Expenses	(47,762)	(14,362)
3. Result from measurement of non-current assets and associated liabilities		
4. Gains (losses) on disposal		
5. Taxation	(7,957)	(2,510)
Net profit (loss)	**14,158**	**4,475**

With reference to the gains generated by the Group's assets and liabilities held for sale (69,877 thousand euro), they refer:

- for Euro 46,753 thousand to interest and similar income;
- for Euro 17,654 thousand to commission income;
- for Euro 5,470 to other operating income.

With regard to losses generated by the Group's assets and liabilities held for sale (47,762 thousand euro), they refer:

- for Euro 10,180 thousand to interest and similar expenses;
- for Euro 535 thousand to commission expense;
- for Euro 8,287 thousand to net writedowns on loans and receivables (Euro 8,148 thousand) and other transactions (Euro 140 thousand);
- for Euro 15,634 thousand to payroll costs;
- for Euro 12,379 thousand to other administrative costs;
- for Euro 696 thousand to writedowns of property, plant and equipment;
- for Euro 50 thousand to writedowns of intangible assets.

The comparative figures for 2013 are determined by reference solely to the Banco Desio Toscana branches being transferred (11 branches out of a total of 32).

19.2 Details of income taxes relating to non-current assets/liabilities held for sale

	31.12.2014	31.12.2013
1. Current taxation (-)	(7,957)	(2,510)
2. Change in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (-/+)		
4. Income taxes for the year (-1+/-2+/-3)	**(7,957)**	**(2,510)**

Section 20 - Other information

There is no other information that requires disclosure in this section.

Section 21 - Earnings per share

21.1 Average number of ordinary shares (fully diluted)

Please refer to the equivalent section in the Consolidated Financial Statements for the information on earnings per share.

21.2 Other information

There is no other information to be disclosed.

PART D - COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

	Captions	31.12.2014 Gross amount	Income taxes	Net amount
10.	**Net profit (loss) for the period**			**32,986**
	Other elements of income, without reversal to income statement			
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined-benefit pension plans	(2,588)	712	(1,876)
50.	Non-current assets and disposal groups held for sale			
60.	Portion of the valuation reserves of the equity investments carried at equity			
	Other elements of income, with reversal to income statement			
70.	Foreign investment hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
80.	**Exchange differences:**			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes	732		732
90.	Cash-flow hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
100.	**Financial assets available for sale:**	**1,316**	**(441)**	**875**
	a) changes in fair value	3,888	(1,286)	2,602
	b) reversal to income statement	(3,788)	1,248	(2,540)
	- impairment adjustments			
	- gains/losses on disposal	(3,788)	1,248	2,540
	c) other changes	1,216	(403)	813
110.	**Non-current assets and disposal groups held for sale:**			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
120.	**Portion of the valuation reserves of the equity investments carried at equity:**			
	a) changes in fair value			
	b) reversal to income statement			
	- impairment adjustments			
	- gains/losses on disposal			
	c) other changes			
130.	**Total other elements of income**	**(540)**	**271**	**(269)**
140.	**Total comprehensive income (Captions 10+130)**			**32,717**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICY

Introduction

The Internal Control and Risk Management System consists of a set of rules, procedures and organisational structures designed to permit the identification, measurement, management and monitoring of major risks. This system has been integrated into the Group's organisational and corporate governance structures.

The system's guidelines have been set out in specific internal regulations. The operational instructions and detailed information regarding the controls in place, at various levels, over business processes are included in specific "Consolidated Texts" by function and Internal Procedures.

The organisational model adopted by the Group envisages that the Parent Company's Risk Management function reports directly to the Board of directors and participates in the risk management process designed to identify, measure, assess, monitor, prevent, mitigate and communicate the risks assumed or which could be assumed in the conduct of business.

The Board of Directors of Banco Desio Brianza approves, at least annually, the Group's "Risk Appetite Framework (RAF)" and the "Policy for risk management", which define risk appetite, thresholds of tolerance, limits and the rules and methodologies for monitoring risks. These documents provide for specific risk indicators with the relevant attention thresholds on an individual legal entity basis.

SECTION 1 - CREDIT RISK

Qualitative information

1. *General aspects*

The lending activity of Banco di Desio e della Brianza has developed according to the guidelines of the Business Plan, addressed to local economies primarily in the retail, small business and small SME markets. To a lesser extent, our lending activity is directed towards the corporate market.

The activities aimed at individual customers, small businesses (artisans, family businesses and professionals), medium and large companies and customers in the financial sector, mainly include the following products: loans and deposits in any form; financial, banking and payment services; documentary credit; leasing and factoring; financial, insurance and asset management products; debit and credit cards.

Commercial policy is pursued through the Bank's branch network based on credit policies geared primarily to supporting local economies. Particular attention is paid to maintaining relationships established with customers and their development in the geographic areas where the Bank has traditionally been present and in new markets with the aim of acquiring new market shares and facilitate growth in business volumes. Banco also operates under agreements with the Italian Banking Association and with trade and business associations, signing conventions aimed at providing support to corporate borrowers while carefully monitoring asset quality.

2. Credit risk management policies

2.1. Organisational aspects

Factors that generate credit risk involve the possibility that an unexpected change in the creditworthiness of a counterparty in respect of which there is an exposure, might generate a corresponding unexpected change in the market value of the credit position. It follows that not only the possibility of a counterparty's insolvency, but also a simple deterioration of its creditworthiness has to be considered a manifestation of credit risk.

Banco Desio's organisational structure provides for adequate monitoring and management of credit risk, in a logic of separation between business and control functions. The Board of Directors has exclusive power to lay down the guidelines that have an impact on the running of the Bank's affairs. As regards internal controls, the Board of Directors approves the strategic direction and policies for risk management, as well as the organisational structure of the Bank.

The Board also verifies that the Chief Executive Officer, aided by the General Manager, defines the internal control structure and that the control functions have autonomy within the structure, where particular importance is assumed by the system for delegated powers provided for by the Articles of Association and as set out in the Internal Regulation. This consists of an articulated system that involves various bodies and functions and, with respect to operating powers of attorney, delegates specific powers concerning the granting and recovery of loans.

The various functions are thus assigned responsibilities for the assessment and assumption of risks, within the limits established for credit autonomy by the Internal Regulation and with the commercial network's organisational structure.

Under these circumstances:

- the Credit and Loans Department assists General Management in the granting and management of retail loans in order to ensure a careful and informed assumption of risks in line with the corporate policy on credit quality, supervising the overall coordination of banking activities and ensuring that all transactions, including those in the Special Credit segment, are monitored (although subsidiaries are still autonomous in granting credit to their customers).
- the Risks Performance Control Area ensures constant monitoring of credit quality for the entire branch network, highlighting the positions that show critical factors in compliance with the corporate risk management policy;
- Litigation Office, reporting to the Legal and Corporate Affairs, is responsible for the management of positions classified as non-performing by implementing all of the requirements for the management and recovery of loans;
- the Internal Audit Department, assesses the effectiveness and reliability of the entire internal control system, bringing to the attention of the corporate bodies and functions potential improvements, in line with the requirements of the regulations laid down by the Supervisory Authority. As regards the audit work performed on the branch network, Internal Audit checks compliance with internal and external regulations, operational regularity and the effectiveness of line controls, inclusive of those relating to lending;
- The Risk Management Department supports corporate governance by coordinating and controlling the activities of their areas of responsibility in compliance with the Risk Appetite Framework, risk plans and policies in place and in compliance with primary and secondary corporate regulations. In particular, the Risk Management Office has the task of developing models and methodologies for the assessment of credit risk and prepares periodic reports; the analysis performed mainly relates to the evolution of the risk profile of the total loan portfolio or of parts of the portfolio which may feature particular risks. The Credit Control function, within the Risk Management Department, checks the proper conduct of the performance monitoring on the individual performing loans, the correct classification of impaired loans and the adequacy of the provisions made against them.

2.2. Systems for managing, measuring and monitoring credit risk

Systems for managing, measuring and monitoring credit risk are developed in an organisational context that involves the whole cycle of the credit process, from initial inquiry and periodic review to final withdrawal and recovery.

During the fact finding stages of the lending process, the Bank performs an internal and external investigation on the customer and arrives at a final decision on whether to grant the loan by also considering the information obtained on the customer’s financial standing from what is known of the customer and of the customer's economic environment.

During the process of granting credit, the Bank operates according to guidelines based on risk diversification among various customers operating in different industries and market sectors and on the appropriateness of the credit facility depending on the independent creditworthiness of the borrower, the technical form and the collateral that could be acquired.

The analysis and monitoring of risk associated with the lending process is performed with the support of specific operating procedures. The aim of a prompt monitoring system is to identify, as soon as possible, signs of deterioration of exposures in order to intervene with effective corrective measures. To this end, credit exposures are monitored by means of an analysis of relationship trends and by central oversight of risk by means of dedicated procedures. This review facilitates the identification of customers with anomalies in the conduct of their relationship as opposed to those with a regular trend. These activities are carried out by the Risk Performance Control.

As part of its corporate risk management policy, the Bank has set up a system of operating limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, on pre-established thresholds being exceeded, the Parent Company's Risk Management Department activates an internal procedure for an intervention by the competent corporate functions in order to maintain a risk appetite level consistent with guidance provided by the RAF and risk management policy. As regards checking the proper conduct of the performance monitoring and evaluation of the adequacy of provisions for doubtful loans, the Risk Management Department supervises the activities carried out by the first level control functions, intervening in the event of a dissenting opinion on both the classification of positions and the amount of analytical adjustments.

For risk management purposes, Banco Desio uses an internal rating system (CRS - Credit Rating System) that classifies each counterparty in risk classes that reflect their probability of default. In the course of 2014 the Group implemented methodological updates to the Credit Rating System aimed at the development of a statistical system. The new Logit statistical model provides for the determination of PD (probability of default) by means of a combined analysis and assessment of trends and fundamental factors. The classification of performing counterparties is on a scale from 1 to 10, while there are three non-performing classes (past due, watchlist loans e doubtful loans).

For the purpose of calculating the capital requirement for credit risk, the Group follows the rules laid down in the regulations for the standardised approach.

2.3. Credit risk mitigation techniques

As part of the process leading up to the provision of credit, whenever possible, Banco Desio acquires real and/or personal guarantees in order to mitigate risk, even if the requirements appear to be satisfied.

For all loans, the main type of real guarantee is the mortgage, primarily related to the technical form of mortgage loans (particularly on residential properties). To a lesser extent, but for significant amounts, there are also pledges on securities and/or cash.

A prudent spread is applied to the collateral based on the inherent risk of the pledged asset; the collateral is subjected to monitoring in order to verify its actual value compared to its initial value and to permit measures to be taken in the event of a fall in value. On the acquisition of mortgage collateral a spread is applied as envisaged by internal regulations. Unsecured guarantees mainly consist of guarantees provided by individuals and companies. Their valorisation is based on an assessment of the guarantor's estate during the investigation process or for the purpose of the renewal of credit.

Guarantees received by Banco Desio are drawn up on contractual forms in line with industry standards and the law, and are approved by the relevant corporate functions. The process of collateral management provides for monitoring and specific controls to check their eligibility, in line with the requirements of supervisory regulations.

2.4. Impaired financial assets

Loans are classified as doubtful when, in the light of objective evidence collected by the relevant offices, the customer proves unable to meet its commitments and is therefore in a state of insolvency, even if this has not yet been declared by the court.

Customer loans classified as watchlist are those that relate to situations of temporary economic, financial or operating difficulties, which could potentially be overcome within a reasonable time limit.

Included in this category are so-called “objective substandard loans” with specific features described by the supervisory requirements.

To be classified under restructured loans, whether for cash or "off-balance sheet items", the Group complies with the supervisory requirements , analytically assessing the presence of the conditions laid down in the regulations.

As regards loans past due by more than 90 days, they are constantly monitored by the relevant departments using specific IT procedures in order to verify there is continuity as prescribed by regulations.

The Bank has introduced a policy governing criteria and rules for the application of adjustments by codifying the rules that lay down the minimum percentages to be applied in determining expected losses, depending on the type of impaired loans, the original technical form and the type of collateral.

The expected loss is, in fact, the synthesis of several elements derived from various (internal and external) assessments about the principal debtor's assets and those of any guarantors. Monitoring of the expected loss is constant and compared with the development of the individual position. The Risk Management Office periodically monitors compliance with the doubtful percentages of provided by the policy management of impaired loans by reporting any discrepancies to the relevant departments for operations realignment.

The time element linked to the present value of impaired loans is determined by specific assessments carried out for each type of asset, drawn up on the basis of information relating to the individual legal jurisdiction.

The Bank has initiated the analysis needed to implement the new definitions of impaired financial assets in order to bring them into line with the concepts of "Non-Performing Exposures" and "Forbearance", introduced by implementing technical standards concerning harmonized consolidated statistical supervisory reports defined by the European Banking Authorities and approved by the European Commission on 9 January 2015.

Quantitative information

A. Credit quality

A.1. Doubtful and performing loans: amounts, adjustments, trends and economic and territorial distribution

A.1.1 Distribution of credit exposure by portfolio and quality of lending (book values)

Portfolio/Quality		Doubtful loans	Watchlist loans	Restructured loans	Past due non-performing loans	Past due non-performing loans	Other assets	Total
1. Financial assets held for trading						174	3,398	3,572
2. Financial assets available for sale							1,299,797	1,299,797
3. Financial assets held to maturity								
4. Due from banks							315,884	315,884
5. Loans to customers		264,101	144,457	4,039	26,341	265,286	5,372,350	6,076,574
6. Financial assets designated at fair value through profit and loss								
7. Financial assets being sold			28,581		8,763	48,778	1,010,373	1,096,495
8. Hedging derivatives							2,784	2,784
Total	**31.12.2014**	**264,101**	**173,038**	**4,039**	**35,104**	**314,238**	**8,004,586**	**8,795,106**
Total	**31.12.2013**	**214,448**	**147,166**	**1,722**	**37,984**	**275,801**	**7,270,428**	**7,947,549**

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/Quality		Non-performing loans			Performing loans			Total (net exposure)
		Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Financial assets held for trading							3,572	3,572
2. Financial assets available for sale					1,299,797		1,299,797	1,299,797
3. Financial assets held to maturity								
4. Due from banks					315,883		315,884	315,884
5. Loans to customers		768,061	(329,123)	438,938	5,671,227	(33,591)	5,637,636	6,076,574
6. Financial assets designated at fair value through profit and loss								
7. Financial assets being sold		50,591	(13,247)	37,344	1,066,261	(7,110)	1,059,151	1,096,495
8. Hedging derivatives							2,784	2,784
Total	**31.12.2014**	**818,652**	**(342,370)**	**476,282**	**8,353,168**	**(40,701)**	**8,318,824**	**8,795,106**
Total	**31.12.2013**	**603,920**	**(202,599)**	**401,321**	**7,576,930**	**(38,552)**	**7,546,228**	**7,947,549**

A.1.2.1 Distribution of renegotiated and non-renegotiated performing loan exposures by portfolio

Exposures/Geographical areas		Exposure subject to renegotiation under Collective Agreements					Other exposures					Total (net exposure)
		Past due up to 3 months	Past due between 3 to 6 months	Past due between 6 to 12 months	Past due over 1 year	Not past due	Past due up to 3 months	Past due between 3 to 6 months	Past due between 6 to 12 months	Past due over 1 year	Not past due	
1. Financial assets held for trading							174				3,398	3,572
2. Financial assets available for sale											1,299,797	1,299,797
3. Financial assets held to maturity												
4. Due from banks											315,884	315,884
5. Loans to customers		16,228	828			135,983	191,824	15,226	6,608	95	5,270,844	5,637,636
6. Financial assets designated at fair value through profit and loss												
7. Financial assets being sold		1,482	27			55,075	77,170	2,854	1,722		920,821	1,059,151
8. Hedging derivatives											2,784	2,784
Total	**31.12.2014**	17,710	855			191,058	269,168	18,080	8,330	95	7,813,529	8,318,825

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Types of exposure/amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Doubtful loans				
b) Watchlist loans				
c) Restructured loans				
d) Past due non-performing loans				
e) Other assets	390,161			390,161
TOTAL A	**390,161**			**390,161**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing				
b) Other	33,616			33,616
TOTAL B	**33,616**			**33,616**
TOTAL A+B	**423,777**			**423,777**

“Cash exposure” includes all on-balance sheet financial assets due from banks, regardless of the portfolio they are allocated to for accounting purposes (trading, available for sale, held to maturity, etc.).

“Off-balance sheet exposures” include all financial transactions that differ from on-balance sheet transactions (guarantees given, commitments, derivatives, etc.) that lead to the assumption of credit risk, regardless of the nature of the transaction (trading, hedging, etc.).

A.1.4 On-balance sheet credit exposures to banks: changes in gross doubtful loans

There are no such credit exposures at the reporting date.

A.1.5 On-balance sheet credit exposures to banks: changes in total adjustments

There are no such contractual arrangements at the reporting date.

A.1.6 On- and off-balance sheet credit exposures to customers: gross and net amounts

Types of exposure/amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Doubtful loans	519,827	255,726		264,101
b) Watchlist loans	254,641	81,603		173,038
c) Restructured loans	4,584	545		4,039
d) Past due non-performing loans	39,600	4,496		35,104
e) Other assets	7,963,009		40,701	7,922,308
TOTAL A	**8,781,661**	**342,370**	**40,701**	**8,398,590**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	6,161	522		5,639
b) Other	462,062		776	461,286
TOTAL B	**468,223**	**522**	**776**	**466,925**
TOTAL A+B	**9,249,884**	**342,892**	**41,477**	**8,865,515**

"Cash exposure" includes all on-balance sheet financial assets due from customers, regardless of the portfolio they are allocated to for accounting purposes (trading, available for sale, held to maturity, etc.).

"Off-balance sheet exposures" include all financial transactions that differ from on-balance sheet transactions (guarantees given, commitments, derivatives, etc.) that lead to the assumption of credit risk, regardless of the nature of the transaction (trading, hedging, etc.).

A.1.7 On-balance sheet credit exposures to customers: changes in gross doubtful loans

Description/Categories	Doubtful loans	Watchlist loans	Restructured loans	Past due loans
A. Opening gross exposure	**353,962**	**207,410**	**1,995**	**40,554**
- of which: sold but not derecognised				
B. Increases	**207,028**	**278,449**	**3,691**	**121,061**
B.1 transfers from performing positions	6,106	157,290	20	106,651
B.2 transfers from other categories of doubtful exposures	153,914	49,737	1,489	1,127
B.3 other increases	47,008	71,422	2,182	13,283
- of which: business combinations	*31,078*	*39,293*		*7,465*
C. Decreases	**41,163**	**231,218**	**1,102**	**122,015**
C.1 transfers to performing positions		20,088	748	51,865
C.2 write-offs	22,849			
C.3 collections	17,997	57,119	354	18,115
C.4 proceeds from disposal	94			
C.4-bis losses on disposal				
C.5 transfers to other categories of doubtful exposures	223	154,011		52,035
C.6 other decreases				
- of which: business combinations				
D. Closing gross exposure	**519,827**	**254,641**	**4,584**	**39,600**
- of which: sold but not derecognised				

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

Description/Categories	Doubtful loans	Watchlist loans	Restructured loans	Past due non-performing loans
A. Total opening adjustments	**139,514**	**60,244**	**273**	**2,569**
- of which: sold but not derecognised				
B. Increases	**155,878**	**71,312**	**612**	**4,741**
B1. Write-downs	101,340	60,143	16	4,326
B.1-bis losses on disposal	1,694			
B.2 transfers from other categories of doubtful exposures	40,383	1,014	596	189
B.3 other increases	12,461	10,155		226
- of which: business combinations	*12,461*	*10,155*		*226*
C. Decreases	**39,666**	**49,953**	**340**	**2,814**
C.1 measurement write-backs	11,727	5,508	334	883
C.2 writebacks on collection	3,337	3,755	6	439
C.2-bis gains on disposal	61			
C.3 write-offs	22,848			
C.4 transfers to other categories of doubtful exposures		40,690		1,492
C.5 other decreases	1,693			

D. Total closing adjustments	**255,726**	**81,603**	**545**	**4,496**
- of which: sold but not derecognised				

A.2 Classification of exposures on the basis of external rating

A.2.1 Distribution of cash and "off-balance sheet" exposures by external rating class (book values)

Based on the compilation rules laid down by the Bank of Italy, the table in question has not been completed because the amount of exposures with external ratings is not significant.

A.2.2 Distribution of cash and "off-balance sheet" exposures by internal rating class

Banco Desio does not use internal rating models for the determination of capital requirements.

The Bank uses a rating model to assess retail customers (individual consumers) and corporate customers (Small Businesses, Small and Medium-sized Enterprises, Large Corporate, Real Estate, Financial and Institutional).

The following table shows performing loans belonging to the above categories with the proportion of each rating class to the overall exposure.

Exposures at 31.12.2014	Internal rating class				
	from 1 to 4	from 5 to 6	from 7 to 10	Financial and Institutional	Total
Cash exposure	57.00%	29.33%	12.28%	1.39%	100%
Off-balance sheet exposures	73.83%	19.82%	4.57%	1.78%	100%

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed credit exposures to banks

There are no such credit exposures at the reporting date.

A.3.2 Guaranteed credit exposures to customers

	Amount of net exposures	Secured guarantees (1)				Unsecured guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Property, Mortgages	Property under finance leases	Securities	Other secured guarantees	CLN	Government and central banks	Other public entities	Banks	Other parties	Government and central banks	Other public entities	Banks	Other parties	
1. Guaranteed on-balance sheet exposures:	4,825,089	7,870,614	503,454	483,139	254,064							27,455	1,103	4,663,791	13,803,620
1.1. totally guaranteed	4,680,856	7,866,090	503,454	451,530	244,789							9,936	418	4,609,484	13,685,701
- of which: non-performing	*408,170*	*1,087,796*	*53,404*	*5,045*	*12,725*									*936,023*	*2,094,993*
1.2. partially guaranteed	144,233	4,524		31,609	9,275							17,519	685	54,307	117,919
- of which: non-performing	*11,914*	*909*		*819*	*2,289*								*125*	*12,392*	*16,534*
2. Guaranteed off-balance sheet exposures:	172,216	10,047		25,421	21,568								1,644	158,899	217,579
2.1. totally guaranteed	149,861	10,047		22,306	18,433								1,644	154,619	207,049
- of which: non-performing	*4,685*	*295*		*370*	*539*									*9,184*	*10,388*
2.2. partially guaranteed	22,355			3,115	3,135									4,280	10,530
- of which: non-performing	*50*													*48*	*48*

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of on- and off-balance sheet credit exposures to customers (book value)

p.1

Exposures/Counterparties	Governments			Other public entities			Financial companies		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposure									
A.1 Doubtful loans							264,101	(255,726)	
A.2 Watchlist loans							607	(272)	
A.3 Restructured loans									
A.4 Past due non-performing loans									
A.5 Other exposures	1,224,877			5,241		(332)	713,177		(813)
Total A	**1,224,877**			**5,241**		**(332)**	**977,885**	**(255,998)**	**(813)**
B. Off-balance sheet exposures									
B.1 Doubtful loans									
B.2 Watchlist loans									
B.3 Other doubtful loans									
B.4 Other exposures	25,127						7,729		(17)
Total B	**25,127**						**7,729**		**(17)**
Total (A+B) 31.12.2014	**1,250,004**			**5,241**		**(332)**	**985,614**	**(255,998)**	**(830)**
Total (A+B) 31.12.2013	**1,509,907**						**487,699**	**(240)**	**(380)**

B.1 Distribution by sector of on- and off-balance sheet credit exposures to customers (book value)

p.2

Exposures/Counterparties	Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific adjust-ments	Portfolio adjust-ments	Net exposure	Specific adjust-ments	Portfolio adjust-ments	Net exposure	Specific adjust-ments	Portfolio adjust-ments
A. Cash exposure									
A.1 Doubtful loans									
A.2 Watchlist loans				128,000	(62,286)		44,431	(19,045)	
A.3 Restructured loans				4,039	(545)				
A.4 Past due non-performing loans				28,717	(3,694)		6,387	(802)	
A.5 Other exposures	3,999		(2)	4,344,026		(36,337)	1,630,988		(3,217)
Total A	**3,999**		**(2)**	**4,504,782**	**(66,525)**	**(36,337)**	**1,681,806**	**(19,847)**	**(3,217)**
B. Off-balance sheet exposures									
B.1 Doubtful loans				662	(19)		3		
B.2 Watchlist loans				2,840	(485)		42	(18)	
B.3 Other doubtful loans				2,081			11		
B.4 Other exposures	976		(7)	315,490		(726)	18,209		(26)
Total B	**976**		**(7)**	**321,073**	**(504)**	**(726)**	**18,265**	**(18)**	**(26)**
Total (A+B) 31.12.2014	**4,975**		**(9)**	**4,825,855**	**(67,029)**	**(37,063)**	**1,700,071**	**(19,865)**	**(3,243)**
Total (A+B) 31.12.2013	**27,095**		**(5)**	**4,328,553**	**(162,441)**	**(35,301)**	**1,598,880**	**(40,014)**	**(4,092)**

B.2 - Territorial distribution of on- and off-balance sheet credit exposures to customers (book value)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Doubtful loans	262,764	(255,464)	1,337	(262)					1	
A.2 Watchlist loans	172,887	(81,569)	151	(34)						
A.3 Restructured loans	4,039	(545)								
A.4 Past due non-performing loans	33,595	(4,306)	1,509	(190)						
A.5 Other exposures	7,909,972	(40,597)	10,553	(104)	1,530		253			
Total A	**8,383,257**	**(382,481)**	**13,550**	**(590)**	**1,530**		**253**		**1**	
B. Off-balance sheet exposures"										
B.1 Doubtful loans	665	(19)								
B.2 Watchlist loans	2,882	(502)								(1)
B.3 Other doubtful loans	2,092									
B.4 Other exposures	367,474	(776)	8		50				(1)	
Total B	**373,113**	**(1,297)**	**8**		**50**				**(1)**	**(1)**
Total (A+B) 31.12.2014	**8,756,370**	**(383,778)**	**13,558**	**(590)**	**1,580**		**253**			**(1)**
Total (A+B) 31.12.2013	**7,890,414**	**(242,340)**	**60,971**	**(133)**	**602**		**148**		**1**	

B.3 - Territorial distribution of on- and off-balance sheet credit exposures to banks (book value)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Doubtful loans										
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Past due non-performing loans										
A.5 Other exposures	359,404		29,436		1,161		139		21	
Total A	**359,404**		**29,436**		**1,161**		**139**		**21**	
B. Off-balance sheet										
B.1 Doubtful loans										
B.2 Watchlist loans										
B.3 Other doubtful loans										
B.4 Other exposures	30,005		3,330						281	
Total B	**30,005**		**3,330**						**281**	
Total A+B 31.12.2014	**389,409**		**32,766**		**1,161**		**139**		**302**	
Total A+B 31.12.2013	**298,783**	**(1,045)**	**40,619**		**597**		**600**		**958**	

B.4 Major risks

With reference to current supervisory regulations, the situation at 31 December 2014 is reported below (amounts in thousands of Euro):

Description	*Nominal amount*	*Weighted amount*	*Number of positions*
Major risks	2,481,387	101,065	3

The positions indicated relate to exposures towards the Italian Government relating to securities in portfolio, Cassa di Compensazione e Garanzia and Group companies.

C. Securitisation transactions

<u>Quantitative information</u>

C.1 Exposures arising from securitisation transactions broken down by quality of the underlying assets

p.1

Quality of underlying assets/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Non-performing						
b) Other						
B. With underlying assets of third parties						
a) Non-performing						
b) Other	643	643				

C.1 Exposures arising from securitisation transactions broken down by quality of the underlying assets

p.2

Quality of underlying assets/Exposures	Guarantees given					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Non-performing						
b) Other						
B. With underlying assets of third parties						
a) Non-performing						
b) Other						

C.1 Exposures arising from securitisation transactions broken down by quality of the underlying assets

p.3

Quality of underlying assets/Exposures	Lines of credit					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Non-performing						
b) Other						
B. With underlying assets of third parties						
a) Non-performing						
b) Other						

C.2 Exposures arising from principal "own" securitisations, broken down by type of securitised asset and by type of exposure

None.

C.3 Exposures arising from principal "third party" securitisations broken down by type of securitised asset and by type of exposure

Type of underlying assets/Exposures	Cash exposure						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which: Adj./write-back	Book value	Adj./write-back	Book value	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back
A.1 F.I.P 26.04.25																		
- PROPERTY	643																	

C.4 Exposures to securitisations broken down by portfolio and by type

Exposure/portfolio	Financial assets held for trading	Financial assets fair value option	Financial assets available for sale	Financial assets held to maturity	Loans and receivables	31.12.2014	31.12.2013
1. Cash exposure			643			643	598
- Senior			643			643	598
- Mezzanine							
- Junior							
2. Off-balance sheet exposures							
- Senior							
- Mezzanine							
- Junior							

E. Asset disposals

E.1 Financial assets sold but not derecognised: book value and full value

p.1

Technical forms/Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit and loss		
	A	B	C	A	B	C
A. Cash assets						
1. Debt securities						
2. Equity instruments						
3. UCITS units						
4. Loans						
B. Derivatives						
Total 31.12.2014						
of which: non-performing						
Total 31.12.2013						
of which: non-performing						

Key:
A = Financial assets sold and recognised in full (book value)
B = Financial assets sold and recognised in part (book value)
C = Financial assets sold and recognised in part (full value)

E.1 Financial assets sold but not derecognised: book value and full value

p.2

Technical forms/Portfolio	Financial assets available for sale			Financial assets held to maturity		
	A	B	C	A	B	C
A. Cash assets	**93,773**					
1. Debt securities	93,773					
2. Equity instruments						
3. UCITS units						
4. Loans						
B. Derivatives						
Total 31.12.2014	**93,773**					
of which: non-performing						
Total 31.12.2013	**204,152**			**59,516**		
of which: non-performing						

E.1 Financial assets sold but not derecognised: book value and full value

p.3

Technical forms/Portfolio	Due from banks			Loans to customers			Total	
	A	B	C	A	B	C	31.12.2014	31.12.2013
A. Cash assets							**93,773**	**263,668**
1. Debt securities							93,773	263,668
2. Equity instruments								
3. UCITS units								
4. Loans								
B. Derivatives								
Total 31.12.2014							**93,773**	
of which: non-performing								
Total 31.12.2013								**263,668**
of which: non-performing								

E.2 Financial liabilities pertaining to financial assets sold but not derecognised: book value

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1 Due to customers			**93,756**				**93,756**
a) pertaining to assets recognised in full			93,756				93,756
b) pertaining to assets recognised in part							
2 Due to banks							
a) pertaining to assets recognised in full							
b) pertaining to assets recognised in part							
Total 31.12.2014			**93,756**				**93,756**
Total 31.12.2013			**261,177**	**65,030**			**326,207**

F. Credit risk measurement models

The Bank does not use internal portfolio models for measuring credit risk exposure.

SECTION 2 – MARKET RISK

2.1 Interest rate risk and price risk - Trading portfolio reported for supervisory purposes

Qualitative information

A General aspects

Unexpected changes in market interest rates, in the presence of differences in maturities and in the timing of interest rate reviews for assets and liabilities, result in a change in the net interest flow and therefore in net interest income (or "interest margin"). In addition, these unexpected fluctuations expose the bank to changes in the economic value of assets and liabilities.

Banco Desio adopted a strategy to consolidate a return in line with budget, while maintaining a low risk profile through a low portfolio duration.

B. Management and measurement of interest rate risk and price risk

Trading by the Finance Department is subject to operating limits as set out in the “Risk policy” and in the “Consolidated Texts; in order to mitigate market risk, specific limits have been set for size, duration and Value at Risk (VaR). A specific reporting system is the tool used to provide adequate information to the organisational units involved. The content and frequency of reports depend on the objectives assigned to each participant in the process. The results of monitoring are provided daily to the head of the Finance Department and to General Management.
Together with the above controls, the Bank also uses internal models, assigning the monitoring and measurement of interest rate and price risk to the risk management function, which operates in complete autonomy from the operational areas.

For the quantification of generic risks, Banco Desio has adopted a model based on the concept of Value at Risk (VaR) in order to express synthetically and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and at a specific confidence level under normal market conditions. This method has the advantage of allowing the aggregation of positions involving heterogeneous risk factors; it also provides a summary number which, being a monetary expression, is easily used by the organisational structure involved. The VaR model used is parametric. This is a parametric model of a variance-covariance type for linear tools with the approximation of the delta-gamma type for optional instruments, and uses a confidence interval of 99% with a period of 10 days, in line with the recommendations set out by the Basel Committee. The model covers the assets, in terms of financial instruments, included in both the management and trading portfolios, as defined in the rules governing supervisory reports and subject to the capital requirements for market risks.

The model uses matrices that contain the standard deviations of each risk factor (interest rates, exchange rates and prices) and their correlations. The calculation of the volatilities and correlations is based on the modelling assuming normality in the daily logarithmic returns of the risk factors, using an exponential weighting based on a decay factor with a time interval of 250 observations.

The application used to calculate the VaR is ALMpro, while the financial information needed to determine VaR (volatility, correlations, term structure of interest rates, exchange rates, equity indices and benchmark indices) are provided by RiskSize.

To date, currency and interest rate derivatives and options on equities and indices entered into for trading purposes are excluded from the analysis; in any case, they are treated in the same way as brokerage. The VaR of equities is measured by taking into account the relationship (so-called "beta coefficient") that exists between the performance of an individual instrument to that of its benchmark index (equity index or benchmark index for mutual funds).

Stress tests are carried out through parallel shifts in the yield curve, assuming variations of +/-100 basis points only for positions that are sensitive to interest rates.

The internal model is not used in the calculation of capital requirements for market risk.

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: EURO

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		132,437	5,945	7,663				
+ Short positions		131,595	5,941	7,660				

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: US DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								

+ Long positions								
+ Short positions								
- Other								
+ Long positions		77,280	6,305	2,142				
+ Short positions		77,292	6,305	2,142				

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: POUND STERLING

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		50,303						
+ Short positions		50,694						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: SWISS FRANC

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		829		441				
+ Short positions		1,199		441				

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: JAPANESE YEN

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		3,402						
+ Short positions		3,408						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: CANADIAN DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		1						
+ Short positions		2						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives. Currency: OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								

- with early redemption option		
- other		
1.2 Other assets		
2. Cash liabilities		
2.1 Repurchase agreements		
2.2 Other liabilities		
3. Financial derivatives		
3.1 With underlying security		
- Options		
+ Long positions		
+ Short positions		
- Other		
+ Long positions		
+ Short positions		
3.2 Without underlying security		
- Options		
+ Long positions		
+ Short positions		
- Other		
+ Long positions	1,423	5,270
+ Short positions	1,459	5,270

3 Trading portfolio for supervisory purposes: internal models and other methodologies for the analysis of sensitivity

The monitoring of the “trading portfolio reported for supervisory purposes” in 2014 evidenced a structure with limited market risk, given the Bank's policy not to hold financial instruments in this portfolio. Almost all of the "trading portfolio for supervisory purposes" is exposed to price risk Related VaR at 31.12.2014 amounted to € 5 thousand.

2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The measurement of interest rate risk is performed by risk management, which is autonomous with respect to operational areas. All of the Bank's business associated with the transformation of maturities of assets and liabilities, treasury operations and the respective hedging derivatives is monitored with Asset and Liability Management (ALM) methodologies using ALMpro. The static analysis currently performed allows us to measure the impact of changes in the interest rate structure expressed in terms of the change in the economic value of assets and net interest income.

The model covers assets and liabilities exposed to interest rate risk included in the banking book and in the financial statements. In this context, the results of the banking book for financial statement purposes are also presented, excluding analysis of financial instruments in the trading portfolio for supervisory purposes.

The variability of net interest income, driven by positive and negative changes in interest rates over a period of 365 days, is estimated by the use of several variants of GapAnalysis in order to achieve more accurate estimates.

The changes in the economic value of assets and liabilities are analysed by applying Duration Gap and Sensitivity Analysis approaches.

The analyses are performed through parallel shifts in the yield curve and specific scenarios of changes in market interest rates.

B. Fair value hedges

The Bank's primary objective is to manage in a prudent and active manner the risks associated with operations, that is, to manage them with a specific risk profile, which permits any opportunities arising from changes in risk to be taken advantage of.

To date, the Bank has only used fair value hedges in order to protect the income statement from risks arising from adverse changes in fair value; the objective of a hedge is to offset any changes in the fair value of the hedged instrument with changes in the fair value of the hedging instrument. To date, hedged instruments relate to liabilities, being only bonds, while derivative instruments consisting of unquoted securities - mainly interest rate swaps and interest rate options - are used as hedging instruments only to hedge interest rate risk.

Banco Desio has prepared a model able to manage hedge accounting in accordance with the rules laid down in International Accounting Standards (IAS). The methodology used by the Bank to perform effectiveness tests is the “Dollar Offset Method” (hedge ratio) on a cumulative basis, that is, a comparison of the change in fair value of the hedging instrument with that of the hedged instrument. All hedges are specific.

Banco Desio applies the fair value option for certain types of bonds, with the aim of making the entire fair value of the financial instrument more reliable and representative.

C. Cash flow hedges

Banco Desio has not taken out any cash flow hedges.

Quantitative information

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: EURO

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,959,285**	**4,712,915**	**690,621**	**254,796**	**1,049,569**	**15,335**	**6,360**	
1.1 Debt securities	1,005	44,949	529,891	159,753	579,314	5,763	4,136	
- with early redemption option		26,024						
- other	1,005	18,925	529,891	159,753	579,314	5,763	4,136	
1.2 Loans to banks	165,599	70,357						
1.3 Loans to customers	1,792,681	4,597,609	160,730	95,043	470,255	9,572	2,224	
- current accounts	1,225,681	595,142	1,888	5,114	67,041	966		
other loans	567,000	4,002,467	158,842	89,929	403,214	8,606	2,224	
- with early redemption option	57,541	3,163,611	128,036	71,401	199,873	6,557	1,726	
- other	509,459	838,856	30,806	18,528	203,341	2,049	498	
2. Cash liabilities	**4,172,636**	**1,713,405**	**341,213**	**378,587**	**1,657,744**	**56,731**		
2.1 Due to customers	4,114,001	1,189,061	122,155	132,549	12,595			
- current accounts	4,062,873	1,095,297	122,145	132,546	12,595			
other payables	51,128	93,764	10	3				
- with early redemption option								
- other	51,128	93,764	10	3				
2.2 Due to banks	55,796	152,183	1,350	13,500	550,172			
- current accounts	33,493							
- other payables	22,303	152,183	1,350	13,500	550,172			
2.3 Debt securities in issue	2,839	372,161	217,708	232,538	1,094,977	56,731		
- with early redemption option								
- other	2,839	372,161	217,708	232,538	1,094,977	56,731		
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions		7,025	2,125	1,012	3,583	20		
+ Short positions		7,268	1,986	1,003	3,498	12		
3.2 Without underlying								
Options								
+ Long positions		30,025	31,086	38,219	343,607	81,005	57,250	
+ Short positions	25,357	515,354	17,685	4,962	17,833			
Other								
+ Long positions		37,900		5,000	59,617			
+ Short positions		102,517						
4. Other off-balance sheet transactions								
+ Long positions	54,116							
+ Short positions	54,116							

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: US DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**21,472**	**56,955**	**1,270**					
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	21,390	21,417						
1.3 Loans to customers	82	35,538	1,270					
- current accounts	35							
other loans	47	35,538	1,270					
- with early redemption option								
- other	47	35,538	1,270					
2. Cash liabilities	**79,218**							
2.1 Due to customers	62,829							
- current accounts	62,829							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	16,389							
- current accounts	16,389							
- other payables								
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions		4,244						
+ Short positions		4,244						

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: POUND STERLING

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**895**	**2,658**	**81**					
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	201	1,792						
1.3 Loans to customers	694	866	81					
- current accounts	694							
other loans		866	81					
- with early redemption option								
- other		866	81					
2. Cash liabilities	**1,053**	**2,177**						
2.1 Due to customers	1,040	1,791						
- current accounts	1,040	1,791						
other payables								
- with early redemption option								
- other								
2.2 Due to banks	13	386						
- current accounts	13							
- other payables		386						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: SWISS FRANC

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**399**	**9,949**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	352	7,568						
1.3 Loans to customers	47	2,381						
- current accounts	47							
other loans		2,381						
- with early redemption option								
- other		2,381						
2. Cash liabilities	**9,902**	**8**						
2.1 Due to customers	2,201							
- current accounts	2,201							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	7,701	8						
- current accounts	7,701							
- other payables		8						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions		7,402						
+ Short positions		7,402						

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: JAPANESE YEN

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**412**	**2,815**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	181							
1.3 Loans to customers	231	2,815						
- current accounts								
other loans	231	2,815						
- with early redemption option								
- other	231	2,815						
2. Cash liabilities	**144**	**3,236**						
2.1 Due to customers	144							
- current accounts	144							
other payables								
- with early redemption option								
- other								
2.2 Due to banks		3,236						
- current accounts								
- other payables		3,236						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: CANADIAN DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**41**	**498**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	41	498						
1.3 Loans to customers								
- current accounts								
other loans								
- with early redemption option								
- other								
2. Cash liabilities	**535**							
2.1 Due to customers	535							
- current accounts	535							
other payables								
- with early redemption option								
- other								
2.2 Due to banks								
- current accounts								
- other payables								
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities. Currency: OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,542**	**498**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	1,513	498						
1.3 Loans to customers	29							
- current accounts	29							
other loans								
- with early redemption option								
- other								
2. Cash liabilities	**1,977**							
2.1 Due to customers	1,954							
- current accounts	1,954							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	23							
- current accounts	23							
- other payables								
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

2. Banking book: internal models and other methodologies for the analysis of sensitivity

The Bank's operational and strategic approach is to consider the volatility of the interest margin and the overall economic value.

The following table shows the results of the impact on the interest margin - from a static perspective and in the absence of behavioural models for demand items - of the analyses carried out at 31 December 2014, assuming a parallel shift in the yield curve, and considering the time effect of repricing.

Risk ratios: parallel shifts in the yield curve at 31.12.2014

	+100 bp	*-100 bp*
% of the expected margin	*5.43%*	*-14.86%*
% of net interest and other banking income	*3.57%*	*-9.76%*
% of the result of the year	*21.31%*	*-58.31%*
% of shareholders' equity	*0.90%*	*-2.45%*

In terms of economic value, the results, which were estimated with the help of measurement models in a static perspective and in the absence of behavioural models for demand items, evidenced a risk exposure at 31 December 2014 that has been maintained at levels that do not significantly impact total capital.

The following table shows the changes in the economic value analysed by applying deterministic approaches with parallel shifts in the yield curve.

Risk ratios: parallel shifts in the yield curve at 31.12.2014

	+100 bp	*-100 bp*
% of the economic value	*1.00%*	*-0.22%*

2.3. EXCHANGE RISK

Qualitative information

A. General aspects, management and measurement of exchange risk

The Bank is exposed to exchange risk as a result of its trading activities in foreign exchange markets and investment activities and fundraising with instruments denominated in a currency other than the domestic one.

The Bank is marginally exposed to foreign exchange risk. The Operations Room of the Finance Department manages forex operations, with respect to which it:

- operates in domestic and international foreign exchange, interest rate and foreign currency deposits markets;
- executes spot and forward currency contracts on its own account and on behalf of customers;
- executes currency forwards and foreign currency deposits with resident and non resident counterparties.

Exchange rate risk is managed through "intraday" and "end-of-day" operating limits, both by currency areas and by concentration on each currency. In addition, daily and yearly stop-loss operating limits have been set.

B. Hedging of exchange risk

The Bank's main objective is to manage exchange risk in a prudent manner, always taking into consideration the possibility of taking advantage of any market opportunities. Transactions that involve taking on exchange risk are managed through appropriate hedging strategies.

Quantitative information

1. Distribution by currency of denomination of assets, liabilities and derivatives

Captions	US Dollar	Pound Sterling	Yen	Swiss Franc	Other currencies
A. Financial assets	**79,698**	**3,635**	**3,227**	**10,348**	**2,039**
A.1 Debt securities					
A.2 Equity instruments					
A.3 Loans to banks	42,808	1,994	181	7,921	2,010
A.4 Loans to customers	36,890	1,641	3,046	2,427	29
A.5 Other financial assets					
B. Other assets	**264**	**220**	**17**	**118**	**49**
C. Financial liabilities	**79,218**	**3,229**	**3,380**	**9,910**	**1,977**
C.1 Due to banks	16,389	399	3,236	7,709	23
C.2 Due to customers	62,829	2,830	144	2,201	1,954
C.3 Debt securities					
C.4 Other financial liabilities					
D. Other liabilities	**430**	**7**		**81**	
E. Financial derivatives					
- Options					
+ Long positions					
+ Short positions					
- Other					
+ Long positions	85,726	50,303	3,402	1,270	6,694
+ Short positions	85,738	50,694	3,408	1,640	6,730
Total assets	**(165,688)**	**(54,158)**	**(6,646)**	**(11,736)**	**(8,782)**
Total liabilities	**165,386**	**53,930**	**6,788**	**11,631**	**8,707**
Net balance (+/-)	**(302)**	**(228)**	**142**	**(105)**	**(75)**

2. Internal models and other methodologies or the analysis of sensitivity

The Bank's exchange risk profile is not particularly significant, given the limited foreign currency exposure of the main asset and liability items and the related hedges put in place through the use of financial derivatives.

2.4 DERIVATIVE INSTRUMENTS

A. Financial derivatives

A.1 Regulatory trading book: notional values at the end of period and average notional values

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices		**36**		**33**
a) Options		36		33
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold	**289,355**		**115,222**	
a) Options				
b) Swap				
c) Forward	289,355		115,222	
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**289,355**	**36**	**115,222**	**33**
Average amounts	**22,040**	**36**	**8,771**	**33**

A.2 Banking book: period-end and average notional values

A.2.1 Hedging

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**79,617**		**189,217**	
a) Options				
b) Swap	79,617		189,217	
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**79,617**		**189,217**	
Average amounts	**79,617**		**189,217**	

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**68,700**		**103,700**	
a) Options	45,800		65,800	
b) Swap	22,900		37,900	
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**68,700**		**103,700**	
Average amounts	**68,700**		**103,700**	

A.3 Financial derivatives: positive gross fair value – breakdown by product

Portfolio/Type of derivatives	Positive fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**2,136**	**36**	**497**	**33**
a) Options		36		33
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	2,136		497	
f) Futures				
g) Other				
B. Banking book - hedging	**2,784**		**5,052**	
a) Options				
b) Interest rate swaps	2,784		5,052	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**1,339**		**1,541**	
a) Options				
b) Interest rate swaps	1,339		1,541	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**6,259**	**36**	**7,090**	**33**

A.4 Financial derivatives: positive gross fair value – breakdown by product

Portfolio/Type of derivatives	Negative fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**2,084**		**480**	
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	2,084		480	
f) Futures				
g) Other				
B. Banking book - hedging			**2,894**	
a) Options				
b) Interest rate swaps			2,894	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**2,084**		**3,374**	

A.5 OTC financial derivatives - regulatory trading book: notional values, positive and negative gross fair values by counterparty - contracts that do not form part of compensation arrangements

Contracts that do not form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2. Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3. Currency and gold							
- notional value			140,630	99,798		25,777	23,150
- positive fair value			614	767		580	175
- negative fair value			1,376	112		532	64
- future exposure			1,406	998		258	232
4. Other instruments							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.8 OTC financial derivatives - banking book: notional values, positive and negative gross fair values by counterparty - contracts that form part of compensation arrangements

Contracts that form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value			148,317				
- positive fair value			4,305				
- negative fair value			182				
2. Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
3. Currency and gold							
- notional value							
- positive fair value							
- negative fair value							
4. Other instruments							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual life of OTC financial derivatives: notional values

Underlying/Residual life	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes	**289,355**			**289,355**
A.1 Financial derivatives linked to debt securities and interest rates				
A.2 Financial derivatives linked to equities and stock indices				
A.3 Financial derivatives linked to exchange rates	289,355			289,355
A.4 Financial derivatives linked to other instruments				
B. Banking book	**42,900**	**105,417**		**148,317**
B.1 Financial derivatives linked to debt securities and interest rates	42,900	105,417		148,317
B.2 Financial derivatives linked to equities and stock indices				
B.3 Financial derivatives linked to exchange rates				
B.4 Financial derivatives linked to other instruments				
Total 31.12.2014	**332,255**	**105,417**		**437,672**
Total 31.12.2013	**279,822**	**128,317**		**408,139**

B. Credit derivatives

B.1 Credit derivatives: notional values at the end of period and average notional values

Type of transaction	Trading portfolio for supervisory purposes		Banking book	
	on a single entity	on baskets of entities	on a single entity	on baskets of entities
1. Purchases of protection				
a) Credit default products				
b) Credit spread products				
c) Total rate of return swaps				
d) Other				
Total 31.12.2014				
Average amounts				
Total 31.12.2013				
2. Sales of protection				
a) Credit default products	25,000			
b) Credit spread products				
c) Total rate of return swaps				
d) Other				
Total 31.12.2014	**25,000**			
Average amounts	**25,000**			
Total 31.12.2013	**25,000**			

B.2 OTC credit derivatives: positive gross fair value - breakdown by product

Portfolio/Type of derivatives	Positive fair value	
	31.12.2014	31.12.2013
A. Trading portfolio for supervisory purposes	61	164
a) Credit default products	61	164
b) Credit spread products		
c) Total rate of return swaps		
d) Other		
B. Banking book		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swaps		
d) Other		
Total	**61**	**164**

B.4 OTC credit derivatives: positive and negative gross fair values by counterparty - contracts that do not form part of compensation arrangements

Contracts that do not form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
Regulatory trading							
1. Purchase of protection							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2. Sale of protection							
- notional value			25,000				
- positive fair value			61				
- negative fair value							
- future exposure			2,500				
Banking book							
1. Purchase of protection							
- notional value							
- positive fair value							
- negative fair value							
2. Sale of protection							
- notional value							
- positive fair value							
- negative fair value							

B.6 Residual life of credit derivatives: notional values

Underlying/Residual life		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes		**25,000**			**25,000**
A.1 Credit derivatives with qualified reference obligation		25,000			25,000
A.2 Credit derivatives with unqualified reference obligation					
B. Banking book					
B.1 Credit derivatives with qualified reference obligation					
B.2 Credit derivatives with unqualified reference obligation					
Total	**31.12.2014**	**25,000**			**25,000**
Total	**31.12.2013**		**25,000**		**25,000**

C. Financial and credit derivatives

C.1 OTC Financial and credit derivatives: net fair values and future exposure by counterparty

	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1) Bilateral financial derivative agreements			**4,536**				
- positive fair value			4,123				
- negative fair value							
- future exposure			413				
- net counterparty risk							
2) Bilateral credit derivative agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3) Cross product agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

SECTION 3 - LIQUIDITY RISK

Qualitative information

A. General aspects, management and measurement of liquidity risk

Liquidity risk is managed by the Finance Department with the aim of meeting liquidity needs, avoiding situations of excessive and/or insufficient cash, resulting in the need to invest and/or raise funds at less favourable rates than the market. The monitoring of and periodic reporting on liquidity risk is carried out by the Risk Management Office in compliance with the threshold of tolerance for this kind of risk as determined by the Policy for the management of liquidity risk.

Treasury activities consist of procuring and allocating available liquidity through the interbank market, open market operations and transactions in repurchase agreements and derivatives.

The management of operational liquidity has the objective of ensuring the Group is capable of meeting expected and unexpected payment commitments in the context of the "normal course of business" (going concern) over a short term time horizon that does not exceed 3 months. The scope of reference of the daily report on operating liquidity refers to items with a high level of volatility and a considerable impact on the monetary base. The monitoring and control of operating limits is carried out through the acquisition of information resulting from collection and payment transactions, management of accounts for services and trading in the financial instruments held in proprietary portfolios.

The counterbalancing capacity model allows us to integrate the report with all of the free assets that can readily be used, both to be eligible for refinancing with the ECB and to be sold. Next to the application of haircuts determined by the ECB for eligible securities, appropriate discount factors are prepared (divided by type of security, rating and currency), also for all securities not eligible, but still considered marketable if appropriately positioned in time buckets.

Further support for the management of liquidity risk is derived from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between assets and liabilities in the medium to long term.

Operations are measured using Asset and Liability Management (ALM) methods through the ALMpro application: by developing all of the cash flows generated by operations, it allows us to evaluate and manage in the various time periods any liquidity requirement that the Bank may encounter due to imbalances between inflows and outflows.

The analysis of the overall structural liquidity is developed on a monthly basis using the technique, i.e. showing imbalances by date of liquidation of capital flows over a set time horizon.

In order to evaluate the impact of the negative events on the risk exposure, stress tests are performed at consolidation level. In particular, the events considered are:

- outflow from overdrafts repayable on demand considered non core;
- lack of inflow from contractual lending (mortgage loans, leasing, personal loans) due to unpaid instalments;
- decrease in value of the owned securities portfolio (Available for Sale – AFS);
- repurchase of issued Bonds;
- use of available facilities for revocable lines of credit (call risk);
- increase in haircuts applied to eligible owned securities that fall within ECB Category I (government bonds).

On completion of the analysis, three types of scenarios are created:

1. Idiosyncratic, defined as a loss of confidence by the Bank's market;
2. Market, defined as a loss arising from exogenous events and from the impact of a general economic downturn;
3. Combined, being a combination of scenarios 1 and 2.

The time horizon for the simulation of all scenarios is 1 month.

Particular attention is paid to funding policy, which is coordinated by the Finance Department by organising bond issues on the retail market and on the Euromarket. The financing strategies adopted by the Group are focused on a subdivision of funding sources, with a preference for retail as opposed to wholesale customers, as well as on a significant number of counterparties and thus ensuring an adequate diversification of the residual maturities of liabilities.

Quantitative information

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: EURO

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**2,054,101**	**217,885**	**50,965**	**292,603**	**642,782**	**332,090**	**595,150**	**2,944,144**	**1,761,976**	**55,354**
A.1 Government securities	3		281		626	3,592	162,254	873,000	185,000	
A.2 Other debt securities	15			313	3,866	32,908	2,246	56,350	5,160	
A.3 UCITS units	45,142									
A.4 Loans	2,008,941	217,885	50,684	292,290	638,290	295,590	430,650	2,014,794	1,571,816	55,354
- Banks	165,599				15,005					55,354
- Customers	1,843,342	217,885	50,684	292,290	623,285	295,590	430,650	2,014,794	1,571,816	
Cash liabilities	**4,891,703**	**142,130**	**71,660**	**186,488**	**473,833**	**235,859**	**440,128**	**1,852,938**	**59,743**	
B.1 Current accounts and deposits	4,869,419	40,375	45,836	63,473	216,468	122,982	134,265	12,511		
- Banks	27,605									
- Customers	4,841,814	40,375	45,836	63,473	216,468	122,982	134,265	12,511		
B.2 Debt securities	2,874	8,695	25,824	122,561	104,917	107,592	301,263	1,261,867	58,393	
B.3 Other liabilities	19,410	93,060		454	152,448	5,285	4,600	578,560	1,350	
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		10,262	421	123,558	5,221	8,053	8,674	3,479	20	
- Short positions		9,672	442	123,532	5,217	7,915	8,657	3,393	12	
C.2 Financial derivatives without exchange of capital										
- Long positions				474	613	147	792			
- Short positions					7	11	59			
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions	8				450	595	897	25,489	26,677	
- Short positions	54,116									
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions	61									
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: US DOLLAR

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**21,472**	**21,574**	**9,336**	**5,876**	**20,443**	**1,284**			**12**	
A.1 Government securities										
A.2 Other debt securities									12	
A.3 UCITS units										
A.4 Loans	21,472	21,574	9,336	5,876	20,443	1,284				
- Banks	21,390	21,419								
- Customers	82	155	9,336	5,876	20,443	1,284				
Cash liabilities	**79,218**									
B.1 Current accounts and deposits	79,218									
- Banks	16,389									
- Customers	62,829									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		2,357	389	70,669	3,865	6,305	2,142			
- Short positions		2,367	389	70,672	3,865	6,305	2,142			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions		4,244								
- Short positions		4,244								
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: POUND STERLING

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**896**			**312**	**2,353**	**82**				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										

A.4 Loans	896			312	2,353	82				
- Banks	201				1,795					
- Customers	695			312	558	82				
Cash liabilities	**1,053**	**385**			**1,796**					
B.1 Current accounts and deposits	1,053	385			1,796					
- Banks	13	385			3					
- Customers	1,040				1,793					
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		97		50,206						
- Short positions		488		50,206						
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: SWISS FRANC

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**399**	**7,569**	**310**	**270**	**1,817**					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	399	7,569	310	270	1,817					
- Banks	352	7,569								
- Customers	47		310	270	1,817					
Cash liabilities	**9,902**									
B.1 Current accounts and deposits	9,902									

- Banks	7,701									
- Customers	2,201									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		81		250	499		441			
- Short positions		451		250	499		441			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions		7,402								
- Short positions		7,402								
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: CANADIAN DOLLAR

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**41**	**498**								
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	41	498								
- Banks	41	498								
- Customers										
Cash liabilities	**535**									
B.1 Current accounts and deposits	535									
- Banks										
- Customers	535									
B.2 Debt securities										

B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		1								
- Short positions		2								
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual maturity - Currency: JAPANESE YEN

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**412**		**2,488**	**80**	**254**					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	412		2,488	80	254					
- Banks	181									
- Customers	231		2,488	80	254					
Cash liabilities	**144**	**3,236**								
B.1 Current accounts and deposits	144	3,236								
- Banks		3,236								
- Customers	144									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		44		3,357						
- Short positions		50		3,357						

C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: OTHER CURRENCIES

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,583**	**996**								
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	1,583	996								
- Banks	1,554	996								
- Customers	29									
Cash liabilities	**2,512**									
B.1 Current accounts and deposits	2,512									
- Banks	23									
- Customers	2,489									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		71	70	460	824		5,270			
- Short positions		129	49	460	824		5,270			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										

C.4 Irrevocable commitments to grant finance
- Long positions
- Short positions
C.5 Financial guarantees given
C.6 Financial guarantees received
C.7 Credit derivatives with exchange of capital
- Long positions
- Short positions
C.8 Credit derivatives without exchange of capital
- Long positions
- Short positions

2. Information on committed assets recorded in the financial statements

Technical forms		Committed		Uncommitted		31.12.2014	31.12.2013
		BV	FV	BV	FV		
1. Cash and cash equivalents				37,687		37,687	24,322
2. Debt securities		1,027,351	1,027,351	297,460	297,460	1,324,811	1,594,102
3. Equity instruments				9,158	9,158	9,158	7,596
4. Loans		31,833		7,432,106		7,463,939	6,346,158
5. Other financial assets				265,835		265,835	150,671
6. Non-financial assets				389,603		389,603	331,530
Total	**31.12.2014**	**1,059,184**	**1,027,351**	**8,431,849**	**306,618**	**9,491,033**	
Total	**31.12.2013**	**914,352**	**892,987**	**7,540,027**	**710,253**		**8,454,379**

3. Information on own committed assets not recorded in the financial statements

Technical forms		Committed	Uncommitted	31.12.2014	31.12.2013
1. Financial assets			225,631	225,631	261,139
- Securities			225,631	225,631	261,139
- Other					
2. Non-financial assets					
Total	**31.12.2014**		**225,631**	**225,631**	
Total	**31.12.2013**	**184,466**	**76,673**		**261,139**

Banco Desio

SECTION 4 - OPERATIONAL RISK

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, inclusive of legal risk (see EU regulation 575/2013).

Banco Desio e della Brianza uses the above definition of operational risk within the operational risk management model as approved and formalised.

In this regard, a specific operational risk management macro-process (ORM framework) has been designed that consists of the following phases:

I. Identification: recognition, collection and classification of information relating to operational risks;

II. Economic measurement of operational risks linked to the Bank's operations;

III. Collection and structured organisation of the results in order to monitor the evolution of operational risk exposure;

IV. Mitigation and control: risk transfer and improvement of business processes.

To support the operational risk management model, the following processes have been formalised:

- Loss Data Collection – structured process for gathering data on operational losses arising within the Bank;
- Risk Self Assessment – structured process for the measurement of operational risks designed to have complete vision of risk events in terms of the potential impact and the worst case impact.

The Risk Management Office applied company regulations to structure an adequate monitoring and reporting system for operational risk by integrating it with the dictates of the supervisory regulations about the provisions regarding coordination between control functions. With respect to the detrimental events gathered in the Corporate Database of Operational Losses (DBPOA), a reporting system was implemented some time ago that is capable of providing senior management with information concerning the events in question: number of events, amount of losses, gross and net of any recoveries, at predefined intervals.

With a view to better integration between the different control functions in the field of operational risk management and IT risk, the Bank is developing a defined integrated (GRC - ARIS) procedure.

In compliance with the Bank of Italy's provisions (former circular 263/06 section 8 and 9), Banco Desio set up the Security and ICT Governance Function and adopted the following procedures:

1. Security Management;
2. Accident Management;
3. IT Risk Assessment.

As regards the management of risks impacting the Bank's business continuity, a Business continuity plan has been prepared: some time ago, measures were drawn up to identify services deemed to be vital for the business, system documentation was prepared to support operations (operating procedures for emergency management and recovery), a Disaster Recovery website was prepared, as an alternative to that for normal business operations, to be used in the event of an emergency and for the performance of related testing. The measures adopted for business continuity management and for the oversight of the IT provider were updated.

For risk management of criminal offences pursuant to Legislative Decree 231/2001 “Regulation of the administrative liability of legal entities, companies and associations with or without legal personality”, the Bank has adopted an organisational model for the prevention thereof. The supervision of the effective implementation of the aforementioned models has been assigned to specific bodies.

As regards legal risk, the various corporate functions operate with standard contracts that have previously been vetted by the appropriate business structure. Accordingly, it should be noted that most of the ongoing legal disputes at the year end relate to disputes concerning revocatory actions, alleged usury and compound interest charges.

Banco Desio e della Brianza, as part of its day-to-day operations, has been involved in legal proceedings for which specific loss estimates have been made when deemed appropriate by the competent corporate functions. A summary table of legal disputes with the related provisions and a listing of the major lawsuits is shown below:

CLAW-BACK SUITS

Number	14
Claim	€ 5.319 million
Provision	€ 1.188 million

OTHER LAWSUITS

Number	216
Claim	€ 90.591 million
Provision	€ 8.495 million

SIGNIFICANT LAWSUITS (CLAIMS HIGHER THAN € 1 MILLION)

- Plaintiff FAIRFIELD: CLAIM € 2.692 million. Judicial procedure initiated by Fairfield Sentry Limited Fund brought before the United States Bankruptcy Court for the Southern District of New York against Banco di Desio e della Brianza S.p.A. in its capacity as custodian bank of a mutual fund managed by an Italian asset management company. This legal action is aimed at the recovery of payments made between 2005 and 2008 of a total amount of $3,853,221.77 by Fairfield Fund (put into liquidation as a result of the well known events involving Bernard L. Madoff) to Banco di Desio e della Brianza S.p.A. (in its capacity as custodian bank) on behalf of the aforementioned mutual fund. Banco di Desio e della Brianza S.p.A. acted as a mere intermediary in the relationship between Fairfield Fund and the aforementioned mutual fund;
- CLAIM € 1.833 million. Litigation initiated by the user of a property leased by the Bank to seek invalidation of the effects of certain clauses of the lease agreement, as well as the reimbursement of € 1.833 million, being an amount allegedly paid by the counterparty as a penalty for the termination of the agreement. The Bank appeared before the court to request that the claims be dismissed given that the disputed clauses were expressly approved by the company, while the claim for damages was based on the erroneous assumption that the amount of € 1,833 million was paid as a penalty, whereas it was an advance payment of lease instalments for the use of the leased property. After filing briefs, the case was adjourned, with closing arguments to be presented with no further investigation at the hearing scheduled for 15.06.2016;
- CLAIM € 1.150 million The counterparty opposed our injunction with a simultaneous counterclaim. During the hearing, the court appointed expert witness declared that Banco di Desio e della Brianza S.p.A. had acted correctly. The judgement of the Court of First Instance, which went in favour of Banco di Desio e della Brianza S.p.A., was appealed against. The decision of the Court of Appeal was to reject the counterparty's appeal and to fully accept the motives submitted in defence of the Bank. However, Banco di Desio e della Brianza S.p.A. will continue to appear in court. The hearing was postponed to 26.05.2015 for the closing arguments.
- CLAIM € 45.608 million. By writ of summons, the counterparty in Extraordinary Administration brought legal proceedings against Banco di Desio e della Brianza S.p.A. and 18 other banks, with which it had current accounts, seeking an order for payment, jointly and severally, of an amount of € 45.608 million as compensation for damages for predatory lending and for the payment of damages attributable to each defendant. Banco di Desio e della Brianza S.p.A. appeared before the court. The court issued judgement in 2011 stating that the plaintiff lacked the capacity to sue and offset the litigation costs. By writ of summons, the counterparty appealed against the above mentioned judgement, resubmitting substantially the same arguments as those put before the Court of First Instance. Having set out the conclusions, the suit is now pending a decision;

- CLAIM: € 2 million - By writ of summons, the counterparty brought legal proceedings against Banco di Desio e della Brianza S.p.A. to seek a declaration of ineffectiveness against the creditors associated with remittances made to the company's current account in the year prior to the issue of declaratory judgement of insolvency. The Court of First Instance partially upheld the demands of the bankrupt party and ordered Banco di Desio e della Brianza S.p.A. to return an amount that was lower than the claim. The counterparty lodged an appeal. Banco di Desio e della Brianza S.p.A., in order to avoid notification of a payment injunction, paid the amount fixed by the judgement made by the Court of First Instance, comprising capital, interest and legal fees, subject to restitution based on the outcome of the appeal proceedings. Having set out the conclusions, the suit is now pending a decision;
- CLAIM € 1.103 million. Bankruptcy clawback action aimed at the clawback of the payment of the purchase price for a fixed asset owned by Banco di Desio e della Brianza S.p.A. and leased to the counterparty plus amounts paid into a current account. The receiver is of the belief that the payments were made by abnormal means (art. 65 of the Bankruptcy Law) since the cheques that were cashed were made out to the counterparty and not to Banco di Desio e della Brianza S.p.A. The Court of First Instance's judgement went completely in favour of Banco di Desio e della Brianza S.p.A., but the receiver lodged an appeal, prior to the deadline, with the Milan Court of Appeal. The next hearing has been scheduled for 09/07/2015 to discuss the conclusions;
- CLAIM € 2.784 million. This case was initiated with a writ of summons which contested the application of interest that was higher than legal and usury rates and which made a claim for expenses, recognition of value dates and for fees and commissions that were never agreed. The judge appointed an expert witness who has produced drafts of the report: the papers filed by the expert witness are favourable to the Bank;
- CLAIM € 1.565 million. This case was initiated with a writ of summons which contested the application of interest that was higher than legal and usury rates and which made a claim for expenses, recognition of value dates and for fees and commissions that were never agreed. The judge appointed an expert witness who has produced drafts of the report: the papers filed by the expert witness are favourable to the Bank.
- CLAIM € 10.000 million. The company opposed the aforementioned injunction by asking, in addition to the withdrawal of the injunction, for the payment by the Bank of an amount of Euro 10 million for damages sustained by way of capital reduction and for damage to the company's reputation. The claim for damages was justified by the counterparty as a consequence of an illegitimate withdrawal of banking facilities and for having been consequently reported to Central Risks. The case was adjourned, with closing arguments to be presented at the hearing scheduled for 21.1.2016.

TAX LITIGATION

We have the following to say about the Bank's outstanding litigation with the Tax Authorities.

With reference to the tax assessments for 2008, which were disclosed in the notes to the 2013 financial statements:

- on 17 January 2014, the Bank complied with the assessment with respect to VAT, by accepting the findings and by paying the amounts assessed in full;
- on 23 May 2014, a tax settlement proposal was agreed for the IRES assessment concerning the treatment of writedowns and loan losses. The settlement was effective as of 5 June 2014 on payment of the agreed amount.

The amounts paid are summarised below:

year	tax	additional tax	penalties (reduced to	interest	total paid
2008	VAT	343		57	400
	Ires	251	84	43	378
Total		594	84	100	778

The VAT amounts paid were recharged to the asset management companies in accordance with the provisions of art. 60 para. 7 of Presidential Decree 633/72. As regards the amounts relating to IRES, the additional tax due for accepting the assessment was accounted for as an offset against amounts recoverable from the tax authorities (recoverable, in part, by filing a claim for a refund and, in part, by deducting it from the tax payable in future tax periods) and the penalties and interest were recognised as costs, which were debited to the provision for risks and charges that had already been set up in the 2013 financial statements.

As regards the issue of having allegedly claimed foreign status without justification for the foreign subsidiaries CPC SA in liquidation, Brianfid SA in liquidation and Rovere SdG, for which disclosure was provided in the explanatory notes to the 2013 financial statements:

- with reference to Brianfid SA in liquidation:
  - ✓ on 12 May 2014 payment was made of the amount due under the tax settlement in relation to the notice of assessment issued to the subsidiary Brianfid SA via the former General Manager, Mr Claudio Broggi (General Manager of the Bank, whose employment relationship has since been terminated), in his capacity as alleged *de facto* director of Brianfid SA in liquidation, for the 2003 tax year;
  - ✓ on 30 May 2014, the Monza and Brianza Regional Tax Office issued Mr Claudio Broggi with notices of assessment relating to the tax years 2005 to 2009 (the tax years 2004, 2010 and 2011 were not subject to inspection as losses were posted for the years in question). The amounts assessed have been revised by the tax authorities, as was the case for the 2003 tax year, after having taken account of the foreign tax already paid by the subsidiary and the regime providing for tax relief on capital gains and dividends received, thus reducing the tax disputed by the Tax Police in their official report of findings. On 27 June 2014 a tax settlement proposal was reached and payment was made of the amounts due for tax, interest and penalties that were reduced to one sixth due to having tacitly agreed to the assessments.

  The amounts paid, which completely settled the assessments, as a result of the settlement agreement for 2003 and the acceptance of the assessments for the subsequent years are as follows:

year	tax	additional tax	penalties	interest	total
2003	Ires	138	56	43	237
	Irap	103	41	32	176
2005	Ires	33	7	8	48
	Irap	60	12	16	88
2006	Ires	495	99	115	709
	Irap	101	20	23	144
2007	Ires	410	82	83	575
	Irap	95	19	19	133
2008	Ires	192	38	34	264
	Irap	100	20	17	137
2009	Ires				
	Irap	43	9	6	58
Total		1.770	403	396	2.569

  The total payment made to settle all the assessments of Euro 2,569 thousand was debited to the provision for risks recorded by the Bank in its 2013 financial statements in relation to the aforementioned findings.

- with respect to CPC SA in liquidation, on 29 April 2014 the Monza and Brianza Regional Tax Office notified in advance the annulment in self defence of all the notices of assessment relating to the tax years from 2001 to 2004 that then became definitive on 29 July 2014 on receipt of notification of the Lombardy regional tax office having agreed to the annulment of the aforementioned assessments;
- as regards Rovere SdG and CPC SA in liquidation (for the years after 2004), following the analyses carried out together with the Tax Office, the latter decided to transform the allegation of foreign-dressing of foreign subsidiaries by the Bank into one of "transfer pricing" on the non-recharging of so-called "coordination costs" (from 2005 to 2011 for CPC and from 2009 to 2011 for Rovere) and only in the case of Rovere for the alleged failure to grant a rebate on management fees for the tax years 2009 and 2010.

Accordingly, on 30 December 2014, the Lombardy Regional Tax Office served the following tax assessments on the Bank for the years from 2005 to 2009, for IRES and IRAP, fining the Bank as follows:

year	tax	additional tax	penalties (reduced to 1/6)	interest	total
2005	Ires	31	5	9	45
	Irap	5	1	1	7
2006	Ires	37	6	9	52
	Irap	6	1	1	8
2007	Ires	42	7	9	58
	Irap	7	1	2	10
2008	Ires	37	6	7	50
	Irap	6		1	7
2009	Ires	177	30	28	235
	Irap	31		5	36
Total		379	57	72	508

The Bank decided to accept these assessments and paid the amounts claimed on 12 January 2015. The amounts were expensed, at the same time using an equivalent amount from the provision for risks and charges already set up in previous years.

Again on 30 December 2014, assessments were notified for the years from 2006 to 2009 for VAT purposes.

The assessments concern the liability to tax of the fees charged by the Bank to the asset management company for custodian bank services. They reflect the terms and conditions of the agreements reached on the subject between ABI (the Italian Banking Association) and the Tax Authorities, with reference to the charging tax on the fees charged by banks to asset management companies for custodian services, formalised in the Ministerial Resolution no. 97/E of 17 December 2013.
As a result of these investigations, the Tax Office has fined the Bank as follows:

year	tax	additional tax	penalties	interest	total
2006 (*)	VAT	29		7	36
2009	VAT	272		46	318
Total		301		53	354

(*) Additional assessment with respect to the one previously notified for the same year, disclosed in the notes to the 2013 financial statements and relating to the custodian bank fees received in connection with minority contractual relationships.

The Bank decided to accept these assessments as well and paid the amounts claimed on 12 January 2015. The VAT amounts paid were recharged to the asset management companies in accordance with the provisions of art. 60 para. 7 of Presidential Decree 633/1972.

As regards the issue of transfer pricing, given the figures established by the Tax Authorities for 2009, the Company decided to supplement the provisions for risks and charges in the 2014 financial statements by Euro 325 thousand, given that assessments will probably be issued for 2010 and 2011 as well.

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Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation - Legal investigations

With reference to Criminal Proceedings 22698/08, at the hearing held on 24 January 2014, the Court of Rome upheld the application for settlement presented by the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation, which in 2011 became involved in these proceedings in connection with the administrative liability of legal persons pursuant to Legislative Decree 231/2001 for alleged offences committed by their former officers. The payment made for the settlement (which closed the legal proceedings in question) led to a partial release in 2013 of the provision that had previously been set up.

Quantitative information

The number of detrimental events recorded by the Bank in the course of 2014 comes to 738. The result of the process of collecting adverse events is summarised in the table below (monetary amounts are expressed in thousands of euro):

Event Type	N ° Events	% Events	Gross loss	% Of total	Net loss	% Of total	Recoveries	% recovery
INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding episodes of discrimination), involving at least one internal member of the bank	1	0,14%	20	0,48%	20	0,48%	0	0,00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetuated by third parties	51	6,91%	203	4,89%	184	4,45%	19	9,49%
CONTRACT OF EMPLOYMENT AND WORKPLACE SAFETY Losses due to actions contrary to the laws and labor contracts, health and safety in the workplace, and to compensation for injury or incidents of discriminational.	1	0,14%	65	1,56%	65	1,57%	0	0,00%
RELATIONAL ACTIVITY CONNECTED TO CUSTOMERS, PRODUCTS AND CHANNELS Losses due to inability (not intentional or negligent) to fulfil professional commitments taken with customers (including fiduciary requirements and adequate information on investments)	81	10,98%	2.266	54,53%	2.266	54,92%	0	0,00%
DAMAGE TO ASSETS This category includes events of a natural origin or attributable to actions taken by third parties that cause damage to physical assets of the bank	5	0,68%	404	9,72%	403	9,76%	1	0,00%
BUSINESS INTERRUPTION AND SYSTEM FAILURE Losses arising from a blockage of information systems or line connections	7	0,95%	122	2,94%	122	2,96%	0	0,00%
EXECUTION OF INSTRUCTIONS, DELIVERY OF PRODUCTS AND PROCESS MANAGEMENT	592	80,22%	1.076	25,88%	1.067	25,85%	9	0,84%
TOTAL	**738**	**100,00%**	**4.156**	**100,00%**	**4.127**	**100,00%**	**29**	**0,70%**

The gross operating loss comes to € 4.156 million, for which prudent provisions were made during the year of € 3.46 million. Of the total gross loss, an amount was recovered of € 0.03 million, resulting in a net loss of € 4.127 million.

PART F - INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity

A. Qualitative information

The Board of Directors has always paid a great deal of attention to the Bank's capital. It is well aware of its importance in inspiring confidence in external providers of finance, as it can be used to absorb losses, and of its importance for purely operational and business development purposes. A good level of capitalisation allows us to address the question of business development with the necessary degree of autonomy and to preserve the stability of the Bank.

The concept of book equity used by Banco Desio is given by the sum of the following liability captions: share capital, valuation reserves, reserves, share premium reserve and net profit (loss) for the period.

The policy of the Board of Directors is thus to assign a considerable priority to capital, so as to use it in the best way possible to expand the Bank's business and to maximise the return for shareholders, while maintaining a prudent risk profile. As regards this last aspect, it should be borne in mind that the main component of mandatory minimum capital requirements relates to credit risk associated with a diversified loan portfolio focused on the core sector of local businesses and households.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Captions/Amounts	31.12.2014	31.12.2013
1. Share capital	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	676,423	663,275
- revenue reserves	675,108	662,366
a) legal reserve	81,206	80,263
b) statutory reserve	469,733	464,233
c) reserve for treasury shares	-	-
d) other	124,169	117,870
- other	1,315	909
3.bis Advance dividends	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	24,511	24,879
- Financial assets available for sale	3,048	2,259
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash-flow hedges	-	-
- Exchange differences	-	(732)
- Non-current assets and disposal groups held for sale	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(1,433)	456
- Portion of valuation reserves relating to investments carried at equity	-	-
- Special revaluation laws	22,896	22,896
7. Net profit (loss) for the period	32,986	9,574
Total	**817,770**	**781,578**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amounts	31.12.2014		31.12.2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	3,559	(656)	4,308	(2,643)
2. Equity instruments	397		397	
3. UCITS units	939	(1,191)	405	(208)
4. Loans				
Total	**4,895**	**(1,847)**	**5,110**	**(2,851)**

B.3 Valuation reserves pertaining to financial assets available for sale: changes in the year

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**1,665**	**397**	**197**	**-**
2. Positive changes	**6,063**	**-**	**627**	**-**
2.1 Fair value increases	3,540	-	537	-
2.2 Reversal to income statement of negative reserves	1,798	-	-	-
- from impairment	-	-	-	-
- from disposals	1,798	-	-	-
2.3 Other changes	725	-	90	-
3. Negative changes	**(4,825)**	**-**	**(1,076)**	**-**
3.1 Fair value decreases	(404)	-	(1,072)	-
3.2 Impairment adjustments	-	-	-	-
3.3 Reversal to income statement from positive reserve: from	(4,334)	-	(4)	-
3.4 Other changes	(87)	-	-	-
4. Closing balance	**2,903**	**397**	**(252)**	**-**

Section 2 – Own funds and capital adequacy ratios

2.1 OWN FUNDS

A. Qualitative information

The new harmonised framework for banks and investment firms contained in EU Regulation ("CRR") and Directive ("CRD IV") of 26.6.2013 is applicable from 1 January 2014; it transposes the standards defined by the Basel Committee on Banking Supervision (the so-called "Basel 3 Framework") into the European Union. This regulatory framework defines, among others, the elements included in Own Funds, which forms the basis of the capital requirements that credit institutions must comply with.

The applicable regulation, in compliance with EU directives, indicates the method for the calculation of capital for supervisory purposes. The latter is the sum of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

As of 31 December 2014, the own funds of the Banco di Desio e della Brianza consist of:

(Amounts in Euro thousands)

description	31.12.2014	31.12.2013
Common Equity Tier 1 (CET 1)	€ 788,137	€ 761,624
Additional Tier 1 capital (AT1)	€ 5,492	€ 5,492
Tier 2 capital (T2)	€ 119,334	€ 41,021
Total Own Funds	€ 912,963	€ 808,137

Based on legislation in force, the components of Own Funds are described below:

1. Common Equity Tier 1 - CET 1

The components of Common Equity Tier 1 are the following: a) equity instruments, as long as they comply with the conditions set out in art. 28 or, where applicable, in article 29 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point; c) profit not distributed; d) accumulated other comprehensive income; e) other reserves; f) provisions for general banking risks. Components c) to f) are recognised as common equity tier 1 only if they can be used without restriction and without delay by an entity to cover risks or losses as and when the risks or losses arise.

2. Additional Tier 1 - AT1

The components of Additional Tier 1 are the following: a) equity instruments, where they comply with the conditions set out in art. 52, paragraph 1 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point. The instruments included under a) do not qualify as components of common equity tier 1 or tier 2.

3. Tier 2 - T2

The components of Tier 2 are the following: a) equity instruments and subordinated debt, where they comply with the conditions set out in article 63 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point; c) for entities that compute risk-weighted exposure amounts in compliance with part three, title II, chapter 2 of EU Regulation no. 575/2013, general loan provisions, gross of the related tax effect, up to 1.25 % of the risk-weighted exposure amounts computed in compliance with part three, title II, chapter 2 of the Regulation; d) for entities that compute risk-weighted exposure amounts in compliance with part three, title II, chapter 3 of EU Regulation no. 575/2013, the positive amounts, gross of the related tax effect, resulting from the computation in accordance with articles 158 and 159 up to 0.6 % of the risk-weighted exposure amounts in compliance with part three, title II, chapter 3 of the Regulation.

B. Quantitative information

	31.12.2014	31.12.2013
A. Common Equity Tier 1 (CET 1) prior to application of prudential filters	800,902	771,728
of which: CET 1 capital instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	- 773	- 1,141
C. CET 1 gross of amounts to be deducted and the effects of transitional provisions (A +/- B)	800,129	770,587
D. Items to be deducted from CET 1	10,377	7,590
E. Transitional provisions – Impact on CET 1 (+/-)	- 1,615	- 1,373
F. Total Common Equity Tier 1 (CET 1) (C – D +/-E)	788,137	761,624
G. Additional Tier 1 (AT1) gross of amounts to be deducted and the effects of transitional provisions	6,865	6,865
of which: AT1 capital instruments subject to transitional provisions	6,865	6,865
H. Items to be deducted from AT1	-	-
I. Transitional provisions – Impact on AT1 (+/-)	- 1,373	- 1,373
L. Total Additional Tier 1 (AT1) (G - H +/- I)	5,492	5,492
M. Tier 2 (T2) gross of amounts to be deducted and the effects of transitional provisions	119,160	41,021
of which: T2 capital instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional provisions – Impact on T2 (+/-)	174	
P. Total Tier 2 (T2) (M - N +/- O)	119,334	41,021
Q. Total Own Funds (F + L + P)	912,963	808,137

2.2 - Capital adequacy

A. Qualitative information

Banco Desio's Own Funds, computed in accordance with the foregoing regulatory requirements, include Common Equity Tier 1 capital that accounts for 86.33% of the Bank's Own Funds, while Additional Tier 1 capital and Tier 2 capital account for 0.60% and 13.07%, respectively, of Own Funds.

For the purpose of prudential supervision regulations, the Board of the Company has also approved the exclusion from Own Funds, as from 1 January 2014, of unrealised gains and losses relating to exposures to central governments classified as “Financial assets available for sale”, thus exercising its right under the “transitional provisions” contained in the Bank of Italy Circular no. 285 of 17 December 2013.

In consideration of the foregoing, this capital structure results in the following ratios:

- CET 1/ risk-weighted assets 13.680%
- T1 / risk-weighted assets 13.776%
- Total Own Funds / risk-weighted assets 15.847%

The Board of Directors of Banco di Desio e della Brianza periodically reviews and approves the aggregates that make up Own Funds in order to check their consistency with the risk profile and their adequacy for the Bank's development plans.

B. Quantitative information

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
A. ASSETS AT RISK				
A.1 Credit and counterparty risk	**9,705,091**	**8,470,694**	**5,215,768**	**4,936,712**
1. STANDARDISED METHODOLOGY	9,704,448	8,470,096	5,215,125	4,936,114
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisations	643	598	643	598
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			**417,261**	**394,937**
B.2 Risk of credit valuation adjustment			**66**	
B.3 Regulatory risk				
B.4 Market risks			**1**	**120**
1. STANDARDISED METHODOLOGY			1	120
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.5 Operational risk			**43,560**	**45,124**
1. BASIC APPROACH			43,560	45,124
2. STANDARDISED APPROACH				
3. ADVANCED APPROACHES				
B.6 Other items			0	0
B.7 Total precautionary requirements			**460,887**	**440,181**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**5,761,092**	**5,502,263**
C.2 Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)			13.68 %	
C.3 Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			13.78 %	13.48 %
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			15.85 %	14.72 %

PART G – BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CARRIED OUT DURING THE YEAR

During the year there were no business combinations, as regulated by IFRS 3 - *Business Combinations*,with impact on the individual financial statements of Banco di Desio e della Brianza S.p.A.

However, Banco Desio Lazio S.p.A. was merged with Banco di Desio e della Brianza S.p.A., a business combination between entities under common control, excluded from the scope of IFRS 3. Considering that the merger was carried out purely as a reorganisation of the Banco Desio Group, it has been accounted for at book values, in accordance with the Preliminary Guidance of Assirevi (OPI) no. 2 - Accounting treatment of mergers in the financial statements, in the separate financial statements of the incorporating company, without generating profit or loss. The merger took legal effect on 1 October 2014 with effect for accounting and tax purposes from 1 January 2014.

The completion of the Merger project took place in coordination with the development of the project at the level of aggregation of Banco Desio with Banca Popolare di Spoleto SpA ("BPS") following the acquisition of control of that company by the parent company. Among other things, the merger plan envisages the contribution by the Parent Company to BPS of the business unit consisting of 21 branches of the former subsidiary Banco Desio Lazio S.p.A. and the 11 branches of the Parent Company in Tuscany, while BPS will transfer its Milan branch to the Parent Company. In view of the transfer, all assets and liabilities of the Parent Company included in the scope of the operation have been reclassified and appropriately represented in Section 14 "Non-current assets and disposal groups held for sale and associated liabilities" of these financial statements.

SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

No business combinations were carried out after year-end.

SECTION 3 - RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments were made during the year.

PART H - TRANSACTIONS WITH RELATED PARTIES

1 - Information on the remuneration of managers with strategic responsibilities

For information on the remuneration paid to directors and managers with strategic responsibilities, please refer to the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter CFA, as well as to the later section on "Equity-based payments" included in the consolidated financial statements, with reference to the Group's stock grant plans.

2 - Related party disclosures

The Internal Procedure for the management of transactions with related parties and entities included in the scope of application of art. 136 of the CBA, adopted in accordance with Consob Regulation no. 17221/2010 and supplemented in accordance with the Minimum Capital Requirement in respect of risk assets and conflicts of interest with respect to persons linked to the Bank or the Banking Group pursuant to art. 53 TUB, is explained in the Annual Report on Corporate Governance. The same procedure is published, in accordance with the said Regulation, on our website www.bancodesio.it.

Given that, pursuant to art. 5 of Consob Regulation 17221/2010 and art. 154-ter of the CFA, periodic information has to be provided:

a) on individual "significant" transactions carried out during the reference period, i.e. those transactions that, as a total, exceed the thresholds foreseen in Attachment 3 of the said Regulation[1];

b) on other individual transactions with related parties as defined under article 2427, second paragraph, of the Italian Civil Code, entered into during the reporting period, that have materially impacted the financial position and results of Banco Desio;

c) on changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the Group during the period,

there have been no transactions worth mentioning, besides those related to Banca Popolare di Spoleto SpA, mentioned in the paragraph “Significant Events” in the “Report on Operations” section.

Transactions with related parties are generally adjusted at market conditions or, where an appropriate reference to the market is not feasible (as in the case of Agreements for outsourcing services provided by the Parent Company to the subsidiaries), at conditions deemed affordable and fair, whose valuation is made in accordance with the Procedure referred to above, taking account in any case that the company is interested in carrying out the transactions.

In this context, there are no transactions outstanding at 31 December 2014 that present particular risk profiles compared with those considered part of the normal course of business or that present profiles of atypical/unusual features worthy of note.

The following paragraphs summarise - in a prudential logic of unified management of potential conflicts of interest - existing relationships with the Parent Company, subsidiary companies, associates and other related parties pursuant to art. 53 CBA and/or art. 2391 of the Italian Civil Code, included entities treated as per art 136 of CBA also in compliance with Italian laws), highlighting, in particular, the balance of current accounts and of the securities portfolio at the end of the year and, lastly, any relationships for the provision of services or of some other nature.

[1] with respect to the level of significance of the transactions with related parties, the Internal Procedure refers to a threshold of Euro 37.5 million (equivalent to 5% of consolidated regulatory capital recognised at the date of adoption of the Procedure)

I - Parent company

At the end of the year, payables (to customers) versus the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA at Banco Desio amounted to Euro 141.75 million, of which Euro 140.8 million, relating to the securities portfolio. There are no outstanding payables held by the same Company.

During the year, there were no other transactions entered into with this company (under art. 136 CBA by virtue of the positions held in it by certain officers referred to in paragraph IV below).

II - Subsidiaries

Set out below is a summary of significant transactions with subsidiaries approved by the Board of Directors during the year and during board meetings held prior to the date of approval of the financial statements for the year ended 31 December 2014, in compliance with the above Procedure:

Nature of Transaction	Amounts/financial conditions (Euro)	Counterparty
Revision of the economic conditions for the integrated Group treasury regarding Fides S.p.A.	Conditions detailed in the resolution	Fides SpA
Revision of the economic conditions for the integrated Group treasury regarding Fides S.p.A	Conditions detailed in the resolution	Fides SpA
Overdraft facility	Overall increase from Euro 315,000,000 to Euro 345,000,000	Fides SpA
Overdraft facility	Overall increase from Euro 345,000,000 to Euro 375,000,000	Fides SpA
Revised framework agreements for the supply of operational services (2015)	Total annual fee payable to Parent Company 87,000 Euro	Fides SpA
Absorption by the Parent Company Banco di Desio e della Brianza S.p.A. of Banco Desio Lazio effective from 1 October 2014	-	Banco Desio Lazio Spa
Investment Agreement (strengthening the capital of BPS - restoring solvency ratios and regulatory capital - reconstitution of the corporate bodies of BPS expressed by the Parent Company - termination of the special administration of BPS)	Please read “Significant events” in the Report on Operations	BPS
Transfer project - in line with the provisions in the Investment Agreement - by Banco Desio to BPS of a business unit consisting of 32 bank branches located in Italy (11 branches in Tuscany and 21 branches in Lazio).	Please read “Significant events” in the Report on Operations	BPS
Sale of BPS's only branch in Milan to Banco Desio (the "Branch Sale").	Please read “Significant events” in the Report on Operations	BPS
Banca Popolare di Spoleto loan	Amount 400 million Cancellation of the Financial Guarantee Change in the spread applied to the interest rate as calculated from 100 bps to 50 bps	BPS

The amounts of assets/liabilities, guarantees/commitments and income/costs arising from transactions with the aforementioned companies are disclosed in Para. 9.4 of the Report on Operations under the caption "subsidiaries".

III – Associates

At the year end, an investment was held in **Istifid SpA** of 31.4%, by virtue of which, Banco Desio is still the shareholder with a relative majority.

Banco Desio's contractual relations with Istifid SpA essentially consist of the provision of corporate services (keeping the shareholders' register, assistance at shareholders' meetings, advice on corporate compliance, etc.), charged at the usual cost for services of this kind. These services are now excluded from the scope of application of the rules on Related Party Transactions in consideration of the sale of the business unit that provides such services on 16 January 2015 to Computershare SpA.

With regard to banking services provided by Banco Desio to Istifid SpA, at the end of the period payables (to customers) amounted to Euro 87.8 million, of which Euro 54.5 million relating to securities portfolios; A credit line of Euro 3,000,000 has been given to the company.

Please note that the payable and receivable balances also refer to relationships maintained by Istifid SpA as part of fiduciary mandates granted by third parties.

There is also an investment in the associate **Chiara Assicurazioni SpA**, in which a 32.7% interest is held.

At the end of the year, payables (to customers) amounted to Euro 55.01 million, of which Euro 53.7 million relating to securities portfolios; there are no outstanding payables held by the company, which has been given a credit line of Euro 10,000.

The contractual relationships with Chiara Assicurazioni SpA maintained by Banco Desio essentially consist of contracts for the distribution of insurance products in the non-life sector.

The amounts of assets/liabilities and income/costs arising from transactions with the aforementioned company are disclosed in Para. 9.4 of the Report on Operations under the caption "companies subject to significant influence".

IV - Transactions with Officers and parties related to them

As for the granting of credit lines approved in 2014 pursuant to art. 53 of art. 2391 of the Civil Code (including parties treated in accordance with art. 136 CBA in accordance with the rules currently in force, including internal ones), these were mainly ordinary lending transactions to officers of Banco Desio and/or parties related to them (i.e. directors, statutory auditors and managers with strategic responsibilities in Banco Desio and its subsidiaries). These relationships did not affect the application of the normal assessment criteria of creditworthiness. The total amount granted in connection with the 27 positions existing at 31 December 2014 comes to some Euro 7.6 million and the related utilisations amount in total to some Euro 6.3 million.

The above computation excludes transactions with associates as per point III above.

As regards funding relationships held by Banco Desio directly with Officers, as well as parties related to them, it should also be noted that the total balances at 31 December 2014 amounted to Euro 102.2 million in amounts due to customers (including approximately Euro 92 million in securities portfolios).

Note that the position of those who are Officers of subsidiaries of Banco Desio involves a sphere of activity limited to their respective companies, such as to preclude their classification as Managers of Banco Desio with strategic responsibilities in accordance with IAS 24 and/or Consob Regulation no. 17221/2010.

The above computation excludes transactions and balances with the parent company and with associates as per paragraphs II and III above.

Details on to the lending and funding relationships referred to in this paragraph are shown in the following table:

Balance at 31.12.2014 (in €/million)	Related parties pursuant to art. 53 CBA (including parties treated in accordance with Art. 136 CBA) and/or art. 2391- bis of the Civil Code (other than the Parent Company and subsidiaries/associates)
Lending transactions:	
Amount granted	7.6
Amount drawn down	6.3
Funding transactions:	
C/c and d/r amount (a)	10.2
Amount of securities portfolios (b)	92
Total (a+b)	102.2

With reference to the Supplementary Pension Fund for the Employees of Banco Desio, at the end of the year, payable balances amounted to Euro 0.25 million. There are no securities in portfolio nor credit lines outstanding.

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the overall incidence of the balances shown in the previous paragraphs, in terms of equity, financial and economic results, is more or less insignificant.

Other transactions

With respect to other significant transactions with Officers, as well as parties related to them, the following should be noted:

Nature of transaction	Board approval	Amounts/financial conditions (Euro)
Updated conditions applicable to deposits/lending involving Associated Persons (Related Parties and Connected Persons) pursuant to Arts. 53 and 136 of the CFA	13.03.2014	Rates, conditions and costs are detailed in the resolution (complete listing)
Updated conditions applicable to deposits/lending involving Associated Persons (Related Parties and Connected Persons) pursuant to Arts. 53 and 136 of the CFA	24.07.2014	Rates, conditions and costs are detailed in the resolution (complete listing)
Updated conditions applicable to deposits/lending involving Associated Persons (Related Parties and Connected Persons) pursuant to Arts. 53 and 136 of the CFA	18.12.2014	Rates, conditions and costs are detailed in the resolution (complete listing)

Certification of the financial statements pursuant to art. 154-bis of Decree Law 58/98

Banco Desio

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF DECREE LAW 58/98

1. The undersigned, Tommaso Cartone, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A., certify pursuant to paragraphs 3 and 4 of art. 154 bis of Legislative Decree 58 of 24 February 1998:

   – the adequacy of the administrative and accounting procedures for the preparation of the financial statements with respect to the Company and
   – their effective application during 2014.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2014 was based on a process defined by Banco di Desio e della Brianza S.p.A. in accordance with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework that is generally accepted internationally.

3. We also certify that:

   3.1 the financial statements:

   a. have been prepared in accordance with the applicable IAS/IFRS recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002;

   b. agree with the books of account and accounting records;

   c. are able to provide a true and fair view of the financial position of the issuer.

   3.2 the Report on Operations includes a reliable analysis of the results of operations and of the situation of the issuer, together with a description of the principal risks and uncertainties faced by it.

Desio, 19 March 2015

Chief Executive Officer	Financial Reporting Manager
Tommaso Cartone	*Mauro Walter Colombo*

Auditors' report

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**AUDITORS' REPORT PURSUANT TO ART. 14 AND 16
OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
BANCO DI DESIO E DELLA BRIANZA S.p.A.**

1. We have audited the financial statements of Banco di Desio e della Brianza S.p.A., which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

3. In our opinion, the financial statements give a true and fair view of the financial position of Banco di Desio e della Brianza S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

4. The Directors of Banco di Desio e della Brianza S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in Banco Desio/Governo Societario section of Banco di Desio e della Brianza S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree No. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of Banco di Desio e della Brianza S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
March 27, 2015

This report has been translated into the English language solely for the convenience of international readers.

Consolidated financial statements at December 31, 2014

Content

Consolidated Report on Operations for 2014

Directors and officers

Banco di Desio e della Brianza S.p.A.

Board of Directors

Appointed by the shareholders meeting on April 29 , 2014
in office until the approval of the financial statements December 31, 2016

Chairman	Agostino Gavazzi
Deputy Chairman	Stefano Lado*
Chief Executive Officer	Tommaso Cartone*
Directors	Egidio Gavazzi*
	Paolo Gavazzi
	Tito Gavazzi*
	Graziella Bologna*
	Cristina Finocchi Mahne
	Gerolamo Pellicanò
	Sandro Appetiti
	Gigliola Zecchi Balsamo

* *Members of the Executive Committee*

Board of Statutory Auditors

Appointed by the shareholders meeting on April 29 , 2014
in office until the approval of the financial statements December 31, 2016

Chairman	Eugenio Mascheroni
Acting Auditors	Rodolfo Anghileri
	Giulia Pusterla
Substitute Auditors	Giovanni Cucchiani
	Paolo Pasqui
	Elena Negonda

General Management

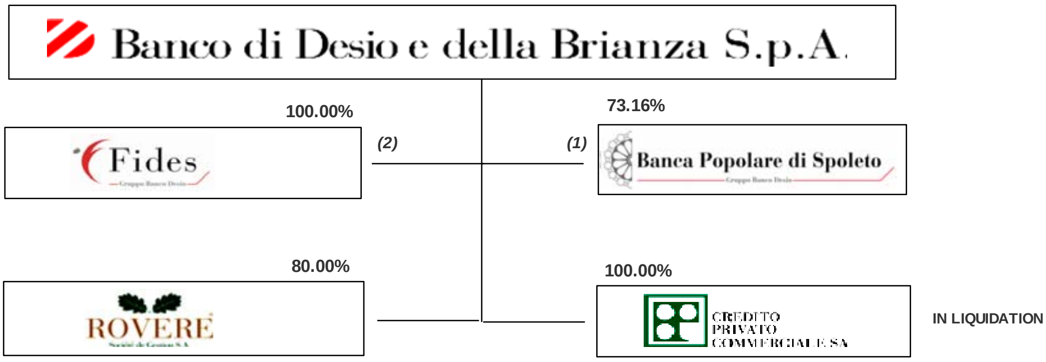
General Manager	Luciano Colombini
Deputy Genaral Manager	Ippolito Fabris

Financial Reporting Manager as per art. 154-bis CFA

Financial Reporting Manager	Mauro Walter Colombo

The Banco Desio Group

The corporate structure of the Banco Desio Group at 31 December 2014, to which this report refers, is as follows:



(1) Banca Popolare di Spoleto S.p.A. is included in the Group's scope of consolidation as from 1 August 2014, the date on which control of the company was acquired by the Parent Company, with the appointment of the new administrative and control bodies (Board of Directors and Board of Statutory Auditors) following the closure of the Extraordinary Administration proceedings that took place on 31 July 2014 (it should be noted that on 13 October 2014, the stake in BPS was then increased to 73.16%, following the "off-market" purchase of 1,100,000 shares by the Parent Company).
It should also be noted that from the date of acquisition of BPS, pursuant to IFRS 10, the separate assets of the special purpose vehicle Spoleto Mortgages S.r.l. are included in the scope of consolidation, consisting of securitised receivables of BPS (originator); this company is held 10% by BPS, but it satisfies the requisites of effective control in accordance with the standard;

(2) On 22 July 2014 a merger deed was executed for the merger by absorption into the Parent Company of Banco Desio Lazio S.p.A. and the merger will be legally effective as of 1 October 2014. Since that date, the Parent Company holds the investment in Fides S.p.A. directly.

INTRODUCTION

The figures and ratios included in this Report on Operations, as well as the comments on the composition of the captions and the changes relating thereto, where due, refer to the balance sheet included in the financial statements and to the reclassified income statement, which has been prepared from the financial statements, as explained in the appropriate paragraph.

Following the acquisition of control of Banca Popolare di Spoleto S.p.A., which took place with effect from 1 August 2014 (the date of appointment of the new corporate bodies after closure of the Extraordinary Administration procedure that took place on 31 July 2014), this company has been included in the scope of consolidation. In accordance with IFRS 3 - *Business Combinations,* the Parent Company accounted for the business combination by applying the acquisition method, booking the assets and liabilities acquired as of the acquisition date (1 August 2014) at their respective fair values; these were determined on the basis of the balance sheet at 31 July 2014 of the Extraordinary Administration as approved by the Extraordinary Commissioners and by the Bank of Italy

In consideration of the above, note that the Group's consolidated financial statements at 31 December 2014 include the balance sheet and income statement of Banca Popolare di Spoleto S.p.A., which were not included last year; the two years are not comparable as a result.

1 - KEY FIGURES AND RATIOS

BALANCE SHEET

Amounts in thousands of Euro	31.12.2014	31.12.2013	Change amount	%
Total assets	12.563.670	9.270.291	3.293.379	35,5%
Financial assets	1.896.686	1.607.785	288.901	18,0%
Due from banks	288.282	275.848	12.434	4,5%
Loans to customers	9.666.900	6.955.429	2.711.471	39,0%
of which: Loans to ordinary customers	*9.468.539*	*6.837.487*	*2.631.052*	*38,5%*
of which: Loans to institutional customers	*198.361*	*117.942*	*80.419*	*68,2%*
Property, plant and equipment	185.887	144.417	41.470	28,7%
Intangible assets	18.384	25.506	-7.122	-27,9%
Due to banks	1.017.467	438.026	579.441	132,3%
Due to customers	7.444.025	5.489.782	1.954.243	35,6%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	2.822.378	2.277.709	544.669	23,9%
Shareholders' equity (including Net profit/loss for the period) *(1)*	845.627	818.716	26.911	3,3%
Own Funds *(formerly Capital for supervisory purposes) (2)*	990.763	815.324	175.439	21,5%
Total indirect deposits	12.559.667	10.741.465	1.818.202	16,9%
of which: Indirect deposits from ordinary customers	*8.694.528*	*7.454.136*	*1.240.392*	*16,6%*
of which: Indirect deposits from institutional customers	*3.865.139*	*3.287.329*	*577.810*	*17,6%*

INCOME STATEMENT[(3)]

Amounts in thousands of Euro	31.12.2014	31.12.2013	Change amount	%
Operating income	431.808	366.786	65.022	17,7%
of which: Net interest income	*227.699*	*194.336*	*33.363*	*17,2%*
Operating costs	243.176	211.233	31.943	15,1%
Result of operations	188.632	155.553	33.079	21,3%
Profit (loss) from operations after tax	21.082	-6.372	27.454	n.s.
Non-recurring profit (loss) after tax	18.345	1.636	16.709	n.s.
Net profit (loss) for the period *(1)*	40.601	-4.838	45.439	n.s.

(1) pertaining to the Parent Company;

(2) the figure at 31.12.2013 was recomputed in accordance with the new regulations (Bank of Italy Circular no. 285 and EU Regulation 575/2013), whereas the former Capital for supervisory purposes amounted to Euro 823.3 million;

(3) from the Reclassified income statement .

KEY FIGURES AND RATIOS

	31.12.2014	31.12.2013	Change amount
Capital/Total assets	6,7%	8,8%	-2,1%
Capital/Loans to customers	8,7%	11,8%	-3,1%
Capital/Due to customers	11,4%	14,9%	-3,5%
Capital/Debt securities in issue and Financial liabilities designated at fair value through profit an	30,0%	35,9%	-5,9%
Common Equity Tier 1 (CET 1) / Risk-weighted assets (Common Equity Tier 1 ratio)	10,3%	n.a.	
Core Tier 1 capital (T1) / Risk-weighted assets (Tier 1 ratio) *(4)*	10,5%	12,8%	-2,3%
Total Own Funds / Risk-weighted assets (Total capital ratio) *(4)*	12,3%	14,0%	-1,7%
Financial assets/Total assets	15,1%	17,3%	-2,2%
Due from banks/Total assets	2,3%	3,0%	-0,7%
Loans to customers/Total assets	76,9%	75,0%	1,9%
Loans to customers/Direct customer deposits	94,2%	89,5%	4,7%
Due to banks/Total assets	8,1%	4,7%	3,4%
Due to customers/Total assets	59,3%	59,2%	0,1%
Debt securities in issue and financial liabilities designated at fair value through profit and loss/T	22,5%	24,6%	-2,1%
Direct borrowing from customers / Total assets	81,7%	83,8%	-2,1%

	31.12.2014	31.12.2013	Change amount
Cost/Income ratio	56,3%	57,6%	-1,3%
Net interest income/Operating income	52,7%	53,0%	-0,3%
Result of operations/Operating income	43,7%	42,4%	1,3%
Profit (loss) from operations after tax/Capital *(5)*	2,6%	-0,8%	n.s.
ROE *(5)*	5,0%	-0,6%	n.s.
Profit (loss) from operations before tax/Total assets (ROA)	0,3%	0,0%	0,3%

	31.12.2014	31.12.2013	Change amount
Doubtful loans/Loans to customers	4,4%	3,4%	1,1%
Impaired loans/Loans to customers	8,8%	6,6%	2,2%
% Coverage of doubtful loans *(6)*	58,5%	39,5%	19,0%
% Coverage of doubtful loans, gross of cancellations *(6)*	65,2%	59,4%	5,8%
% Total coverage of impaired loans *(6)*	48,1%	33,0%	15,1%
% Coverage of impaired loans, gross of cancellations *(6)*	53,7%	47,5%	6,2%
% Coverage of performing loans	0,65%	0,67%	-0,03%

STRUCTURE AND PRODUCTIVITY RATIOS

	31.12.2014	31.12.2013	Change amount	Change %
Number of employees	2.474	1.760	714	40,6%
Number of branches	279	185	94	50,8%
Amounts in thousands of Euro				
Loans and advances to customers per employee *(7)*	3.907	3.866	41	1,1%
Direct deposits from customers per employee *(7)*	4.150	4.318	-168	-3,9%

	31.12.2014	31.12.2013	Change amount	Change %
Operating income per employee *(7)*	175	204	-29	-14,2%
Result of operations per employee *(7)*	76	86	-10	-11,6%

(4) capital ratios at 31.12.2013 have been restated with the estimate of the support factor not foreseen in the previous legislation; however, comparison with those at 31.12.2014 is not completely homogeneous;

(5) equity excluding net profit (loss) for the period;

(6) also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., reported gross of write-downs.

(7) at 31.12.2014 based on the number of employees at year end, as the straight average of the figure at the end of the year and the end of the prior year is not significant following the inclusion of Banca Popolare di Spoleto S.p.A. in the Group, while at 31.12.2013 as the average between the year-end and the figure at the end of the previous year.

2 - UNDERLYING SCENARIO

2.1 - THE MACROECONOMIC SCENARIO

The profound changes in the macroeconomic scenario in the last few months of 2014, as regards oil prices, the depreciation of the euro and the announcement of Quantitative Easing in the Eurozone, all went to increase the sense of fragmentation with which the latest cycle of the world economy is developing. The latest available figures show the strong acceleration of the US economy in contrast to disappointing growth in Europe and another contraction in the Japanese economy. Among emerging nations, India has maintained good momentum, China has marginally lowered its pace, Brazil is more or less in a state of stagnation after two consecutive quarters in decline, while Russia seems to be sinking into a severe economic crisis.

Then, against the low rate of inflation in industrialised countries, there is the risk of rising prices in emerging nations that in the past two years have suffered a sharp devaluation of their national currency; even though the internal conditions of their economies required support from economic policy, the governments of these countries (Russia, Brazil, Argentina and Indonesia) have in fact increased their policy rates on several occasions.

At the end of 2014, there was clearly discrimination between the countries that are (net) exporters and importers of raw materials. In the case of the former, the decline in proceeds from sales in these markets is eroding the resources needed for growth; for the importing countries, on the other hand, the fall in commodity prices is helping considerably to keep domestic inflation under control, raise purchasing power and boost demand for consumer goods. The sharp fall in oil prices in the last quarter of 2014, brought about by a combination of higher supply and weak demand, should help support the growth expected in 2015 for these countries, though it is not without risk for the financial stability of the exporting countries.

In the fourth quarter of 2014, volatility in the Eurozone's financial markets increased when elections were called in Greece; the possible repercussions of the new Greek Government's economic policies and management of the public debt are fuelling concerns that the Eurozone might fall apart. Interest rates on Greek 3-year bonds are now over 15%, in light of a possible debt renegotiation; the decline in European stock markets was accompanied by a substantial stability in risk premiums on government bonds in the peripheral countries, probably due to rising expectations of further monetary policy measures by the ECB. However, the downgrade of Italy's sovereign debt by Standard & Poors in December because of the country's uncertain growth prospects, has not had a significant impact on government bond yields.

United States

At the end of 2014, US GDP was reckoned to be growing at 2.2% a year, thanks to positive contributions from private consumption (+2.3%), industrial production (+4%) and non-residential investment (+6.1%). Among the components of domestic demand, only public sector consumption and net exports posted a negative annual change (of -0.2% and -0.1%, respectively). The performance of domestic demand is largely due to factors that reflect the long post-crisis adjustment: household budgets looking healthier, the labour market on the mend, and interest costs at all-time lows as a percentage of disposable income. The conditions of the labour market have gradually improved during 2014, in terms of both increased employment and the supply of labour, despite the fact that wage growth still remains relatively low. Unemployment at the year-end is put at 6.2%, a significant improvement compared with the end of 2013 (7.4%). From the second half of 2014, the trend in consumer prices was held down by appreciation of the exchange rate and the drop in oil prices: overall, inflation at the end of 2014 was 1.3%. The combination of low inflation and low wage growth opens potential room for monetary policy manoeuvres expected over the course of 2015 and characterised by a prudent increase in the policy rate.

Japan

The Japanese economy is reckoned to be growing weakly at the end of 2014 (+0.3%), exclusively thanks to net exports (+0.2%) and public sector spending (+0.1%). The lack of any contribution to growth from domestic demand is due to the fall in capital investment in construction (-6.8%) and industry (-0.5%), in addition to the difficulties of private consumption. The economic stability seen in the last quarter of 2014 was in fact solely due to the trend in oil prices and depreciation of the exchange rate which favoured large exporting companies. The labour market improved, with unemployment at the end of 2014 of 3.3% (4.0% at the end of 2013) but with real wages at a standstill and without any clear sign of recovery.

The monetary situation continues to worry the Central Bank: inflation at the end of 2014 is expected to be 0.7%, far from the target value (2%). Monetary and fiscal policies continued to provide support to the economy in the fourth quarter of 2014, but the deflationary pressures generated by the drop in oil prices persuaded the Central Bank to increase liquidity injections, launch a package to support private consumption and postpone by 18 months the fiscal manoeuvre to increase consumption tax that was expected by the end of 2015.

Emerging Economies

Russia's GDP at the end of 2014 is reckoned to be up by 0.5%, exclusively due to the positive contribution of net exports, though conditioned by the weakness of domestic demand and by trade sanctions. The country is going through a period of economic weakness: the depreciation of the rouble, which has almost halved in value over the last 12 months, and the sharp drop in oil prices have come on top of the sanctions, which are mainly trade in nature, but also financial, related to the troubles in Ukraine. The Central Bank has had to implement a drastic squeeze on interest rates to try to defend the currency and to curb inflation, which is expected to come in at 7.8% at the end of 2014. The prospects are for a further deterioration in the coming months: inflation, financing difficulties, lack of confidence and trade barriers will hit consumption and investment severely, leading to a deep recession that, in the absence of some change in relations with the West, could drag on into 2016 as well.

In China, GDP experienced a slight slowdown in the fourth quarter of 2014, with an expected annual growth of 7.4% in December, thanks to the positive contribution of domestic demand (+5.9%) and net exports (+1.5%). The low rates of growth in manufacturing output compared with past averages (+7.9%), flat retail sales, the decline in housing prices and inflation generally (1.5% at end 2014) are all elements of a business cycle far from brilliant. However, the decline in oil prices (for a country that is voracious for commodities) and the exchange rate (of a currency that is getting stronger and stronger) may help the country during the year to rejig its growth model, giving more weight to consumer spending.

In India, GDP at the end of 2014 is reckoned to be up by 5.8%, thanks to the contribution of domestic demand (+5.0%) and net exports (+0.8%). The service sector is booming and there are many signs (higher profits, greater confidence on the part of businesses and households) that a further improvement in the economy during the first part of 2015 is likely. The monetary situation at the end of 2014 is also a good deal better: inflation is down to 4.1% and the prospects of lower prices for oil and food on the world market are a further element that should hold down prices in the coming quarters. During 2014, the Central Bank reduced interest rates by 25 basis points.

In Latin America, Brazil's stagnation, the weakness of Argentina and Venezuela, and lower revenues for commodity-exporting countries (like Chile and Peru) are the origin of the slowdown in GDP in the second half of 2014, with growth during the year depending to a considerable extent on domestic demand. The region's GDP at the end of 2014 is expected to grow by 0.6%. The depreciation of national currencies that took place in 2014 means that there is still a high risk of local governments losing control over price dynamics and the prospects for 2015 suggest the adoption of restrictive economic policies to keep domestic inflation in check, trying to ensure the macroeconomic stability needed to boost the confidence of national and foreign operators.

Europe

In 2014, the Eurozone stumbled into the trap of modest growth and low inflation: GDP at the end of 2014 turned in growth of 0.8%, largely due to the results of the German and Italian economies which were even more disappointing than expected. Geopolitical tensions have played a not insignificant role in the most recent cyclical dynamics, not only by exports, but also indirectly, as higher global uncertainty has weighed and continues to weigh on decisions regarding consumption (+0.9%) and investment (+0.7%).

The latest indicators confirm the cyclical weakness of the Eurozone economy that is showing limited growth, though with different trends from country to country: at the end of 2014, industrial production was up by 0.8%, after the decline recorded in 2013 (-1.1%). This improvement has had a positive effect on the labour market: the unemployment rate is tending to decrease, although it is still high (11.6%) Consumer price changes in December fell below zero (-0.2%), mainly because of the downward trend in energy prices (-6.3%): net of the more volatile components, inflation is expected to come in at around 0.5%. The low level reached by inflation and the risk that this could be contagious to prices and wages, convinced the ECB in January 2015 to adopt Quantitative Easing, involving the purchase of government and corporate securities on the market from March. This policy is expected, on the one hand, to maintain low interest rates and, on the other, to inject into the markets a large mass of cheap liquidity to reignite the engines of consumption and investment. These expectations of a long-term expansionary monetary policy by the ECB contrast with the Fed's expected "tapering" (or gradual normalisation) of its own monetary policy. this difference in policies in the two areas is favouring the dollar, which has strengthened against the euro. The prospects of falling interest rates, a weak euro and oil prices dropping even further should permit a stabilisation of the macroeconomic scenario in the Eurozone during the course of 2015, which should also benefit Italy.

Italy

At the end of 2014, GDP was down by 0.4%, though this was better than at the end of 2013 (-1.9%). Capital investment has been weak (-2.5%) mainly because there are still ample margins of spare capacity, whereas the slow recovery in household consumption (0.3%), which has been underway since the summer of 2013, is continuing. Foreign trade (2.0%) continues to support GDP, despite the fluctuations in global demand. In December, unemployment stood at 12.8%, higher than at the end of the previous year (12.2%), despite signs of increased responsiveness on the part of the labour market, especially with regard to employees thanks to substantial Government incentives to promote full-time employment (whose effects will be seen above all in 2015). The rise in inflation observed in the autumn months of 2014 came to an end and then fell back to zero because of the collapse in oil prices, leading to a year-end forecast of 0.2%. Similarly to the Eurozone, the prospects for Italy in 2015 are also for a recovery in competitiveness helped by low interest rates, the fall in oil prices and a weak euro, which should stimulate household spending and boost exports.

2.2 - CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

Money and financial markets did not react significantly in December in anticipation of Europe's Quantitative Easing. In fact, neither the European Central Bank nor the Federal Reserve changed their policy rate (respectively 0.05% and at a rate of between 0% and 0.25%).

In the first ten days of January 2015, the 3-month Euribor slipped to a record low (0.07%): The average figure for December (0.08%) showed a drop of 19 basis points compared with the same period last year (0.27%). The 10-year IRS rate dropped in the first ten days of 2015 by 14 basis points on the average figure in December 2014 (0.90%).

On the bond market, 10-year benchmark rates fell in USA (2.21%, having been 2.32% in November) and in the Eurozone; in Germany, the benchmark rate slipped to 0.64% (from 0.80%) and in Italy it fell to 1.98% (from 2.28%). The spread between the average December yield on 10-year Italian and German government bonds fell again to 133 bps (from 149 in November).

In December, international share prices have shown rising trends on monthly and yearly basis. In detail: The Dow Jones Euro Stoxx index rose by 0.3% m/m (+6.8% y/y), the Standard & Poor's 500 index by 0.5% (+13.6% y/y) and the Nikkei 225 index by 2.3% (+11.8% y/y). in contrast with international share prices, the major European stock markets showed different trends in December: the FTSE MIB and FTSE100 fell by 0.9% (+4.6% y/y) and by 1.4% (-0.5% y/y) respectively, while the CAC40 and DAX30 rose by 0.1% (+2.4% y/y) and 3.5% (+5.8% y/y) respectively.

Unlike the main stock markets, all of the major banking indices were positive m/m and y/y: the Italian FTSE Banks grew by 1.8% m/m (+17.1% y/y), the Dow Jones Euro Stoxx Banks by 0.1% (+0.7% y/y) and the S&P 500 Banks by 1.6% (+14.6% y/y).

The annual trend in funding from resident customers was stable at the end of 2014, though still negative (-1.6% y/y); the trend in deposits was positive, whereas bonds fell considerably. Observing the different components of funding by duration, a clear gap has been created between short-term and long-term sources. Deposits from resident customers (net of central counterparties) grew in December by 3.6% y/y, whereas bonds continued to mark a substantial decline (-13.8%), a trend already seen in previous quarters. Foreign deposits also maintained their downward trend over the year, as seen in previous postings (-11.6% y/y).

The average remuneration of bank deposits was 1.49%, decreasing again on the previous quarter (1.59%). The rate on deposits in Euro paid to households and non-financial companies came to 0.71% (formerly 0.78%), as well as the rate on bonds which was 3.16% (formerly 3.21%) and 1.55% on repurchase agreements (formerly 1.66%).

On the credit front, the bank loans to households and businesses in December registered an annual decline of 1.8%, even if the gap compared with the same period last year continued to shrink with constant signs of improvement on a monthly basis. In detail, this trend can be seen in total loans to residents in Italy (-1.8% y/y, formerly 2.2%), in loans to private sector residents in Italy (-2.3% y/y, formerly -2.8%), in loans to households and non-financial companies (+0.1% y/y, formerly -0.9%). The monthly recovery on an annual basis can be seen better by looking at the breakdown by maturity: both the short-term segment and the medium-long term segment recorded a change of 0.1% (compared with a decrease of 0.9% and 0.8% respectively in September).

3 - REGIONAL MARKET PRESENCE AND CORPORATE ISSUES

3.1 -THE DISTRIBUTION NETWORK

As a result of the acquisition of Banca Popolare di Spoleto S.p.A., the Group has increased its distribution structure: at 31 December 2014, it consists of 279 branches, of which 180 belong to Banco di Desio e della Brianza S.p.A. and 99 to Banca Popolare di Spoleto S.p.A.; the Parent Company includes 21 branches of the former subsidiary Banco Desio Lazio S.p.A. following its absorption on 1 October 2014 (as mentioned in the paragraph entitled *"Significant events"*).

In recent years, the distribution network, which gives top priority to customer relationships, underwent expansion into adjacent and complementary areas. This was aimed at markets where the Group has its roots, as well as other local opportunities, with the result that the Group increased its presence especially in Lombardy, having extended it also into Emilia Romagna, Piedmont, Liguria, Veneto, Tuscany and Lazio and now, with the acquisition of Banca Popolare di Spoleto, into Umbria, Marche and Abruzzo as well.

During the year work continued on the project to restructure the Parent Company's distribution network, with a view to strengthening territorial coverage by means of structured development. This project has involved the following measures:

a) the establishment of "aggregated" branches, which are smaller branches staffed by three employees that report to larger "principal" branches, which supervise their operations; this measure was implemented in two phases, the first starting in January 2014, the second in May 2014, for a total of 13 "aggregated" branches;

b) the organisation of the distribution network, from April 2014, into eight Regional Areas, each supervised by an Area Manager and assigned the following support roles:

   - *Area Credit Manager and Loan Officer*, who provides support for the granting and management of credit and who intervenes in the credit granting process and in the monitoring of credit quality at aggregate level;
   - *Area Sales Manager,* who intervenes in the coordination of sales development, by applying the policy issued by the office of the Deputy General Manager of Corporate Affairs and as communicated by the Sales Department for effective organisation of each sales campaign;
   - *Area International Coordinator*, for the development of customers that work with foreign countries.

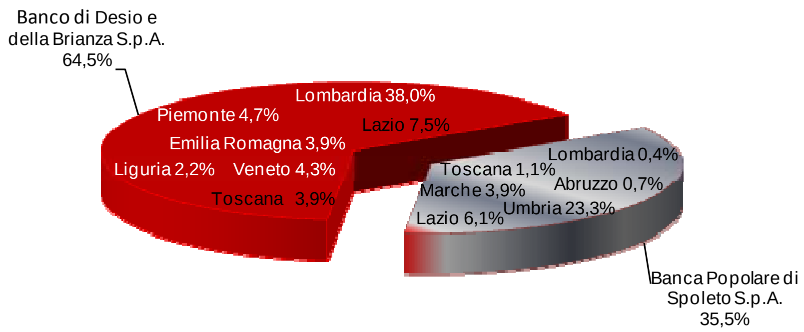
These activities have involved a review of the branch size, having resources focus more on business development and customer support, along with further training of network resources (those chosen to fill the role of Area International Coordinator have completed a period of targeted and personalised training at the Parent Company's International Department).

As part of the streamlining process, during the year we closed five branches of the Parent Company, including two in Lombardy, Bresso (MI) and Crema (CR), one in Piedmont, Novi Ligure (AL), and two in Veneto, Bussolengo (VR) and Conegliano Veneto (TV), transferring their workload to other branches nearby.

During the course of 2014, the Group continued strengthening its online product offering, in a logic of multi-channel customer service alongside traditional banking services, moving towards a "virtual" bank.

The following chart gives a breakdown of the overall distribution network by Group company with the percentage represented by the region at the end of the year.

Chart no. 1 - BREAKDOWN OF THE GROUP'S DISTRIBUTION NETWORK BY BANK AND REGION



In connection with the acquisition of Banca Popolare di Spoleto S.p.A., as detailed in the paragraph entitled *"Significant events"*, over the coming months, the distribution network will be rationalised so as to focus on the competitive positioning of the Parent Company in the North and, for Central Italy, to concentrate the Group's branches in Lazio and Tuscany in Banca Popolare di Spoleto S.p.A.

3.2 -SIGNIFICANT EVENTS

Acquisition by the Parent Company of a majority interest in Banca Popolare di Spoleto S.p.A. and related transactions

Having obtained the necessary approvals from the Supervisory Authorities (Bank of Italy, Antitrust Authority and Consob) in connection with the acquisition of control of Banca Popolare di Spoleto in Extraordinary Administration ("BPS") by the Parent Company Banco di Desio e della Brianza S.p.A., steps were taken to complete the transactions envisaged by the Investment Agreement that was signed on 1 April 2014, aimed at strengthening BPS's capital and a return to healthy solvency and capital ratios, as well as the reconstitution of BPS's corporate bodies to be appointed by the Parent Company and closure of BPS's Extraordinary Administration procedure.

An Extraordinary Shareholders' Meeting of BPS held on 16 June 2014 approved the following motions:

- subscription of a cash capital increase of Euro 139.7 million reserved for Banco di Desio e della Brianza S.p.A, after which the Parent Company will hold ordinary shares in Banca Popolare di Spoleto S.p.A. in Extraordinary Administration equal to 72.16% of its share capital;
- a cash increase in capital with the exclusion of option rights, reserved for the employees of BPS pursuant to art. 5, paragraph 2, of BPS's Articles of Association, of a maximum of Euro 15.5 million; it was subscribed on 2 July 2014 for an amount of Euro 0.1 million, after which the Parent Company's holding came to 72.13%.

In accordance with the relevant accounting standard (IFRS 10 - Consolidated Financial Statements), "power over the entity" and the possibility of being in charge of its governance came about on 1 August 2014, when new administration and control bodies (Board of Directors and Statutory Auditors) took office, having been appointed at the Extraordinary and Ordinary Shareholders' Meeting held on 30 July 2014 with the consequent closure of the extraordinary administration proceedings.

On 13 October 2014, the Spoleto Credito e Servizi SC ("SCS", BPS's previous parent which also emerged from extraordinary administration proceedings) sold to the Parent Company 1,100,000 BPS shares at the same price of Euro 1.812 per share. The Parent Company's interest in BPS therefore comes to 73.16%.

The Parent Company considers that there is significant strategic value to be gained from BPS joining the Group, in order to achieve the following objectives:

- ✓ to expand the customer base, given the high commercial penetration of BPS in its own catchment area, making a leap in size considered to be indispensable to be able to compete in the current banking environment and in the foreseeable future;
- ✓ the rationalisation of the distribution network so as to focus on the competitive positioning of the Parent Company in the North and to aim for the concentration of the Group's branches in Lazio and in Tuscany within BPS, a bank characterised by a strong local brand, which is known and is well entrenched, with staff that, notwithstanding the difficult situation that the bank found itself in and the difficult economic environment, has been able to maintain a historically strong relationship with its customers that is based on trust;
- ✓ to redistribute the head office's burden to a larger "banking body", with a view to efficiency gains and synergies aimed at increasing the effectiveness of the Network's business.

With this in mind, we developed a process of centralising various functions previously performed by BPS at the Parent Company, in particular internal control (where the Parent Company's audit, compliance and risk management functions were given responsibility for BPS as well on 19 November 2014).

Moreover, still on the subject of strengthening/streamlining governance controls at Group level, without prejudice, in any case, to the operational autonomy of each subsidiary (a process that is linked to the adoption of the so-called "Group Regulation" on 24 July 2014), Deloitte & Touche S.p.A., the Group's independent auditors, also took on the audit of BPS, subject to agreed termination of the previous audit engagement with KPMG S.p.A., as resolved by the Ordinary Shareholders' Meeting on 9 October 2014.

On 18 December 2014, as already foreseen in the investment agreement signed on 1 April 2014 and announced to the market on the same day (the "Investment Agreement"), the Boards of Directors of the Parent Company and of BPS approved, among other things, this project, which provides for the Parent Company's contribution (the "Contribution") to BPS of a business unit consisting of 32 branches (the "Business Unit"), of which 11 branches in Tuscany and 21 branches in Lazio. The project therefore allows BPS to strengthen its role in "Central Italy", particularly in Tuscany (rising from 3 to 14 branches) and in Lazio (rising from 17 to 38 branches). This should result in various kinds of benefits, mainly due to efficiency and profitability targets, benefits in terms of cost synergies and simplification, taking into account the extent to which the existing networks of the Parent Company and of BPS are complementary.

In line with this Group network rationalisation project, the Boards of Directors of the Parent Company and of BPS also approved the sale by BPS to the Parent Company of the only BPS branch in Milan (the "Purchase/Sale of the Branch").

The Board of Directors of BPS also agreed to propose to the Extraordinary Shareholders' Meeting to issue, subject to the effectiveness of the Contribution resolution, up to 11,104,626 "Banca Popolare di Spoleto S.p.A. Warrants 2015-2017" (the "BPS Warrants") to be allocated free of charge to the holders of BPS ordinary shares - other than Banco Desio - at a ratio of 12 BPS warrants for every 31 BPS ordinary shares held which will entitle them to subscribe newly issued BPS ordinary shares at a ratio of 1 ordinary share for every 1 BPS Warrant exercised at a subscription price of Euro 1.812 per share. Issuance of the BPS Warrants will be proposed for approval by the Extraordinary Shareholders' Meeting in execution of the Investment Agreement which, as announced to the market on 1 April 2014, provides that the BPS Warrants (a) should be allocated free of charge to all shareholders of BPS, other than Banco Desio, as Banco Desio is expected to waive its share of the allocation, and (b) should have the following main characteristics: (i) maturity, 30 June 2017; (ii) exercise period, from 30 June 2015 to 30 June 2017; (iii) exercise ratio, 1 BPS Warrant = 1 new ordinary share; (iv) subscription price for the conversion shares of Euro 1,812 (equal to the subscription price of the BPS shares subscribed by Banco Desio and BPS employees as part of the Bank's increase in capital approved on 16 June 2014).

For the purposes of the Contribution it is foreseen that, subject to obtaining the necessary authorisations, the BPS Shareholders' Meeting convened to approve the financial statements at 31 December 2014 is also called upon to approve, in extraordinary session, the proposed increase in capital with exclusion of option rights pursuant to art. 2441, fourth paragraph, first sentence, of the Italian Civil Code, reserved to the Parent Company for a total of Euro 90,628,000 (the "Capital Increase to Service the Contribution"), by issuing a total of 50,015,453 newly issued ordinary shares (the "New Shares"), to be paid through the Contribution of the Business Unit, with regular rights and having the same characteristics as those outstanding on the issue date. In setting the terms and conditions of the Contribution of the Business Unit, the Boards of Directors of the Parent Company and of BPS have taken appropriate steps to protect the interests of their respective shareholders. With particular reference to BPS, appropriate procedures were adopted to protect the integrity of BPS's share capital, also taking into account the exclusion of option rights in favour of the Parent

Company and, therefore, for the purposes of valuing the Business Unit, the Parent Company appointed, pursuant to art. 2343-ter, paragraph 2, letter b) of the Civil Code, Professor Mario Massari as an independent expert with adequate and proven professionalism, whose report concludes as follows: "the value of the Business Unit being contributed, as of 30 September 2014, is estimated at Euro 90.6 million. On the basis of this value, the increase in capital needed to service the contribution to be approved by the Shareholders' Meeting of the transferee company cannot exceed Euro 90.6 million."

The Board of Directors of BPS therefore set at Euro 1.812 per share the issue price of the New Shares (the "Issue Price of the New Shares") for the increase in capital reserved to service the contribution of the Parent Bank's "Business Unit" and the subscription price of the Conversion Shares (the "Subscription Price of the Conversion Shares") for the increase in capital to service the BPS Warrants to be allocated free of charge to the holders of BPS ordinary shares, other than Banco Desio, subject to the effectiveness of the resolution to contribute the business unit. The Issue Price of the New Shares was set taking into account the reasons given in Prof. Mario Massari's fairness opinion on the value of the shares of Banca Popolare di Spoleto S.p.A. to be issued in exchange for the contribution of the "Business Unit" of Banco di Desio e della Brianza S.p.A., for an amount equal to the subscription price of the BPS shares subscribed by the Parent Company and BPS employees as part of BPS's increases in capital approved on 16 June 2014, given the absence of significant changes in the scenario or new facts that could have significantly altered the valuation of BPS compared with the one involved in the Investment Agreement. The Subscription Price of the New Shares and the Subscription Price of the Conversion Shares have been the subject of the fairness opinion issued by the auditors Deloitte & Touche S.p.A. on 6 March 2015 pursuant to art. 158 of Legislative Decree 58/1998 (the "Consolidated Finance Act" or CFA). As a result of the Contribution, the Parent Company will hold 128,240,177 BPS ordinary shares equal to 81.71% of the share capital.

In line with the plan to rationalise the Group's network, the Boards of Directors of the Parent Company and of BPS have also approved the terms of the Purchase/Sale of the Branch which will take place at the same time as the Contribution takes effect. The sale by BPS to the parent company will involve BPS's only branch in Milan for a cash payment of Euro 448,000. The value of the branch being sold was determined on the basis of its net asset value at 30 September 2014, applying the same criteria as were used to value the Business Unit involved in the Contribution.

As far as the Parent Company is concerned, the Contribution and the Purchase/Sale Trend of the Branch represent, since they are transactions with its own subsidiary (BPS), "significant" intercompany transactions under the procedures governing related-party transactions that were approved by the Board of Directors on 25 November 2010, as subsequently amended and supplemented (the "Banco Desio Procedure"). The Parent Company's Related-Party Transactions Committee reviewed the Contribution and the Purchase/Sale of the Branch and on 15 December 2014 unanimously issued a reasoned opinion in favour of these transactions. As regards BPS, its Related-Party Transactions Committee (the "BPS Committee") was involved in the preliminary phase of the transactions, also by receiving complete and timely information flows; it too unanimously issued a reasoned opinion in favour of the transactions on 18 December 2014, pursuant to art. 14, paragraph 1 of the Related Parties Regulation. In accordance with art. 5 of the Related Parties Regulation, by the deadline and in the manner required by current regulations, BPS made available to the public, on 24 December 2014, an information document on the Contribution and Purchase/Sale of the Branch, prepared in accordance with Attachment 4 of the Related Parties Regulation (the "Information Document on Related Parties"). For the sake of completeness, with reference to the Parent Company, we would point out that, given that BPS should not have any significant interests in other related parties of the Parent Company, the Contribution and the Purchase/Sale Trend of the Milan Branch are exempt from this reporting requirement because of what is foreseen in the Banco Desio Procedure.

Approval of the financial statements for the Extraordinary Administration Proceedings of Banca Popolare di Spoleto S.p.A.

On 19 December, the Bank of Italy approved the financial statements of the Extraordinary Administration Proceedings (1 January 2013 – 31 July 2014) prepared by the Special Administrators.

Merger by absorption into the Parent Company of Banco Desio Lazio S.p.A.

On 22 July 2014, the merger deed was executed for the merger by absorption into the Parent Company, Banco di Desio e della Brianza S.p.A., of Banco Desio Lazio S.p.A. (a wholly-owned subsidiary), in implementation of the merger resolutions passed by the Boards of each of the aforementioned companies on 26 June 2014 and which have been made public along with the draft terms of merger and the Directors' Report on the merger. The merger took effect for legal purposes on 1 October 2014, whereas for accounting and tax purposes it took effect on 1 January 2014.

Completion of the proposed merger, which has its own autonomous strategic and organisational value, took place together with the development of the integration plan for Banco Desio Group and Banca Popolare di Spoleto ("BPS"), as indicated in the preceding paragraph, with the result that BPS will become the Group's Bank for Central Italy.

Note that, on 3 July 2014, an agreement on the merger was signed with the trade unions and the planned spin-off of Banco Desio Lazio's branches will not in itself have any impact on jobs.

Brianfid-Lux S.A. in liquidation

As regards the liquidation of the former subsidiary Brianfid-Lux S.A., on having obtained approval from the Luxembourg Financial Sector Supervisory Commission (CSSF), on 23 July 2014, a Shareholders' Meeting was held to close the liquidation proceedings and for the consequent definitive cancellation of the company. The company was cancelled from the Companies Register on 11 August 2014.

Credito Privato Commerciale S.A. in liquidation

The liquidation of the Swiss subsidiary Credito Privato Commerciale S.A. is proceeding faster than originally expected by the liquidators with whom we are constantly in touch. So providing various initiatives undertaken to facilitate the closure of the residual relationships and the resolution of any outstanding legal disputes are successful, final closure could take place much earlier than had been assumed.

Under these circumstances, the liquidators have again revised their estimates in the liquidation plan, foreseeing a reduction in the time needed for the proceedings, thereby reducing the future liabilities (for technical and administrative expenses) previously taken into consideration. In addition to this, note that, in the course of the year, no event occurred for which the procedure would prudently have required an increase in the provisions for risks and charges in relation to alleged contingent liabilities and thus, to date, there does not exist any obligation of a legal or implicit nature. Following the agreement entered into by the US Department of Justice and the Swiss Federal Department of Finance, numerous Swiss banks, despite not having yet been accused, but with the belief that they could have been involved in dealings with American citizens guilty of tax evasion, in 2013 decided to sign up for the "Program for non-prosecution agreements or non-target letter for Swiss banks"; for Credito Privato Commerciale SA in liquidation, signing up for this program involved making a specific provision for risks and charges for a total of CHF 5.5 million, which in 2014 was reduced to CHF 0.8 million based on further examination carried out by the liquidators.

The application of international accounting standards (IAS/IFRS) adopted by the Banco Desio Group for the preparation of the separate financial statements of the Parent Company Banco di Desio e della Brianza S.p.A. has led to a positive impact on the income statement of some Euro 2.2 million (line item "Profit (loss) from investments"), corresponding to the partial write-back of an impairment adjustment to the investment in Credito Privato Commerciale S.A. in liquidation due to the combined effect of the circumstances described above. We would also point out that, again in accordance with the IAS/IFRS adopted by the Group, the consolidated financial statements recorded an overall positive contribution to the income statement by the Swiss subsidiary of approximately Euro 0.9 million, including the capital gain of Euro 2.2 million realised on the sale of its property.

Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation - Legal investigations

With reference to Criminal Proceedings 22698/08, at the hearing held on 24 January 2014, the Court of Rome upheld the application for settlement presented by the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation, which in 2011 became involved in these proceedings in connection with the administrative liability of legal persons pursuant to Legislative Decree 231/2001 for alleged offences committed by their former officers. The payment made for the settlement (which closed the legal proceedings in question) led to a partial release in 2013 of the provision that had previously been set up.

TLTRO – ECB refinancing operations

As mentioned in a press release on 5 June 2014, the ECB launched a new plan for extraordinary loans to banks at subsidised rates to support the real economy through increased lending to the non-financial sector (*Targeted Longer-Term Refinancing Operations* - "TLTRO"). Banks have therefore been given an opportunity to apply for a 4-year loan at the main refinancing rate, currently 0.05% plus 10 basis points, for a total of 0.15%. Access to TLTRO operations is permitted both individually and as a group together with other banks through a "lead institution" authorised to carry out open market transactions. The maturity of the loan has been scheduled for 26 September 2018, regardless of the date that it was requested; however, early redemption is always possible on a voluntary basis after 28 September 2016. The other conditions of the loan include a request from the ECB for guarantees represented by securities with the same requirements of the previous LTROs. Banks were also given the right to apply for an amount equal to 7% of their stock of loans to households (excluding property purchase loans) and non-financial companies in the Eurozone at 30 April 2014. This amount can be requested in two tranches (at 18 September 2014 and 11 December 2014) or in a lump sum.

In August 2014, the Parent Company, as the "lead institution" of the TLTRO Group created together with Banco Desio Lazio S.p.A., sent in a request to participate in the first tranche of TLTRO loans planned for September 2014. Banca Popolare di Spoleto S.p.A., which is not included in the TLTRO Group as it joined the scope of consolidation from 1 August 2014, did not take part in the first TLTRO auction.

On 11 September 2014, the "initial allowance", i.e. the maximum amount that can be requested at the TLTROs in September and December 2014, (Euro 404.8 million) was communicated to the Parent Company.

On 6 November 2014 the Governing Council of the ECB approved the inclusion of Banca Popolare di Spoleto S.p.A. in the TLTRO Group created by the Parent Company in August 2014, also updating its composition for the merger of Banco Desio Lazio S.p.A. with the Parent Company with effect from 1 October 2014.

On 4 December 2014 the Parent Company was informed of the Initial Allowance for the TLTRO of December 2014, involving the subsidiary Banca Popolare di Spoleto S.p.A. for an amount of Euro 159.6 million.

The total Initial Allowance communicated to the Group in 2014 amounts to Euro 564.4 million.

Tax audits

The assessment notices in connection with the tax audit performed by the Tax Police and which were issued to the Parent Company on 27 December 2013, were accepted and finalised by means of a tax settlement proposal.

In relation to the findings for alleged "foreign-dressing" of overseas subsidiaries, we would inform you that:

- all of the assessment notices issued to the former subsidiary Brianfid SA in liquidation were accepted and finalised by means of a tax settlement proposal; the company has been liquidated and was cancelled from the register of companies on 11 August 2014;
- the assessment notices relating to CPC S.A. in liquidation for the tax years 2001 to 2004 were withdrawn unilaterally by the Tax Authorities;
- with reference to CPC S.A. in liquidation, for the tax years 2005 to 2009, and Rovere SdG S.A., for the tax year 2009, the Regional Tax Office of Lombardy has changed the allegations of "foreign-dressing" into observations on transfer pricing, issuing assessment notices to the Parent Company for IRES and IRAP, which the Parent Company has already accepted.

With the issuance of these assessment notices, notified to the Parent Company on 30 December 2014 on the question of transfer pricing, the Tax Authorities definitively abandoned their allegations against CPC S.A. in liquidation and Rovere SdG S.A. on the question of "foreign-dressing".

As regards the issue of transfer pricing, given the figures established by the Tax Authorities for 2009, the Parent Company decided to supplement the provisions for risks and charges in the 2014 financial statements by Euro 325 thousand, given that assessments will probably be issued for 2010 and 2011 as well.

Inspections by the Bank of Italy

The Bank of Italy carried out partial inspections at the Group between 29 September and 19 December 2014. The inspection report delivered to the Parent Company on 24 February 2015 did not give rise to any sanctions.

Bank of Italy Circular no. 263

On 27 January 2014, the Board of Directors of the Parent Company approved the Gap Analysis Report and the action plan that the Group has to implement in accordance with the Bank of Italy Circular no. 263 and which envisages the strengthening of internal controls, the information system and business continuity.

The measures planned were approved by the Board on 26 June, as the result of project work that involved all the business functions, in accordance with the deadlines established in the Circular. The following aspects of these measures should be noted in particular:

- Update of the Articles of Association and of the internal regulations for corporate bodies in light of the duties assigned to them by the new provisions;
- Amendments to the "Risk management policy";
- Amendments to the credit and counterparty risk management process – First and second level controls;
- Update of Compliance Model;
- Adoption of a new organisational and operational model by the Internal Audit Department;
- Adoption of Human Resources Policy setting out the policy for the management and development of human resources in compliance with supervisory requirements.

In addition, the Board of Directors, at its meeting of 7 August 2014, approved the "IT risk analysis and management model" and the "Methodology of analysis and management of ICT risk", as well as the adoption of an integrated process, through a dedicated technology platform, for the detection of risks and internal controls and the sharing of information and its storage within a single database.

FATCA (Foreign Account Tax Compliance Act)

Effective as of 1 July 2014, an intergovernmental agreement has been entered into between the U.S. and Italian governments (Model 1 IGA) to ensure the application as national law of the Foreign Account Tax Compliance Act (FATCA), which was introduced by the U.S. Government to counteract offshore tax evasion by U.S. citizens and businesses that hide assets held in accounts in non U.S. territories and which make use of foreign financial institutions to conceal from the U.S. IRS (Internal Revenue Service) the income generated thereby; in particular, more rigid obligations have been imposed on non U.S. financial institutions (FFIs – Foreign Financial Institutions) for customer identification (U.S. and non U.S.) and for reporting requirements to the U.S. tax authorities.

In relation to this international legislation, the Parent Company took steps to ensure the implementation of the technical, procedural and organisational measures needed for its prompt application. In particular, Banco Desio Group has registered with the IRS via its portal, with the Parent Company having assumed the role of Lead FFI (company that is responsible for the coordination of the Group registration process and, in more general terms, for the supervision of FATCA compliance by all Group entities).

Disposal of held to maturity securities portfolio

At the end of January 2014, as it was no longer opportune to hold fixed-rate debt instruments with medium to long durations to maturity, the Parent Company decided to sell all of the financial instruments in the HTM portfolio. The contribution to the income statement for 2014 that originated from this disposal amounted to some Euro 12.4 million. The Parent Company will not be able to use this portfolio category for the next two years (under the so-called "tainting rule").

Directors and officers

On 29 April 2014, the Ordinary Shareholders' Meeting appointed the Board of directors and the Board of Statutory Auditors for the years 2014-2016. The composition of these bodies - after appropriate resolutions had been passed by the Board that met at the end of the Shareholders' Meeting - is that previously reported in the relevant paragraph.

Deputy General Manager of Corporate Affairs

On 13 March 2014, the Board of Directors of the Parent Company appointed Mr Ippolito Fabris as Deputy General Manager of Corporate Affairs.

Financial Reporting Manager

Mr Mauro Walter Colombo has been appointed as Financial Reporting Manager of the Parent Company in accordance with art. 154-bis of the Consolidated Finance Act as a replacement for Mr Piercamillo Secchi, who went into retirement on 30 April 2014.

4 - SIGNIFICANT SUBSEQUENT EVENTS

Approval of the Group Business Plan for the 2015-2017 three-year period

On 10 February 2015 the Board of Directors of Banco di Desio e della Brianza approved the Group Business Plan for the 2015-2017 three-year period.

In brief, the strategic measures underlying the Plan concern:

- rationalisation of the distribution perimeter and gradual revision of the network model;
- convergence of network performances to internal best practice;
- constant review and updating of products on offer;
- revival of private banking;
- progressive development of digitisation and a multichannel approach;
- further streamlining of administrative costs;
- evolution of the model for the handling of impaired loans (doubtful and watchlist loans) with recourse to specialised companies (outsourcing) for the management of part of the stock;
- rationalisation and expansion of distribution agreements with product companies outside the Group, with a view to gradually increasing the economic component of the service margin.

These strategic measures are in-keeping with the territorial and organisational decisions taken, which envisage the Parent Company Banco di Desio e della Brianza S.p.A. overseeing the northern regions and the subsidiary Banca Popolare di Spoleto S.p.A. overseeing the regions of Central Italy, based on a commercial and distribution model that reflects the new size of the Group. A model that could become more integrated, thanks to the traditional service that is handled through the physical channel, to seize opportunities for local development, and the electronic channel, in line with the size that the web-oriented clientele is likely to assume.

In view of the above, the objectives of the business plan in terms of risk/return can be summarised as follows:

- development of the Group model, encouraging full integration of BDB and BPS at both an organisational and cultural level;
- compliance with capital and liquidity requirements with appropriate prudential margins;
- a progressive increase in profitability (ROE and RORAC);
- adequate remuneration for all shareholders.

Decision by the Council of State on the Extraordinary Administration of Banca Popolare di Spoleto S.p.A.

The Boards of Directors of the Parent Company and of Banca Popolare di Spoleto S.p.A. have taken note of the decision taken by the Council of State, filed on 9 February 2015, which cancelled the judgement of the Regional Administrative Tribunal that rejected the appeals of certain former Directors of Banca Popolare di Spoleto S.p.A. and that the Ministry of

Economy and Finance had failed to critically examine the proposal of the Bank of Italy which led to the Extraordinary Administration of Banca Popolare di Spoleto S.p.A. at the beginning of 2013.

In light of our research into the possible legal implications and consequences of the Council of State's decision regarding the operations of Banca Popolare di Spoleto S.p.A., backed by authoritative legal opinions, it is reasonable to believe that this decision is unlikely to have any impact on the full validity and legitimacy of the Capital Increase Reserved for the Parent Company. Likewise, we believe that the decision of the Council of State does not have any effect on the full legitimacy of its corporate bodies appointed by the shareholders' meeting of Banca Popolare di Spoleto S.p.A. that was held after the Reserved Capital Increase had been carried out.

Increase in capital of Banca Popolare di Spoleto S.p.A.

The Extraordinary Shareholders' Meeting of Banca Popolare di Spoleto S.p.A. approved on 30 March 2015 the cash increase in capital with a nominal value of Euro 90,628,000 by issuing 50,015,453 new ordinary shares at a price of Euro 1.812 per share, reserved for the Parent Company Banco di Desio e della Brianza S.p.A., to be paid up by a contribution in kind of 32 branches in Lazio and Tuscany in accordance with the Business Plan.

5 - LEGISLATIVE DECREE 231/2001

With reference to measures implemented concerning the administrative liability of companies for offences committed by their officers and/or employees, in 2004 the Board of Directors of the Parent Company approved the adoption of an Organisation and Management Model for the prevention of criminal offences contemplated by Legislative Decree no. 231/2001 (hereinafter "Model 231"). This Model has been implemented over time in compliance with subsequent provisions of the law.

As regards Banca Popolare di Spoleto S.p.A., its Model 231 is currently being aligned to that of the Parent Company and the general part has already been partially implemented.

Further information on Model 231 and on the Supervisory Body pursuant to the aforementioned Legislative Decree (the functions of which have been performed since 2012 by the Board of Statutory Auditors) is provided in the Annual Report on Corporate Governance (particularly in paragraph 7), which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

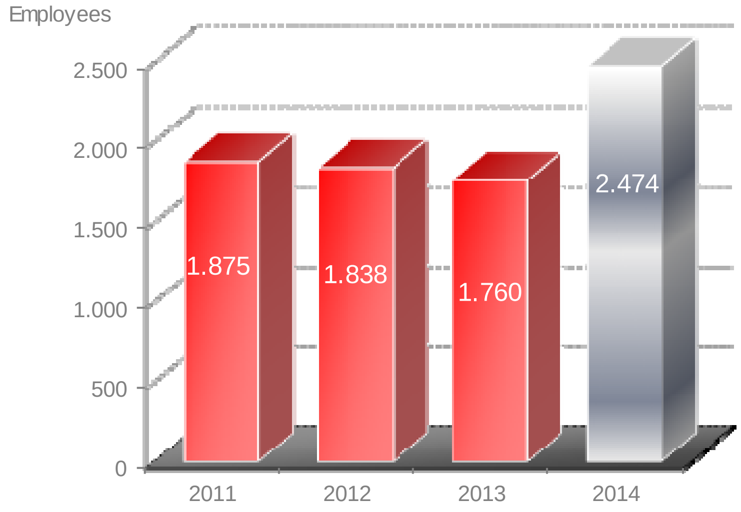
The Model 231 has been published on the Group's website, together with the Code of Ethics.

6 - HUMAN RESOURCES

6.1 - MANAGEMENT AND BREAKDOWN OF RESOURCES

At 31 December 2014, the Group had 2,474 employees, an increase of 714 people (+40.6%) compared with the end of the previous year.
This is due to the inclusion of Banca Popolare di Spoleto S.p.A., which has 741 employees, less the employees of the Parent Company that took advantage of the first of the three "windows" for voluntary access to the Solidarity Fund under the redundancy plan (with a gradual reduction in the number of middle managers).
The trend in the Group's workforce in recent years is shown by the graph below.

Chart no. 2 - **TREND IN GROUP PERSONNEL IN RECENT YEARS**



The following table provides a breakdown of employees by level at the end of 2014, compared with the previous year.

Table no. 1 - **BREAKDOWN OF GROUP EMPLOYEES BY LEVEL**

					Change	
No. of Employees	**31.12.2014**	**%**	**31.12.2013**	**%**	**Amount**	**%**
Managers	37	1,5%	29	1,6%	8	27,6%
3rd and 4th level middle managers	515	20,8%	404	23,0%	111	27,5%
1st and 2nd level middle managers	608	24,6%	486	27,6%	122	25,1%
Other personnel	1.314	53,1%	841	47,8%	473	56,2%
Group employees	**2.474**	**100,0%**	**1.760**	**100,0%**	**714**	**40,6%**

6.2 - TRAINING ACTIVITIES

As regards training activities, which accompany processes of growth and development of resources, in compliance with Group guidelines and procedures, 13,154 man days of training were provided during the year, inclusive of internal courses, conferences, external seminars and online training activities that correspond to an average of 6.2 days of training for each employee.

Activities for 2014 were developed by following guidelines laid down at the start of the year, aimed, in particular at:

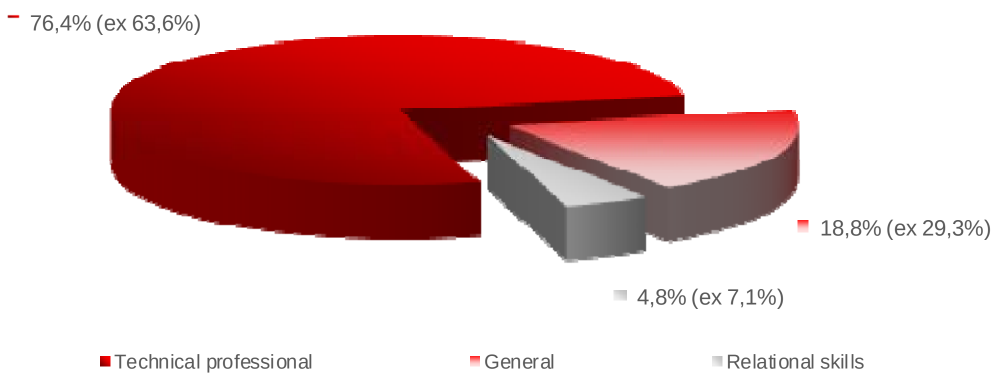
- promoting the managerial skills of those holding managerial positions and of those who are destined to take part in the generational change;
- improving the ability to select and monitor credit:
- strengthening the regional presence and the relationship of trust that ties the customer to the Group by improving the means of offering products and services and by improving sales efficiency, while paying particular attention to companies that operate in international markets;
- constantly providing regulatory updates to staff to reduce operational risks.

The type of training offered can be summarised as follows:

- "General": courses catering for all professional groups with the objective of developing transverse knowledge;
- "Technical-professional": comprises courses aimed at the development of technical skills of resources that have commenced the performance of specific duties and are interested in consolidating and further improving the skills required by the role;
- "Interpersonal skills": these courses are aimed at the development of behavioural skills and facilitate the spread of corporate culture as well as the internalisation of corporate values.

The following graph shows the breakdown in percentage terms of training days that were held in the year by type of course.

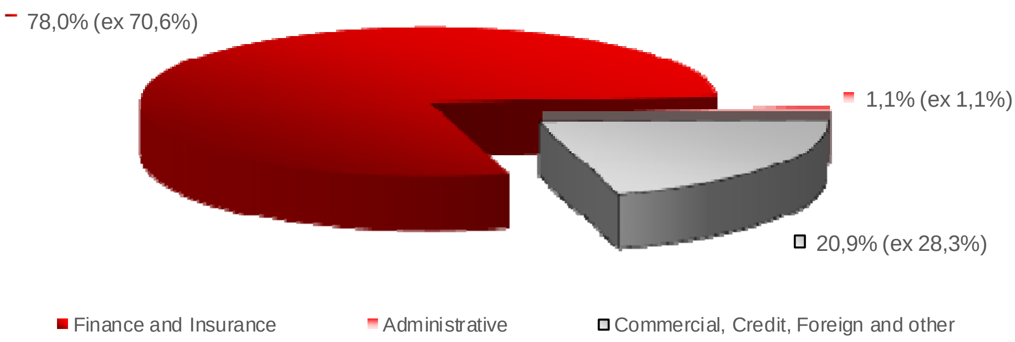
Chart no. 3 - **BREAKDOWN OF TRAINING DAYS IN 2014 BY TYPE OF TRAINING OFFERED**



As part of the "General" training and with the aim of continuously updating the staff's knowledge of legal requirements, around 2,500 man/days were delivered through specific refresher modules on issues such as the Model 231, Anti-Money Laundering, Health and Safety at Work, Circular 263.

As regards "Technical-professional" training, the breakdown of the topics covered by the courses held is shown below in percentage terms.

Chart no. 4 - **BREAKDOWN OF "TECHNICAL-PROFESSIONAL" TRAINING IN 2014 BY TOPIC**



We would point out, in particular, that courses are made up of modules and periods of on-the-job training, designed to improve skills in identifying and monitoring credit risks, accompanied by training carried out after the release of the new "Credit Rating System" (CRS) and the new "Credit Origination" procedure.

This area also encompasses the basic programmes for new members of staff being introduced to the field of insurance brokerage and IVASS professional development courses for those who are already qualified.

There are new courses on "Interpersonal Skills", aimed at all the branch and head office managers, to help them develop their management skills, continuing what we started the previous year. We have also started a training course to develop selling skills, aimed at Corporate Account Managers: this programme will be proposed again in 2015.

The attention paid by the Group to the growth and development of professional skills has again been acknowledged and supported in 2014 by the Fondo Banche Assicurazioni (FBA), which provided funding for training activities during the year.

6.3 - INDUSTRIAL RELATIONS

During the year, the effects of the union agreement regarding the Redundancy Fund were put into practice, which meant implementing all of its obligations from an operational and trade union point of view.

When Banca Popolare di Spoleto S.p.A. joined the Group, this triggered off the contractual procedure provided for and governed by art. 21 of the National Collective Labour Agreement of 19 January 2012, involving a "discussion at Group level", with a view to reaching an agreement with the Group's union representatives on a partial reorganisation of the subsidiary. This has become necessary in order to ensure effective governance of the Group and overall management of Group risk with a view to improving efficiency and holding down costs.

On 17 October 2014, agreement was reached with the Group's union representatives that the manoeuvre would involve a relocation of the resources concerned within the Group, but without this in itself implying any impact on overall employment, also by using appropriate intercompany service agreements.

ABI recently gave notice terminating the current labour contract for the banking industry, so negotiations for its renewal will commence at national level during 2015.

7 - CONTROL ACTIVITIES

7.1 - THE LEVELS OF CONTROL IN THE MANAGEMENT CONTROL AND COORDINATION FUNCTION

In exercising its management control and coordination function, Banco di Desio e della Brianza S.p.A., in its capacity as Parent Company, uses a triple level of control over subsidiaries, in order to put into effect the specific "coordination model" that has been chosen, taking into account the nature and the size of the activities performed by each company, as well as its specific location, and by identifying the competent in-house functions for the specific control mechanisms.

The first level, of a strategic nature, is aimed at constantly verifying the guidelines provided by the Parent Company and is put into effect mainly by means of the presence on the Boards of Directors of each subsidiary of a certain number of its own officers that would normally represent the majority of Board members.

The second level is of a management type and regards the performance of analysis and the systematisation and measurement of periodic information flows from the subsidiaries, in order to verify the pursuit of strategic objectives in compliance with regulatory provisions, the preparation of adequate reporting on trends and earnings, the analysis of development, research or investment projects and of strategic opportunities, forecast cash flows and the other information needed for the preparation of the Group budget.

The third level is defined as technical-operational and mainly consists of monitoring the internal control system.

Further information on management control and coordination activities is included in paragraph 2.3 of the Annual Report on Corporate Governance which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

7.2 - THE INTERNAL CONTROL SYSTEM

The internal control system consists of a set of principles of conduct, rules and organisational procedures, which - in compliance with the law, Supervisory Authorities' regulations and corporate strategies - enables proper management of all of the Group's activities, with the involvement of corporate bodies and senior management and, generally, all the personnel.

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and also on systems for risk management and for internal control in relation to the financial reporting process, are included in paragraphs 1 and 7 of the Annual Report on Corporate Governance which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations, to which reference should be made.

7.3 - RISK MEASUREMENT AND MANAGEMENT

As regards the specific activities performed by the Parent Company's Risk Management function, with the objective of ensuring that controls over the management of various types of risk by means of the adoption of integrated processes, reference should be made to Part E of the explanatory notes – Information on risks and related hedging policy.

8 - RESULTS OF OPERATIONS

8.1 - SAVINGS DEPOSITS: CUSTOMER FUNDS UNDER MANAGEMENT

Total customer funds under management at 31 December 2014 reached Euro 22.8 billion, representing an increase of some Euro 4.3 billion (23.3%) with respect to the 2013 year end balance, attributable to both direct and indirect deposits.

The composition and balances that make up this aggregate, with changes during the period, are shown in the following table.

Table no. 2 - **TOTAL CUSTOMER DEPOSITS**

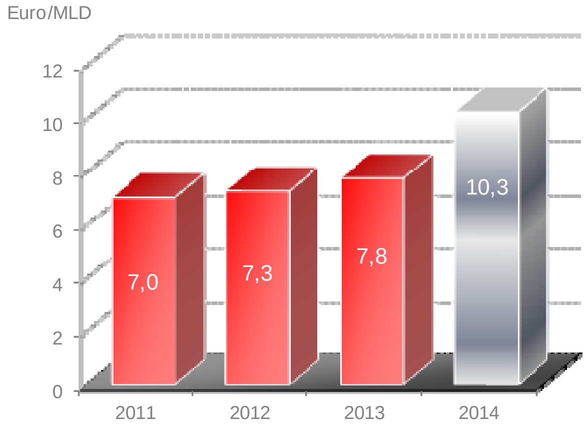
Amounts in thousands of Euro	31.12.2014	Effect %	31.12.2013	Effect %	Changes Amount	%
Due to customers	7.444.025	32,6%	5.489.782	29,7%	1.954.243	35,6%
Debt securities in issue and Financial liabilities	2.822.378	12,4%	2.277.709	12,3%	544.669	23,9%
Direct deposits	**10.266.403**	**45,0%**	**7.767.491**	**42,0%**	**2.498.912**	**32,2%**
Ordinary customer deposits	8.694.528	38,1%	7.454.136	40,3%	1.240.392	16,6%
Institutional customer deposits	3.865.139	16,9%	3.287.329	17,7%	577.810	17,6%
Indirect deposits	**12.559.667**	**55,0%**	**10.741.465**	**58,0%**	**1.818.202**	**16,9%**
Total customer deposits	**22.826.070**	**100,0%**	**18.508.956**	**100,0%**	**4.317.114**	**23,3%**

Direct deposits

Direct deposits at 31 December 2014 amount to Euro 10.3 billion, an increase of Euro 2.5 billion, (32.2%), on the previous year. This growth has affected amounts due to customers (+35.6%), which continue to represent the most significant item with 72.5%, as well as debt securities in issue and financial liabilities designated at fair value (+23.9%).
The balance due to customers consists for some Euro 6.5 billion of demand deposits, i.e. current accounts and savings deposits, and for the rest restricted time deposits, repurchase agreements and other payables.
Debt securities in issue and financial liabilities designated at fair value through profit and loss relate to bonds issued and placed by the Group of some Euro 2.1 billion (including Euro 0.2 billion of subordinated bonds) and certificates of deposits of some Euro 0.7 billion.
In the course of 2014 the total nominal value of bonds issued and placed by the Group amounted to some Euro 0.5 billion, whereas bonds redeemed on maturity amounted to some Euro 0.8 billion.

The trend in direct deposits in recent years is shown in the following graph.

Chart no. 5 - **TREND IN DIRECT DEPOSITS IN RECENT YEARS**



Indirect deposits

Overall, at 31 December 2014 indirect deposits recorded a rise of Euro 1.8 billion, equal to 16.9% of the balance at the end of the previous year, coming in at Euro 12.6 billion.
Ordinary customer deposits came to Euro 8.7 billion, representing an increase of some Euro 1.2 billion, equating to 16.6%, that was mainly attributable to the performance of assets under management (+24.8%) with respect to assets under administration (+9.5%).

Institutional customer deposits also increased during the period by 17.6% (Euro 0.6 million).

The table below shows details of this aggregate with the changes during the year.

Table no. 3 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	31.12.2014	Effect %	31.12.2013	Effect %	Changes Amount	Changes %
Assets under administration	**4.341.160**	**34,5%**	**3.965.894**	**36,9%**	**375.266**	**9,5%**
Assets under management	**4.353.368**	**34,7%**	**3.488.242**	**32,5%**	**865.126**	**24,8%**
of which : Mutual funds and Sicavs	*1.329.480*	*10,6%*	*895.981*	*8,4%*	*433.499*	*48,4%*
Managed portfolios	*553.136*	*4,4%*	*314.054*	*2,9%*	*239.082*	*76,1%*
Bancassurance	*2.470.752*	*19,7%*	*2.278.207*	*21,2%*	*192.545*	*8,5%*
Ordinary customer deposits	**8.694.528**	**69,2%**	**7.454.136**	**69,4%**	**1.240.392**	**16,6%**
Institutional customer deposits	**3.865.139**	**30,8%**	**3.287.329**	**30,6%**	**577.810**	**17,6%**
Inderect deposits	**12.559.667**	**100,0%**	**10.741.465**	**100,0%**	**1.818.202**	**16,9%**

The following graphs show the breakdown in percentage terms of indirect customer deposits at 31 December 2014 and of the composition of assets under management.

Chart no. 5 - **BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2014**

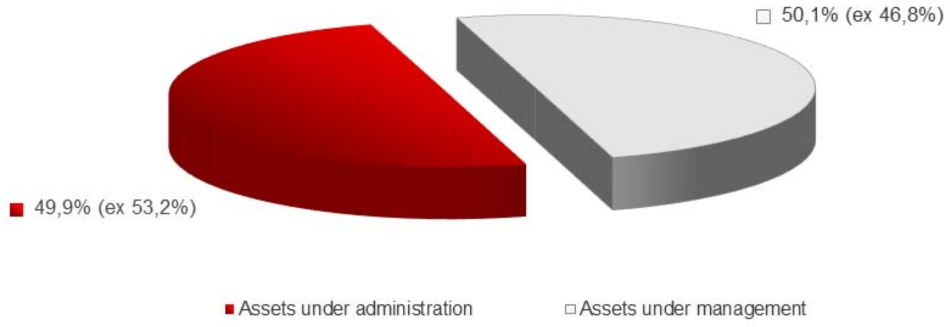
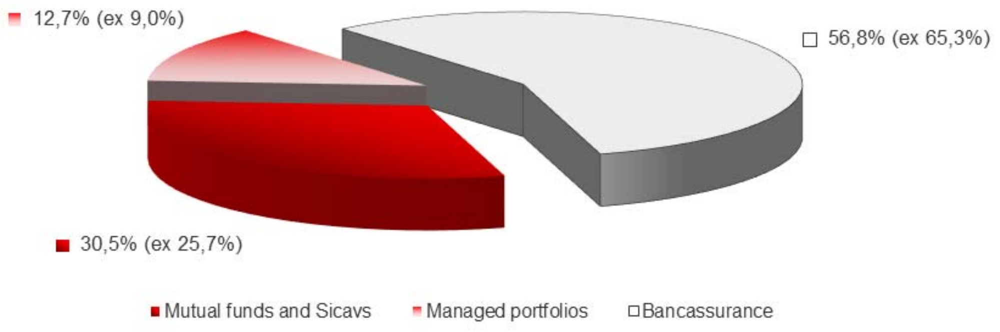


Chart no. 7 - **BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AT 31.12.2014**



Within the ambit of mutual funds, sicavs and managed portfolios, there has been a moderately positive trend during the year in equity markets but with strong geographical differences, while for bonds there has been a general decline in returns; the most positive returns were obtained from government issues in the peripheral countries. The maturities of Italian and Spanish government bonds held in managed bond portfolios have been increased slightly. In addition, the exposure to corporate issues has been decreased as the yield differential compared with government bonds has reached levels that are far too low. In managed equity portfolios, the Group maintained a good level of diversification, giving geographical preference to continental Europe and the United States, while investment in emerging countries has been totally marginal. At a sector level, preference went to those related to the business cycle, in particular industrial, automotive and technology.

A Wealth Management Department was set up at the Parent Company in November 2014, composed of the Managed Portfolio Office (formerly part of the Finance Department) and Retail Asset Management Office (newly established) to provide support for General Management in corporate governance for their areas of competence, playing a pro-active and coordination role on issues and business activities related to "Investment Services for customers". Since 1 December 2014, the Managed Portfolio Office has also been handling 20 portfolio lines for Banca Popolare di Spoleto S.p.A. under a management mandate granted as part of a wider service agreement.

8.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

The total value of loans to ordinary customers at the end of 2014 rose to Euro 9.5 billion, exceeding the 2013 figure by Euro 2.6 billion, while loans to institutional customers, represented entirely by repurchase agreements, amounted to Euro 0.2 billion, an increase of Euro 0.1 billion.

The Group's lending activity led to a total value of net loans to customers of Euro 9.7 billion at 31 December 2014, with a positive change of 39%.

The following graph shows the trend in customer loans in recent years.

*Chart no. 8 - **TREND IN CUSTOMER LOANS IN RECENT YEARS***

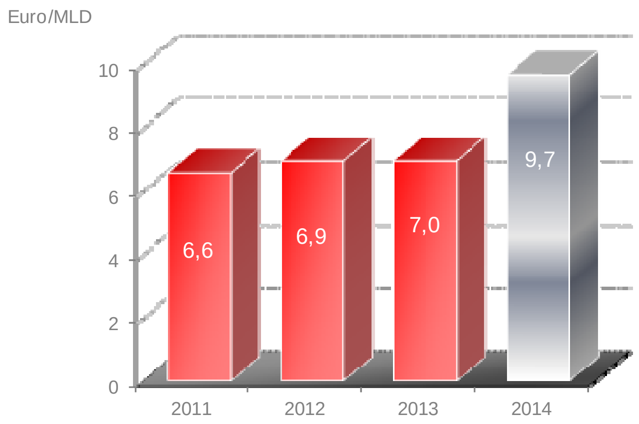


Table no. 4 - **LOANS TO CUSTOMERS**

Amounts in thousands of Euro	31.12.2014	Effect %	31.12.2013	Effect %	Changes Amount	%
Current accounts	1.892.751	19,5%	1.507.202	21,7%	385.549	25,6%
Repurchase agreements			18		-18	-100,0%
Mortgages and other long-term loans	6.310.885	65,3%	4.572.240	65,7%	1.738.645	38,0%
Other	1.264.903	13,1%	758.027	10,9%	506.876	66,9%
Loans to ordinary customers	**9.468.539**	**97,9%**	**6.837.487**	**98,3%**	**2.631.052**	**38,5%**
Repurchase agreements	198.361	2,1%	117.942	1,7%	80.419	68,2%
Loans to institutional customers	**198.361**	**2,1%**	**117.942**	**1,7%**	**80.419**	**68,2%**
Loans to customers	**9.666.900**	**100,0%**	**6.955.429**	**100,0%**	**2.711.471**	**39,0%**

Within the distribution of gross loans, including endorsement credits, the percentage of drawdowns by the largest customers at the end of the year continues to reflect a high degree of risk diversification, as shown in the following table.

Table no. 5 - **CONCENTRATION OF CREDIT ON LARGEST CUSTOMERS**

Number of customers (1) (2)	31.12.2014	31.12.2013
First 10	1,1%	1,5%
First 20	2,0%	2,5%
First 30	2,7%	3,3%
First 50	3,9%	4,6%

(1) according to the figures of the Parent Company, the subsidiary Banca Popolare di Spoleto S.p.A. and the former subsidiary Banco Desio Lazio S.p.A.;

(2) net of repurchase agreements with institutional counterparties of Euro 198.4 million at 31.12.2014 and Euro 117.9 million at 31.12.2013.

In compliance with supervisory regulations in force, at the end of 2014, two positions were identified that are classifiable as "Major Risks" and which amount to a total nominal value (inclusive of guarantees given and commitments) of some Euro 2.3 billion, which, in terms of the total weighted amount, comes to Euro 0.2 billion. These are exposures to the Group companies, the Treasury Ministry and Cassa di Compensazione e Garanzia S.p.A. (clearing house).

The Group is engaged in more and more systematic monitoring of exposures and in the application of more precise policies in terms of specific writedowns that reflect the ongoing difficulties created by the prolonged adverse economic conditions.

The total amount of net impaired loans at 31 December 2014 - also considering those of Banca Popolare di Spoleto S.p.A. and the related write-downs - consisting of doubtful, watchlist, past due loans and restructured loans, came to Euro 854 million, net of write-downs of Euro 791.8 million, an increase of Euro 395 million compared with 31 December 2013. In particular, net doubtful loans totalled Euro 426.6 million, net watchlist loans Euro 368.7 million, past due loans Euro 44.3 million and restructured loans Euro 14.4 million.

The following table summarises the gross and net indicators relating to credit risk, showing figures that are up on the end of the previous year.

Table no. 6 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% of gross loans (1)	**31.12.2014**	**31.12.2013**
Gross non-performing loans to customers	15,65%	9,48%
of which:		
- gross doubtful loans	9,78%	5,34%
- gross w atchlist loans	5,24%	3,44%
- gross past due loans	0,47%	0,68%
- gross restructured loans	0,16%	0,03%

% of net loans	**31.12.2014**	**31.12.2013**
Net non-performing loans to customers	8,83%	6,60%
of which:		
- net doubtful loans	4,41%	3,35%
- net w atchlist loans	3,81%	2,56%
- net past due loans	0,46%	0,67%
- net restructured loans	0,15%	0,02%

(1) also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., shown gross of write-downs.

The main indicators on the coverage of non-performing loans are reported below, also considering, for doubtful loans, the amount of direct write-downs made over the years, together with those relating to performing loans, which show rising levels of coverage with respect to the comparative figures.

Table no. 7 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% coverage of impaired and performing loans (1)	**31.12.2014**	**31.12.2013**
% coverage of doubtful loans	58,52%	39,52%
% coverage of doubtful loans, gross of cancellations	65,22%	59,41%
% total coverage of impaired loans	48,11%	33,03%
% coverage of impaired loans, gross of cancellations	53,69%	47,51%
% coverage of performing loans	0,65%	0,67%

(1) also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., shown gross of write-downs.

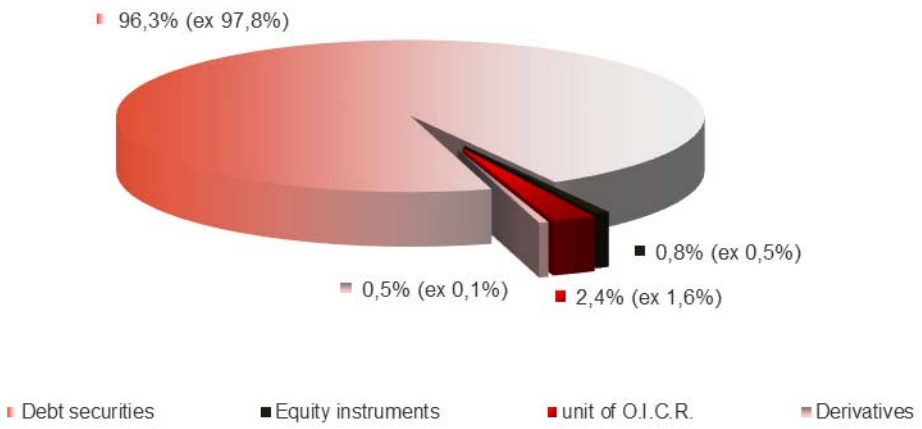
8.3 - THE SECURITIES PORTFOLIO AND INTERBANK POSITION

Securities portfolio

At 31 December 2014 the total financial assets of the Group came to Euro 1.9 billion, an increase of Euro 0.3 billion (+18%), compared with the 2013 figure net of the disposal of the held-to-maturity portfolio securities by the Parent Company (previously mentioned in the paragraph on *"Significant events")*.

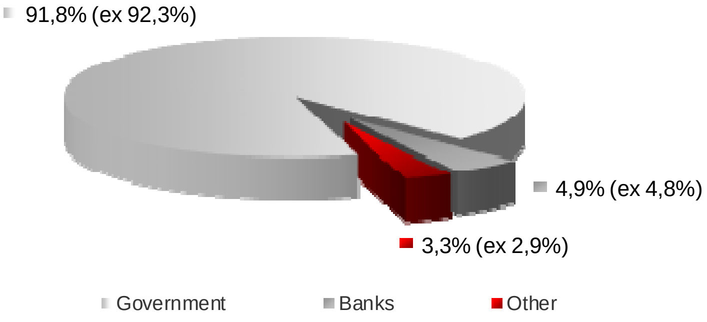
The breakdown of the portfolio by type of security is shown in the following chart, which shows that almost all (96.3%) of the total investment relates to debt securities.

Chart no. 9 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2014 BY TYPE OF SECURITIES**



With reference to the issuers of securities, of the total portfolio at the end of 2014, 91.7% relates to government securities, 4.9% to securities issued by banks and the remainder to other issuers, as shown by the following chart.

Chart no. 10 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2014 BY TYPE OF ISSUER**



During 2014, in a context that featured periods of uncertainty and volatility mainly due to geopolitical factors, bond markets maintained a very good tone. Expectations of interventions by the ECB and of falling inflation favoured government bonds in the Eurozone, particularly those of peripheral countries.

The reduction in yields on Italian government bonds has been very significant: The yield on the 2-year security fell from 1.25% to 0.53%, while that on the 10-year went from 4.12% from 1.89%.

Sovereign debt exposures

With reference to document 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning disclosures about sovereign risk to be included in the annual and interim reports prepared by listed companies adopting IAS/IFRS, positions at 31.12.2014 are reported below, bearing in mind that, according to the guidelines of this European Supervisory Authority, "sovereign debt" has to include bonds issued by central and local governments and government bodies, as well as any loans granted to them.

Table no. 8 - **SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO AND ISSUER**

Amounts in thousands of Euro		**Italy**	**31.12.2014**
Financial assets held for trading	Nominal value	613	613
	Book value	373	373
Financial assets available for sale	Nominal value	1.699.500	1.699.500
	Book value	1.739.779	1.739.779
Sovereign debt	**Nominal value**	**1.700.113**	**1.700.113**
	Book value	**1.740.152**	**1.740.152**

Table no. 9 - **SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO, ISSUER AND MATURITY**

Amounts in thousands of Euro		Italy	31.12.2014 Nominal value	Book value
Financial assets held for trading	up to 1 year			
	1 to 3 years			
	3 to 5 years	1	1	1
	over 5 years	612	612	372
	Total	613	613	373
Financial assets available for sale	up to 1 year	160.000	160.000	159.753
	1 to 3 years	559.000	559.000	577.631
	3 to 5 years	727.500	727.500	744.056
	over 5 years	253.000	253.000	258.339
	Total	1.699.500	1.699.500	1.739.779
Sovereign debt	**up to 1 year**	**160.000**	**160.000**	**159.753**
	1 to 3 years	**559.000**	**559.000**	**577.631**
	3 to 5 years	**727.501**	**727.501**	**744.057**
	over 5 years	**253.612**	**253.612**	**258.711**
	Total	**1.700.113**	**1.700.113**	**1.740.152**

Net interbank position

The Group's net interbank position at 31 December 2014 is negative for Euro 0.7 billion, compared with the position at the end of the previous year, which was also negative for Euro 0.2 billion.

With reference to treasury activities, the Group's excess liquidity during the year was largely invested in the MMF market.

8.4 - SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

Shareholders' equity pertaining to the Parent Company at 31 December 2014, including net profit for the period, amounts to 845.6 million euro, compared with 818.7 million euro at the end of 2013.

The following table shows a reconciliation between the shareholders' equity and net profit of the Parent Company and the corresponding consolidated figures at 31 December 2014, explaining the financial and economic effects related to the consolidation of subsidiaries and associated companies.

Table no. 10 - **RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY WITH THE CONSOLIDATED FIGURES AT 31.12.2014**

Amounts in thousands of Euro	**Shareholders' equity**	***of which: Net profit (loss) for the period***
Parent Company balances at 31 December 2014	**817.770**	***32.986***
Effect of consolidation of subsidiaries	24.847	*7.812*
- of which: attributable to the consolidation of Credito Privato Commerciale S.A. in	*-3.638*	*851*
- of which: attributable to the consolidation of Brianfid-Lux S.A. in liquidation	*-121*	*-121*
Effect of valuation of associates at net equity	3.007	*1.061*
Dividends collected during the period	-	*-1.261*
Other changes	3	*3*
Consolidated balances at 31 December 2014	**845.627**	**40.601**

Shareholders' equity calculated in accordance with the new regulatory provisions (Bank of Italy Circulars nos. 285 and 286 and EU Regulation 575/2013), defined as Own Funds, with an expected pay out of not more than 24.6%, amounts at 31 December 2014 to Euro 990.8 million (CET1 + AT1 of Euro 845.1 million + T2 of Euro 145.7 million), while the figure at 31.12.2013 recomputed in accordance with the new regulations amounts to Euro 815.3 million (the former Capital for supervisory purposes under the previous regulations amounted to Euro 823.3 million).

The new harmonised framework for banks and investment firms contained in EU Regulation ("CRR") and Directive ("CRD IV") of 26/6/2013 is applicable from 1 January 2014; it transposes the standards defined by the Basel Committee on Banking Supervision (the so-called "Basel 3 Framework") into the European Union. The Basel Committee has sought to improve the resilience of the banking system by pursuing - among other things - the objective to raise the quality of capital for supervisory purposes in order to increase the banks' ability to absorb losses. In particular, the new provisions enhance the importance of ordinary shares as a component of capital and extend and harmonise the list of amounts to be deducted and of prudential adjustments.

The minimum capital required by law at a consolidated level for 2014, including the capital conservation buffer of 2.5%, amounted to 7% for the Common Equity Tier 1 ratio, 8% for the Tier 1 ratio and 10.5% for the Total Capital ratio.

The new prudential regulations have imposed a capital reserve that is in addition to the minimum regulatory requirements, with the objective of equipping the banks with high quality capital to be used in times of market stress to prevent any malfunctioning of the banking system and to avoid interruptions in the credit granting process.

At 31 December 2014, the Common Equity Tier 1 ratio (Common Equity Tier 1 (CET 1)/Risk-weighted assets) came to 10.3% (compared with a minimum requirement of 7%). The Tier 1 ratio, consisting of total class 1 capital (T1)/Risk-weighted assets, came to 10.5%, while the Total capital ratio, consisting of total Own Funds/Risk-weighted assets, amounted to 12.3% (compared with minimum requirements of 8% and 10.5%, respectively). The Tier 1 and Total capital ratios at 31.12.2013 restated with an estimate of the support factor not provided for under the previous regulations amounted to 12.8% and 14.0% respectively; however, the comparison with the figures at 31.12.2014 is not completely homogeneous.

8.5 - RECLASSIFIED INCOME STATEMENT

To allow readers to see figures that better reflect the results of operations, we have prepared a reclassified version of the income statement with respect to the one in the financial statements and which forms the basis of the specific comments below.

The presentation criteria for this table are as follows:

- the "Result of operations" has been split into its two component parts, namely "Operating income" and "Operating costs";
- the "Net profit (loss) for the period" has been split between "Profit (loss) from operations after taxes" and "Non-recurring profit (loss) after tax";
- "Operating income" also includes the balance of caption 220 "Other operating income/expense", net of recoveries of tax duties on current accounts and securities deposit accounts of customers and flat-rate tax on long-term loans, as well as amortisation of leasehold improvements, reclassified respectively as a reduction to caption 180b) "Other administrative expenses" and as an increase in caption 210 "Net adjustments to intangible assets" included in "Operating expenses";
- the share of profits for the period relating to investments in associated companies is reclassified from caption 240 "Profit (loss) from equity investments" to "Profit from associates";
- the balance of caption 100a) "Gains (losses) on disposal or repurchase of loans" of "Operating income" is reclassified to the appropriate caption "Gains (losses) on disposal or repurchase of loans" after "Operating profit";
- provisions relating to claw-back suits on disputed receivables are reclassified from caption 190 "Net provisions for risks and charges" to caption 130a) "Net impairment adjustments to loans and advances", both captions coming after the "Result of operations";
- provisions and expenses of an extraordinary nature or which are "one-off", as well as gains on disposal of financial assets available for sale, have been reclassified to the caption "Extraordinary provisions for risks and charges/other provisions and expenses / gains on disposal of financial assets held to maturity";
- the tax effect on "Non-recurring profit (loss)" is reclassified from caption 290 "Income tax for the period on current operations" to "Income taxes on non-recurring items."

As shown in the following table, which presents the reclassified income statement with prior period comparatives, 2014 closed with a net profit attributable to the Parent Company of Euro 40.6 million, compared with a net loss of Euro 4.8 million reported in 2013 (the latter has been reduced by about Euro 0.2 million compared with the figures previously reported for consistency purposes, following the change of accounting treatment used for bonuses, from valuation reserves to the income statement, with a reduction in payroll costs).

Table no. 11 - **RECLASSIFIED INCOME STATEMENT**

Captions				Change	
Amounts in thousands of Euro		**31.12.2014**	**31.12.2013**	**Amount**	**%**
10+20	Net interest income	227.699	194.336	33.363	17,2%
70	Dividends and similar income	114	117	-3	-2,6%
	Profit from associates	1.061	752	309	41,1%
40+50	Net commission income	133.739	113.234	20.505	18,1%
80+90+100+110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities designated at fair value through profit and loss	51.534	41.344	10.190	24,6%
220	Other operating income/expense	17.661	17.003	658	3,9%
	Operating income	**431.808**	**366.786**	**65.022**	**17,7%**
180 a	Payroll costs	-154.413	-133.563	-20.850	15,6%
180 b	Other administrative costs	-77.751	-68.449	-9.302	13,6%
200+210	Net adjustments to property, plant and equipment and intangible assets	-11.012	-9.221	-1.791	19,4%
	Operating costs	**-243.176**	**-211.233**	**-31.943**	**15,1%**
	Result of operations	**188.632**	**155.553**	**33.079**	**21,3%**
	Gains (Losses) on disposal or repurchase of loans	-1.634	-1.402	-232	16,5%
130 a	Net impairment adjustments to loans and advances	-150.888	-136.932	-13.956	10,2%
130 b	Net impairment adjustments to financial assets available for sale	-	-601	601	-100,0%
130 d	Net impairment adjustments to other financial assets	446	-1.692	2.138	n.s.
190	Net provisions for risks and charges	160	-10.920	11.080	n.s.
	Profit (loss) from operations before tax	**36.716**	**4.006**	**32.710**	**816,5%**
290	Income taxes on current operations	-15.634	-10.378	-5.256	50,6%
	Profit (loss) from operations after tax	**21.082**	**-6.372**	**27.454**	**n.s.**
240+270	Profit (loss) from investments and disposal of investments	11.818	13.134	-1.316	-10,0%
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity	10.016	-16.810	26.826	n.s.
	Non-recurring profit (loss) before tax	**21.834**	**-3.676**	**25.510**	**n.s.**
	Income taxes from non-recurring items	-3.489	5.312	-8.801	n.s.
	Non-recurring profit (loss) after tax	**18.345**	**1.636**	**16.709**	**n.s.**
320	**Net profit (loss) for the period**	**39.427**	**-4.736**	**44.163**	**n.s.**
330	Net profit (loss) pertaining to minority interests	1.174	-102	1.276	n.s.
340	**Parent Company net profit (loss)**	**40.601**	**-4.838**	**45.439**	**n.s.**

In order to facilitate the reconciliation of the reclassified income statement with the financial statements, a reconciliation that shows the numbers corresponding to the aggregated captions and reclassified balances is shown below for each period.

Table no. 12 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2014**

Captions		As per financial statements	Reclassifications							Reclassified income statement
Amounts in thousands of Euro		31.12.2014	Gains on disposal of financial assets held to maturity	Tax/expense recoveries	Profit from associates	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions and expenses	Income taxes	31.12.2014
10+20	Net interest income	227.699								227.699
70	Dividends and similar income	114								114
	Profit from associates				1.061					1.061
40+50	Net commission income	133.739								133.739
80+90+100 +110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities designated at fair value through profit and loss	62.328	-12.428				1.634			51.534
150+160	Result of insurance operations	0								0
220	Other operating income/expense	42.259		-27.577		2.979				17.661
	Operating income	**466.139**	**-12.428**	**-27.577**	**1.061**	**2.979**	**1.634**	**0**	**0**	**431.808**
180 a	Payroll costs	-154.663						250		-154.413
180 b	Other administrative costs	-107.490		27.577				2.162		-77.751
200+210	Net adjustments to property, plant and equipment and intangible assets	-8.033				-2.979				-11.012
	Operating costs	**-270.186**	**0**	**27.577**	**0**	**-2.979**	**0**	**2.412**	**0**	**-243.176**
	Result of operations	**195.953**	**-12.428**	**0**	**1.061**	**0**	**1.634**	**2.412**	**0**	**188.632**
	Gains (Losses) on disposal or repurchase of loans						-1.634			-1.634
130 a	Net impairment adjustments to loans and advances	-150.494						-394		-150.888
130 b	Net impairment adjustments to financial assets available for sale	0								0
130 d	Net impairment adjustments to other financial assets	446								446
190	Net provisions for risks and charges	-234						394		160
	Profit (loss) from operations before tax	**45.671**	**-12.428**	**0**	**1.061**	**0**	**0**	**2.412**	**0**	**36.716**
290	Income taxes on current operations	-19.123							3.489	-15.634
	Profit (loss) from operations after tax	**26.548**	**-12.428**	**0**	**1.061**	**0**	**0**	**2.412**	**3.489**	**21.082**
240+270	Profit (loss) from investments and disposal of investments	12.879			-1.061					11.818
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity		12.428					-2.412		10.016
	Non-recurring profit (loss) before tax	**12.879**	**12.428**	**0**	**-1.061**	**0**	**0**	**-2.412**	**0**	**21.834**
	Income taxes from non-recurring items								-3.489	-3.489
	Non-recurring profit (loss) after tax	**12.879**	**12.428**	**0**	**-1.061**	**0**	**0**	**-2.412**	**-3.489**	**18.345**
320	**Net profit (loss) for the period**	**39.427**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**39.427**
330	Minority interests	1.174								1.174
340	**Parent Company net profit (loss)**	**40.601**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**40.601**

Table no. 13 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2013**

Captions		As per financial statements	Reclassifications							Reclassified income statement
Amounts in thousands of Euro		31.12.2013	Gains on disposal of financial assets held to maturity	Tax/expense recoveries	Profit from associates	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions and expenses	Income taxes	31.12.2013
10+20	Net interest income	194.305							31	194.336
70	Dividends and similar income	117								117
	Profit from associates				752					752
40+50	Net commission income	113.234								113.234
80+90+100 +110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities designated at fair value through profit and loss	39.942					1.402			41.344
150+160	Result of insurance operations	0								0
220	Other operating income/expense	34.530		-20.062		2.535				17.003
	Operating income	**382.128**	**0**	**-20.062**	**752**	**2.535**	**1.402**	**0**	**31**	**366.786**
180 a	Payroll costs	-150.373						16.810		-133.563
180 b	Other administrative costs	-88.511		20.062						-68.449
200+210	Net adjustments to property, plant and equipment and intangible assets	-6.686				-2.535				-9.221
	Operating costs	**-245.570**	**0**	**20.062**	**0**	**-2.535**	**0**	**16.810**	**0**	**-211.233**
	Result of operations	**136.558**	**0**	**0**	**752**	**0**	**1.402**	**16.810**	**31**	**155.553**
	Gains (Losses) on disposal or repurchase of loans						-1.402			-1.402
130 a	Net impairment adjustments to loans and advances	-136.927						-5		-136.932
130 b	Net impairment adjustments to financial assets available for sale	-601								-601
130 d	Net impairment adjustments to other financial assets	-1.692								-1.692
190	Net provisions for risks and charges	-10.925						5		-10.920
	Profit (loss) from operations before tax	**-13.587**	**0**	**0**	**752**	**0**	**0**	**16.810**	**31**	**4.006**
290	Income taxes on current operations	-5.035							-5.343	-10.378
	Profit (loss) from operations after tax	**-18.622**	**0**	**0**	**752**	**0**	**0**	**16.810**	**-5.312**	**-6.372**
240+270	Profit (loss) from investments and disposal of investments	13.886			-752					13.134
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity		0					-16.810		-16.810
	Non-recurring profit (loss) before tax	**13.886**	**0**	**0**	**-752**	**0**	**0**	**-16.810**	**0**	**-3.676**
	Income taxes from non-recurring items								5.312	5.312
	Non-recurring profit (loss) after tax	**13.886**	**0**	**0**	**-752**	**0**	**0**	**-16.810**	**5.312**	**1.636**
300	**Profit (loss) from current operations after tax**	**-4.736**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-4.736**
310	Profit (loss) after tax on non-current assets held for sale	0								0
320	**Net profit (loss) for the period**	**-4.736**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-4.736**
330	Minority interests	-102								-102
340	**Parent Company net profit (loss)**	**-4.838**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-4.838**

Based on the above, the breakdown and changes in the main reclassified income statement captions are summarised below.

Operating income

Core revenues increased by 17.7% on prior year, rising to Euro 431.8 million, being an increase of some Euro 65 million. The increase is mainly attributable to *net interest income* which by coming in at Euro 227.7 million posted growth of Euro 33.4 million (+17.2%) and *net commission income*, which at Euro 133.7 million, showed an increase of Euro 20.5 million (+18.1%)

The aggregate *Net trading income, hedging and disposal/repurchase of loans and financial assets and liabilities designated at fair value* posted an increase of Euro 10.2 million (+24.6%) (net of the contribution of Euro 12.4 million before taxes resulting from the Parent Company's sale of all its financial instruments in the HTM portfolio, reclassified to non-recurring profit/loss), the contribution of *Income from investments in associates* amounted to Euro 1.1 million (an increase of Euro 0.3 million), mainly related to the share of profit of Chiara Assicurazioni S.p.A., while the balance of *Other operating income/expense* increased by Euro 0.7 million.

Operating costs

Operating costs, which include payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets, show a rise of Euro 31.9 million (+15.1%) with respect to the comparative period, coming in at Euro 243.2 million.

Payroll costs, net of Euro 0.2 million for the release of IAS discounting on the Solidarity Fund and early retirement incentives as per the Redundancy Plan, reclassified to Non-recurring profit (loss), showed an increase of Euro 20.8 million (+15.6%), while *Other administrative costs,* net of advisory costs relating to the acquisition of Banca Popolare di Spoleto S.p.A. of Euro 2.2 million, which have been reclassified to Non-recurring profit (loss), have increased by Euro 9.3 million (+13.6%). *Net adjustments to property, plant and equipment and intangible assets* have also increased, in this case by Euro 1.8 million (+19.4%).

Result of operations

The result of operations at the end of the year therefore comes to Euro 188.6 million, an increase of 21.3% on last year, i.e. about Euro 33.1 million.

Profit (loss) from operations after tax

The proportion of *Net impairment adjustments to loans and advances*, equal to Euro 150.9 million, an increase compared with Euro 136.9 million the previous year, including those of Banca Popolare di Spoleto S.p.A. (consolidated for the first time on 1 August 2014 in accordance with IFRS 3), reflects the ongoing difficult economic environment and increasingly stringent loan assessment policies.

Given the net impairment losses to loans, *net profit from operations after tax* at 31 December 2014 amounts to Euro 21.1 million and includes: (i) *losses on disposal or repurchase of loans* of Euro 1.6 million; (ii) the positive balance of *net impairment adjustments to other financial transactions* of Euro 0.4 million; (iii) the positive balance of *net provisions for risks and charges* of Euro 0.2 million, and (iv) *taxes on income from continuing operations* of Euro 15.6 million.

The previous year's result was a *loss from operations after tax* of Euro 6.4 million.

Non-recurring profit after tax

There was a *non-recurring profit after tax* of Euro 18.3 million, mainly due to the Euro 12.4 million contribution before tax resulting from the Parent Company's sale of all its financial instruments in the held-to-maturity portfolio, consulting fees relating to the acquisition of control of Banca Popolare di Spoleto S.p.A. of Euro 2.2 million, the gain on the sale of the property belonging to CPC SA in liquidation of Euro 2 million and the income of Euro 9.6 million booked (temporarily) as a result of acquiring the assets and liabilities of Banca Popolare di Spoleto S.p.A. at their fair value (purchase method), as described previously in the paragraph on *"Significant events"* (for further information, please refer to the Notes to the Consolidated Financial Statements - Part G - *"Business combinations"* - "Scope of consolidation and methodology"); in addition, there was the impact of IAS discounting of the solidarity fund and retirement incentives for the Redundancy Plan of Euro 0.2 million and the gain on partial sale of a former branch by the Parent Company of Euro 0.2 million. Lastly, there was the related tax effects on these items, which had a total net impact of Euro 3.5 million.

The prior year balance of Euro 1.6 million was made up of: (i) the capital gain realised by way of price adjustment on the sale in late 2012 of the Parent Company's residual 30% interest in the former associated company Chiara Vita S.p.A. of Euro 7.2 million; (ii) the capital gain realised on the sale of the Parent Company controlling interest in Chiara Assicurazioni S.p.A. of Euro 4.6 million; (iii) the positive effects of the change in method of consolidating the insurance company, now an associated company, of Euro 1.3 million; (iv) the estimated impact of one-off charges for the various interventions on resources in implementation of the Group's 2013-2015 Business Plan of Euro 16.8 million before taxes; (v) the tax effect on these one-off charges, on the capital gains referred to above, as well as on the tax step-up under Legislative Decree 185/2008 of the goodwill included in the carrying value of Banco Desio Lazio S.p.A.'s investment in Fides S.p.A. and recorded in the Group consolidated financial statements at an amount of Euro 0.9 million, providing a further total net contribution to this aggregate of Euro 5.3 million.

Parent Company net profit (loss)

The total of the profit from operations after tax and the non-recurring profit after tax, as well as the result attributable to minority interests of Euro 1.2 million, leads to the *Parent Company net profit* at 31 December 2014 of Euro 40.6 million, which compares with a negative result for the comparative period of Euro 4.8 million.

9 - OTHER INFORMATION

9.1 -TREASURY SHARES

At 31 December 2014, as was the case at the previous year end, the Parent Company Banco di Desio e della Brianza S.p.A. did not hold any treasury shares nor any shares in its parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and neither have there been any movements in relation thereto in the course of the year.

9.2 - RATINGS

On 19 December 2014, as part of the rating for the resolution of the Rating Watch Negative (RWN), the international agency Fitch Ratings assigned the following new ratings to the Parent Company Banco di Desio e della Brianza S.p.A.:

- Long term IDR "BBB" Outlook Stable (formerly "BBB+" Negative outlook)
- Short term IDR "F3" (formerly "F2")
- Viability Rating "bbb" (formerly "bbb+")

and left unchanged the following ratings:

- Support Rating: "4"
- Support Rating Floor: "B+"

The rating was carried out in connection with the acquisition of Banca Popolare di Spoleto S.p.A. (BPS), which entered the scope of consolidation on 1 August 2014 at the end of the period of extraordinary administration, which lasted for 19 months and which resulted in a rise in the incidence of gross impaired loans to total gross loans of BPS, accompanied by a significant increase in coverage ratios.

The rating agency recognises the potentially positive strategic impacts of the operation as it will decrease the geographical concentration of the Group's distribution network, not change the risk appetite (BPS's customers are similar to those of the Parent Company), generate cost synergies, cross selling opportunities and commercial policies that will increase the expected profitability in the medium to long term. The acquisition also has only a marginal influence on the Group's capital ratios, which are still more than adequate.

These factors have positively influenced the Group's Outlook, which has gone from Negative to Stable.

9.3 - TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED PERSONS

For a more detailed description of the procedures that govern transactions with related parties (pursuant to art. 2391-bis of the Civil Code) and with associated persons (pursuant to art. 53 of the CFA), reference should be made to paragraph 5 of the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations.

Details of transactions with related parties approved by the Board of directors in the course of 2014 are disclosed in Part H of the explanatory notes.

9.4 - INFORMATION ON INCENTIVE PLANS

With reference to the Stock Grant Plan for the three-year period 2011-2013, note that the threshold for free allocation of ordinary shares of the Parent Company in favour of management of the Banco Desio Group was not reached. The conditions for the allocation of shares in relation to the 3rd and last allocation cycle linked to performance during the period 2013-2015 are still to be verified. The bonus system in which this Plan operated was revised and approved by

Board resolution on 19 December 2013. Please refer to Part I of the explanatory notes to the Group's consolidated financial statements.

9.5 - REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

Information about the adoption of the Code of Conduct for listed companies is provided in the Annual Report on Corporate Governance in compliance with art. 123-bis of the CFA, which is available on the Group's website, along with this report on operations, and to which reference should be made.

9.6 - RESEARCH AND DEVELOPMENT ACTIVITIES

In its capacity as Parent Company, Banco di Desio e della Brianza S.p.A., as described in paragraph 7.1 "The levels of control in the management control and coordination function", undertakes development with a view to supporting and coordinating the companies belonging to the Group, as well as research and investment in operational solutions aimed, in particular, at continuous improvements in the customer relationship.

9.7 - OPT-OUT FROM OBLIGATION TO PUBLISH INFORMATION DOCUMENTS FOR EXTRAORDINARY OPERATIONS PURSUANT TO CONSOB REGULATIONS

Pursuant to art. 3 of Consob resolution no. 18079 of 20 January 2012, the Parent Company has exercised its right to opt-out as provided by art. 70, paragraphs 8 and by art. 71, paragraph 1-bis of Consob Regulation 11971/99, effectively exercising its right to opt-out from the obligation to publish information documents required by Attachment 3B of the aforementioned Consob Regulation for significant mergers, demergers, increases in capital by contribution in kind, acquisitions and disposals.

10 - OUTLOOK FOR 2014 AND PRINCIPAL RISKS AND UNCERTAINTIES

Operating performance in the first few months of the current year confirms the estimates for 2015 outlined in the Group's Business Plan for the period 2015-2017. These foresee year-end results of ordinary operations in line with those of the year just ended, given that Banca Popolare di Spoleto S.p.A. is expected to achieve breakeven as forecast in its Business Plan.

As regards the principal risks and uncertainties, note that this report and, more generally, the consolidated financial statements at 31 December 2014 has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future. The capital and financial structure and operating performance of the business provide absolute confirmation of the foregoing.

In the paragraph on the macroeconomic scenario, a description has been provided of trends in the world economy and financial markets with the principal risks that they involve, while the controls over the Bank's operations and the various types of risk are described in detail in Part E of the explanatory notes – Information on risks and related hedging policy.

Furthermore, explanatory notes on the levels of control in the management control and coordination function and on the internal control system are included in the relevant paragraphs of this report, with references made, for further detailed information, to the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA, along with this report on operations.

Desio, 19 March 2015 | The Board of Directors

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS

Assets	31.12.2014	31.12.2013	Change amount	Change %
10. Cash and cash equivalents	62,890	29,848	33,042	110.7%
20. Financial assets held for trading	18,727	2,798	15,929	569.3%
40. Financial assets available for sale	1,877,959	1,423,419	454,540	31.9%
50. Financial assets held to maturity	0	181,568	(181,568)	-100.0%
60. Due from banks	288,282	275,848	12,434	4.5%
70. Loans to customers	9,666,900	6,955,429	2,711,471	39.0%
80. Hedging derivatives	8,372	5,052	3,320	65.7%
90. Adjustment to financial assets with generic hedge (+/-)	2,478	0	2,478	n.s.
100. Equity investments	14,806	13,969	837	6.0%
120. Property, plant and equipment	185,887	144,417	41,470	28.7%
130. Intangible assets	18,384	25,506	(7,122)	-27.9%
of which:				
- goodwill	15,322	23,533	(8,211)	-34.9%
140. Tax assets	241,040	93,856	147,184	156.8%
a) current	43,865	5,118	38,747	757.1%
b) deferred	197,175	88,738	108,437	122.2%
of which Law 214/2011	173,730	78,225	95,505	122.1%
160. Other assets	177,945	118,581	59,364	50.1%
Total assets	**12,563,670**	**9,270,291**	**3,293,379**	**35.5%**

LIABILITIES

Liabilities and shareholders' equity	31.12.2014	31.12.2013	Change amount	Change %
10. Due to banks	1,017,467	438,026	579,441	132.3%
20. Due to customers	7,444,025	5,489,782	1,954,243	35.6%
30. Debt securities in issue	2,798,752	2,239,092	559,660	25.0%
40. Financial liabilities held for trading	3,259	480	2,779	579.0%
50. Financial liabilities designated at fair value through profit and loss	23,626	38,617	(14,991)	-38.8%
60. Hedging derivatives	6,717	2,894	3,823	132.1%
80. Tax liabilities	36,156	14,832	21,324	143.8%
a) current	2,156	2,825	(669)	-23.7%
b) deferred	34,000	12,007	21,993	183.2%
100. Other liabilities	253,959	164,639	89,320	54.3%
110. Provision for termination indemnities	34,985	23,971	11,014	45.9%
120. Provisions for risks and charges:	44,670	39,021	5,649	14.5%
a) pensions and similar commitments	0	27	(27)	-100.0%
b) other provisions	44,670	38,994	5,676	14.6%
140. Valuation reserves	27,975	30,620	(2,645)	-8.6%
170. Reserves	693,201	709,084	(15,883)	-2.2%
180. Share premium reserve	16,145	16,145		0.0%
190. Share capital	67,705	67,705		0.0%
210. Minority interests	54,427	221	54,206	n.s.
220. Net profit (loss) for the period (+/-)	40,601	(4,838)	45,439	n.s.
Total liabilities and shareholders' equity	**12,563,670**	**9,270,291**	**3,293,379**	**35.5%**

CONSOLIDATED INCOME STATEMENT

	31.12.2014	31.12.2013	Change amount	Change %
10. Interest and similar income	352,890	316,921	35,969	11.3%
20. Interest and similar expense	(125,191)	(122,616)	(2,575)	2.1%
30. Net interest income	**227,699**	**194,305**	**33,394**	**17.2%**
40. Commission income	152,758	129,857	22,901	17.6%
50. Commission expense	(19,019)	(16,623)	(2,396)	14.4%
60. Net commission income	**133,739**	**113,234**	**20,505**	**18.1%**
70. Dividends and similar income	114	117	(3)	-2.6%
80. Net trading income	2,279	1,608	671	41.7%
90. Net hedging gains (losses)	(541)	4	(545)	n.s.
100. Gains (losses) on disposal or repurchase of:	60,539	39,736	20,803	52.4%
a) loans	(1,634)	(1,402)	(232)	16.5%
b) financial assets available for sale	51,816	41,686	10,130	24.3%
c) financial assets held to maturity	12,428		12,428	0.0%
d) financial liabilities	(2,071)	(548)	(1,523)	277.9%
110. Net results on financial assets and liabilities designated at fair value	51	(1,406)	1,457	n.s.
120. Net interest and other banking income	**423,880**	**347,598**	76,282	**21.9%**
130. Net impairment adjustments to:	(150,048)	(139,220)	(10,828)	7.8%
a) loans	(150,494)	(136,927)	(13,567)	9.9%
b) financial assets available for sale		(601)	601	-100.0%
d) other financial assets	446	(1,692)	2,138	n.s.
140. Net profit from financial activities	**273,832**	**208,378**	**65,454**	**31.4%**
170. Net profit from financial and insurance activities	**273,832**	**208,378**	**65,454**	**31.4%**
180. Administrative costs:	(262,153)	(238,884)	(23,269)	9.7%
a) payroll costs	(154,663)	(150,373)	(4,290)	2.9%
b) other administrative costs	(107,490)	(88,511)	(18,979)	21.4%
190. Net provisions for risks and charges	(234)	(10,925)	10,691	-97.9%
200. Net adjustments to property, plant and equipment	(6,875)	(5,753)	(1,122)	19.5%
210. Net adjustments to intangible assets	(1,158)	(933)	(225)	24.1%
220. Other operating charges/income	42,259	34,530	7,729	22.4%
230. Operating costs	**(228,161)**	**(221,965)**	**(6,196)**	**2.8%**
240. Profit (loss) from equity investments	10,706	13,886	(3,180)	-22.9%
270. Gains (losses) on disposal of investments	2,173		2,173	
280. Profit (loss) from current operations before tax	**58,550**	**299**	**58,251**	**n.s.**
290. Income taxes on current operations	(19,123)	(5,035)	(14,088)	279.8%
300. Profit (loss) from current operations after tax	**39,427**	**(4,736)**	**44,163**	**n.s.**
320. Net profit (loss) for the period	**39,427**	**(4,736)**	**44,163**	**n.s.**
330. Net profit (loss) pertaining to minority interests	1,174	(102)	1,276	n.s.
340. Parent Company net profit (loss)	**40,601**	**(4,838)**	**45,439**	**n.s.**

	31.12.2014	31.12.2013
Basic earnings per share (Euro)	0.31	(0.04)
Diluted earnings per share (Euro)	0.31	(0.04)

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Captions	31.12.2014	31.12.2013
10.	**Net profit (loss) for the period**	**39,427**	**(4,736)**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Actuarial gains (losses) on defined-benefit pension plans	(2,401)	39
50.	Non-current assets and disposal groups held for sale	-	-
60.	Portion of the valuation reserves of the equity investments carried at equity	-	-
	Other elements of income, net of income taxes with reversal to income statement		
70.	Foreign investment hedges	-	-
80.	Exchange differences	167	-
90.	Cash-flow hedges	-	-
100.	Financial assets available for sale	(491)	338
110.	Non-current assets and disposal groups held for sale	-	-
120.	Portion of the valuation reserves of the equity investments carried at equity	495	390
130.	**Total other elements of income (net of income taxes)**	**(2,230)**	**767**
140.	**Total comprehensive income (Captions 10+130)**	**37,197**	**(3,969)**
150.	Total comprehensive income pertaining to minority interests	1,677	(4)
160.	**Total consolidated comprehensive income pertaining to Parent Company**	**38,874**	**(3,973)**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2014

	Balance at 31.12.2013	Changes in opening balances	Balance at 1.01.2014	Allocation of prior year results		Changes during the year								Group shareholders' equity at 31.12.2014	Minority interests at 31.12.2014
							Transactions on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income at 31.12.2014		
Share capital:															
a) ordinary shares	60,940		60,940				60,221							60,840	60,321
b) other shares	6,865		6,865											6,865	
Share premium reserve	16,145		16,145				22,668							16,145	22,668
Reserves:															
a) from profits	698,933		698,933	(7,822)		(48,310)								672,859	(30,058)
b) other	10,170		10,170			13,350						407		20,342	3,585
Valuation reserves:	30,620		30,620			(1,255)							(2,230)	27,975	(840)
Equity instruments															
Treasury shares								(75)							(75)
Net profit (loss) for the period	(4,736)		(4,736)	7,822	(3,086)								39,427	40,601	(1,174)
Group shareholders' equity	**818,716**		**818,716**		**(2,984)**	**(9,386)**						**407**	**38,874**	**845,627**	
Minority interests	**221**		**221**		**(102)**	**(26,829)**	**82,889**	**(75)**					**(1,677)**		**54,427**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2013

	Balance at 31.12.2012	Changes in opening balances	Balance at 1.01.2013	Allocation of prior year results		Changes during the year								Group shareholders' equity at 31.12.2013	Minority interests at 31.12.2013
							Transactions on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income at 31.12.2013		
Share capital:															
a) ordinary shares	65,078	-	65,078	-	-	-	(4,138)		-	-	-	-	-	60,840	100
b) other shares	6,865	-	6,865	-				-						6,865	
Share premium reserve	16,355	-	16,355	-	-	-	(210)	-	-	-	-	-	-	16,145	-
Reserves:	-														
a) from profits	680,926	(1,582)	679,344	16,140	-	5,774	(2,355)	-	-	-	-	30	-	698,914	19
b) other	9,640	-	9,640	-	-	-	-	-	-	-	-	530	-	10,170	
Valuation reserves:	28,271	1,582	29,853			-	-						767	30,620	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net profit (loss) for the period	21,056	-	21,056	(16,140)	(4,916)	-	-	-	-	-	-	-	(4,736)	(4,838)	102
Group shareholders' equity	**821,177**	**-**	**821,177**		**(4,916)**	**5,868**	**-**	**-**	**-**	**-**	**-**	**560**	**(3,973)**	**818,716**	
Minority interests	**7,014**	**-**	**7,014**		**-**	**(94)**	**(6,703)**	**-**					**4**		**221**

Changes in opening balances: the column shows the effects of reclassifying other long-term employee benefits from valuation reserves to retained earnings, for a more precise application of IAS 19 "*Employee Benefits*" as amended from 1 January 2013. Comprehensive income has been adjusted for the amount accrued during the period.

CONSOLIDATED CASH FLOW STATEMENT

A. OPERATING ACTIVITIES	Amount	
	31.12.2014	31.12.2013
1. Cash generated from operations	**225,196**	**157,035**
- interest received (+)	349,618	314,972
- interest paid (-)	(125,668)	(122,181)
- dividends and similar income (+)		117
- net commissions (+/-)	134,553	113,922
- payroll costs (-)	(158,577)	(150,373)
- net premiums received (+)		
- other insurance income/expense (+/-)		
- other costs (-)	(49,236)	(84,801)
- other revenues (+)	112,059	90,414
- taxation (-)	(37,553)	(5,035)
- costs/revenues for disposal groups, net of tax effect (+/-)		
2. Cash generated (absorbed) by financial assets	**(3,584,844)**	**(633,281)**
- financial assets held for trading	(13,440)	2,827
- financial assets designated at fair value through profit and loss		
- financial assets available for sale	(451,964)	(409,428)
- loans to customers	(2,920,372)	(150,500)
- due from banks: on demand	32,630	3,082
- due from banks: other receivables	(45,097)	(28,450)
- other assets	(186,601)	(50,812)
3. Cash generated (absorbed) by financial liabilities	**3,255,212**	**449,193**
- due to banks: on demand	46,613	1,000
- due to banks: other debts	532,929	(4,651)
- due to customers	1,954,797	448,614
- debt securities in issue	561,549	24,736
- financial liabilities held for trading	2,451	(644)
- financial liabilities designated at fair value through profit and loss	(14,991)	286
- other liabilities	171,864	(20,148)
Net cash generated/absorbed by operating activities (A)	**(104,436)**	**(27,053)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**185,037**	**12,973**
- sale of equity investments		7,718
- dividends collected on equity investments	114	
- sale/redemption of financial assets held to maturity	181,568	3,098
- sale of property, plant and equipment	3,355	2,157
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(46,891)**	**(32,656)**
- purchase of equity investments	(71)	(48)
- purchase of financial assets held to maturity		(30,635)
- purchase of property, plant and equipment	(52,768)	(1,437)
- purchase of intangible assets	5,948	(536)
- purchase of lines of business		
Net cash generated/absorbed by investing activities (B)	**138,146**	**(19,683)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations	(3,086)	(5,691)
Net cash generated/absorbed by financing activities (C)	**(3,086)**	**(5,691)**
NET CASH GENERATED (ABSORBED) IN THE PERIOD (A+B+C)	**30,624**	**(52,427)**

Reconciliation

Captions	2014	2013
Cash and cash equivalents at beginning of period	29,848	81,248
Net increase (decrease) in cash and cash equivalents	30,624	(52,427)
Cash and cash equivalents: effect of change in exchange rates	2,418	1,027
Cash and cash equivalents at end of period	62,890	29,848

Consolidated explanatory notes

PART A - ACCOUNTING POLICIES

A.1 GENERAL INFORMATION

Section 1 - Declaration of compliance with International Financial Reporting Standards

In application of Legislative Decree no. 38 of 28 February 2005, which endorses the EC Regulation 1606 of 19 July 2002, the consolidated financial statements of the Banco Desio Group are prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Reporting Interpretations Committee (IFRC) applicable as of 31 December 2014.

Accounting standards that became applicable as from 1 January 2014 are IFRS 10, IFRS 11 and IFRS 12, with respect to matters concerning control and consolidation, as well as a number of amendments to IAS 27 and 28, as endorsed by Commission Regulation (EU) no. 1254/2012 and with subsequent amendments endorsed by Commission Regulations (EU) nos. 313 and 1174 of 2013.

The main changes introduced by the new standard IFRS 10 – *Consolidated Financial Statements* are as follows:

- Adoption of a single consolidation model for all entities based on control;
- A more robust definition of control compared to the past, based on three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; (c) ability to use its power over the investee to affect the amount of the investor's returns;
- Introduction of practical guidance that aims to help in assessing control in complex situations, including 'de facto' control, potential voting rights and whether or not a decision maker is acting as a principal or an agent.

In general terms, the application of IFRS 10 requires a significant degree of judgement with regard to a certain number of aspects. Introduction of the new standard also meant including in the scope of consolidation, from the date of acquisition of Banca Popolare di Spoleto S.p.A., the securitisation carried out by the latter prior to 2004 through the special purpose vehicle Spoleto Mortgages S.r.l., whose separate assets had been established through the sale of performing loans of Banca Popolare di Spoleto S.p.A. (the Originator).

Without prejudice to the criteria for the identification of joint control, IFRS 11 - *Joint arrangements* provides criteria for the accounting treatment of joint arrangements based on rights and obligations deriving from the arrangements, rather than on the legal form thereof, distinguishing between joint venture and joint operation.

IFRS 12 – *Disclosure of interests in other entities*, is a new and complete standard on additional disclosures to be provided in consolidated financial statements for all types of equity investments, including subsidiaries, joint arrangements, associates, special purpose entities and other non consolidated vehicles.

Also applicable as from 1 January 2014 are amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* as endorsed by Commission Regulation (EU) no. 1375/2013 that make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The update arises from the introduction of the European Market Infrastructure Regulation (EMIR), which aims to impose central clearing for certain classes of over-the-counter derivatives. Also applicable are the amendments to IAS 32 – *Financial Instruments: presentation* introduced by EU Regulation 1256/2012 on offsetting financial assets and liabilities.

For completeness sake, we would point out that, at the date of approval of these consolidated financial statements, and limited to situations with a potential impact on the Group, the IASB has issued the following new standards and interpretations/modifications of existing standards not yet approved by the European Union:

- IFRS 15 - *Revenue from Contracts with Customers* published on 28 May 2014, which will replace IAS 18 - *Revenue* and IAS 11 - *Construction Contracts*, as well as the interpretations IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 - *Revenues - Barter Transactions Involving Advertising Services*. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers except for those that fall within the scope of other IAS/IFRS, such as leases, insurance contracts and financial instruments. The principle is applicable from 1 January 2017; although early application is allowed, the Group has not made use of this option.

- IFRS 9 - *Financial Instruments* issued on 24 July 2014, which replaced the previous versions published in 2009 and 2010 for "classification and measurement" and in 2013 for "hedge accounting". With this publication, the process of revising IAS 39 which was divided into three phases ("classification and measurement", "impairment" and "hedge accounting"), has now been completed; the review of the rules for macro hedge accounting, which is being handled as a separate project from IFRS 9, still has to be finalised. The new standard has to be applied in financial statements beginning on 1 January 2018.

- Amendment to IAS 27 issued on 12 August 2014, under which it is now possible to use the equity method in the separate financial statements for the valuation of investments in subsidiaries, associates and joint ventures, in addition to the existing options of cost or fair value. The changes will apply from 1 January 2016; although early application is allowed, the Group has not made use of this option.

- Amendments to IFRS 10 and IAS 28, issued on 11 September 2014, which govern the accounting treatment of a sale or contribution of assets between an investor and its associate or joint venture, depending on whether or not the object of the transaction qualifies as a "business" according to IFRS 3. The changes will apply from 1 January 2016; although early application is allowed, the Group has not made use of this option.

Section 2 - Basis of preparation

The consolidated financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the explanatory notes; they are also accompanied by the Directors' report on operations.

For the preparation of the consolidated financial statements, reference was made to the Bank of Italy Circular 262 of 22 December 2005 as subsequently updated on 22 December 2014. The additional disclosure requirements and the clarifications provided by the Supervisory Authority were also taken into account.

The consolidated financial statements have been prepared in the interests of clarity and give a true and fair view of the balance sheet, financial position and results of operations for the period of the Banco Desio Group.

The consolidated financial statements have been prepared on a going-concern basis, in accordance with the accrual principle and, in the recognition and presentation of the results of operations, the principle of substance over form has been given precedence.

The accounting policies are consistent with those used for the preparation of the consolidated financial statements of the previous year as, even with the voluntary liquidation of

a foreign subsidiary (which did not result in losing control over it), the going-concern assumption is still undoubtedly valid for the Banco Desio Group as a whole. This means that in preparing consolidated financial information Group accounting principles also have to be applied to the company in voluntary liquidation (in line with the going-concern assumption).

The financial statements used in preparing the consolidated financial statements are those prepared by the subsidiaries as of the same reporting date, adjusted - where necessary - to comply with the IAS/IFRS adopted by the Parent Company.

The amounts in the financial statements and the figures reported in the explanatory notes are expressed in thousands of Euro – unless otherwise indicated.

Section 3 - Scope of consolidation and methodology

1. Investments in subsidiaries

Companies	Location	Type of relationship (1)	Investment Relationship	
			Parent Company	Held %
Fides S.p.A.	Roma	1	Banco Desio	100,000
Rovere S.A.	Lussemburgo	1	Banco Desio	80,000
Credito Privato Commerciale S.A. in liquidazione	Lugano	1	Banco Desio	100,000
Banca Popolare di Spoleto S.p.A.	Spoleto	1	Banco Desio	73,156
Spoleto Mortgages S.r.l. (2)	Conegliano	4	Banca Popolare di Spoleto	10,000

(1) Type of rerelationship
1 = Majority of voting right at ordinary shareholders meeting
4 = other type of control

(2) Limited to the Heritage Separated from Spoleto Mortgages Srl which fulfills the requirements of effective control

At the reference date of these consolidated financial statements, the Group's scope of consolidation shows the following changes compared with the same period last year:

- Inclusion of Banca Popolare di Spoleto S.p.A. ("BPS") with effect from 1 August 2014, the date of appointment of the new administration and control bodies (Board of Directors and Board of Statutory Auditors) following the closure of the Extraordinary Administration procedure that took place on 31 July 2014, for which reference should be made to "Part G - Business combinations concerning companies or business units" of these financial statements for further details;
- Inclusion of the securitisation carried out by BPS prior to 2004 through the special purpose vehicle Spoleto Mortgages S.r.l., whose separate assets were established through the sale of performing loans of BPS (Originator);
- Elimination of Brianfid-Lux S.A. in liquidation on completion of the liquidation procedure and subsequent cancellation of the company. The consolidated net profit includes the company's contribution up to the date of its effective cancellation.

Then there was the absorption of Banco Desio Lazio S.p.A. by Banco di Desio e della Brianza S.p.A., with effect for legal purposes from 1 October 2014 and from 1 January 2014 for accounting and tax purposes, in compliance with the preliminary orientation of Assirevi (OPI) 2 - "Accounting treatment of mergers in the financial statements" (refer to "Part G - Business combinations concerning companies or business units" of these financial statements for further details).

2. Significant assessments and assumptions in determining the scope of consolidation

The scope of consolidation is determined in accordance with the provisions contained in IFRS 10 - Consolidated Financial Statements as stated in Section 1 - Declaration of compliance with International Financial Reporting Standards, to which reference should be made for further details.

Accordingly, the Parent Company consolidates an entity when the three elements of control are met (1. power over an investee; 2. exposure, or rights, to variable returns from its involvement with the investee; 3. ability to use its power over the investee to affect the amount of the investor's returns). Generally, when an entity is held directly through voting rights, control comes from holding more than half of the voting rights. In other cases, the assessment of control is more complex and requires greater use of judgement, as it means taking into account all relevant factors and circumstances that could lead to control over the entity.

With particular reference to Banca Popolare di Spoleto S.p.A., the acquisition of a majority stake in the first half 2014 did not result in the immediate acquisition of control, as defined by IFRS 10. The Bank assumed "power over the entity" and the possibility of exercising governance over it at a later date, i.e. with the appointment of new management and control bodies (Board of Directors and Board of Statutory Auditors) as resolved at the Extraordinary and Ordinary Shareholders' Meeting and the consequent closure of the Extraordinary Administration proceedings that took place at the end of July 2014.

Moreover, for the purpose of defining the scope of consolidation, account has been taken of the requirements for effective control also in the case of the Separate Assets of the special purpose vehicle Spoleto Mortgages S.r.l., set up before 2004 through the sale of performing loans of the subsidiary Banca Popolare di Spoleto S.p.A. (Originator), maintaining the power to influence the variability of its results.

3. Investments in subsidiaries with significant minority interests

3.1 Minority interests, voting rights of third parties and dividends paid to third parties

Name	Minority interests %	Dividends paid to third parties
Banca Popolare di Spoleto S.p.A.	26.844	-
Rovere S.A.	20.000	102

3.2 Investments with significant minority interests: accounting information

Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Share-holders' equity	Net interest income	Net interest and other banking income	Operating costs	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) after tax on non-current assets held for sale	Net profit (loss) for the period (1)	Other elements of income, net of income taxes (2)	Compre-hensive income (3) = (1) + (2)
Banca Popolare di Spoleto S.p.A.	3,282,541	25,040	538,996	39,018	1,111	173,176	24,171	41,469	(27,955)	(50,574)	(33,471)	(1,544)	(35,015)	(1,870)	(36,885)
Rovere S.A.	2,377	-	-	11	-	1,250	2	1,559	(690)	869	692	-	692	-	692

4 Significant restrictions

There are no significant restrictions (e.g. legal, contractual or regulatory restrictions) on the Parent Company's ability to access the assets, or to use them, and to pay off the liabilities of the Group, such as restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or limitations on transfers of funds in the form of dividends, loans or advances granted to (or from) other Group companies, taking into account, in any case, the specific nature of Credito Privato Commerciale S.A., which has been put into voluntary liquidation.

5 Other information

The basis of consolidation, in compliance with IFRS 10, is as follows:

- *subsidiaries*: assets, liabilities, shareholders' equity, "off-balance sheet" transactions, costs and revenues are included in the relevant items of the consolidated financial statements on a line-by-line basis.
  Any positive difference emerging from a comparison of the book value of each investment and the relevant portion of the subsidiary's shareholders' equity, left over after any allocation to a specific balance sheet captions, is recognised as goodwill and subjected to impairment testing;
- *associates*: investments in associates are accounted for using the equity method.

Section 4 - Subsequent events

Please refer to the explanations in the consolidated Report on Operations.

Section 5 - Other aspects

Use of estimates and assumptions in preparing the consolidated financial statements

Preparing the consolidated financial statements also requires the use of estimates and assumptions that could have a significant impact on the amounts shown in the balance sheet and income statement.

The use of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, these estimates and assumptions may change from year to year and, therefore, it cannot be excluded that the values currently shown here may in future differ because of a change in the subjective assessments used.

The main areas in which the use of subjective estimates and assessments is applied are:

- the valuation models used for carrying out impairment tests relating to investments and to intangible assets with an indefinite useful life (goodwill);
- quantification of the losses arising from the impairment of loans and financial assets in general;
- determination of the fair value of financial instruments for disclosure purposes;
- the use of valuation models for determining the fair value of financial instruments not quoted in active markets;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets;
- the valuation at fair value of the assets and liabilities acquired as part of the business combination (reference should be made to "Part G - Business combinations concerning companies or business units" for further details).

The description of the accounting policies applied to balance sheet captions provides more detailed information on the assumptions and subjective assessments used in preparing the consolidated financial statements.

Comparative figures in the balance sheet, income statement and comprehensive income

For each account in the consolidated financial statements, the previous year's balance is also given: if the accounts are not comparable, the prior year figures have to be adjusted. However, in the case of business combinations, subsidiaries are consolidated from the date on which the Group acquires control over them and the comparative figures in the financial statements are those of the published financial statements for the previous year pursuant to IFRS 3. This is why the comparative consolidated figures at 31 December 2013 do not include the balance sheet and income statement of Banca Popolare di Spoleto S.p.A., as the company entered the scope of consolidation with effect from 1 August 2014; the two years are therefore not comparable.

IAS 19 Employee Benefits - reclassification

EC Regulation no. 475 of 5 June 2012 approved the new version of IAS 19 applicable on a mandatory basis from 1 January 2013, relating to the accounting treatment of employee benefits. For a more accurate application of the standard, the actuarial effects of other long-term staff benefits resulting from long service bonuses have been reclassified from valuation reserves to retained earnings (actuarial gains and losses are now recognised immediately in the income statement).

The changes introduced by the new accounting standard are accounted for on a retrospective basis.

Banco Desio Brianza

(amounts in EUR)

Balance sheet - Liabilities		**Balance 31.12.2013 (published data)**	**Change in IAS 19**	**Change in IFRS 5**	**Balance 31.12.2013 (restated data)**
130	Valuation reserves	23.482.442	1.396.394	-	24.878.836
160	Reserves	664.817.197	(1.542.748)	-	663.274.449
200	Profit (loss) for the period	9.427.418	146.354	-	9.573.772

Income Statement		**Balance 31.12.2013 (published data)**	**Change in IAS 19**	**Change in IFRS 5 (1)**	**Balance 31.12.2013 (restated data)**
150	Administrative costs	(207.336.747)	201.868	9.435.366	(197.699.513)
150 a)	Staff costs	(135.584.042)	201.868	5.759.000	(129.623.174)
200	Operating costs	(192.201.238)	201.868	8.007.380	(183.991.990)
250	Profit (loss) from current operations before tax	13.123.606	201.868	(6.984.333)	6.341.141
260	Income taxes on current operations	(3.696.188)	(55.514)	2.509.701	(1.242.001)
270	Profit (loss) from current operations after tax	9.427.418	146.354	(4.474.632)	5.099.140
290	Net profit (loss) for the period	9.427.418	146.354	-	9.573.772

(1) Changes relating to the reclassification referred to IFRS 5 indicated in the previous paragraph

Statement of Comprehensive Income		**Balance 31.12.2013 (published data)**	**Change in IAS 19**	**Change in IFRS 5**	**Balance 31.12.2013 (restated data)**
10	Net profit (loss) for the period	9.427.418	146.354	-	9.573.772
40	Actuarial gains (losses) on defined benefit plans	187.664	(146.354)	-	41.310
130	Total other comprehensive income after tax	(42.749)	(146.354)	-	(189.103)

Domestic tax group election

Banco di Desio e della Brianza and the Italian companies of the Group adopted the so-called "domestic tax group", governed by arts. 117-129 of the Consolidated Income Tax Law, which was introduced into tax legislation by Legislative Decree no. 344/2003. This law provides an optional system, under which the total income or tax loss of each subsidiary in the tax consolidation - as well as withholdings, deductions and tax credits - are transferred to the parent company, which then calculates a single taxable income or tax loss to be carried forward (as resulting from the sum of its own taxable income or tax losses and those of the participating subsidiaries) and, consequently, a single tax liability or tax credit. Banca Popolare di Spoleto S.p.A. is not included in the tax group at 31 December 2014 as it did not satisfy the regulatory requirements for Group taxation.

Audit

These consolidated financial statements have been audited by Deloitte & Touche S.p.A., pursuant to D.Lgs. 39 of 27 January 2010 and to the resolution of the Shareholders' Meeting of 26 April 2012.

A.2 MAIN CAPTIONS IN THE FINANCIAL STATEMENTS

The accounting policies explained below, which were used in preparing this document, comply with the IAS/IFRS endorsed by the European Commission and in force on the reference date, and have been applied on a going-concern basis.

For the purchase and sale of standard financial assets, i.e. contracts for which delivery is made in a period established by regulations or market conventions, reference is made to the settlement date.

Financial assets held for trading

Recognition

The initial recognition of financial assets held for trading takes place at the settlement date for debt securities and equities and at the execution date for derivatives.

Financial assets held for trading are designated on initial recognition as assets at fair value through profit and loss, corresponding to the price paid, without taking account of transaction costs or income that are recognised directly in the income statement.

Classification

"Financial assets held for trading" include debt securities, equities, positive derivatives held for trading and other assets that, according to the initial designation, are classified as financial instruments held for trading in the short term. Since classification derives from initial designation, subsequent transfers to other categories are generally not allowed for this category of financial assets, except as in rare circumstances specified in IAS 39. The transfer value is represented by the fair value at the time of reclassification.

Measurement

Equities, Italian and foreign government bonds and derivatives traded in an active market are measured at the closing price on the assessment date (fair value level 1). Italian and foreign government bonds, Italian and foreign corporate bonds, equities and derivatives not traded in an active market are measured by using valuation techniques (fair value level 2 or 3, based on the significance of unobservable inputs used in the valuation models).

Derecognition

Assets held for trading are derecognised when they are sold or cancelled.

Recognition of items affecting the income statement

Subsequent to initial recognition, financial assets held for trading are measured at fair value with value changes recognised in profit or loss.

Financial assets available for sale

Recognition

The initial recognition of financial assets available for sale takes place at the settlement date at fair value, including any transaction costs or income directly attributable to the instrument concerned.

If, for those cases permitted by the applicable accounting standards, the recognition takes place upon a reclassification of financial assets held to maturity, the amount recognised is represented by the fair value at the time of transfer.

Classification

"Financial assets available for sale" include financial assets - derivatives excluded - not classified as Loans, Assets held for trading or as Assets held to maturity.

This caption thus includes, in addition to bonds that are not held for trading and which are not classified as Assets held to maturity, equity interests not held for trading and which do not qualify as controlling interests or as a placement as well as mutual fund units.

Financial assets can be transferred from "available for sale" to "held to maturity", but only in the following circumstances:

- change in the intention or ability to continue holding the asset,
- in rare cases where a reliable measurement of fair value is not available.

A transfer to "Loans and receivables" is only allowed in particular circumstances.

Measurement

Subsequent to initial recognition, the price component of financial assets available for sale is measured at fair value, whereas the interest component is calculated at the actual rate of return.

For the purposes of determining fair value, the same criteria as for assets held for trading are applied.

For unquoted financial assets, inclusive of non-controlling interests, the fair value measurement is carried out using valuation techniques, that is, when a reliable determination of fair value is not possible, the assets in question are measured at cost (Level 3).

UCITS units that are traded in an active market are measured at the closing price observable in the principal market on the assessment date or, in the absence thereof, in the most advantageous market (Level 1).

UCITS units that are not traded in an active market (particularly closed-end funds and hedge funds) are measured at the latest published N.A.V. or the N.A.V. that has been provided by the fund manager, to which an appropriate adjustment is made (of 20%) to take account of the liquidability of the units (Level 3).

At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated, taking into account whether the issuer is in financial difficulty or other similar factors. As required by IAS 39, paragraph 61, for debt securities, listed and unlisted equities and for UCITS units traded in an active market, "significant" (higher than 25%) or "extended" (more than 24 months) write-downs are considered to be objective impairment indicators. For UCITS units not traded in an active market and equity investments in investees other than

subsidiaries or associates, "significant" (higher than 30%) or "extended" (more than 60 months) write-downs are considered to be objective impairment indicators.
In accordance with internal policy, pre-established thresholds being exceeded is considered to be impairment, with the consequent recognition in the income statement of the accumulated impairment loss incurred since the date of initial recognition.
The amount of the impairment is the difference between the asset's book value and its recoverable amount.

Derecognition
Financial assets available for sale are derecognised when the asset is sold, cancelled or transferred to another category.

Recognition of items affecting the income statement
The effect of the assessment is recorded in shareholders' equity as a contra-entry to the valuation reserves, net of tax, until the asset is derecognised, while the amortised cost element is charged to the income statement.
On extinction, sale, transfer to another category or detection of an impairment loss, the cumulative amount in the valuation reserve is charged to the income statement.
If impairment losses recorded in the income statement no longer apply because of subsequent revaluations, the write-back, up to the amount of such losses, is recorded in the income statement for debt securities, and in an equity reserve for equities.

Financial assets held to maturity

Recognition
The initial recognition of financial assets held to maturity takes place at the settlement date at fair value, including any transaction costs or income directly attributable to the purchase.

Classification
"Financial assets held to maturity" comprise debt securities that have fixed or determinable contract payments and a fixed maturity, for which there is the intention and ability to hold them to maturity.
The category of financial assets held to maturity was created on the basis of specific resolutions passed by the corporate bodies, who also approve any subsequent movements on it, in compliance with IAS 39.

For those cases permitted by the applicable accounting standards, transfers are only permitted to Financial assets available for sale. The inclusion of financial assets in this category is no longer permitted in the current period and the next two years in the event of sales or transfers of a not insignificant amount, excluding investments that are close to maturity and isolated events that are beyond the Bank's control.
If the conditions that ban the use of this category come about, the assets concerned have to be reclassified to financial assets available for sale (under the so-called "tainting provision").

Measurement and recognition of items affecting the income statement
Measurements subsequent to initial recognition are recorded at amortised cost using the effective interest rate method with the contra-entry going to the income statement.
At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated. If they do exist, the impairment losses are recognised in the income statement.

If the reasons for making the impairment adjustment cease to apply, the related asset is written back and the amount of the write-back is recognised in the income statement. The write-back may not exceed the amortised cost that the financial instrument would have had if no adjustments had been made previously.
Italian Government securities, which are traded in an active market and for which their fair value is reported in the explanatory notes solely for disclosure purposes, are measured at the closing price observable in the principal market on the assessment date or, in the absence thereof, in the most advantageous market (*fair value level 1*). Italian and foreign government bonds and Italian and foreign bonds are measured by the use of valuation techniques with reference to a valuation price from an external information provider (fair value level 2 and 3, based on the significance of unobservable inputs used in the valuation models).

Derecognition
Financial assets held to maturity are derecognised when the asset is sold, cancelled or transferred to another category.

Loans and receivables

Recognition
Loans and receivables are recognised at the contract date, which is usually equal to the date the loan is granted.
If the two dates do not coincide, upon the execution of the contract, a commitment is assumed to provide funds that terminates on the date the loan is granted. Loans and receivables are recognised at fair value, which normally equates to the amount granted, including any costs or income directly attributable to the loan and which are determinable at the outset of the transaction.
If the recognition in this category takes place as a result of a reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset at the date of reclassification represents the new amortised cost of the asset.
In the case of loans acquired through business combinations, their initial recognition in the consolidated financial statements is made at fair value at the acquisition date.

Classification
"Loans and receivables" include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They generally comprise transactions with customers and banks and debt securities not quoted in an active market that have similar characteristics to receivables, excluding assets held for trading and available for sale.
They also include finance lease receivables and repurchase agreements with obligation to resale.
Transfers from "Financial assets available for sale" and "Financial assets held for trading" are only allowed in particular circumstances, as specified in IAS 39.

Measurement
Subsequent to initial recognition, loans and receivables are measured on the basis of the principle of amortised cost, calculated using the effective interest method.
The amortised cost is equal to the initial value net of any principal repayments, plus or minus adjustments and write-backs and the amortisation of the difference between the amount paid and the amount repayable at maturity.
The effective interest rate is the rate that makes the present value of future cash flows equal to the amount of the loan issued, adjusted by directly attributable costs or revenues.

Loans are assessed periodically and split between "performing" and "non-performing", depending on the degree of impairment of the loan.
The amortised cost method is not used in relation to short-term loans, which are measured at historical cost; the same method is applied to loans without a defined maturity or which can be revoked at any time.
Loans are subjected to assessment to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired.
Non-performing loans include the various categories of impaired loans established by the Bank of Italy: doubtful loans, watchlist loans, restructured loans and past due or overrun loans.

The loan portfolio is subject to periodic review at least at every annual or interim balance sheet date to identify and determine any objective impairment. This is done taking into account the specific solvency situation of each debtor, as well as the local or national economic conditions relating to the debtor's business sector.

Performing loans have been evaluated on a general basis by dividing them into classes of risk. The Expected Loss (EL) is computed by applying the Probability of Default (PD) by risk class and the loss that would be incurred in the event of default (Loss Given Default - LGD) produced by the Credit Rating System. These parameters are derived from a historical-statistical analysis of the trend of a series of predictor variables for a probable future deterioration of credit quality. The expected loss is an estimation of the latent loss at the reference date.

Specific analyses are carried out for exposures of a significant amount.

Non-performing loans include all receivables for which there is objective evidence of impairment, measured as the difference between the book value and the present value of future estimated cash flows, discounted at the original effective interest rate. This valuation, based on internal policy, is analytical, and takes account of the estimated likelihood of recovery, the expected timing of collection and any guarantees that are in place.

Receivables for interest on arrears accrued on impaired assets are only recorded in the financial statements once it has been collected.

The value of loans to non-residents is adjusted on a general basis in relation to the difficulties in servicing debt by the countries of residence.

The fair value of loans is calculated solely for the purpose of disclosure in the notes of any performing loans beyond the short term. Non-performing loans already evaluated analytically and short-term positions are shown at book value, which represents a reasonable approximation of their fair value.

The fair value is determined using a valuation technique that involves discounting the expected cash flows using discount factors that incorporate not just the risk free rate, but also a specific credit spread for each legal entity; in addition, for each relationship, credit risk is considered in terms of PD and LGD as measured by the CRS model. In general, they are classified at Level 3, except in the case where the significance of the observable inputs compared with the entire assessment is higher than a predetermined threshold (Level 2).

Derecognition

Loans are only derecognised if their sale involved the transfer of essentially all the risks and benefits associated with the loan. Conversely, if a significant part of the risks and benefits relating to loans that have been sold are retained, then they continue to be reported as assets in the balance sheet, even if formally ownership of the loans has been transferred.
Even if the transfer of essentially all the risks and benefits cannot be demonstrated, loans are derecognised if no form of control over them has been retained. By contrast, the partial or total retention of such control means that the related loans are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the loans sold and to changes in their cash flows.

Lastly, loans sold are derecognised if there is retention of the contractual rights to collect the related cash flows, with a parallel commitment to pay all such flows, and only these, to third parties.

Recognition of items affecting the income statement

Valuation at amortised cost generates in the income statement a deferral of the transaction costs and ancillary revenues over the life of the financial asset, rather than impacting the income statement on initial recognition.

Interest on arrears is only recorded in the income statement when collected.

The interest that accrues over time as an effect of discounting impaired loans is recognised in the income statement under write-backs.

The effects of analytical and general assessments are recognised in the income statement.

The original value of the loan is reinstated when the reasons for the write-down cease to apply, recognising the effects in the income statement.

In the case of loans acquired through business combinations, any higher value recorded in the financial statements on initial recognition is released through the income statement over the life of the loan, based on the repayment plan, or in full in the year that the loan is repaid.

Hedging transactions

Recognition

Upon initial recognition of derivatives, inclusive of hedging instruments, they are measured at fair value.

The recognition of hedging transactions assumes:

- The involvement of external counterparties;
- a specific designation and identification of financial hedging and hedged instruments used for the transaction;
- definition of the risk management objectives being pursued, specifying the nature of the risk being hedged;
- passing the effectiveness test at the beginning of the hedging relationship and prospectively, with specific measurement procedures and frequency;
- preparation of formal documentation of the hedging relationship.

Classification

Hedging transactions are intended to offset certain risks of potential loss on specific financial assets or liabilities (microhedging) or on portfolios of financial assets or liabilities that share the same risk profile (macrohedging) through specific financial instruments, the use of which is intended to cushion the effects on the income statement of the securities being hedged.

The types of hedging adopted are as follows:

- fair value hedges (microhedging of fair value): the objective is to hedge the risk of changes in the fair value of the hedged instrument.
- general hedging of portfolios of assets and liabilities (macrohedging), particularly for interest rate risk on a portfolio of loans to customers. Net amounts resulting from the offsetting of assets and liabilities cannot be designated as macrohedging.

Measurement and recognition of items affecting the income statement

The fair value of hedging financial instruments not quoted in an active market is determined using valuation models for estimating and discounting future cash flows; with specific reference to OTC hedging derivatives, the model applied is

the Credit Value Adjustment and Debit Value Adjustment (see paragraph "A.4 Information on fair value" in these financial statements for details of the impact of these models in measuring these types of instruments).
The contra-entries to changes in the fair value of hedging derivatives and of the financial instruments being hedged (to the extent attributable to the hedged risk) are recorded in the income statement.
Such offsetting is booked through the recognition in the income statement under item 90 "Net hedging gains (losses)" of changes in the value of both the hedged element (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference determines the consequent net economic effect.
A hedging transaction is defined as effective if the changes in fair value (or cash flows) of the hedging instrument offset the changes in the financial instrument being hedged within the 80%-125% limits laid down in IAS 39.
Effectiveness tests are performed at each annual or interim balance sheet date, both in retrospective terms, to measure the actual results, and in prospective terms, to demonstrate the expected efficacy for future periods.
If the tests do not confirm the effectiveness of the hedge, depending on corporate policy, hedge accounting is interrupted from that moment, the hedging derivative is reclassified under trading instruments and the hedged instrument reacquires the method of valuation corresponding to its classification in the financial statements.

Derecognition
The recognition of hedging transactions is interrupted when it no longer meets the criteria of effectiveness, when they are revoked, when the hedging instrument or the hedged instrument expire, or when they are cancelled or sold.
If the instrument being hedged is subject to valuation at amortised cost, the difference between the fair value determined at the date of "discontinuing" (interruption of the hedging relationship) and the amortised cost is spread over its residual life.

Equity investments

Recognition
Equity investments are recognised on the settlement date. Initial recognition is at cost, including directly attributable ancillary costs.

Classification
Equity investments are classified as investments in associates in accordance with IAS 28, or as investments in companies subject to joint control, as defined in IFRS 11. Other equity investments are booked in accordance with IAS 39. They are classified as financial assets available for sale and follow the measurement criteria provided for that class of financial assets.

Measurement
For measurement subsequent to initial recognition the equity method is applied, whereby the initial carrying value is adjusted to reflect the share of the associate's equity pertaining to the Parent Company.
At each balance sheet date, tests are carried out to see if there is objective evidence that the investment has suffered an impairment loss).
Impairment occurs when the carrying amount of the asset exceeds its recoverable value, this being the greater of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between independent parties, net of disposal costs) and its value in use (i.e. the present value of the cash flows expected to be derived from continuing use and disposal of the asset at the end of its useful life).

On completion of impairment testing, in accordance with internal policy, stress tests are also performed on certain key parameters used in the valuation model in order to reduce the recoverable amount to the carrying amount.

As required by IAS 36, impairment testing is performed annually; moreover, at each interim reporting date, steps are taken to verify whether conditions exist that would require impairment tests to be repeated: in particular, monitoring is performed of qualitative and quantitative indicators of presumed impairment of an investment (trigger event).
Any impairment write-downs are charged to the income statement.
If the reasons for making the impairment adjustment cease to apply due to an event occurring after recognition of an impairment, the related asset is written back and the amount of the write-back is recognised in the income statement.

Derecognition
Equity investments are derecognised when the contractual rights on cash flows from financial assets expire or when they are sold, substantially transferring all the risks and benefits of ownership.

Recognition of items affecting the income statement
Dividends are recognised when the right to collect them is established. Gains/losses on disposal are determined based on the difference between the carrying amount of the investment measured at weighted average cost and the purchase price, net of directly attributable transaction costs.

Property, plant and equipment

Recognition
Property, plant and equipment are initially recorded at purchase price, including all attributable costs of purchasing and bringing the asset to working condition.
On first-time adoption of IAS/IFRS, we made use of the exemption provided by art. 16 of IFRS 1, opting to assess property at fair value as the deemed cost at 1 January 2004. After that date, buildings have been valued at cost.
Extraordinary maintenance costs are attributed to the assets to which they relate. Routine maintenance costs are charged directly to the income statement.
In application of IAS 17, financial leases are recognised in the financial statements in accordance with the financial method. Assets leased to others are therefore shown under receivables. Conversely, assets held under finance lease contracts are included in this caption, even though the lessor retains legal title.

Classification
Property, plant and equipment include land, buildings, equipment, furniture and fittings and other office equipment.
These consist of tangible fixed assets held for use in the provision of services (used for business purposes) and for rental to third parties (investment property) and for which it is deemed that they will be used for more than one financial year.

Measurement
Property, plant and equipment are shown at purchase cost, including ancillary expenses, less accumulated depreciation and any impairment losses.
Property, plant and equipment are systematically depreciated, on a straight-line basis at rates that reflect the residual useful life of the asset in question. Exceptions are made for land and works of art, which are not subject to depreciation because of the uncertainty of their useful life, and in view of the fact that normally their value is unlikely to fall over time.
Extraordinary maintenance costs are capitalised and depreciated over the residual useful life of the assets to which they relate.
Impairment tests are performed on an annual basis. If it is ascertained that the carrying amount of an asset is higher than its recoverable value, the carrying amount is adjusted as appropriate in the income statement.

If the reasons for recognising an impairment loss cease to apply, the asset is written back but without exceeding the carrying amount that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.
Solely for disclosure purposes, the fair value of investment property is measured at cost less accumulated depreciation. The fair value is estimated through the use of property market information sources, appropriately adjusted based on the specifics of the assets and as advised by independent external experts (Level 3).

Derecognition
Property, plant and equipment are derecognised on disposal.

Recognition of items affecting the income statement
Depreciation, amortisation and impairment losses, if any, are recognised in the income statement as net adjustments to property, plant and equipment.

Intangible assets

Recognition
Goodwill is the positive difference between the purchase cost and the fair value of assets and liabilities acquired in business combinations. It is booked to intangible assets when it is actually representative of future economic benefits generated by the assets acquired.
Other intangible assets are stated at cost and are only recognised if they meet the requirements of independent identifiability and separation from goodwill, probable realisation of future economic benefits and reliable measurability of cost.

Classification
Intangible assets include goodwill, compensation for abandonment of leasehold premises and software purchase costs. Leasehold improvements are booked to other assets.

Measurement
Intangible assets are recognised in the balance sheet at purchase cost, including ancillary charges, less the amount of accumulated amortisation and impairment losses, if any.
Amortisation is calculated on a straight-line basis at rates that reflect the residual useful life of the asset in question.
Goodwill is not amortised as it is considered to have an indefinite useful life; instead, it is subjected annually to an impairment test. The cash-generating unit to which the goodwill was allocated is identified for this purpose. The amount of any impairment loss is determined as the amount by which the goodwill's carrying value exceeds its recoverable amount.
The recoverable amount is the higher of the cash-generating unit's fair value, net of any selling costs, or its related value in use.

On completion of impairment testing, stress tests are also performed on certain key parameters used in the valuation model in order to reduce the recoverable amount to the carrying amount.

As required by IAS 36, impairment testing is performed annually; moreover, at each interim reporting date, steps are taken to verify whether conditions exist that would require impairment tests to be repeated: in particular, monitoring is performed of qualitative and quantitative indicators of presumed impairment of an investment (trigger event).

As recommended by the Italian Valuation Standard Board, in the event that Banco Desio's market capitalisation (ordinary shares and savings shares) has remained below its consolidated shareholders' equity over the previous six months, a level II impairment must also be performed, with the sole objective of verifying whether there has been any impairment of the legal entity, Banco Desio Group.

Any impairment write-downs are charged to the income statement, with no possibility of a subsequent write-back. Compensation for abandonment of leasehold premises is amortised at rates based on the duration of the lease contract (renewal included).

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from them.

Recognition of items affecting the income statement

Amortisation and impairment losses, if any, are recognised in the income statement as net adjustments to intangible assets. Adjustments to leasehold improvements are recognised in the income statement under other operating charges.

Non-current assets and disposal groups held for sale

Recognition

Non-current assets and disposal groups held for sale are measured at the time of initial recognition at the lower of book value and fair value less costs to sell.

Classification

These captions include non-current assets and groups of assets held for sale, when the book value will be recovered principally through a sale transaction that is considered highly probable, rather than through continued use.

In accordance with IFRS 5, so-called "discontinued operations" (i.e. assets sold or held for sale) are also recognised, if they:

- represent a significant line of business or geographical area of operations;
- form part of a single coordinated plan to dispose of a significant separate line of business or geographical area of operations;
- involve a subsidiary acquired solely with a view to reselling it.

Measurement and recognition of items affecting the income statement

Subsequent to initial recognition, non-current assets and disposal groups held for sale are valued at the lower of book value and fair value less costs to sell. The related income and expenses (net of taxes) are presented in the income statement under a separate item called "Profit (loss) after tax on non-current assets held for sale" when they relate to discontinued operations.

Derecognition

Non-current assets and groups of assets held for sale are eliminated from the balance sheet on disposal.

Current and deferred taxation

Income taxes for the year are calculated by estimating the amount of tax due on an accrual basis, in a manner consistent with the recognition in the financial statements of the costs and revenue that generated the taxation in question. In addition to current taxes, calculated according to current tax rules, deferred taxation, arising as a result of timing differences between the amounts recorded in the financial statements and the corresponding tax bases, is also recognised. Taxes therefore reflect the balance of current and deferred taxation on income for the period.

Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that there will be sufficient future taxable income to recoup the asset. They are shown in the balance sheet under caption 130 "Deferred tax assets". Conversely, deferred tax liabilities are shown on the liabilities side of the balance sheet under caption 80 "Deferred tax liabilities".

In the same way, current taxes not yet paid at the balance sheet date are recognized under caption 80 "Current tax liabilities". In the event of the payment of advances that exceed the final amount due, the recoverable amount is accounted for under caption 130 "Current tax assets".

If deferred tax assets and liabilities relate to transactions that were recognised directly in equity without passing through the income statement, these are recorded with a contra-entry to the appropriate equity reserve (e.g. valuation reserve).

Lastly, it should be noted that Banco Desio, along with the other Italian Group companies, has elected to form part of a domestic tax group. In administrative terms, the tax affairs of the Bank and those of the other Group companies are managed separately.

Provision for termination indemnities

Measurement

The provision for termination indemnities is recorded in the financial statements using actuarial techniques.

The evaluation is carried out by independent external actuaries according to the accrued benefit method, using the Projected Unit Credit Method. This amount represents the present value, calculated from a demographic/financial point of view, of benefits payable to employees (termination indemnities) for the period of service already accrued, which is obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the valuation date, taking into account the likelihood of resignations and requests for advances.

To determine the discount rate, reference is made to an index which represents the yield on a basket of high quality corporate bonds. In line with prevalent practice, an "AA" class index was selected.

Recognition of items affecting the income statement

The provision for termination indemnities arising from the actuarial valuation, as allowed by IAS 19, is recorded as a contra-entry to the valuation reserves for the component of actuarial gains (losses) and in the income statement under provisions for other components such as accrued interest due to the passage of time (discounting).

Provisions for risks and charges - Other provisions

Classification

Provisions for risks and charges include provisions made to cover ongoing obligations that are related to work relationship or disputes, also tax disputes, that are the result of past events, for the settlement of which it is probable that there will be an outflow of resources that can be reliably estimated.

Provisions represent the best estimate of the future cash flows needed to settle the obligation at the balance sheet date.

Only when a business combination is being carried out in accordance with IFRS 3, the buyer can recognise a contingent liability at the acquisition date, measured at fair value. Contrary to what is laid down in IAS 37, the buyer can recognise a contingent liability in a business combination at the acquisition date even if it is unlikely that resources that could generate economic benefits will be used to meet the obligation.

Measurement

In cases where the effect of time is a significant factor, the amounts provided are discounted, taking into account when the obligation is likely to fall due. The discount rate reflects the current value of money, taking into consideration the risks specific to the liability.

The measurement of other long-term benefits to employees, such as those arising from long-service bonuses, is determined with the same actuarial criteria used for pensions and similar commitments. Actuarial gains and losses are recognised immediately in the income statement.

Recognition of items affecting the income statement

Provisions are charged to the income statement.

The effects arising from the passage of time for the discounting of future cash flows are recorded in the income statement under provisions.

Debts and debt securities in issue

Recognition

Recognition of these financial liabilities takes place on the date of the contract, which normally coincides with the receipt of the amounts collected or on issue of the debt securities. When such financial liabilities are taken on as the result of a business combination, initial recognition in the consolidated financial statements is carried out at the acquisition date. In any case, the first recognition is at fair value of the liability, usually equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual operation or issue.

Classification

This includes various forms of funding put in place by Group companies: amounts due to banks, amounts due to customers, bonds and certificates of deposit issued by the Bank, repurchase agreements with obligation to repurchase and other payables.

Measurement and recognition of items affecting the income statement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the contra-entry going to the income statement.

Financial liabilities not measured at amortised cost are measured at the amount paid to transfer the liability.

Financial liabilities subject to fair value hedges follow the same measurement criteria as the hedging instrument, being limited to changes in the fair value (to the extent attributable to the hedged risk) since designation of the hedge, with the contra-entry going to the income statement.

If the hedging relationship is interrupted, the difference between the fair value determined at the discontinuing date and the amortised cost is recognised in the income statement over the residual life of the financial instrument.

Securities issued are shown net of any repurchases.

Solely for disclosure purposes, the fair value is determined of debt and securities issued; for issued debt and certificates of deposit, the fair value substantially equates to book value, which represents a reasonable approximation thereof

(Level 3). For bonds issued by Group companies, the fair value is determined by using valuation models to estimate and discount future cash flows (Level 2).

Derecognition

Financial liabilities are derecognised on disposal, expiration or termination.

The repurchase of previously issued bonds results in their derecognition; the difference between the carrying amount of the liability and the amount paid for its repurchase is recognised in the income statement.

The re-placement of own securities previously repurchased is considered as a new issue measured at the new sale value.

Financial liabilities held for trading

Recognition and classification

Liabilities held for trading are recorded at fair value.

The financial instruments included in this caption are recognised on the subscription date or on the date of issue at an amount equal to the fair value of the instrument, without considering transaction costs or income directly attributable to the instrument concerned.

This caption includes, in particular, trading derivatives with a negative fair value.

Measurement and recognition of items affecting the income statement

Financial liabilities held for trading are measured at fair value, booking the effects to the income statement.

Derivative instruments traded in active markets are measured at the closing price observable in the principal market on the assessment date or, in the absence thereof, in the most advantageous market (Level 1).

Derivative instruments that are not traded in active markets are priced by using valuation techniques (Level 2 or Level 3 - based on the significance of unobservable inputs used in the valuation models).

Derecognition

Financial liabilities are derecognised on disposal, expiration or termination.

Financial liabilities designated at fair value through profit and loss

Recognition

Recognition is at fair value, equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual issue.

Classification

This caption includes financial liabilities designated at fair value through profit and loss.

In particular, this caption refers to the application of the fair value option for financial liabilities subject to "natural hedging", designed to achieve a better balance of the effects of measuring financial assets and liabilities on the income statement.

Financial liabilities may be designated at fair value through the income statement in the following cases:

- elimination or reduction of valuation inconsistencies
- evaluation of instruments containing embedded derivatives

- evaluation of groups of financial assets or liabilities on the basis of a documented risk management or investment strategy.

This category comprises bonds issued with an embedded derivative or financial hedge.

Measurement and recognition of items affecting the income statement

These are recorded at fair value, with the effects charged to the income statement.

The fair value is determined through valuation techniques using observable elements in active markets (Level 2). The methodology consisted of discounting cash flows using a zero coupon curve based on elements available in the market and the application of a credit spread calculated as the difference between the Euro OIS (EONIA) curve and the yield curve for a basket of bonds issued by Italian banks with ratings comparable to those of Banco Desio, whereas a specific curve was used for subordinated bonds.

Derecognition

Financial liabilities measured at fair value are derecognised on disposal, expiration or termination.

Repurchases of own issues substantially lead to the termination of the part subject to repurchase. The re-placement of own securities previously repurchased is considered as a new issue at the sale value.

Currency transactions

Recognition

Currency transactions are recorded at the time of settlement by converting them into euro at the exchange rate ruling on the transaction date.

Measurement

At each annual or interim balance sheet date, caption in foreign currency are valued as follows:

- monetary items: conversion at the exchange rate ruling at the balance sheet date;
- non-monetary items measured at cost: converted at the exchange rate ruling at the transaction date;
- non-monetary items measured at fair value: conversion at the exchange rate ruling at the balance sheet date.

Recognition of items affecting the income statement

For monetary items, the effect of the measurements is recognised in the income statement.

For non-monetary items with recognition of gains and losses in the income statement, exchange differences are also recognised in the income statement; if gains and losses are recognised in shareholders' equity, any exchange differences are also booked to equity.

Other information

Valuation reserves

This caption includes valuation reserves of financial assets available for sale, derivative contracts to hedge cash flows, valuation reserves created under special laws in past years and reserves for the actuarial valuation of employee benefits under IAS 19. They also include the effects of the application of fair value as the deemed cost of property, plant and equipment upon first-time adoption of IAS/IFRS.

Recognition of costs and revenues

Revenues are recognised when they are earned or, in any case, when it is probable that benefits will be received and these benefits can be reliably measured. In particular:

- interest expense is recognised on a pro-rata basis at the contractual interest rate or, in the case of application of amortised cost, at the effective interest rate. Interest income (expense) also includes positive (negative) differentials or margins on financial derivatives accrued at the date of the financial statements:
  a) hedging assets and liabilities that generate interest;
  b) classified in the balance sheet in the trading book, but operationally linked to assets and/or liabilities measured at fair value (fair value option);
  c) operationally linked to assets and liabilities classified as held for trading and providing for the settlement of differentials or margins on several maturities.

  Note that interest income (or interest expense) also includes amortisation for the year of the fair value differences measured with reference to the business combination, due to the greater or lesser profitability accorded to assets classified as receivables and liabilities classified as payables and debt securities in issue. However, in the event of termination of these loans (acquired as the result of a business combination), any higher book value recorded in the financial statements on initial recognition gets fully released through profit and loss in the year that the loan is repaid (Caption 130. Net impairment adjustments to loans and receivables).
- default interest, which may be provided by contract, is recognised in the income statement only when actually collected;
- dividends are recognised in the income statement when distribution has been approved;
- commission income from services is recognised based on contractual agreements during the period in which the services are rendered. The fees and commissions considered in amortised cost for the purpose of determining the effective interest rate are booked as interest;
- revenues or costs from trading in financial instruments, determined by the difference between the transaction price and the fair value of the instrument, are booked to the income statement on recognition of the transaction, if the fair value can be determined with reference to parameters or recent transactions observable in the same market in which the instrument is traded. If these values cannot easily be determined or have a reduced level of liquidity, the financial instrument is recognised for an amount equal to the transaction price, net of the trading margin; the difference with respect to the fair value is booked to the income statement over the duration of the transaction through a progressive reduction in the valuation model of the corrective factor linked to the reduced liquidity of the instrument;
- gains/losses from trading in financial instruments are recognised in the income statement on completion of the sale, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues from the sale of non-financial assets are recognised on completion of the sale, unless most of the risks and benefits associated with the asset have been retained.

Expenses are recognised in the income statement in the periods when the related revenues are booked. If costs and revenues can be associated in a generic and indirect way, costs are allocated systematically to several periods with rational procedures.

Costs that cannot be associated with income are booked immediately to the income statement.

Finance leases

Assets leased to others under finance leases are shown as receivables, for an amount equal to the net investment of the lease. The recognition of financial income reflects a constant periodic rate of return.

Securitisations

Loans and receivables subject to securitisation transactions completed prior to first-time adoption (FTA) of international accounting standards are not recognised in the financial statements in accordance with the extension option provided by

IFRS 1, which makes it possible to avoid booking non-derivative financial assets/liabilities sold or deleted before the date of transition to IFRS (1 January 2004). Exposures to securitisations (in the form of junior securities or deferred purchase price) are classified as loans. However, if the relationship between the originator and the special purpose vehicle (or the separate assets managed by it) comes within the definition of control[1] introduced by IFRS 10 (effective from 1 January 2014), it is included within the scope of consolidation.

According to the breakdown by type, loans and receivables include loans subject to securitisations subsequent to 1 January 2004, which do not have the requisites under IAS 39 for elimination from the financial statements, or transactions with which loans are assigned to the special purpose vehicle and in which, even if there is formal transfer of legal title to the loans, control over the cash flows deriving from them and the substantial risks and benefits are maintained.

Against these loans and receivables, the consideration received for their sale, net of securities issued by the special purpose vehicle and repurchased by the Bank, is allocated to amounts due to customers.
Both assets and liabilities are measured at amortised cost and the related interest is recorded in the income statement.

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

The amendments to IAS 39 and IFRS 7 "Reclassification of financial assets" approved by the IASB in 2008 allow companies to reclassify certain financial assets out of "assets held for trading" and "assets available for sale" after initial recognition.

In particular, it is possible to reclassify:
- financial assets held for trading or available for sale that would have met the definition provided by the International Accounting Standards for the loan portfolio (if such assets were not classified as held for trading or available for sale at initial recognition) if the entity has the intention and ability to hold them for the foreseeable future or until maturity;
- financial assets held for trading that at the time they were recorded did not meet the definition of loans, but "only in rare circumstances".

There have been no portfolio transfers by Group companies in the period.

On the other hand, as regards transfers in previous years, it should be noted that in 2008 Banca Popolare di Spoleto applied the "Reclassification of financial assets" with which the IASB amended IAS 39 and IFRS 7 in October 2008.
Under this amendment, on 1 July 2008 Banca Popolare di Spoleto transferred:

- € 56 million (book value) of debt securities from the HFT portfolio to the portfolio of loans to customers and due from banks;
- € 31.3 million (book value) of debt securities from the AFS portfolio to the portfolio of loans to customers and due from banks;
- € 124.8 million (book value) of securities, of which about € 118.8 million of Treasury Credit Certificates, from the HFT portfolio to the AFS portfolio.

Banca Popolare di Spoleto did not carry out any other reclassifications in subsequent years.

[1] Under this definition, an investor controls an entity subject to investment when the investor has power over its key assets, is exposed to variable returns resulting from the relationship with the entity and has the ability to affect those returns by exercising power over it.

The following table shows the book values and fair values at 31.12.2014 of the residual financial instruments that were reclassified in 2008, as well as the valuation and other results (interest and gains/losses on disposals) that such instruments would have generated for Banca Popolare di Spoleto in the reference period if they had not been transferred ("Income components in the absence of transfer"). The columns "Income components recorded during the period" show the valuation and other results that Banca Popolare di Spoleto actually recorded on such instruments during the reporting period.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(amounts in thousands of Euro, ex dividend)

Type of financial instrument	Source portfolio	Destination portfolio	Book value at 31.12.2014	Fair value at 31.12.2014	Income components in the absence of transfer (before tax)		Income components recorded during the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	HFT	L&R - banks	6,816	6,714	(195)	85		202
Debt securities	HFT	L&R - customers	6,231	6,163	(23)	16		26
Debt securities	AFS	L&R - banks	8,807	5,484	75	184		336
Debt securities	AFS	L&R - customers	1,069	1,099	1	11		13
Debt securities	HFT	AFS	0	0	0	0	0	0
Equity instruments	HFT	AFS	0	0	0	0	0	0
Total			**22,923**	**19,460**	**(142)**	**296**	**0**	**577**

A.4 INFORMATION ON FAIR VALUE

Qualitative information

The accounting standard IFRS 13 *"Fair Value Measurement"* defines fair value as the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants (exit price). The definition of fair value provided by IFRS 13 makes it clear that fair value measurements are market based and not entity specific.

This standard introduced disclosure requirements about fair value measurements and the inputs used for the measurement of assets and liabilities that are measured at fair value on a recurring or non-recurring basis after initial financial statement recognition, as well as about the effect on comprehensive income of fair value measurements of instruments using effective unobservable inputs.

When a price is not detectable for the same asset or a liability, the fair value is estimated by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

As required by IFRS 13 and for the purpose of the determination of the fair value of OTC derivatives, counterparty risk needs to be considered.

The fair value hierarchy provides for 3 levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 2 and 3 inputs). The fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value. A fair value measurement developed using a present value technique might be categorised within level 2 or level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

Fair value measurement with use of level 1 inputs

The fair value falls within level 1 if determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A price quoted in an active market provides the most reliable evidence of fair value and, when available, should be used without any adjustments.

An active market is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fundamental elements are the following:

- Identification of the *principal market* for the asset or liability or, in the absence of a principal market, the *most advantageous market* for the asset or liability;
- the ability of the entity to carry out a transaction in the asset or liability at the price of that market on the valuation date.

The principal market is the market with the greatest volume and level of activity for the asset or liability. In the absence thereof, the most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability.

A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used

The fair value of financial assets and liabilities is measured by using valuation techniques that take into account the characteristics of the financial instrument being measured.

For level 2 of the fair value hierarchy, the fair value is determined by using a valuation price from an external information provider or a price calculated using internal valuation techniques that use directly or indirectly observable inputs for the asset or liability and include:

- prices quoted for similar assets or liabilities in active markets;
- prices quoted for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatilities;
    - credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ("market-corroborated inputs").

For level 3 of the fair value hierarchy, unobservable inputs are used for the asset or liability. Use of these inputs, including those from internal sources, is allowed if there is no observable market information to help make estimates; they should reflect the assumptions that market participants would make in determining the price.

For level 3 of the fair value hierarchy and with specific reference to OTC derivatives, the input relating to credit spread for non-institutional customers is provided by an internal rating model which categorises each counterparty in risk classes with the same probability of insolvency.

Also worth noting is the application of the Credit Value Adjustment (CVA) model for OTC derivatives, in order to highlight the impact of the counterparty's credit quality, an intrinsic factor in the pricing of bonds, but not of derivatives. The method applied consists of determining the fair value by discounting the derivative's positive mark to market (MTM) over the residual life of the instrument using the weighted credit spread.

On the other hand, as regards OTC derivatives with a negative MTM, the model applied is the Debit Value Adjustment (DVA), with the aim of highlighting, for each legal entity of the Group, the impact of its own creditworthiness. The model applies the same formula of discounting the CVA to the negative value (MTM) of the derivative including the credit spread of each legal entity.

The fair value of non-financial assets and liabilities (receivables and payables) is determined using the DCF (discounted cash flow) method; the currently used module permits consistent integration in fair value measurement of market factors, financial characteristics of the transaction and credit risk components.

Regarding the fair value of assets and liabilities provided in the explanatory notes solely for disclosure purposes, the following should be noted.

For the purpose of the determination of fair value:

- medium/long-term performing loans are valued by discounting future cash flows, applying a risk free discount rate and weighting them for the specific credit risk of each legal entity (Level 2 or 3 based on the significance of observable inputs compared with the entire assessment). Non-performing loans are measured at book value, which represents a reasonable approximation of their fair value (Level 3);
- debt and certificates of deposit issued by the Bank are measured at book value, which represents a reasonable approximation of their fair value (Level 3);
- bonds issued by the Bank are measured by discounting future cash flows and the application of a credit spread (Level 2);
- investment property: fair value is estimated through the use of property market information sources, appropriately adjusted based on parameters such as location, size, age, intended use and maintenance and based on value estimates performed by external independent experts (Level 3).

A.4.2 Process and sensitivity of valuations

Valuation techniques and inputs selected are applied consistently, except where events take place that require them to be replaced or modified, such as: new markets develop, new information becomes available, information previously used is no longer available or valuation techniques improve.

The measurement process for financial instruments consists of the phases summarised below:

- for each asset class, market inputs are identified as well as the manner in which they have to be incorporated and used;
- the market inputs used are checked to ensure they are worthy of use in the valuation techniques employed;
- the valuation techniques used are compared with market practices to identify any critical issues and to determine if any changes need to be made to the valuation.

For financial instruments that are measured at fair value on a recurring basis and which are categorised as Level 3, no sensitivity analysis is provided due to their nature and the immateriality of the amounts involved.

A.4.3 Fair value hierarchy

For financial assets and liabilities measured at fair value on a recurring basis, their categorisation within the aforementioned fair value hierarchy levels reflects the significance of the inputs used for the valuation.

If the market for assets and liabilities no longer qualifies as active, then the valuation technique and inputs are changed and the assets and liabilities are categorised within a lower level of the fair value hierarchy.

A valuation technique is used consistently from period to period, except where circumstances arise that necessitate the use of a more appropriate technique, such as the development of new markets, the availability of new information or a change in market conditions. This could lead to assets and liabilities measured at different dates being categorised in a different fair value hierarchy.

The policy for the determination of the levels is applied on a monthly basis.

A.4.4 Other information

There is nothing to add to the information that has been previously disclosed.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities designated at fair value	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	1,147	15,044	2,536	596	1,705	497
2. Financial assets designated at fair value through profit and loss						
3. Financial assets available for sale	1,773,442	85,577	18,940	1,287,725	127,913	7,781
4. Hedging derivatives		8,372			5,052	
5. Property, plant and equipment						
6. Intangible assets						
Total	**1,774,589**	**108,993**	**21,476**	**1,288,321**	**134,670**	**8,278**
1. Financial liabilities held for trading		1,175	2,084			480
2. Financial liabilities designated at fair value through profit and loss		23,626			38,617	
3. Hedging derivatives		6,717			2,894	
Total		**31,518**	**2,084**		**41,511**	**480**

Key:
L1=Level 1
L2=Level 2
L3=Level 3

At 31 December 2014, the impact of applying the Credit Value Adjustment to derivatives with a positive MTM amounts to 1,004 thousand euro (of which 791 thousand euro on trading derivatives and 213 thousand euro on hedging derivatives); as regards those with a negative MTM, the impact of applying the Debit Value Adjustment to derivatives with a negative MTM amounts to 1,997 thousand euro (of which 181 thousand euro on trading derivatives and 1,816 thousand euro on hedging derivatives).

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (Level 3)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**497**		**7,781**			
2. Increases	**2,554**		**22,834**			
2.1. Purchases	2		6,920			
2.2. Profits posted to:						
2.2.1. Income statement	2,136		125			
of which: capital gains	2,136		125			
2.2.2. Shareholders' equity						
2.3. Transfers from other levels			6,472			
2.4. Other increases	416		9,317			
3. Decreases	**515**		**11,675**			
3.1. Sales	6		4,977			
3.2. Redemptions	6		211			
3.3. Losses posted to:						
3.3.1. Income statement	497					
of which: capital losses	497					
3.3.2. Shareholders' equity			1,600			
3.4. Transfers to other levels	6					
3.5. Other decreases			4,887			
4. Closing balance	**2,536**		**18,940**			

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (Level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	Hedging derivatives
1. Opening balance	**480**		
2. Increases	2,084		
2.1. Issues			
2.2. Losses posted to:			
2.2.1. Income statement	2,084		
- of which: capital losses	*2,084*		
2.2.2. Shareholders' equity			
2.3. Transfers from other levels			
2.4. Other increases			
3. Decreases	**480**		
3.1. Redemptions			
3.2. Repurchases			
3.3. Profits posted to:			
3.3.1. Income statement	480		
- of which: capital gains	*480*		
3.3.2. Shareholders' equity			
3.4. Transfers to other levels			
3.5. Other decreases			
4. Closing balance	**2,084**		

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2014				31.12.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity					181,568	181,066	10,434	
2. Due from banks	288,282		4,520	283,498	275,848			275,848
3. Loans to customers	9,666,900		4,027,996	5,947,204	6,955,429			7,377,054
4. Investment property	1,188			1,335	1,111			972
5. Non-current assets and disposal groups held for sale								
Total	**9,956,370**		**4,032,516**	**6,232,037**	**7,413,956**	**181,066**	**10,434**	**7,653,874**
1. Due to banks	1,017,467			1,017,467	438,026			438,026
2. Due to customers	7,444,025			7,444,025	5,489,782			5,489,782
3. Debt securities in issue	2,798,752		2,104,030	690,435	2,239,092		2,001,090	237,986
4. Liabilities associated with assets held for sale								
Total	**11,260,244**		**2,104,030**	**9,151,927**	**8,166,900**		**2,001,090**	**6,165,677**

Key:
BV= Book value
L1=Level 1
L2=Level 2
L3=Level 3

A.5 INFORMATION ON "DAY ONE PROFIT/LOSS"

IAS 39 requires a financial instrument upon initial recognition to be measured at fair value, which is normally the transaction price (that is, the amount paid for the financial assets and the amount received for the financial liabilities). The foregoing holds true for exchanges of instruments quoted in an active market. If the market for a financial instrument is not active, then valuation techniques are used to determine its fair value. If a difference arises (so-called "day one profit/loss") between the transaction price and the amount determined at the time of initial recognition through the use of valuation techniques and this difference is not recognised immediately in the income statement, then disclosure needs to be provided as per paragraph 28 of IFRS 7, by indicating the accounting policy adopted for the income statement recognition, subsequent to initial recognition of the instrument, of the difference.
In relation to the Group's operations and on the basis of the internal valuation methodologies currently in use, no such differences have been recognised, since the fair value of financial instruments upon initial recognition coincides with the transaction price.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2014	31.12.2013
a) Cash	62,890	29,848
b) Demand deposits with central banks		
Total	**62,890**	**29,848**

Section 2 - Financial assets held for trading - caption 20

2.1 Financial assets held for trading: breakdown

Captions/Amounts	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	6	7,279		563		
1.1 Structured securities						
1.2 Other debt securities	*6*	*7,279*		*563*		
2. Equity instruments			400			
3. UCITS units	1,105					
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A	**1,111**	**7,279**	**400**	**563**		
B. Derivatives:						
1. Financial derivatives:	36	7,704	2,136	33	1,541	497
1.1 for trading	*36*	*6,365*	*2,136*	*33*		*497*
1.2 connected with the fair value option		*1,339*			*1,541*	
1.3 other						
2. Credit derivatives		61			164	
2.1 for trading		*61*			*164*	
2.2 connected with the fair value option						
2.3 other						
Total B	**36**	**7,765**	**2,136**	**33**	**1,705**	**497**
Total (A+B)	**1,147**	**15,044**	**2,536**	**596**	**1,705**	**497**

Caption 20 "Financial assets held for trading" comprises:

a) cash assets held for trading;
b) derivatives held for trading and those linked to the fair value option.

The derivatives for which the fair value option has been exercised consist of derivatives operationally linked to bond issues for which the Bank exercised the fair value option.

The policy adopted for the categorisation of financial instruments within the three levels of the fair value hierarchy is disclosed in the previous section "A.4 Information on fair value" in Part A "Accounting policies" of the explanatory notes.

All financial instruments included in financial assets held for trading are measured at fair value.

2.2 Financial assets held for trading: breakdown by borrower/issuer

Captions/Amounts	31.12.2014	31.12.2013
A. Cash assets		
1. Debt securities	**7,285**	**563**
a) Government and central banks	*373*	*563*
b) Other public entities		
c) Banks	*6,906*	
d) Other issuers	*6*	
2. Equity instruments	**400**	
a) Banks		
b) Other issuers:	400	
- insurance companies		
- financial companies		
- non-financial companies	*400*	
- other		
3. UCITS units	**1,105**	
4. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total A	**8,790**	**563**
B. Derivatives		
a) Banks	8,215	2,041
- Fair value	*8,215*	*2,041*
b) Customers	1,722	194
- Fair value	*1,722*	*194*
Total B	**9,937**	**2,235**
Total (A+B)	**18,727**	**2,798**

2.3 Financial assets held for trading: changes during the year

	Debt securities	Equity instruments	UCITS units	Loans	Total
A. Opening balance	**563**				**563**
B. Increases	**144,282**	**521**	**1,201**		**146,004**
B.1 Purchases	143,841	519	1,193		145,553
of which: business combinations	*6,946*	*400*	*1,141*		*8,487*
B.2 Positive changes in fair value	116		8		124
B.3 Other changes	325	2			327
C. Decreases	**137,560**	**121**	**96**		**137,777**
C.1 Sales	132,510	117	95		132,722
C.2 Redemptions	4,752				4,752
C.3 Negative changes in fair value	139				139
C.4 Transfers to other portfolios					
C.5 Other changes	159	4	1		164
D. Closing balance	7,285	400	1,105		8,790

The caption "B 1 Purchases - business combinations" includes the assets of BPS acquired during the year through a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

As regards "Debt securities", caption "B 3 Other changes" includes trading profits of Euro 148 thousand, as well as accrued coupon interest and accrued issue spread of Euro 177 thousand.

Conversely, caption "C 5 Other changes" includes trading losses and losses on redemption of Euro 151 thousand; it also includes the reversal of accruals made for coupon interest and issue spread at the prior year end of Euro 8 thousand.

As regards "Equity instruments" and "UCITS units", caption "B 3 Other changes" shows the trading profits that have been recognised, whereas caption "C 5 Other changes" includes the trading losses and losses on redemption for these categories.

The result of the fair value measurement of financial assets held for trading, included in captions "B2 Positive changes in fair value" and "C3 Negative changes in fair value", is recognised in the income statement in caption 80 "Net trading income", together with trading profits/losses or profits/losses on redemption.

Section 3 - Financial assets designated at fair value through profit and loss - caption 30

There are nil balances at both year ends.

Section 4 - Financial assets available for sale - caption 40

4.1 Financial assets available for sale: breakdown

Captions/Amounts	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,733,032	85,577		1,261,819	127,913	170
1.1 Structured securities		*6,875*			*1,950*	
1.2 Other debt securities	*1,733,032*	*78,702*		*1,261,819*	*125,963*	*170*
2. Equity instruments	140		14,068			7,611
2.1 Valued at fair value	*140*		*4,895*			*6,034*
2.2 Valued at cost			*9,173*			*1,577*
3. UCITS units	40,270		4,872	25,906		
4. Loans						
Total	**1,773,442**	**85,577**	**18,940**	**1,287,725**	**127,913**	**7,781**

Caption "Financial assets available for sale" comprises:

- the bond portfolio and UCITS units not held for trading;
- portions of equity investments in companies with voting rights of less than 20% of the share capital of companies that are not strategic investments for the Bank.

Debt securities include securities associated with repurchase agreements.

UCITS units: breakdown by main category

The following table provides a breakdown of "UCITS units" by type of fund.

	31.12.2014	31.12.2013
Equity funds		
Bond funds	20,221	17,138
Flexible funds	20,049	2,197
Hedge funds		100
Closed-ended real estate funds	4,872	6,471
Total	45,142	25,906

4.2 Financial assets available for sale: breakdown by borrower/issuer

Captions/Amounts	31.12.2014	31.12.2013
1. Debt securities	**1,818,609**	**1,389,902**
a) Government and central banks	1,739,779	1,311,705
b) Other public entities		
c) Banks	77,667	65,947
d) Other issuers	1,163	12,250
2. Equity instruments	**14,208**	**7,611**
a) Banks	303	
b) Other issuers:	13,905	7,611
- *insurance companies*		
- *financial companies*	*3,128*	*1,534*
- *non-financial companies*	*10,477*	*6,077*
- *other*	*300*	
3. UCITS units	**45,142**	**25,906**
4. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total	**1,877,959**	**1,423,419**

4.3 Financial assets available for sale with specific (or "micro") hedges

Captions/Amounts	31.12.2014	31.12.2013
1. Financial assets with specific fair value hedges		**19,636**
a) interest rate risk		19,636
b) exchange rate risk		
c) credit risk		
d) other risks		
2. Financial assets with specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total		**19,636**

There were no financial assets in the available-for-sale portfolio with specific hedges during the reporting period.

4.4 Financial assets available for sale: changes during the year

	Debt securities	Equity instruments	UCITS units	Loans	Total
A. Opening balance	**1,389,902**	**7,611**	**25,906**		**1,423,419**
B. Increases	**3,779,510**	**16,627**	**20,935**		**3,817,072**
B.1 Purchases	3,715,815	11,739	20,000		3,747,554
of which: business combinations	*490,632*	*4,819*			*495,451*
B.2 Positive changes in fair value	7,371		935		8,306
B.3 Write-backs					
- recognised in income statement					
- recognised in equity					
B.4 Transfers from other portfolios					
B.5 Other changes	56,324	4,888			61,212
C. Decreases	**3,350,803**	**10,030**	**1,699**		**3,362,532**
C.1 Sales	3,068,011	4,878	69		3,072,958
C.2 Redemptions	268,847				268,847
C.3 Negative changes in fair value	2,712	264	1,600		4,576
C.4 Impairment writedowns					
- recognised in income statement					
- recognised in equity					
C.5 Transfers to other portfolios					
C.6 Other changes	11,233	4,888	30		16,151
D. Closing balance	**1,818,609**	**14,208**	**45,142**		**1,877,959**

The caption "B1 Purchases - business combinations" includes the assets of BPS acquired during the year through a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

The sub-captions "B2 Positive changes in fair value" and "C3 Negative changes in fair value" relate to gains and losses, gross of the tax effect, recognised in equity in the caption "130 Valuation reserves".

As regards "Debt securities", the sub-caption "B5 Other changes" relates to:

- gains from trading and from redemption of Euro 48,247 thousand, recognised in the income statement in the caption "100 Gains/losses on disposal or repurchase of financial assets available for sale";
- accrued interest, including that for issue spread, and the positive change in amortised cost of Euro 8,077 thousand, recognised in the income statement in the caption "10 interest income on securities";

conversely, sub-caption "C6 Other changes" includes:

- prior year accrued interest and the negative change in amortised cost of Euro 9,660 thousand, recognised in the income statement in the caption "10 interest income on securities",
- losses from hedge accounting adjustment of Euro 706 thousand, recognised in the income statement in caption "90 Net hedging gains (losses)";
- losses from trading and from redemption of Euro 867 thousand, recognised in the income statement in caption "100 Gains/losses on disposal or repurchase of financial assets available for sale";

The captions "B5 Other changes" and "C6 Other changes" for equity instruments relate to technical transfers within the portfolio for changes in the classification of certain capital instruments for regulatory reporting purposes.

Lastly, as regards the "UCITS units" column, the amount indicated in the caption "C6 Other changes" relates to trading losses and losses on reimbursement recognised in the income statement in caption 100 "Gains/losses on disposal or repurchase of financial assets available for sale".

Impairment tests of financial assets available for sale

As required by applicable accounting standards (IFRS), at the year end, financial assets available for sale are tested for impairment to verify the potential existence of negative events that might indicate that the carrying amount of the assets may not be fully recoverable.

The policy for the performance of impairment testing of financial assets available for sale is described in the specific section of "Part A - Accounting policies" of these explanatory notes.

Section 5 - Financial assets held to maturity - caption 50

5.1 Financial assets held to maturity: breakdown

Type of transaction/Amounts	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities					181,568	181,066	10,434	
- *structured*								
- *other*					*181,568*	*181,066*	*10,434*	
2. Loans								

Key:

FV = fair value

BV = book value

During 2014, the Parent Company decided to sell all of the financial instruments in its "Financial assets held to maturity" portfolio as it was no longer opportune to hold fixed-rate debt instruments with medium to long durations to maturity.

5.2. Financial assets held to maturity: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Debt securities		**181,568**
a) Government and central banks		171,446
b) Other public entities		
c) Banks		10,122
d) Other issuers		
2. Loans		
a) Government and central banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total		**181,568**
Total fair value		**191,500**

5.3 Financial assets held to maturity: with specific hedges

At the reference date there are no financial assets held to maturity with specific hedges.

5.4. Financial assets held to maturity: changes during the year

	Debt securities	Loans	Total
A. Opening balance	**181,568**		**181,568**
B. Increases	**12,431**		**12,431**
B.1 Purchases			
B.2 Write-backs			
B.3 Transfers from other portfolios			
B.4 Other changes	12,431		12,431
C. Decreases	**193,999**		**193,999**
C.1 Sales	193,073		193,073
C.2 Redemptions			
C.3 Write-downs			
C.4 Transfers to other portfolios			
C.5 Other changes	926		926
D. Closing balance			

Caption "B4 Other changes" includes:

- Euro 12,428 thousand of profits from the disposal of all financial instruments in the held to maturity portfolio, recognized in the income statement under caption "100 Gains/losses on disposal of financial assets held to maturity";
- Euro 3 thousand from the share of amortised cost accrued up to the date of disposal of the portfolio, recorded in the income statement under caption "10 Interest and similar income".

Caption "C5 Other changes" includes prior year-end accruals and the negative change in amortised cost accrued up to the date of disposal of the portfolio; both components are recognised in the income statement as offsetting entries to the caption "10 Interest and similar income".

Section 6 - Due from banks - caption 60

6.1 Due from banks: breakdown

Type of transaction/Amounts	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	**81,319**			81,319	**92,096**			92,096
1. Restricted deposits								
2. Reserve requirement	81,319				92,096			
3. Repurchase agreements								
4. Other								
B. Due from banks	**206,963**				**183,752**			
1. Loans	152,921			152,723	158,733			158,733
1.1 Current accounts and demand deposits	96,613				113,951			
1.2 Restricted deposits	56,276				44,735			
1.2.1 Mandatory reserve requirement met indirectly								
1.2.2 Other	56,276				44,735			
1.3 Other loans:	32				47			
- Repurchase agreements								
- Finance leases								
- Other	32				47			
2. Debt securities	54,042		4,520	49,456	25,019			25,019
2.1 Structured securities	25,013				25,019			
2.2 Other debt securities	29,029							
Total	**288,282**		**4,520**	**283,498**	**275,848**			**275,848**

Key:

FV = fair value

BV = book value

Amounts due from central banks include the amount of the reserve requirement at the Bank of Italy. For the purpose of maintaining the average level of the reserve in line with the requirement, the amount thereof may fluctuate, even significantly, in relation to the contingent liquidity needs of the Bank.

Banco Desio Brianza's commitment to maintain the reserve requirement amounts to Euro 59.6 million at 31 December 2014 (Euro 50.1 million at the prior year end), while Banca Popolare di Spoleto's commitment at the same date amounts to Euro 22.4 million.

Amounts due from banks do not include loans and receivables classified as non-performing loans.

6.2 Due from banks with specific hedge

At the reference dates, Banco Desio did not have amounts due to banks with specific hedges.

6.3 Due from banks: finance leases

At the reference date, Banco Desio has no amounts due from banks linked to finance leases.

Section 7 - Loans to customers - caption 70

7.1 Loans to customers: breakdown

Type of transaction/Amounts	31.12.2014						31.12.2013					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Non-performing loans		L1	L2	L3	Performing loans	Non-performing loans		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	8,800,885		853,966		4,016,035	5,947,204	6,496,466		458,963			7,377,054
1. Current accounts	1,696,722		196,029				1,369,479		137,723			
2. Repurchase agreements	198,361						117,960					
3. Mortgage loans	4,870,445		448,751				3,361,423		282,507			
4. Credit cards, personal loans and assignments of one-fifth of salary	538,125		7,043				431,121		5,389			
5. Finance leases	417,456		29,065				464,042		27,758			
6. Factoring	22,776		373				17,698		478			
7. Other loans	1,057,000		172,705				734,743		5,108			
Debt securities	12,049				11,961							
8. Structured securities												
9. Other debt securities	12,049											
Total	**8,812,934**		**853,966**		**4,027,996**	**5,947,204**	**6,496,466**		**458,963**			**7,377,054**

Gross loans totalled Euro 10,516,165 thousand (Euro 7,225,866 thousand last year), including the loans acquired by means of a business combination with Banca Popolare di Spoleto S.p.A., recorded in the financial statements in accordance with IFRS 3 and the separate assets of the SPV Spoleto Mortgages S.r.l. Total adjustments amounted to Euro 849,265 thousand (against Euro 270,439 thousand at the end of last year).

"Repurchase agreements" are exclusively for investing surplus liquidity with institutional counterparties.

"Mortgage loans" include loans relating to the "Spoleto Mortgages 2011" securitisation of the subsidiary BPS, not eliminated from its assets as there was no basis for derecognition.

As regards non-performing loans, in addition to the disclosures made in the Report on operations, reference should be made to "Section E" of these explanatory notes.

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014			31.12.2013		
	Performing loans	Non-performing loans		Performing loans	Non-performing loans	
		Purchased	Other		Purchased	Other
1. Debt securities	**12,049**					
a) Governments						
b) Other public entities						
c) Other issuers	12,049					
- non-financial companies						
- financial companies	*12,049*					
- insurance companies						
- other						
2. Loans to:	**8,800,885**		**853,966**	**6,496,466**		**458,963**
a) Governments	25,118					
b) Other public entities	10,072		97			
c) Other parties	8,765,695		853,869	6,496,466		458,963
- non-financial companies	*5,574,286*		*654,887*	*4,222,128*		*331,103*
- financial companies	*325,690*		*1,216*	*203,350*		*1,265*
- insurance companies	*5,100*			*27,602*		
- other	*2,860,619*		*197,766*	*2,043,386*		*126,595*
Total	**8,812,934**		**853,966**	**6,496,466**		**458,963**

7.3 Loans to customers: assets with specific hedge

	31.12.2014	31.12.2013
1. Loans with specific fair value hedges	31,129	
a) Interest rate risk	31,129	
b) Exchange rate risk		
c) Credit risk		
d) Other risks		
2. Loans with specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Expected transactions		
d) Other hedged assets		
Total	**31,129**	

This caption represents the nominal value of loans with specific fair value hedges for interest rate risk.

7.4 Finance leases

Reconciliation between gross investment in leases and present value of minimum lease payments and unsecured residual value payable to lessor.

Type of transaction	31.12.2014				31.12.2013			
	Gross investment	Deferred profit	Net investment	Unsecured residual value (purchase option)	Gross investment	Deferred profit	Net investment	Unsecured residual value (purchase option)
Finance lease	533,630	(95,289)	438,341	67,482	591,359	(110,444)	480,915	70,796
- of which leaseback agreements	32,767	(6,475)	26,292	5,196	37,231	(7,350)	29,881	5,629
Total	**533,630**	**(95,289)**	**438,341**	**67,482**	**591,359**	**(110,444)**	**480,915**	**70,796**

Falling due	31.12.2014			31.12.2013		
	Gross investment	Deferred profit	Net investment	Gross investment	Deferred profit	Net investment
- Within one year	13,008	(223)	12,785	10,189	(183)	10,006
- Between one and five years	159,661	(11,797)	147,864	187,804	(14,255)	173,549
- Beyond five years	360,961	(83,269)	277,692	393,365	(96,006)	297,360
Total	**533,630**	**(95,289)**	**438,341**	**591,358**	**(110,444)**	**480,915**

The net investment corresponds to the outstanding capital element of lease obligations at the year end.

Section 8 - Hedging derivatives - caption 80

8.1 Hedging derivatives: breakdown by type and level

Type of transaction/Amounts	31.12.2014				31.12.2013			
	FV			NV	FV			NV
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives		8,372		107,483		5,052		174,217
1) Fair value		8,372		107,483		5,052		174,217
2) Cash flows								
3) Foreign investments								
B) Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**8,372**		**107,483**		**5,052**		**174,217**

Key:

NV = notional value

FV = fair value

The table shows the positive book value of hedging derivative contracts.

8.2 Hedging derivatives: breakdown by hedge portfolios and by type of hedge (book value)

Operation/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific hedge					Generic hedge	Specific hedge	Generic hedge	
	interest rate risk	exchange rate risk	credit risk	price risk	other risks				
1. Financial assets available for sale									
2. Loans and receivables	20								
3. Financial assets held to maturity									
4. Portfolio									
5. Other transactions									
Total assets	**20**								
1. Financial liabilities	8,352								
2. Portfolio									
Total liabilities	**8,352**								
1. Expected transactions									
2. Financial assets and liabilities portfolio									

Specific hedges on loans, reported in the table, refer to fair value hedges for interest rate risk on specific loan items classified in the asset caption "Loans to customers". The specific fair value hedges on financial liabilities relate exclusively to hedges on bonds issued by Banco Desio and the subsidiary Banca Popolare di Spoleto.

Prospective and retrospective assessments performed during the year in compliance with the requirements of IAS 39 have confirmed the effectiveness of the hedging relationship.

Section 9 - Adjustment to financial assets with generic (or "macro") hedges - caption 90

9.1 Adjustment of hedged assets: breakdown by hedged portfolio

Adjustment of hedged assets/Members of the group	31.12.2014	31.12.2013
1. Positive adjustments	**2,478**	
1.1 of specific portfolios:	2,478	
a) loans	*2,478*	
b) financial assets available for sale		
1.2 total		
2. Negative adjustments		
2.1 of specific portfolios:		
a) loans		
b) financial assets available for sale		
2.2 total		
Total	**2,478**	

The adjustment to financial assets with generic hedges ("macrohedging") refers to changes in fair value due to fluctuations in interest rates on portfolios of similar assets from the point of view of the financial profile and the underlying risks identified by the Group for the purpose of designating the different fair value macro-hedging relationships for interest rate risk.

At 31 December 2014, there are portfolios of fixed-rate mortgages and loans to customers subject to macro-hedging.

9.2 Assets with generic hedges for interest rate risk

	31.12.2014	31.12.2013
1. Loans and receivables	9,970	
2. Financial assets available for sale		
3. Portfolio		
Total	**9,970**	

The total residual nominal value of the assets (fixed-rate mortgages and loans to customers) with generic interest rate risk hedges amounts to Euro 9,970 thousand.

Section 10 - Equity investments - caption 100

10.1 Equity investments: details of holdings

Name	Registered office	Operational headquarters	Type of relationship (1)	Nature of holding		% voting rights
				Parent company	% held	
B. Associates (subject to significant influence)						
Chiara Assicurazioni S.p.A	Milan	Milan	4	Banco Desio	32.665	32.665
Istifid S.p.A.	Milan	Milan	4	Banco Desio	31.389	30.891

Key
(1) Type of relationship:
4 = other forms of control

10.2 Significant equity investments: book value, fair value and dividends received

Name	Book value	Fair value	Dividends received
B. Associates (subject to significant influence)			
Chiara Assicurazioni S.p.A	13,299	-	604
Total	13,299	-	604

10.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Net adjustments to property, plant and equipment and intangible assets	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) after tax on non-current assets held for sale	Net profit (loss) for the period (1)	Other elements of income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
B. Associates (subject to significant influence)														
Chiara Assicurazioni S.p.A (1)	X	44,271	14,571	-	53,457	27,256	X	X	3,882	2,311	-	2,311	-	2,311

(1) Figures refer to the 2013 financial statements, the latest financial statements to be approved.

Note that as regards the nature of the Banking Group's relationships with the associate Chiara Assicurazioni, they are explained in the agreement for the distribution of insurance products entered into with the insurance company.

10.4 Not significant equity investments: accounting information

Name	Book value of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) from current operations after tax	Profit (loss) after tax on non-current assets held for sale	Net profit (loss) for the period (1)	Other elements of income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
Associates (subject to significant influence) (1)	1,507	11,638	7,570	5,695	171	-	171	-	171

(1) Figures refer to the 2013 financial statements, the latest financial statements to be approved.

10.5 Equity investments: changes during the year

	31.12.2014	31.12.2013
A. Opening balance	**13,969**	**1,227**
B. Increases	**1,152**	**25,422**
B.1 Purchases	71	48
B.2 Write-backs		
B.3 Revaluations	1,060	5,588
B.4 Other changes	21	19,786
C. Decreases	**315**	**12,680**
C.1 Sales		12,554
C.2 Write-downs		
C.3 Other changes	315	126
D. Closing balance	**14,806**	**13,969**
E. Total revaluations	**1,499**	**1,043**
F. Total write-downs		

Caption "B.3 Revaluations" refers to the net results of the two associates and the consequent increase in the value of the portion of equity held in them. In particular, this increase refers:

- for Euro 98 thousand to Istfid SpA;
- for Euro 962 thousand to Chiara Assicurazioni SpA.

Impairment testing

In compliance with the requirements of IAS 36 and taking account of the guidance laid down in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, details are provided below of impairment testing of equity investments held at 31 December 2014.

Impairment testing is designed to check that the carrying amount of equity investments does not exceed their recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the investment.

The recoverable amount of equity investments was determined, where there was no fair value arising from transactions concerning the target of the impairment test (as was the case for Istifid Spa) or from market transactions involving similar targets, by reference to the value in use. For the determination of value in use, IAS 36 allows the use of a discounted cash flow methodology. This approach computes the value in use of a CGU or of a company based on the present value of the future (operating) cash flows expected to be derived therefrom, using an appropriate discount rate for the time period in which the cash flows will be generated.

In practice, for credit or financial companies, use is made of Free Cash Flow to Equity (FCFE) methodology, or, more specifically, an Excess Capital variant of the Dividend Discount Model (DDM). This methodology determines the value of a company based on future cash flows that it will be capable of distributing to its shareholders, without touching the assets needed to support its expected growth in compliance with regulatory capital requirements imposed by the Supervisory Authorities, discounted using a discount rate that reflects the specific risk premium. Note, however, that despite the term "Dividend Discount Model", the cash flows considered by the model are not dividends expected to be distributed to shareholders, but are cash flows from which a shareholder could benefit and which are surplus to operating capital requirements.

Impairment testing has thus been performed on the basis of the criteria and assumptions set out below.

a) Criterion to estimate the recoverable amount (impairment)

To estimate the recoverable amount of an equity investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time period for the determination of future cash flows
The time horizon for impairment testing of the associate Chiara Assicurazioni Spa is the period covered by the 2013-2019 business development plan backed by contractual arrangements for the period 2013-2022 executed with Helvetia Group, appropriately revised at the reporting date to take account of more recent data provided by management.

Cash flows
For the valuation of banks and financial intermediaries, an equity side approach to DDM methodology is used for the determination of equity value, as, due to the characteristic activities undertaken by a financial intermediary (deposit taking and lending), it is particularly difficult to distinguish between financial payables and operating payables; furthermore, for the Excess Capital approach, cash flows available to shareholders are cash flows from which a shareholder could potentially benefit in excess of operating capital requirements and, thus, they take due account of regulatory capital absorption.

Discount rate
For the valuation of banks and financial intermediaries, reference is made to Ke (so-called "cost of equity").

Growth rate of cash flows beyond the "explicit" time period for the determination of future cash flows
A long term growth rate is used in line with the projected long term inflation rate.

Terminal Value
This is determined by the application of a formula that accounts for the value of free cash flows that continue into perpetuity.
The equity value of the investment at the date of testing, determined on the basis of the above procedure, is then compared with the book value of the specific equity investment, with the sole objective of verifying whether there is any impairment.

b) Parameters used for impairment testing

The main assumptions used for impairment testing are set out below.

Legal entity	Model	Input used	CAGR RWA / Assets under management / Gross premiums	Ke	g	Currency	Plan flows	Capital ratio
Chiara Assicurazioni Spa	DDM	updated 2013-2022 development plan backed by contractual agreements	7.9%	9.43%	1.5%	€	Net results	(*)
Istifid Spa	-	MKT transaction price	-	-	-	€	-	-

(*) Complies with the requirements of the respective industry specific or local regulatory authorities in the countries where the entity is located.

As a result of the impairment testing performed, no writedown was needed of the aforementioned equity investments.

It should be emphasised that the parameters and the information used for impairment testing are influenced by the economic downturn and by financial markets and could be subject to changes, which are currently unforeseeable, that would consequently have an impact on the main assumptions applied and, thus, potentially, also on the results of future years that could be different from those set out herein.

c) Sensitivity analysis

Since the measurement of impairment is rendered particularly complex due to the current macroeconomic and market environment and by the consequent difficulties in forecasting long term earnings, to support the testing performed, stress tests were carried out assuming a change in the main parameters applied for impairment testing.

The table below provides a summary of the changes in the percentage or percentage points of the underlying assumptions that would be required to have the recoverable amount of the equity investments match their carrying amounts.

Equity investments	SCR multiplier (1)	Increase in p.p. of discount rate used for future cash flows (FCFE)	Decrease in p.p. of growth rate in projections used to calculate the terminal value	MKT transaction price difference
Chiara Assicurazioni Spa	120%	774	766	-
	150%	745	698	-
Istifid Spa	-	-	-	10.5%

(1) Sensitivity measured on the basis of two different scenarios for capital allocation: of 120% and of 150% of the SCR Solvency Capital Requirement – Solvency II – IVASS

10.6 Significant assessments and assumptions in determining the existence of joint control or significant influence

In accordance with IAS 28, significant influence is the power to participate in determining financial and operating policies of the investee without having control or joint control. IAS 28 also introduces a presumption of significant influence whenever the investor owns - directly or indirectly - a percentage of voting rights equal to or greater than 20%. If there is an interest equal to or higher than 20%, the participant will be responsible for demonstrating the absence of any significant influence. Conversely, if the interest is lower than 20%, the participant will be responsible for demonstrating the existence of significant influence.

The existence of significant influence is usually evidenced in one or more of the following circumstances:

a) representation on the board of directors or equivalent governing body of the investee;

b) participation in the decision-making process, including participation in decisions about dividends or other distribution of profits;

c) the presence of significant transactions between the entity and the investee;

d) an interchange of managerial personnel; or

e) the provision of essential technical information.

Based on what we have said, the assessments made for the identification of significant influence, which at the same time make it possible to exclude the existence of joint control over Chiara Assicurazioni SpA and Istifid SpA, are as follows:

- Chiara Assicurazioni SpA: the Banking Group's relationships with the associated company are expressed in the agreement for the distribution of insurance products entered into with the company. This relationship qualifies the power to participate in determining the management policies of the investee, but does not assign sufficient rights to have control of the company (as defined in IFRS 10), as the insurance company is subject to the control exercised by Helvetia, the parent company, which appears to be the only entity in a position to affect the development of its products.
  The other shareholders (trade partners) of the Company, including Banco Desio, are qualified minority shareholders and the Shareholders' Agreement between them, which provides for consultation mechanisms of a majority nature, does not represent a situation of joint control for the lack of unanimous approval in the decision-making process of the parties involved in the Agreement.

- Istifid SpA: Banco di Desio e della Brianza S.p.A. has a 29% holding in the company's share capital, with the presence on the Board of Directors of two directors nominated by the Parent Company out of a total of ten members, one of whom is also a member of the Executive Committee, like another Bank, which also holds a similar minority interest. There are also two members of the Board of Directors nominated by the reference shareholder, which has a significant shareholding, both of whom are also members of the Executive Committee. Consequently, in the absence of any Shareholders' Agreement, this level of representation on the Board of Directors does not constitute joint control, but only a significant influence.

10.7 Commitments relating to investments in companies under joint control

There are no commitments at 31.12.2014 relating to equity investments in companies under joint control.

10.8 Commitments relating to investments in companies subject to significant influence

As regards companies subject to significant influence, for Istifid SpA there were no commitments outstanding at 31.12.2014 or risks associated with contingent liabilities related to this investment.

With reference to the associate Chiara Assicurazioni SpA, it should be noted that the contract for the sale of the controlling interest signed on 24 April 2013, with the buyer counterparty Helvetia, includes a clause for pro-rata compensation by the Sellers (Banco Desio's share of 66.6%) relating to the event in which there is either a reduction in average annual premium income in the five years from 2013 to 2017 or in premium income at 31.12.2017 compared with the benchmark consisting of the gross premiums earned by the company at 31.12.2011. At the date of these financial statements, there is no reason to assume activation of the compensation clause at 31.12.2017 as the company closed the last two years with gross premiums exceeding the benchmark and the company's 2015-2017 development plan envisages budget targets for gross premiums also in excess of this parameter.

Note also that the contract provides for a commitment on the part of the selling shareholders to buy on a pro-rata basis (Banco Desio's share of 66.6%) or to make third parties purchase by 24 October 2015, for a total of Euro 5 million, the investment consisting of 934,590 shares of Cassa di Risparmio di Rimini Spa (equal to 1.99%) held by Chiara Assicurazioni Spa.

At the reporting date, there are no factors that suggest a need to make a provision for risks and charges for such a purchase commitment.

10.9 Significant restrictions

There are no significant restrictions (e.g. legal, contractual or regulatory restrictions) on the associates' ability to transfer funds to the Parent Company in the form of dividends, repayments of loans or advances granted by the Parent Company.

10.10 Other information

There is no other information to be reported.

Section 11 - Reserves carried by reinsurers - caption 110

There are nil balances at both year ends.

Section 12 - Property, plant and equipment - caption 120

12.1 Property, plant and equipment for business purposes: breakdown of assets valued at cost

Assets/Amounts	31.12.2014	31.12.2013
1 Own assets	**184,699**	**143,306**
a) land	52,581	41,184
b) property	111,950	86,993
c) furniture	7,963	6,125
d) electronic systems	6,024	1,858
e) other	6,181	7,146
2 Land and property under finance lease		
a) land		
b) property		
c) furniture		
d) electronic systems		
e) other		
Total	**184,699**	**143,306**

As at the year end, there were no tangible fixed assets being purchased under finance leases.

Land and buildings are measured at the amount revalued on 1 January 2004 on the first-time application of IAS. Otherwise, all property, plant and equipment, including other tangible fixed assets, are measured at cost, except for tangible assets acquired through business combinations and shown in the consolidated financial statements at fair value, pursuant to the IFRS 3.

All categories of property, plant and equipment are depreciated on a straight-line basis, except for land and works of art, which are not depreciated.

12.2 Investment property: breakdown of assets valued at cost

Assets/Amounts	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Own assets	**1,188**			**1,061**	**1,111**			**972**
a) land	498			436	448			395
b) property	690			625	663			577
2. Assets purchased under finance leases								
a) land								
b) property								
Total	1,188			1,061	1,111			972

The book value reflects the capitalisation of construction and/or renovation costs, in addition to taxes, particularly on new properties acquired, factors that the market value does not fully reflect.

12.3 Property, plant and equipment for business purposes: breakdown of revalued assets

As at the respective balance sheet dates, the Bank did not have any revalued property, plant and equipment for business purposes.

12.4 Investment property: breakdown of assets carried at fair value

At the reference dates, the Banco Desio Group has no investment property measured at fair value.

12.5 Property, plant and equipment for business purposes: changes in the year

Assets/Amounts	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**41,184**	**104,101**	**33,008**	**20,415**	**39,334**	**238,042**
A.1 Total net writedowns		17,108	26,883	18,557	32,188	94,736
A.2 Net opening balance	**41,184**	**86,993**	**6,125**	**1,858**	**7,146**	**143,306**
B. Increases	**13,308**	**33,689**	**4,624**	**6,567**	**3,434**	**61,622**
B.1 Purchases	13,296	32,265	4,292	6,467	1,960	58,280
of which: business combinations	*9,476*	*26,522*	*2,993*	*4,264*		*43,255*
B.2 Capitalised improvement costs						
B.3 Write-backs						
B.4 Increase in fair value booked to:						
- a) shareholders' equity						
- b) income statement						
B.5 Exchange gains	12	23				35
B.6 Transfer from investment property						
B.7 Other changes		1,401	332	100	1,474	3,307
C. Decreases	**1,911**	**8,732**	**2,786**	**2,401**	**4,399**	**20,229**
C.1 Sales	1,911	6,145	392	128	1,587	10,163
C.2 Depreciation		2,367	1,548	1,445	1,499	6,859
C.3 Impairment write-downs booked to:						
- a) shareholders' equity						
- b) income statement						
C.4 Decreases in fair value booked to:						
- a) shareholders' equity						
- b) income statement						
C.5 Exchange losses						
C.6 Transfers to:						
- a) investment property, plant and equipment						
- b) assets held for sale						
C.7 Other changes		220	846	828	1,313	3,207
D. Net closing balance	**52,581**	**111,950**	**7,963**	**6,024**	**6,181**	**184,699**
D.1 Net total write-downs		17,909	26,916	19,409	31,660	95,894
D.2 Gross closing balance	**52,581**	**129,859**	**34,879**	**25,433**	**37,841**	**280,593**
E. Measurement at cost						

The sub-captions A.1 and D.1 – "Net total write-downs" relate to accumulated depreciation.

The caption "B1 Purchases - business combinations" includes the fixed assets of BPS acquired during the year through a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

From the sale of property, plant and equipment, as indicated by the caption "C.1 Sales", realised gains of Euro 2,283 thousand have been recognised (of which Euro 2,185 thousand in the income statement under caption 270 "Gains (losses) on disposal of investments" and Euro 98 thousand under caption 220 "Other operating charges/income"), as well as realised losses of Euro 62 thousand (of which Euro 12 thousand in the income statement under caption 270 "Gains (losses) on disposal of investments" and Euro 50 thousand under caption 220 "Other operating charges/income").

12.6 Investment property: changes in the year

	Total	
	Land	Buildings
A. Opening balance	**448**	**663**
B. Increases	**50**	**44**
B.1 Purchases	50	44
of which: business combinations	*50*	*44*
B.2 Capitalised improvement costs		
B.3 Positive changes in fair value		
B.4 Write-backs		
B.5 Foreign exchange gains		
B.6 Transfers from assets used in business		
B.7 Other changes		
C. Decreases		**(17)**
C.1 Sales		
C.2 Depreciation		(17)
C.3 Negative changes in fair value		
C.4 Impairment write-downs		
C.5 Foreign exchange losses		
C.6 Transfers to other asset categories		
a) assets used in business		
b) non-current assets and disposal groups held for sale		
C.7 Other changes		
D. Closing balance	**498**	**690**
E. Measurement at fair value		

The caption "B1 Purchases - business combinations" includes the fixed assets of BPS acquired during the year through a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

12.7 Commitments to purchase property, plant and equipment

At year-end there are no commitments to purchase property, plant and equipment.

Section13 - Intangible assets - caption 130

13.1 Intangible assets: breakdown by type

Assets/Amounts	31.12.2014		31.12.2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		15,322		23,533
A.1.1 Pertaining to the Group		15,322		23,533
A.1.2 Pertaining to minority interests				
A.2 Other intangible assets	3,062		1,973	
A.2.1 Carried at cost:	3,062		1,973	
a) Intangible assets generated internally				
b) Other assets	3,062		1,973	
A.2.2 Carried at fair value:				
a) Other intangible assets generated internally				
b) Other assets				
Total	**3,062**	**15,322**	**1,973**	**23,533**

Intangible assets with an indefinite useful life are subjected to impairment testing at least one a year, particularly at the year end reporting date or in those cases whereby events have occurred that could be indicative of impairment.

Other intangible assets are amortised on a straight-line basis over their useful lives. For compensation for abandonment of leasehold premises, the useful life is the length of the lease agreement, while for computer software it is four years and for application software it is four or five years, based on the useful life specified within the asset category.

13.1.1 Impairment testing of goodwill

According to the provisions of IAS 36 and taking into account the information contained in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, we report below information on the impairment test on cash generating units (CGU) carried out at 31 December 2014.

Impairment testing is designed to check that the carrying amount of the CGU does not exceed its recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the CGU.

The recoverable amount of the CGU has been determined with reference to its value in use. For the determination of value in use, IAS 36 allows the use of a discounted cash flow methodology. This approach computes the value in use of a CGU or of a company based on the present value of the future (operating) cash flows expected to be derived therefrom, using an appropriate discount rate for the time period in which the cash flows will be generated.

In practice, for credit or financial companies, use is made of Free Cash Flow to Equity (FCFE) methodology, or, more specifically, an Excess Capital variant of the Dividend Discount Model (DDM). This methodology determines the value of a company based on future cash flows that it will be capable of distributing to its shareholders, without touching the assets needed to support its expected growth in compliance with regulatory capital requirements imposed by the Supervisory Authorities, discounted using a discount rate that reflects the specific risk premium. Note, however, that despite the term "Dividend Discount Model", the cash flows considered by the model are not dividends expected to be distributed to shareholders, but are cash flows from which a shareholder could benefit and which are surplus to operating capital requirements.

On a basis consistent with that of the prior year financial statements, individual legal entities have been identified as CGUs, taking account of the fact that the Banking Group envisages that the Parent Company shall provide guidance and strategic coordination aimed at the achievement of the objectives concerning the development and earnings of each legal entity and, as a consequence, results are reported autonomously (by means of the management reporting system) in a manner which sees the CGU coincide with the legal entity and, accordingly, management reports, as well as the budget process, analyse, monitor and forecast earnings and financial position based on this approach.

Impairment testing was thus conducted for the legal entities Banco di Desio e della Brianza Spa and Fides Spa, on the basis of the criteria and assumptions set out below.

a) Criterion to estimate the recoverable amount (impairment)

To estimate the recoverable amount of the goodwill pertaining to the specific legal entity, reference is made to the so-called "value in use" ("equity value" for banks and financial intermediaries).

"Explicit" time period for the determination of future cash flows

The time horizon used is the same as the 2015-2017 Business Plan approved by the Directors in February 2015, as well as the further development of this plan, prepared by the management, with projections of future results extended to include an explicit forecast period of five years, to minimise potential distortions from using only the time horizon of the Business Plan. In the current climate, it could be strongly influenced by a complex systemic situation because of the considerable uncertainty in forecasting the macroeconomic scenario; this because of the prolonged effects of the economic and financial crisis, the lasting impacts that it had on the money market and on interest rates, or otherwise connected with extraordinary events in respect of which it is appropriate to try to normalise the results so as to focus better on the effective medium/long term potential the entity being tested.

Approval of the new business plan has become necessary, prior to the expiry of the 2013-2015 Business Plan, following the acquisition of Banca Popolare di Spoleto. This has been a strong element of discontinuity in terms of the Group's size, because of the income statement/balance sheet effects of BPS leaving extraordinary administration.

Cash flows

For the valuation of banks and financial intermediaries, an equity side approach to DDM methodology is used for the determination of equity value, as, due to the characteristic activities undertaken by a financial intermediary (deposit taking and lending), it is particularly difficult to distinguish between financial payables and operating payables; furthermore, for the Excess Capital approach, cash flows available to shareholders are cash flows from which a shareholder could potentially benefit in excess of operating capital requirements and, thus, they take due account of regulatory capital absorption.

Discount rate

For the valuation of banks and financial intermediaries, reference is made to Ke, the so-called cost of capital (cost of equity).

Growth rate of cash flows beyond the "explicit" time period for the determination of future cash flows

A long term growth rate is used in line with the projected long term inflation rate.

Terminal Value

This is determined by the application of a formula that accounts for the value of free cash flows that continue into perpetuity.

The equity value of the CGU at the date of testing, determined on the basis of the above procedure, after deducting the book value of shareholders' equity, is then compared with the book value of the specific goodwill pertaining to the CGU in question, with the sole objective of verifying whether there is any impairment.

b) Parameters used for impairment testing

The main assumptions used for impairment testing are set out below.

CGU	Model	Input used	CAGR RWA	Ke	g	Plan flows	Capital ratio
Fides Spa	DDM	2015-2017 Business Plan extended to 2019	7.5%	9.70%	1.5%	Net results	CET 1 8.5% (*)
Banco di Desio e della Brianza Spa	DDM	2015-2017 Business Plan (**) extended to 2019	1.95%	8.20%	1.5%	Net results	CET 1 8.5% (*)

(*) The ratio of Common Equity Tier 1 to Risk Weighted Assets (RWA)
(**) In order to take account of the Bank in its current configuration, future cash flows of Banco di Desio e della Brianza Spa have been estimated, adding to those foreseen in the 2015-2017 Business Plan approved by the Board of Directors in February 2015 - including the income statement and financial impact of the transfer of the Banco di Desio e della Brianza branches in Lazio and Tuscany approved by the respective Boards of Directors of 18.12.2014 - the cash flows relating to the business being contributed to Banca Popolare di Spoleto.

As a result of the impairment testing performed, no writedown was needed of the aforementioned goodwill of the above CGU.

It should be emphasised that the parameters and the information used for impairment testing are influenced by the economic downturn and by financial markets and could be subject to changes, which are currently unforeseeable, that would consequently have an impact on the main assumptions applied and, thus, potentially, also on the results of future years that could be different from those set out herein.

c) Sensitivity analysis

Since the measurement of impairment is rendered particularly complex due to the current macroeconomic and market environment and by the consequent difficulties in forecasting long term earnings, to support the testing performed, stress tests were carried out assuming a change in the main parameters applied for impairment testing.

The table below provides a summary of the changes in the percentage or percentage points of the underlying assumptions that would be required to have the recoverable amount of the CGU, after having deducted the shareholders' equity allocated thereto, match the carrying amount of goodwill.

CGU	Increase in p.p. of discount rate used for future cash flows (FCFE)	Decrease in p.p. of growth rate over the plan (g) for the calculation of the terminal value
Fides Spa	over 1,000	over 1,000
Banco di Desio e della Brianza	539	over 1,000

13.1.2 Second level impairment tests

In consideration of the fact that the market capitalisation of Banco Desio's shares (ordinary shares plus savings shares) in 2014 was less than consolidated shareholders' equity, impairment testing of Banco Desio Group (2nd level impairment) was done on the Group as a whole, which, for a better understanding of the result, indicates the recoverable amount of consolidated shareholders' equity as an amount per share.

Impairment testing has thus been performed on the basis of the criteria and assumptions set out below.

a) Criterion to estimate the recoverable amount (impairment)

To estimate the recoverable amount of Consolidated Own Funds, reference is made to the so-called "value in use" ("equity value" for banks and financial intermediaries).

"Explicit" time period for the determination of future cash flows

The time horizon used is the same as the 2015-2017 Business Plan approved by the Directors in February 2015, as well as the further development of this plan, prepared by the management, with projections of future results extended to include an explicit forecast period of five years, to minimise potential distortions from using only the time horizon of the Business Plan. In the current climate, it could be strongly influenced by a complex systemic situation because of the considerable uncertainty in forecasting the macroeconomic scenario; this because of the prolonged effects of the economic and financial crisis, the lasting impacts that it had on the money market and on interest rates, or otherwise connected with extraordinary events in respect of which it is appropriate to try to normalise the results so as to focus better on the effective medium/long term potential the entity being tested.

Approval of the new business plan has become necessary, prior to the expiry of the 2013-2015 Business Plan, following the acquisition of Banca Popolare di Spoleto on 1 August 2014. This has been a strong element of discontinuity in terms of the Group's size, because of the income statement/balance sheet effects of BPS leaving extraordinary administration.

Cash flows

For the valuation of banks and financial intermediaries, an equity side approach to DDM methodology is used for the determination of equity value, as, due to the characteristic activities undertaken by a financial intermediary (deposit taking and lending), it is particularly difficult to distinguish between financial payables and operating payables; furthermore, for the Excess Capital approach, cash flows available to shareholders are cash flows from which a shareholder could potentially benefit in excess of operating capital requirements and, thus, they take due account of regulatory capital absorption.

Discount rate

For the valuation of banks and financial intermediaries, reference is made to Ke, the so-called cost of capital (cost of equity).

Growth rate of cash flows beyond the "explicit" time period for the determination of future cash flows

A long term growth rate is used in line with the projected long term inflation rate.

Terminal Value

This is determined by the application of a formula that accounts for the value of free cash flows that continue into perpetuity.

The equity value of the investment at the date of testing, determined on the basis of the above procedure, is then compared with the book value of the specific Consolidated Own Funds, with the sole objective of verifying whether there is any impairment.

b) Parameters used for impairment testing

The main assumptions used for impairment testing are set out below.

	Model	Input used	CAGR RWA	Ke	g	Plan flows	Capital ratio
Banco Desio Group	DDM	2015-2017 Business Plan extended to 2019	2.47%	8.20%	1.5%	Net results	CET 1 8.5% (*)
(*) The ratio of Common Equity Tier 1 to Risk Weighted Assets (RWA)							

An amount arose from impairment testing that was higher than the average capitalisation in 2014 of Banco Desio's shares (ordinary shares plus savings shares). Since the latter was higher than the carrying amount of consolidated shareholders' equity at the measurement date, there was no need to write down any of the Group's assets.

It should be emphasised that the parameters and the information used for impairment testing are influenced by the economic downturn and by financial markets and could be subject to changes, which are currently unforeseeable, that would consequently have an impact on the main assumptions applied and, thus, potentially, also on the results of future years that could be different from those set out herein.

c) Sensitivity analysis

Since the measurement of impairment is rendered particularly complex due to the current macroeconomic and market environment and by the consequent difficulties in forecasting long term earnings, to support the testing performed, stress tests were carried out assuming a change in the main parameters applied for impairment testing.

The table below provides a summary of the changes in the percentage or percentage points of the underlying assumptions that would be required to have the recoverable amount of consolidated shareholders' equity match the carrying amount at the measurement date.

	Increase in p.p. of discount rate used for future cash flows (FCFE)	Decrease in p.p. of growth rate in projections used to calculate the terminal value
Banco Desio Group	247	over 1,000

13.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**44,174**			**9,608**		**53,782**
A.1 Total net writedowns	20,641			7,635		28,276
A.2 Net opening balance	**23,533**			**1,973**		**25,506**
B. Increases				**2,247**		**2,247**
B.1 Purchases				2,247		2,247
of which: business combinations				*73*		*73*
B.2 Increases in internally generated intangible						
B.3 Write-backs						
B.4 Positive changes in fair value						
- recognised in equity						
- recognised in income statement						
B.5 Foreign exchange gains						
B.6 Other changes						
C. Decreases	**8,211**			**1,158**		**9,369**
C.1 Sales						
C.2 Write-downs				1,158		1,158
- amortisation				1,158		1,158
- Write-downs						
+ shareholders' equity						
+ income statement						
C.3 Negative changes in fair value						
- recognised in equity						
- recognised in income statement						
C.4 Transfers to non-current assets held for sale						
C.5 Foreign exchange losses						
C.6 Other changes	8,211					8,211
D. Net closing balance	**15,322**			**3,062**		**18,384**
D.1 Total net writedowns	20,641			8,793		29,434
E. Gross closing balance	**35,963**			**11,855**		**47,818**
F. Measurement at cost						

Caption "B 1 Purchases - of which: business combinations" includes the intangible assets of BPS acquired during the year by means of a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

Caption "C.6 Other changes" for Euro 8,211 thousand reflects the accounting effects of the absorption of Banco Desio Lazio S.p.A. by the Parent Company as shown in the separate financial statements of Banco Desio, to which reference should be made.

13.3 Other information

At year-end there are no commitments to purchase intangible assets.

Section 14 -Tax assets and liabilities - Asset caption 140 and Liability caption 80

14.1 Deferred tax assets: breakdown

	IRES	IRAP	31.12.2014	31.12.2013
A) With contra-entry to the income statement:				
Tax losses	6,213		6,213	
Tax deductible goodwill	2,361	478	2,839	2,981
Write-down of loans to customers deductible on a straight-line basis	152,126	18,761	170,887	75,244
General allowance for doubtful accounts	305		305	305
Write-down of loans to customers outstanding at 31.12.1994	9		9	9
Statutory depreciation of property, plant and equipment	87		87	73
Provision for guarantees and commitments and country risk	511		511	497
Provisions for personnel costs	5,222		5,222	4,046
Provision for lawsuits	3,997	300	4,297	2,277
Provision for claw-backs	1,215	246	1,461	369
Provision for sundry charges	320		320	286
Tax provision for termination indemnities	303		303	243
Other general expenses deductible in the following year	27		27	358
Other	2,315	388	2,703	59
Total A	**175,011**	**20,173**	**195,184**	**86,747**
B) With contra-entry to shareholders' equity:				
Tax provision for termination indemnities	1,055		1,055	598
Write-down of securities classified as AFS	770	166	936	1,393
Writedown of equity investments				
Total B	**1,825**	**166**	**1,991**	**1,991**
Total (A+B)	**176,836**	**20,339**	**197,175**	**88,738**

The caption "Other" mainly refers to deferred tax assets of Banca Popolare di Spoleto S.p.A., relating:

- for Euro 827 thousand to the ACE facilitation not used;
- for Euro 513 thousand to the impairment of equity instruments classified as financial assets available for sale;
- for Euro 463 thousand to the impairment of a property owned by the Group.

Probability test on deferred tax assets

In relation to the deferred tax assets described above, it should be noted that they refer for Euro 173,730 thousand to taxes as per Law 214/2011, which made it certain that they would be recovered, thereby making the IAS 12 probability test automatically satisfied.
The additional deferred tax assets described above, which are outside the scope of Law 214/2011, have been recognised in view of the probability of their recovery, expecting there to be sufficient taxable income in the future to recover these assets. In particular, an analysis was made of deferred tax assets by type and timing of recovery, as well as of the future profitability of the Group and the related taxable income on the basis of the provisions contained in the Group's 2015-2017 Business Plan approved by the Board of Directors on 10 February 2015. The analysis showed that there will be sufficient taxable income in the future to recover these assets.

14.2 Deferred tax liabilities: breakdown

	IRES	IRAP	31.12.2014	31.12.2013
A) With contra-entry to the income statement:				
Gains on disposal of property, plant and equipment				
Tax depreciation of buildings	6,698	871	7,569	7,997
Tax depreciation of property, plant and equipment		15	15	16
Tax amortisation of goodwill	1,024	207	1,231	1,090
Tax amortisation of deferred charges (software)	2	5	7	7
Tax provision as per art. 106, paragraph 3	20		20	20
Tax provision for termination indemnities	657		657	
Other	13,845	2,195	16,040	319
Total A	**22,246**	**3,293**	**25,539**	**9,449**
B) With contra-entry to shareholders' equity				
Revaluation of AFS securities	7,011	1,420	8,431	2,329
Revaluation of equity investments	6	24	30	30
Tax provision for termination indemnities				199
Total B	**7,017**	**1,444**	**8,461**	**2,558**
Total (A+B)	**29,263**	**4,737**	**34,000**	**12,007**

"Other" mainly refers to deferred tax liabilities relating:

- for Euro 13,987 thousand to fair value differences recognised according to IFRS 3 ("purchase method") due to the entry of Banca Popolare di Spoleto S.p.A. into the scope of consolidation;
- for Euro 2,038 thousand to capital gains on financial assets that are taxable in five equal portions in the year of the gain and the four subsequent years, in accordance with art. 86, para. 4, of the Consolidated Income Tax Act.

14.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**86,747**	**46,326**
2. Increases	**159,839**	**45,278**
2.1 Deferred tax assets recognised during the year	58,271	45,138
a) relating to prior years		
b) due to changes in accounting policies		
c) write-backs		
d) other	58,271	45,138
2.2 New taxes or increases in tax rates	721	
2.3 Other increases	100,847	140
of which: business combinations	*99,796*	
3. Decreases	**51,397**	**4,857**
3.1 Deferred tax assets cancelled in the year	20,762	4,851
a) reversals	20,762	4,851
b) written down as no longer recoverable		
c) change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	30,635	6
3.2 Conversion to tax credits as per L. 214/2011	28,952	
b) Other	1,683	6
of which: business combinations		
4. Closing balance	**195,189**	**86,747**

Caption "2.1 Deferred tax assets recognised during the year" mainly concerns the recognition of deferred tax assets:

- Euro 53,967 thousand relating to write-downs and loan losses in connection with customer loans, deductible over four subsequent years (Law no. 147 of 27 December 2013);
- Euro 2,775 thousand relating to non deductible provisions for risks and charges and employee related provisions;
- for Euro 533 thousand to the tax loss of Banca Popolare di Spoleto S.p.A. at 31/12/2014.

Caption "2.2 New taxes or increases in tax rates" regards the adjustment of the IRAP rate from 5.12% to 5.57% of Banca Popolare di Spoleto S.p.A.; having closed the previous year at 31 July 2014, it had restated at that date the stock of IRAP deferred tax assets at the rate of 5.12% (then in force in accordance with Decree Law 66/2014).

Caption "2.3 Other increases" mainly refers to the reclassification of deferred tax assets on long-service bonuses, previously recorded as a contra-entry to equity, in addition to the deferred tax assets of Banca Popolare di Spoleto S.p.A. (shown in "business combinations").

The main components of deferred tax assets cancelled during the year come:

- for Euro 12,646 thousand from the recovery of prior year loan write-downs on a straight-line basis;
- for Euro 4,283 thousand from the reversal of fair value differences recorded in the consolidated financial statements under IFRS 3, following the business combination with Banca Popolare di Spoleto S.p.A.;
- Euro 3,464 thousand relating to the use of taxed provisions.

Caption "3.3 Other decreases" mainly refers:

- for Euro 28,952 thousand to the conversion by Banca Popolare di Spoleto S.p.A. of current tax credits into deferred tax assets recognised on the write-down of loans pursuant to Law 214/2011;
- for Euro 1,634 thousand to the cancellation by Parent Company of deferred tax assets as a result of the recalculation, on the payment of taxes, of deferred tax assets at 31/12/2013 relating to write-downs and losses on loans in fifths, pursuant to art. 106 of the Consolidated Income Tax Act, as a result of the clarifications provided by the Tax Authorities in their Circular 14/E of 4 June 2014.

14.3.1 Change in deferred tax assets as per L. 214/2011 (as a contra-entry to the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**78,225**	**41,235**
2. Increases	**138,878**	**39,661**
3. Decreases	**43,373**	**2,671**
3.1 Reversals	12,787	2,671
3.2 Conversion to tax credits	28,952	
a) arising from the loss for the year		
b) arising from tax losses	28,952	
3.3 Other decreases	1,634	
4. Closing balance	**173,730**	**78,225**

Caption "2. Increases" mainly relates to the recognition of a deferred tax assets of:

- Euro 83,861 thousand due to the inclusion of Banca Popolare di Spoleto S.p.A. in the scope of consolidation;
- Euro 54,621 thousand relating to write-downs and loan losses in connection with customer loans, deductible over four subsequent years (Law no. 147 of 27 December 2013).

Caption "3.1 Reversals" refers to:

- Euro 12,646 thousand for the recovery in equal portions of write-downs of loans in prior years;
- Euro 141 thousand for an adjustment to deferred tax assets on the step-up for tax purposes of goodwill in 2012.

Caption "3.3 Other decreases" mainly refers:

- for Euro 28,952 thousand to the conversion by Banca Popolare di Spoleto S.p.A. of current tax credits into deferred tax assets recognised on the write-down of loans pursuant to Law 214/2011;
- for Euro 1,634 thousand to the cancellation by Parent Company of deferred tax assets as a result of the recalculation, on the payment of taxes, of deferred tax assets at 31/12/2013 relating to write-downs and losses on loans in fifths, pursuant to art. 106 of the Consolidated Income Tax Act, as a result of the clarifications provided by the Tax Authorities in their Circular 14/E of 4 June 2014.

14.4 Change in deferred tax liabilities (as a contra-entry to the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**9,449**	**9,342**
2. Increases	**17,207**	**460**
2.1 Deferred tax liabilities recognised during the year	12,748	458
a) relating to prior years		
b) due to changes in accounting policies		
c) other	12,748	458
2.2 New taxes or increases in tax rates		
2.3 Other increases	4,459	
of which: business combinations	*4,246*	2
3. Decreases	**1,117**	**353**
3.1 Deferred tax liabilities cancelled during the year	1,117	353
a) reversals	1,117	353
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
of which: business combinations		
4. Closing balance	**25,539**	**9,449**

The sub-caption "2.1 Deferred tax liabilities recognised during the year" relates to the recognition of deferred tax liabilities of:

- Euro 10,743 thousand related to fair value differences recorded in the consolidated financial statements pursuant to IFRS 3, following the business combination with Banca Popolare di Spoleto S.p.A.;
- Euro 1,799 thousand related to capital gains on financial assets that, in accordance with art. 86, para. 4, of the Consolidated Income Tax Act, are taxable in five equal portions in the year of the gain and in the four subsequent years.

Deferred tax liabilities cancelled during the year are attributable:

- for Euro 429 thousand to the difference between the capital gain on the property sold by the Parent Company during the year for statutory purposes and the equivalent figure for tax purposes;
- for Euro 351 thousand to fair value differences recorded in the consolidated financial statements pursuant to IFRS 3, following the business combination with Banca Popolare di Spoleto S.p.A.;
- for Euro 257 thousand relating to the reversal of deferred tax on off-balance sheet deductions of loan provisions;
- for Euro 80 thousand to the share of capital gains realised on financial assets in 2013, deductible on a straight-line basis over the following four years.

14.5 Changes in deferred tax liabilities (with matching entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**1,991**	**3,705**
2. Increases	**1,905**	**942**
2.1 Deferred tax assets recognised during the year	1,150	942
a) relating to prior years		
b) due to changes in accounting policies		
c) other	1,150	942
2.2 New taxes or increases in tax rates		
2.3 Other increases	755	
of which: business combinations	*755*	
3. Decreases	**1,910**	**2,656**
3.1 Deferred tax assets cancelled in the year	1,306	2,656
a) reversals	1,306	2,656
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	604	
of which: business combinations		
4. Closing balance	**1,986**	**1,991**

Deferred tax assets recognised during the year are attributable to:

- for Euro 751 thousand to the measurement of securities classified as financial assets available for sale;
- for Euro 399 thousand to the valuation of the actuarial reserve for termination indemnities.

Deferred tax assets cancelled in the year of Euro 1,306 thousand mainly relate to the measurement of securities classified as Financial assets available for sale.

Caption "3.3 Other decreases" refers to the reclassification of taxes relating to the long-service bonuses among deferred tax assets recorded as a contra-entry to the income statement.

14.6 Changes in deferred tax liabilities (with matching entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**2,558**	**4,206**
2. Increases	**8,742**	**2,081**
2.1 Deferred tax liabilities recognised during the year	2,014	2,081
a) relating to prior years		
b) due to changes in accounting policies		
c) other	2,014	2,081
2.2 New taxes or increases in tax rates	92	
2.3 Other increases	6,636	
of which: business combinations	*6,636*	
3. Decreases	**2,839**	**3,729**
3.1 Deferred tax liabilities cancelled during the year	2,839	3,729
a) reversals	2,319	3,729
b) due to changes in accounting policies		
c) other	520	
3.2 Reduction in tax rates		
3.3 Other decreases		
of which: business combinations		
4. Closing balance	**8,461**	**2,558**

Deferred tax liabilities recognised during the year of Euro 2,014 thousand are attributable to the measurement of securities classified as Financial assets available for sale.

Caption "2.2 New taxes or increases in tax rates" regards the adjustment of the IRAP rate from 5.12% to 5.57% of Banca Popolare di Spoleto SpA; having closed the previous year at 31 July 2014, it had restated the stock of deferred tax assets at that date at an IRAP rate of 5.12% (then in force in accordance with Decree Law 66/2014).

Deferred tax liabilities cancelled during the year of Euro 2,839 thousand of wich Euro 2,641 thousand are related to the measurement of securities classified as financial assets available for sale and for Euro 198 thousand to the measurement of the actuarial reserve for termination indemnities.

Section 15 - Non-current assets and disposal groups held for sale associated liabilities - Asset caption 150 and Liability caption 90

At the end of the year these captions showed a zero balance.

Section 16 - Other assets - caption 160

16.1 Other assets: breakdown

	31.12.2014	31.12.2013
Tax credits		
- capital portion	8,749	7,532
Amounts recoverable from the tax authorities for advances paid	46,894	19,362
Withholding tax credits	3	4
Cheques negotiated to be cleared	21,911	24,163
Guarantee deposits	2	2
Invoices issued to be collected	1,031	1,252
Items being processed and in transit with branches	57,568	28,111
Currency spreads on portfolio transactions	214	261
Investments of the supplementary fund for termination indemnities	443	549
Leasehold improvement expenditure	19,495	19,361
Accrued income and prepaid expenses	874	583
Other items	20,761	17,401
Total	**177,945**	**118,581**

By far the largest component of this caption, of some Euro 176.8 million, pertains to the Group's banking sector.

The change in "Tax credits - capital portion", equal to Euro 1,217 thousand, mainly refers to the inclusion in the consolidated financial statements of the receivable of Euro 1,129 thousand due from Banca Popolare di Spoleto S.p.A. for the recovery of instalments of the subsidised loan granted for reconstruction after the 2009 earthquake in Abruzzo.

"Amounts recoverable from the tax authorities for advances paid" relate to payments of tax advances that exceed the tax liability as per the applicable tax return; the main captions refer to:

- a receivable for withholding tax on interest on deposits and current accounts of Euro 8,998 thousand, generated by the difference between provisional advances paid in the year and the actual tax withheld;
- a receivable for virtual stamp duty of Euro 26,794 thousand;
- a receivable for an advance payment of substitute tax due on capital gains of Euro 10,553 thousand, as per art. 2, para. 5, of Legislative Decree no. 133 of 30 November 2013;
- a receivable for an advance payment of substitute tax on medium/long term loans of Euro 53 thousand.

"Items being processed and in transit with branches" include transactions that are usually settled in the first days of the year.

The amount of "Currency spreads on portfolio transactions" results from the offset of illiquid liability positions against illiquid asset positions relating to remittances pertaining to customers' and the bank's portfolios.

"Leasehold improvement expenditure" is amortised each year in accordance with the residual period of the lease agreement.

"Accrued income and prepaid expenses" include amounts that are not attributable to specific asset captions; the main entry of this caption relates to prepaid administrative costs.

The most significant component of "Other items" relates to receivables still to be collected and invoices to be issued totalling Euro 18 million. The caption also includes the receivable of Euro 841 thousand from the former liquidator of Brianfid Lux S.A. for the guarantee given with regard to the litigation still pending on the date of cancellation of the company. This receivable is of a specific nature and recoverable for the excess over the amount of Euro 100 thousand allocated to the provision for risks and charges in respect of such litigation.

LIABILITIES

Section 1 - Due to banks - caption 10

1.1 Due to banks: breakdown

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Due to central banks	**897,356**	**405,546**
2. Due to banks	**120,111**	**32,480**
2.1 Current accounts and demand deposits	67,068	20,458
2.2 Restricted deposits	15,548	11,730
2.3 Loans	37,369	
2.3.1 Repurchase agreements		
2.3.2 Other	37,369	
2.4 Payables for commitments to repurchase own equity instruments		
2.5 Other payables	126	292
Total	**1,017,467**	**438,026**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**1,017,467**	**438,026**
Total fair value	**1,017,467**	**438,026**

1.2 Details of caption 10 "Due to banks": subordinated loans

As at the reporting date, the Group did not have any subordinated loans due to banks.

1.3 Details of "Due to banks": structured loans

At the reference dates, the Group did not have amounts due to banks with specific hedge.

1.4 Due to banks with specific hedge

At the reference dates, the Group did not have amounts due to banks with specific hedge.

1.5 Finance lease payables

At the reference dates, the Group did not have finance lease contracts with banks.

Section 2 - Due to customers - caption 20

2.1 Due to customers: breakdown

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Current accounts and demand deposits	6,480,589	4,364,310
2. Restricted deposits	744,940	768,388
3. Loans	193,541	333,292
3.1 Repurchase agreements	165,751	326,207
3.2 Other	27,790	7,085
4. Payables for commitments to repurchase own equity instruments		
5. Other payables	24,955	23,792
Total	**7,444,025**	**5,489,782**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**7,444,025**	**5,489,782**
Fair value	**7,444,025**	**5,489,782**

Caption 3.2 "Loans - Other" includes the amount of loans received that Group companies have entered into with “Deposits and loans” for Euro 27,790 thousand.

2.2 Details of caption 20 "Due to customers: subordinated loans"

At the reference dates, the Group did not have subordinated loans with customers.

2.3 Details of caption 20 "Due to customers: structured loans"

At the reference dates, the Group did not have structured loans with customers.

2.4 Due to customers with specific hedge

At the reference dates, the Group did not have amounts due to customers with specific hedge.

2.5 Finance lease payables

At the reference dates, the Group did not have amounts due to customers for finance lease transactions.

Section 3 - Debt securities in issue - caption 30

3.1 Debt securities in issue: breakdown

	31.12.2014				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	2,129,298		2,104,030	20,981	2,001,106		2,001,090	
1.1 structured	*51,739*		*51,739*		*51,327*		*51,688*	
1.2 other	*2,077,559*		*2,052,291*	*20,981*	*1,949,779*		*1,949,402*	
2. Other securities	669,454			669,454	237,986			237,986
2.1 structured								
2.2 other	*669,454*			*669,454*	*237,986*			*237,986*
Total	**2,798,752**		**2,104,030**	**690,435**	**2,239,092**		**2,001,090**	**237,986**

This caption includes funding by means of securities, which include bonds and certificates of deposit, the book value of which is measured at amortised cost, inclusive of accrued interest thereon. The total funds collected are shown net of repurchased securities.

During the year, new bonds were issued by the Group for a total of Euro 525,918 thousand, whereas Euro 761,234 thousand of securities were redeemed. Again, during the year, repurchases were made of securities for Euro 118,919 thousand and which were subsequently reissued for Euro 101,645 thousand.

"A.2.2 Other securities: other" consist of certificates of deposit and related accrued interest, of which Euro 582,158 thousand were issued with a short term maturity and Euro 87,291 thousand were issued with a longer than short term maturity. The remainder consists of certificates of Euro 5 thousand that have reached maturity and which are due to be redeemed.
The amounts shown in the fair value columns represent the theoretical market value of debt securities in issue.

3.2 Details of caption 30 "Debt securities in issue": subordinated securities

Bonds	Issue date	Maturity date	Currency	Rate	31.12.2014	31.12.2013
Issued by the Parent Company						
ISIN code IT0004481872	04.05.09	04.05.14	EUR	FR		30,015
ISIN code IT0004552110	15.12.09	15.12.14	EUR	FR		29,984
ISIN code IT0004654866	01.12.10	01.12.15	EUR	FR	12,998	12,993
ISIN code IT0004780182	29.12.11	29.12.16	EUR	FR	13,001	13,001
ISIN code IT0004815855	15.06.12	15.06.17	EUR	FR	13,010	13,009
ISIN code IT0004921166	03.06.13	03.06.18	EUR	FR	13,027	13,029
ISIN code IT0005038085	28.08.14	28.08.19	EUR	FR	50,441	
ISIN code IT0005070179	22.12.14	22.12.19	EUR	FR	50,024	
Issued by Subsidiaries						
ISIN code IT0003957112	07.12.05	07.12.15	EUR	FR	29,846	
ISIN code IT0004331598	15.04.08	15.04.18	EUR	FR	8,209	
ISIN code IT0004344278	18.04.08	18.04.18	EUR	FR	10,851	
Total					**201,407**	**112,031**

During the year, Banco Desio issued two subordinated bonds with the following characteristics, similar to those of the loans issued in previous years:

- duration: 5 years;
- interest rate: floating, with coupon paid half-yearly;
- redemption: in a lump sum on maturity;
- early redemption clause: not foreseen;
- repurchase: the repurchase of securities of this kind is subject to prior approval of the credit line by the Bank of Italy;
- subordination: the subordination clauses envisage that, in the event of the issuer's liquidation, the bonds will only be redeemed once all the other creditors not equally subordinated have been satisfied.

3.3 Details of caption 30 "Debt securities in issue": securities with specific hedge

	31.12.2014	31.12.2013
1. Securities with specific fair value hedge:	101,245	176,323
a) interest rate risk	101,245	176,323
b) exchange rate risk		
c) other risks		
2. Securities with specific cash flow hedge:		
a) interest rate risk		
b) exchange rate risk		
c) other		

Section 4 - Financial liabilities held for trading - caption 40

4.1 Financial liabilities held for trading: breakdown

Type of transaction/Members of the group	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivatives										
1. Financial derivatives			1,175	2,084					480	
1.1 For trading			1,175	2,084					480	
1.2 Connected with the fair value option										
1.3 Other										
2. Credit derivatives										
2.1 For trading										
2.2 Connected with the fair value option										
2.3 Other										
Total B			**1,175**	**2,084**					**480**	
Total A+B			**1,175**	**2,084**					**480**	

Key:

FV = fair value
FV* = fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Details of caption 40 "Financial liabilities held for trading": subordinated liabilities

At the reference dates, the Group did not have subordinated financial liabilities held for trading.

4.3 Details of caption 40 "Financial liabilities held for trading": structured loans

At the reference dates, the Group did not have subordinated loans included in financial liabilities held for trading.

4.4 Trading cash financial liabilities (excluding short positions): changes during the year

At the reference dates, the Group did not have cash financial liabilities.

Section 5 - Financial liabilities designated at fair value through profit and loss - caption 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown

Type of transaction/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks										
1.1 Structured										
1.2 Other										
2. Due to customers										
2.1 Structured										
2.2 Other										
3. Debt securities	**22,850**		**23,626**		**24,386**	**37,800**		**38,617**		**39,731**
3.1 Structured	22,850		23,626			37,800		38,617		
3.2 Other										
Total	**22,850**		**23,626**		**24,386**	**37,800**		**38,617**		**39,731**

Key:
FV = fair value

FV* = fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The table shows financial liabilities consisting of bonds, issued by Banco Desio, which have been measured at fair value and which have been hedged by the use of derivatives.

5.2. Financial liabilities designated at fair value through profit and loss: subordinated liabilities

As at the reporting date, the Group had not issued any subordinated bonds classifiable as financial liabilities designated at fair value through profit and loss.

5.3 Financial liabilities designated at fair value through profit and loss: changes during the year

	Due to banks	Due to customers	Debt securities in issue	Total
A. Opening balance			**38,617**	**38,617**
B. Increases			**2,100**	**2,100**
B1. Issues				
B2. Sales			1,481	1,481
B3. Positive change in fair value			14	14
B4. Other changes			605	605
C. Decreases			**17,091**	**17,091**
C1. Purchases			1,430	1,430
C.2 Redemptions			15,003	15,003
C.3 Negative changes in fair value			14	14
C4. Other changes			644	644
D. Closing balance			**23,626**	**23,626**

The caption "B.2 Sales" includes amounts relating to the reissue of bonds that had previously been repurchased.

The captions "B.3 Positive changes in fair value" and "C3 Negative changes in fair value" relate to gains and losses arising from changes in fair value measurements, which are recognised in the income statement under the caption "110 Net results from financial assets and liabilities designated at fair value".

The caption "B.4 Other changes" includes interest and issue spread accrued at the year end of Euro 584 thousand and trading losses of Euro 21 thousand.

The caption "C.4 Other changes" includes the reversal of prior year end accruals of Euro 593 thousand and trading profits of Euro 51 thousand.

Section 6 - Hedging derivatives - caption 60

6.1 Hedging derivatives: breakdown by type and level

	31.12.2014				31.12.2013			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial		**6,717**		**32,369**		**2,894**		**15,000**
1) Fair value		6,717		32,369		2,894		15,000
2) Cash flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**6,717**		**32,369**		**2,894**		**15,000**

Key:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

6.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

Operation/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other risks				
1. Financial assets available for sale									
2. Loans and receivables	6,717								
3. Financial assets held to maturity									
4. Portfolio									
5. Other transactions									
Total assets	**6,717**								
1. Financial liabilities									
2. Portfolio									
Total liabilities									
1. Expected transactions									
2. Financial assets and liabilities portfolio									

Section 7 - Adjustment to financial liabilities with generic hedge - caption 70

At the reference dates, the Group did not have financial liabilities with generic hedge.

Section 8 - Tax liabilities - caption 80

The breakdown and changes during the year of tax liabilities are disclosed in Section 14, Assets, together with information on deferred tax assets.

Section 9 - Liabilities associated with assets held for sale - caption 90

At the end of the year these captions showed a zero balance.

Section 10 - Other liabilities - caption 100

10.1 Other liabilities: breakdown

	31.12.2014	31.12.2013
Due to tax authorities	1,344	345
Amounts payable to tax authorities on behalf of third parties	22,929	15,466
Social security contributions to be paid	5,098	5,186
Dividends due to shareholders	8	9
Suppliers	17,014	11,646
Amounts available to customers	13,610	15,006
Interest and dues to be credited	593	222
Payments against bill instructions	238	425
Early payments on loans not yet due	1,181	97
Items being processed and in transit with branches	77,382	36,903
Currency differences on portfolio transactions	76,401	52,130
Due to personnel	19,242	5,168
Sundry creditors	14,436	17,414
Provisions for guarantees given and commitments	1,857	2,875
Accrued expenses	2,626	1,747
Total	**253,959**	**164,639**

The components pertaining to the banking business included in the above caption amount to Euro 249 million.

"Items being processed and in transit with branches" are generally settled in the early days of the new year. The increase in the balance compared with the previous year includes Euro 32,481 thousand relating to Banca Popolare di Spoleto S.p.A. The main component thereof relates to bank transfers being processed of Euro 56,347 thousand (Euro 24,594 thousand in the previous year).

The amount of "Currency differences on portfolio transactions" is the result of the offset of illiquid liability positions against illiquid asset positions, in relation to various types of transactions in connection with the accounts of customers and of correspondent banks.

"Due to personnel" includes the early retirement incentives of Euro 14,977 thousand and the year end balance of the amount due for holiday pay of Euro 2,642 thousand.

The main items included under caption "Sundry creditors" refer to: sundry creditors arising from currency trading of Euro 3,705 thousand and creditors for bills paid of Euro 2,645 thousand.

Section 11 - Provision for termination indemnities - caption 110

11.1 Provision for termination indemnities: changes during the year

	31.12.2014	31.12.2013
A. Opening balance	**23,971**	**24,392**
B. Increases	**12,995**	**842**
B.1 Provision for the year	569	835
B.2 Other changes	12,426	7
of which: business combinations	*9,203*	
C. Decreases	**1,981**	**1,263**
C.1 Payments made	1,980	1,204
C.2 Other changes	1	59
D. Closing balance	**34,985**	**23,971**

Caption "B.2 Other changes" includes the "Provision for termination indemnities" of Banca Popolare di Spoleto at the acquisition date for Euro 9,203 thousand (shown separately under "of which: business combination") and the amount relating to the discounting effect for Euro 3,223 thousand, calculated in accordance with IAS for all Group companies and booked to "Valuation reserves".

11.2 Other information

The actuarial assumptions used by the independent actuary for the measurement of the liability at the reporting date are the following:

Demographic assumptions

- for the probability of death, those determined by gender by the State General Accounting Department, denominated RG 48;

- for the probability of disability, those, by gender, adopted by the 2010 INPS forecasting model. These probabilities were arrived at by starting with the distribution by age and gender of pensions at 1 January 1987 with effect from 1984, 1985 and 1986 relating to personnel in the credit sector;

- for the retirement age for the general working population, it was assumed that the first of the pension requirements valid for compulsory social security insurance had been met;

- for the probability of leaving employment for reasons other than death, based on statistics provided by the Group, an annual frequency of 2.50% was used for all Group companies except Banca Popolare di Spoleto, for which an annual frequency of 4.00% was used; account has also been taken of the Group's redundancy plan;

- for the probability of advances, an annual amount of 4.00% was assumed for all Group companies except Banca Popolare di Spoleto, for which an annual frequency of 1.66% was considered, for consistency with the approach taken by the previous actuary;

Economic-financial assumptions

Technical measurement was performed on the basis of the following assumptions:

- technical discounting rate 1.50%
- annual inflation rate 1.75%
- total annual income growth rate 2.75%
- termination indemnity annual growth rate 2.81%.

As regards the discount rate, the iBoxx Eurozone Corporates AA 10+ index at the valuation date has been taken as reference for the valuation of this parameter.

Section 12 - Provisions for risks and charges - caption 120

12.1 Provisions for risks and charges: breakdown

Items/Components	31.12.2014	31.12.2013
1. Pensions and similar commitments		27
2. Other provisions for risks and charges	44,670	38,994
2.1 Legal disputes	*19,597*	*15,137*
2.2 Personnel expenses	*18,839*	*17,837*
2.3 Other	*6,234*	*6,020*
Total	**44,670**	**39,021**

Charges for "legal disputes" include provisions made in the year for expected losses of Euro 15,180 thousand, arising from legal disputes and of Euro 4,417 thousand from bankruptcy clawback actions. In application of IFRS 3, the provision for bankruptcy clawback actions includes Euro 520 thousand relating to contingent liabilities that are recognised in the evaluation of the assets and liabilities acquired on the acquisition of BPS.

As regards "Personnel expenses", the main components relate to: provision for solidarity fund of Euro 11,183 thousand, provision for bonuses of Euro 3,073 thousand and provisions for long-service bonuses and additional holidays of Euro 2,288 thousand.

The caption “other” includes provisions for charges pertaining to other operating risks, including those relating to tax disputes, as well as provisions for tax risks for Euro 853 thousand relating to contingent liabilities that are recognised in the evaluation of the assets and liabilities acquired on the acquisition of BPS.

For further details of disputes concerning legal disputes, tax disputes and other operating risks, reference should be made to "Part E – Information on risks and hedging policies".

12.2 Provisions for risks and charges: changes during the year

Items/Components	Pensions and similar commitments	Other provisions	Total
A. Opening balance	**27**	**38,994**	**39,021**
B. Increases		**20,564**	**20,564**
B.1 Provision for the year		8,179	8,179
B.2 Changes due to the passage of time		319	319
B.3 Changes due to changes in the discount rate			
B.4 Other changes		12,066	12,066
of which: business combinations		*11,301*	*11,301*
C. Decreases	**27**	**14,888**	**14,915**
C.1 Utilisations during the year	27	12,822	12,849
C.2 Changes due to changes in the discount rate			
C.3 Other changes		2,066	2,066
D. Closing balance		**44,670**	**44,670**

Caption "B 4 Other changes - business combinations" includes the liabilities of BPS acquired during the year by means of a business combination and treated in the consolidated financial statements in accordance with IFRS 3.

12.3 Pensions and similar commitments - defined benefits

There are nil balances at year end.

12.4 Provisions for risks and charges: other provisions

Details of "Other provisions for risks and charges" are provided in Section 12.1.

Pursuant to IAS 37, it should be noted that the consolidated financial statements do not include provisions for obligations deemed possible for claims relating to the financial products of the Swiss subsidiary Credito Privato Commerciale SA in liquidation. The assessments carried out showed that resources are unlikely to be used to fulfil such obligations.

Section 13 - Technical reserves - caption 130

None.

Section 14 - Redeemable shares - caption 150

None.

Section 15 - Group Shareholders' equity - captions 140, 160, 170, 180, 190, 200 and 220

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

	31.12.2014	31.12.2013
A. Share capital	**67,705**	**67,705**
A.1 Ordinary shares	60,840	60,840
A.2 Savings shares	6,865	6,865
A.3 Preference shares		
B. Treasury shares		
B.1 Ordinary shares		
B.2 Savings shares		
B.3 Preference shares		

The share capital of Banco Desio Brianza, fully subscribed and paid, consists of:
- 117,000,000 ordinary shares with nominal value of Euro 0.52 each,
- 13,202,000 savings shares with nominal value of Euro 0.52 each.

No Group company holds or has held any treasury shares in the course of the year.

15.2 Share capital - number of shares of the Parent Company: changes in the year

	Ordinary	Other
A. Shares at the beginning of the year	**117,000,000**	**13,202,000**
- fully paid	117,000,000	*13,202,000*
- not fully paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**117,000,000**	**13,202,000**
B. Increases		
B.1 New issues		
- for payment:		
- business combination		
- conversion of bonds		
- exercise of warrant		
- other		
- bonus issues		
- in favour of employees		
- in favour of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Business sale transactions		
C.4 Other changes		
D. Shares in circulation: closing balance	**117,000,000**	**13,202,000**
D.1 Treasury shares (+)		
D.2 Shares at the end of the year	117,000,000	13,202,000
- fully paid	117,000,000	*13,202,000*
- not fully paid		

15.3 Share capital: other information

There is no other information to be disclosed at the reference date.

15.4 Revenue reserves: other information

Captions	31.12.2014	31.12.2013
Legal reserve	81,206	80,263
Statutory reserves	469,733	464,233
Retained earnings (losses)	15,848	21,989
Other FTA reserves	99,785	99,785
Other reserves	26,629	42,814
Total	**693,201**	**709,084**

Section 16 - Minority interests - caption 210

16.1 Details of caption 210 "Minority interests"

Company name	31.12.2014	31.12.2013
Equity investments in consolidated companies with significant minority interests		
Rovere S.A.	169	221
Banca Popolare Spoleto S.p.A.	53,911	
Other equity investments	347	
Total	**54,427**	**221**

16.2 Equity instruments: breakdown and changes during the year

None.

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	31.12.2014	31.12.2013
1) Financial guarantees:	35,464	21,508
a) Banks	17,980	17,570
b) Customers	17,484	3,938
2) Commercial guarantees:	267,909	218,427
a) Banks	6,157	3,745
b) Customers	261,752	214,682
3) Irrevocable commitments to disburse loans	187,824	117,937
a) Banks	21,510	4,523
i) certain to be called on	18,177	1,190
ii) not certain to be called on	3,333	3,333
b) Customers	166,314	113,414
i) certain to be called on	14,459	20,582
ii) not certain to be called on	151,855	92,832
4) Commitments underlying credit derivatives: sale of protection	25,000	25,000
5) Assets pledged to guarantee third-party commitments	1,556	1,529
6) Other commitments	5,570	
Total	**523,323**	**384,401**

2. Assets pledged as guarantees for own liabilities and commitments

Portfolios	31.12.2014	31.12.2013
1. Financial assets held for trading	(6,835)	
2. Financial assets designated at fair value through profit and loss		
3. Financial assets available for sale	(147,399)	757,347
4. Financial assets held to maturity		130,145
5. Due from banks	(16,240)	
6. Loans to customers	(12,051)	
7. Property, plant and equipment		

3.Information on operating leases

Not foreseen in Banco Desio Group.

5. Administration and trading on behalf of third parties

Type of services	31.12.2014
1. Execution of orders on behalf of customers	
a) purchases	
1. Settled	94,822
2. Unsettled	1,288
b) sales	
1. Settled	99,875
2. Unsettled	594
2. Asset management	
a) Individual	552,449
b) Collective	533,055
3. Custody and administration of securities	
a) Third-party securities on deposit as custodian bank (excluding portfolio management schemes)	
1. securities issued by companies included in the consolidation	
2. other securities	
b) third-party securities held on deposit (excluding portfolio management schemes): other	
1. securities issued by companies included in the consolidation	2,355,931
2. other securities	7,206,623
c) third-party securities deposited with third parties	9,442,326
d) portfolio securities deposited with third parties	2,322,090
4. Other transactions	

6. Financial assets subject to offsetting in the financial statements, or subject to framework offsetting agreements or similar arrangements

Technical forms		Gross amount of financial assets (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
					Financial instruments (d)	Deposits of cash received as collateral		
1. Derivatives		5,331		5,331	1,208	2,390	1,733	603
2. Repurchase								
3. Securities lending								
4. Other								
Total	**31.12.2014**	**5,331**		**5,331**	**1,208**	**2,390**	**1,733**	
Total	**31.12.2013**	**6,593**		**6,593**	**640**	**5,350**		**603**

7. Financial liabilities subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
					Financial instruments (d)	Cash deposits posted as collateral (e)		
1. Derivatives		5,957		5,957	5,957		-	683
2. Repurchase								
3. Securities lending								
4. Other transactions								
Total	**31.12.2014**	**5,957**		**5,957**	**5,957**		**-**	
Total	**31.12.2013**	**2,894**		**2,894**	**640**	**1,571**		**683**

Tables 6 and 7 show the positive fair values (Table 6 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and the negative fair values (Table 7 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") of derivatives for which there are ISDA agreements (Credit Support Annex). While these agreements do not comply with all of the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, they do provide for mechanisms to mitigate the risk of counterparty default through the exchange of collateral on restricted deposits and allow the netting of receivables and payables relating to financial and credit derivatives on the occurrence of certain events such as the default of the counterparty. In line with the provisions of IFRS 7 and the latest provisions on rules for the preparation of banks' financial statements, in the compilation of tables, account has been taken of:

- the effects of the potential compensation of financial assets and liabilities, indicated in column (d) "Financial instruments", together with the fair value of financial collateral represented by securities;
- the effects of potential compensation of exposures with cash collateral, as indicated in column (e) "Cash deposits received as collateral".

These effects are calculated for counterparties with whom there is a framework netting agreement within the limits of the amount indicated in column (c) "Net amount of financial assets reported in the financial statements".

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	31.12.2014	31.12.2013
1. Financial assets held for trading	155		617	772	1,077
2. Financial assets designated at fair value through profit and loss					
3. Financial assets available for sale	23,391			23,391	25,731
4. Financial assets held to maturity	619			619	7,084
5. Due from banks	1,041	1,390		2,431	1,512
6. Loans to customers	57	323,399		323,456	277,361
7. Hedging derivatives			2,216	2,216	4,150
8. Other assets			5	5	6
Total	**25,263**	**324,789**	**2,838**	**352,890**	**316,921**

Caption "1. Financial assets held for trading – Other transactions" includes the positive balance of differentials on derivative contracts.

Interest on "Loans to customers" is recognised net of default interest accrued in the year on non-performing loans, since this is only recorded in the financial statements when collected. The interest in question amounts to Euro 6,484 thousand .

Conversely, the caption includes default interest collected in the year of Euro 764 thousand.

1.2 Interest and similar income: differentials on hedging transactions

Captions	31.12.2014	31.12.2013
A. Positive differentials on hedging transactions	3,937	6,222
B. Negative differentials on hedging transactions	(1,721)	(2,072)
C. Balance (A-B)	**2,216**	**4,150**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

Captions	31.12.2014	31.12.2013
Interest income on financial assets in foreign currency	1,298	1,011

1.3.2 Interest income from finance leases

Captions	31.12.2014	31.12.2013
Interest income from finance leases	13,005	13,686

Interest income recognised as income for the year on financial leases, and included in "Loans to customers - loans", refers for Euro 12,245 thousand to index-linked contracts, of which Euro 644 thousand in leaseback contracts.

1.4 Interest and similar expense: breakdown

Captions/Technical forms	Payables	Securities	Other transactions	31.12.2014	31.12.2013
1. Due to central banks	(829)			(829)	(2,250)
2. Due to banks	(692)			(692)	(184)
3. Due to customers	(60,797)			(60,797)	(60,972)
4. Debt securities in issue		(61,994)		(61,994)	(58,014)
5. Financial liabilities held for trading	(11)			(11)	
6. Financial liabilities designated at fair value through		(863)		(863)	(1,162)
7. Other liabilities and provisions			(5)	(5)	(34)
8. Hedging derivatives					
Total	**(62,329)**	**(62,857)**	**(5)**	**(125,191)**	**(122,616)**

1.5 Interest and similar expense: differentials on hedging transactions

In the year just ended, as was the case in the prior year, differentials on hedging transactions were positive and, accordingly, are shown in Table 1.2 above.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

Captions	31.12.2014	31.12.2013
Interest expense on foreign currency financial liabilities	(151)	(193)

1.6.2 Interest expense on finance leases

Banco Desio Group was not party to any such transactions.

Section 2 - Commission - captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31.12.2014	31.12.2013
a) guarantees given	2,819	2,335
b) credit derivatives		
c) management, brokerage and consulting services:	37,864	29,360
1. trading in financial instruments	119	128
2. trading in foreign exchange	1,746	1,171
3. asset management	3,636	2,448
3.1. individual	3,107	1,875
3.2. collective	529	573
4. custody and administration of securities	1,658	1,692
5. custodian bank		
6. placement of securities	10,048	5,381
7. order taking	8,838	8,214
8. advisory services		
8.1 regarding investments		
8.2 regarding financial structuring		
9. distribution of third-party services	11,819	10,326
9.1 asset management	334	425
9.1.1. individual	334	425
9.1.2. collective		
9.2 insurance products	9,808	9,852
9.3 other products	1,677	49
d) collection and payment services	24,323	21,792
e) servicing related to securitisation	29	
f) services for factoring transactions	170	157
g) tax collection services		
h) management of multilateral trading systems		
i) maintenance and management of current accounts	65,001	55,426
j) other services	22,552	20,787
Total	**152,758**	**129,857**

2.2 Commission expense: breakdown

Services/Amounts	31.12.2014	31.12.2013
a) guarantees received	(175)	(27)
b) credit derivatives		
c) management and brokerage services	(1,427)	(1,390)
1. trading in financial instruments	(147)	(180)
2. trading in foreign exchange		
3. asset management:		
3.1 own portfolio		
3.2 third-party portfolio		
4. custody and administration of securities	(1,278)	(1,205)
5. placement of financial instruments	(2)	(5)
6. offer of securities, financial products and services through		
d) collection and payment services	(3,083)	(2,860)
e) other services	(14,334)	(12,346)
Total	**(19,019)**	**(16,623)**

Section 3 - Dividends and similar income - caption 70

3.1 Dividends and similar income: breakdown

Caption/Income	31.12.2014		31.12.2013	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading				
B. Financial assets available for sale	114		117	
C. Financial assets designated at fair value through profit and .				
D. Equity investments				
Total	**114**		**117**	

The table shows dividend income from non-controlling interests classified as financial assets available for sale.

Section 4 - Net trading income - caption 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**124**	**278**	**(139)**	**(156)**	**107**
1.1 Debt securities	116	148	(139)	(151)	(26)
1.2 Equity instruments		3		(4)	(1)
1.3 UCITS units	8			(1)	7
1.4 Loans					
1.5 Other		127			127
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange differences					**2,296**
4. Derivatives	**434**	**7**	**(311)**	**(254)**	**(124)**
4.1 Financial derivatives:	434	7	(311)	(254)	(124)
- On debt securities and interest rates	396		(311)	(250)	(165)
- On equities and equity indices	3	7		(4)	6
- On currency and gold					35
- Other					
4.2 Credit derivatives					
Total	**558**	**285**	**(450)**	**(410)**	**2,279**

The captions "1. Financial assets held for trading" and "4. Derivatives" include income from financial assets held for trading, with the exception of derivatives used to hedge financial instruments for which the fair value option was adopted and for which the measurement results are shown in the table "Net change in value of financial assets and liabilities designated at fair value".

Caption "3 Other financial assets and liabilities: exchange differences" includes the gains (or losses) arising from the translation of foreign currency assets and liabilities that differ from those held for trading.

Section 5 - Net hedging gains (losses) - caption 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31.12.2014	31.12.2013
A. Income relating to:		
A.1 Fair value hedges	152	4,196
A.2 Hedged financial assets (fair value)	722	48
A.3 Hedged financial liabilities (fair value)	2,094	3,959
A.4 Cash flow hedges		
A.5 Foreign currency assets and liabilities		
Total income from hedging activity (A)	**2,968**	**8,203**
B. Charges relating to:		
B.1 Fair value hedges	(2,768)	(7,235)
B.2 Hedged financial assets (fair value)	(706)	(964)
B.3 Hedged financial liabilities (fair value)	(35)	
B.4 Cash flow hedges		
B.5 Foreign currency assets and liabilities		
Total charges from hedging activity (B)	**(3,509)**	**(8,199)**
C. Net hedging gains (losses) (A-B)	**(541)**	**4**

The caption includes net hedging gains (losses). The various sub-captions indicate income components arising from the measurement process for hedged assets and liabilities – financial assets available for sale, loans to customers and bonds issued by the Group, respectively – as well as from the related hedging derivatives.

Section 6 - Gains (losses) on disposal or repurchase - caption 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2014			31.12.2013		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Due from banks						
2. Loans to customers	61	(1,695)	(1,634)	13	(1,415)	(1,402)
3. Financial assets available for sale	55,339	(3,523)	51,816	45,648	(3,962)	41,686
3.1 Debt securities	55,323	(3,493)	51,830	44,244	(3,865)	40,379
3.2 Equity instruments	10		10	49	(1)	48
3.3 UCITS units	6	(30)	(24)	1,355	(96)	1,259
3.4 Loans						
4. Financial assets held to maturity	12,428		12,428			
Total assets	**67,828**	**(5,218)**	**62,610**	**45,661**	**(5,377)**	**40,284**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Debt securities in issue	37	(2,108)	(2,071)	148	(696)	(548)
Total liabilities	**37**	**(2,108)**	**(2,071)**	**148**	**(696)**	**(548)**

The caption includes the net gain (loss) on disposal of financial assets, excluding those held for trading and those designated at fair value through profit and loss, as well as the net gain (loss) from the repurchase of own securities.

The caption "2. Loans to customers" includes the net gain (loss) on disposal of non-performing loans.

The caption "3. Financial assets available for sale" includes the net gain (loss) on sales in the year, inclusive of the release of the related valuation reserve, gross of the tax effect. The gains from the sale of UCITS units include the related tax credit.

As regards financial liabilities, caption "3. Debt securities in issue" includes the net gain (loss) on the repurchase of own bonds by Group companies.

Section 7 - Net results on financial assets and liabilities designated at fair value - caption 110

7.1 Net change in value of financial assets and liabilities designated at fair value: breakdown

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) − (C+D)] 31.12.2014
1. Financial assets					
1.1 Debt securities					
1.2 Equity instruments					
1.3 UCITS units					
1.4 Loans					
2. Financial liabilities	**14**	**51**	**(14)**	**(21)**	**30**
2.1 Debt securities	14	51	(14)	(21)	30
2.2 Due to banks					
2.3 Due to customers					
3. Financial assets and liabilities in foreign currency: exchange differences					
4. Derivatives	**608**	**175**	**(762)**		**21**
Total	**622**	**226**	**(776)**	**(21)**	**51**

The net gains (losses) on financial assets and liabilities designated at fair value result from the difference between the fair value measurement of Group bonds, subject to "natural hedging" on having applied the fair value option and the corresponding financial derivatives.

They also include the net gains (losses) from trading in these bonds.

Section 8 - Net impairment write-downs/write-backs - caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks									
- Loans									
- Debt securities									
B. Loans to customers									
Impaired loans acquired									
- Loans	(13)	(48)		11	17			(33)	
- Debt securities									
Other receivables									
- Loans	(4,192)	(196,652)	(350)	21,105	21,777		7,851	(150,461)	(136,927)
- Debt securities									
C. Total	**(4,205)**	**(196,700)**	**(350)**	**21,116**	**21,794**		**7,851**	**(150,494)**	**(136,927)**

Key:
A = Interest
B = Other write-backs

This caption includes impairment write-downs and write-backs recognised in connection with loans to customers.

As regards "Write-downs" the figure in the "Write-offs" column relates to losses from the write-off of non-performing loans.

"Write-downs – Other", which arise from the analytical assessment of the probability of recovery of doubtful loans and by discounting cash flows expected to be generated thereby, particularly from non-performing loans, mainly relate to:

- Doubtful loans for Euro 113,752 thousand;
- Watchlist loans for Euro 76,225 thousand;
- Restructured loans for Euro 178 thousand;
- Past due loans for Euro 5,211 thousand.

The residual amount of this caption refers to the possible higher value of loans acquired through business combinations, recorded on initial recognition, which is released in full in the year when the loans are repaid.

"Portfolio write-downs" relate to the performing loans portfolio.

The specific "interest" write-backs (A) related to the write-back of interest at the assumed discount rates on the capital element which is deemed to be recoverable relating to non-performing loans and watchlist loans.

8.2 Net impairment write-downs/write-backs of financial assets available for sale: breakdown

Transactions/Income components	Write-downs (1)		Write-backs (2)		31.12.2014	31.12.2013
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities						(601)
B. Equity instruments						
C. UCITS units						
D. Loans to banks						
E. Loans to customers						
F. Total						**(601)**

Key:

A = Interest

B = Other write-backs

8.3 Net impairment write-downs/write-backs of financial assets held to maturity

There were no net impairment adjustments to financial assets held to maturity in the years ended 31 December 2013 and 2012.

8.4 Net impairment adjustments to other financial assets: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given		(602)			279		769	446	(1,692)
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions									
E. Total		**(602)**			**279**		**769**	**446**	**(1,692)**

Key:

A = Interest

B = Other write-backs

Section 9 - Net premiums - caption 150

Balances were zero at the reporting dates.

Section 10 - Net other insurance income/expense - caption 160

Balances were zero at the reporting dates.

Section 11 - Administrative costs - caption 180

11.1 Payroll costs: breakdown

Type of expense/Sectors	31.12.2014	31.12.2013
1) Employees	(149,314)	(146,034)
a) Wages and salaries	(102,709)	(91,112)
b) Social security charges	(26,709)	(22,969)
c) Termination indemnities		
d) Pension expenses		
e) Provision for termination indemnities	(463)	(615)
f) Provision for post-retirement benefits and similar commitments:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pension funds:	(9,815)	(8,768)
- defined contribution	(9,815)	(8,768)
- defined benefit		
h) Equity-based payments	(315)	(372)
i) Other personnel benefits	(9,303)	(21,974)
2) Other active employees	(571)	(987)
3) Directors and auditors	(4,778)	(3,576)
4) Retired personnel		
Total	**(154,663)**	**(150,373)**

The caption "1.g – payments to external supplementary pension funds: defined contribution" includes part of the termination indemnities paid to the state pension scheme and to supplementary pension funds.

Details of caption "1.i) – other employee benefits" are provided in table 11.4 below.

11.2 Average number of employees by level

	31.12.2014	31.12.2013
1) Employees	**2,473**	**1,769**
a) managers	35	28
b) middle managers	1,123	899
c) other employees	1,315	842
2) Other personnel	**10**	**18**

11.3 Defined post-employment benefit obligations: costs and revenues

Balances were zero at the reporting dates.

11.4 Other personnel benefits

	31.12.2014	31.12.2013
Provision for sundry charges	(4,253)	(1,047)
Contributions to healthcare fund	(1,341)	(1,374)
Training and instruction costs	(986)	(160)
Rent expense of property used by employees	(191)	(184)
Redundancy incentives	445	(16,810)
Other	(2,977)	(2,399)
Total	**(9,303)**	**(21,974)**

The main components of the "Other" caption include company canteen costs of Euro 1,806 thousand and costs relating to insurance premiums of Euro 303 thousand.

11.5 Other administrative costs: breakdown

	31.12.2014	31.12.2013
Indirect taxes and duties:		
- Stamp duty	(24,575)	(18,005)
- Other	(5,871)	(4,692)
Other costs:		
- IT expenses	(14,005)	(10,903)
- Lease of property and other assets	(13,620)	(11,721)
- Maintenance of buildings, furniture and equipment	(4,348)	(3,625)
- Post office and telegraph	(2,287)	(1,946)
- Telephone and data transmission	(5,099)	(3,916)
- Electricity, heating, water	(3,947)	(3,866)
- Cleaning services	(1,243)	(1,152)
- Printed matter, stationery and consumables	(813)	(688)
- Transport costs	(1,318)	(733)
- Surveillance and security	(1,555)	(1,394)
- Advertising	(1,554)	(1,028)
- Information and surveys	(1,511)	(1,343)
- Insurance premiums	(1,516)	(1,184)
- Legal fees	(6,636)	(6,381)
- Professional consulting fees	(10,462)	(9,649)
- Various contributions and donations	(213)	(152)
- Sundry expenses	(6,917)	(6,133)
Total	**(107,490)**	**(88,511)**

Fees payable to the Independent Auditors and other companies pertaining to their network for various types of services rendered to the Group:

Kind of services	Entity providing the	Recipient	(thousand of Euro)
Auditor	Deloitte & Touche	Banco di Desio e della Brianza	194
	Deloitte & Touche	Banca Popolare di Spoleto S.p.A.	8
	Deloitte & Touche	Fides S.p.A.	3
	Deloitte Audit Sàrl	Rovere Societé de Gestion S.A.	1
Certification	Deloitte & Touche	Banco di Desio e della Brianza	5
Tax advisory services			
Other services:			
- Verification translation financial	Deloitte & Touche	Banco di Desio e della Brianza	3
- Methodological support and migration	Deloitte Consulting	Banco di Desio e della Brianza	4
Tota			**415**

Section 12 - Net provisions for risks and charges - caption 190

12.1 Net provisions for risks and charges: breakdown

	Provision	Utilisations	31.12.2014	31.12.2013
charges for legal disputes	(3,242)	4,455	1,213	(6,236)
other charges	(4,164)	2,717	(1,447)	(4,507)
other				(182)
Total	**(7,406)**	**7,172**	**(234)**	**(10,925)**

Charges for legal disputes include provisions made in the year for expected losses arising from legal disputes and bankruptcy clawback actions.

Other charges include provisions for other operating risks, inclusive of tax disputes.

Section 13 - Net adjustments to property, plant and equipment - caption 200

13.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned	(6,875)			(6,875)
- for business purposes	(6,859)			(6,859)
- for investment purposes	(16)			(16)
A.2 Held under finance leases				
- for business purposes				
- for investment purposes				
Total	**(6,875)**			**(6,875)**

The adjustments consist entirely of depreciation computed over the useful lives of the assets.

Details, by asset category, of the impact on the income statement of adjustments to property, plant and equipment are shown in caption "C.2 Depreciation" of the tables 12.5 and 12.6 of Section 12, Assets.

Section 14 - Net adjustments to intangible assets - caption 210

14.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b + c) 31.12.2014
A. Intangible assets				
A.1 Owned	(1,158)			(1,158)
- Generated internally				
- Other	*(1,158)*			*(1,158)*
A.2 Held under finance leases				
Total	**(1,158)**			**(1,158)**

The adjustments consist entirely of amortisation computed over the useful lives of the assets.

Section 15 - Other operating charges/income - caption 220

15.1 Other operating charges: breakdown

	31.12.2014	31.12.2013
Amortisation of leasehold improvements	(2,663)	(2,557)
Losses on disposal of property, plant and equipment	(50)	(40)
Charges on non-banking services	(1,182)	(875)
Total	**(3,895)**	**(3,472)**

"Charges on non-banking services" include costs relating to insurance deductibles and fraudulent withdrawals for Euro 99 thousand and out of period expenses not attributable to a specific item for Euro 345 thousand.

15.2 Other operating income: breakdown

	31.12.2014	31.12.2013
Recovery of taxes from third parties	26,820	20,399
Recharge of costs of current accounts and deposits	8,981	9,858
Rental and leasing income	85	24
Other expense recoveries	9,209	5,794
Gains on disposal of property, plant and equipment	98	1,417
Other	961	510
Total	**46,154**	**38,002**

"Recharge of costs of current accounts and deposits" includes recoveries for rapid preliminary investigation fees of Euro 6,179 thousand and other recoveries for various communications to customers of Euro 2,103 thousand.

"Other expense recoveries" include, in particular, recoveries of investigation costs relating to various loans of Euro 4,765 thousand, the recovery of costs of appraisals in connection with mortgage loans of Euro 502 thousand, the recovery of sundry expenses relating to lease applications of Euro 659 thousand and the recovery of legal expenses for Euro 2,739 thousand.

The caption "Other" includes, in particular, sundry out of period income of Euro 309 thousand.

Section 16 - Profit (loss) from equity investments - caption 240

16.1 Profit (loss) from equity investments: breakdown

Income items/Segments	31.12.2014	31.12.2013
1) Companies subject to joint control		
A. Income		
1. Revaluations		
2. Gains on disposal		
3. Write-backs		
4. Other income		
B. Losses		
1. Write-downs		
2. Impairment write-downs		
3. Losses on disposal		
4. Other charges		
Net result		
2) Associates (subject to significant influence)		
A. Income	10,706	13,886
1. Revaluations	1,061	2,110
2. Gains on disposal		11,776
3. Write-backs		
4. Other income	9,645	
B. Losses		
1. Write-downs		
2. Impairment write-downs		
3. Losses on disposal		
4. Other charges		
Net result	10,706	13,886
Total	**10,706**	**13,886**

Caption "2)A.4 Other income" refers to the temporary income attributed to the Parent Company as a result of applying the purchase method (IFRS 3) for the acquisition of control of BPS during the year (refer to Part G of the consolidated financial statements for further details).

Section 17 - Net gains (losses) arising from the fair value measurement of property, plant and equipment and intangible assets - caption 250

The Banco Desio Group does not have any property, plant and equipment or intangible assets measured at fair value.

Section 18 - Goodwill impairment

The results of the testing of the recoverability of goodwill recognised in the consolidated financial statements did not indicate the need for any write-downs.

Section 19 - Gains (losses) on disposal of investments - caption 270

19.1 Gains (losses) on disposal of investments: breakdown

Income items/Segments	31.12.2014	31.12.2013
A. Property	2,184	
- Gains on disposal	2,184	
- Losses on disposal		
B. Other assets	(11)	
- Gains on disposal	1	
- Losses on disposal	(12)	
Net result	**2,173**	

Caption "A. Property" refers to gains/losses on the disposal of properties used in operations by Group companies; Caption "B. Other assets", on the other hand, refers to gains/losses on the sale of other assets.

Section 20 - Income taxes on current operations - caption 290

20.1 Income taxes on current operations: breakdown

Income items/Amounts	31.12.2014	31.12.2013
1. Current taxes (-)	(45,840)	(45,212)
2. Change in prior period income taxes (+/-)	120	(1)
3. Reduction in current taxes (+)	-	-
3. bis Reduction in current taxes for tax credits under Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	38,228	40,287
5. Change in deferred tax liabilities (+/-)	(11,631)	(109)
6. Income taxes for the period (-)	**(19,123)**	**(5,035)**

Caption 2. "Change in prior period income taxes" refers mainly to the recalculation, carried out by the Parent Company for the purpose of the tax return, of current IRAP accrued to 31/12/2013, in relation to loans sold in 2013, whose assessment components (adjustments and write-backs) recorded in the income statement in 2008, were not recognised for IRAP purposes at the time of their inclusion.

20.2 Reconciliation between the theoretical and current tax charge

	IRES		IRAP	
Result before taxes	52,069		52,069	
Costs not deductible for IRAP purposes			172,216	
Revenue not taxable for IRAP purposes			(25,767)	
Sub total	52,069		198,518	
Theoretical tax charge 27.5% IRES - 5.57% IRAP		**(14,319)**		**(11,058)**
Temporary differences taxable in subsequent years	(6,968)		(426)	
Temporary differences deductible in subsequent years	171,146		161,070	
Reversal of prior year temporary differences	(92,839)		(71,594)	
Differences that will not reverse in subsequent years	(7,738)		(48,402)	
Taxable income	115,670		239,166	
Current taxes for the year 27.5% IRES - 5.57% IRAP		**(32,341)**		**(13,322)**

The reconciliation has been prepared only for Group companies resident in Italy, since, for the foreign companies there are no significant differences between the theoretical tax charge and the actual tax charge shown in the financial statements.

Section 21 - Profit (loss) after tax on non-current assets held for sale - caption 310

Zero balances at the reporting dates.

Section 22 - Minority interests - caption 330

22.1 Details of caption 330 "Minority interests"

Company name	31.12.2014	31.12.2013
Consolidated equity investments with significant minority interests		
Rovere S.A.	57	102
Banca Popolare Spoleto S.p.A.	(1,183)	
Other equity investments	(48)	
Total	**(1,174)**	**102**

Section 24 - Earnings per share

	31.12.2014		31.12.2013	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Net profit of the Group attributable to the various classes of shares (thousands of euro)	36,484	4,117	(4,347)	(491)
Average number of shares outstanding	117,000,000	13,202,000	117,000,000	13,202,000
Average number of potentially dilutive shares	-	-	-	-
Average number of diluted shares	117,000,000	13,202,000	117,000,000	13,202,000
Earnings per share (Euro)	0.31	0.31	(0.04)	(0.04)
Diluted earnings per share (Euro)	0.31	0.31	(0.04)	(0.04)

24.1 Average number of ordinary shares (fully diluted)

There were no operations on share capital during the year and nor were there any issues of financial instruments that could lead to the issue of shares; accordingly, the average number of shares used to calculate diluted earnings per share is equal to 117,000,000 ordinary shares and 13,202,000 savings shares.

24.2 Other information

There is no other information to be disclosed.

PART D - CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Captions	31.12.2014 Gross amount	31.12.2014 Income taxes	Net amount
10.	**Net profit (loss) for the period**			**39,427**
	Other elements of income, without reversal to income statement			
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined-benefit pension plans	(3,311)	910	(2,401)
50.	Non-current assets and disposal groups held for sale			
60.	Portion of the valuation reserves of the equity investments carried at equity			
	Other elements of income, with reversal to income statement			
70.	**Foreign investment hedges:**			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
80.	**Exchange differences:**	**167**		**167**
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes	167		167
90.	**Cash-flow hedges:**			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
100.	**Financial assets available for sale:**	**(459)**	**(32)**	**(491)**
	a) changes in fair value	2,631	(993)	1,638
	b) reversal to income statement	(4,370)	1,384	(2,986)
	- impairment adjustments			
	- gains/losses on disposal	(4,370)	1,384	(2,986)
	c) other changes	1,280	(423)	857
110.	**Non-current assets and disposal groups held for sale:**			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
120.	**Portion of the valuation reserves of the equity investments carried at equity:**	**495**		**495**
	a) changes in fair value	495		495
	b) reversal to income statement			
	- impairment adjustments			
	- gains/losses on disposal			
	c) other changes			
130.	**Total other elements of income**	**(3,108)**	**878**	**(2,230)**
140.	**Total comprehensive income (Captions 10+130)**			**37,197**
150.	**Total comprehensive income pertaining to minority interests**			**(1,677)**
160.	**Total consolidated comprehensive income pertaining to Parent Company**			**38,874**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICY

Introduction

The Internal Control and Risk Management System consists of a set of rules, procedures and organisational structures designed to permit the identification, measurement, management and monitoring of major risks. This system has been integrated into the Group's organisational and corporate governance structures.

The system's guidelines have been set out in specific internal regulations. The operational instructions and detailed information regarding the controls in place, at various levels, over business processes are included in specific "Consolidated Texts" by function and internal procedures.

The organisational model adopted by the Group envisages that the Parent Company's Risk Management function reports directly to the Board of directors and participates in the risk management process designed to identify, measure, assess, monitor, prevent, mitigate and communicate the risks assumed or which could be assumed in the conduct of business. This function also covers the subsidiaries, as envisaged in the specific Consolidated Function Texts, as well as – for those cases where the Parent Company performs the internal control function for certain subsidiaries – in accordance with the provisions of the relevant Service Agreement.

The Board of Directors of the Parent Company approves, at least annually, the Group's "Risk Appetite Framework (RAF)" and the "Policy for risk management", which define risk appetite, thresholds of tolerance, limits and the rules and methodologies for monitoring risks. These documents provide for specific risk indicators with the relevant attention thresholds on an individual legal entity basis. The internal control process over capital adequacy (ICAAP) also forms part of the risk management system.

After Banca Popolare di Spoleto joined the Group, the Parent Company's risk management function initially coordinated the subsidiary's activities, interfacing with its equivalent function and, subsequently, from November 2014, took over these activities on the basis of a specific Service Agreement.

SECTION 1 - RISKS FACED BY THE BANKING GROUP

1.1 Credit risk

<u>Qualitative information</u>

1. *General aspects*

The Group's lending activity has developed according to the guidelines of the Business Plan, addressed to local economies primarily in the retail, small business and small SME markets. To a lesser extent, our lending activity is directed towards the corporate market.

The activities aimed at individual customers, small businesses (artisans, family businesses and professionals), medium and large companies and customers in the financial sector, mainly include the following products: loans and deposits in any form; financial, banking and payment services; documentary credit; leasing and factoring; financial, insurance and asset management products; debit and credit cards.

Commercial policy is pursued through the Group's branch network based on credit policies geared primarily to supporting local economies. Particular attention is paid to maintaining relationships established with customers and their development in the geographic areas where the Group has traditionally been present and in new markets with the aim of acquiring new market shares and facilitate growth in business volumes. The Group also operates under agreements with the Italian Banking Association

and with trade and business associations, signing conventions aimed at providing support to corporate borrowers while carefully monitoring asset quality.

2. *Credit risk management policies*

2.1. Organisational aspects

Factors that generate credit risk involve the possibility that an unexpected change in the creditworthiness of a counterparty in respect of which there is an exposure, might generate a corresponding unexpected change in the market value of the credit position. It follows that not only the possibility of a counterparty's insolvency, but also a simple deterioration of its creditworthiness has to be considered a manifestation of credit risk.

The Group's organisational structure provides for adequate monitoring and management of credit risk, in a logic of separation between business and control functions.

The Parent Company's Board of Directors has exclusive power to lay down guidelines that have an impact on the running of the Group's affairs and, in this context, to make decisions on strategic lines and operations, business and financial plans as well as those relating - again at the level of strategic supervision - to the Internal Control and Risk Management System in compliance with the Capital Requirements in force at the time.

The Parent Company's Board of Directors lays down the ways in which each subsidiary has to implement the various levels of control, taking into account the nature and size of the subsidiary's activity and its location; the Board of Directors also identifies the functions of the Parent Company that are responsible for specific control mechanisms, establishing suitable information flows.

2.2 Systems for managing, measuring and monitoring credit risk

Systems for managing, measuring and monitoring credit risk are developed in an organisational context that involves the whole cycle of the credit process, from initial inquiry and periodic review to final withdrawal and recovery.

During the fact finding stages of the lending process, the Group performs an internal and external investigation on the customer and arrives at a final decision on whether to grant the loan by also considering the information obtained on the customer's financial standing from what is known of the customer and of the customer's economic environment. During the process of granting credit, the Group operates according to guidelines based on risk diversification among various customers operating in different industries and market sectors and on the appropriateness of the credit facility depending on the independent creditworthiness of the borrower, the technical form and the collateral that could be acquired.

The analysis and monitoring of risk associated with the lending process is performed with the support of specific operating procedures. The aim of a prompt monitoring system is to identify, as soon as possible, signs of deterioration of exposures in order to intervene with effective corrective measures. To this end, credit exposures are monitored by means of an analysis of relationship trends and by central oversight of risk by means of dedicated procedures. As part of its corporate risk management policy, the Group has set up a system of operating limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, on pre-established thresholds being exceeded, the Parent Company's Risk Management Department activates internal procedures for an intervention by the competent corporate functions in order to maintain a risk appetite level consistent with the guidelines laid down in the RAF and the risk management policies. As part of the process for the adaptation of the Internal Control System (as per Circular 263), a "Credit Risk Control" structure has been established within the Risk Management Department with the task of verifying that credit exposures are properly monitored, of supervising the monitoring of loans by the competent corporate functions and of intervening, where necessary, in the classification of problem loans and in ensuring appropriate provisions are made.

For risk management purposes, Banco Desio Group uses an internal rating system (CRS - Credit Rating System) that classifies each counterparty in risk classes that reflect their probability of default. In the course of 2014 the Group implemented methodological updates to the Credit Rating System aimed at the development of a statistical system. The classification of performing counterparties is on a scale from 1 to 10, while there are three non-performing classes (past due, watchlist loans e doubtful loans).

For the purpose of calculating the capital requirement for credit risk, the Group follows the rules laid down in the regulations for the standardised approach.

2.3 Credit risk mitigation techniques

As part of the process leading up to the provision of credit, whenever possible, the Group acquires real and/or personal guarantees in order to mitigate risk, even if the requirements appear to be satisfied.

For all loans, the main type of real guarantee is the mortgage, primarily related to the technical form of mortgage loans (particularly on residential properties). To a lesser extent, but for significant amounts, there are also pledges on securities and/or cash.

Guarantees received by the Group are drawn up on contractual forms in line with industry standards and the law, and are approved by the relevant corporate functions. The process of collateral management provides for monitoring and specific controls to check their eligibility, in line with the requirements of supervisory regulations.

2.4. Impaired financial assets

Loans are classified as doubtful when, in the light of objective evidence collected by the relevant offices, the customer proves unable to meet its commitments and is therefore in a state of insolvency, even if this has not yet been declared by the court.

Customer loans classified as watchlist are those that relate to situations of temporary economic, financial or operating difficulties, which could potentially be overcome within a reasonable time limit.

Included in this category are so-called "objective substandard loans" with specific features described by the supervisory requirements.

To be classified under restructured loans, whether for cash or "off-balance sheet items", the Group complies with the supervisory requirements , analytically assessing the presence of the conditions laid down in the regulations.

As regards loans past due by more than 90 days, they are constantly monitored by the relevant departments using specific IT procedures in order to verify there is continuity as prescribed by regulations.

The Group has introduced a policy governing criteria and rules for the application of adjustments by codifying the rules that lay down the minimum percentages to be applied in determining expected losses, depending on the type of impaired loans, the original technical form and the type of collateral.

The expected loss is, in fact, the synthesis of several elements derived from various (internal and external) assessments about the principal debtor's assets and those of any guarantors. Monitoring of the expected loss is constant and compared with the development of the individual position. The Risk Management Office of the Parent Company periodically monitors compliance with the doubtful percentages foreseen in the policy for managing non-performing loans by reporting any discrepancies to the relevant departments for realignment.

The time element linked to the present value of impaired loans is determined by specific assessments carried out for each type of asset, drawn up on the basis of information relating to the individual legal jurisdiction.

The Group has initiated the analysis needed to implement the new definitions of impaired financial assets in order to bring them into line with the concepts of "Non-Performing Exposures" and "Forbearance", introduced by implementing technical standards concerning harmonized consolidated statistical supervisory reports defined by the European Banking Authorities and approved by the European Commission on 9 January 2015.

In particular, the definitions introduced by the new legislation are as follows:

- Doubtful loans: exposure to a borrower in a state of insolvency (even if not legally bankrupt) or in substantially similar situations, regardless of the loss forecasts made by the intermediary.
- Unlikely to pay: exposures for which the intermediary considers full compliance by the debtor unlikely without recourse to actions such as collection of guarantees, regardless of the presence of amounts due and/or overdrawn.
- Non-performing past due and/or overdrawn exposures: exposures, other than those classified as doubtful or unlikely to pay, with amounts that are past due and/or overdrawn continuously for more than 90 days.

As part of the approach by transaction, if the exposure expired or overdrawn by more than 90 days is equal to or greater than 20% of all exposures to the same borrower, all cash and "off balance sheet" exposures to that borrower must be considered non-performing ("pulling effect").

Forborne exposures are individual exposures (approach by transaction) to a debtor, regardless of their classification as non-performing or performing, which would represent the subject of a "concession" (refinancing or modification of the contractual terms favourable for the debtor), if that concession is subsequent to the recognition of a present or future state of difficulty on the part of the debtor.

Quantitative information

Credit quality

A.1 Doubtful and performing loans: amounts, adjustments, trends and economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality		Banking Group						Other businesses		Total
		Doubtful loans	Watchlist loans	Restructured loans	Past due non-performing loans	Past due non-performing loans	Other assets	Non-performing	Other assets	
1. Financial assets held for trading						174	17,048			17,222
2. Financial assets available for sale							1,818,609			1,818,609
3. Financial assets held to maturity										
4. Due from banks							288,282			288,282
5. Loans to customers		426,631	368,703	14,366	44,266	482,423	8,330,511			9,666,900
6. Financial assets designated at fair value through profit and loss										
7. Financial assets being sold										
8. Hedging derivatives							8,372			8,372
Total	**31.12.2014**	**426,631**	**368,703**	**14,366**	**44,266**	**482,597**	**10,462,822**			**11,799,385**
Total	**31.12.2013**	**233,383**	**177,754**	**1,722**	**46,272**	**375,854**	**7,975,611**			**8,810,596**

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/Quality		Non-performing loans			Performing loans			Total (net exposure)
		Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
A. Banking group								
1. Financial assets held for trading							17,222	17,222
2. Financial assets available for sale					1,818,608		1,818,608	1,818,608
3. Financial assets held to maturity								
4. Due from banks					288,282		288,282	288,282
5. Loans to customers		1,244,446	(390,480)	853,966	8,870,386	(57,452)	8,812,934	9,666,900
6. Financial assets designated at fair value through profit and loss								
7. Financial assets being sold								
8. Hedging derivatives							8,372	8,372
Total A		**1,244,446**	**(390,480)**	**853,966**	**10,977,276**	**(57,452)**	**10,945,418**	**11,799,384**
B. Other companies included in consolidation								
1. Financial assets held for trading								
2. Financial assets available for sale								
3. Financial assets held to maturity								
4. Due from banks								
5. Loans to customers								
6. Financial assets designated at fair value through profit and loss								
7. Financial assets being sold								
8. Hedging derivatives								
Total B								
Total	**31.12.2014**	**1,244,446**	**(390,480)**	**853,966**	**10,977,276**	**(57,452)**	**10,945,418**	**11,799,384**
Total	**31.12.2013**	**685,498**	**(226,365)**	**459,133**	**8,395,537**	**(44,074)**	**8,351,463**	**8,810,596**

At 31 December 2014 the amount of partial cancellations made on impaired financial assets in the portfolio of Loans to customers amounted to Euro 110,279 thousand.

The portfolio of Loans to customers includes non-performing loans acquired through the business combination (acquisition of control of Banca Popolare di Spoleto S.p.A.) booked to the consolidated financial statements in accordance with IFRS 3. In the table, the gross value of these loans is expressed at purchase cost. The difference between the nominal amount of the loans and their purchase price at 31 December 2014 amounted to Euro 401,332 thousand. This difference essentially represents the writedowns made by the subsidiary BPS on non-performing loans prior to the acquisition of control.

For a more accurate calculation of the credit risk indicators (coverage ratio), it should be noted that the total amount of gross non-performing loans at 31 December 2014 - considering impaired loans of the subsidiary BPS with their write-downs - amounted to Euro 1,646 million and total writedowns to Euro 791.8 million.

A.1.2.1 Distribution of renegotiated and non-renegotiated performing loan exposures by portfolio

Portfolio/Quality		Exposure subject to renegotiation under Collective Agreements					Other exposures					Total (net exposure)
		Past due up to 3 months	Past due between 3 to 6 months	Past due between 6 to 12 months	Past due over 1 year	Not past due	Past due up to 3 months	Past due between 3 to 6 months	Past due between 6 to 12 months	Past due over 1 year	Not past due	
1. Financial assets held for trading							174				17,048	17,222
2. Financial assets available for sale											1,818,608	1,818,608
3. Financial assets held to maturity												
4. Due from banks											288,282	288,282
5. Loans to customers		33,730	3,077	126		310,657	378,771	30,223	15,597	20,896	8,019,857	8,812,934
6. Financial assets designated at fair value through profit and loss												
7. Financial assets being sold												
8. Hedging derivatives											8,372	8,372
Total	**31.12.2014**	**33,730**	**3,077**	**126**		**310,657**	**378,945**	**30,223**	**15,597**	**20,896**	**10,152,167**	**10,945,418**

As part of the portfolio of Loans to customers, the performing exposures subject to renegotiation granted by the bank to customers in financial difficulty ("forborne loans") amounted to Euro 86,595 thousand: the breakdown by age of past due performing exposures is reported below:

Portfolio/Quality		Exposures subject of renegotiation granted to customers in financial difficulty					Total exposure
		Overdue up to 3 months	Overdue for more than 3 months Up to 6 months	Overdue for more Than 6 months up to 1 year	Overdue for more than 1 year	Not due yet	
Receivables from customers		40.016	7.680	1.162		37.737	86.595
Total	**31.12.2014**	**40.016**	**7.680**	**1.162**		**37.737**	**86.595**
Total	**31.12.2013**						

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

Types of exposure/amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Doubtful loans				
b) Watchlist loans				
c) Restructured loans				
d) Past due non-performing loans				
e) Other assets	372,856			372,856
TOTAL A	**372,856**			**372,856**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing				
b) Other	49,498			49,498
TOTAL B	**49,498**			**49,498**
TOTAL (A+B)	**422,354**			**422,354**

A.1.4 Banking Group - On-balance sheet credit exposures to banks: changes in gross doubtful loans

There are no such credit exposures at the reporting date.

A.1.5 Banking Group - On-balance sheet credit exposures to banks: changes in total adjustments

There are no such credit exposures at the reporting date.

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

Types of exposure/amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Doubtful loans	697,797	271,166		426,631
b) Watchlist loans	481,943	113,240		368,703
c) Restructured loans	15,034	668		14,366
d) Past due non-performing loans	49,672	5,406		44,266
e) Other assets	10,611,707		57,452	10,554,255
TOTAL A	**11,856,153**	**390,480**	**57,452**	**11,408,221**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	14,284	903		13,381
b) Other	635,496		954	634,542
TOTAL B	**649,780**	**903**	**954**	**647,923**
TOTAL (A+B)	**12,505,933**	**391,383**	**58,406**	**12,056,144**

The gross exposure and the related specific adjustments of non-performing loans acquired through the business combination (acquisition of control of Banca Popolare di Spoleto S.p.A.) are shown net of differences between the nominal value and the purchase price of such loans at 31 December 2014; details are provided below:

a) Doubtful loans: Euro 330,711 thousand;
b) Watchlist loans: Euro 68,715 thousand;
c) Restructured loans: Euro 1,778 thousand;
d) Past due non-performing loans: Euro 128 thousand.

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

Description/Categories	Doubtful loans	Watchlist loans	Restructured loans	Past due loans
A. Opening gross exposure	**385,696**	**248,641**	**1,995**	**49,083**
- of which: sold but not derecognised				
B. Increases	**357,330**	**496,944**	**14,713**	**136,811**
B.1 transfers from performing positions	6,952	243,148	20	115,485
B.2 transfers from other categories of doubtful exposures	172,848	57,323	1,729	1,142
B.3 other increases	177,529	196,473	12,964	20,184
of which: business combinations	*150,587*	*142,071*	*9,831*	*11,834*
C. Decreases	**45,229**	**263,642**	**1,674**	**136,222**
C.1 transfers to performing positions (including non-impaired overdue positions)		22,168	748	54,811
C.2 write-offs	23,502	25		
C.3 collections	21,411	68,624	628	21,326
C.4 proceeds from disposal	93			
C.4 bis losses on disposal				
C.5 transfers to other categories of doubtful exposures	223	172,825	58	59,937
C.6 other decreases			240	148
D. Closing gross exposure	**697,797**	**481,943**	**15,034**	**49,672**
- of which: sold but not derecognised	*5,300*	*8,475*		*847*

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

Description/Categories	Doubtful loans	Watchlist loans	Restructured loans	Past due non-performing loans
A. Total opening adjustments	**152,393**	**70,889**	**273**	**2,810**
- of which: sold but not derecognised				
B. Increases	**159,157**	**92,579**	**734**	**5,426**
B1. write-downs	115,915	91,373	137	5,210
B.1 bis losses on disposal	1,694			
B.2 transfers from other categories of doubtful exposures	40,567	1,019	597	190
B.3 other increases	981	187		26
C. Decreases	**40,384**	**50,227**	**339**	**2,830**
C.1 measurement write-backs	11,738	5,522	333	883
C.2 writebacks on collection	3,389	3,805	6	449
C.2 bis gains on disposal	61			
C.3 write-offs	23,502	25		
C.4 transfers to other categories of doubtful exposures		40,875		1,498
C.5 other decreases	1,694			
D. Total closing adjustments	**271,166**	**113,240**	**668**	**5,406**
- of which: sold but not derecognised	2,420	2,105		94

A.2 Classification of exposures on the basis of external and internal rating

A.2.1 Banking Group - Distribution of cash and "off-balance sheet" exposures by external rating class (book values)

Based on the compilation rules laid down by the Bank of Italy, the table in question has not been completed because the amount of exposures with external ratings is not significant.

A.2.2 Banking Group - Distribution of cash and "off-balance sheet" exposures by internal rating class

The Group does not use internal rating models for the determination of capital requirements.

The Group uses a rating model to assess retail customers (individual consumers) and corporate customers (Small Businesses, Small and Medium-sized Enterprises, Large Corporate, Real Estate, Financial and Institutional).

The following table shows performing loans belonging to the above categories with the proportion of each rating class to the overall exposure.

Exposures at 31.12.2014	Internal rating class				
	from 1 to 4	from 5 to 6	from 7 to 10	Financial and Institutional	Total
Cash exposure	55.26%	30.11%	13.18%	1.45%	100%
Off-balance sheet exposures	73.22%	19.53%	5.42%	1.84%	100%

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking Group - Guaranteed credit exposures to banks

There are no such credit exposures at the reporting date.

A.3.2 Banking Group - Guaranteed credit exposures to customers

		Secured guarantees (1)				Unsecured guarantees (2)										
						Credit derivatives					Endorsement credits					
							Other derivatives									
	Amount of net exposures	Property, Mortgages	Property under finance leases	Securities	Other secured guarantees	CLN	Government and central banks	Other public entities	Banks	Other parties	Government and central banks	Other public entities	Banks	Other parties		Total (1)+(2)
1. Guaranteed on-balance sheet exposures:	6,835,936	11,236,319	503,454	547,384	306,042							44,161	1,110	8,311,789		20,950,259
1.1. totally guaranteed	6,624,551	11,225,584	503,454	511,095	291,523							26,384	424	8,222,903		20,781,367
- of which: non-performing	*739,843*	*1,894,738*	*53,404*	*7,179*	*28,821*							*250*	*2*	*2,133,931*		*4,118,325*
1.2. partially guaranteed	211,385	10,735		36,289	14,519							17,777	686	88,886		168,892
- of which: non-performing	*22,192*	*1,285*		*1,413*	*2,582*							*258*	*125*	*21,668*		*27,331*
2. Guaranteed off-balance sheet exposures:	217,393	15,105		29,157	24,959							992	1,644	213,683		285,540
2.1. totally guaranteed	190,034	15,105		25,936	21,505							992	1,644	208,479		273,661
- of which: non-performing	*10,972*	*1,746*		*1,012*	*851*									*18,356*		*21,965*
2.2. partially guaranteed	27,359			3,221	3,454									5,204		11,879
- of which: non-performing	*111*													*94*		*94*

B. Distribution and concentration of credit exposures

B.1 Banking Group - Distribution by sector of on- and off-balance sheet credit exposures to customers (book value)

p.1

Exposures/Counterparties	Governments			Other public entities			Financial companies		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposure									
A.1 Doubtful loans					(3)		426,171	(601,368)	
A.2 Watchlist loans				88	(264)		608	(283)	
A.3 Restructured loans					-				
A.4 Past due non-performing loans				9	(1)				
A.5 Other exposures	1,765,269		-	10,283		(339)	347,094		(905)
Total A	**1,765,269**	**-**	**-**	**10,380**	**(268)**	**(339)**	**773,873**	**(601,651)**	**(905)**
B. Off-balance sheet exposures									
B.1 Doubtful loans		-			-			-	
B.2 Watchlist loans		-			-			-	
B.3 Other doubtful loans		-			-			-	-
B.4 Other exposures	25,177		-	18,274		-	7,754		(17)
Total B	**25,177**	**-**	**-**	**18,274**	**-**	**-**	**7,754**	**-**	**(17)**
Total (A+B) 31.12.2014	**1,790,446**	**-**	**-**	**28,654**	**(268)**	**(339)**	**781,627**	**(601,651)**	**(922)**
Total (A+B) 31.12.2013	**1,509,907**	**-**	**-**		**-**	**-**	**213,699**	**(373)**	**(405)**

B.1 Banking Group - Distribution by sector of on- and off-balance sheet credit exposures to customers (book value)

p.2

Exposures/Counterparties	Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific adjust-ments	Portfolio adjust-ments	Net exposure	Specific adjustments	Portfolio adjust-ments	Net exposure	Specific adjust-ments	Portfolio adjust-ments
A. Cash exposure									
A.1 Doubtful loans		-			-		460	(507)	
A.2 Watchlist loans		-		282,616	(141,348)		85,391	(40,060)	
A.3 Restructured loans		-		14,366	(2,444)			-	
A.4 Past due non-performing loans		-		34,508	(4,437)		9,749	(1,096)	-
A.5 Other exposures	5,100		(3)	5,555,633		(48,708)	2,870,876		(7,496)
Total A	**5,100**	**-**	**(3)**	**5,887,123**	**(148,229)**	**(48,708)**	**2,966,476**	**(41,663)**	**(7,496)**
B. Off-balance sheet exposures									
B.1 Doubtful loans		-		2,067	(41)		49	(45)	
B.2 Watchlist loans		-		7,802	(738)		425	(75)	
B.3 Other doubtful loans		-		2,434	(3)		604	(1)	
B.4 Other exposures	976		(7)	379,583		(897)	109,023		(33)
Total B	**976**	**-**	**(7)**	**391,886**	**(782)**	**(897)**	**110,101**	**(121)**	**(33)**
Total (A+B) 31.12.2014	**6,076**	**-**	**(10)**	**6,279,009**	**(149,011)**	**(49,605)**	**3,076,577**	**(41,784)**	**(7,529)**
Total (A+B) 31.12.2013	**28,571**	**-**	**(9)**	**4,866,070**	**(180,938)**	**(40,046)**	**2,199,337**	**(45,376)**	**(5,101)**

B.2 Banking Group - Territorial distribution of on- and off-balance sheet credit exposures to customers (book value)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Doubtful loans	425,161	(601,321)	1,458	(413)	7				5	(144)
A.2 Watchlist loans	368,407	(181,885)	296	(70)						
A.3 Restructured loans	14,366	(2,444)								
A.4 Past due non-performing loans	42,685	(5,336)	1,575	(197)	6	(1)				
A.5 Other exposures	10,539,670	(57,338)	12,646	(113)	1,685	(1)	253		1	
Total A	**11,390,289**	**(848,324)**	**15,975**	**(793)**	**1,698**	**(2)**	**253**		**6**	**(144)**
B. Off-balance sheet exposures										
B.1 Doubtful loans	2,115	(86)								
B.2 Watchlist loans	8,228	(813)								
B.3 Other doubtful loans	3,008	(4)	30							
B.4 Other exposures	540,698	(954)	39		50					
Total B	**554,049**	**(1,857)**	**69**		**50**					
Total (A+B) 31.12.2014	**11,944,338**	**(850,182)**	**16,044**	**(793)**	**1,748**	**(2)**	**253**		**6**	**(144)**
Total (A+B) 31.12.2013	**8,753,904**	**(272,110)**	**62,919**	**(137)**	**612**		**148**		**1**	**(1)**

B.3 Banking Group - Territorial distribution of on- and off-balance sheet credit exposures to banks (book value)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Doubtful loans										
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Past due non-performing loans										
A.5 Other exposures	292,711		76,673		1,932		1,135		405	
Total A	**292,711**		**76,673**		**1,932**		**1,135**		**405**	
B. Off-balance sheet exposures										
B.1 Doubtful loans										
B.2 Watchlist loans										
B.3 Other doubtful loans										
B.4 Other exposures	45,917		3,300						281	
Total B	**45,917**		**3,300**						**281**	
Total (A+B) 31.12.2014	**338,628**		**79,973**		**1,932**		**1,135**		**686**	
Total (A+B) 31.12.2013	**275,839**	**(1,141)**	**95,778**		**708**		**600**		**958**	

B.4 Major risks

With reference to current supervisory regulations, the situation at 31 December 2014 is reported below:

Description	*Nominal amount*	*Weighted amount*	*Number of positions*
Major risks	2,303,633	180,790	2

C. Securitisation transactions

C.1 Securitisation transactions

The information in this Part applies to transactions entered into by the subsidiary Banca Popolare di Spoleto SpA.

Qualitative information

In 2001 and 2003, Banca Popolare di Spoleto has put in place the following securitisations as originator, in accordance with Law 130/99:

a) securitisation of non-performing loans, SPV: Ulisse 4 (operation closed in October 2013);
b) securitisation of performing loans, SPV: Spoleto Mortgages.

Junior securities and subordinated loans

Spoleto Mortgages

1) Excess spread (Deferred Purchase Price)
Amount at 31.12.2014: € 3,895 thousand

2) Subordinated loan in current account
Amount at 31.12.2014: fully collected

The values relating to the loan portfolio sold are reported below:
Original value of the loans sold: € 207,026 thousand
Immediate sale price: € 207,026 thousand
Original deferred price (excess spread): € 8,439 thousand
Gross value of loans sold at 31.12.2014: € 18,051 thousand

The subordinated loans to the SPV Spoleto Mortgages S.r.l. arose from the securitisation of performing loans started in 2003 and completed with retroactive effect, in 2004.

The securitisation was carried out in order to dynamically manage the activities and the necessary resources to continue to develop the long-term loan, in order to direct lending activities to specific production destinations.

As part of this transaction, Banca Popolare di Spoleto SpA (originator) has not signed junior securities, but has subordinated loans (Deferred Purchase Price), which will be refunded subject to the achievement by the vehicle company of a certain level of cash reserve in the order of priority provided for in the Regulation of the security. These loans are booked as loans to customers, being loans granted to the issuer (SPV).

As of 31.12.2014 the SPV has repaid 99.11% of the senior notes. The notes originally issued, and the amounts repaid from time to time, are summarised as follows:

Class A1: € 47,618 thousand - fully repaid
Class A2: € 144,920 thousand - leaving a balance of € 1,707 thousand at 31.12.2014
Class B: € 7,246 thousand - all to be repaid
Class C: € 7,246 thousand - all to be repaid

It should also be noted that, as part of this transaction, a back-to-back swap contract has been entered into, under which Banca Popolare di Spoleto SpA receives, on a quarterly basis, from a third party, the amount received by the SPV during the period as portions of interest on the mortgage loans sold and pays a floating rate + spread (paid by the counterparty to the SPV).

The excess spread (Deferred Purchase Price, the deferred portion of the sale price of the loans) is collected on the basis of the order of payment under the regulation of the securities and the achievement of a minimum threshold of liquidity by the SPV. An assessment of the recoverability of this loan is carried out periodically on the basis of a financial model for estimating expected cash flows.

It should be noted that, on 18 December 2014, the Board of Directors of Banca Popolare di Spoleto approved the early closure of the securitisation by exercising of the "clean-up option", that allows the originator bank to repurchase the portfolio of outstanding loans once this has been reduced to below 10% of the value of the original portfolio. It is therefore expected that the overall transaction will close in the first half of 2015.

Servicing

Servicing performing loans

As regards the securitisation of performing loans, Banca Popolare di Spoleto SpA has a servicing contract with the SPV Spoleto Mortgages for the portfolio sold to it. The main duties associated with this activity are the following:

- administration and management of collections and recoveries of loans sold to the SPV; initiation, management and continuation of court and bankruptcy proceedings in relation to loans that are not considered doubtful; performing any act, transaction or formalities for the management and administration of court and insolvency proceedings relating to any doubtful loans;
- maintaining a single electronic archive for the purpose of money laundering regulations, periodic reports to the Central Risk File and compliance with privacy legislation;
- safekeeping and updating of documents and periodic (monthly and quarterly) reporting on the activities carried out.

Quantitative information

C.1 Banking Group - Exposures arising from securitisation transactions broken down by quality of the underlying assets

p.1

Quality of underlying assets/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets					**3,895**	**3,895**
a) Non-performing						
b) Other					3,895	3,895
B. With underlying assets of third parties						
a) Non-performing						
b) Other	643	643				

C.2 Banking Group - Exposures arising from principal "own" securitisations, broken down by type of securitised asset and by type of exposure

Type of securitised assets/Exposures	Cash exposure						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs	Net exposure	Adjustments/ write-backs
C. Not derecognised																		
Spoleto Mortgages																		
- mortgage loans secured by 1st degree mortgage on residential property					3,895													

C.3 Banking Group - Exposures arising from principal "third party" securitisations broken down by type of securitised asset and by type of exposure

Type of underlying assets/Exposures	Cash exposure						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which: Adj./write-back	Book value	Adj./write-back	Book value	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back	Net exposure	Adj./write-back
A.1 F.I.P 26.04.25 - PROPERTY	643																	

C.4 Banking Group - Exposures to securitisations broken down by portfolio and by type

Exposure/portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Loans and receivables	31.12.2014	31.12.2013
1. Cash exposure			643			643	598
- Senior			643			643	598
- Mezzanine							
- Junior							
2. Off-balance sheet exposures							
- Senior							
- Mezzanine							
- Junior							

C. 5 Banking Group - Total amount of securitised assets underlying the junior securities or other forms of credit support

Assets/Amounts	Traditional securitisations	Synthetic securitisations
A. Own underlying assets	**18,051**	
A.1 Fully derecognised		
1. Doubtful loans		
2. Watchlist loans		
3. Restructured loans		
4. Past due loans		
5. Other assets		
A.2 Partially derecognised		
1. Doubtful loans		
2. Watchlist loans		
3. Restructured loans		
4. Past due loans		
5. Other assets		
A.3 Not derecognised	18,051	
1. Doubtful loans	1,887	
2. Watchlist loans	633	
3. Restructured loans		
4. Past due loans	454	
5. Other assets	15,077	
B. Underlying assets of third parties		
B.1 Doubtful loans		
B.2 Watchlist loans		
B.3 Restructured loans		
B.4 Past due loans		
B.5 Other assets		

C.6 Banking Group - Interests in securitisation SPVs

Name of securitisation /Name of SPV	Registered office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt securities	Other	Senior	Mezzanine	Junior
Spoleto Mortgages S.r.l.	Via V. Alfieri, 1 - Conegliano (TV)	YES (*)	22,979	-	3	1,707	7,246	7,246

(*) only the Separate Assets for which the requirements of effective control apply.

C.8 Banking Group - Servicer activity - collection of securitised loans and redemptions of the securities issued by the securitisation SPV

Servicer	SPV	Securitised assets (end of period)		Collections of loans during the year		Percentage of securities redeemed (end of period)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing loans	Non-performing	Performing loans	Non-performing loans	Performing assets	Non-performing loans	Performing assets	Non-performing loans	Performing assets
Banca Popolare di Spoleto S.p.A.	Spoleto Mortgages S.r.l.	2,974	15,077	-	2,172	-	98.00%	-	0.00%	-	0.00%

E. Asset disposals

E.1 Banking Group - Financial assets sold but not derecognised: book value and full value

Technical forms/Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit			Financial assets available for sale			Financial assets held to maturity			Due from banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.14	31.12.13
A. Cash assets							**158,178**						**6,584**			**1,074**			**165,836**	**263,668**
1. Debt securities							158,178						6,584			1,074			165,836	263,668
2. Equity instruments																				
3. UCITS units																				
4. Loans																				
B. Derivatives																				
Total 31.12.2014							**158,178**						**6,584**			**1,074**			**165,836**	
of which: non-performing																				
Total 31.12.2013							**204,152**			**59,516**										**263,668**
of which: non-performing																				

Key:
A = Financial assets sold and recognised in full (book value)
B = Financial assets sold and recognised in part (book value)
C = Financial assets sold and recognised in part (full value)

E.2 Banking Group - Financial liabilities pertaining to financial assets sold but not derecognised: book value

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1. Due to customers			**157,830**		**7,922**		**165,752**
a) pertaining to assets recognised in full			157,830		7,922		165,752
b) pertaining to assets recognised in part							
2. Due to banks							
a) pertaining to assets recognised in full							
b) pertaining to assets recognised in part							
3. Debt securities in issue							
a) pertaining to assets recognised in full							
b) pertaining to assets recognised in part							
Total 31.12.2014			**157,830**		**7,922**		**165,752**
Total 31.12.2013			**261,177**	**65,030**			**326,207**

F. Banking Group - Credit risk measurement models

Group companies do not use internal portfolio models for measuring exposure to credit risk.

1.2 Banking Group - Market risk

1.2.1 Interest rate risk and price risk - trading portfolio reported for supervisory purposes

Qualitative information

A. General aspects

Unexpected changes in market interest rates, in the presence of differences in maturities and in the timing of interest rate reviews for assets and liabilities, result in a change in the net interest flow and therefore in net interest income (or "interest margin"). In addition, these unexpected fluctuations expose the bank to changes in the economic value of assets and liabilities.

The information in this section refers only to Italian Group companies, as the assets held by the other companies are not significant.

The Group adopted a strategy to consolidate a return in line with budget, while maintaining a low risk profile through a low portfolio duration.

B. Management and measurement of interest rate risk and price risk

In carrying out its responsibilities for management and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., as the Parent Company, issued specific rules on controls to all companies in the Banking Group.

Trading by the Parent Company's Finance Department is undertaken only for the Italian Group banks and is subject to operating limits as set out in the "Risk policy" and in the Consolidated Texts; in order to mitigate market risk, specific limits have been set for size, duration and Value at Risk (VaR). A specific reporting system is the tool used to provide adequate information to the organisational units involved.

The content and frequency of reports depend on the objectives assigned to each participant in the process. Together with the above controls, the Group also uses internal models, assigning the monitoring and measurement of interest rate and price risk to the Parent Company's risk management function, which operates in complete autonomy from both the operational areas and the subsidiaries.

For the quantification of generic risks, the Group has adopted a model based on the concept of Value at Risk (VaR) in order to express synthetically and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and at a specific confidence level under normal market conditions. This method has the advantage of allowing the aggregation of positions involving heterogeneous risk factors; it also provides a summary number which, being a monetary expression, is easily used by the organisational structure involved. The VaR model used is parametric. This is the so-called variance-covariance approach, with delta-gamma type approximation for optional instruments, using a confidence interval of 99% with a period of 10 days, in line with the recommendations set out by the Basel Committee. The model covers the assets, in terms of financial instruments, included in both the management and trading portfolios, as defined in the rules governing supervisory reports and subject to the capital requirements for market risks.

The model uses matrices that contain the standard deviations of each risk factor (interest rates, exchange rates and prices) and their correlations. The calculation of the volatilities and correlations is based on the modelling assuming normality in the daily logarithmic returns of the risk factors, using an exponential weighting based on a decay factor with a time interval of 250 observations. The application used to calculate the VaR is ALMpro, while the financial information needed to determine VaR (volatility, correlations, term structure of interest rates, exchange rates, equity indices and benchmark indices) are provided by RiskSize.

To date, currency and interest rate derivatives and options on equities and indices entered into for trading purposes are excluded from the analysis; in any case, they are treated in the same way as brokerage. The VaR of equities is measured by taking into account the relationship (so-called "beta coefficient") that exists between the performance of an individual instrument to that of its benchmark index (equity index or benchmark index for mutual funds).

Stress tests are carried out through parallel shifts in the yield curve, assuming variations of +/-100 basis points only for positions that are sensitive to interest rates.

The internal model is not used in the calculation of capital requirements for market risk.

Quantitative information

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives   Currency: EURO

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	6	1	245	2	6,435	2	599	
1.1 Debt securities	6	1	245	2	6,435	2	599	
- with early redemption option								
- other	6	1	245	2	6,435	2	599	
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions		3,516	262	441	28,811	44,748	755	
+ Short positions		2,394	1,384	441	27,648	45,725	941	
- Other								
+ Long positions		154,648	7,141	7,858	9,110	408	1,039	
+ Short positions	4,424	151,755	11,144	7,978	1,059	857	1,202	

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives Currency: US DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		77,611	6,429	2,142				
+ Short positions		78,317	6,429	2,142				

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives Currency: POUND STERLING

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		50,303						
+ Short positions		50,699						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives   Currency: SWISS FRANC

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		829		441				
+ Short positions		1,200		441				

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives   Currency: JAPANESE YEN

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		3,402						
+ Short positions		3,408						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives   Currency: CANADIAN DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		1						
+ Short positions		3						

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives Currency: OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other								
+ Long positions		1,424		5,270				
+ Short positions		1,732		5,270				

2. Regulatory trading book: distribution of exposures concerning equities and equity indices by the main countries where they are listed

There are none at the reporting date.

3. Regulatory trading book: internal models and other methodologies used for sensitivity analysis

The monitoring of the "trading portfolio reported for supervisory purposes" in 2014 evidenced a structure with limited market risks. Related VaR at 31.12.2014 amounted to € 0.164 million, with a percentage of 1.77% of the trading portfolio. The scenario analyses carried out in terms of parallel shifts in the yield curve, assuming variations of +/-100 basis points only for positions that are sensitive to interest rates and considering a positive change in interest rates, at 31.12.2014 show a negative impact of € 0.204 million.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The measurement of interest rate risk is performed by the Parent Company's risk management function. This activity is carried out for the Group's Italian banks, which cover almost all of the banking book. The whole of the Group's business associated with the transformation of maturities of assets and liabilities, portfolio securities, treasury operations and the respective hedging derivatives are monitored with Asset and Liability Management (ALM) methods using ALMpro.

The static analysis currently performed allows us to measure the impact of changes in the interest rate structure expressed in terms of the change in the economic value of assets and net interest income. In this context, the results of the banking book for financial statement purposes are also presented, excluding analysis of financial instruments in the trading portfolio for supervisory purposes.

The variability of net interest income, driven by positive and negative changes in interest rates over a period of 365 days, is estimated by the use of GapAnalysis. The changes in the economic value of assets and liabilities are analysed by applying Duration Gap and Sensitivity Analysis approaches.

The analyses are performed through parallel shifts in the yield curve. With simulation analysis it is possible to predict specific scenarios of changes in market interest rates.

B. Fair value hedges

As part of an active and prudent management of the risks associated with operations, the Group only uses fair value hedges and solely on behalf of the Italian banks in the Group, in order to protect the income statement from risks arising from adverse changes in fair value; the objective of a hedge is to offset any changes in the fair value of the hedged instrument with changes in the fair value of the hedging instrument.

To date, hedged instruments relate to both assets (fixed rate mortgage loans granted) and liabilities (bonds issued). As regards assets, various types of hedges represented by Group micro and macro hedges as well as specific micro-hedges have been implemented. As regards liabilities, on the other hand, all hedging involves specific micro-hedges.

For hedging, we use derivatives represented by unlisted securities - mainly interest rate swaps and interest rate options - but only to hedge interest rate risk.

The Parent Company has prepared a model able to manage hedge accounting in accordance with the rules laid down in International Accounting Standards (IAS). The method used by the Parent Company for the effectiveness test is the "dollar offset method" (hedge ratio) on a cumulative basis.

The Group applies the fair value option for certain types of bonds, with the aim of making the entire fair value of the financial instrument more reliable and representative.

C. Cash flow hedges

The Group has not taken out any cash flow hedges.

Quantitative information

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: EURO

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,732,141**	**6,071,033**	**1,058,407**	**359,857**	**1,879,432**	**332,500**	**154,138**	
1.1 Debt securities	1,005	103,153	750,778	168,292	830,663	26,676	4,136	
- with early redemption option		32,079						
- other	1,005	71,074	750,778	168,292	830,663	26,676	4,136	
1.2 Loans to banks	26,387	106,320						
1.3 Loans to customers	1,704,749	5,861,560	307,629	191,565	1,048,769	305,824	150,002	
- current accounts	872,500	930,969	1,888	5,115	67,778	966		
other loans	832,249	4,930,591	305,741	186,450	980,991	304,858	150,002	
- with early redemption option	191,489	4,054,959	254,736	117,336	404,170	138,703	148,734	
- other	640,760	875,632	51,005	69,114	576,821	166,155	1,268	
2. Cash liabilities	**5,703,472**	**2,329,696**	**581,618**	**584,353**	**1,877,181**	**78,098**	**16,029**	
2.1 Due to customers	5,417,261	1,601,548	142,973	151,136	20,570	6,667	13,332	
- current accounts	5,241,714	1,400,745	122,553	133,724	12,719			
other payables	175,547	200,803	20,420	17,412	7,851	6,667	13,332	
- with early redemption option								
- other	175,547	200,803	20,420	17,412	7,851	6,667	13,332	
2.2 Due to banks	267,916	157,233	1,350	13,500	550,172			
- current accounts	50,483							
- other payables	217,433	157,233	1,350	13,500	550,172			
2.3 Debt securities in issue	18,295	570,915	437,295	419,717	1,306,439	71,431	2,697	
- with early redemption option		20,248	44,875					
- other	18,295	550,667	392,420	419,717	1,306,439	71,431	2,697	
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions		7,025	2,175	1,012	3,583	20		
+ Short positions		7,318	1,986	1,003	3,498	12		
3.2 Without underlying								
Options								
+ Long positions		42,262	32,610	38,996	407,279	187,845	79,706	
+ Short positions	35,081	557,750	18,809	5,028	71,767	95,986	4,276	
Other								
+ Long positions		66,240	1,719	5,000	77,460			
+ Short positions	3,725	119,472	1,712	2,547	8,655	3,827	11,141	
4. Other off-balance sheet transactions								
+ Long positions	88,657							
+ Short positions	88,657							

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: US DOLLAR

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**22,679**	**62,172**	**1,284**					
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	22,314	21,417						
1.3 Loans to customers	365	40,755	1,284					
- current accounts	35	3						
other loans	330	40,758	1,284					
- with early redemption option	283	5,220	14					
- other	47	35,538	1,270					
2. Cash liabilities	**80,688**	**4,613**						
2.1 Due to customers	64,009							
- current accounts	64,009							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	16,679	4,613						
- current accounts	16,389							
- other payables	290	4,613						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions		1,812	412					
+ Short positions		1,153	412					
4. Other off-balance sheet transactions								
+ Long positions		4,244						
+ Short positions		4,244						

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: POUND STERLING

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,217**	**2,687**	**81**					
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	523	1,792						
1.3 Loans to customers	694	895	81					
- current accounts	694							
other loans		895	81					
- with early redemption option		29						
- other		866	81					
2. Cash liabilities	**1,085**	**2,177**						
2.1 Due to customers	1,072	1,791						
- current accounts	1,072	1,791						
other payables								
- with early redemption option								
- other								
2.2 Due to banks	13	386						
- current accounts	13							
- other payables		386						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: SWISS FRANC

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**44,836**	**10,287**	**207**					
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	44,010	7,576						
1.3 Loans to customers	826	2,711	207					
- current accounts	47	59						
other loans	779	2,652	207					
- with early redemption option	779	272	207					
- other		2,380						
2. Cash liabilities	**2,504**	**1,747**						
2.1 Due to customers	2,288							
- current accounts	2,288							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	216	1,747						
- current accounts	216							
- other payables		1,747						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions		7,402						
+ Short positions		7,402						

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: JAPANESE YEN

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,408**	**2,815**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	1,177							
1.3 Loans to customers	231	2,815						
- current accounts								
other loans	231	2,815						
- with early redemption option								
- other	231	2,815						
2. Cash liabilities	**144**	**3,752**						
2.1 Due to customers	144							
- current accounts	144							
other payables								
- with early redemption option								
- other								
2.2 Due to banks		3,752						
- current accounts								
- other payables		3,752						
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

1. Banking book: distribution by residual duration (based on repricing date) of financial assets and liabilities
Currency: OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**2,232**	**498**						
1.1 Debt securities								
- with early redemption option								
- other								
1.2 Loans to banks	2,203	498						
1.3 Loans to customers	29							
- current accounts	29							
other loans								
- with early redemption option								
- other								
2. Cash liabilities	**1,441**							
2.1 Due to customers	1,418							
- current accounts	1,418							
other payables								
- with early redemption option								
- other								
2.2 Due to banks	23							
- current accounts	23							
- other payables								
2.3 Debt securities in issue								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
3.2 Without underlying ...								
Options								
+ Long positions								
+ Short positions								
Other								
+ Long positions								
+ Short positions								
4. Other off-balance sheet transactions								
+ Long positions								
+ Short positions								

2. Banking book - internal models and other methodologies for the analysis of sensitivity

The Group's operational and strategic approach is to consider the volatility of the interest margin and the overall economic value of own funds.

The risk exposure does not present any critical issues and remains within the limits laid down in the prudential supervisory regulations. However, the distribution of financial statement items in terms of maturity and repricing date presents some peculiarities arising from the inclusion of Banca Popolare di Spoleto within the Group. In particular, for the latter, note that the inability - during the period of receivership - to issue new bonds, with a consequent increase in demand and short-term deposits, led to a physiological decrease in the average duration of the liabilities, whereas the assets did not undergo any substantial changes in terms of average duration with a share of fixed-rate components, made up of both government bonds and mortgages maturing in the medium/long term.

The following table shows the results of the impact on the interest margin - from a static perspective and in the absence of behavioural models for demand items - of the analyses carried out at 31 December 2014, assuming a parallel shift in the yield curve, and considering the time effect of repricing.

Risk ratios: parallel shifts in the yield curve at 31.12.2014

	+100 bps	*-100* bps
% of the expected margin	*3.74%*	*-12.67%*
% of net interest and other banking income	*2.53%*	*-8.56%*
% of result for the year	*18.31%*	*-61.96%*
% of shareholders' equity	*0.84%*	*-2.84%*

1.2.3. EXCHANGE RISK

Qualitative information

A. General aspects, management and measurement of exchange risk

The Group is exposed to exchange risk as a result of its trading activities in foreign exchange markets and investment activities and fundraising with instruments denominated in a currency other than the domestic one.

The exposure to exchange risk is marginal. As regards only the Italian banks, forex operations are managed by the Operations Room of the Parent Company's Finance Department.

Exchange rate risk is managed through operating limits, both by currency areas and by concentration on each currency. In addition, daily and yearly stop-loss operating limits have been set.

B. Hedging of exchange risk

The Group's main objective is to manage exchange risk in a prudent manner, always taking into consideration the possibility of taking advantage of any market opportunities. Transactions that involve taking on exchange risk are managed through appropriate hedging strategies.

Quantitative information

1. Distribution by currency of denomination of assets, liabilities and derivatives

Captions	US Dollar	Pound Sterling	Yen	Swiss Franc	Other currencies
A. Financial assets	**86,141**	**5,776**	**4,223**	**55,326**	**2,730**
A.1 Debt securities					
A.2 Equity instruments					
A.3 Loans to banks	43,731	4,106	1,177	51,586	2,701
A.4 Loans to customers	42,410	1,670	3,046	3,740	29
A.5 Other financial assets					
B. Other assets	**365**	**337**	**25**	**177**	**68**
C. Financial liabilities	**85,300**	**5,053**	**3,896**	**4,259**	**1,976**
C.1 Due to banks	21,291	2,190	3,752	1,971	23
C.2 Due to customers	64,009	2,863	144	2,288	1,953
C.3 Debt securities					
C.4 Other financial liabilities					
D. Other liabilities	**432**	**7**		**81**	
E. Financial derivatives					
- Options					
+ Long positions					
+ Short positions					
- Other					
+ Long positions	88,404	50,303	3,402	1,270	6,694
+ Short positions	88,452	50,699	3,408	1,641	7,000
Total assets	**174,910**	**56,416**	**7,650**	**56,773**	**9,492**
Total liabilities	**174,184**	**55,759**	**7,304**	**5,981**	**8,976**
Net balance (+/-)	**(726)**	**(657)**	**(346)**	**(50,792)**	**(516)**

2. Internal models and other methodologies for the analysis of sensitivity

The Group's exchange risk profile is not particularly significant, given the limited foreign currency exposure of the main asset and liability items and the related hedges put in place through the use of financial derivatives.

1.2.4 Financial instruments

A. Financial derivatives

A.1 Regulatory trading book: notional values at the end of period and average notional values

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**59,537**			
a) Options	8,936			
b) Swap	50,601			
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices		**36**		**33**
a) Options		36		33
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold	**290,920**		**115,222**	
a) Options				
b) Swap				
c) Forward	290,920		115,222	
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**350,457**	**36**	**115,222**	**33**
Average amounts	**88,198**	**36**	**8,771**	**33**

A.2 Banking book: period-end notional values

A.2.1 Hedging

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**139,852**		**189,217**	
a) Options	13,749			
b) Swap	126,103		189,217	
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**139,852**		**189,217**	
Average amounts	**140,791**		**189,217**	

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**68,700**		**103,700**	
a) Options	45,800		65,800	
b) Swap	22,900		37,900	
c) Forward				
d) Futures				
e) Other				
2. Equities and equity indices				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currency and gold	**3,789**			
a) Options				
b) Swap				
c) Forward	3,789			
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**72,489**		**103,700**	
Average amounts	**71,304**		**103,700**	

A.3 Financial derivatives: positive gross fair value – breakdown by product

Portfolio/Type of derivatives	Positive fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**8,352**	**36**	**497**	**33**
a) Options	49	36		33
b) Interest rate swaps	6,161			
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	2,142		497	
f) Futures				
g) Other				
B. Banking book - hedging	**8,372**		**5,052**	
a) Options	20			
b) Interest rate swaps	8,352		5,052	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**1,488**		**1,541**	
a) Options				
b) Interest rate swaps	1,339		1,541	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	149			
f) Futures				
g) Other				
Total	**18,212**	**36**	**7,090**	**33**

A.4 Financial derivatives: positive gross fair value – breakdown by product

Portfolio/Type of derivatives	Negative fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**3,146**		**480**	
a) Options	12			
b) Interest rate swaps	1,010			
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	2,124		480	
f) Futures				
g) Other				
B. Banking book - hedging	**6,717**		**2,894**	
a) Options				
b) Interest rate swaps	6,717		2,894	
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**113**			
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity Swaps				
e) Forwards	113			
f) Futures				
g) Other				
Total	**9,976**		**3,374**	

A.5 OTC financial derivatives - regulatory trading book: notional values, positive and negative gross fair values by counterparty - contracts that do not form part of compensation arrangements

Contracts that do not form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value			40,096			1,615	
- positive fair value			6,146			40	
- negative fair value			1,021				
- future exposure			184			8	
2. Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3. Currency and gold							
- notional value			140,630	99,798		25,777	24,715
- positive fair value			614	767		580	181
- negative fair value			1,376	112		532	104
- future exposure			1,406	998		258	232
4. Other instruments							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.6 OTC financial derivatives - trading portfolio for supervisory purposes: notional values, positive and negative gross fair values by counterparty - contracts that form part of compensation arrangements

Contracts that form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value			17,826				
- positive fair value (before offsetting)			24				
- negative fair value (before offsetting)							
2. Equities and equity indices							
- notional value							
- positive fair value (before offsetting)							
- negative fair value (before offsetting)							
3. Currency and gold							
- notional value							
- positive fair value (before offsetting)							
- negative fair value (before offsetting)							
4. Other instruments							
- notional value							
- positive fair value (before offsetting)							
- negative fair value (before offsetting)							

A.7 OTC financial derivatives - banking book: notional values, positive and negative gross fair values by counterparty - contracts that do not form part of compensation arrangements

Contracts that do not form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value			31,676				
- positive fair value			4,586				
- negative fair value			941				
- future exposure			258				
2. Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3. Currency and gold							
- notional value			2,553			1,235	
- positive fair value			38			111	
- negative fair value			113				
- future exposure			26			12	
4. Other instruments							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.8 OTC financial derivatives - banking book: notional values, positive and negative gross fair values by counterparty - contracts that form part of compensation arrangements

Contracts that form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value			176,876				
- positive fair value			5,307				
- negative fair value			5,957				
2. Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
3. Currency and gold							
- notional value							
- positive fair value							
- negative fair value							
4. Other instruments							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual life of OTC financial derivatives: notional values

Underlying/Residual life		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes		**310,020**	**11,550**	**28,886**	**350,456**
A.1 Financial derivatives linked to debt securities and interest rates		19,100	11,550	28,886	59,536
A.2 Financial derivatives linked to equities and stock indices					
A.3 Financial derivatives linked to exchange rates		290,920			290,920
A.4 Financial derivatives linked to other instruments					
B. Banking book		**51,710**	**133,308**	**27,323**	**212,341**
B.1 Financial derivatives linked to debt securities and interest rates		47,921	133,308	27,323	208,552
B.2 Financial derivatives linked to equities and stock indices					
B.3 Financial derivatives linked to exchange rates		3,789			3,789
B.4 Financial derivatives linked to other instruments					
Total	**31.12.2014**	**361,730**	**144,858**	**56,209**	**562,797**
Total	**31.12.2013**	**279,822**	**128,317**		**408,139**

B. Credit derivatives

B.1 Credit derivatives: notional values at the end of period and average notional values

Type of transaction	Trading portfolio for supervisory purposes		Banking book – other contracts	
	on a single entity	on baskets of entities	on a single entity	on baskets of entities
1. Purchases of protection				
a) Credit default products				
b) Credit spread products				
c) Total rate of return swaps				
d) Other				
Total 31.12.2014				
Average amounts				
Total 31.12.2013				
2. Sales of protection				
a) Credit default products	25,000			
b) Credit spread products				
c) Total rate of return swaps				
d) Other				
Total 31.12.2014	**25,000**			
Average amounts	**25,000**			
Total 31.12.2013	**25,000**			

B.2 OTC credit derivatives: positive gross fair value - breakdown by product

Portfolio/Type of derivatives	Positive fair value	
	31.12.2014	31.12.2013
A. Trading portfolio for supervisory purposes	61	164
a) Credit default products	61	164
b) Credit spread products		
c) Total rate of return swaps		
d) Other		
B. Banking book		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swaps		
d) Other		
Total	**61**	**164**

B.4 OTC credit derivatives: positive and negative gross fair values by counterparty - contracts that do not form part of compensation arrangements

Contracts that do not form part of compensation arrangements	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
Regulatory trading							
1. Purchase of protection							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2. Sale of protection							
- notional value			25,000				
- positive fair value			61				
- negative fair value							
- future exposure			2,500				
Banking book							
1. Purchase of protection							
- notional value							
- positive fair value							
- negative fair value							
2. Sale of protection							
- notional value							
- positive fair value							
- negative fair value							

B.5 OTC credit derivatives: positive and negative gross fair values by counterparty - contracts that form part of compensation arrangements

There are no such contractual arrangements at the reporting date.

B.6 Residual life of credit derivatives: notional values

Underlying/Residual life		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes		**25,000**			**25,000**
A.1 Credit derivatives with qualified reference obligation		25,000			25,000
A.2 Credit derivatives with unqualified reference obligation					
B. Banking book					
B.1 Credit derivatives with qualified reference obligation					
B.2 Credit derivatives with unqualified reference obligation					
Total	**31.12.2014**	**25,000**			**25,000**
Total	**31.12.2013**		**25,000**		**25,000**

C. Financial and credit derivatives

C.1 OTC Financial and credit derivatives: net fair values and future exposure by counterparty

	Government and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1) Bilateral financial derivative			**4,536**				
- positive fair value			4,123				
- negative fair value							
- future exposure			413				
- net counterparty risk							
2) Bilateral credit derivative							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3) Cross product agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

1.3. Banking Group - Liquidity risk

Qualitative information

A. General aspects, management and measurement of liquidity risk

Liquidity risk is managed by the Parent Company's Finance Department with the aim of verifying the Group's ability to meet liquidity needs, avoiding situations of excessive and/or insufficient cash, resulting in the need to invest and/or raise funds at less favourable rates than the market.

The monitoring of and periodic reporting on liquidity risk is carried out by the Parent Company's Risk Management Office in compliance with the threshold of tolerance for this kind of risk as determined by the Policy for the management of liquidity risk. Treasury activities consist of procuring and allocating available liquidity through the interbank market, open market operations and transactions in repurchase agreements and derivatives.

The management of operational liquidity has the objective of ensuring the Group is capable of meeting expected and unexpected payment commitments in the context of the "normal course of business" (going concern) over a short term time horizon that does not exceed 3 months. The scope of reference of the daily report on operating liquidity refers to items with a high level of volatility and a considerable impact on the monetary base. The monitoring and control of operating limits is carried out through the acquisition of information resulting from collection and payment transactions, management of accounts for services and trading in the financial instruments held in proprietary portfolios.

The counterbalancing capacity model allows us to integrate the report with all of the free assets that can readily be used, both to be eligible for refinancing with the ECB and to be sold. Next to the application of haircuts determined by the ECB for eligible securities, appropriate discount factors are prepared (divided by type of security, rating and currency), also for all securities not eligible, but still considered marketable if appropriately positioned in time buckets.

Further support for the management of liquidity risk is derived from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between assets and liabilities in the medium to long term.

Operations are measured using Asset and Liability Management (ALM) methods through the ALMpro application: by developing all of the cash flows generated by operations, it allows us to evaluate and manage in the various time periods any liquidity requirement that the Bank may encounter due to imbalances between inflows and outflows.

The analysis of the overall structural liquidity is developed on a monthly basis using the technique, i.e. showing imbalances by date of liquidation of capital flows over a set time horizon.

In order to evaluate the impact of the negative events on the risk exposure, stress tests are performed at consolidation level. In particular, the events considered are:

- outflow from overdrafts repayable on demand considered non core;
- lack of inflow from contractual lending (mortgage loans, leasing, personal loans) due to unpaid instalments;
- decrease in value of the owned securities portfolio (Available for Sale – AFS);
- repurchase of Bonds issued by the Group;
- use of available facilities for revocable lines of credit (call risk);
- increase in haircuts applied to eligible owned securities that fall within ECB Category I (government bonds).

On completion of the analysis, three types of scenarios are created:

1. Idiosyncratic, defined as a loss of confidence by the Group's market;
2. Market, defined as a loss arising from exogenous events and from the impact of a general economic downturn;
3. Combined, being a combination of scenarios 1 and 2.

The time horizon for the simulation of all scenarios is 1 month, a period in which the Group would have to cope with the crisis before commencing structural interventions.

Particular attention is paid to funding policy, which is coordinated by the Finance Department of the Parent Company by organising bond issues on the retail market and on the Euromarket. The financing strategies adopted by the Group are focused on a subdivision of funding sources, with a preference for retail as opposed to wholesale customers, as well as on a significant number of counterparties and thus ensuring an adequate diversification of the residual maturities of liabilities.

Self-securitisation transactions

Note that on 9 December 2011, Banca Popolare di Spoleto completed a self-securitisation, which led to the sale of a package of Euro 425 million of residential mortgages to the SPV "Spoleto Mortgages 2011 - Società per la Cartolarizzazione Srl".

The SPV issued Euro 320 million of senior notes and Euro 105 million of junior notes on 6 March 2012; the securities were purchased entirely by Banca Popolare di Spoleto, which therefore holds 100% of the securities issued by the SPV. At 31 December 2014, the nominal residual values of these notes amounted to approximately Euro 313 million

Quantitative information

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: EURO

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,978,982**	**222,534**	**61,584**	**341,268**	**840,929**	**434,793**	**802,488**	**4,375,910**	**2,791,727**	**81,316**
A.1 Government securities	3		281		4,106	7,013	167,576	1,286,501	253,612	
A.2 Other debt securities	99		7,542	313	3,884	36,817	22,116	73,264	10,169	
A.3 UCITS units	46,247									
A.4 Loans	1,932,633	222,534	53,761	340,955	832,939	390,963	612,796	3,016,145	2,527,946	81,316
- Banks	30,479			10,000	15,005					81,316
- Customers	1,902,154	222,534	53,761	330,955	817,934	390,963	612,796	3,016,145	2,527,946	
Cash liabilities	**6,538,218**	**154,107**	**89,669**	**481,680**	**635,897**	**447,016**	**686,942**	**2,085,265**	**96,997**	
B.1 Current accounts and deposits	6,494,497	45,526	50,840	78,718	238,881	143,446	152,466	16,317		
- Banks	57,069		5,004							
- Customers	6,437,428	45,526	45,836	78,718	238,881	143,446	152,466	16,317		
B.2 Debt securities	18,638	15,521	38,829	142,642	237,433	297,156	528,747	1,486,188	75,648	
B.3 Other liabilities	25,083	93,060		260,320	159,583	6,414	5,729	582,760	21,349	
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		10,575	1,168	124,835	5,221	8,602	8,674	3,479	20	
- Short positions		9,721	1,188	124,808	5,217	8,414	8,657	3,393	12	
C.2 Financial derivatives without exchange of capital										
- Long positions	6,210			671	3,812	1,657	5,118	3,132	2,436	
- Short positions	997			8,248	6,431	400	658			
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions	997		44	64	259	2,084	370	10,935	3,008	
- Short positions	97,590									
C.5 Financial guarantees given	42				28	50	207	4,001		
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions	61									
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: US DOLLAR

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**22,684**	**21,750**	**9,447**	**6,727**	**24,611**	**1,298**			**12**	
A.1 Government securities										
A.2 Other debt securities									12	
A.3 UCITS units										
A.4 Loans	22,684	21,750	9,447	6,727	24,611	1,298				
- Banks	22,314	21,419								
- Customers	370	331	9,447	6,727	24,611	1,298				
Cash liabilities	**80,688**	**4,613**								
B.1 Current accounts and deposits	80,398	4,613								
- Banks	16,389	4,613								
- Customers	64,009									
B.2 Debt securities										
B.3 Other liabilities	290									
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		2,357	1,213	71,987	3,865	6,840	2,142			
- Short positions		2,404	1,213	71,990	3,865	6,840	2,142			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions		4,244								
- Short positions		4,244								
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: POUND STERLING

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,218**			**312**	**4,177**	**82**				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	1,218			312	4,177	82				
- Banks	523				3,589					
- Customers	695			312	588	82				
Cash liabilities	**1,085**	**385**			**1,796**					
B.1 Current accounts and deposits	1,085	385			1,796					
- Banks	13	385			3					
- Customers	1,072				1,793					
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		97		50,206						
- Short positions		493		50,206						
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: SWISS FRANC

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**44,103**	**7,628**	**310**	**269**	**2,092**	**209**	**56**	**397**	**287**	
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	44,103	7,628	310	269	2,092	209	56	397	287	
- Banks	44,010	7,569								
- Customers	93	59	310	269	2,092	209	56	397	287	
Cash liabilities	**2,504**		**1,747**							
B.1 Current accounts and deposits	2,504		1,747							
- Banks	216		1,747							
- Customers	2,288									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		81		250	499		441			
- Short positions		452		250	499		441			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions		7,402								
- Short positions		7,402								
C.5 Financial guarantees given	53									
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual maturity - Currency: JAPANESE YEN

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,408**		**2,488**	**80**	**254**					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	1,408		2,488	80	254					
- Banks	1,177									
- Customers	231		2,488	80	254					
Cash liabilities	**144**	**3,752**								
B.1 Current accounts and deposits	144	3,752								
- Banks		3,752								
- Customers	144									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		44		3,357						
- Short positions		50		3,357						
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: CANADIAN DOLLAR

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**70**	**498**								
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	70	498								
- Banks	70	498								
- Customers										
Cash liabilities	**535**									
B.1 Current accounts and deposits	535									
- Banks										
- Customers	535									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		1								
- Short positions		3								
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1. Distribution of financial assets and liabilities by residual contractual duration - Currency: OTHER CURRENCIES

Captions/Residual duration	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**2,191**									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	2,191									
- Banks	2,162									
- Customers	29									
Cash liabilities	**1,441**									
B.1 Current accounts and deposits	1,441									
- Banks	23									
- Customers	1,418									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions		69	70	460	824		5,270			
- Short positions		395	49	460	824		5,270			
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- Long positions										
- Short positions										
C.8 Credit derivatives without exchange of capital										
- Long positions										
- Short positions										

1.4 Banking Group – Operational risk

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, inclusive of legal risk (see EU regulation 575/2013).

Banco Desio e della Brianza Group uses the above definition of operational risk within the operational risk management model that has been approved and embodied within corporate policy.

In this regard,a specific operational risk management macro-process (ORM framework) has been designed that consists of the following phases:

I. Identification: recognition, collection and classification of information relating to operational risks;

II. Measurement: economic measurement of operational risks linked to the Bank's operations;

III. Monitoring and reporting: collection and structured organisation of the results in order to monitor the evolution of operational risk exposure;

IV. Mitigation and control: risk transfer and improvement of business processes.

To support the operational risk management model, the following processes have been formalised:

- Loss Data Collection – structured process for gathering data on operational losses arising within the Bank (active since 2007);
- Risk Self Assessment – structured process for the measurement of operational risks designed to have complete vision of risk events in terms of the potential impact and the worst case impact.

The Parent Company's Risk Management Office applied company regulations to structure an adequate monitoring and reporting system for operational risk by integrating it with the dictates of the supervisory regulations about the provisions regarding coordination between control functions. With respect to the detrimental events gathered in the Corporate Database of Operational Losses (DBPOA), a reporting system was implemented some time ago that is capable of providing information concerning the events in question: number of events, amount of losses, gross and net of any recoveries, at predefined intervals.

With a view to better integration between the different control functions in the field of operational risk management and IT risk, the Bank purchased a defined integrated Governance Risk and Compliance (GRC) procedure, which is currently being set up.

In compliance with the Bank of Italy's provisions (former circular 263/06 section 8 and 9), Banco Desio set up the Security and ICT Governance Function and adopted the following procedures:

1. Security Management;
2. Accident Management;
3. IT Risk Assessment.

As regards the management of risks impacting Banco Desio's business continuity, a Business continuity plan has been prepared: measures were drawn up to identify services deemed to be vital for the business, system documentation was prepared to support operations (operating procedures for emergency management and recovery), a Business Continuity site was prepared in Bologna (under construction), as an alternative to that for normal business operations, to be used in the event of an emergency and for testing purposes. The measures adopted for business continuity management and for the oversight of the IT provider were updated.

As regards BPS, activities were initiated to comply with the model of operational risk management adopted by the Parent Company. These activities will be completed during 2015.

For risk management of criminal offences pursuant to Legislative Decree 231/2001 "Regulation of the administrative liability of legal entities, companies and associations with or without legal personality", the Group has adopted an organisational model for the prevention thereof. The supervision of the effective implementation of the aforementioned models has been assigned to specific bodies.

The Banco Desio e della Brianza Group, as part of its day-to-day operations, has been involved in legal proceedings for which specific loss estimates have been made when deemed appropriate by the competent corporate functions. A summary table of legal disputes with the related provisions is shown below:

CLAW-BACK SUITS

Number	30
Claim	€ 26.501 million
Provision	€ 4.425 million

OTHER LAWSUITS

Number	403
Claim	€ 118.079 million
Provision	€ 12.036 million

SIGNIFICANT LAWSUITS (CLAIMS HIGHER THAN € 1 MILLION)

- Plaintiff FAIRFIELD: CLAIM € 2.692 million. Judicial procedure initiated by Fairfield Sentry Limited Fund brought before the United States Bankruptcy Court for the Southern District of New York against Banco di Desio e della Brianza S.p.A. in its capacity as custodian bank of a mutual fund managed by an Italian asset management company. This legal action is aimed at the recovery of payments made between 2005 and 2008 of a total amount of $3,853,221.77 by Fairfield Fund (put into liquidation as a result of the well known events involving Bernard L. Madoff) to Banco di Desio e della Brianza S.p.A. (in its capacity as custodian bank) on behalf of the aforementioned mutual fund. Banco di Desio e della Brianza S.p.A. acted as a mere intermediary in the relationship between Fairfield Fund and the aforementioned mutual fund;

- CLAIM € 1.833 million. Litigation initiated by the user of a property leased by the Bank to seek invalidation of the effects of certain clauses of the lease agreement, as well as the reimbursement of € 1.833 million, being an amount allegedly paid by the counterparty as a penalty for the termination of the agreement. The Bank appeared before the court to request that the claims be dismissed given that the disputed clauses were expressly approved by the company, while the claim for damages was based on the erroneous assumption that the amount of € 1,833 million was paid as a penalty, whereas it was an advance payment of lease instalments for the use of the leased property. After filing briefs, the case was adjourned, with closing arguments to be presented with no further investigation at the hearing scheduled for 15.06.2016;

- CLAIM € 1.150 million The counterparty opposed our injunction with a simultaneous counterclaim. During the hearing, the court appointed expert witness declared that Banco di Desio e della Brianza S.p.A. had acted correctly. The judgement of the Court of First Instance, which went in favour of Banco di Desio e della Brianza S.p.A., was appealed against. The decision of the Court of Appeal was to reject the counterparty's appeal and to fully accept the motives submitted in defence of the Bank. However, Banco di Desio e della Brianza S.p.A. will continue to appear in court. The hearing was postponed to 26.05.2015 for the closing arguments;

- CLAIM € 45.608 million. By writ of summons, the counterparty in Extraordinary Administration brought legal proceedings against Banco di Desio e della Brianza S.p.A. and 18 other banks, with which it had current accounts, seeking an order for payment, jointly and severally, of an amount of € 45.608 million as compensation for damages for predatory lending and for the payment of damages attributable to each defendant. Banco di Desio e della Brianza S.p.A. appeared before the court. The court issued judgement in 2011 stating that the plaintiff lacked the capacity to sue and offset the litigation costs. By writ of summons, the counterparty appealed against the above mentioned judgement, resubmitting substantially the same arguments as those put before the Court of First Instance. Having set out the conclusions, the suit is now pending a decision;

- CLAIM: € 2 million - By writ of summons, the counterparty brought legal proceedings against Banco di Desio e della Brianza S.p.A. to seek a declaration of ineffectiveness against the creditors associated with remittances made to the company's current account in the year prior to the issue of declaratory judgement of insolvency. The Court of First Instance partially upheld the demands of the bankrupt party and ordered Banco di Desio e della Brianza S.p.A. to return an amount that was lower than the claim. The counterparty lodged an appeal. Banco di Desio e della Brianza S.p.A., in order to avoid notification of a payment injunction, paid the amount fixed by the judgement made by the Court of First Instance, comprising capital, interest and legal fees, subject to restitution based on the outcome of the appeal proceedings. Having set out the conclusions, the suit is now pending a decision;

- CLAIM € 1.103 million. Bankruptcy clawback action aimed at the clawback of the payment of the purchase price for a fixed asset owned by Banco di Desio e della Brianza S.p.A. and leased to the counterparty plus amounts paid into a current account. The receiver is of the belief that the payments were made by abnormal means (art. 65 of the Bankruptcy Law) since the cheques that were cashed were made out to the counterparty and not to Banco di Desio e della Brianza S.p.A. The Court of First Instance's judgement went completely in favour of Banco di Desio e della Brianza S.p.A., but the receiver lodged an appeal, prior to the deadline, with the Milan Court of Appeal. The next hearing has been scheduled for 09/07/2015 to discuss the conclusions;

- CLAIM € 2.784 million. This case was initiated with a writ of summons which contested the application of interest that was higher than legal and usury rates and which made a claim for expenses, recognition of value dates and for fees and commissions that were never agreed. The judge appointed an expert witness who has produced drafts of the report: the papers filed by the expert witness are favourable to the Bank;

- CLAIM € 1.565 million. This case was initiated with a writ of summons which contested the application of interest that was higher than legal and usury rates and which made a claim for expenses, recognition of value dates and for fees and commissions that were never agreed. The judge appointed an expert witness who has produced drafts of the report: the papers filed by the expert witness are favourable to the Bank.

- CLAIM € 10.000 million. The company opposed the injunction by asking, in addition to the withdrawal of the injunction, for the payment by the former Banco Desio Lazio of an amount of Euro 10 million for damages sustained by way of capital reduction and for damage to the company's reputation. The claim for damages was justified by the counterparty as a consequence of an illegitimate withdrawal of banking facilities and for having been consequently reported to Central Risks. The case was adjourned, with closing arguments to be presented at the hearing scheduled for 21/1/2016;

- CLAIM € 3 million: the receivership summoned Banca Popolare di Spoleto S.p.A. to appear before the Court of Terni, assuming that the overall exposure to the lending banks and the compromised nature of the financial statements should have led the bank to refrain from granting credit, so the Bank's operations would have allowed the party to remain on the market and delay the declaration of bankruptcy. The Bank opposed by pleading the invalidity of the summons from various points of view, the statute of limitations for claims and the Official Receiver's lack of legal standing. The judge approved the conclusions without accepting the preliminary motions. The next hearing is scheduled on 02/10/2015 for the debate;

- CLAIM € 1.933 million: the receivership summoned Banca Popolare di Spoleto S.p.A. to appear before the Court of Terni, assuming that the overall exposure to the lending banks and the compromised nature of the financial statements should have led the bank to refrain from granting credit, so the Bank's operations would have allowed the party to remain on the market and delay the declaration of bankruptcy. The Bank appeared in court to defend itself, arguing that the credit lines granted were very low (maximum € 60 thousand), so lacking any causal link for the allegation of abusive concession of credit. The Official Receiver's legal standing was also contested. We are waiting for the date of the next hearing to be set;

- CLAIM € 4.7 million: the Receivership summoned Banca Popolare di Spoleto S.p.A. before the Court of Perugia for it to be ordered to refund Euro 4.7 million. The Receiver assumes that the Bank permitted an abnormal transaction to be carried out by a person not entitled to do so on behalf of the company. The Bank appeared in court and disputed the legal standing of the Receiver and the total groundlessness of the *an* and the *quantum*. According to our consultant, there is no causal link between BPS's conduct and the company's bankruptcy that they claim led to damages of Euro 4.7 million;

- CLAIM € 2.294 million: by writ of summons, the company sued Banca Popolare di Spoleto S.p.A. before the Court of Spoleto to obtain the nullity of a contractual clause that provides for compound interest and maximum overdraft charges on current accounts. The company also disputes the application of default interest on mortgage loans. Pending judgment, the company was declared bankrupt. The Receivership has continued the bankrupt company's claim. The Bank pleaded the lateness of the resumption/continuation and, in the alternative, the inadmissibility of the claim as bankruptcy had been declared in the meantime, given that the bank's loan had been included in the company's liabilities. The Judge reserved judgment on the above exceptions;

- CLAIM € 1.461 million: with an appeal served on 19/12/13, a former employee appealed against the recess, answering and analysing in greater detail the individual complaints, the justifications previously provided, asking for Banca Popolare di Spoleto S.p.A. to be condemned to pay the salary disparity allegedly not paid, his re-employment or, in the alternative, an order to pay damages. The Bank appealed, arguing the legality of the dismissal which was for serious acts performed by the former employee. The next hearing is scheduled for 26/03/15 for investigative measures;

- CLAIM € 1.573 million: the receivership summoned Banca Popolare di Spoleto S.p.A. to obtain an ordinary revocation of two sale agreements of loans to the City of Umbertide. The two sales were notified two years before the bankruptcy; the Receivership would have to have proven that the Bank deliberately carried out an act detrimental to other creditors or that there was a *consilium fraudis* between the Bank and the borrower, but the judge rejected the preliminary motions of the Receivership and scheduled the hearing of the conclusions for 25/04/2015;

- CLAIM € 10.421 million: the extraordinary administration procedure of the counterpart has proposed action to set aside ex art. 67 of the Bankruptcy Law to obtain the restitution of Euro 10,412,000. The subject of the application is made by remittances collected in the period between 14 October 2007 and 14 October 2008 (i.e. in the year prior to admission to the extraordinary administration procedure) on accounts held by the counterparty at Banca Popolare di Spoleto S.p.A. By a decision announced on 5/12/12, the Judge revoked the order by which the expert witness's report was permitted, upholding the decadence/prescription exception raised by us. The suit was decided accordingly on 28/01/2015;

- CLAIM € 7.310 million: with a writ notified on 07/11/2013, the Receivership summoned Banca Popolare di Spoleto S.p.A. together with Banca delle Marche and Monte dei Paschi di Siena before the Court of Perugia to hear ascertained and declared invalid and/or ineffective and/or unenforceable as the receiver of the sale of the loan and, therefore, to hear them condemned, jointly and severally, to pay the sum. The application seems totally unfounded as confirmed by the counsel that we appointed to appear in court. On 2/12/2009, and therefore about three years before the declaration of bankruptcy (judgment 21/03/2013), Banca Popolare di Spoleto, together with the two other banks, granted a line of credit to the bankrupt company, usable in the technical form of an advance on contracts to public entities and/or public administration, for an amount of Euro 1,000,000.00 for each bank; the deed of transfer expressly mentioned the revolving nature of the advance granted. An examination of the statements of account shows the revolving nature of the loans granted, all drawn down by the customer. The documented loan constitutes the consideration for the sale. Basically, the syndicate of banks provided money, or funded the bankrupt company that was able to honour most of its contractual obligations towards the Civil Protection Department, consisting of works contracted out to it.

TAX LITIGATION

We have the following to say about the Group's outstanding litigation with the Tax Authorities.

With reference to the tax assessments for 2008, which were disclosed in the notes to the 2013 financial statements:

- on 17 January 2014, the Bank complied with the assessment with respect to VAT, by accepting the findings and by paying the amounts assessed in full;
- on 23 May 2014, a tax settlement proposal was agreed for the IRES assessment concerning the treatment of writedowns and loan losses. The settlement was effective as of 5 June 2014 on payment of the agreed amount. The amounts paid are summarised below:

year	tax	additional tax	penalties (reduced to	interest	total paid
2008	VAT	343		57	400
	Ires	251	84	43	378
Total		594	84	100	778

The VAT amounts paid were recharged to the asset management companies in accordance with the provisions of art. 60 para. 7 of Presidential Decree 633/72. As regards the amounts of IRES, the settlement involved making undue tax payments with respect to tax periods preceding and following the one investigated; the additional tax was therefore accounted for as recoverable from the Tax Authorities (recoverable, in part, by filing a claim for a refund and, in part, by deducting it from tax payable in future tax periods); the penalties and interest were recognised as costs, which were debited to the provision for risks and charges that had already been set up in the 2013 financial statements.

As regards the issue of having allegedly claimed foreign status without justification for the foreign subsidiaries Brianfid SA in liquidation, CPC SA in liquidation and Rovere SdG, for which disclosure was provided in the explanatory notes to the 2013 financial statements:

- regarding Brianfid SA in liquidation:
  - ✓ on 12 May 2014 payment was made of the amount due under the tax settlement in relation to the notice of assessment issued to the subsidiary Brianfid SA via the former General Manager, Mr Claudio Broggi (General Manager of the Bank, whose employment relationship has since been terminated), in his capacity as alleged *de facto* director of Brianfid SA in liquidation, for the 2003 tax year;
  - ✓ on 30 May 2014, the Monza and Brianza Regional Tax Office issued Mr Claudio Broggi with notices of assessment relating to the tax years 2005 to 2009 (the tax years 2004, 2010 and 2011 were not subject to inspection as losses were posted for the years in question). The amounts assessed have been revised by the Tax Authorities, as was the case for the 2003 tax year, after having taken account of the foreign tax

already paid by the subsidiary and the regime providing for tax relief on capital gains and dividends received, thus reducing the tax disputed by the Tax Police in their official report of findings. On 27 June 2014 a tax settlement proposal was reached and payment was made of the amounts due for tax, interest and penalties that were reduced to one sixth due to having tacitly agreed to the assessments.

The amounts paid, which completely settled the assessments, as a result of the settlement agreement for 2003 and the acceptance of the assessments for the subsequent years are as follows:

year	tax	additional tax	penalties	interest	total
2003	Ires	138	56	43	237
	Irap	103	41	32	176
2005	Ires	33	7	8	48
	Irap	60	12	16	88
2006	Ires	495	99	115	709
	Irap	101	20	23	144
2007	Ires	410	82	83	575
	Irap	95	19	19	133
2008	Ires	192	38	34	264
	Irap	100	20	17	137
2009	Ires				
	Irap	43	9	6	58
Total		1.770	403	396	2.569

The total payment made to settle all the assessments of Euro 2,569 thousand was debited to the provision for risks recorded by the Bank in its 2013 financial statements in relation to the aforementioned findings.

- with respect to CPC SA in liquidation, on 29 April 2014 the Monza and Brianza Regional Tax Office notified in advance the annulment in self defence of all the notices of assessment relating to the tax years from 2001 to 2004 that then became definitive on 29 July 2014 on receipt of notification of the Lombardy regional tax office having agreed to the annulment of the aforementioned assessments;

- as regards Rovere SdG and CPC SA in liquidation (for the years after 2004), following the analyses carried out together with the Tax Office, the latter decided to transform the allegation of foreign-dressing of foreign subsidiaries by the Bank into one of "transfer pricing" on the non-recharging of so-called "coordination costs" (from 2005 to 2011 for CPC and from 2009 to 2011 for Rovere) and only in the case of Rovere for the alleged failure to grant a rebate on management fees for the tax years 2009 and 2010.

  Accordingly, on 30 December 2014, the Lombardy Regional Tax Office served the following tax assessments on the Bank for the years from 2005 to 2009, for IRES and IRAP, fining the Bank as follows:

year	tax	additional tax	penalties (reduced to 1/6)	interest	total
2005	Ires	31	5	9	45
	Irap	5	1	1	7
2006	Ires	37	6	9	52
	Irap	6	1	1	8
2007	Ires	42	7	9	58
	Irap	7	1	2	10
2008	Ires	37	6	7	50
	Irap	6		1	7
2009	Ires	177	30	28	235
	Irap	31		5	36
Total		379	57	72	508

  The Bank decided to accept these assessments and paid the amounts claimed on 12 January 2015. The amounts were expensed, at the same time using an equivalent amount from the provision for risks and charges already set up in previous years.

Again on 30 December 2014, assessments were notified for the years from 2006 to 2009 for VAT purposes.
The assessments concern the liability to tax of the fees charged by the Bank to the asset management company for custodian bank services. They reflect the terms and conditions of the agreements reached on the subject between ABI (the Italian Banking Association) and the Tax Authorities, with reference to the charging tax on the fees charged by

banks to asset management companies for custodian services, formalised in the Ministerial Resolution no. 97/E of 17 December 2013.
As a result of these investigations, the Tax Office has fined the Bank as follows:

year	tax	higher tax	Sancions	Interest	total
2006 ?*?	Vat	29		7	36
2009	Vat	272		46	318
Total		301		53	354

(*) Additional assessment with respect to the one previously notified for the same year, disclosed in the notes to the 2013 financial statements and relating to the custodian bank fees received in connection with minority contractual relationships.

The Bank decided to accept these assessments as well and paid the amounts claimed on 12 January 2015. The VAT and interest amounts paid were recharged to the asset management companies in accordance with the provisions of art. 60 para. 7 of Presidential Decree 633/1972.

As regards the issue of transfer pricing, given the figures established by the Tax Authorities for 2009, the Bank, assisted by its tax advisors, decided to supplement the provisions for risks and charges in the 2014 financial statements by Euro 325 thousand, given that assessments will probably be issued for 2010 and 2011 as well.

***** * *****

Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation - Legal investigations

With reference to Criminal Proceedings 22698/08, at the hearing held on 24 January 2014, the Court of Rome upheld the application for settlement presented by the former subsidiary Banco Desio Lazio S.p.A. and by the subsidiary Credito Privato Commerciale S.A. in liquidation, which in 2011 became involved in these proceedings in connection with the administrative liability of legal persons pursuant to Legislative Decree 231/2001 for alleged offences committed by their former officers. The payment made for the settlement (which closed the legal proceedings in question) led to a partial release in 2013 of the provision that had previously been set up.

***** * *****

Banca Popolare di Spoleto, as jointly liable, has taken steps to maintain appropriate funds set up with reference to penalties imposed to two employees that the Ministry of Economy accused of money laundering (in accordance with Law 197/91) for events dating back to 2005 and 2006 of which the Bank only became aware in 2008.

<u>Quantitative information</u>

The number of detrimental events recorded by the Group[1] in the course of 2014 comes to 822. The result of the process of collecting adverse events is summarised in the table below (monetary amounts are expressed in thousands of euro):

[1] The contribution to the process of collecting loan losses of the subsidiary Banca Popolare di Spoleto is for the period 1 August 2014 - 31 December 2014, i.e. since it became part of the Banco Desio Group.

Event type	No. events	% events	Gross loss	% of total	Net loss	% of total	Recoveries	% recoveries
INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, law s or company policies (excluding incidents of discrimination) perpetuated by at list one bank's member	**2**	**0,26%**	**22**	**0,44%**	**22**	**0,45%**		**0%**
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, law s or company policies (excluding incidents of discrimination) perpetuated by third parties	63	8,16%	415	8,53%	378	7,95%	37,5	9,03%
EMPLOYMENT AND SAFETY AT WORK Losses due to actions contrary to employment law s and contracts on health and safety in the w orkplace, and compensation for injury or incidents of discrimination	1	0,13%	65	1,33%	65	1,36%	-	0%
RELATIONAL ACTIVITY CONNECTED TO CUSTOMERS, PRODUCTS AND CHANNELS Losses due to inability (not intentional or negligent) to fulfil professional commitments taken w ith customers (including fiduciary requirements and adequate information on investments)	142	12,05%	2.652	52,95%	2.583	52,79%	69,2	2,68%
DAMAGE TO ASSETS This category includes events of a natural origin or attributable to actions taken by third parties that cause damage to physical assets of the bank	5	0,65%	404	8,29%	403	8,47%	1	0,25%
BUSINESS INTERRUPTION AND SYSTEM FAILURE Losses arising from a blockage of information systems or line connections	7	0,91%	122	2,51%	122	2,57%		0%
EXECUTION OF INSTRUCTIONS, DELIVERY OF PRODUCTS AND PROCESS MANAGEMENT	602	77,85%	1.264	25,95%	1.255	26,40%	9	0,71%
TOTAL	**822**	**100.00%**	**4.943**	**100.00%**	**4.827**	**100%**	**116,7**	**2,40%**

The gross operating loss comes to € 4.94 million, for which prudent provisions were made during the year of € 4.03 million. Of the total gross loss, an amount was recovered of € 116.7 thousand, resulting in a net loss of € 4.827 million.

PART F - INFORMATION ON SHAREHOLDERS' EQUITY

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

The Banco Desio Group pays a great deal of attention to its own capital, being well aware both of its function as a factor in defence of the trust of external funders, as it can be used to absorb losses, and of its importance for purely operational and business development purposes.

A good level of capitalisation allows us to address the question of business development with the necessary degree of autonomy and to preserve the stability of the Group.

The policy of the Parent Company, Banco Desio, is therefore to assign a considerable priority to capital to use it in the best way possible in expanding the business.

The concept of book equity used by the Group is given by the sum of the following liability captions: share capital, valuation reserves, reserves, share premium reserve and net profit (loss) for the period.

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by business type

Captions	Banking Group	Insurance companies	Other businesses	Consolidation adjustments and eliminations	31.12.2014
1. Share capital	128,026	(4,054)		4,054	128,026
2. Share premium reserve	38,813	29		(29)	38,813
3. Reserves	668,057	4,025		(5,354)	666,728
4. Equity instruments					
5. (Treasury shares)	(75)				(75)
6. Valuation reserves	26,250			885	27,135
- Financial assets available for sale	2,029				2,029
- Property, plant and equipment					
- Intangible assets					
- Foreign investment hedges					
- Cash-flow hedges					
- Exchange differences	4,870				4,870
- Non-current assets and disposal groups held for sale					
- Actuarial gains (losses) on defined-benefit pension plans	(3,545)				(3,545)
- Portion of valuation reserves relating to investments carried at equity				885	885
- Special revaluation laws	22,896				22,896
7. Net profit (loss) of the year (+/-) pertaining to the Group and minority interests	39,069			358	39,427
Shareholders' equity	**900,140**			**(86)**	**900,054**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amounts		Banking Group		Insurance companies		Other businesses		Consolidation adjustments and eliminations		Total	
		Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		3,016	(656)							3,016	(656)
2. Equity		397	(200)							397	(200)
3. UCITS units		938	(1,191)							938	(1,191)
4. Loans											
Total	**31.12.2014**	**4,351**	**(2,047)**							**4,351**	**(2,047)**
Total	**31.12.2013**	**5,110**	**(2,936)**							**5,110**	**(2,936)**

B.3 Valuation reserves pertaining to financial assets available for sale: changes in the year

	Debt securities	Equity instruments	UCITS units	Loans
1. Opening balance	**1,580**	**397**	**197**	
2. Positive changes	**6,894**		**626**	
2.1 Fair value increases	4,329		537	
2.2 Reversal to income statement of negative reserves	1,798			
- from impairment				
- from disposals	1,798			
2.3 Other changes	767		89	
3. Negative changes	**(6,144)**	**(270)**	**(1,076)**	
3.1 Fair value decreases	(1,333)	(270)	(1,072)	
3.2 Impairment adjustments				
3.3 Reversal to income statement from positive reserve: from disposals	(4,781)		(4)	
3.4 Other changes				
4. Closing balance	**2,360**	**127**	**(253)**	

SECTION 2 – OWN FUNDS AND CAPITAL ADEQUACY RATIOS

2.1 Scope of application and regulations

The scope of consolidation, defined in accordance with current prudential regulations, includes companies that have the following characteristics:

- banking, financial and product/service companies, directly or indirectly controlled by the Parent Company and consolidated on a line-by-line basis;
- companies, other than banking, financial and product/service companies, controlled directly or indirectly by the Parent Company exclusively or jointly, or subject to significant influence; the equity method is applied to these companies.

The banking and financial companies and the companies other than banking and financial companies carried at equity held directly or indirectly by the Parent Company are included in risk-weighted assets based on articles 46 "Deduction of Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities" and 48 "Threshold exemptions from deduction from Common Equity Tier 1 items" of EU regulation no. 575/2013.

Within the Banking Group, there are no restrictions or impediments to the transfer of capital resources between Group companies.

2.2 Own Funds

A. Qualitative information

The new harmonised framework for banks and investment firms contained in EU Regulation ("CRR") and Directive ("CRD IV") of 26.6.2013 is applicable from 1 January 2014; it transposes the standards defined by the Basel Committee on Banking Supervision (the so-called "Basel 3 Framework") into the European Union. This regulatory framework defines, among others, the elements included in Own Funds, which forms the basis of the capital requirements that credit institutions must comply with. As at 31 December 2014, Banco Desio Group's Own Funds consist of the following:

(Amounts in thousands of Euro)

description	31.12.2014	31.12.2013
Common Equity Tier 1 (CET 1)	€ 832,234	€ 767,501
Additional Tier 1 capital (AT1)	€ 12,801	€ 5,492
Tier 2 capital (T2)	€ 145,728	€ 42,331
Total Own Funds	€ 990,763	€ 815,324

Based on legislation in force, the components of Own Funds are described below:

1. Common Equity Tier 1 - CET 1
The components of Common Equity Tier 1 are the following: a) equity instruments, as long as they comply with the conditions set out in art. 28 or, where applicable, in article 29 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point; c) profit not distributed; d) accumulated other comprehensive income; e) other reserves; f) provisions for general banking risks. Components c) to f) are recognised as common equity tier 1 only if they can be used without restriction and without delay by an entity to cover risks or losses as and when the risks or losses arise.

2. Additional Tier 1 - AT1
The components of Additional Tier 1 are the following: a) equity instruments, where they comply with the conditions set out in art. 52, paragraph 1 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point. The instruments included under a) do not qualify as components of common equity tier 1 or tier 2.

3. Tier 2 - T2
The components of Tier 2 are the following: a) equity instruments and subordinated debt, where they comply with the conditions set out in article 63 of EU Regulation no. 575/2013; b) share premium reserves relating to the instruments indicated in the foregoing point; c) for entities that compute risk-weighted exposure amounts in compliance with part three, title II, chapter 2 of EU Regulation no. 575/2013, general loan provisions, gross of the related tax effect, up to 1.25 % of the risk-weighted exposure amounts computed in compliance with part three, title II, chapter 2 of the Regulation; d) for entities that compute risk-weighted exposure amounts in compliance with part three, title II, chapter 3 of EU Regulation no. 575/2013, the positive amounts, gross of the related tax effect, resulting from the computation in accordance with articles 158 and 159 up to 0.6 % of the risk-weighted exposure amounts in compliance with part three, title II, chapter 3 of the Regulation.

B. Quantitative information

	31.12.2014	31.12.2013
A. Common Equity Tier 1 (CET 1) prior to application of prudential filters	862,868	802,422
of which: CET 1 capital instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	- 2,108	- 1,149
C. CET 1 gross of amounts to be deducted and the effects of transitional provisions (A +/- B)	860,760	801,273
D. Items to be deducted from CET 1	29,459	30,497
E. Transitional provisions – Impact on CET 1 (+/-)	933	- 3,275
F. Total Common Equity Tier 1 (CET 1) (C – D +/-E)	832,234	767,501
G. Additional Tier 1 (AT1) gross of amounts to be deducted and the effects of transitional provisions	14,174	6,865
of which: AT1 capital instruments subject to transitional provisions	6,865	6,865
H. Items to be deducted from AT1	-	-
I. Transitional provisions – Impact on AT1 (+/-)	- 1,373	- 1,373
L. Total Additional Tier 1 (AT1) (G - H +/- I)	12,801	5,492
M. Tier 2 (T2) gross of amounts to be deducted and the effects of transitional provisions	142,099	41,021
of which: T2 capital instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional provisions – Impact on T2 (+/-)	3,629	1,310
P. Total Tier 2 (T2) (M - N +/- O)	145,728	42,331
Q. Total Own Funds (F + L + P)	990,763	815,324

2.3 Capital adequacy

A. Qualitative information

Banco Desio Group's Own Funds, computed in accordance with the foregoing regulatory requirements, include Common Equity Tier 1 capital that accounts for 84.00% of the Group's Own Funds, while Additional Tier 1 capital and Tier 2 capital account for 1.29% and 14.71%, respectively, of Own Funds.
For the purpose of prudential supervision regulations, the Board of the Parent Company has approved the exclusion from Own Funds, as from 1 January 2014, of unrealised gains and losses relating to exposures to central governments classified as "Financial assets available for sale", thus exercising its right under the "transitional provisions" contained in the Bank of Italy Circular no. 285 of 17 December 2013.

In consideration of the foregoing, this capital structure results in the following ratios:

- CET 1/risk-weighted assets 10.300%
- T1 /risk-weighted assets 10.459%
- Total Own Funds/risk-weighted assets 12.262%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates that make up Own Funds in order to check their consistency with the risk profile and their adequacy for the Bank's development plans.

B. Quantitative information

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements		Pro-forma
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2013
A. ASSETS AT RISK					
A.1 Credit and counterparty risk	**12,963,287**	**9,287,849**	**7,165,594**	**5,688,831**	**5,201,353**
1. Standardised methodology	12,962,644	9,287,251	7,164,951	5,688,233	5,200,755
2. Methodology based on internal ratings					
2.1 Basic					
2.2 Advanced					
3. Securitisations	643	598	643	598	598
B. CAPITAL ADEQUACY REQUIREMENTS					
B.1 Credit and counterparty risk			**573,248**	**455,106**	**416,108**
B.2 Risk of credit valuation adjustment			**947**		
B.3 Regulatory risk					
B.4 Market risks			**3,500**	**1,705**	**1,705**
1. STANDARDISED METHODOLOGY			3,500	1,705	1,705
2. INTERNAL MODELS					
3. CONCENTRATION RISK					
B.5 Operational risk			**68,680**	**51,004**	**51,004**
1. BASIC APPROACH			68,680	51,004	51,004
2. STANDARDISED APPROACH					
3. ADVANCED APPROACHES					
B.6 Other items			0	0	0
B.7 Total precautionary requirements			**646,375**	**507,815**	**468,817**
C. RISK ASSETS AND CAPITAL RATIOS					
C.1 Risk-weighted assets			**8,079,684**	**6,347,694**	**5,860,211**
C.2 Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)			10.300%		
C.3 Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			10.459%	11.815%	12.798%
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			12.262%	12.970%	14.049%

For the purpose of calculating point C "Risk assets and capital ratios" the new EU regulation that came into effect on 1 January 2014 provides for a facilitated weighting (with a support factor of 0.7619) for Small and Medium-sized Enterprises (SMEs). In order to compare capital adequacy ratios at 31/12/2014 with those at 31/12/2013, a "pro-forma - 31/12/2013" column has been prepared, which takes into consideration the estimate of the support factor not foreseen in 2013.

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CARRIED OUT DURING THE YEAR

1.1 Business combinations

1.1.1 Transactions falling within the scope of IFRS 3 - *Business Combinations*

During the year, Banco di Desio e della Brianza acquired control of Banca Popolare di Spoleto S.p.A. ("BPS"), attributing considerable strategic importance to the company's inclusion in the Banking Group. The targets that Banco Desio intends to achieve are:

- to expand the Group's customer base, given the high commercial penetration of BPS in its own catchment area, making a leap in size considered to be indispensable to be able to compete in the current banking environment and in the foreseeable future;
- the rationalisation of the distribution network so as to focus on the competitive positioning of the Parent Company in the North and to aim for the concentration of the Group's branches within BPS, a bank characterised by a strong local brand, which is known and is well entrenched, with staff that has been able to maintain a historically strong relationship with its customers that is based on trust;
- to redistribute the head office's burden to a larger "banking body", with a view to efficiency gains and synergies that should increase the effectiveness of the Network's commercial activities.

This acquisition qualifies as a business combination, as defined in IFRS 3 - Business Combinations, which provides for the recognition and measurement of the assets and liabilities of BPS acquired at their fair value (under the acquisition method).

The acquisition of a majority interest in BPS (72.13% of the share capital) in the first half of 2014 did not lead to an immediate assumption of control of BPS, as defined by the relevant accounting standard (IFRS 10 – *Consolidated Financial Statements*). The Bank obtained "control over the entity" and the possibility of exercising governance over it at a later date, i.e. with the appointment of the new administration and control bodies (Board of Directors and Board of Statutory Auditors) following the closure of the Extraordinary Administration procedure that took place on 31 July 2014. For the reasons mentioned above, the acquisition date is effective from 1 August 2014 for the measurements and assessments required by IFRS 3.

The consideration transferred at the acquisition date amounts to Euro 139,750 thousand, the equivalent of the increase in capital reserved to Banco Desio made through the issue of 77,124,724 new ordinary shares at a price of Euro 1.812 per share. Note that on 13 October 2014, the Parent Company acquired another 1,100,000 BPS shares "off-market", at a price of Euro 1.812 per share, for a total value of Euro 1,993 thousand, increasing its shareholding to 73.16%.

Acquisition-related costs (i.e. "costs incurred by the buyer to implement the business combination") as defined by IFRS 3 amounted to Euro 1,097 thousand (of which Euro 804 thousand booked in 2014 and Euro 293 thousand in 2013). For the sake of completeness, we would point out that the additional costs not relating to the definition of IFRS 3, but still incurred in 2014 due to the acquisition, amounted to Euro 1,357 thousand. Overall, these costs were charged to the income statement under caption 150.b) Other administrative costs totalling Euro 293 thousand in 2013 and Euro 2,162 thousand in 2014.

(importi in migliaia di euro)

Denominazione	Data dell'operazione	Costo dell'operazione (1)	Quota % (2)	Totale ricavi del gruppo (3)	Utile/perdita netto del gruppo (4)
1. Banca Popolare di Spoleto S.p.A.	01/08/2014	140.847	72,13%	71.686	-35.015

(1) Pari alla somma del corrispettivo trasferito con i costi direttamente attribuibili all'operazione di aggregazione

(2) Percentuale di interessenza acquisita con diritto di voto nell'assemblea ordinaria alla data di acquisizione

(3) Totale dei ricavi della controllata inclusi nel bilancio consolidato al 31/12/2014 al netto dei proventi connessi a rapporti infragruppo

(4) Utile/perdita della controllata al 31/12/2014

For the purposes of applying the acquisition method, the Parent Company took into consideration the balances in the financial statements of the Extraordinary Administration at 31 July 2014 as approved by the Extraordinary Commissioners and by the Bank of Italy on 19 December 2014. The results of the initial assessments show a provisional gain of Euro 9,645 thousand.

As permitted by the international accounting standard IFRS 3, Banco Desio will refine the assessment process within a maximum of 12 months.

The following table shows the book value and fair value of the assets and liabilities of BPS acquired at 31/07/2014, net of adjustments, with the subsequent determination of a provisional gain of Euro 9,645 thousand, recognised in the consolidated income statement of the period covered by these consolidated financial statements:

(importi in migliaia di euro)

	VOCI DELL'ATTIVO	Saldi di bilancio 31/07/2014	Fair Value 31/07/2014	Aggiustamenti da Fair Value
10.	Cassa e disponibilità liquide	23.512	23.512	
20.	Attività finanziarie detenute per la negoziazione	14.697	14.697	
40.	Attività finanziarie disponibili per la vendita	495.451	495.451	
60.	Crediti verso banche	109.125	109.125	
70.	Crediti verso clientela (1)	2.498.626	2.486.269	-12.357
80.	Derivati di copertura	5.524	5.524	
90.	Adeguamento di valore delle attività finanziarie oggetto di copertura generica (+/-)	1.885	1.885	
110.	Attività materiali	40.035	43.350	3.315
120.	Attività immateriali	73	73	
	di cui: avviamento			
130.	Attività fiscali	104.492	108.918	4.426
	a)correnti	*15.653*	15.653	
	b)anticipate	*88.839*	93.265	*4.426*
	b1) di cui alla Legge 214/2011	*83.861*	83.861	
150.	Altre attività	66.069	66.069	
	(A) TOTALE ATTIVO	**3.359.490**	**3.354.874**	**-4.616**

	VOCI DEL PASSIVO	Saldi di bilancio 31/07/2014	Fair Value 31/07/2014	Aggiustamenti da Fair Value
10.	Debiti verso banche	205.042	205.042	
20.	Debiti verso clientela	1.824.825	1.824.825	
30.	Titoli in circolazione	984.117	976.411	-7.706
40.	Passività finanziarie di negoziazione	1.030	1.030	
60.	Derivati di copertura	6.731	6.731	
80.	Passività fiscali		3.595	3.595
	a) correnti		0	
	b) differite		3.595	*3.595*
100.	Altre passività	109.618	109.618	
110.	Trattamento di fine rapporto del personale	9.200	9.200	
120.	Fondi per rischi e oneri (1)	8.865	11.302	2.437
	b) altri fondi	*8.865*	*11.302*	*2.437*
	(B) TOTALE PASSIVO	**3.149.429**	**3.147.755**	**-1.674**
	(C) PATRIMONIO NETTO	**210.061**		
	TOTALE PASSIVO E PATRIMONIO NETTO	**3.359.490**		

	(D) TOTALE AGGIUSTAMENTI DA FAIR VALUE (A-B)	**-2.942**
	(E) TOTALE ATTIVITA' NETTE IDENTIFICABILI (C+D)	**207.118**
	(F) TOTALE ATTIVITA' NETTE ACQUISITE (72,13 %)	**149.395**
	(G) CORRISPETTIVO TRASFERITO	**139.750**
	PROVENTO PROVVISORIO (F-G)	**9.645**

(1) Il saldo della Voce *Crediti verso la clientela* recepisce la riclassifica delle maggiori rettifiche per - 2.752 migliaia di euro su crediti in sofferenza contabilizzati da BPS alla voce *Fondi per rischi ed oneri* .

At the acquisition date, the Parent Company assessed minority interests, for their share of identifiable net assets (27.87%), at a value of Euro 57,723 thousand.

The fair value adjustments identified are amortised or released to the income statement of these consolidated financial statements for the portion pertaining to 2014, with the balance being charged to future income statements according to defined release plans.

The following table summarises the net effect of BPS in the consolidated income statement of the Group at 31/12/2014 pertaining to the Parent Company:

Utile/perdita della controllata al 31/12/2014	-35.015
Effetto economico del rilascio/ammortamento aggiustamenti da fair value al 31/12/2014 al netto della fiscalità	30.604
Perdita di BPS al netto del rilascio/ammortamento aggiustamenti da fair value al 31/12/2014	-4.411

Perdita al netto dei rilasci di pertinenza della Capogruppo (73,16%)	-3.227
Provento provvisorio (metodo dell'acquisizione) attribuito alla Capogruppo	9.645
Effetto netto di BPS nel conto economico consolidato 31/12/2014 di pertinenza della capogruppo	6.418

1.1.2 Business combination between subsidiaries

In addition to the business combination summarised in the preceding paragraph and governed by IFRS 3, there was the merger of Banco Desio Lazio S.p.A. with Banco di Desio e della Brianza S.p.A., which qualifies as a "business combination between entities under common control". The transaction had no effect on the consolidated financial statements and is excluded from the scope of IFRS 3. Considering that the merger was carried out purely as a reorganisation of the Banco Desio Group, it has been accounted for at book values, in accordance with the Preliminary Guidance of Assirevi (OPI) no. 2 - Accounting treatment of mergers in the financial statements, in the separate financial statements of the incorporating company, without generating profit or loss. The merger took legal effect on 1 October 2014 with effect for accounting and tax purposes from 1 January 2014.

SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

2.1 Business combinations

No business combinations were carried out after year-end.

Part H - TRANSACTIONS WITH RELATED PARTIES

1 - Information on the remuneration of managers with strategic responsibilities

For information on the remuneration paid to managers with strategic responsibilities, please refer to the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter CFA, as well as to section "Equity-based payments", with reference to the Group's stock grant plans.

2 - Related party disclosures

The Internal Procedure for the management of transactions with related parties and entities included in the scope of application of art. 136 of the CBA, adopted in accordance with Consob Regulation no. 17221/2010 and supplemented in accordance with the Minimum Capital Requirement in respect of risk assets and conflicts of interest with respect to persons linked to the Bank or the Banking Group pursuant to art. 53 TUB, is explained in the Annual Report on Corporate Governance. The same procedure is published, in accordance with the said Regulation, on our website www.bancodesio.it.

Given that, pursuant to art. 5 of Consob Regulation 17221/2010 and art. 154-ter of the CFA, periodic information has to be provided:

a) on individual "significant" transactions carried out during the reference period, i.e. those transactions that, as a total, exceed the thresholds foreseen in Attachment 3 of the said Regulation[1];

b) on other individual transactions with related parties as defined under art. 2427, second paragraph, of the Italian Civil Code, entered into during the reporting period, that have materially impacted the financial position and results of the Group;

c) on changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the Group during the period, there have been no transactions worth mentioning, other than those with Banco Desio Lazio SpA and Banca Popolare di Spoleto SpA explained in the section on "Significant events" of the Report on Operations.

Transactions with related parties are generally adjusted at market conditions or, where an appropriate reference to the market is not feasible (as in the case of Agreements for outsourcing services provided by the Parent Company to the subsidiaries), at conditions deemed affordable and fair, whose valuation is made in accordance with the Procedure referred to above, taking account in any case that the company is interested in carrying out the transactions.

In this context, there are no transactions outstanding at 31 December 2014 that present particular risk profiles compared with those considered part of the normal course of business or that present profiles of atypical/unusual features worthy of note.

The following paragraphs summarise - in a prudential logic of unified management of potential conflicts of interest - existing relationships with the Parent Company, subsidiary companies, associates and other related parties pursuant to art. 53 CBA and/or art. 2391-bis of the Italian Civil Code (including those treated in accordance with art. 136 CBA in compliance with the rules currently in force, including internal ones), highlighting, in particular, the balance of current account relationships and of the securities portfolio at the end of the year and, lastly, any relationships for the provision of services or of any other nature.

I - Parent company

At the end of the year, payables (to customers) versus the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA at Banco Desio amounted to Euro 141.75 million, of which Euro 140.8 million, relating to the securities portfolio. There are no outstanding payables held by the same Company.

During the year, there were no other transactions entered into with this company (under art. 136 CBA by virtue of the positions held in it by certain officers referred to in paragraph III) below).

[1] with respect to the level of significance of the transactions with related parties, the Internal Procedure refers to a threshold of Euro 37.5 million (equivalent to 5% of consolidated regulatory capital recognised at the date of adoption of the Procedure)

II – Associates

At the year end, an investment was held in **Istifid SpA** of 31.4%, by virtue of which, Banco Desio is still the shareholder with a relative majority.

Banco Desio and Banca Popolare di Spoleto SpA's contractual relations with Istifid SpA essentially consist of the provision of corporate services (keeping the shareholders' register, assistance at shareholders' meetings, advice on corporate compliance, etc.), charged at the usual cost for services of this kind. These services are now excluded from the scope of application of the rules on Related Party Transactions in consideration of the sale of the business unit that provides such services on 16 January 2015 to Computershare SpA.

With regard to the banking services provided by Banco Desio and Banca Popolare di Spoleto to Istifid SpA, at the end of the period payables (to customers) amounted to Euro 88.2 million, of which Euro 54.9 million relating to securities portfolios; A credit line of Euro 3,000,000 has been given to the company.

Please note that the payable and receivable balances also refer to relationships maintained by Istifid SpA as part of fiduciary mandates granted by third parties.

There is also an investment in the associate **Chiara Assicurazioni SpA**, in which a 32.7% interest is held.

At the end of the year, payables (to customers) amounted to Euro 55.01 million, of which Euro 53.7 million relating to securities portfolios; there are no outstanding payables held by the company, which has been given a credit line of Euro 10,000.

The contractual relationships with Chiara Assicurazioni SpA maintained by Banco Desio and its subsidiary Banca Popolare di Spoleto SpA essentially consist of contracts for the distribution of insurance products in the non-life sector.

The amounts of assets/liabilities and income/costs arising from Banco Desio's transactions with the aforementioned company are disclosed in Para. 9.4 of the Report on Operations under the caption "companies subject to significant influence".

III - Transactions with Officers and parties related to them

As for the granting of credit lines approved in 2014 pursuant to art. 53 of the CBA and/or art. 2391-bis of the Civil Code (including parties treated in accordance with art. 136 CBA in accordance with the rules currently in force, including internal ones), these were mainly ordinary lending transactions to officers of Banco Desio and/or parties related to them (i.e. directors, statutory auditors and managers with strategic responsibilities in Banco Desio and its subsidiaries). These relationships did not affect the application of the normal assessment criteria of creditworthiness. The total amount granted by Group banks on 32 outstanding positions at 31 December 2014 amounted to approximately Euro 8.4 million. The related drawdowns amounted to a total of about Euro 6.6 million in loans to customers.

The above computation excludes transactions with associates as per point II above.

As regards funding relationships held by Group banks directly with Officers, as well as parties related to them, it should also be noted that the total balances at 31 December 2014 amounted to Euro 137.7 million in amounts due to customers (including approximately Euro 100.5 million in securities portfolios).

Details on to the lending and funding relationships referred to in this paragraph are shown in the following table:

Balances at 31.12.2014 (in €/million)	Related parties pursuant to art. 53 CBA (including parties treated in accordance with Art. 136 CBA) and/or art. 2391-bis of the Civil Code (other than the Parent Company and subsidiaries/associates)
Lending transactions:	
Amount granted	8.4
Amount drawn down	6.6
Funding transactions:	
C/c and d/r amount (a)	37.2
Amount of securities portfolios (b)	100.5
Total (a+b)	137.7

With reference to the Supplementary Pension Fund for the Employees of Banco Desio, at the end of the year, payable balances amounted to Euro 0.25 million. There are no securities in the portfolio.

* * *

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the overall incidence of the balances shown in the previous paragraphs, in terms of equity, financial and economic results, is more or less insignificant.

Part I - EQUITY-BASED PAYMENTS

Stock grant plan for shares of the Parent Company

With reference to the Stock Grant Plan for the three-year period 2011-2013 involving free allocation of ordinary shares of the Parent Company in favour of Management of the Banco Desio Group, approved by the Ordinary Shareholders' Meeting of 29 November 2011, note that an assessment has been carried out on the conditions for the effective allocation of securities relating to the 2nd grant cycle for the three-year performance period 2012-2014. In the face of the consolidated results for 2014, three-year gate targets of liquidity and assets have been positively achieved, but the ratio between the cumulative Consolidated Adjusted Result and the related Budget stood at below the minimum level required by the regulation for the assignment of securities. Without any rights in relation to the 2nd cycle, it remains to check the conditions for the allocation of shares in relation to the 3rd and last grant cycle tied to the performance period 2013-2015.
It should also be noted that the incentive scheme, under which the Plan operated, was subject to review by Board resolution of 19 December 2013, providing for a comprehensive review of remuneration policies; in this regard, reference should be made to the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter CBA.

PART L – SEGMENT REPORTING

This information has as its point of reference the organisational and management structure of the Group and the internal reporting system, on the basis of which management monitors the trend in results and makes the operational decisions about the resources to be allocated.

The Group operates by carrying out traditional banking activities, providing asset management services and selling life and non-life bancassurance products. In this context, the segment information reflects the fact that the operational structure of the commercial banks is not split into segments or divisions.

This chapter summarises the results of the Group's segments described below:

- *commercial bank:* this includes the activities geared to customers relating to the traditional banking operations and activities on the securities portfolio and the market. It also includes services, which are transversal activities carried out to support operations to ensure production efficiency and organisational consistency.
- *asset management:* this includes the activities carried out by the subsidiary Rovere SA;
- *entities in liquidation*: this includes the results of Banca Credito Privato Commerciale S.A. in liquidation, as well as the results of Brianfid - Lux S.A. up to the date of its deletion from the commercial register, which took place on 11 August 2014.

The income statement and balance sheet figures by sector agree with the respective captions in the financial statements. Moreover, for each segment, we also provide the main balance sheet aggregates and figures for indirect deposits (under administration and management).

Income statement	31.12.2014	Commercial bank	Asset Mng.	Entities in liquidation
Net profit from financial and insurance activities (1)	465,819	462,262	3,329	228
Fixed costs (2)	(269,866)	(265,052)	(690)	(4,124)
Provisions and adjustments (3)	(150,282)	(152,942)		2,660
Profit (loss) from equity investments carried at equity	10,706	10,706		
Gains (losses) on disposal of investments	2,173	206		1,967
Profit (loss) from current operations before tax	**58,550**	**55,180**	**2,639**	**731**

(1) including other operating charges/income
(2) administrative costs, net adjustments to property, plant and equipment and intangible assets
(3) Net impairment adjustments to loans and financial assets, provisions for risks and charges, goodwill

Balance sheet	31.12.2014	Commercial bank	Asset Mng.	Entities in liquidation
Financial assets	(1,896,686)	(1,896,686)		
Due from banks	(190,020)	(242,034)	1,392	50,622
Loans to customers	7,439,176	7,485,424	(1,823)	(44,425)
Due to banks	1,017,467	1,017,467		
Due to customers	7,444,025	7,443,858		167
Debt securities in issue	2,798,752	2,798,752		
Indirect deposits, under administration and management	12,559,667	12,514,813	44,854	

Income statement	**31.12.2013**	**Commercial bank**	**Asset Mng.**	**Entities in liquidation**
Net profit from financial and insurance activities (1)	382,128	376,451	3,445	2,232
Fixed costs (2)	(245,794)	(237,073)	(679)	(8,042)
Provisions and adjustments (3)	(150,145)	(146,874)		(3,271)
Profit (loss) from equity investments carried at equity	13,886	13,886		
Gains (losses) on disposal of investments				
Profit (loss) from current operations before tax	**75**	**6,390**	**2,766**	**(9,081)**

(1) including other operating charges/income
(2) administrative costs, net adjustments to property, plant and equipment and intangible assets
(3) Net impairment adjustments to loans and financial assets, provisions for risks and charges, goodwill

Balance sheet	**31.12.2013**	**Commercial bank**	**Asset Mng.**	**Entities in liquidation**
Financial assets	1,607,785	1,607,701		84
Due from banks	275,848	220,879	1,845	53,124
Loans to customers	6,955,429	6,955,321		108
Due to banks	438,026	438,026		
Due to customers	5,489,782	5,484,522		5,260
Debt securities in issue	2,277,709	2,277,709		

Indirect deposits, under administration and management	10,741,465	10,669,469	71,996	

Certification pursuant to Article 154-bis of Legislative Decree no. 58/98

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF DECREE LAW 58/98

1. The undersigned, Tommaso Cartone, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A., certify pursuant to paragraphs 3 and 4 of art. 154 bis of Legislative Decree 58 of 24 February 1998:

   - the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements with respect to the Company and
   - their effective application during 2014.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2014 was based on a process defined by Banco di Desio e della Brianza S.p.A. in accordance with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework that is generally accepted internationally.

3. We also certify that:

   3.1 the consolidated financial statements:

   a. have been prepared in accordance with the applicable IAS/IFRS recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002;

   b. agree with the books of account and accounting records;

   c. are able to provide a true and fair view of the assets and liabilities, results and financial position of the issuer and of the companies included in the consolidation.

   3.2 the Report on Operations includes a reliable analysis of the results of operations and of the situation of the issuer and the companies included in the consolidation, together with a description of the principal risks and uncertainties faced by them.

Desio, 19 March 2015

Chief Executive Officer
Tommaso Cartone

Financial Reporting Manager
Mauro Walter Colombo

Auditors' report

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
BANCO DI DESIO E DELLA BRIANZA S.p.A.

1. We have audited the consolidated financial statements of Banco di Desio e della Brianza S.p.A. and its subsidiaries (the "Banco Desio Group"), which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banco Desio Group as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

4. The Directors of Banco di Desio e della Brianza S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in Banco Desio/Governo Societario section of Banco di Desio e della Brianza S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree No. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of Banco Desio Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
March 27, 2015

This report has been translated into the English language solely for the convenience of international readers.

Attachment to the consolidated financial statements

Disclosure Country by Country - Bank of Italy Circular 285, Part One - Title III - Chapter 2

	Informazioni/Area geografica	Italia		Lussemburgo	Svizzera
a)	**Denominazione delle società insediate**	Banco di Desio e della Brianza S.p.A.		Rovere Societè de Gestion S.A.	Credito Privato Commerciale S.A. in liquidazione
	natura dell'attività	Tradizionale attività di intermediazione creditizia, gestione del risparmio, offerta di prodotti di bancassicurazione vita e danni		Società di gestione del risparmio	
a)	**Denominazione delle società insediate**	Banca Popolare di Spoleto S,p,A,		Brianfid-Lux S.A. - società liquidata in data 23 luglio 2014	
	natura dell'attività	Tradizionale attività di intermediazione creditizia, gestione del risparmio, offerta di prodotti di bancassicurazione vita e danni			
a)	**Denominazione delle società insediate**		Fides S.p.A.		
	natura dell'attività		Intermediario finanziario che svolge attività di concessione di finanziamenti ai dipendenti pubblici e privati		
a)	**Denominazione delle società insediate**		SPV Spoleto Mortgages - Patrimonio separato		
	natura dell'attività		Intermediario finanziario che svolge attività di gestione attività cartolarizzate		
b)	**Fatturato** ***(importi in migliaia di €)***	397.079	23.244	3.328	229
c)	**Numero di dipendenti su base equivalente a tempo pieno**	1.994	33	2	4
d)	**Utile/(perdita) prima delle imposte** ***(importi in migliaia di €)***	34.005	21.175	2.518	852
e)	**Imposte sull'utile/(perdita)** ***(importi in migliaia di €)***	(16.848)	(2.098)	(177)	-

Notes:

1) Turnover is grouped by country of settlement and by business segment. The figure represents caption 120 "Net interest and other banking income", as the figure to be taken for consolidation purposes, of the individual Group companies. The total of the line is equal to caption 120 of the income statement of the consolidated financial statements.
2) The number of employees is determined by taking the total number of hours actually worked by all employees, excluding overtime, divided by the number of hours worked per week in accordance the full-time labour contract, multiplied by 52 weeks less 25 days - as established by convention - for the holiday period.