Consolidated interim report on operations at 31 March 2016

Gruppo Banco Desio

Contents

Directors and officers
(Banco di Desio e della Brianza S.p.A.)

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 Camagni (*)
Senior Deputy General Manager	Mauro Walter Colombo (**)
Deputy General Manager "Corporate Affairs"	Ippolito Fabris

** from 4 May 2016*
*** from 27 April 2016*

Financial Reporting Manager as per art. 154-bis CFA

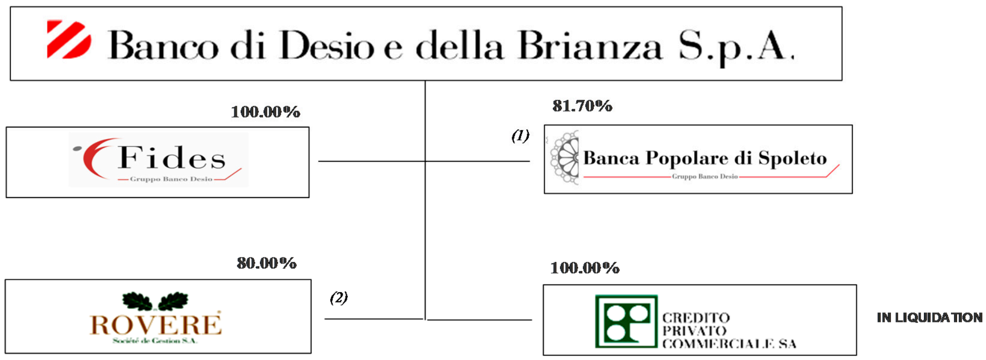
Financial Reporting Manager	Mauro Walter Colombo

Independent Auditors

Independent Auditors	Deloitte & Touche S.p.A.

The Banco Desio Group

The scope of consolidation at 31 March 2016 of the Banco Desio Group, to which this consolidated interim report refers, includes the following companies:



(1) This holding may decrease to 76.31% by 30.06.2017 if there is a future subscription for Conversion Shares by the owners of ordinary shares of Banca Popolare di Spoleto S.p.A., other than the Parent Company, as a result of them exercising the Warrants allocated to them;

(2) The disposal of the investment in Rovere S.d.G. S.A. is currently underway in accordance with the Parent Company's strategic direction.

Note that while the Bank of Italy shows the Swiss company Credito Privato Commerciale SA in liquidation (100% held by the Parent Company) in the Register of Banking Groups as part of the Banco Desio Group, this company has been eliminated from the consolidation at 31 March 2016 in accordance with IFRS 10 as the liquidation process has been substantially completed and this has led to a *loss of control*.

Introduction

With Legislative Decree 25 of 15 February 2016, which transposes Directive 2013/50/EU into Italian law, amendments have been introduced regarding the disclosure requirements of listed issuers in periodic financial reports for the first and third quarter of the year.

In particular, as a result of this law, art. 154-ter, paragraph 5 of the Consolidated Finance Act has been amended by repealing the requirement to publish quarterly interim reports; at the same time, the new rule gives Consob the power to reintroduce this obligation after analysing the impact of certain conditions imposed by the legislator. On 14 April 2016, Consob published the preliminary consultation document concerning this analysis, indicating 30 May 2016 as the deadline by which comments and observations should be sent.

In terms of content, Legislative Decree 25/2016 clarifies that the additional disclosures that Consob can ask for, once the conditions indicated above have been fulfilled, cannot be greater than (i) a general description of the financial position and economic performance of the issuer and its subsidiaries during the period; (ii) an explanation of significant events and transactions that have taken place during the period and their impact on the financial situation of the issuer and its subsidiaries.

With reference to the periodic disclosure at 31 March 2016, and in the light of possible changes in the regulatory framework, the Banco Desio Group is distributing this document to the market on a voluntary basis, reflecting the minimum content required as per art. 154-ter as amended; in the conviction that such disclosure is suitable to provide useful information for investors to make their decisions, while also ensuring continuity of information with the past, in a situation where the regulatory framework has changed very recently and potentially is not yet definitive. The choice is not intended to bind the Banco Desio Group for the future and is likely to be reviewed in light of changes in the regulations.

It should also be noted that the consolidated interim report, submitted for approval by the Board of Directors, is prepared for the purpose of determining Own Funds and the capital adequacy ratios.

The figures and ratios shown in this document refer to the balance sheet of the consolidated interim financial statements and to the reclassified income statement, which is in turn based on the financial statements.

In application of IFRS 5 concerning the reporting of non-current assets and disposal groups held for sale, as well as the liabilities associated with them, considering the resolutions passed by the Parent Company's Board of Directors for the disposal of the investments in Rovere S.d.G. S.A. and Istifid S.p.A., the book value of the investments in these two companies at 31 March 2016 is classified under caption "150 – Non-current assets and disposal groups held for sale".

Key figures and ratios

Balance sheet

Amounts in thousands of Euro	31.03.2016	31.12.2015	Change amount	%
Total assets	12,467,226	12,248,130	219,096	1.8%
Financial assets	1,992,123	1,901,770	90,353	4.8%
Due from banks	287,923	292,992	-5,069	-1.7%
Loans to customers	9,502,978	9,386,311	116,667	1.2%
of which: Loans to ordinary customers	*9,368,777*	*9,386,311*	*-17,534*	*-0.2%*
of which: Loans to institutional customers	*134,201*		*134,201*	
Property, plant and equipment	183,452	184,983	-1,531	-0.8%
Intangible assets	17,807	18,207	-400	-2.2%
Due to banks	772,004	753,115	18,889	2.5%
Due to customers	8,577,911	8,244,110	333,801	4.0%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	1,698,974	1,940,932	-241,958	-12.5%
Shareholders' equity (including Net profit/loss for the period) [1]	877,081	870,449	6,632	0.8%
Own Funds	1,094,036	1,106,070	-12,034	-1.1%
Total indirect deposits	12,342,061	12,310,102	31,959	0.3%
of which: Indirect deposits from ordinary customers	*8,211,119*	*8,343,925*	*-132,806*	*-1.6%*
of which: Indirect deposits from institutional customers	*4,130,942*	*3,966,177*	*164,765*	*4.2%*

Income statement [2]

Amounts in thousands of Euro	31.03.2016	31.03.2015	Change amount	%
Operating income	104,839	122,032	-17,193	-14.1%
of which: Net interest income	*60,244*	*69,132*	*-8,888*	*-12.9%*
Operating costs	72,021	65,706	6,315	9.6%
Result of operations	32,818	56,326	-23,508	-41.7%
Net profit (loss) from operations after tax	8,014	13,432	-5,418	-40.3%
Non-recurring profit (loss) after tax	5,113	-180	5,293	n.s.
Net profit for the period [1]	12,698	13,834	-1,136	-8.2%

(1) *pertaining to the Parent Company;*

(2) *from the Reclassified income statement.*

Key figures and ratios

	31.03.2016	31.12.2015	Change %
Capital/Total assets	7.0%	7.1%	-0.1%
Capital/Loans to customers	9.2%	9.3%	-0.1%
Capital/Due to customers	10.2%	10.6%	-0.4%
Capital/Debt securities in issue and Financial liabilities designated at fair value through profit and loss	51.6%	44.8%	6.8%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio)	10.8%	10.8%	0.0%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio)	11.0%	11.0%	0.0%
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.7%	13.9%	-0.2%
Financial assets/Total assets	16.0%	15.5%	0.5%
Due from banks/Total assets	2.3%	2.4%	-0.1%
Loans to customers/Total assets	76.2%	76.6%	-0.4%
Loans to customers/Direct customer deposits	92.5%	92.2%	0.3%
Due to banks/Total assets	6.2%	6.1%	0.1%
Due to customers/Total assets	68.8%	67.3%	1.5%
Debt securities in issue and financial liabilities designated at fair value through profit and loss/Total assets	13.6%	15.8%	-2.2%
Direct customer deposits/Total assets	82.4%	83.2%	-0.8%

	31.03.2016	31.03.2015	Change %
Cost/Income ratio	68.7%	53.8%	14.9%
Net interest income/Operating income	57.5%	56.7%	0.8%
Result of operations/Operating income	31.3%	46.2%	-14.9%
Profit (loss) from operations after tax/Capital [(3)] - *annualised* [(4)]	3.7%	3.9%	-0.2%
ROE [(3)] - *annualised* [(4)(5)]	4.3%	4.6%	-0.3%
Profit (loss) from operations before tax/Total assets (ROA) - *annualised* [(4)]	0.4%	0.3%	0.1%

	31.03.2016	31.12.2015	Change %
Net doubtful loans/Loans to customers	4.8%	4.7%	0.1%
Net non-performing loans/Loans to customers	9.7%	9.6%	0.0%
% Coverage of doubtful loans	59.2%	58.5%	0.7%
% Coverage of doubtful loans, gross of cancellations [(6)]	64.5%	64.2%	0.3%
% Total coverage of non-performing loans [(6)]	47.8%	47.5%	0.3%
% Coverage of non-performing loans, gross of cancellations [(6)]	52.4%	52.2%	0.1%
% Coverage of performing loans	0.64%	0.67%	-0.03%

Structure and productivity ratios

	31.03.2016	31.12.2015	Change amount	Change %
Number of employees	2,367	2,371	-4	-0.2%
Number of branches	275	275	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee [(7)]	4,011	3,875	136	3.5%
Direct deposits from customers per employee [(7)]	4,338	4,204	134	3.2%

	31.03.2016	31.03.2015	Change amount	Change %
Operating income per employee [(7)] - *annualised* [(4)]	177	194	-17	-8.8%
Result of operations per employee [(7)] - *annualised* [(4)]	55	79	-24	-30.4%

(3) net of the profit (loss) for the period;
(4) the amount reported at 31.03.2015 is the final figure at the end of 2015;
(5) the annualised ROE at 31.03.2016 does not take into consideration the annualisation of the Net non-recurring operating profit;
(6) also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., reported gross of write-downs;
(7) based on the number of employees calculated as a straight average between the end of the period and the end of the preceding period.

The macroeconomic scenario

International scenario

The first quarter of 2016 can be split into two phases: the first half of the quarter was dominated by a pessimistic assessment of the world economy, which was reflected in a further slide in the price of raw materials and a return to volatility on equity markets not unlike the summer of 2015. Subsequently, a gradual but clear improvement took place on several fronts: commodity prices, equity indices and volatility, and capital flows to emerging countries. Similarly to the beginning of the year, when the turmoil had been accompanied by disappointing macroeconomic data, in the same way, the subsequent recovery is associated with a panel of more positive economic data, initially manifest in the United States and then in the Eurozone and China, but only from March.

Rising domestic demand in advanced countries is making them more resilient to the slowdown in exports to emerging economies. The recession is proving more severe than expected in Brazil, trade flows to China are struggling to recover and oil-producing countries cannot count on any real prospects of a price recovery. Domestic demand in the advanced economies continues to benefit from a favourable combination of very relaxed monetary conditions, neutral fiscal policies and employment growth. The last, in particular, ensures the economy a certain inertia even in the face of negative shocks. The most likely scenario is that growth in consumption and construction will make it possible to cushion the blow resulting from the drop in imports by emerging nations.

The financial turbulence recorded earlier this year led Central Banks in one case to postpone an imminent hike in rates (Fed) and in other cases to announce new monetary stimulus (ECB, Bank of Japan), everywhere leading to more accommodating monetary conditions than had been expected. Long-term rates, however, are currently lower than at the end of 2015 in both the US and the Eurozone. The latest monetary policy measures collide with an increasingly sceptical climate about their effectiveness in producing any real effects on aggregate demand. However, cutting rates to negative levels and buying financial assets have still had positive effects on the debt of private and public non-financial operators, improving the financial viability and profitability of the former and allowing the latter to adopt more accommodating fiscal policies. Moreover, certain components of aggregate demand that are sensitive to interest rates (construction, consumer spending on durable goods) are reacting positively to the favourable financial conditions created by the Central Banks. After a disappointing trend almost everywhere during 2015, investments should be able to improve their trend during the course of 2016, thanks to a combination of exceptionally favourable financial conditions and the tax incentives adopted by some countries.

The perception of a weak economic recovery also depends on the fact that the current phase of growth continues to be based primarily on the service sector. This phenomenon is more marked in the USA than in Europe, also because of the loss of competitiveness that industry has suffered due to the strengthening of the exchange rate. At constant prices, 57% of the growth in consumption by American households concerned services and 24% durable goods. The shift in consumer demand towards services implies a decline in production and a lower absorption of imports.

Over the coming months, the economies of Advanced Countries will have to face up to a potential political risk. In the Eurozone, the effects of the British referendum on 23 June will combine with numerous general elections in many countries (including Germany) during the period 2016/2017. Voters seem sceptical about the governments that have managed the debt crisis: there are increasing cases of difficult governability (Spain), of governments without a permanent majority (Ireland) or governments sustained by slim majorities (Portugal, Greece). In the US, 2016 is the year of the presidential elections and internal changes to the Republican Party are creating a growing concern inside and outside the country about the risk that American foreign policy could again become a destabilising factor, as it did at the time of the Second Gulf War (2003).

Europe

The Eurozone economy confirms its moderate rate of growth: in January, the Eurozone's industrial output posted a growth of 2.1% (formerly -0.5% in December), thanks to the growth in Germany (+2.3%) and France (+1.0%).

In January, new manufacturing orders showed an overall increase of 1.6% (formerly +0.6% in December). Retail sales in February recorded an increase (+2.4%), mainly thanks to contributions by France (+4.1%) and Germany (+1.2%). In March, however, the index of business confidence deteriorated (-4.2, formerly -4.1) because of the negative signals coming from Germany (-5.5, formerly -5.2) and France (-3.0, formerly -0.7). The consumer confidence index has also got worse (-9.7, formerly -8.8), mainly because of the deterioration in France (-17.1, formerly -16.3). The labour market is continuing to show signs of improvement: in February, unemployment fell to 10.3% (formerly 10.4% in December). Inflation is still around an all-time low: in February, consumer prices fell by 0.2%. The decline affected all of the main Eurozone countries. Core inflation, however, stood at 0.8%, down from 0.9% the previous month.

Italy

2015 was characterised by a return to GDP growth (after three years of consecutive decline), with positive contributions from all components with the exception of net exports. This trend is confirmed in early 2016, with the seasonally adjusted index of industrial production that showed an increase (+1.2% y/y) in the latest figures available (February): in particular, the indices adjusted for calendar effects show increases in capital goods (+6.9%), intermediate goods (+2.8%) and consumer goods (+0.3%). A significant decrease has been seen in the energy sector (-4.6%). In January, new orders remained substantially stable (+0.1% y/y). Retail sales, by contrast, have maintained the growth trend (+1.2% y/y). In March, the consumer confidence index got worse (-6.6, formerly -6.0 in February), while that of business confidence remained broadly unchanged (-3.2, formerly -3.3 in February). As regards the labour market, unemployment grew in February (11.7%, formerly 11.6% in January) although youth unemployment got slightly better (39.1%, formerly 39.3% in January). The harmonised index of consumer prices fell in February (-0.3%, +0.4% in January), similar to core inflation (+0.5%, formerly +0.9% in January). Recent GDP estimates for 2016 foresee growth of 1.1% (formerly 1.5%) due to the expected weakness in international demand. Household consumption is, in fact, expected to increase (+1.1%), benefiting from the climate of confidence and the expected trend in retail sales. The forecasts for investments (+3.0%) and exports (-1.4%) are more affected by international demand. The upswing in consumption will help boost consumer prices, with inflation expected around 0.8% at the end of 2016.

Money and financial markets

The ECB surprised markets in March by announcing a series of expansionary measures of considerable impact: it cut its benchmark rate from 0.05% to zero, the rate on deposits from -0.30% to -0.40% and, above all, it announced an increase of monthly purchases of government bonds from 60 to 80 billion from the month of April. For the first time, Quantitative Easing (Qe) even included bonds issued by companies, providing they had an investment grade rating. June will see the start of the TLTRO II programme (4 auctions) with a duration of 4 years and a negative rate equal to the new deposit rate (-0.40%). A further expansion of the bond purchase plan by the ECB will continue, if necessary, beyond the deadline (March 2017) and, in any case, until there is a sustained rise in inflation close to its declared target (2%). After raising the benchmark in late 2015 (in a range between 0.25% and 0.50%) the Fed has been more cautious about the hypothetical gradual rise in policy rates, as the fall in commodity prices and the rise in the dollar's exchange rate suggest that inflation will remain low for longer than previously estimated.

In the first ten days of April, the 3-month Euribor was negative and at a new all-time low (-0.25%); the 10-year IRS rate, on the other hand, stood at 0.51%, 43 bps less than in December (0.94%).

On the bond market, 10-year benchmark rates fell in the USA (1.89%, formerly 2.24% in December) and in the Eurozone; in Germany, the benchmark rate came to 0.22% (formerly 0.60% in December), while in Italy it was 1.34% (formerly1.60% in December). The spread between the average November yield on 10-year Italian and German government bonds fell again to 112 bps (formerly 100 in December).

In March, international share prices were up on a monthly basis, but down on an annual basis. In detail, the Dow Jones Euro Stoxx index rose by 4.4% m/m (-15.8% y/y), the Standard & Poor's 500 index by 6.3% (-2.8% y/y) and the Nikkei 225 index by 3.5% (-12.0% y/y). Similarly, the major European stock market indices showed positive monthly performances; the FTSE Mib rose by 7.6% (-12.6% y/y), in France the CAC40 rose by 5.6% (-11.6% y/y), while in Germany the DAX30 rose by 6.1% (-16.3% y/y).

With reference to the main banking indices, the indicators have largely followed the monthly and annual trends of the principal equity indices: the Italian FTSE Banks rose by 6.9% m/m (-32.6% y/y), the Dow Jones Euro Stoxx Banks by 10% m/m (-29.3% y/y) and the S&P 500 Banks rose by 5.6% m/m (-10.9% y/y).

In the first quarter of 2016, markets continued to be impacted by the volatility related to the tensions between Iran and Saudi Arabia on oil prices, fears about slowing economic growth in China and pressures on the banking markets linked to a European agreement on the management of doubtful loans.

Banking markets

In March, the annual trend in deposits from resident customers worsened compared with the annual change recorded at the end of 2015 (-1.3%, formerly -0.6%). As in previous surveys, the annual trend in deposits continues to be positive (+3.5%), whereas bonds are showing a strong contraction (-15.4%). From a review of the different components shows a clear gap between the short-term and medium/long-term sources. Deposits from resident customers (net of central counterparties) rose in March by 3.5% y/y, whereas bonds continued their sharp decline, which started already in 2014. Foreign deposits reversed their upward trend seen in previous quarters (-2.4%, formerly +3.1% in December). The average remuneration of bank deposits was 1.13%, decreasing again on the December figure (1.19%). The interest rate on euro deposits of households and non-financial companies came to 0.49% (formerly 0.53% in December), while the rate on bonds came to 2.92% (formerly 2.94%) and 0.90% on repurchase agreements (formerly 0.91 in December).

In March, bank loans to households and businesses improved (+0.1%), although overall they maintained weak exit rates. In February, loans to households grew by 1% y/y (formerly 0.8% in December), as did those to companies (+0.3%, formerly -0.2%). Breaking down loans by duration, the medium/long-term component has maintained the annual increase already recorded in previous surveys (+1.8%, formerly

+2.2% in December), whereas the short-term one has remained negative (-5.0%, formerly -4.8% in December).

Overall, lending during the first quarter of 2016 continued to be influenced by the trend in capital investment and the weak economic cycle; in February, gross doubtful loans grew by 4.7% y/y (lower than the +9.4% growth recorded in December 2015), with a percentage of total loans of 10.7% (formerly 10.4% in December). The ratio of net doubtful loans/total net loans comes to 4.6% (formerly 4.9% in December).

The latest available CERVED figures (December 2015) show that businesses that have opened bankruptcy proceedings have decreased by 6.3% y/y, thanks to general improvements in our country (except for Veneto, Trentino, Abruzzo and Molise), especially in the industrial sector.

Interest rates on new loans have remained low; the rate on home purchase loans to families came to 2.36% (formerly 2.51% in December). In February, the share of the flow of fixed-rate loans was 66.1% (formerly 66.0% in December). The rate on new loans to non-financial companies fell to 1.80% (formerly 1.99% in December). Overall, the weighted average interest rate on total loans to households and non-financial companies in March came to 3.16% (formerly 3.26% in December), a new all-time low since the start of the crisis. In March, the spread between the average rates on loans and deposits amounted to 2.03%, a slight decrease on the previous postings (formerly 2.07% in December), still a long way from the pre-crisis figure (3.29% at the end of 2007).

The distribution network

The Group's distribution network at 31 March 2016 consists of 275 branches, including 149 in the Parent Company Banco di Desio e della Brianza and 126 of Banca Popolare di Spoleto.

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, Piedmont, Liguria, Veneto, Tuscany and Lazio and now, thanks to Banca Popolare di Spoleto, into Umbria, Marche and Abruzzo as well.

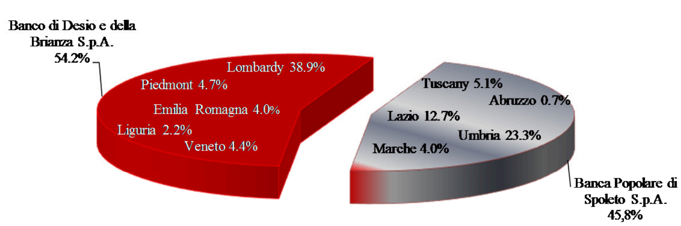
The distribution network is organised into seven regional Areas, each of which is supervised by an Area Manager and for which it is envisaged that each Area will be assigned the following roles to support its Area Manager:

- *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 both the policy issued by the office of Corporate Affairs and the directions communicated by the Sales Department for an effective organisation of each sales campaign;
- *Area International Banking Manager*, who handles the development of the customer base involved in international banking operations and who contributes, in addition to the achievement of sales targets, to the deployment by branches of a structured method for the analysis of customers' needs in order to correctly and effectively propose the Bank's services.

As part of the rationalisation of the distribution network, Banca Popolare di Spoleto approved the closure of four branches, in Sferracavallo, near Orvieto (TR), San Secondo, frazione di Città di Castello (PG), Cerreto di Spoleto (PG) and Recanati (MC) by next May.

The following chart gives a breakdown of the overall distribution network by Group company with the percentage represented by the region at 31 March 2016.

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



Significant events

Registration document of Banca Popolare di Spoleto S.p.A.

On 27 January 2016, BPS again submitted to Consob the registration document required under applicable law for: i) the re-admission to listing of the shares outstanding at the time of the Extraordinary Administration and of those subsequently issued by virtue of the extraordinary transactions mentioned above, as well as warrants; ii) the issue of own bonds. On the same date, BPS also filed with Consob its Base Prospectus so that it can start issuing bonds again. Following further requests from Consob to supplement the documentation already filed, on 23 February and 11 April 2016 the subsidiary filed the appropriate updates to the Registration Document and the Base Prospectus (also following the approval of the financial statements at 31 December 2015).

Administrative proceedings relating to MEF Decrees

On 29 February 2016 the two judgements were filed in which the Council of State rejected the appeals filed by some former officers of BPS and the former Parent Company Spoleto Credito e Servizi Soc. Coop. ("SCS"), in compliance with the judgements of the same Council of 9 and 26 February 2015 (concerning the dissolution of the administration and control bodies of the two companies and their submission to the extraordinary administration procedure arranged with the MEF Decrees of February 2013); it has therefore established that there was no violation or circumvention of the judgement by the MEF. A number of appeals presented at the same time for alleged substantive defects of the same MEF Decrees of April 2015 subject to the judgement of compliance are still pending before the Regional Administrative Court of Lazio.

Credito Privato Commerciale S.A. in liquidation

Discussions with the Swiss Supervisory Authority have continued to finalise the technical details and formalities to complete the liquidation of the subsidiary. We are therefore waiting for FINMA to issue a statement saying that the company is no longer subject to banking supervision. After that, CPC will be able to repay its capital to the Parent Company and the liquidation procedure will continue for the sole purpose of cancelling it from the companies register as quickly as possible.

With reference to the quarterly closing at 31 March 2016, given that the effects of substantial completion of the liquidation of CPC have already been recognised at 31 December 2015, the Parent Company considered the investment in CPC as completely disposed of, resulting in a loss of control, even if the first tranche of capital will paid out after the end of the quarter, following the declaration by the company's liquidator to ensure timely repayment of the first tranche of the capital together with FINMA's revocation of its supervision.

Once these conditions had taken place, the Parent Company eliminated the book value of the subsidiary from caption "100 – Equity investments", at the same time recognising a receivable from the liquidators equal to the residual assets of CPC under caption "150 – Other assets" and of a capital gain of Euro 4,169 thousand, equal to the sum of the following income statement items: (i) capital gain equal to the difference between the receivable recorded and the value of the equity investment eliminated, net of (ii) charges for future expenses resulting from the residual liquidation procedures.

In the consolidated income statement, the effects of this transaction, in addition to the net gain of Euro 4,169 thousand recognised under caption "240. Profit (loss) from equity investments", include income shown under the same caption of Euro 1,085 thousand relating to the reversal of future charges already set aside in the consolidated financial statements at 31 December 2015.

Spoleto Mortgages 2003: early closing of the securitisation

The first quarter of 2016 saw the early closure of the securitisation launched in 2003 with the setting up of the SPV "Spoleto Mortgages Srl". Banca Popolare di Spoleto repurchased the portfolio of outstanding receivables, together with the interest and all ancillary rights; BPS's obligation for the selling price was subject to partial compensation with the receivable, also owed to BPS, for the excess spread of Euro 3.9 million. BPS recorded a gain of Euro 1.1 million on this buy-back.

Rovere S.d.G. SA

The absorption of Rovere Sicav's nine sub-funds by the same number of Italian-based funds managed by AcomeA SGR was completed on 29 January 2016. Following the above merger, Rovere ceased operations and the procedure was commenced for its liquidation in the shortest time possible. The related decision, which will be followed by the resolution of the Shareholders' Meeting of Rovere, was formalised by the Parent Company's Board of Directors on 27 April 2016. For this reason, the Parent Company has reclassified the balance sheet items relating to the subsidiary in assets held for sale in accordance with IFRS 5.

Istifid S.p.A.

On 11 January 2016, given the evolutions in the sector where Istifid S.p.A. operates, characterised by increasing concentration, the Board of Directors of the Parent Company agreed to continue negotiations to sell its investment in this product company. On 13 April 2016, Banco Desio, Credito Valtellinese s.c. ("Creval") and Canova Investissements S.r.l. signed an agreement for the sale of the entire investment currently held in Istifid S.p.A. to Unione Fiduciaria S.p.A. ("UF"). Part of the consideration for the sale of these Istifid shares may be reinvested by Creval and Banco Desio in Unione Fiduciaria shares up to a maximum of 8% of the share capital. In the event of a full investment, Banco Desio will acquire a 2% holding. The sale agreement took effect on 2 May 2016. It should be noted that the reclassification of the investment in Istifid under assets held for sale was made at its carrying amount in accordance with IFRS 5, which requires assets held for sale to be measured at the lower of their book value and the selling price (fair value) as established in the contract.

General inspection of Banco Desio by the Bank of Italy

A general inspection of Banco Desio began on 14 September 2015. The inspection work was completed on 24 December 2015. The inspection report containing "partially favourable" findings was delivered to the Board of Directors of the Parent Company on 10 March 2016. This outcome, which is considered positive, did not result in any disciplinary proceedings.

Contributions to the Single Resolution Mechanism and Deposit Guarantee Scheme

In compliance with IFRIC 21, at 31 March 2016 the Group recorded the current year's ordinary contribution to the Single Resolution Mechanism of Euro 3.8 million, considering the communication by the National Resolution Authority, with payment due by 15 June 2016.

The ordinary contribution to the Deposit Guarantee Scheme (DGS) forecast for the current year will be booked in the second half when the "obligating event" for this charge takes place; Art. 21 of the new Articles of Association says that the Fund builds up financial resources until the target level is reached through the ordinary contributions of the banks that are members at 30 September of each year.

Significant subsequent events

General Management

On 27 April 2016, the Board of Directors of the Parent Company approved the hiring of Luciano Camagni and his appointment as General Manager with effect from 4 May 2016.

Luciano Camagni replaces Luciano Colombini, to whom the Board of Directors wishes to express heartfelt thanks for the work he has performed and the results achieved despite a particularly severe market environment.

The professional profile of Luciano Camagni is characterised by extensive experience in banking and finance gained in senior positions at leading institutions.

The Board also appointed a second Deputy General Manager, Mauro Colombo, who also holds the position of Financial Reporting Manager.

Banca Popolare di Spoleto S.p.A. ("BPS")

The Annual Shareholders' Meeting of BPS was held on 7 April 2016; among other things, it made a number of decisions regarding the action for damages against former corporate officers: i) confirmation of the action for damages already taken by the Commissioners; ii) extension of the action for damages against the former Statutory Auditors; iii) decision to act as a civil party in the criminal proceedings before the Court of Spoleto (General Crime Reports sub number 649/2011).

On 27 April 2016, Luciano Colombini also resigned as Deputy Chairman and member of the Executive Committee of Banca Popolare di Spoleto.

Fides SpA

The Ordinary Shareholders' Meeting of the subsidiary Fides S.p.A. was held on 12 April 2016; among other things, it approved renewal of the corporate bodies (one year for the Board of Directors and three years for the Board of Statutory Auditors, as required by law).

The formalities begun on 8 October 2015 to register the subsidiary in the Single Register of Financial Intermediaries as per current art. 106 of the CBA were completed on 6 April 2016.

Atlante Fund

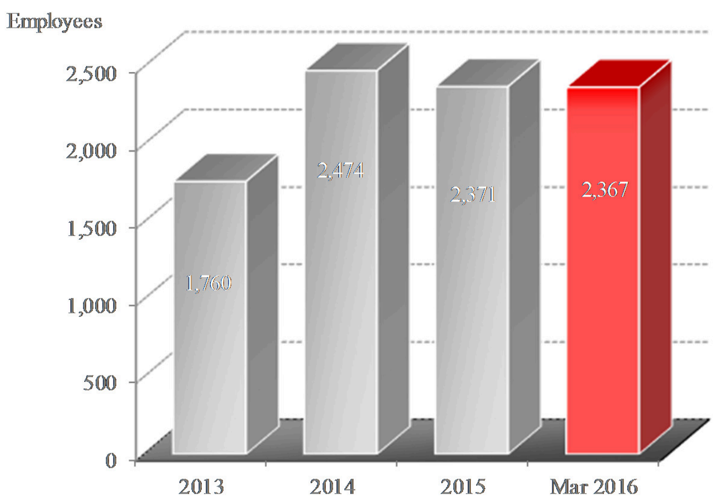
On 27 April 2016, the Board of Directors of the Parent Company authorised the investment of Euro 7 million in the "Atlante Fund". This is a closed-end AIF which aims to make a "system" intervention in the Italian market as an investment portfolio, targeting:

- Italian banks with increases in capital already announced to the market (BP Vicenza and Veneto Banca) and other Italian banks with recapitalisations aimed at ensuring compliance with the conditions established or requested by the supervisory authorities;
- financial instruments issued by one or more entities set up for the purchase of non-performing loans (NPLs) of a number of Italian banks, with a minimum investment of at least 30% of the Fund assets;
- individual investments made in a perspective of economic and financial sustainability of each individual transaction and overall profitability of the portfolio over the medium to long term.

Human resources

At 31 March 2016, the Group had 2,367 employees, a decrease of 4 people (-0.2%) compared with the end of the previous period.
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 the first quarter of the year, compared with 2015.

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

No. of Employees	**31.03.2016**	**%**	**31.12.2015**	**%**	**Change Amount**	**Change %**
Managers	37	1.6%	36	1.5%	1	2.8%
3rd and 4th level middle managers	471	19.9%	473	20.0%	-2	-0.4%
1st and 2nd level middle managers	607	25.6%	608	25.6%	-1	-0.2%
Other personnel	1,252	52.9%	1,254	52.9%	-2	-0.2%
Group employees	**2,367**	**100.0%**	**2,371**	**100.0%**	**-4**	**-0.2%**

Results of operations

Savings deposits: customer funds under management

Total customer funds under management at 31 March 2016 reached Euro 22.6 billion, representing an increase of Euro 0.1 billion (+0.6%) with respect to the 2015 year end balance, mainly attributable to direct 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**

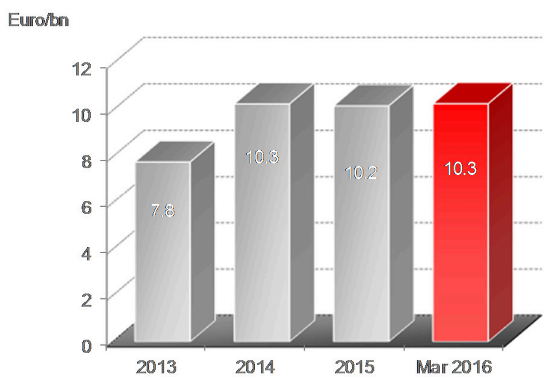
					Change	
Amounts in thousands of Euro	**31.03.2016**	**%**	**31.12.2015**	**%**	**Amount**	**%**
Due to customers	8,577,911	37.9%	8,244,110	36.7%	333,801	4.0%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	1,698,974	7.5%	1,940,932	8.6%	-241,958	-12.5%
Direct deposits	**10,276,885**	**45.4%**	**10,185,042**	**45.3%**	**91,843**	**0.9%**
Ordinary customer deposits	8,211,119	36.3%	8,343,925	37.1%	-132,806	-1.6%
Institutional customer deposits	4,130,942	18.3%	3,966,177	17.6%	164,764	4.2%
Indirect deposits	**12,342,061**	**54.6%**	**12,310,102**	**54.7%**	**31,959**	**0.3%**
Total customer deposits	**22,618,946**	**100.0%**	**22,495,144**	**100.0%**	**123,802**	**0.6%**

Direct deposits

Direct deposits at the end of the first quarter amounted to Euro 10.3 billion, an increase of Euro 0.1 billion due to the rise in amounts due to customers of Euro 0.3 billion (+4.0%), partially offset by the decrease in debt securities in issue and financial liabilities valued at fair value of Euro 0.2 billion (-12.5%).

The trend in direct deposits in recent years is shown in the following chart.

Chart no. 3 - **TREND IN DIRECT DEPOSITS IN RECENT YEARS**



Indirect deposits

Overall, at 31 March 2016 indirect deposits recorded an increase of 0.3% on the balance at the end of the previous year, coming in at Euro 12.3 billion.
Ordinary customer deposits came to Euro 8.2 billion, a decrease of Euro 0.1 billion, equal to 1.6%, which was attributable to the performance of asset under management (-4.3%), partially offset by an increase in assets under administration (+0.6%).

On the other hand, institutional customer deposits increased during the period by 4.2% (+Euro 0.2 billion).
The following table provides details of the items under review, highlighting the changes that have taken place during the three-month period.

Table no. 3 - **INDIRECT DEPOSITS**

					Change	
Amounts in thousands of Euro	**31.03.2016**	**%**	**31.12.2015**	**%**	**Amount**	**%**
Assets under administration [1]	**3,621,409**	**29.3%**	**3,782,519**	**30.7%**	**-161,110**	**-4.3%**
Assets under management	**4,589,710**	**37.2%**	**4,561,406**	**37.1%**	**28,304**	**0.6%**
of which: Mutual funds and Sicavs	*1,588,254*	*12.9%*	*1,584,561*	*12.9%*	*3,693*	*0.2%*
Managed portfolios	*761,098*	*6.2%*	*730,153*	*5.9%*	*30,946*	*4.2%*
Bancassurance	*2,240,358*	*18.1%*	*2,246,693*	*18.3%*	*-6,335*	*-0.3%*
Ordinary customer deposits [1]	**8,211,119**	**66.5%**	**8,343,925**	**67.8%**	**-132,806**	**-1.6%**
Institutional customer deposits [2]	**4,130,942**	**33.5%**	**3,966,177**	**32.2%**	**164,764**	**4.2%**
Indirect deposits [1] [2]	**12,342,061**	**100.0%**	**12,310,102**	**100.0%**	**31,959**	**0.3%**

[1] at 31.03.2016 the volumes are less than for the Bonds issued by the Parent Company and placed with customers of Banca Popolare di Spoleto S.p.A. (Euro 98.2 million) and vice versa (Euro 0.1 million) (at 31.12.2015 Euro 117.6 million and Euro 0.8 million respectively);

[2] institutional customer deposits include securities of the Bancassurance segment of ordinary customers of the Parent Company and of Banca Popolare di Spoleto S.p.A. for Euro 2.2 billion (Euro 2.2 billion at 31.12.2015).

The chart below shows the breakdown of indirect deposits from ordinary customers by sector at 31 March 2016. The subsequent chart focuses on the composition of assets under management in the same period, highlighting how the "life" bancassurance component constitutes the largest share at two thirds of the total.

Chart no. 4 - **BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.03.2016**

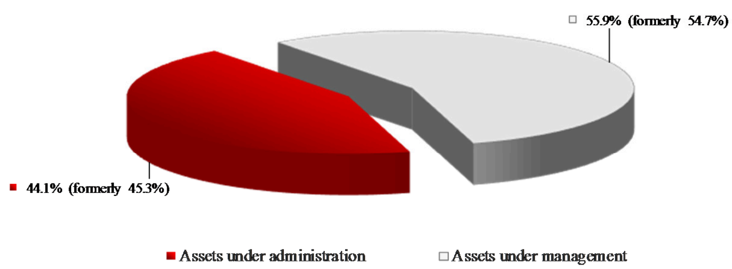
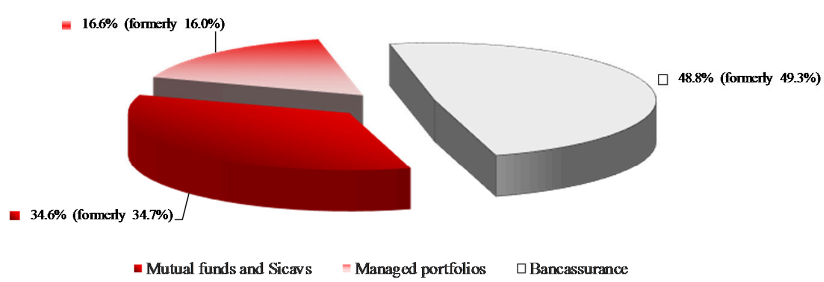


Chart no. 5 - **BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AT 31.03.2016**



Loans to customers

The total value of loans to ordinary customers at the end of the first quarter comes to Euro 9.4 billion, substantially in line with the end of 2015 (-0.2%), while loans to institutional customers, which consist entirely of repurchase agreements, amount to Euro 0.1 billion.

The Group's lending activity led to total net loans to customers of Euro 9.5 billion at 31 March 2016, with an increase of Euro 0.1 billion (+1.2%) compared with the end of the prior year.

The following chart shows the overall trend in customer loans in recent years.

Chart no. 6 - **TREND IN CUSTOMER LOANS IN RECENT YEARS**

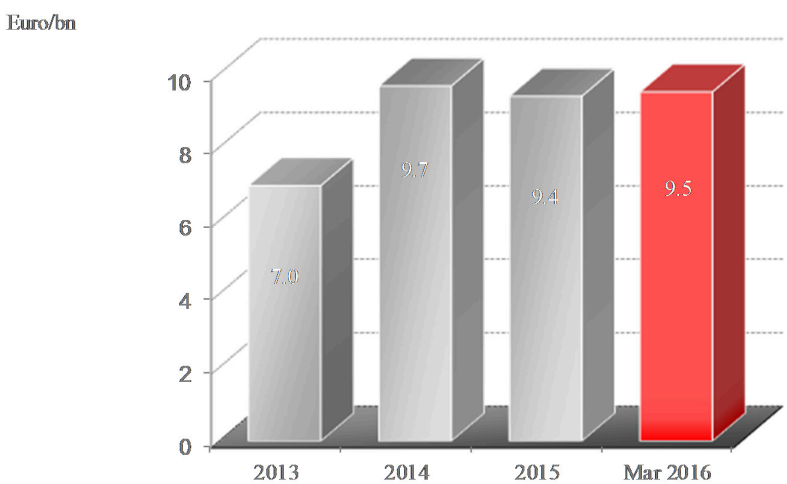


Table no. 4 - **LOANS TO CUSTOMERS**

Amounts in thousands of Euro	31.03.2016	%	31.12.2015	%	Change Amount	Change %
Current accounts	1,808,772	19.0%	1,818,025	19.5%	-9,253	-0.5%
Repurchase agreements	10,665	0.1%			10,665	
Mortgages and other long-term loans	6,278,775	66.1%	6,311,065	67.2%	-32,290	-0.5%
Other	1,270,565	13.4%	1,257,221	13.4%	13,344	1.1%
Loans to ordinary customers	**9,368,777**	**98.6%**	**9,386,311**	**100.0%**	**-17,534**	**-0.2%**
Repurchase agreements	134,201	1.4%			134,201	
Loans to institutional customers	**134,201**	**1.4%**			**134,201**	
Loans to customers	**9,502,978**	**100.0%**	**9,386,311**	**100.0%**	**116,667**	**1.2%**

Within the distribution of gross loans, including endorsement credits, the percentage of drawdowns by the largest customers at the end of the first quarter has increased, while continuing 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)]	**31.03.2016**	**31.12.2015**
First 10	1.44%	1.31%
First 20	2.34%	2.13%
First 30	3.10%	2.85%
First 50	4.26%	3.99%

(1) *according to the figures of the Parent Company and the subsidiary Banca Popolare di Spoleto S.p.A.*

(2) *net of repurchase agreements with institutional counterparties of Euro 134.2 million at 31.03.2016.*

The total amount of net non-performing loans, made up of doubtful loans, unlikely to pay, non-performing past due and/or overdrawn exposures, came to Euro 918.2 million at 31 March 2016, net of adjustments of Euro 840.7 million, an increase of Euro 13.6 million compared with 31 December 2015.

In particular, net doubtful loans totalled Euro 454.8 million, unlikely to pay Euro 422 million and non-performing past due and/or overdrawn exposures Euro 41.4 million.

The following table summarises the gross and net indicators relating to credit risk, showing figures that are in line with those at the end of the previous year.

Table no. 6 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% of gross loans [(1)]	**31.03.2016**	**31.12.2015**
Gross non-performing loans to customers	16.91%	16.79%
of which:		
- gross doubtful loans	10.71%	10.42%
- unlikely to pay, gross	5.74%	5.83%
- non-performing past due and/or overdrawn exposures, gross	0.46%	0.55%

% of net loans	**31.03.2016**	**31.12.2015**
Net non-performing loans to customers	9.66%	9.64%
of which:		
- net doubtful loans	4.79%	4.73%
- unlikely to pay, net	4.44%	4.39%
- non-performing past due and/or overdrawn exposures, net	0.44%	0.52%

(1) considering the gross value and the write-downs of non-performing loans of Banca Popolare di Spoleto S.p.A. without taking into account the changes needed to represent the acquisition value.

The main indicators for 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 levels of coverage that are in line with the end of the previous year.

Table no. 7 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS**

% Coverage of non-performing and performing loans [1]	31.03.2016	31.12.2015
% Coverage of doubtful loans	59.17%	58.48%
% Coverage of doubtful loans, gross of cancellations	64.53%	64.18%
% Total coverage of non-performing loans	47.80%	47.50%
% Coverage of non-performing loans, gross of cancellations	52.36%	52.23%
% Coverage of performing loans	0.64%	0.67%

[1] considering the gross value and the write- downs of non- performing loans of Banca Popolare di Spoleto S.p.A. without taking into account the changes needed to represent the acquisition value.

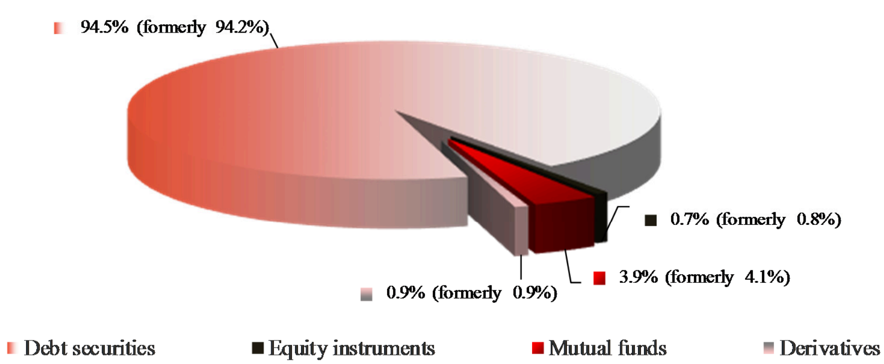
The securities portfolio and interbank position

Securities portfolio

At 31 March 2016, the Group's total financial assets amounted to Euro 2 billion, an increase of some Euro 0.1 billion compared with the end of 2015 (+4.8%).

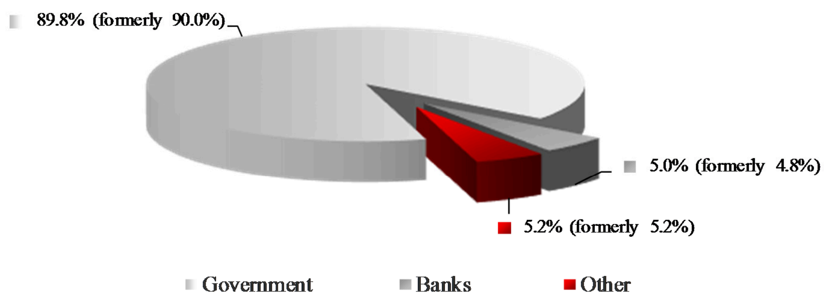
The portfolio breakdown by type of security is shown in the following graph, which shows that almost all (94.5%) of the investments still consist of debt securities.

Chart no. 7 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.03.2016 BY TYPE OF SECURITIES**



With reference to the issuers of securities, of the total portfolio at the end of the first quarter of the year, 89.8% relates to government securities, 5% to securities issued by banks and the remainder to other issuers, as shown by the following chart.

Chart no. 8 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.03.2016 BY TYPE OF ISSUER**



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 31.03.2016 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	Spain	31.03.2016
Financial assets available for trading	Nominal value	2.370		2.370
	Book value	1.732		1.732
Financial assets available for sale	Nominal value	1.680.500	75.000	1.755.500
	Book value	1.708.496	78.172	1.786.668
Sovereign debt	**Nominal value**	**1.682.870**	**75.000**	**1.757.870**
	Book value	**1.710.228**	**78.172**	**1.788.400**

Table no. 9 - **SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO, ISSUER AND MATURITY**

Amounts in thousands of Euro		**Italy**	**Spain**	**31.03.2016 Nominal value**	**31.03.2016 Book value**
Financial assets available for trading	up to 1 year	0	0	0	0
	1 to 3 years	150	0	150	158
	3 to 5 years	0	0	0	0
	over 5 years	2.220	0	2.220	1.574
	Total	2.370	0	2.370	1.732
Financial assets available for sale	up to 1 year	338.000		338.000	339.559
	1 to 3 years	506.000		506.000	517.449
	3 to 5 years	361.500	75.000	436.500	443.763
	over 5 years	475.000		475.000	485.897
	Total	1.680.500	75.000	1.755.500	1.786.668
Sovereign debt	**up to 1 year**	**338.000**	**0**	**338.000**	**339.559**
	1 to 3 years	**506.150**	**0**	**506.150**	**517.607**
	3 to 5 years	**361.500**	**75.000**	**436.500**	**443.763**
	over 5 years	**477.220**	**0**	**477.220**	**487.471**
	Total	**1.682.870**	**75.000**	**1.757.870**	**1.788.400**

Net interbank position

The Group's net interbank position at 31 March 2016 is negative for around Euro 0.5 billion euro, substantially in line with the end of the previous year.

Shareholders' equity and capital adequacy

Shareholders' equity pertaining to the Parent Company at 31 March 2016, including net profit for the period, amounts to Euro 877.1 million, compared with Euro 870.4 million at the end of 2015.

The following table shows a reconciliation between the shareholders' equity and net profit of the Parent Company and the corresponding consolidated figures at 31 March 2016, also 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 31.03.2016**

Amounts in thousands of Euro	Shareholders' equity	*of which: Net profit (loss) for the period*
Parent Company balances at 31 March 2016	***861,631***	***9,192***
Effect of consolidation of subsidiaries	13,481	4,148
Effect of valuation of associates at net equity	1,969	-33
Dividends collected during the period	-	-609
Consolidated balances at 31 March 2016	**877,081**	**12,698**

Shareholders' equity calculated in accordance with the Bank of Italy's regulatory provisions, defined as Own Funds, with an expected pay out of 40%, amounts at 31 March 2016 to Euro 1,094 million (CET1 + AT1 of Euro 873.7 million + T2 of Euro 220.3 million), a decrease of Euro 12.1 million on the figure at the end of the previous year of Euro 1,106.1 million, mainly due to the reduction in the amount attributable to own funds of subordinated loans due to the amortisation, as well as the increase in the credit limit that can be used for the repurchase of own subordinated loans.

At 31 March 2016, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 10.8% (10.8% at 31 December 2015). The Tier 1 ratio (T1/Risk-weighted assets) was 11% (11% at 31 December 2015), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 13.7% (13.9% at 31 December 2015).

The minimum capital required by law at a consolidated level, including the capital conservation buffer of 2.5%, amounted to 7% for the Common Equity Tier 1 ratio, 8.5% 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.

It is worth to remember that in August 2015 the Parent Company received the Bank of Italy's notification regarding the capital requirements to be met at the end of the Supervisory Review and Evaluation Process (SREP), which confirmed the following capital ratios at a consolidated level: 7% Common Equity Tier1 ratio, 8.5% Tier1 ratio, 10.5% Total Capital ratio. They are capital requirements that are amply exceeded by the

Group current ratios and which confirm the Group's low level of risk. The following is a summary of the Group's capital ratios at 31 March 2016 compared with the minimum ratios required by the SREP process.

	Banco Desio Group	SREP	*diff.*
CET 1	**10.8%**	**7.0%**	**+3.8%**
TIER 1	**11.0%**	**8.5%**	**+2.5%**
TOTAL CAPITAL RATIO	**13.7%**	**10.5%**	**+3.2%**

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 *consolidated interim financial statements*, which forms the basis of the following comments.

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, the first quarter of 2016 closed with a net profit attributable to the Parent Company of Euro 12.7 million, compared with a net profit of Euro 13.8 million reported for the first quarter of the previous year.

Table no. 11 - **RECLASSIFIED INCOME STATEMENT**

Captions				Change	
Amounts in thousands of Euro		**31.03.2016**	**31.03.2015**	**Amount**	**%**
10+20	Net interest income	60,244	69,132	-8,888	-12.9%
	Profit (loss) from equity investments in associates	-33	428	-461	n.s.
40+50	Net commission income	36,680	39,817	-3,137	-7.9%
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	3,807	9,886	-6,079	-61.5%
220	Other operating income/expense	4,141	2,769	1,372	49.6%
	Operating income	**104,839**	**122,032**	**-17,193**	**-14.1%**
180 a	Payroll costs	-44,369	-44,872	503	-1.1%
180 b	Other administrative costs	-24,579	-17,800	-6,779	38.1%
200+210	Net adjustments to property, plant and equipment and intangible as	-3,073	-3,034	-39	1.3%
	Operating costs	**-72,021**	**-65,706**	**-6,315**	**9.6%**
	Result of operations	**32,818**	**56,326**	**-23,508**	**-41.7%**
	Gains (Losses) on disposal or repurchase of loans	1,111	-187	1,298	n.s.
130 a	Net impairment adjustments to loans and advances	-20,664	-36,180	15,516	-42.9%
130 b	Net impairment adjustments to financial assets available for sale	-122	0	-122	
130 d	Net impairment adjustments to other financial assets	-94	114	-208	n.s.
190	Net provisions for risks and charges	-1,367	7	-1,374	n.s.
	Profit (loss) from operations before tax	**11,682**	**20,080**	**-8,398**	**-41.8%**
290	Income taxes on current operations	-3,668	-6,648	2,980	-44.8%
	Profit (loss) from operations after tax	**8,014**	**13,432**	**-5,418**	**-40.3%**
240+270	Profit (loss) from investments and disposal of investments	5,254	0	5,254	
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity	-115	-267	152	-57.0%
	Non-recurring profit (loss) before tax	**5,139**	**-267**	**5,406**	**n.s.**
	Income taxes from non-recurring items	-26	87	-113	n.s.
	Non-recurring profit (loss) after tax	**5,113**	**-180**	**5,293**	**n.s.**
320	**Net profit (loss) for the period**	**13,127**	**13,252**	**-125**	**-0.9%**
330	Net profit (loss) pertaining to minority interests	-429	582	-1,011	n.s.
340	**Parent Company net profit (loss)**	**12,698**	**13,834**	**-1,136**	**-8.2%**

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 31.03.2016**

Captions *Amounts in thousands of Euro*		**As per financial statements** **31.03.2016**	Tax/expense recoveries	Profit (Losses) 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	**Reclassified income statement** **31.03.2016**
10+20	Net interest income	60,244							60,244
	Profit (loss) from equity investments in associates			-33					-33
40+50	Net commission income	36,680							36,680
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	4,918				-1,111			3,807
220	Other operating income/expense	12,739	-9,148		550				4,141
	Operating income	**114,581**	**-9,148**	**-33**	**550**	**-1,111**	**0**	**0**	**104,839**
180 a	Payroll costs	-44,484					115		-44,369
180 b	Other administrative costs	-33,727	9,148				0		-24,579
200+210	Net adjustments to property, plant and equipment and intangible assets	-2,523			-550				-3,073
	Operating costs	**-80,734**	**9,148**	**0**	**-550**	**0**	**115**	**0**	**-72,021**
	Result of operations	**33,847**	**0**	**-33**	**0**	**-1,111**	**115**	**0**	**32,818**
	Gains (Losses) on disposal or repurchase of loans					1,111			1,111
130 a	Net impairment adjustments to loans and advances	-20,513					-151		-20,664
130 b	Net impairment adjustments to financial assets available for sale	-122							-122
130 d	Net impairment adjustments to other financial assets	-94							-94
190	Net provisions for risks and charges	-1,518					151		-1,367
	Profit (loss) from operations before tax	**11,600**	**0**	**-33**	**0**	**0**	**115**	**0**	**11,682**
290	Income taxes on current operations	-3,694						26	-3,668
	Profit (loss) from operations after tax	**7,906**	**0**	**-33**	**0**	**0**	**115**	**26**	**8,014**
240+270	Profit (loss) from investments and disposal of investments	5,221		33					5,254
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity						-115		-115
	Non-recurring profit (loss) before tax	**5,221**	**0**	**33**	**0**	**0**	**-115**	**0**	**5,139**
	Income taxes from non-recurring items							-26	-26
	Non-recurring profit (loss) after tax	**5,221**	**0**	**33**	**0**	**0**	**-115**	**-26**	**5,113**
320	**Net profit (loss) for the period**	**13,127**	**0**	**0**	**0**	**0**	**0**	**0**	**13,127**
330	Minority interests	-429							-429
340	**Parent Company net profit (loss)**	**12,698**	**0**	**0**	**0**	**0**	**0**	**0**	**12,698**

Table no. 13 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.03.2015**

	Captions	**As per financial statements**							**Reclassified income statement**
	Amounts in thousands of Euro	**31.03.2015**	Tax/expense recoveries	Profit (Losses) 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	**31.03.2015**
10+20	Net interest income	69,132						0	69,132
	Profit (loss) from equity investments in associates			428					428
40+50	Net commission income	39,817							39,817
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	9,699				187			9,886
220	Other operating income/expense	11,344	-9,254		679				2,769
	Operating income	**129,992**	**-9,254**	**428**	**679**	**187**	**0**	**0**	**122,032**
180 a	Payroll costs	-44,872					0		-44,872
180 b	Other administrative costs	-27,321	9,254				267		-17,800
200+210	Net adjustments to property, plant and equipment and intangible assets	-2,355			-679				-3,034
	Operating costs	**-74,548**	**9,254**	**0**	**-679**	**0**	**267**	**0**	**-65,706**
	Result of operations	**55,444**	**0**	**428**	**0**	**187**	**267**	**0**	**56,326**
	Gains (Losses) on disposal or repurchase of loans					-187			-187
130 a	Net impairment adjustments to loans and advances	-35,717					-463		-36,180
130 b	Net impairment adjustments to financial assets available for sale	0							0
130 d	Net impairment adjustments to other financial assets	114							114
190	Net provisions for risks and charges	-456					463		7
	Profit (loss) from operations before tax	**19,385**	**0**	**428**	**0**	**0**	**267**	**0**	**20,080**
290	Income taxes on current operations	-6,561						-87	-6,648
	Profit (loss) from operations after tax	**12,824**	**0**	**428**	**0**	**0**	**267**	**-87**	**13,432**
240+270	Profit (loss) from investments and disposal of investments	428		-428					0
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity						-267		-267
	Non-recurring profit (loss) before tax	**428**	**0**	**-428**	**0**	**0**	**-267**	**0**	**-267**
	Income taxes from non-recurring items							87	87
	Non-recurring profit (loss) after tax	**428**	**0**	**-428**	**0**	**0**	**-267**	**87**	**-180**
320	**Net profit (loss) for the period**	**13,252**	**0**	**0**	**0**	**0**	**0**	**0**	**13,252**
330	Minority interests	582							582
340	**Parent Company net profit (loss)**	**13,834**	**0**	**0**	**0**	**0**	**0**	**0**	**13,834**

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

Operating income

Core revenues decreased by Euro 17.2 million on the first quarter of the prior year, coming in at Euro 104.8 million (-14.1%). The trend is mainly attributable to *net trading income, hedging and disposal/repurchase of loans and financial assets and liabilities designated at fair value through profit and loss* which is Euro 6.1 million lower than in the comparative period.

Because of the difficult economic and financial environment, *net interest income* and *net commission income* decreased by 12.9% and 7.9% respectively.

Operating costs

Operating costs, which include payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets amount to Euro 72 million and have increased, with respect to the comparative period, by Euro 6.3 million (+9.6%).

In particular, *payroll costs* decreased by Euro 0.5 million (-1.1%), while *other administrative costs* increased by Euro 6.8 million. Note that the latter comprise around Euro 3.8 million of the ex-ante gross ordinary contribution to the Single Resolution Mechanism (SRM) for 2016, as indicated in the section on "Significant events" and include higher costs for IT service fees of Euro 1.5 million with respect to the comparative period.

The balance of *net adjustments to property, plant and equipment and intangible assets* came to Euro 3.1 million (+1.3%).

Result of operations

The result of operations at the end of the first quarter therefore comes to Euro 32.8 million, a decrease of Euro 23.5 million on the same period last year.

Net profit (loss) from operations after tax

The result of operations of Euro 32.8 million leads to a net profit (loss) from operations after tax of Euro 8 million (compared with Euro 13.4 million in the comparative period), considering:

- *net impairment adjustments to loans and advances* of Euro 20.7 million, a decrease of Euro 15.5 million with respect to the prior year;
- *gains on disposal or repurchase of loans* of Euro 1.1 million;
- *net impairment adjustments to financial assets available for sale* of Euro 0.1 million and *net impairment adjustments to other financial assets* of Euro 0.1 million;
- *net provisions for risks and charges* of Euro 1.3 million;
- *taxes on income from continuing operations* of Euro 3.7 million.

Non-recurring profit after tax

At the end of the first quarter, *Non-recurring profit after tax* amounted to Euro 5.1 million. The balance is determined by the net gain (Euro 4.1 million) following the elimination by the Parent Company of the value of the investment in CPC in liquidation with simultaneous recognition of a receivable from the liquidators of the residual capital of this company, in addition to the reversal of charges for future expenses allocated in the previous year for Euro 1.1 million, as indicated in the relevant section in "Significant events". Moreover, the balance comprises the net impact of the IAS discounting on the Solidarity Fund and voluntary severance bonuses of Euro 0.1 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, leads to the *Parent Company net profit for the period* ended 31 March 2016 of Euro 12.7 million, which compares with a net result for the comparative period of Euro 13.8 million.

Outlook for the rest of the year

Operating performance at the end of the first quarter of the current year, reflecting the trend in interest rates, even in the face of a possible slowdown in the amount of adjustments to loans, suggests that the results for the current year will not be too far from those achieved in 2015, providing that the macroeconomic scenario does not reveal significant unexpected events of a critical nature.

With reference to the principal risks and uncertainties, please note that this Consolidated Interim Report at 31 March 2016 has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future.

Basis of preparation

The accounting policies adopted in preparing this consolidated interim report in terms of the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the methods of recognition of revenues and costs, are the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force at 31 March 2016, as illustrated in the "Accounting policies", part A of the Consolidated Financial Statements at 31 December 2015, to which reference is made for a complete explanation, taking into account that at the date of this interim report no new regulations have been issued.

Accounting policies

For the preparation of the consolidated interim financial statements, reference was made to the Bank of Italy Circular 262 of 22 December 2005 as subsequently updated on 15 December 2015.
The financial statements used for the preparation of the consolidated interim report are those prepared by the subsidiaries as of the same date, adjusted, where necessary, to comply with the relevant IAS/IFRS adopted by the Parent Company.

Scope of consolidation and methodology

The scope of consolidation is determined in accordance with the provisions contained in IFRS 10 – *Consolidated Financial Statements.*
The scope of consolidation of the Banco Desio Group at 31 March 2016 includes the Parent Company and the following subsidiaries:

- Banca Popolare di Spoleto S.p.A., 81.702% owned;
- Fides S.p.A., 100% owned;
- Rovere S.A., 80% owned, whose assets and liabilities are reclassified under caption "150 – Non-current assets and disposal groups held for sale" and "90 – Liabilities associated with assets held for sale".

The following changes have taken place since 31 December 2015:

- Elimination of Credito Privato Commerciale S.A. in liquidation as a result of the *loss of control*, in accordance with IFRS 10 - Consolidated Financial Statements, by the Parent Company, which ceases to "*be exposed to variable yields, hold rights in such yields and affect those yields*", having substantially completed the formalities involved in the company's liquidation. Discussions with the Swiss Supervisory Authority (FINMA) have continued to finalise the technical details and formalities to complete the liquidation of the subsidiary. We are now waiting for FINMA to issue a statement saying that the company is no longer subject to banking supervision. After that, the liquidation procedure will continue for the sole purpose of cancelling it from the companies register as quickly as possible.
- Elimination from the scope of consolidation of the SPV Spoleto Mortgages S.r.l., whose separate assets had been formed through the sale of performing loans by Banca Popolare di Spoleto S.p.A.; following the early termination of the securitisation on 25 February 2016, Banca Popolare di Spoleto repurchased the portfolio of outstanding receivables and the SPV repaid the Notes it had issued in full.

Equity investments in associates, consolidated using the equity method, at 31 March 2016 include Chiara Assicurazioni S.p.A. and Istifid S.p.A., the latter reclassified to caption "150 – Non-current assets and disposal groups held for sale".

Consolidated interim financial statements at 31 March 2016

CONSOLIDATED BALANCE SHEET

ASSETS

Assets	31.03.2016	31.12.2015	Change Amount	%
10 Cash and cash equivalents	57.532	62.306	-4.774	-7,7%
20 Financial assets available for trading	16.769	16.038	731	4,6%
40 Financial assets available for sale	1.971.930	1.881.131	90.799	4,8%
60 Due from banks	287.923	292.992	-5.069	-1,7%
70 Loans to customers	9.502.978	9.386.311	116.667	1,2%
80 Hedging derivatives	3.424	4.601	-1.177	-25,6%
90 Adjustment to financial assets with generic hedge (+/-)	1.827	1.408	419	29,8%
100 Equity investments	13.271	13.261	10	0,1%
120 Property, plant and equipment	183.452	184.983	-1.531	-0,8%
130 Intangible assets	17.807	18.207	-400	-2,2%
of which: goodwill	*15.322*	*15.322*		*0,0%*
140 Tax assets	216.745	224.266	-7.521	-3,4%
a) current	*23.042*	*29.105*	*-6.063*	*-20,8%*
b) deferred	*193.703*	*195.161*	*-1.458*	*-0,7%*
- of which Law 214/2011	*172.322*	*173.678*	*-1.356*	*-0,8%*
150 Non-current assets and disposal groups held for sale	3.716	4.967	-1.251	-25,2%
160 Other assets	189.852	157.659	32.193	20,4%
Total assets	**12.467.226**	**12.248.130**	**219.096**	**1,8%**

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities and shareholders' equity			**Change**	
	31.03.2016	**31.12.2015**	**Amount**	**%**
10 Due to banks	772.004	753.115	18.889	2,5%
20 Due to customers	8.577.911	8.244.110	333.801	4,0%
30 Debt securities in issue	1.676.535	1.918.104	-241.569	-12,6%
40 Financial liabilities held for trading	7.498	5.148	2.350	45,6%
50 Financial liabilities designated at fair value through profit and loss	22.439	22.828	-389	-1,7%
60 Hedging derivatives	7.452	24.758	-17.306	-69,9%
80 Tax liabilities	31.276	31.616	-340	-1,1%
a) current	*350*	*75*	*275*	366,7%
b) deferred	*30.926*	*31.541*	*-615*	*-1,9%*
90 Liabilities associated with groups of assets held for sale	908	754	154	*20,4%*
100 Other liabilities	365.455	249.205	116.250	46,6%
110 Provision for termination indemnities	30.839	29.712	1.127	3,8%
120 Provisions for risks and charges	46.235	46.725	-490	-1,0%
b) other provisions	*46.235*	*46.725*	*-490*	*-1,0%*
140 Valuation reserves	21.031	21.767	-736	-3,4%
170 Reserves	759.502	726.660	32.842	4,5%
180 Share premium reserve	16.145	16.145		0,0%
190 Share capital	67.705	67.705		0,0%
210 Minority interests (+/-)	51.593	51.606	-13	0,0%
220 Net profit (loss) for the period (+/-)	12.698	38.172	-25.474	-66,7%
Total liabilities and shareholders' equity	**12.467.226**	**12.248.130**	**219.096**	**1,8%**

CONSOLIDATED INCOME STATEMENT

Income statement	31.03.2016	31.03.2015	Change Amount	%
10 Interest and similar income	80.773	97.819	(17.046)	-17,4%
20 Interest and similar expense	(20.529)	(28.687)	8.158	-28,4%
30 **Net interest income**	**60.244**	**69.132**	(8.888)	-12,9%
40 Commission income	41.583	44.997	(3.414)	-7,6%
50 Commission expense	(4.903)	(5.180)	277	-5,3%
60 **Net commission income**	**36.680**	**39.817**	(3.137)	-7,9%
80 Net trading income	422	2.122	(1.700)	-80,1%
90 Net hedging gains (losses)	(617)	(1.728)	1.111	-64,3%
100 Gains (losses) on disposal or repurchase of:	5.219	9.558	(4.339)	-45,4%
a) loans	*1.111*	*(187)*	*1.298*	*-694,1%*
b) financial assets available for sale	*4.665*	*10.239*	*(5.574)*	*-54,4%*
c) financial assets held to maturity		*22*	*(22)*	*-100,0%*
d) financial liabilities	*(557)*	*(516)*	*(41)*	*7,9%*
110 Net results on financial assets and liabilities designated at fair value	(106)	(253)	147	-58,1%
120 **Net interest and other banking income**	**101.842**	**118.648**	(16.806)	-14,2%
130 Net impairment adjustments to:	(20.729)	(35.603)	14.874	-41,8%
a) loans	*(20.513)*	*(35.717)*	*15.204*	*-42,6%*
b) financial assets available for sale	*(122)*		*(122)*	
d) other financial assets	*(94)*	*114*	*(208)*	*n.s.*
140 **Net profit from financial activities**	**81.113**	**83.045**	(1.932)	-2,3%
170 **Net income from financial and insurance activities**	**81.113**	**83.045**	(1.932)	-2,3%
180 Administrative costs	(78.211)	(72.193)	(6.018)	8,3%
a) payroll costs	*(44.484)*	*(44.872)*	*388*	*-0,9%*
b) other administrative costs	*(33.727)*	*(27.321)*	*(6.406)*	*23,4%*
190 Net provisions for risks and charges	(1.518)	(456)	(1.062)	232,9%
200 Net adjustments to property, plant and equipment	(2.058)	(2.028)	(30)	1,5%
210 Net adjustments to intangible assets	(465)	(327)	(138)	42,2%
220 Other operating charges/income	12.739	11.344	1.395	12,3%
230 **Operating costs**	**(69.513)**	**(63.660)**	(5.853)	9,2%
240 Profit (loss) from equity investments	5.221	428	4.793	n.s.
280 **Profit (loss) from current operations before tax**	**16.821**	**19.813**	(2.992)	-15,1%
290 Income taxes on current operations	(3.694)	(6.561)	2.867	-43,7%
300 **Profit (loss) from current operations after tax**	**13.127**	**13.252**	(125)	-0,9%
320 **Net profit (loss) for the period**	**13.127**	**13.252**	(125)	-0,9%
330 Net profit (loss) pertaining to minority interests	(429)	582	(1.011)	n.s.
340 **Parent Company net profit (loss)**	**12.698**	**13.834**	(1.136)	-8,2%

	31.03.2016	31.03.2015
Basic earnings per share (Euro)	0.09	0.10
Diluted earnings per share (Euro)	0.09	0.10

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Captions	31.03.2016	31.03.2015
10.	**Net profit (loss) for the period**	**13,127**	**13,252**
	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	(893)	33
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	-	7,454
90.	Cash-flow hedges	(2,006)	-
100.	Financial assets available for sale	2,038	8,775
110.	Non-current assets and disposal groups held for sale	-	-
120.	Portion of the valuation reserves of the equity investments carried at equity	(103)	151
130.	**Total other elements of income (net of income taxes)**	**(964)**	**16,413**
140.	**Total comprehensive income (Captions 10+130)**	**12,163**	**29,665**
150.	Total comprehensive income pertaining to minority interests	(201)	1,139
160.	**Total consolidated comprehensive income pertaining to Parent Company**	**11,962**	**30,804**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.03.2016

	Balance at 31.12.2015	Changes in opening balances	Balance at 01.01.2016	Allocation of prior year results		Changes during the period									Group shareholders' equity at 31.03.2016	Minority interests at 31.03.2016
							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	Changes in equity investments	Comprehensive income at 31.03.2016		
Share capital:																
a) ordinary shares	118,578		118,578												60,840	57,738
b) other shares	6,865		6,865												6,865	
Share premium reserve	31,569		31,569												16,145	15,424
Reserves:																
a) from profits	683,485		683,485	37,598		(545)									745,688	(25,150)
b) other	22,611		22,611			(4,999)									13,814	3,798
Valuation reserves:	21,400		21,400											(964)	21,031	(595)
Equity instruments																
Treasury shares	(51)		(51)													(51)
Net profit (loss) for the period	37,598		37,598	(37,598)										13,127	12,698	429
Group shareholders' equity	**870,449**		**870,449**			**(5,330)**								**11,962**	**877,081**	
Minority interests	**51,606**		**51,606**			**(214)**								**201**		**51,593**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.03.2015

	Balance at 31.12.2014	Changes in opening balances	Balance at 1.01.2015	Allocation of prior year results		Changes during the period									Group shareholders' equity at 31.03.2015	Minority interests at 31.03.2015
							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	Changes in equity investments	Comprehensive income at 31.03.2015		
Share capital:																
a) ordinary shares	121,161		121,161												60,840	60,321
b) other shares	6,865		6,865												6,865	
Share premium reserve	38,813		38,813												16,145	22,668
Reserves:																
a) from profits	642,801		642,801	39,427		19									709,974	(27,727)
b) other	23,927		23,927									70			23,997	
Valuation reserves:	27,135		27,135											16,413	43,831	(283)
Equity instruments																
Treasury shares	(75)		(75)													(75)
Net profit (loss) for the period	39,427		39,427	(39,427)										13,252	13,834	(582)
Group shareholders' equity	**845,627**		**845,627**			**(1,015)**						**70**		**30,804**	**875,486**	
Minority interests	**54,427**		**54,427**			**1,034**								**(1,139)**		**54,322**

CONSOLIDATED CASH FLOW STATEMENT

	31.03.2016	31.03.2015
A. OPERATING ACTIVITIES		
1. Cash generated from operations	**66,837**	**69,850**
- interest received (+)	78,324	97,884
- interest paid (-)	(18,261)	(28,658)
- dividends and similar income (+)		
- net commission income (+/-)	37,021	40,566
- payroll costs (-)	(43,148)	(42,285)
- net premiums received (+)		
- other insurance income/expense (+/-)		
- other costs (-)	(25,881)	(21,839)
- other revenues (+)	37,807	30,123
- taxation (-)	975	(5,941)
- costs/revenues for disposal groups, net of tax effect (+/-)		
2. Cash generated (absorbed) by financial assets	**(261,939)**	**148,181**
- financial assets held for trading	(506)	7
- financial assets designated at fair value through profit and loss		
- financial assets available for sale	(84,293)	228,841
- loans to customers	(156,086)	(11,189)
- due from banks: on demand	88,987	(41,478)
- due from banks: other receivables	(83,905)	11,099
- other assets	(26,136)	(39,099)
3. Cash generated (absorbed) by financial liabilities	**190,815**	**(223,691)**
- due to banks: on demand	19,188	35,016
- due to banks: other debts	(298)	(328,777)
- due to customers	333,585	222,066
- debt securities in issue	(240,295)	(313,703)
- financial liabilities held for trading	1,859	3,633
- financial liabilities designated at fair value through profit and loss	(2,313)	(1,110)
- other liabilities	79,089	159,184
Net cash generated/absorbed by operating activities (A)	**(4,287)**	**(5,660)**
B. INVESTING ACTIVITIES		
1. Cash generated by		**41**
- sale of equity investments		
- dividends collected on equity investments		
- sale of financial assets held to maturity		
- sale of property, plant and equipment		41
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(1,379)**	**(1,490)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of property, plant and equipment	(1,292)	(1,411)
- purchase of intangible assets	(87)	(79)
- purchase of lines of business		
Net cash generated/absorbed by investing activities (B)	**(1,379)**	**(1,449)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations		
Net cash generated/absorbed by financing activities (C)		
NET CASH GENERATED (ABSORBED) IN THE PERIOD (A+B+C)	**(5,666)**	**(7,109)**

RECONCILIATION

	31.03.2016	31.03.2015
Cash and cash equivalents at beginning of period	**62,306**	**62,890**
Net increase (decrease) in cash and cash equivalents	(5,666)	(7,109)
Cash and cash equivalents: effect of change in exchange rates	892	1,136
Cash and cash equivalents at end of period	**57,532**	**56,917**

Information on risks and related hedging policy

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Doubtful loans	Unlikely to pay	Past due non-performing loans	Past due performing loans	Other performing exposures	Total
1. Financial assets available for sale	-	-	-	-	1,879,873	1,879,873
2. Financial assets held to maturity	-	-	-	-	-	-
3. Due from banks	-	-	-	-	287,923	287,923
4. Loans to customers	454,821	421,964	41,420	359,236	8,225,537	9,502,978
5. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
6. Financial assets being sold	-	-	-	-	1,132	1,132
Total 31.03.2016	**454,821**	**421,964**	**41,420**	**359,236**	**10,394,465**	**11,671,906**
Total 31.12.2015	**443,926**	**411,964**	**48,666**	**387,635**	**10,178,308**	**11,470,499**

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 available for sale		-	-	-	1,879,873	-	1,879,873	1,879,873
2. Financial assets held to maturity		-	-	-	-	-	-	-
3. Due from banks		-	-	-	287,923	-	287,923	287,923
4. Loans to customers		1,512,006	(593,801)	918,205	8,640,090	(55,317)	8,584,773	9,502,978
5. Financial assets designated at fair value through profit and loss		-	-	-			-	-
6. Financial assets being sold		-	-	-	1,132	-	1,132	1,132
Total	**31.03.2016**	**1,512,006**	**(593,801)**	**918,205**	**10,809,018**	**(55,317)**	**10,753,701**	**11,671,906**
Total	**31.12.2015**	**1,468,806**	**(564,250)**	**904,556**	**10,623,400**	**(57,457)**	**10,565,943**	**11,470,499**

Portfolio/Quality		Assets with an obviously poor credit quality		Other assets
		Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	15,507
2. Hedging derivatives		-	-	3,424
Total	**31.03.2016**	**-**	**-**	**18,931**
Total	**31.12.2015**	**-**	**-**	**20,239**

At 31 March 2016 the amount of partial cancellations made on impaired financial assets in the portfolio of Loans to customers amounted to Euro 104,747 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 March 2016 amounted to Euro 246,896 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 March 2016 - considering impaired loans of the subsidiary BPS with their write-downs - amounted to Euro 1,759 million and total writedowns to Euro 841 million.

A.1.3 Banking Group – On- and off-balance sheet credit exposures to banks: gross and net amounts and past due bands

Types of exposure/amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	Beyond 1 year				
A. CASH EXPOSURE								
a) Doubtful loans	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
c) Past due non-performing loans	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
d) Past due performing loans	-	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
e) Other performing exposures	-	-	-	-	373.526	-	-	373.526
- of which: exposures subject to forbearance	-	-	-	-	-	-	-	-
TOTAL A	**-**	**-**	**-**	**-**	**373.526**	**-**	**-**	**373.526**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	36.699	-	-	36.699
TOTAL B	**-**	**-**	**-**	**-**	**36.699**	**-**	**-**	**36.699**
TOTAL (A+B)	**-**	**-**	**-**	**-**	**410.225**	**-**	**-**	**410.225**

A.1.6 Banking Group – On- and off-balance sheet credit exposures to customers: gross and net amounts and past due bands

Types of exposure/amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	Beyond 1 year				
A. CASH EXPOSURE								
a) Doubtful loans	18	5.088	33.395	857.949		441.629		454.821
- of which: exposures subject to forbearanc	-	27	49	9.278		5.318		4.036
b) Unlikely to pay	173.883	58.869	116.872	218.164		145.824		421.964
- of which: exposures subject to forbearanc	98.660	20.069	28.361	61.809		51.771		157.128
c) Past due non-performing loans	26.823	12.660	7.135	1.150		6.348		41.420
- of which: exposures subject to forbearanc	19.918	1.700	701	111		3.158		19.272
d) Past due performing loans					366.180		6.944	359.236
- of which: exposures subject to forbearance					33.663		887	32.776
e) Other performing exposures					10.071.270		48.373	10.022.897
- of which: exposures subject to forbearance					138.281		2.761	135.520
TOTAL A	**200.724**	**76.617**	**157.402**	**1.077.263**	**10.437.450**	**593.801**	**55.317**	**11.300.338**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	12.883	-	-	-		1.602		11.281
b) Performing					505.179		1.006	504.173
TOTAL B	**12.883**	**-**	**-**	**-**	**505.179**	**1.602**	**1.006**	**515.454**
TOTAL (A+B)	**213.607**	**76.617**	**157.402**	**1.077.263**	**10.942.629**	**595.403**	**56.323**	**11.815.792**

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 March 2016; details are provided below:

a) Doubtful loans: Euro 217,527 thousand;
b) Unlikely to pay: Euro 29,334 thousand;
c) Non-performing past due and/or overdrawn exposures: Euro 35 thousand.

Information on shareholders' equity

Consolidated Own Funds

	31.03.2016	31.12.2015
A. Common Equity Tier 1 (CET 1) prior to application of prudential filters	889,757	884,433
of which: CET 1 capital instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	-162	-291
C. CET 1 gross of amounts to be deducted and the effects of transitional provisions (A +/- B)	889,595	884,142
D. Items to be deducted from CET 1	23,471	24,738
E. Transitional provisions – Impact on CET 1 (+/-)	-2,727	750
F. Total Common Equity Tier 1 (CET 1) (C – D +/-E)	863,397	860,154
G. Additional Tier 1 (AT1) gross of amounts to be deducted and the effects of transitional provisions	13,924	13,862
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 (+/-)	-3,563	-3,294
L. Total Additional Tier 1 (AT1) (G - H +/- I)	10,361	10,568
M. Tier 2 (T2) gross of amounts to be deducted and the effects of transitional provisions	219,724	234,424
of which: T2 capital instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional provisions – Impact on T2 (+/-)	554	924
P. Total Tier 2 (T2) (M - N +/- O)	220,278	235,348
Q. Total Own Funds (F + L + P)	1,094,036	1,106,070

Consolidated capital adequacy ratios

Categories/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.03.2016	**31.12.2015**	**31.03.2016**	**31.12.2015**
A. ASSETS AT RISK				
A.1 Credit and counterparty risk	**12,677,320**	**12,502,276**	**7,133,038**	**7,089,800**
1. Standardised methodology	12,676,856	12,501,738	7,132,574	7,089,262
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisations	464	537	464	537
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			**570,643**	**567,184**
B.2 Risk of credit valuation adjustment			**1,456**	**1,828**
B.3 Regulatory risk				
B.4 Market risks			**463**	**441**
1. STANDARDISED METHODOLOGY			463	441
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.5 Operational risk			**65,042**	**65,042**
1. BASIC APPROACH			65,042	65,042
2. STANDARDISED APPROACH				
3. ADVANCED APPROACHES				
B.6 Other items			0	0
B.7 Total precautionary requirements			**637,605**	**634,495**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**7,970,056**	**7,931,181**
C.2 Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)			10.833%	10.845%
C.3 Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			10.963%	10.978%
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			13.727%	13.946%