Consolidated interim report on operations at 31 March 2015

Contents

Directors and officers (Banco di Desio e della Brianza S.p.A.) 2
The Banco Desio Group 3
Introduction 4
Key figures and ratios 5

Interim report on Operations 7

The macroeconomic scenario 8
The distribution network 13
Significant events 14
Human resources 17
Results of operations 18
Significant subsequent events 31
Other information 31
Outlook for the rest of the year 32

Accounting policies 33

Consolidated interim financial statements at 31 March 2015 59

Consolidated balance sheet 60
Consolidated income statement 62
Statement of consolidated comprehensive income 63
Statement of consolidated shareholders' equity at 31 March 2015 64
Statement of consolidated shareholders' equity at 31 March 2014 65
Consolidated cash flow statement 66

Information on risks and related hedging policy 68

Information on the shareholders' equity 74

Consolidated Own Funds 75
Consolidated capital adequacy ratios 76

Certification of the Financial Reporting Manager 77

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

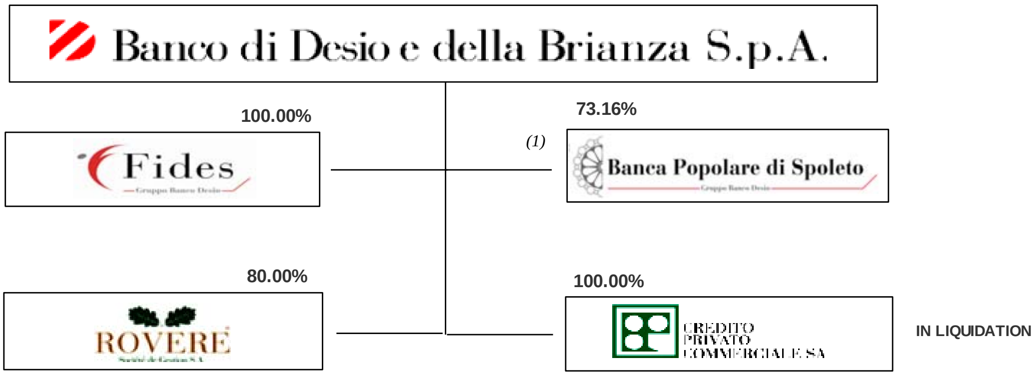
General Manager	Luciano Colombini
Deputy General Manager "Corporate Affairs"	Ippolito Fabris

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 March 2015, to which this *consolidated interim report* refers, is as follows:



(1) Note that, as a result of the Contribution by Banco Desio to Banca Popolare di Spoleto, which was legally effective as of 1 April 2015, the investment in BPS has increased to 81.71%. This holding could decrease to 76.31% due to the effect of any future subscription for Conversion Shares by the owners of BPS ordinary shares, other than Banco Desio, as the result of their exercise of the Warrants allocated thereto.

Introduction

This consolidated interim report at 31 March 2015 of the Banco Desio Group has been prepared pursuant to art. 154-ter of Legislative Decree 58/1998 ("Consolidated Finance Act" or CFA), implementing Legislative Decree 195 of 6 November 2007 (the so-called "Transparency Directive").

This report has also been prepared for the purposes of determining Own Funds and statement of capital adequacy ratios.

The consolidated interim report is made up of the Directors' interim report on operations, the accounting policies and the consolidated interim financial statements at 31 March 2015, including the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, information on risks and hedging policies, own funds and capital adequacy ratios.

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

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 consideration of the above, note that the Group's consolidated financial statements at 31 March 2014 did not include the balance sheet and income statement of Banca Popolare di Spoleto S.p.A., the two periods are not comparable as a result.

This consolidated interim report is subject to a limited audit on the quarterly financial statements used to calculate the quarterly profit for the determination of capital for supervisory purposes (Own Funds) by Deloitte & Touche S.p.A.

Key figures and ratios

Balance sheet

Amounts in thousands of Euro	31.03.2015	31.12.2014	Change amount	%
Total assets	12.378.629	12.563.670	-185.041	-1,5%
Financial assets	1.687.203	1.896.686	-209.483	-11,0%
Due from banks	318.688	288.282	30.406	10,5%
Loans to customers	9.631.141	9.666.900	-35.759	-0,4%
of which: Loans to ordinary customers	*9.471.365*	*9.468.539*	*2.826*	*0,0%*
of which: Loans to institutional customers	*159.776*	*198.361*	*-38.585*	*-19,5%*
Property, plant and equipment	184.609	185.887	-1.278	-0,7%
Intangible assets	18.126	18.384	-258	-1,4%
Due to banks	723.670	1.017.467	-293.797	-28,9%
Due to customers	7.666.387	7.444.025	222.362	3,0%
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	2.506.217	2.822.378	-316.161	-11,2%
Shareholders' equity (including Net profit/loss for the period) *(1)*	875.486	845.627	29.859	3,5%
Own funds	991.951	990.763	1.188	0,1%
Total indirect deposits	13.047.089	12.559.667	487.422	3,9%
of which: Indirect deposits from ordinary customers	*9.110.008*	*8.694.528*	*415.480*	*4,8%*
of which: Indirect deposits from institutional customers	*3.937.081*	*3.865.139*	*71.942*	*1,9%*

Income statement (2)

Amounts in thousands of Euro	31.03.2015	31.03.2014	Change amount	%
Operating income	122.032	96.687	25.345	26,2%
of which: Net interest income	*69.132*	*51.177*	*17.955*	*35,1%*
Operating costs	65.706	51.620	14.086	27,3%
Result of operations	56.326	45.067	11.259	25,0%
Net profit (loss) from operations after tax	13.432	14.089	-657	-4,7%
Non-recurring profit (loss) after tax	-180	7.933	-8.113	n.s.
Net profit for the period *(1)*	13.834	21.997	-8.163	-37,1%

(1) pertaining to the Parent Company;
(2) from the reclassified income statement.

Key figures and ratios

	31.03.2015	31.12.2014	Change Amount
Capital/Total assets	7,1%	6,7%	0,4%
Capital/Loans to customers	9,1%	8,7%	0,4%
Capital/Due to customers	11,4%	11,4%	0,0%
Capital/Debt securities in issue and Financial liabilities designated at fair value through profit and loss	34,9%	30,0%	4,9%
Common Equity Tier 1 (CET 1) / Risk-weighted assets (Common Equity Tier 1 ratio)	10,3%	10,3%	0,0%
Core Tier 1 capital (T1) / Risk-weighted assets (Tier 1 ratio)	10,5%	10,5%	0,0%
Total Own Funds / Risk-weighted assets (Total capital ratio)	12,0%	12,3%	-0,3%
Financial assets/Total assets	13,6%	15,1%	-1,5%
Due from banks/Total assets	2,6%	2,3%	0,3%
Loans to customers/Total assets	77,8%	76,9%	0,9%
Loans to customers/Direct customer deposits	94,7%	94,2%	0,5%
Due to banks/Total assets	5,8%	8,1%	-2,3%
Due to customers/Total assets	61,9%	59,3%	2,6%
Debt securities in issue and financial liabilities designated at fair value through profit and loss/Total assets	20,2%	22,5%	-2,3%
Direct borrowing from customers / Total assets	82,2%	81,7%	0,5%

	31.03.2015	31.03.2014	Change Amount
Operating cost / Operating income (Cost/Income ratio)	53,8%	53,4%	0,4%
Net interest income/Operating income	56,7%	52,9%	3,8%
Result of operations/Operating income	46,2%	46,6%	-0,4%
Profit (loss) from operations after tax/Capital *(3) - annualised (4)*	6,2%	2,6%	3,6%
Profit (loss) from operations after tax/Capital *(3)* (R.O.E.) - *annualised (4)*	6,4%	5,0%	1,4%
Profit (loss) from operations before tax/Total assets (R.O.A.) - *annualised (4)*	0,6%	0,3%	0,3%

	31.03.2015	31.12.2014	Change Amount
Doubtful loans/Loans to customers	4,4%	4,4%	0,0%
Impaired loans/Loans to customers	8,9%	8,8%	0,1%
% coverage of doubtful loans *(5)*	59,8%	58,5%	1,3%
% coverage of doubtful loans, gross of cancellations *(5)*	66,1%	65,2%	0,9%
% Total coverage of impaired loans *(5)*	49,1%	48,1%	1,0%
% coverage of impaired loans, gross of cancellations *(5)*	54,4%	53,7%	0,7%
% coverage of performing loans	0,62%	0,65%	-0,03%

Structure and productivity ratios

	31.03.2015	31.12.2014	Change amount	%
Number of employees	2.438	2.474	-36	-1,5%
Number of branches	279	279		
Amounts in thousands of Euro				
Loans and advances to customers per employee *(6)*	3.921	3.907	14	0,4%
Direct deposits from customers per employee *(6)*	4.142	4.150	-8	-0,2%

	31.03.2015	31.03.2014	Change amount	%
Operating income per employee *(6)* - annualised *(4)*	200	175	25	14,3%
Result of operations per employee *(6)* - annualised *(4)*	92	76	16	21,1%

(3) equity excluding net profit (loss) for the period;
(4) for the annualised figure at 31.03.2014 we have used the closing balance at 31.12.2014;
(5) also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., shown gross of write-downs;
(6) At 31.03.2015 based on the number of employees at period end, as the straight average of the figure at the end of the period 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 31.12.2014 as the average between the year-end and the figure at the end of the previous year

Interim report on operations

The macroeconomic scenario

International scenario

The world economy remains fragmented. In Europe, despite the appearance of factors supporting recovery in the first quarter of 2015 (depreciation of the euro, quantitative easing, fall in oil prices), the impasse in negotiations between Europe and Greece means that Greece's risk of default remains high and could be contagious to weaker economies, thus fuelling uncertainty about growth prospects in the Eurozone. In the United States, economic recovery underway is more fragile than expected, linked to employment and labour productivity rather than investment. The emerging nations showed strong heterogeneity among the major economies, as previously seen in 2014: Russia and Brazil are in a severe crisis, China has need of more widespread support for its economic policy and India has good dynamics of economic growth.

Inflation in the industrialised nations remains low and, in some cases, deflation has arisen (as of March 2015, the rate for the Eurozone was -0.1%), whereas in the emerging nations, as a result of a sharp depreciation of their local currencies, there is a risk of rising prices; 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.

In the first quarter of 2015, there continued to be discrimination between countries that are net exporters and net 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 that commenced in the last quarter of 2014 has continued in the early months of 2015: in March oil prices came in at 57.1 US dollar, coming in at 57.1 dollars per barrel (-1.4% on February, -47.1% y/y). This trend, brought about by higher supply and weak demand, has helped to support the growth expected by importing countries, but is not without risk for the financial stability of exporting countries.

In the early months of 2015, as was the case for the last quarter of 2014, the performance of financial markets was sustained by abundant liquidity present in the system and by economic policy decisions taken by central banks (in Europe, by means of a programme of quantitative easing), as well as by profits made by listed companies and by developments in the Greek crisis. Profits of commodity producers have been impacted by the fall in prices; financial sector entities have been penalised by a flattening of interest rate curves that has reduced the spread; profits of goods manufacturers have been affected by strong competitive pressure from emerging nations. On the political front, uncertainty arising from decisions taken by the recent Greek government (that took office at the beginning of 2015) concerning economic policies and management of the public debt, related to attempts by the new Tsipras government to significantly revise the economic policy programmes agreed with the European authorities, has fuelled the volatility of the Eurozone's financial markets; capital flight that hit the Greek banks in recent weeks reflects the fear that there might be a public debt default and abandonment of the euro by Greece.

United States

Economic indicators show a slowdown in the rate of growth in the first quarter of 2015 (+0.4% as of March against +0.6% in the previous quarter): industrial output has recorded an average year-on-year increase at the end of the first quarter that is lower than that recorded at the end of 2014 (+3.3% against +4.2%). The ISM (Institute for Supply Management) index for the manufacturing industry, in fact, has been falling since the end of 2014, in a similar manner to the foreign orders component. The initial months of 2015 have been characterised, on one hand, by positive signs from the labour market and, on the other hand, by a deterioration in the climate of confidence of households and businesses. The continuous improvement in the labour market is confirmed by monthly growth in the number of people in employment (more than 200 thousand persons) and a gradual reabsorption of excess supply represented by involuntary part time, discouraged workers. Notwithstanding the foregoing, household confidence fell in February and March, probably reflecting low wage growth. In March 2015 the unemployment rate remained stable at 5.5%. There has been a slight annual decrease in consumer prices (-0.1% as of January), whereas the core component has grown on a monthly basis by 0.1%. In March the inflation expectations went from 1.3% to 1.5%. Overall, the United States does not seem to be capable of generating the necessary internal forces to counter the unfavourable conditions prevailing in an international context (strong dollar, weak global recovery). Until such time as the improvements in the labour market are reflected by wage growth, it will be difficult to generate significant drivers for productive investment. In addition to the foregoing, businesses have a cautious attitude, influenced by expectations of rising reference rates (forecast for the second half of the year) and the weakness of the global economic cycle.

Japan

The return to growth in the last quarter of 2014 (+0.4%), after two quarters of downturn, is attributable to the distinct contributory factors of domestic demand and net exports. The lack of any contribution to growth from domestic demand is due to the fall in capital investment in construction (-1.7%) and industry (-0.1%), in addition to the difficulties of private consumption. In the early months of 2015, there has been an improved outlook concerning investment, solely due to the trend in oil prices and the depreciation of the exchange rate which favoured large exporting companies. The industrial production and services fell slightly in February; only the ISM manufacturing index remained above the 50 mark. Household expectations have risen mainly due to the employment outlook and the newfound willingness to buy durable goods. Imports remained substantially stable. The fall in oil prices, which, on one hand, has benefited the balance of payments, is, on the other hand, affecting domestic inflation. For this reason, the central bank's objective to achieve an inflation target of 2%, as announced in 2014, would currently appear to be unrealistic; despite the adoption of expansionary monetary policies (liquidity injections, packages to support private consumption), a further obstacle may come from fiscal policy measures (a further increase in consumption tax) needed to plug the budget deficit.

Emerging Economies

The deceleration of the Russian economy, which has been the case since 2012, continued in the last quarter of 2014; overall, at the end of 2014, GDP had grown by 0.6%, solely due to the positive contribution from net exports, mitigated by the weakness of domestic demand and trade sanctions. In recent months, the depreciation of the rouble and the sanctions were immediately reflected by the level of inflation, which, in March, rapidly arrived at 17%. The initiatives implemented by the central bank, with a rise in interest rates to support the rouble, have, to date, had limited success; since February, the weak appreciation of the rouble has been indirectly driven by the slight oil price recovery, by the low prices of bonds and by the carry trade entered into. The high cost of money is a disincentive to investment, which is also negatively affected by an increasing lack of confidence by companies, especially those in the mining sector, the earnings of which are heavily penalised by oil prices, with a knock-on effect on the availability of finance for new investment. The prospects are for a further deterioration in the coming months; inflation, financing difficulties, confidence effect 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 had grown in March to 1.3% on a quarterly basis (7% year-on-year), with a result that was decidedly below average for the industrial sector, but which was partially offset by the performance of the services sector. The weakness of the current economic cycle is attributable to scarce growth of the main domestic macroeconomic variables, with figures close to those recorded during the acute phase of the crisis between 2008 and 2009. Consumer spending reflects low nominal and real wage growth, despite the inflation rate being particularly low in historical terms (1.4% as reported in March), whereas investment is still affected by the state of the construction industry. However, the decline in oil prices (for a country that is greedy for commodities) and the exchange rate (of a currency that is getting stronger and stronger) may help the country during 2015 to balance its GDP growth model, giving more weight to consumer spending.

In India, despite the slowdown in private expenditure and in foreign trade (both imports and exports), the GDP grew again in the fourth quarter of 2014 thanks to the high level of public sector expenditure in the period. GDP grew by 1.6% q/q (former 2.2%) during the fourth quarter of 2014. The services sector received a significant boost from new financial inclusion legislation, aimed at expanding the population of individuals that have the possibility of access to credit; less positive was the performance of the agricultural sector, because of the unfavourable monsoon season. Inflation in March was up on the rate reported in December (5.2% against 4.1%), but was well below the record highs of late 2013, thanks to price regulation (especially for foodstuffs) achieved by substantial sales of products stored in food reserves and the effects of oil prices. The country still has issues concerning public finances, not so much tied to the amount of the overall deficit, but to the allocation of expenditure, the current component of which has increased to the detriment of capital investment. The thrust of reform underway should further improve growth prospects for the coming years (in the region of 6% per year) that will be aided by the effects of oil prices.

Despite overall growth having been recorded in Mexico and Chile (approximately 2%), in Latin America, 2014 ended with low average annual growth in GDP (0.6%) caused by the stagnation of Brazil (technically in recession) and of Argentina, as well as the downturn in Venezuela. The factors that contributed to this result are attributable to low commodity prices, high inflation and increasing difficulties in obtaining finance in international markets. The qualitative indicators for February reveal a worsening of the situation, exacerbated by a fall in industrial output in Brazil (-9.2% in the first two months of 2015) and by weak growth in Mexico's industrial output (+2.7%) in comparison to the 2014 average. The restrictive economic policies, which are capable of keeping domestic inflation in check, accompanied by the expected interruption of the falling trend in commodity prices will be of benefit in 2015, especially to Chile, Peru and Mexico. For the latter, an important driver comes from indirect benefits from the recovery of the US economy, even though this will be lower than previously forecast. For Argentina, Brazil and Venezuela, favourable political conditions do not seem to be in place to enable them to exit from the substantial stagnation/recession in which they find themselves.

Europe

Unlike the United States, economic indicators show a rise in the rate of growth in the first quarter of 2015 (+0.4% as of March against +0.3% for the last quarter of 2014); the weakness of the euro, combined with the low price of oil, exceptionally expansionary monetary policies and less restrictive domestic budgetary policies are facilitating recovery in the Eurozone. In the first quarter of 2015, the indicators of confidence had improved on the recovery reported at the end of 2014; the recovery of the consumer confidence index in March was more spirited (-3.7, down from -6.7) than that for businesses (-2.9, down from -4.6), characterised, more specifically, by a less positive trend in France, culminating in a fall in the domestic index at the end of the quarter. During the quarter, industrial output in the Eurozone was highly volatile; in February, the industrial output index for Germany fell slightly compared with the previous year (-0.3%), whereas the index for France had risen (+0.6% y/y). New manufacturing orders remained substantially unchanged (+0.1% y/y); on the other hand, there was more notable growth in retail sales (+2.6% y/y), mainly attributable to Germany (+3.6% y/y) and France (+2.5% y/y). The slight improvement in industrial output has had a positive effect on the labour market: the unemployment rate, in fact, has fallen, although it is still high (11.3%, down from 11.4%). Consumer price changes in February fell again to negative values (-0.3%; before it was 0.2%), mainly because of the downward trend in energy prices; inflation came to +0.6%, net of more volatile elements (formerly +0.5%).

In January, in order to counter the inflation fall and to avert the threat of contagion on the dynamics of prices and wages, the ECB launched a plan of unconventional expansionary monetary policy characterised by the purchase of government and corporate securities (quantitative easing). This policy, on the one hand, has the effect of keeping interest rates low, while, on the other hand, it injects into the markets a large mass of cheap liquidity: in March, however, the positive impact on market interest rates was partially mitigated by the resurgence of the crisis in Greece. Spreads of peripheral countries over the Bund, after having reached a minimum at the end of February, started to widen as confirmation arrived of the difficulties encountered in an agreement being reached between Greece and the European Union. In the first half of April, the 10-year yield on Bunds reached an all time low (less than 10 bps), whereas the yield on Greek bonds started rising (higher than 12%).

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

Economic indicators show a rise in the rate of growth in the first quarter of 2015 (+0.1% as of March against the stationary trend reported for the last quarter of 2014). In February, the seasonally adjusted industrial output index increased compared with the previous quarter (+0.4%); looking at the individual sectors, those for energy and capital goods have recorded the highest year-on-year increases (+3.5% and +2.0%, respectively) while intermediate and consumer goods were down on the comparative prior period (-2.8% and -1.4%, respectively). New manufacturing orders fell (-5.5%) after the good performance of December (+5.8%); conversely, retail sales continued to grow (+0.3%). In March, the consumer and business confidence indices continued to rise, arriving at -4.5 (versus -5.3) and -1.4 (versus -4.4), respectively. Regarding to the labour market, despite the substantial government incentives offered to promote full-time employment at the end of 2014, in February the projected unemployment rate had increased (12.7%) compared to the previous month (12.6%), as was the case for youth unemployment (42.6% versus 41.2%). The effects of the budgetary measures and the employment policies implemented by the government will be seen in the second half of 2015. Signs of economic recovery can be seen from expectations of future inflation that seem to have risen after having reached a low point at the end of 2014, indicating a sharp reduction in the risk of deflation.

The same as 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 to other advanced economies.

Capital markets and the banking system in Italy

In the first quarter of 2015, there were no significant fluctuations in monetary and financial markets, continuing the trend seen at the end of 2014; both the European Central Bank and the Federal Reserve have kept their policy rate the same (at 0.05% and in a range between 0 and 0.25%, respectively).

In the first ten days of April 2015, the 3-month Euribor slipped to a record low (0.02%); the average figure for March (0.03%) was down on the average figure for the previous month (0.05%) and on that for the comparative prior period (0.34%). The 10-year IRS rate dropped in the first ten days of April by 33 basis points on the average figure in December 2014 (0.90%).

On the bond market, 10-year benchmark rates fell in USA (2.04%, having been 2.21% in December 2014) and in the Eurozone; in Germany, the benchmark rate slipped to 0.26% (from 0.64%) and in Italy it fell to 1.30% (from 1.98%). The spread between the average March yield on 10-year Italian and German government bonds fell again to 104 bps (from 133 in the end of 2014).

In March, international stock markets and share prices showed a rising trend, compared with both the previous month and on an annual basis The Dow Jones Euro Stoxx index rose by 4.8% m/m (+20.4% y/y), the Standard & Poor's 500 index fell to 0.1% (+11.6% y/y) and the Nikkei 225 index by 6.5% (+30.8% y/y). Similarly to international share prices, in March, the major European stock markets also reported a rising trend: the FTSE MIB and the FTSE100 rose by 6.8% (+9.2% y/y) and by 0.1% (+3.8% y/y), respectively and in France the Cac40 rose by 4.9% (+15.3% y/y), while in Germany the Dax30 rose by 7.4% (+26.2% y/y).

As regards the main international banking indices, monthly and year-on-year performances have been predominantly positive: the Italian FTSE Banks grew by 10.1% m/m (+11.2% y/y), the Dow Jones Euro Stoxx Banks by 8.5% (+0.1% y/y) and the S&P 500 Banks by 1.6% (+4.3% y/y).

As regards the banking system, in March the annual trend in funding from resident customers was down slightly, but was still negative (-1.4% y/y versus -1.6% at the end of 2014); the trend in deposits remained 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 up to March by 3.6% y/y, whereas bonds continued to mark a substantial decline (-13.7%), a trend already seen in 2014. The figure for foreign deposits (+8.8% y/y as of February) showed a trend reversal compared to the end of 2014 (-11.6% y/y).

The average remuneration of bank deposits was 1.38%, decreasing again on the end of 2014 (1.49%). The rate on deposits in Euro paid to households and non-financial companies came to 0.65% (formerly 0.71% at December 2014), as well as the rate on bonds which was 3.08% (formerly 3.16%) and 1.40% on repurchase agreements (formerly 1.55%).

In March, bank loans to households and companies recorded an annual decrease of 1.7% despite the fact that, as was the case at the end of 2014, the gap versus the comparative prior period continued to shrink, showing signs of improvement on a monthly basis. In detail, this trend can be seen in total loans to private sector residents in Italy (-2.1% y/y versus 2.2% in February) and in loans to households and non-financial companies (-0.9% y/y versus -1.5% in February). Taking account of the breakdown of loans by duration, both the short-term segment and the medium-long term segment recorded a negative annual change at the end of the first quarter of 2015 of 1% and 0.9%, respectively, which, however, was an improvement of the previous month (-2.5% and -1.2%).

Overall, the trend in loans has been influenced by the trend in the economic cycle: in February, gross doubtful loans grew by 15.6% y/y, with a percentage of total loans of 9.8% (8.5% in the comparative prior period), being the highest since 1996. The ratio of net doubtful loans/total loans comes to 4.38% (formerly 4.27% y/y).

Interest rates on new loans continued to remain at low levels in March 2015: the rate on home purchase loans to households amounted to 2.70% (2.76% at the end of 2014). In March, the share of the flow of fixed-rate loans was 38.1% (27.4% at the end of 2014). The rate on new loans to non-financial companies fell to 2.36% (2.48% at the end of 2014), the lowest level since June 2010. Overall, the weighted average interest rate on total loans to households and non-financial companies in March came to 3.56% (formerly 3.61%), a new all-time low.

In March, the spread between the average rates on loans and deposits amounted to 2.18%, improving on the previous postings (2.12% at the end of 2014), but still far from the pre-crisis value (3.29% at the end of 2007).

THE GROUP

The distribution network

The Group's distribution network al 31 March 2015 consists of 279 branches, of which 180 of Banco di Desio e della Brianza S.p.A. and 99 of Banca Popolare di Spoleto S.p.A..

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, thanks to Banca Popolare di Spoleto, into Umbria, Marche and Abruzzo as well.

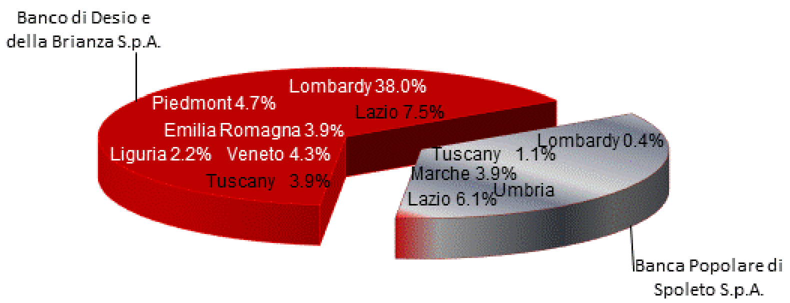
During the last year, measures were taken to restructure the Parent Company's distribution network with a view to strengthening its regional presence through structured and coordinated development as envisaged by the Corporate Affairs Department. This project consisted of the organisation of the distribution network into eight 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 the policy issued by the office of the Deputy General Manager of Corporate Affairs and as 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.

The above activities involved a review of branch sizes and having resources focus more on business development and customer support. The Group continued strengthening its online product offering, together with the distribution network, 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**



As showed in the paragraph below on "*Significant events*", effective for legal purposes as of 1 April 2015, the Parent Company, Banco di Desio e della Brianza S.p.A., contributed to its subsidiary, Banca Popolare di Spoleto S.p.A., a business unit consisting of 32 branches, of which 11 branches are located in Tuscany and 21 are located in Lazio; at the same time as this contribution, the same subsidiary sold its Milan branch to the Parent Company. The transaction is part of the rationalisation of the Group's distribution network, aimed at strengthening the competitive positioning of the Parent Company in the North and, for Central Italy, at concentrating the Group's branches in Lazio and Tuscany in Banca Popolare di Spoleto S.p.A.

Significant events

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

On 10 February 2015 the Board of Directors of the Parent Company Banco di Desio e della Brianza approved the Group Business Plan for the 2015-2017 three-year period.

Briefly, 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 clientèle 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.

Contribution by the Parent Company to its subsidiary Banca Popolare di Spoleto S.p.A. of a business unit consisting of branches in Lazio and Tuscany

On 30 March 2015, an Extraordinary Shareholders' Meeting of BPS approved - as envisagedexpected by the investment agreement executed and announced to the market on 1 April 2014 (the "Investment Agreement") - the project on which a motion had been passed on 18 December 2014 by the Board of Directors of the Parent Company and of BPS, which, in particular, effective as of 1 April 2015, led to the contribution (the "Contribution") by Banco Desio to BPS of a business unit consisting of 32 bank branches (the "Business Unit"), of which 11 branches are located in Tuscany and 21 are located in Lazio. The project 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. The Contribution took place under the terms of a deed executed on 31 March 2015, effective for legal purposes as of 1 April 2015. In this regard, notification has been published in the Official Gazette pursuant to art. 58 of the CBA (also available on the websites of the Parent Company and of BPS).

In line with this Group network rationalisation project, on 18 December 2014 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 Purchase/Sale of the Branch took place at the same time as the Contribution, under the terms of a deed executed on 31 March 2015, effective for legal purposes as of 1 April 2015. In this regard, notification has been published in the Official Gazette pursuant to art. 58 of the CBA (also available on the websites of the Parent Company and of BPS).

The Extraordinary Shareholders' Meeting of BPS also approved the issue of 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. The BPS Warrants will be allocated free of charge to the shareholders of BPS, other than Banco Desio (as Banco Desio has announced that it has waived its share of the allocation) and will have the following key features (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.

For the purposes of the Contribution, the same Extraordinary Shareholders' Meeting approved, effective as of 1 April 2015, the proposed increase in capital with exclusion of option rights pursuant to art. 2441, fourth paragraph, first sentence, of the Italian Civil Code, reserved for Banco Desio 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 to be paid by means of the Contribution. In determining the terms and conditions of the Contribution, the Parent Company and BPS adopted appropriate procedures aimed at safeguarding the interests of the respective shareholders. With particular reference to BPS, appropriate procedures were adopted to protect the integrity of BPS's share capital, taking into account the exclusion of option rights. The valuation of the Business Unit pursuant to art. 2343-ter, paragraph 2, letter b) of the Civil Code, was performed by Professor Mario Massari as an independent expert with adequate and proven professionalism, whose report concluded that the estimated value of the Business Unit, at 30 September 2014, was Euro 90.6 million. This report was made available to the public on 9 March 2015 and can be found on BPS's website. It has thus been set at Euro 1.812 per share the issue price of the new shares to be paid for by means of the Contribution (the "Issue Price of the New Shares") 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. The Issue Price of the New Shares was set taking into account the reasons given in Professor Mario Massari's fairness opinion, given the absence of significant changes in the scenario or new facts that could have significantly altered the valuation of BPS compared with that stated 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., pursuant to art. 158 of the "Consolidated Finance Act". On 30 March 2015, the Board of Directors of BPS took action as required by art. 2343 quater of the Civil Code, having ascertained, in particular, that, subsequent to the above reference date for the expert's valuation, no exceptional or significant facts had arisen that would have impacted the value of the contributed assets to the extent that the value would have been lower than that established for the purposes of the determination of the Capital Increase to Service the Contribution.

As a result of the Contribution, Banco Desio holds 128,240,177 BPS ordinary shares, equal to 81.71% of the share capital. Due to the effect of any future subscription for Conversion Shares by the owners of BPS ordinary shares, other than Banco Desio, as the result of their exercise of the Warrants allocated thereto, this holding could decrease to 76.31%.

The Purchase/Sale of the Branch took effect as of 1 April 2015 upon a cash payment by Banco Desio of the consideration of Euro 448,000. The value of the Branch was determined by Professor Mario Massari on the basis of its net asset value at 30 September 2014, applying the same criteria adopted for the valuation of the Business Unit.

The Contribution and the Purchase/Sale of the Branch, jointly considered, are deemed to be "significant" intercompany transactions in accordance with legislation governing related party transactions. In accordance with this legislation, on 24 December 2014, BPS made available to the public an information document (available on BPS's website).

On 13 March 2015, BPS also made available to the public an additional information document relating to the aforementioned transactions, given that they were deemed to be “significant” pursuant to Consob's Issuers’ Regulations (available on BPS's website).

Decision by the Council of State on the Extraordinary Administration of Banca Popolare di Spoleto

On 10 February 2015, the Boards of Directors of the Bank 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 Bank and approved by BPS's Extraordinary Shareholders' Meeting of 16 June 2014 (the "Reserved Capital Increase").

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 on 30 July 2014, after the Reserved Capital Increase had been carried out.

In this regard, on 27 March 2015, BPS made available to the public, as requested by Consob on 24 March 2015, pursuant to art. 114, paragraph 5, of Legislative Decree 58/98, a Supplementary Document to the information made available to the shareholders and to the public at the time of the above Shareholders' Meeting (available on the websites of the Parent Company and of BPS).

On 27 April 2015, the subsidiary Banca Popolare di Spoleto ("BPS") received a communication from the Bank of Italy with, attached thereto, the Ministry of Economy and Finance ("MEF") decree of 20 April 2015, which reiterated, retroactively, MEF's decree of 8 February 2013, which led to the Extraordinary Administration of BPS and which was annulled by a decision taken by the Council of State, filed on 9 February 2015.

The aforementioned MEF decree of 20 April 2015, which also contemplates "the objective of protecting the sound and prudent management of all intermediaries involved, having considered, in particular, the need to avoid any uncertainty regarding the stability of the relationships which have arisen and have continued in the meantime and in view of the above decision", has been published in full on the websites of Banco Desio and of its subsidiary BPS.

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, already during the year 2014, 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.

Operations to hedge the exchange rate risk in Swiss Franc

In January, as a result of the decision by the Swiss National Bank to abandon the minimum exchange rate for the Swiss franc against the euro, which had been set at 1.20 since September 2011, the Bank entered into 2 flexible forward transactions fixing a total of 40 million Swiss francs against the euro and with an 18 month maturity, to hedge the exchange risk relating to the investment in the subsidiary Credito Privato Commerciale SA in liquidation.

Inspections of 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.

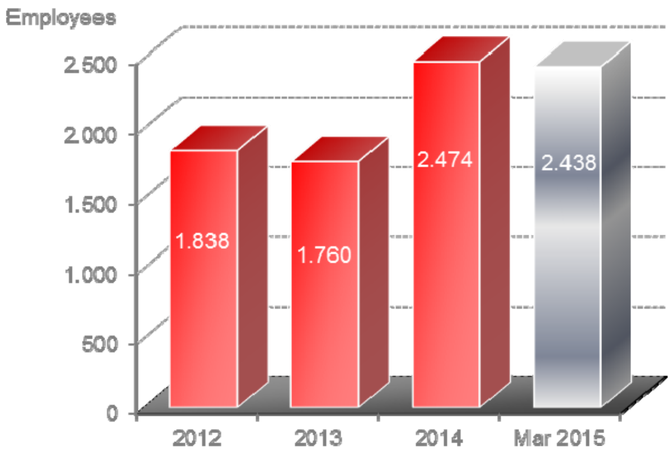
Human resources

At 31 March 2015, the Group had 2,438 employees, a decrease of 36 people (-1.5%) compared with the end of the previous period.

This is mainly due to the number of Parent Company employees that took advantage of the second of the three "windows" for voluntary access to the Solidarity Fund under the redundancy plan.

The trend in the Group's workforce in recent years is shown in 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 2014.

*Table no. 2 - **BREAKDOWN OF GROUP EMPLOYEES BY LEVEL***

No. of Employees	**31.03.2015**	**%**	**31.12.2014**	**%**	**Change Amount**	**%**
Managers	34	1,4%	37	1,5%	-3	-8,1%
3rd and 4th level middle managers	491	20,1%	515	20,8%	-24	-4,7%
1st and 2nd level middle managers	608	25,0%	608	24,6%	0	0,0%
Other personnel	1.305	53,5%	1.314	53,1%	-9	-0,7%
Group employees	**2.438**	**100,0%**	**2.474**	**100,0%**	**-36**	**-1,5%**

Results of operations

Savings deposits: customer funds under management

Total customer funds under management at 31 March 2015 reached Euro 23.2 billion, an increase of about Euro 0.4 billion compared with the balance at the end of 2014, equal to 1.7%, mainly attributable to indirect deposits, partly offset by the trend in direct deposits.

The composition and balances that make up this aggregate, with changes during the period, are shown in the following table.

Table no. 3 - **TOTAL CUSTOMER DEPOSITS**

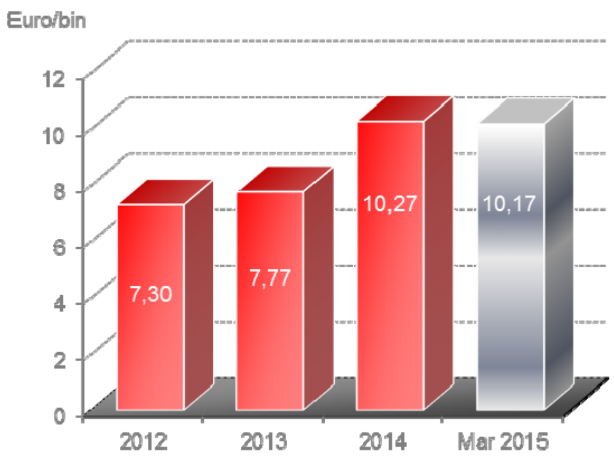
Amounts in thousands of Euro	31.03.2015	%	31.12.2014	%	Change Amount	%
Due to customers	7.666.387	33,0%	7.444.025	32,6%	222.362	3,0%
Debt securities in issue and Financial liabilities	2.506.217	10,8%	2.822.378	12,4%	-316.161	-11,2%
Direct deposits	**10.172.604**	**43,8%**	**10.266.403**	**45,0%**	**-93.799**	**-0,9%**
Ordinary customer deposits	9.110.008	39,2%	8.694.528	38,1%	415.480	4,8%
Institutional customer deposits	3.937.081	17,0%	3.865.139	16,9%	71.942	1,9%
Indirect deposits	**13.047.089**	**56,2%**	**12.559.667**	**55,0%**	**487.422**	**3,9%**
Total customer deposits	**23.219.693**	**100,0%**	**22.826.070**	**100,0%**	**393.623**	**1,7%**

Direct deposits

Direct deposits at the end of the first quarter amounted to Euro 10.2 billion, a decrease of Euro 0.1 billion due to the reduction in the balance of debt securities in issue and financial assets valued at fair value of Euro 0.3 billion (-11.2%) and to the rise in amounts due to customers of Euro 0.2 billion (+3%) . The amounts due to customers represent 75.4% of direct deposit.

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

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



Indirect deposits

Overall, at 31 March 2015 indirect deposits recorded a rise of Euro 0.5 billion, equal to 3.9% of the balance at the end of the previous year, coming in at Euro 13 billion.

Ordinary customer deposits came to Euro 9.1 billion, representing an increase of some Euro 0.4 billion, equating to 4.8%, that was mainly attributable to the performance of assets under management (+7%) with respect to assets under administration (+2.6%).

Institutional customer deposits also increased during the period by 1.9% (Euro 0.1 million).

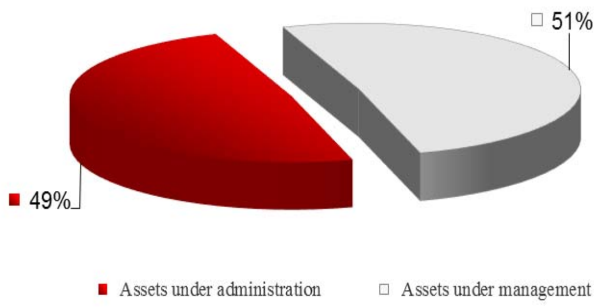
The following table provides details of the items under review, highlighting the changes that have taken place during the three-month period.

Table no. 4 - INDIRECT DEPOSITS

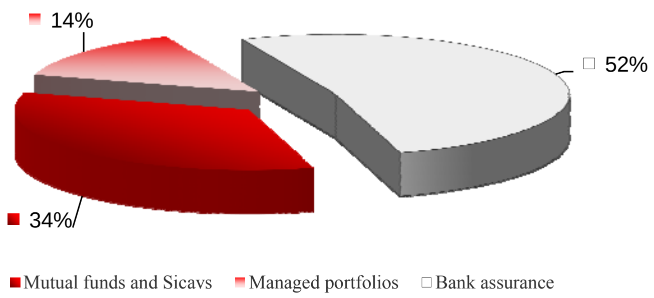
Amounts in thousands of Euro	31.03.2015	%	31.12.2014	%	Change Amount	Change %
Assets under administration	**4.453.513**	**34,1%**	**4.341.160**	**34,5%**	**112.353**	**2,6%**
Assets under management	**4.656.494**	**35,7%**	**4.353.368**	**34,7%**	**303.126**	**7,0%**
of which: Mutual funds and Sicavs	*1.584.867*	*12,1%*	*1.329.480*	*10,6%*	*255.387*	*19,2%*
Managed portfolios	*645.580*	*4,9%*	*553.136*	*4,4%*	*92.444*	*16,7%*
Bancassurance	*2.426.046*	*18,6%*	*2.470.752*	*19,7%*	*-44.706*	*-1,8%*
Ordinary customer deposits	**9.110.008**	**69,8%**	**8.694.528**	**69,2%**	**415.480**	**4,8%**
Institutional customer deposits	**3.937.081**	**30,2%**	**3.865.139**	**30,8%**	**71.942**	**1,9%**
Indirect deposits	**13.047.089**	**100,0%**	**12.559.667**	**100,0%**	**487.422**	**3,9%**

The graph below shows the breakdown of indirect deposits from ordinary customers by sector at 31 March 2015. 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.

Graph no. 4 - **BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.03.2015**



Graph no. 5 - **BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AT 31.03.2015**



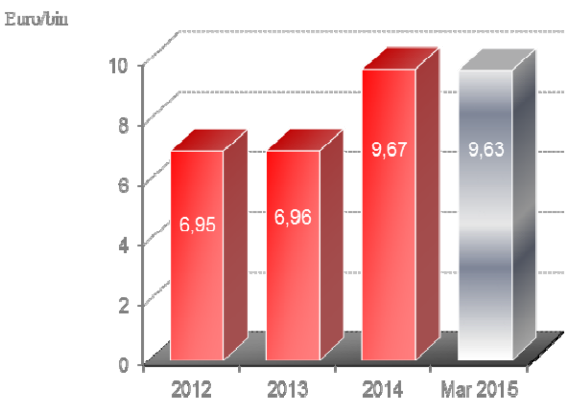
Loans to customers

The total value of loans to ordinary customers at the end of the first quarter come at Euro 9.5 billion, in line with the end of 2014, while loans to institutional customers, which consist entirely of repurchase agreements, amount to Euro 0.1 billion on Euro 0.2 billion at the end of the previous year.

The Group's lending activity led to a total value of net loans to customers of Euro 9.6 billion at 31 March 2015, with a decline of Euro 0.1 billion (0.4%)

The following graph shows the trend in customer loans in recent years.

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



Graph no. 7 - **LOANS TO CUSTOMERS**

Amounts in thousands of Euro	**31.03.2015**	**%**	**31.12.2014**	**%**	**Change Amount**	**Change %**
Current accounts	1.889.305	19,6%	1.892.751	19,6%	-3.446	-0,2%
Repurchase agreements	9.756	0,1%			9.756	
Mortgages and other long-term loans	6.287.137	65,3%	6.310.885	65,3%	-23.748	-0,4%
Other	1.285.166	13,3%	1.264.903	13,1%	20.263	1,6%
Loans to ordinary customers	**9.471.365**	**98,3%**	**9.468.539**	**97,9%**	**2.826**	**0,0%**
Repurchase agreements	159.776	1,7%	198.361	2,1%	-38.585	-19,5%
Loans to institutional customers	**159.776**	**1,7%**	**198.361**	**2,1%**	**-38.585**	**-19,5%**
Loans to customers	**9.631.141**	**100,0%**	**9.666.900**	**100,0%**	**-35.759**	**-0,4%**

Within the distribution of gross loans, including endorsement credits, the percentage of drawdowns by the largest customers at the end of the first quarter shows 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)	**31.03.2015**	**31.12.2014**
First 10	1,2%	1,1%
First 20	2,1%	2,0%
First 30	2,9%	2,7%
First 50	4,1%	3,9%

(1) net of repurchase agreements with institutional counterparties of Euro 159.8 million at 31.03.2015 and of Euro 198.4 million at 31.12.2014.

In the first quarter of the year, the Group found itself operating in a market that is showing tentative signs of recovery; under these circumstances, the Bank continued with its systematic monitoring of exposures and with the application of precise policies for writing down non-performing exposures.

The Group's credit policies have incorporated new regulations relating to non-performing loans. On 9 January 2015, the European Commission approved the implementing technical standards (ITS) concerning non-performing exposures and exposures subject to forbearance measures (to be used for the purpose of harmonised supervisory financial reporting at European level) with the aim of reducing margins of discretion relating to accounting and prudential definitions applied in different countries, and to facilitate the comparability of data at EU level. The Bank of Italy has endorsed the new EU regulations and has updated the definition of non-performing loan and the classification of non-performing exposures (doubtful loans, unlikely to pay and non-performing past due and/or overdrawn exposures) with its 7th update to Circular no. 272.

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 860.2 million at 31 March 2015, net of adjustments of Euro 829.9 million, an increase of Euro 6.2 million compared with 31 December 2014.

In particular, net doubtful loans totalled Euro 425.4 million, unlikely to pay, Euro 396.5 million and non-performing past due and/or overdrawn exposures Euro 38.3 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. The indicators at 31 December 2014 have been restated in accordance with the new classification of non-performing exposures (doubtful loans, unlikely to pay and non-performing past due and/or overdrawn exposures) to render them comparable with the ratios at 31 March 2015.

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

% of gross loans (1)	**31.03.2015**	**31.12.2014**
Gross non-performing loans to customers	16,07%	15,65%
of which:		
- gross doubtful loans	10,07%	9,78%
- unlikely to pay, gross	5,59%	5,40%
- non-performing past due and/or overdrawn exposure	0,41%	0,47%

% of net loans	**31.03.2015**	**31.12.2014**
Net non-performing loans to customers	8,93%	8,83%
of which:		
- net doubtful loans	4,42%	4,41%
- unlikely to pay, net	4,12%	3,96%
- non-performing past due and/or overdrawn exposure	0,40%	0,46%

(1) considering the gross value and the write-downs of non-performing loans of BPS without into account the changes needed to represent the acquisition value

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)	**31.03.2015**	**31.12.2014**
% coverage of doubtful loans	59,81%	58,52%
% coverage of doubtful loans, gross of cancellations	66,14%	65,22%
% Total coverage of impaired loans	49,10%	48,11%
% coverage of impaired loans, gross of cancellations	54,44%	53,69%
% coverage of performing loans	0,62%	0,65%

(1) considering the gross value and the write-downs of non-performing loans of BPS without into account the changes needed to represent the acquisition value

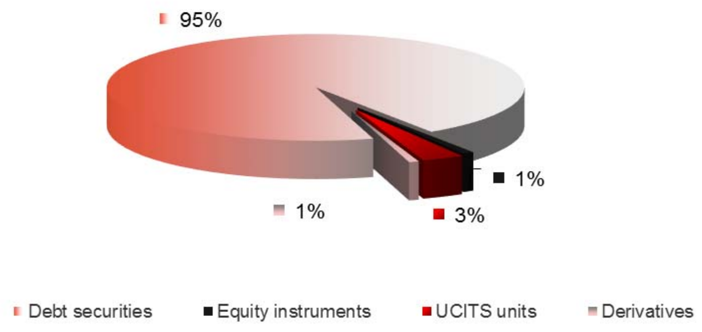
The securities portfolio and interbank position

Securities portfolio

At 31 March 2015, the Group's total financial assets amounted to some Euro 1.7 billion, a decrease of some Euro 0.2 billion compared with the end of 2014.

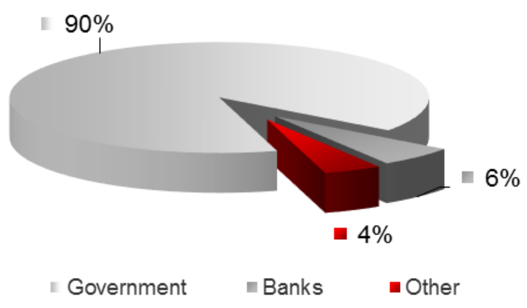
The breakdown of the portfolio by type of security is shown in the following graph, which shows that almost all (95.1%) of the total investment relates to debt securities.

Graph no. 8 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.03.2015 BY TYPE OF SECURITIES**



With reference to the issuers of securities, of the total portfolio at the end of the first quarter, 89.5% relates to government securities, 6% to securities issued by banks and the remainder to other issuers, as shown by the following chart.

Graph no. 9 - **BREAKDOWN OF FINANCIAL ASSETS AT 31.03.2015 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 31.03.2015 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**	**31.03.2015**
Financial assets held for trading	Nominal value	612	612
	Book value	446	446
Financial assets available for sale	Nominal value	1.473.000	1.473.000
	Book value	1.510.080	1.510.080
Sovereign debt	**Nominal value**	**1.473.612**	**1.473.612**
	Book value	**1.510.526**	**1.510.526**

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

Amounts in thousands of Euro		**Italy**	**31.03.2015**	
			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	611	611	445
	Total	612	612	446
Financial assets available for sale	up to 1 year	160.000	160.000	159.988
	1 to 3 years	419.000	419.000	432.355
	3 to 5 years	447.500	447.500	460.183
	over 5 years	446.500	446.500	457.554
	Total	1.473.000	1.473.000	1.510.080
Sovereign debt	**up to 1 year**	**160.000**	**160.000**	**159.988**
	1 to 3 years	**419.000**	**419.000**	**432.355**
	3 to 5 years	**447.501**	**447.501**	**460.184**
	over 5 years	**447.111**	**447.111**	**457.999**
	Total	**1.473.612**	**1.473.612**	**1.510.526**

Net interbank position

The Group's net interbank position at 31 March 2015 is negative for Euro 0.4 billion, compared with the position at the end of the previous year, which was also negative for Euro 0.7 billion.

Shareholders' equity and capital adequacy

Shareholders' equity pertaining to the Parent Company at 31 March 2015, including net profit for the period, amounts to Euro 875.5 million, compared with Euro 845.6 million at the end of 2014.

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 2015, 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 31.03.2015**

Amounts in thousands of Euro	**Shareholders' equity**	***of which: Net profit (loss) for the period***
Parent Company balances at 31 March 2015	**837.340**	***12.757***
Effect of consolidation of subsidiaries	36.052	*1.283*
Effect of valuation of associates at net equity	2.094	*428*
Dividends collected during the period	-	*-634*
Other changes	-	-
Consolidated balances at 31 March 2015	**875.486**	**13.834**

Shareholders' equity calculated in accordance with the new regulatory provisions defined as Own Funds, with an expected pay out of not more than 40%, amounts at 31 March 2015 to Euro 992 million (CET1 + ATI of Euro 863.4 million + T2 of Euro 128.6 million), compared with Euro 990.8 million at the end of the previous year

At 31 March 2015, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 10.3% (10.3% at 31 December 2014). The Tier 1 ratio (T1/Risk-weighted assets) was 10.5% (10.5% at 31 December 2014), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 12% (12.3% at 31 December 2014).

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.

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. As indicated in the “Introduction”, the income statement comparatives presented in this consolidated interim report, that is, those for the period ended 31 March 2014, do not include the results of the subsidiary Banca Popolare di Spoleto S.p.A. and, accordingly, the income statement figures are not comparable.

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 2015 closed with a net profit attributable to the Parent Company of Euro 13.8 million, compared with a net profit of Euro 22 million reported for the first quarter of the previous year, which included the net contribution made by Finance, relating to the Parent Company's disposal of all the financial instruments included in its HTM portfolio of Euro 8.4 million.

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

Captions				Change	
	Amounts in thousands of Euro	**31.03.2015**	**31.03.2014**	**Amount**	**%**
10+20	Net interest income	69.132	51.177	17.955	35,1%
70	Dividends and similar income	0	0	0	
	Profit from associates	428	174	254	146,0%
40+50	Net commission income	39.817	26.531	13.286	50,1%
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	9.886	15.068	-5.182	-34,4%
220	Other operating income/expense	2.769	3.737	-968	-25,9%
	Operating income	**122.032**	**96.687**	**25.345**	**26,2%**
180 a	Payroll costs	-44.872	-33.546	-11.326	33,8%
180 b	Other administrative costs	-17.800	-15.807	-1.993	12,6%
200+210	Net adjustments to property, plant and equipment and intangible assets	-3.034	-2.267	-767	33,8%
	Operating costs	**-65.706**	**-51.620**	**-14.086**	**27,3%**
	Result of operations	**56.326**	**45.067**	**11.259**	**25,0%**
	Gains (Losses) on disposal or repurchase of loans	-187	0	-187	
130 a	Net impairment adjustments to loans and advances	-36.180	-21.582	-14.598	67,6%
130 b	Net impairment adjustments to financial assets available for sale	-	254	-254	-100,0%
130 d	Net impairment adjustments to other financial assets	114	-203	317	n.s.
190	Net provisions for risks and charges	7	-452	459	n.s.
	Profit (loss) from operations before tax	**20.080**	**23.084**	**-3.004**	**-13,0%**
290	Income taxes on current operations	-6.648	-8.995	2.347	-26,1%
	Profit (loss) from operations after tax	**13.432**	**14.089**	**-657**	**-4,7%**
240+270	Profit (loss) from investments and disposal of investments	0	0	0	
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity	-267	11.862	-12.129	n.s.
	Non-recurring profit (loss) before tax	**-267**	**11.862**	**-12.129**	**n.s.**
	Income taxes from non-recurring items	87	-3.929	4.016	n.s.
	Non-recurring profit (loss) after tax	**-180**	**7.933**	**-8.113**	**n.s.**
320	**Net profit (loss) for the period**	**13.252**	**22.022**	**-8.770**	**-39,8%**
330	Minority interests	582	-25	607	n.s.
340	**Parent Company net profit (loss)**	**13.834**	**21.997**	**-8.163**	**-37,1%**

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 31.03.2015**

Captions		**As per financial statements**	**Reclassifications**							**Reclassified income statement**
Amounts in thousands of Euro		**31.03.2015**	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	**31.03.2015**
10+20	Net interest income	69.132								69.132
70	Dividends and similar income	0								0
	Profit from 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	0				187			9.886
220	Other operating income/expense	11.344		-9.254		679				2.769
	Operating income	**129.992**	**0**	**-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**	**0**	**9.254**	**0**	**-679**	**0**	**267**	**0**	**-65.706**
	Result of operations	**55.444**	**0**	**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**	**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**	**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		0					-267		-267
	Non-recurring profit (loss) before tax	**428**	**0**	**0**	**-428**	**0**	**0**	**-267**	**0**	**-267**
	Income taxes from non-recurring items								87	87
	Non-recurring profit (loss) after tax	**428**	**0**	**0**	**-428**	**0**	**0**	**-267**	**87**	**-180**
320	**Net profit (loss) for the period**	**13.252**	**0**	**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**	**0**	**13.834**

Table no. 13 - **RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.03.2014**

Captions		As per financial statements	Reclassifications							Reclassified income statement
Amounts in thousands of Euro		31.03.2014	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	31.03.2014
10+20	Net interest income	51.177							0	51.177
70	Dividends and similar income	0								0
	Profit from associates				174					174
40+50	Net commission income	26.531								26.531
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	27.496	-12.428				0			15.068
220	Other operating income/expense	9.159		-5.980		558				3.737
	Operating income	**114.363**	**-12.428**	**-5.980**	**174**	**558**	**0**	**0**	**0**	**96.687**
180 a	Payroll costs	-33.611						65		-33.546
180 b	Other administrative costs	-22.288		5.980				500		-15.807
200+210	Net adjustments to property, plant and equipment and intangible assets	-1.709				-558				-2.267
	Operating costs	**-57.608**	**0**	**5.980**	**0**	**-558**	**0**	**566**	**0**	**-51.620**
	Result of operations	**56.755**	**-12.428**	**0**	**174**	**0**	**0**	**566**	**0**	**45.067**
	Gains (Losses) on disposal or repurchase of loans						0			0
130 a	Net impairment adjustments to loans and advances	-21.503						-79		-21.582
130 b	Net impairment adjustments to financial assets available for sale	254								254
130 d	Net impairment adjustments to other financial assets	-203								-203
190	Net provisions for risks and charges	-531						79		-452
	Profit (loss) from operations before tax	**34.772**	**-12.428**	**0**	**174**	**0**	**0**	**566**	**0**	**23.084**
290	Income taxes on current operations	-12.924							3.929	-8.995
	Profit (loss) from operations after tax	**21.848**	**-12.428**	**0**	**174**	**0**	**0**	**566**	**3.929**	**14.089**
240+270	Profit (loss) from investments and disposal of investments	174			-174					0
	Extraordinary provisions for risks and charges, other provisions and losses / gains on disposal of financial assets held to maturity		12.428					-566		11.862
	Non-recurring profit (loss) before tax	**174**	**12.428**	**0**	**-174**	**0**	**0**	**-566**	**0**	**11.862**
	Income taxes from non-recurring items								-3.929	-3.929
	Non-recurring profit (loss) after tax	**174**	**12.428**	**0**	**-174**	**0**	**0**	**-566**	**-3.929**	**7.933**
320	**Net profit (loss) for the period**	**22.022**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22.022**
330	Minority interests	-25								-25
340	**Parent Company net profit (loss)**	**21.997**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**21.997**

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

Operating income

Core revenues increased by 26.2% on the first quarter of the prior year, rising to Euro 122 million, being an increase of some Euro 25.3 million. The increase is mainly attributable to *net interest income* that, at Euro 69.1 million, has increased by some Euro 18 million, or 35.1%.

There have also been increases in net commission income, which, at Euro 39.8 million, has increased by Euro 13.3 million (+50.1%), and in profit from associates of some Euro 0.3 million, due to a higher profit share of Chiara Assicurazioni S.p.A..

Conversely, the aggregate of net trading income, hedging and disposal/repurchase of loans and financial assets and liabilities designated at fair value through profit and loss reports a decrease of Euro 5.2 million (-34.4%) as other operating income/expense, which decreased by Euro 1 million (-25.9%).

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 65.7 million and have increased, with respect to the comparative period, by Euro 14.1 million (+27.3%) due to the increase in the size of the Group after the inclusion of Banca Popolare di Spoleto S.p.A.

Payroll costs increased by 11.3 million (+33.8%). while Other administrative costs, net of advisory costs relating to the acquisition of Banca Popolare di Spoleto S.p.A. of Euro 0.3 million, which have been reclassified to Non-recurring profit (loss), have increased by Euro 2 million (+12.6%). *Net adjustments to property, plant and equipment and intangible assets* have also increased, in this case by Euro 0.8 million (+33.8%).

Result of operations

The result of operations at the end of the first quarter therefore comes to Euro 56.3 million, an increase of 25% on the same period last year, i.e. about Euro 11.3 million.

Net profit (loss) from operations after tax

Net impairment adjustments to loans and advances of Euro 36.2 million, which are up on the comparative figure of Euro 21.6 million, as well as taxes on income from continuing operations of Euro 6.7 million, lead to a net profit from operations after tax of Euro 13.4 million on Euro 14.1 million of the first quarter of the previous year (-4.7%).

Non-recurring profit (loss) after tax

There was a non-recurring loss after tax of Euro 0.2 million, due to consulting fees, after tax, relating to the acquisition of control of Banca Popolare di Spoleto S.p.A..

The prior period non-recurring profit after tax of Euro 7.9 million was mainly due to the Euro 8.4 million contribution after tax resulting from the Parent Company's sale of all the financial instruments in its held-to-maturity portfolio and to consulting fees relating to the acquisition of control of Banca Popolare di Spoleto S.p.A. of Euro 0.4 million after tax.

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 2015 of Euro 13.8 million, which compares with a net result for the comparative period of Euro 22 million.

Significant subsequent events

No particularly significant events have taken place since the first quarter end, other than those disclosed under "Significant events", in relation to the contribution by the Parent Company to its subsidiary Banca Popolare di Spoleto S.p.A. of a business unit consisting of branches in Lazio and Tuscany.

Other information

The latest ratings assigned to the Parent Company Banco di Desio e della Brianza S.p.A. by the international agency Fitch Ratings were those on 19 December 2014 as part of the rating for the resolution of the Rating Watch Negative (RWN) and are as set out below:

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

in addition, the following ratings remained unchanged:

- 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, that lasted for 19 months and that 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.

Outlook for the rest of the year

Operating performance in the first quarter 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.

With reference to the principal risks and uncertainties, please note that this Consolidated Interim Report at 31 March 2015 has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future.

Desio, 7 May 2015

The Board of Directors
Banco di Desio e della Brianza S.p.A.

Accounting policies

GENERAL INFORMATION

Declaration of compliance with International Financial Reporting Standards

This consolidated interim report of the Banco Desio Group has been prepared, as regards the criteria for recognition and measurement, by applying the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force as of 31 March 2015. In terms of financial disclosure, as consolidated interim report has been prepared in accordance with art. 154-ter of Legislative Decree no. 58/98 and for the purposes of determining capital for supervisory purposes (now known as "Own Funds"), it does not include the explanatory notes that would be required to give a true and fair view of the Group's financial position and results of operations for the period in accordance with IAS 34.

Basis of preparation

The consolidated interim report consists of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, information on risks and hedging policies, statement of own funds and statement of capital adequacy ratios; it is also accompanied by the Directors' interim report on operations.

For the preparation of the consolidated interim report, 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 interim 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 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.

The amounts in the financial statements and the figures reported in the interim report on operations are expressed in thousands of Euro – unless otherwise indicated.

Scope of consolidation and methodology

1. Investments in subsidiaries

Name	Head office	Type of relationship (1)	Nature of holding	
			Parent company	% held
Fides S.p.A.	Rome	1	Banco Desio	100.000
Rovere S.A.	Luxembourg	1	Banco Desio	80.000
Credito Privato Commerciale S.A. in liquidation	Lugano	1	Banco Desio	100.000
Banca Popolare di Spoleto S.p.A.	Spoleto	1	Banco Desio	73.160
Spoleto Mortgages S.r.l. (2)	Conegliano	4	Banca Popolare di Spoleto	10.000

Key:
(1) Type of relationship:

1 = majority of votes at the ordinary shareholders' meeting
4 = other forms of control

(2) Limited to the separate assets of the Spoleto Mortgages S.r.l. for which the requisites of effective control are satisfied.

There have been no changes in the scope of consolidation subsequent to 31 December 2014.

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. 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, such as:

- the purpose and design of the entity;
- the relevant activities, that is, the activities that significantly affect the entity's returns and how they are governed;
- any right, arising from contractual arrangements, that gives the investor the ability to direct the relevant activities, that is, the power to establish the entity's financial and operating policies, the power to exercise the majority of voting rights at meetings of the governing body or the power to appoint or remove the majority of the members of the governing body;
- the Group's exposure to variability of the returns.

Also included in the scope of consolidation is an SPV for which voting rights are not determining factors for the assessment of control. However, the requirements for effective control have been met, given that the Group has contractual rights that enable it to direct the relevant activities of the entity and it has the ability to influence the variability of the returns.

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	57

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	Shareholders' 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)	Comprehensive income (3) = (1) + (2)
Banca Popolare di Spoleto S.p.A.	3,069,328	23,620	316,324	38,390	3,502	174,640	16,975	34,342	(17,432)	7,905	5,188	105	5,293	(3,829)	1,464
Rovere S.A.	2,020	-	-	11	-	751	-	432	(186)	246	201	-	201	-	201

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.

Other aspects

Use of estimates and assumptions in preparing the consolidated interim report

Preparing the consolidated interim report 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 of the assets acquired and liabilities taken on at their fair value as part of the business combination.

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 interim report.

Comparability of interim consolidated financial statements

The quarterly report has to include the interim financial statements ay 31 March 2015 and the comparative financial statements for the following periods:

- the balance sheet at the end of the previous year;

- the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the corresponding period of the previous year.

Note that only the balance sheet comparatives at 31 December 2014 include figures relating to the subsidiary Banca Popolare di Spoleto S.p.A., unlike the comparatives presented for the period ended 31 march 2014 that do not include figures relating to the subsidiary, as the latter entered the scope of consolidation with effect from 1 August 2014.

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.

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 generally are 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 (*fair value 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 (including the exchange rate risk);
- 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.

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 is 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.

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 (fair value 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.

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".

[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.

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.
The following table shows the book values and fair values at 31 March 2015 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 31.03.2015	Fair value at 31.03.2015	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	6.891	6.788	75	16		88
Debt securities	HFT	L&R - customers	6.237	6.205	42	8		13
Debt securities	AFS	L&R - banks	8.835	5.539	27	94		57
Debt securities	AFS	L&R - customers	1.070	1.124	23	7		6
Debt securities	HFT	AFS	0	0	0	0		0
Equity instruments	HFT	AFS	0	0	0	0		0
Total			**23.033**	**19.656**	**167**	**124**	**0**	**164**

INFORMATION ON FAIR VALUE

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.

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:
  - o interest rates and yield curves observable at commonly quoted intervals;
  - o implied volatilities;
  - o 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.

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.

Fair value hierarchy

For financial assets and liabilities measured at fair value on a recurring basis, their categorisation within the mentioned above 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 level determination is applied on a monthly basis.

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.

Consolidated interim financial statements

at 31 March 2015

CONSOLIDATED BALANCE SHEET

ASSETS

Assets	31.03.2015	31.12.2014	Change	
			amount	%
10. Cash and cash equivalents	56,917	62,890	(5,973)	-9.50%
20. Financial assets held for trading	21,546	18,727	2,819	15.05%
40. Financial assets available for sale	1,665,657	1,877,959	(212,302)	-11.30%
60. Due from banks	318,688	288,282	30,406	10.55%
70. Loans to customers	9,631,141	9,666,900	(35,759)	-0.37%
80. Hedging derivatives	7,779	8,372	-593	-7.08%
90. Adjustment to financial assets with generic hedge (+/-)	2,592	2,478	114	4.60%
100. Equity investments	15,428	14,806	622	4.20%
120. Property, plant and equipment	184,609	185,887	(1,278)	-0.69%
130. Intangible assets	18,126	18,384	(258)	-1.40%
of which:				
- goodwill	15,322	15,322		0.00%
140. Tax assets	240,147	241,040	(893)	-0.37%
a) current	53,469	43,865	9,604	21.89%
b) deferred	186,678	197,175	(10,497)	-5.32%
di cui alla L. 214/2011	163.318	173,730	(10,412)	-5.99%
160. Other assets	215,999	177,945	38,054	21.39%
Total assets	**12,378,629**	**12,563,670**	**(185,041)**	**-1.47%**

LIABILITIES

Liabilities and shareholders' equity	31.03.2015	31.12.2014	Change amount	Change %
10. Due to banks	723,670	1,017,467	(293,797)	-28.88%
20. Due to customers	7,666,387	7,444,025	222,362	2.99%
30. Debt securities in issue	2,483,536	2,798,752	(315,216)	-11.26%
40. Financial liabilities held for trading	7,693	3,259	4,434	136.05%
50. Financial liabilities designated at fair value through profit and loss	22,681	23,626	(945)	-4.00%
60. Hedging derivatives	6,967	6,717	250	3.72%
80. Tax liabilities	46,029	36,156	9,873	27.31%
a) current	8,188	2,156	6,032	279.78%
b) deferred	37,841	34,000	3,841	11.30%
100. Other liabilities	413,595	253,959	159,636	62.86%
110. Provision for termination indemnities	33,116	34,985	(1,869)	-5.34%
120. Provisions for risks and charges:	45,147	44,670	477	1.07%
b) other provisions	45,147	44,670	477	1.07%
140. Valuation reserves	43,831	27,975	15,856	56.68%
170. Reserves	733,971	693,201	40,770	5.88%
180. Share premium reserve	16,145	16,145		0.00%
190. Share capital	67,705	67,705		0.00%
210. Minority interests	54,322	54,427	(105)	-0.19%
220. Net profit (loss) for the period (+/-)	13,834	40,601	(26,767)	-65.93%
Total liabilities and shareholders' equity	**12,378,629**	**12,563,670**	**(185,041)**	**-1.47%**

CONSOLIDATED INCOME STATEMENT

	31.03.2015	31.03.2014	Change	
			amount	%
10. Interest and similar income	97,819	78,292	19,527	24.94%
20. Interest and similar expense	(28,687)	(27,115)	(1,572)	5.80%
30. Net interest income	**69,132**	**51,177**	**17,955**	**35.08%**
40. Commission income	44,997	30,391	14,606	48.06%
50. Commission expense	(5,180)	(3,860)	(1,320)	34.20%
60. Net commission income	**39,817**	**26,531**	**13,286**	**50.08%**
70. Dividends and similar income				0.00%
80. Net trading income	2,122	611	1,511	247.30%
90. Net hedging gains (losses)	(1,728)	(1,073)	(655)	61.04%
100. Gains (losses) on disposal or repurchase of:	9,558	28,336	(18,778)	-66.27%
a) loans	(187)		(187)	0.00%
b) financial assets available for sale	10,239	16,426	(6,187)	-37.67%
c) financial assets held to maturity	22	12,428	(12,406)	-99.82%
d) financial liabilities	(516)	(518)	2	-0.39%
110. Net results on financial assets and liabilities designated at fair value	(253)	(378)	125	-33.07%
120. Net interest and other banking income	**118,648**	**105,204**	13,444	**12.78%**
130. Net impairment adjustments to:	(35,603)	(21,452)	(14,151)	65.97%
a) loans	(35,717)	(21,503)	(14,214)	66.10%
b) financial assets available for sale		254	(254)	-100.00%
d) other financial assets	114	(203)	317	-156.16%
140. Net profit from financial activities	**83,045**	**83,752**	**(707)**	**-0.84%**
170. Net profit from financial and insurance activities	**83,045**	**83,752**	**(707)**	**-0.84%**
180. Administrative costs:	(72,193)	(55,899)	(16,294)	29.15%
a) payroll costs	(44,872)	(33,611)	(11,261)	33.50%
b) other administrative costs	(27,321)	(22,288)	(5,033)	22.58%
190. Net provisions for risks and charges	(456)	(531)	75	-14.12%
200. Net adjustments to property, plant and equipment	(2,028)	(1,452)	(576)	39.67%
210. Net adjustments to intangible assets	(327)	(257)	(70)	27.24%
220. Other operating charges/income	11,344	9,159	2,185	23.86%
230. Operating costs	**(63,660)**	**(48,980)**	**(14,680)**	**29.97%**
240. Profit (loss) from equity investments	428	174	254	145.98%
270. Gains (losses) on disposal of investments				0.00%
280. Profit (loss) from current operations before tax	**19,813**	**34,946**	**(15,133)**	**-43.30%**
290. Income taxes on current operations	(6,561)	(12,924)	6,363	-49.23%
300. Profit (loss) from current operations after tax	**13,252**	**22,022**	**(8,770)**	**-39.82%**
320. Net profit (loss) for the period	**13,252**	**22,022**	**(8,770)**	**-39.82%**
330. Net profit (loss) pertaining to minority interests	582	(25)	607	n.s.
340. Parent Company net profit (loss)	**13,834**	**21,997**	**(8,163)**	**-37.11%**

	31.03.2015	31.03.2014
Basic earnings per share (Euro)	0.11	0.17
Diluted earnings per share (Euro)	0.11	0.17

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Captions	31.03.2015	31.03.2014
10.	**Net profit (loss) for the period**	**13.252**	**22.022**
	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	33	(1.099)
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	66
90.	Cash-flow hedges	-	-
100.	Financial assets available for sale	8.775	5.754
110.	Non-current assets and disposal groups held for sale	-	-
120.	Portion of the valuation reserves of the equity investments carried at equity	151	153
130.	**Total other elements of income (net of income taxes)**	**16.413**	**4.874**
140.	**Total comprehensive income (Captions 10+110)**	**29.665**	**26.896**
150.	Total comprehensive income pertaining to minority interests	1.139	(25)
160.	**Total consolidated comprehensive income pertaining to Parent Company**	**30.804**	**26.871**

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 year								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	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**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31.03.2014

	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 31.03.2014	Minority interests at 31.03.2014
							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 31.03.2014		
Share capital:															
a) ordinary shares	60.940	-	60.940	-	-	-	-		-	-	-	-	-	60.840	100
b) other shares	6.865	-	6.865	-				-						6.865	
Share premium reserve	16.145	-	16.145	-	-	-	-	-	-	-	-	-	-	16.145	-
Reserves:	-														
a) from profits	698.933	-	698.933	(4.736)	-	699	-	-	-	-	-	-	-	694.885	11
b) other	10.170	-	10.170	-	-	-	-	-	-	-	-	149	-	10.319	
Valuation reserves:	30.620	-	30.620			-	-						3.454	34.074	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net profit (loss) for the period	(4.736)	-	(4.736)	4.736	-	-	-	-	-	-	-	-	22.022	21.997	25
Group shareholders' equity	**818.716**	**-**	**818.716**		**-**	**809**	**-**	**-**	**-**	**-**	**-**	**149**	**25.451**	**845.125**	
Minority interests	**221**	**-**	**221**		**-**	**(110)**	**-**	**-**					**25**		**136**

CONSOLIDATED CASH FLOW STATEMENT

A. OPERATING ACTIVITIES	Amount	
	31.03.2015	31.03.2014
1. Cash generated from operations	**69.850**	**51.115**
- interest received (+)	97.884	78.400
- interest paid (-)	(28.658)	(26.915)
- dividends and similar income (+)		
- net commissions (+/-)	40.566	27.423
- payroll costs (-)	(42.285)	(31.598)
- net premiums received (+)		
- other insurance income/expense (+/-)		
- other costs (-)	(21.839)	(20.683)
- other revenues (+)	30.123	37.412
- taxation (-)	(5.941)	(12.924)
- costs/revenues for disposal groups, net of tax effect (+/-)		
2. Cash generated (absorbed) by financial assets	**148.181**	**(420.196)**
- financial assets held for trading	7	1.728
- financial assets designated at fair value through profit and loss		
- financial assets available for sale	228.841	(10.133)
- loans to customers	(11.189)	(407.998)
- due from banks: on demand	(41.478)	8.794
- due from banks: other receivables	11.099	23.852
- other assets	(39.099)	(36.439)
3. Cash generated (absorbed) by financial liabilities	**(223.691)**	**196.769**
- due to banks: on demand	35.016	14.734
- due to banks: other debts	(328.777)	(8.146)
- due to customers	222.066	131.868
- debt securities in issue	(313.703)	(111.781)
- financial liabilities held for trading	3.633	(366)
- financial liabilities designated at fair value through profit and loss	(1.110)	(10.625)
- other liabilities	159.184	181.085
Net cash generated/absorbed by operating activities (A)	**(5.660)**	**(172.312)**
B. INVESTING ACTIVITIES		
1. Cash generated by		**181.586**
- sale of equity investments		
- dividends collected on equity investments		
- sale/redemption of financial assets held to maturity		181.568
- sale of property, plant and equipment		18
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(1.449)**	**(10.204)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of property, plant and equipment	(1.370)	(9.631)
- purchase of intangible assets	(79)	(573)
- purchase of lines of business		
Net cash generated/absorbed by investing activities (B)	**(1.449)**	**171.382**
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)	**(7.109)**	**(930)**

RECONCILIATION

Captions	2015	2014
Cash and cash equivalents at beginning of period	62.890	29.848
Net increase (decrease) in cash and cash equivalents	(7.109)	(930)
Cash and cash equivalents: effect of change in exchange rates	1.136	492
Cash and cash equivalents at end of period	56.917	29.410

Information on risks and related hedging policy

A.1.1 Distribution of credit exposure by portfolio and quality of lending (book values)

	Banking Group					Other businesses		
Portfolio/Quality	Doubtful loans	Unlikely to pay	Non-performing past due and/or overdrawn exposures	Past due non-performing loans	Other assets	Non-performing	Other assets	Total
1. Financial assets held for trading				554	20,593			21,147
2. Financial assets available for sale					1,596,760			1,596,760
3. Financial assets held to maturity								
4. Due from banks					318,688			318,688
5. Loans to customers	425,420	396,459	38,300	477,404	8,293,558			9,631,141
6. Financial assets designated at fair value through profit and loss								
7. Financial assets being sold								
8. Hedging derivatives					7,779			7,779
Total 31.03.2015	**425,420**	**396,459**	**38,300**	**477,958**	**10,237,378**			**11,575,515**
Total 31.12.2014	**426,631**	**383,069**	**44,266**	**482,597**	**10,462,822**			**11,799,385**

The table summarises the exposure by portfolio in accordance with the new classification of non-performing exposures (doubtful loans, unlikely to pay and non-performing past due and/or overdrawn exposures) as per the 7th update to the Bank of Italy Circular no. 272. Exposure at 31 December 2014 has been restated according to this new classification.

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						21,147	21,147
2. Financial assets available for sale				1,596,760		1,596,760	1,596,760
3. Financial assets held to maturity							
4. Due from banks				318,688		318,688	318,688
5. Loans to customers	1,297,505	(437,327)	860,178	8,825,631	(54,668)	8,770,963	9,631,141
6. Financial assets designated at fair value through profit and loss							
7. Financial assets being sold							
8. Hedging derivatives						7,779	7,779
Total A	**1,297,505**	**(437,327)**	**860,178**	**10,741,079**	**(54,668)**	**10,715,337**	**11,575,515**
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							
Totale B							
Totale 31.03.2015	**1,297,505**	**(437,327)**	**860,178**	**10,741,079**	**(54,668)**	**10,715,337**	**11,575,515**
Total 31.12.2014	**1,244,446**	**(390,480)**	**853,966**	**10,977,276**	**(57,452)**	**10,945,418**	**11,799,384**

At 31 March 2015 the amount of partial cancellations made on impaired financial assets in the portfolio of Loans to customers amounted to Euro 109,930 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 2015 amounted to Euro 392,573 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 2015 - considering impaired loans of the subsidiary BPS with their write-downs - amounted to Euro 1,690 million and total writedowns to Euro 829.9 million.

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							533	21			20,593	21,147
2. Financial assets available for sale											1,596,760	1,596,760
3. Financial assets held to maturity												
4. Due from banks											318,688	318,688
5. Loans to customers		34,060	1,085	215		304,604	397,444	15,231	9,329	21,185	7,987,810	8,770,963
6. Financial assets designated at fair value through profit and loss												
7. Financial assets being sold												
8. Hedging derivatives											7.779	7.779
Total	**31.03.2015**	34,060	1,085	215		304,604	397,977	15,252	9,329	21,185	9,931,630	10,715,337

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 108,479 thousand; the breakdown by age of past due performing exposures is reported below:

Portfolio/Quality	Exposures subject to renegotiation granted to customers in financial difficulty					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 yet due	
Loans to customers	23.469	5.256	1.308		78.447	108.479
Total 31.03.2015	**23.469**	**5.256**	**1.308**		**78.447**	**108.479**
Total 31.12.2014	**40.016**	**7.680**	**1.162**		**37.737**	**86.595**

The tables that follow summarise the cash and off-balance sheet exposures in accordance with the new classification of non-performing exposures (doubtful loans, unlikely to pay and non-performing past due and/or overdrawn exposures) as per the 7th update to the Bank of Italy Circular no. 272.

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) Unlikely to pay				
c) Non-performing past due and/or overdrawn exposures				
d) Other assets	409,815			409,815
TOTAL A	**409,815**			**409,815**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing				
b) Other	232,381			232,381
TOTAL B	**232,381**			**232,381**
TOTAL A+B	**642,196**			**642,196**

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	731,635	306,216		425,419
b) Unlikely to pay	522,807	126,348		396,459
c) Non-performing past due and/or overdrawn exposures	43,072	4,772		38,300
e) Other assets	10,046,001		54,668	9,991,333
TOTAL A	**11,343,515**	**437,336**	**54,668**	**10,851,511**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	7,241	760		6,481
b) Other	567,896		984	566,912
TOTAL B	**575,137**	**760**	**984**	**573,393**
TOTAL A+B	**11,918,652**	**438,096**	**55,652**	**11,424,904**

Information on the shareholders' equity

Consolidated Own Funds

	31/03/2015	31/03/2014
A. Common Equity Tier 1 (CET 1) prior to application of prudential filters	891.277	822.601
of which: CET 1 capital instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	- 632	- 707
C. CET 1 gross of amounts to be deducted and the effects of transitional provisions (A + / - B	890.645	821.894
D. Items to be deducted from CET 1	26.713	30.813
E. Transitional provisions – Impact on CET 1 (+/-)	- 13.527	- 5.749
F. Total Common Equity Tier 1 (CET 1) (C – D +/-E)	850.405	785.332
G. Additional Tier 1 (AT1) gross of amounts to be deducted and the effects of transitional provisions	15.066	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 (+/-)	- 2.060	- 1.373
L. Total Additional Tier 1 (AT1) (G - H +/- I)	13.006	5.492
M. Tier 2 (T2) gross of amounts to be deducted and the effects of transitional provisions	128.246	35.502
of which: T2 capital instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional provisions – Impact on T2 (+/-)	294	2.300
P. Total Tier 2 (T2) (M - N +/- O)	128.540	37.802
Q. Total Own Funds (F + L + P)	991.951	828.626

Consolidated capital adequacy ratios

Description/Amounts	Unweighted amounts		Weighted		Weighted
	31/03/2015	31/03/2014	31/03/2015	31/03/2014	31/12/2014
A. ASSETS AT RISK					
A.1 Credit and counterparty risk	**13.143.038**	**9.725.516**	**7.273.014**	**5.359.016**	**7.165.594**
1. Standardised methodology	13.142.439	9.724.904	7.272.416	5.358.404	7.164.951
2. Methodology based on internal ratings					
2.1 Basic					
2.2 Advanced					
3. Securitisations	598	612	598	612	643
B. CAPITAL ADEQUACY REQUIREMENTS					
B.1 Credit and counterparty risk			**581.841**	**428.721**	**573.248**
B.2 Risk of credit valuation adjustment			**912**	**142**	**947**
B.3 Regulatory risk					
B.4 Market risks			**7.500**	**1.708**	**3.500**
1. STANDARDISED METHODOLOGY			7.500	1.708	3.500
2. INTERNAL MODELS					
3. CONCENTRATION RISK					
B.5 Operational risk			**68.680**	**51.004**	**68.680**
1. BASIC APPROACH			68.680	51.004	68.680
2. STANDARDISED APPROACH					
3. ADVANCED APPROACHES					
B.6 Other items			0	0	0
B.7 Total precautionary requirements			**658.933**	**481.575**	**646.375**
C. RISK ASSETS AND CAPITAL RATIOS					
C.1 Risk-weighted assets			**8.236.659**	**6.019.689**	**8.079.684**
C.2 Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)			10,325%	13,046%	10,300%
C.3 Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			10,483%	13,137%	10,459%
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			12,043%	13,765%	12,262%

Certification of the Financial Reporting Manager

Certification of the Financial Reporting Manager

The undersigned Mauro Walter Colombo, the Financial Reporting Manager in charge of preparing the corporate accounting documents of Banco di Desio e della Brianza S.p.A., declares pursuant to paragraph 2 of Article 154 bis of the Consolidated Finance Act that the accounting information contained in this "Consolidated Interim Report on operations as at 31 March 2015" agrees with the supporting documents, books of account and accounting records.

Desio, 7 May 2015

Financial Reporting Manager

Mauro Walter Colombo