

**ANNUAL REPORT
ON
CORPORATE GOVERNANCE
AND THE OWNERSHIP ARRANGEMENTS
OF THE GROUP
PURSUANT TO ARTICLE 123-BIS OF THE CFA CONSOLIDATED
FINANCE ACT**

2014 ACCOUNTING PERIOD

(BoD meeting held on 19 March/28 April 2015)

BANCO DI DESIO E DELLA BRIANZA S.p.A.
Registered office in Via Rovagnati, 1 – 20832 Desio (Monza and Brianza)
Tax Code no. 01181770155
Entered in the Monza and Brianza Business Register
Share capital Euro 67,705,040.00 fully paid-up
Member of the Interbank Deposit Protection Fund
and the National Guarantee Fund
Entered in the Bank Register with ABI Code no. 3440/5
Parent Company of the Banco di Desio e della Brianza Banking Group
Entered in the Banking Group Register under no. 3440/5

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MAIN DEFINITIONS USED IN THIS REPORT

CBL: Consolidated Banking Law – Italian Legislative Decree No. 385/1993 and subsequent amendments and additions.

CFA: Consolidated Finance Act – Italian Legislative Decree No. 58/1998 and subsequent amendments and additions.

Corporate officers: Directors, Standing and Alternate Auditors, the General Manager and the Deputy General Manager

Executives with strategic responsibilities: the Deputy General Manager.

The Appointed Executive: the executive appointed to draw up the accounting documents as disciplined by Article 154-bis of the CFA.

Italian subsidiary bank: Banca Popolare di Spoleto SpA (hereinafter, for the sake of brevity, “BPS”).

Italian Group Banks: the Parent Company (Banco di Desio e della Brianza SpA or, in short, “Banco Desio”) and the Italian Subsidiary Bank as defined above.

Group: the Banking Group as defined by the CBL, including Banco Desio (Parent Company) and the subsidiary banking and finance companies.

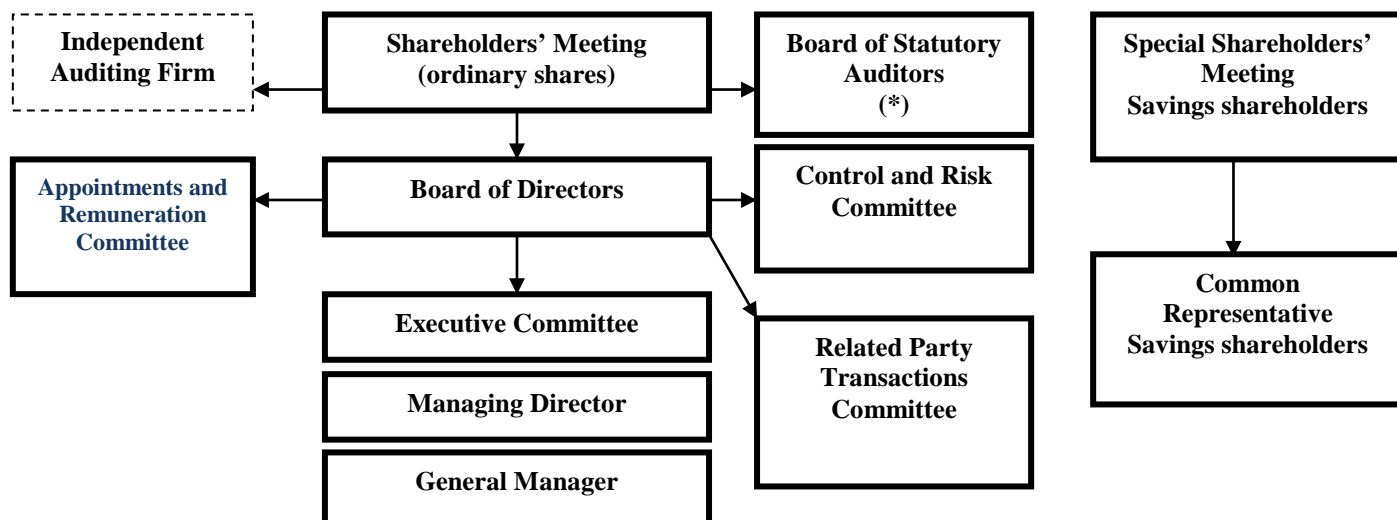
Group: the corporate Group including Banco Desio (Parent Company) and all subsidiary companies.

Supervisory Body: Bank of Italy and Consob.

1 – GENERAL INTRODUCTORY REMARKS ON THE CORPORATE GOVERNANCE SYSTEM

1.1 Preliminary information

During 2014, no significant changes took place with regard to the essential profile within the overall corporate governance structure of Banco Desio and the Group. In particular, the Bank’s systematic structure remains the one illustrated by means of the following diagram:



(*) the Board of Statutory Auditors also performs the tasks of the Supervisory Body established pursuant to Italian Legislative Decree No. 231/2001 (hereinafter, also “SB 231”). For more detail, see section 7.

(**) this Committee was divided into an Appointments Committee and a Remuneration Committee on 10 February 2015 in compliance with Bank of Italy Circular no. 285 on the subject of corporate governance (1st update)

The division of functions between the Shareholders’ Meeting, the Board of Directors, the Board of Statutory Auditors and the Independent Auditing Firm is disciplined by legal and supervisory

regulations, to which the **Articles of Incorporation** refer. With regard to the general aspects, the division of the functions between:

- i) Senior Bodies (Board of Directors, Advisory/Proposal-making Committees, Executive Committee)
- ii) Executive Parties (Managing Director and General Manager)
- iii) Technical-operating committees
- iv) Internal control functions
- v) Appointed Executive

is disciplined, in observance of legal, supervisory and statutory restrictions, by **Corporate Bodies' Internal Regulation** (for the sake of brevity "Internal Regulation"), updated by the BoD several times, in 2014 as well, mainly to adapt to Bank of Italy Circulars no. 263 and no. 285 on internal controls, disclosure systems and business continuity and, as mentioned, corporate governance, respectively, according to criteria which will be detailed in the following sections. With regard to the specific aspects not analysed by the Internal Regulation, reference is made to the "Organisational Structure and Description of Functions", to "Policies" and "Consolidated Codes" regarding function/process/product and the "Internal Procedures", documents also approved by the Board of Directors.

In addition, the legislative system regarding the matters involved in this Report remains characterised essentially by the following documentation:

1. **The General Shareholders' Meeting Regulation** (see Section 10 below);
2. **The Information Flows Regulation for Corporate Bodies** updated by the BoD several times, also during 2014, mainly to adapt it to the circulars mentioned above;
3. **The Internal Procedure regarding Corporate Information** ("Corporate Information Procedure"), most recently updated on 29 January 2013, containing, among other things, the functioning of the Corporate Bodies in specific reference to the dissemination of related documentation and the handling of privileged information and the register of the individuals who have access to the same, as well as for the communication of Internal Dealing transactions;
4. **The Internal Procedure for Transactions with Associated Parties** and Article 136 of the CBL, finally updated on 29 January 2013, in compliance with Prudential Supervisory Provisions on risk assets and conflicts of interests with associated parties issued by the Bank of Italy, pursuant to Article 53 of the CBL;
5. **the "Policy" for the handling of conflicts of interest regarding investment services**, which the procedures used to identify the types of conflict of interest, potential or otherwise, in relation to the provision of any investment service or activity, related service, etc. make reference to, by way of implementation of the provisions acknowledging the MIFID Directive, (see paragraph 5 below);
6. **the "Policy" for the regulation of "personal transactions" in relation to investment services**, issued in implementation of the provisions acknowledging the MIFID Directive and subject to operational refinements also in 2013;
7. **the "Policy" that defines the Group's overall risk propensity ("Risk Appetite")**, intended as the maximum amount of capital that the Group is prepared to make available to hedge risks against a set expected return and that contains the general rules for business risk management with reference to each type of risk indicated in Prudential Supervisory Provisions of the Bank of Italy, supplemented in 2013 by specific provisions relating to risk activities with "Associated Parties" pursuant to point 4.

* * *

In the explanation in this report, the traditional layout was maintained that, owing to the lack of consistent provisions on the matter, takes into consideration the guidelines indicated from time to time by Borsa Italiana S.p.A. and by Assonime. In said context, the attached Table 4 was maintained, which included the schedule summarising the implementation status of the recommendations in the

Code of Conduct for Listed Companies as per paragraph 2.2 below (for the sake of brevity “the Code of Conduct”).

This Report:

- has been drawn up in pursuance of Article 123-bis of the CFA, which lays down a series of information on the ownership set-ups, the corporate governance practices, the risk management and internal audit systems relating to the financial disclosure process, and the composition and functioning of the general meeting, board and audit bodies; the independent auditing firm is required to express a consistent opinion on certain information required by the aforementioned article 123-bis;
- has been approved by the BoD, subject to the assessment of the Independent Directors as per a specific recommendation in the Code of Conduct as assimilated in the Internal Regulations. This assessment is attached to said Report (Attachment A);
- is published, albeit as a separate document, together with the Report on Operations, which also contains the due references. Likewise, it contains references to the financial statement documentation (Notes to the Consolidated Financial Statements, Report on Operations, etc.), as well as the Remuneration Report as per the subsequent point, for the information contained therein which otherwise would be duplicated;
- is also published along with the Remuneration Report prepared in accordance with Article 123-ter of the CFA, which also contains the information required by Bank of Italy Circular no. 285 regarding remuneration and incentive policies and practices in banks and banking groups (7th update).

This Report and the aforementioned Remuneration Report are also published on the website www.bancodesio.it in the Corporate Governance section.

1.2 Main aspects of the “corporate governance plan” pursuant to the applicable Supervisory Provisions

The “corporate governance project” of Banco Desio drafted in 2009 and still in force is essentially structured on three legislative levels characterised by the Articles of Incorporation, the Internal Regulations and the Consolidated Internal Audit System Code, whose main aspects are summarised below.

1.2.1. Articles of Incorporation

Duties and powers of the corporate bodies

A.1 Board of Directors

The body tasked with strategic supervision is first and foremost reserved the decisions concerning strategic policies and transactions as well as business and financial plans. This provision is included in both the Articles of Incorporation of the Parent Company and in the Articles of Incorporation of the Italian Subsidiary Bank (for further details see section 3 below). Among the powers which cannot be delegated, the BoD is responsible for the appointment of the heads of the internal auditing and compliance divisions and the definition of the essential elements of the overall architecture of the internal audit system (subject to the favourable opinion of the Board of Statutory Auditors). This provision is included in the Articles of Incorporation of the Group’s Italian Banks (even though in the

Italian Subsidiary Bank it effectively refers to functions performed by the Parent Company by virtue of the “Service Agreement”, with particular reference to the internal audit, compliance and risk management functions).

A.2 Board of Statutory Auditors

The body with auditing functions oversees the observance of the legal, regulatory and Articles of Incorporation provisions, the correct administration, and the adequacy of the organisational and accounting set-ups of the bank. The Articles of Incorporation of the Parent Company and of the Italian subsidiary bank assign the Board of Statutory Auditors the related duties and powers, which are illustrated within said Articles, according to the structure indicated in Circular no. 285. Furthermore, as stated, the Board of Statutory Auditors performs SB 231 functions in both banks, taking account not only the aforementioned Circulars no. 263 and 285, but also the provisions of paragraph 4 bis of Article 6 of the aforementioned Legislative Decree 231/2001, and a specific recommendation in the Code of Conduct. The relevant provision has already been added to the Articles of Incorporation in 2014.

B. Composition of the Corporate Bodies

With regard to the Parent Company and to BPS, the regulation of “list voting” is in force for the election of the members of the BoD and the Board of Statutory Auditors, already introduced in the Articles of Incorporation, by virtue of Article 147-ter and Article 148 of the CFA. In addition, in 2013, the Articles of Incorporation were amended in line with the “gender quota” regulations introduced in the cited articles of the CFA and Law no. 120/2011. The Articles of Incorporation of the Parent Company and of BPS make provision for “independent directors”. For details, see sections 3 and 9 below in this Report and, as regards BPS, its Report published on the website www.bpspoleto.it in the section “Investor Relations”.

C. Remuneration and incentive mechanisms

In both Italian banks of the Group, the provisions of Bank of Italy Circular no. 285 are shown: i) in the Articles of Incorporation with respect to the general principles, where the Ordinary Shareholders’ Meeting, in addition to establishing fees due to the Bodies it has appointed, approves the remuneration policies, including the plans based on financial instruments, and the criteria and limitations for any golden parachutes as provided for by the aforementioned Circular no. 285; ii) in the Internal Regulations with regard to the application guidelines (for more details also see section 6 below).

1.2.2. Internal Regulations

With regard to the regulatory provisions that are complementary to Articles of Incorporation provisions as per the previous section 1.2.1, the Internal Regulations of the Italian Group Banks acknowledge the application guidelines of Bank of Italy Circular no. 285 as per points A.2) Board of Statutory Auditors and C) Remuneration and incentive mechanisms (for further details also see section 6 below). With reference to point B) Composition of the Corporate Bodies, the general limits are extended to the Internal Regulation of BPS on the accumulation of the offices by Directors and Statutory Auditors respectively, similar in part to those already adopted, by law and/or due to self-governance, within the Parent Company (for further details also see sections 3 and 9 below and also, with regard to BPS, its Report published on the website www.bpspoleto.it – “Investor Relations”

section). It is also established, within the Internal Regulations of the Italian Group Banks, that the Statutory Auditors cannot undertake offices in bodies other than the Board of Statutory Auditors within other Group Companies, as well as with companies in which Banco Desio directly or indirectly holds a strategic investment. With reference to the role of Chairman of the Board of Directors, who according to the general principles expressed in the same Circular no. 285, performs an important role for the purpose of encouraging internal dialogue and ensuring the balancing of the powers, in the Internal Regulations of the Italian Group Banks it is specified that “the Chairman furthers the effective functioning of the corporate governance system, guaranteeing the balance of powers with respect to the Managing Director and any other executive Directors, as well as the General Manager”. For such purposes, the Chairman “supervises the organisation of the Board’s activities and the dissemination of related information, promoting the constant performance of the Board’s role in strategic oversight” and “acts as the spokesperson of the Board of Statutory Auditors and the advisory/proposal-making committees established within the Board of Directors”. For more details see also section 4.2 below.

1.2.3. Consolidated Internal Audit System Code

The Consolidated Internal Audit System Code, most recently revised on 20 December 2012 and afterwards supplemented with other documents adopted in 2014 in compliance with Circular no. 263 (in particular the “Control Coordination Document”), establishes that the Internal Audit System is made up of a series of rules, procedures and organisational structures which aim to essentially ensure the compliance of Group company operations with corporate strategies and the internal and external regulations. To this end, the Parent Company, as part of the Group’s management and coordination activities, exercises: a) strategic control on the evolution of the various areas of activities where the Group operates and the impending risks on the portfolio of activities carried out; b) management control aimed at maintaining the balance of the economic, financial and equity conditions, both for individual companies and the Group in its entirety; c) technical-operating control aimed at evaluating the various risk profiles contributed to the Group by the individual subsidiaries. For more information, see also section 7 below.

2 – GENERAL INFORMATION ON THE OWNERSHIP ARRANGEMENTS AND ON OTHER CORPORATE ASPECTS, ON COMPLIANCE WITH A CODE OF CONDUCT AND ON THE GROUP STRUCTURE

This section contains information on the ownership arrangement and the corporate aspects **pursuant to Article 123-bis of the CFA**, as well as on the Group structure and the management and coordination activities, according to the various banking and statutory rules. Unless specified otherwise, the information listed below refers to the Italian Group Banks.

2.1 OWNERSHIP ARRANGEMENTS AND OTHER CORPORATE ASPECTS OF BANCO DESIO (article 123-bis of the CFA, paragraph 1)

a) Structure of the share capital

Banco Desio’s share capital, fully subscribed and paid-up, is made up of a total of 130,202,000 shares (with a par value of Euro 0.52 each), of which 117,000,000 ordinary shares (around 90% of the total) and 13,202,000 non-convertible savings shares (around 10% of the total). The ordinary shares, listed since 1995 in the MTA (On-line Equity Market), grant the holders the rights and obligations envisaged by current legislation (in particular, the right to profits and voting rights pursuant to Articles 2350 and 2351 of the Italian Civil Code), without Articles of Incorporation exceptions or limitations.

The non-convertible savings shares, issued at the time of the share capital increase and listed on the MTA in 1999, have the following specific features, established by special legislation (Article 145 of the CFA) and by the Articles of Incorporation: they lack the right to vote during ordinary and extraordinary shareholders' meetings; they can be bearer shares, except those held by Representatives; they are not convertible, on an optional basis, into ordinary shares; they have a preference with regard to the allocation of the profit for the year, which must never be less than 7% of their par value; in the event the company is wound up, they have a right of pre-emption with regard to the reimbursement of capital for their entire par value; in the event of exclusion from trading of the ordinary and savings shares, these savings shares automatically change into shares with a limited right to vote for the resolutions of the Extraordinary Shareholders' Meeting, without prejudice to the equity privileges indicated above. With regard to the category organisation, refer to section 11.

Other specific categories of shares or financial instruments sharing in the profit endowed with specific equity or administrative rights have not been issued nor is the option to issue the same envisaged by the Articles of Incorporation. For information on the shares previously subject to assignment to employees of Group companies, please refer to the appropriate Information Document of the Stock Grant Plan, pursuant to Article 114-bis of CFA and Article 84-bis of Consob Regulation no. 11971/99, available on the website, www.bancodesio.it, in the section "Investor Relations / Assemblee / Assemblee 2011" (Investor Relations / Shareholders' Meetings / 2011 Shareholders' Meetings), as well as an attachment to the Remuneration Report as per Article 123-ter of the CFAA.

b) Restrictions on the transfer of shares

No voluntary or Articles of Incorporation restrictions on the circulation of the shares are envisaged, such as limits to the possession of shareholdings or approval clauses. Furthermore, making equity investments in the Banks' share capital that would exceed the specific percentage thresholds is subject to restrictions established by the CBL and Supervisory Provisions.

c) Significant investments

Shareholders who hold equity investments in Banco Desio of **over 2%** as of 31 December 2014 were as follows:

- with regard to the share capital represented by a total of 117,000,000 ordinary shares:

- Brianza Unione di Luigi Gavazzi & C. S.A.p.A. (controlling interest)	52.92%
- Avocetta S.p.A.	8.60%
- Stefano Lado (of which 5.88% via Vega Finanziaria S.p.A.)	7.93%
- Gerolamo Gavazzi (via Averla S.p.A.)	2.66%

- with regard to the share capital represented by a total of 13,202,000 savings shares:

- Brianza Unione di Luigi Gavazzi & C. S.A.p.A.	44.69%
- Avocetta S.p.A.	10.62%
- Stefano Lado (of which 4.33% via Vega Finanziaria S.p.A.)	6.06%
- Gerolamo Gavazzi (via Averla S.p.A.)	4.44%

The information on significant investments was essentially acquired on the basis of the entries in the Shareholders' Register, as well as the indications received by the company in accordance with Article 114, section 7 of the CFA (Internal Dealing) and Article 120 of the CFA (Ownership arrangements).

d) Securities which grant special control rights

No securities have been issued which grant special control rights.

e) Shareholdings of employees: voting procedure

Refer to letter a) above regarding the 2011-2013 Stock Grant Plan for Banco Desio Group management, as well as the specific Disclosure Document mentioned therein.

f) Restrictions on voting rights

Restrictions on voting rights are not envisaged, except for the above limitation regarding savings shares and without prejudice to the restrictions envisaged by ad hoc legislation (for example: failure to acquire authorisation for the purchase of significant investments, not meeting “good standing” requirements by those investing in the share capital, failure to fulfil specific disclosure obligations vis-à-vis the Bank of Italy and Consob, etc.).

g) Agreements between shareholders

There are no shareholders’ or corporate agreements between shareholders, as envisaged by current provisions (Article 20 of the CBL and Article 122 of the CFA).

h) Change of control clauses

Banco Desio and/or its subsidiaries do not have any significant agreements outstanding, whose effectiveness is subordinated, or which change or cease in the event of any change in the control of the Bank.

i) Indemnity paid to directors in the event of early termination of the relationship

Refer to section 6 of the Remuneration Report.

l) Appointment and replacement of Directors and Statutory auditors and Article of Incorporation amendments

The appointment of Banco Desio’s BoD has been disciplined by the procedure set forth in Article 147-ter and Article 148 of the CFA. The BoD is made up of a minimum of 8 and a maximum of 11 members, according to the decisions of the Shareholders’ Meeting, and is appointed by means of “majority” list voting which, in the event of the presentation of two or more lists of candidates, envisages the appointment of all the Directors less one from the list which obtained the greatest number of votes expressed during the Shareholders’ Meeting (majority list). One Director is appointed from the minority list which has obtained the greatest number of votes expressed after the majority list, provided that the number of votes is at least equal to half of the quorum necessary for the presentation of the lists and on condition that the minority list is not linked to the shareholders who have presented or voted for the majority list.

These lists can be presented by shareholders who are owners of ordinary shares equal to at least 2.5% of the share capital represented by ordinary shares and must be presented at least 25 days before the Shareholders’ Meeting, accompanied by: documentation proving the identity of the shareholders and their legitimate right to present the list; individual declarations accepting the candidacy and statement of compliance with the prescribed requirements, including independence requirements, as well as the Curriculum Vitae of the candidates; declarations, of the shareholders who present the minority lists, of the absence of any link with the majority shareholders.

In the event the Director appointed from the minority list leaves office, the BoD is obliged to co-opt, where possible, a non-elected candidate from the same list. In any event, during the Shareholders’ Meeting called to resolve the replacement of the Directors appointed from minority lists, the candidates can only be presented by other shareholders not linked to those who have presented and

voted for the majority list at the time of BoD appointment and the appointment of the Director takes place by means of a relative majority.

With regard to the Board of Statutory Auditors, a similar procedure applies with the following changes: two Standing Auditors and two Alternate Auditors are appointed from the majority list; a Standing Auditor, who will take on the office of Chairman, and an Alternate Auditor, are appointed from the first minority list not linked to the majority shareholders, irrespective of the number of votes obtained. In the event that in the 25 days prior to the Shareholders' Meeting, only the majority list has been duly presented, the deadline for the filing of the minority lists is extended by 3 days and the presentation quorum is halved.

Amendments to the Articles of Incorporation are the exclusive responsibility of the Extraordinary Shareholders' Meeting, except in those cases where the law and the Articles of Incorporation allow approval by the BoD. In any event, the Article of Incorporation amendments are subject to the prior assent of the Bank of Italy pursuant to Article 56 of the CBL. For further information relating to the management body and the auditing body, see sections 3 and 9 below.

m) Powers pursuant to Article 2443 of the Italian Civil Code and authorisations to purchase own shares

No powers have been granted to Banco Desio's BoD for increasing the share capital as per Article 2443 of the Italian Civil Code, nor for issuing financial instruments sharing in the profits. There are no Shareholders' Meeting authorisations for the purchase of own shares in force.

2.2. COMPLIANCE WITH A CODE OF CONDUCT REGARDING CORPORATE GOVERNANCE (Article 123-bis of the CFAA, paragraph 2, letter a)

As illustrated in previous Reports, Banco Desio complies with the Code of Conduct for Listed Companies as from its first issue by Borsa Italiana. In detail, the last edition of the Code in force from 2006 was adopted on a generalised basis, with the exception of certain criteria of a circumscribed nature that was considered not necessary or appropriate to assimilate fully. The application of the most recent edition of the Code (December 2011) was subject to approval by the Board of Directors on 20 December 2012. For detailed information on the status of adherence to individual recommendations of the Code, refer to the attached Table 4. As regards, specifically, the application of the Code's recommendations on remuneration of Directors and Executives with strategic responsibilities, see section 6 below. The Code is available on the website www.borsaitaliana.it.

Additional information laid down by Article 123-bis, paragraph 2 of the CFA, referring to financial disclosure (letter b), the functioning of Shareholders' Meetings and dealings with shareholders (letter c) and the composition/functioning of management and audit bodies (letter d) is provided, specifically, in sections 3, 7, 9 and 10 below.

2.3. GROUP STRUCTURE AND MANAGEMENT AND COORDINATION ACTIVITIES

Banco Desio is the Parent Company of the **Banking Group**, pursuant to Articles 60 and 61 of the CBL, which currently includes the following companies:

Banco Desio e della Brianza SpA Parent bank

Banca Popolare di Spoleto SpA Directly controlled bank (73.16%)

Fides SpA	Finance company entered in the Financial Intermediaries Registry, directly controlled (100%)
Credito Privato Commerciale SA	Swiss bank put <u>into liquidation</u> , directly controlled (100%)
Rovere Società di Gestione SA	Luxembourg-based investment company currently directly controlled (80%)

Note that Brianfid-Lux SA in liquidation was deleted from the Luxembourg business register with effect starting from 11 August 2014 and that Banco Desio Lazio SpA was merged into Banco Desio with effect starting from 1 October 2014. For more information on the operations that gave rise to the current arrangement above, please refer to the “significant corporate events” in the Management Report.

Banco Desio exercises management and co-ordination activities over these companies, both according to current banking system provisions and in accordance with Article 2497 et seq. of the Italian Civil Code.

Credito Privato Commerciale SA in liquidation, currently the only subsidiary with registered offices in a non-EU nation, observes the transparency conditions laid down by Article 36 of the Consob Market Regulations (Reg. 16191/2007). In particular, with reference to said Swiss subsidiary, Banco Desio makes available to the general public (on its own website www.bancodesio.it, section Investor Relations/Bilanci e Relazioni - Investor Relations/Financial statements and Reports)) the accounting schedules drawn up for the purposes of the consolidated financial statements, schedules which include at least the balance sheet and income statement; acquires documentation pertaining to the Articles of Incorporation, the composition and powers of the corporate bodies; ensures that the subsidiary provides the auditor of the Holding Company with all the information necessary for carrying out the accounting audit and puts together an administrative-accounting system suitable for ensuring that the Holding Company and the auditor receive the necessary information for the preparation of the consolidated financial statements; all of these activities are carried out in consideration of liquidation procedures specific to Swiss law. For the purposes of completeness, note that the non-Italian laws to which foreign subsidiaries are subject (of which the Swiss bank has been in liquidation for some time, as mentioned above) do not influence Banco Desio's corporate governance structure.

Brianza Unione di Luigi Gavazzi & C. S.A.p.A., a holding company whose main purpose is the management of the controlling equity investment in Banco Desio, is the party which exercises control over said Bank according to applicable laws (Article 2359 of the Italian Civil Code and Article 23 of the CBL). As the result of a specific Articles of Incorporation provision, however, **it does not exercise management and co-ordination activities** over Banco Desio and its subsidiaries, based on neither banking legislation nor statutory provisions. Brianza Unione di Luigi Gavazzi & C. S.A.p.A. does not hold any other controlling interests.

3 – BOARD OF DIRECTORS

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFAA and articles 144-octies and 144-novies of the Issuers' Regulation

3.1 Composition and requisites

Banco Desio's current Board of Directors is made up of 11 Directors and was appointed by the Shareholders' Meeting held on 29 April 2014, using the list voting mechanism pursuant to section 2.1.1) above. Its term expires with the Shareholders' Meeting held for the approval of the financial statements as at 31 December 2016. The composition of the BoD, together with other information on the structure of the Management Body and Committees, is included in the attached Table 1.

On the basis of the special reference legislation for banks with listed shares, Directors must meet specific good standing and professionalism requirements, otherwise they will no longer be eligible for office. Specifically, with regard to professionalism, at least three years of experience in at least one of the following areas is required: management, audit or executive activities within companies; professional activities in matters pertaining to the banking, financial, insurance sectors or functional activities in banking; a university lecturing position in the law or economics faculties; public administrative or executive functions pertaining to the lending sector or which involve the management of economic-financial resources. With regard to the office of Chairman, the aforementioned experience must cover at least five years. For the offices of Managing Director and General Manager, specific expertise in matters pertaining to the lending sector is required, gained in positions of adequate responsibility for at least five years. The Board of Directors is responsible for verifying that the Representatives meet the requisites within 30 days of appointment, by means of the procedure established by the Bank of Italy's Supervisory Provision. In short, the BoD checks and resolves that the requirements have been met, after consulting the Board of Statutory Auditors (who perform their own specific check), for each individual representative, involving the abstention of the party concerned, on the basis of suitable documentation produced by said Representatives (examples: certificates, declarations, curricula vitae, affidavits or similar, declarations made by companies/bodies they worked with, etc.).

Information on the personal and professional characteristics of the Directors, as well as information on their satisfaction of the requirements described in this section, are published upon submission of the lists for the renewal of corporate offices, in compliance with governing Consob regulations. For more detail, refer to section 3.5 below. The aforementioned information is also made available on the website www.bancodesio.it, in the section "Organi Sociali/Documentazione Esponenti" (Corporate Bodies / Representatives' Documentation).

3.2 Independent Directors

Of the 11 Banco Desio Directors in office, **4** (including 1* candidate from the minority list as per the law) are qualified as Independent, according to the specific provisions of Articles 147-ter and 148 of the CFA and the standards of the Code of Conduct (the only exception is the criteria of "nine years" permanence in the BoD which, due to the reasons indicated in attached Table 4 in compliance with the resolution adopting the Code on 22 February 2007, is not, however, considered in itself to be indicative that the individual does not meet the independence requirement). The assessment of independence is subject to BoD resolution and appropriate review by the Board of Statutory Auditors, specifically examining the individual positions of the Directors on the basis of suitable documentation

available to the company or disclosure made by the party concerned, who abstains from voting and favouring, in any case, substance over form. The checks are envisaged after appointment, as well as when establishing committees that require the participation of a certain number of Independent Directors, at the time of approval of the Self-Assessment Report of the BoD and of this Report (as well as each time the BoD considers it appropriate in relation to any situations which may change the qualification of independence relating to one or more Directors). The Directors, by virtue of said evaluations and checks performed in 2014, who currently meet the independence requisites (all in accordance with both the CFA and the Code of Conduct, with the exception of the aforementioned “nine year” criteria) are listed below:

- **Gerolamo Pellicanò** (first appointed 30.04.2002)
- **Cristina Finocchi Mahne** (first appointed 30.05.2013)
- **Sandro Appetiti** (appointed 29.04.2014)
- **Gigliola Zecchi Balsamo** (appointed 29.04.2014 – minority list)

The Independent Directors, besides taking part in the Board’s work and the activities of the advisory/proposal-making Committees to which they belong (in other words, the Control and Risk Committee and the Appointments Committee and the Remuneration Committee, of which they form the majority, as well as, the Related Party Transactions Committee, consisting solely of three of the four Independent Directors), met on 18 March 2015, to express their opinion on the aspects on this Report, in consideration of the role the Code attributes, within the group of non-executive members, specifically to said Directors. This **assessment**, which was on the whole positive, is attached to this Report (**Attachment A**).

3.3 Functioning

As a rule, Banco Desio’s Board of Directors meets monthly, which is more frequently than the at least bi-monthly schedule envisaged in the Articles of Incorporation. During 2014, a total of 15 meetings were held, the majority of which scheduled at the beginning of the year. For 2015, at least 14 meetings have been scheduled. The dates of the meetings to approve periodic reports (draft financial statements and consolidated financial statements, interim and quarterly financial reports) were been made public, in January, within the context of the Annual Calendar of Corporate Events, in compliance with stock exchange legislation. The publication of the Corporate Calendar falls within the sphere of a more extensive process of scheduling the Board’s work for all Group companies, which sees the involvement of the same BoDs of the Parent Company and the subsidiaries, for the purpose of optimising the activities of the Corporate Bodies consistent with the general principles of efficiency and effectiveness established by both the Code of Conduct and the aforementioned Circular no. 285. Internal regulations concerning the information flows between and within the Corporate Bodies are based on the same principles and were formalised in the “Information Flows Regulation for Corporate Bodies”. These regulations are aimed at ensuring a circulation of information consistent with the needs of the Directors and Statutory Auditors to act in an informed manner and, at the same time, with the need to maintain organisational safeguards to avoid the risk of the improper use of confidential information.

In accordance with the provisions of the Articles of Incorporation and the Corporate Information Procedure, the Chairman calls the BoD meetings by means of a notice that contains the list of issues to be discussed at least 5 days in advance. The documentation relating to the matters on the agenda is made available to Directors and Statutory Auditors, as a rule, at least two hours before the time fixed for the meeting through an e-mail generally sent at least 3 days in advance (7 days for the previous meeting’s minutes). The documents not transmitted within 48 hours prior to the meeting are

made available for consultation at the General and Corporate Secretary's Office starting from the morning of the day prior to the same meeting. The Board of Directors deems this advance reasonable and is usually observed. In any case, adequate in-depth analyses are made during the meetings if it is not possible to provide the documents in question early enough in advance. This advance is deemed consistent by the Board of Directors and is generally observed. Confidentiality restrictions regarding the documentation and information subject to Board resolution are decreed – consistent with market abuse regulations – also by the Corporate Information Procedure, for Directors, Statutory Auditors, external auditors and all employees who enter into possession of potentially price sensitive documentation and information. In this context, specific provisions discipline access to the minutes of Board meetings, without prejudice to the fact that all interested parties are assured that the necessary information is made available to carry out their responsibilities in an informed manner. (For further details on this Procedure, see section 8 below). The information in question is also provided directly by the head of the company divisions (in particular the internal audit managers) who, to this end, are regularly called to take part in the meetings (also of the internal board Committees) to help illustrate the subjects within their competence on the agenda.

3.4 Powers

The BoD is vested with all the powers of ordinary and extraordinary administration, except for the faculties reserved for the Shareholders' Meeting by legal and/or supervisory provisions. In addition to the functions which cannot be delegated, decisions concerning the following matters are reserved by the Articles of Incorporation for the exclusive competence of the BoD, also in accordance with the provisions of Circular no. 285:

- setting policies which affect the general management of the Bank's and Group's business and, within this sphere, decisions concerning strategic guidelines and transactions as well as the business and financial plans, approval of the organisational and corporate governance set-up, approval of the accounting and reporting systems and supervision of the public disclosure and bank communication process¹⁷;
- issuing and amending internal regulations, with the exception of amendments which merely adapt to the provisions of current legislation or to Shareholders' and Board Meeting resolutions already adopted and effective;
- establishing, transferring and closing down branches and representative offices;
- purchase, development and sale of real estate property assets other than those granted under financial lease as part of its institutional activities;
- purchase and sale of equity investments which involve changes in the Banking Group or, in any event, the undertaking or disposal of controlling or associated interests or which involve exceeding the authorisation thresholds according to the applicable provisions. The BoD has the faculty to delegate, establishing the related limits, conditions and formalities, the purchase and sale of shares of subsidiary companies listed on organised markets, provided that these operations take place: a) in observance of current regulations concerning issuers, brokers and markets; b) under the aforementioned authorisation thresholds;
- setting criteria for the management and co-ordination of the Banking Group and the other subsidiary companies, as well as criteria for executing instructions from Bank of Italy;
- appointing and revoking¹⁸ the General Manager, Deputy General Managers and Executives and determining the powers assigned to the same and to Middle Management;
- appointing and revoking¹⁹ the Heads of Internal Auditing Divisions as well as the Appointed Executive and defining the essential elements of the overall architecture of the internal audit system, subject to the favourable opinion of the Board of Statutory Auditors;

- appointing and revoking members of the board committees required by applicable legal and regulatory provisions (in particular, the Appointments Committee, the Remuneration Committee, the Control and Risk Committee and the Related Party Transaction Committee), as well as the establishment, appointment and regulation of additional committees with proposal-making, advisory and/or coordination roles, if any, with determination of their tasks²⁰.

Furthermore, as per the Articles of Incorporation, the Board of Directors is assigned responsibility, which cannot be delegated but can be submitted to the Shareholders' Meeting, for the following possible resolutions: the merger via incorporation of companies wholly or at least 90% owned; the establishing and closing down of secondary offices; the reduction of share capital in the event of the withdrawal of shareholders; the adapting of the Articles of Incorporation to regulatory provisions; transferring the company's registered offices within Italy.

The powers listed above include those provided for in the Code of Conduct and, in particular, the inherent responsibility of approving strategic, business and financial plans. The assessment of the general organisational and accounting set-up, envisaged by the Code, falls under the exclusive responsibilities of the BoD, established by the Internal Regulations, consistent with supervisory legislation regarding the internal audit system and individual and Group risk management policies. The Internal Regulations also reserve for the Board the specific responsibility of operational management, whose division between the BoD and the Bodies delegated by the same is expressed in terms of both business area and/or amount (as detailed in section 4 below). In general, the approach described above also relates to the Board of Directors of BPS, although with some adaptations to the characteristics of said subsidiary.

3.5 Appointment

Without prejudice to the description in sections 2.1.1 and 3.1 above, as part of the Code of Conduct's recommendations, Banco Desio's BoD also established in the Internal Regulations the following general criteria relating to the accumulation of the appointments by Directors¹a) establishing the number of appointments as Director or Standing Auditor held in other listed companies and/or supervised companies as 5 (excluding subsidiary, associated and investee companies directly or indirectly invested in to a significant extent by Banco Desio from this group) in cases where the "interlocking ban" does not apply pursuant to art. 36 of Law no. 214/2011; for such purposes, with regard to the notion of "investee companies invested in to a significant extent" reference should be made to the sector regulations (for example: 2% of capital for listed companies, 5% for supervised companies); b) incompatibility between the office of Executive Director in Banco Desio and any executive appointment covered in other listed companies and/or supervised companies (again excluding subsidiaries, associated companies and investee companies invested in to a significant extent by Banco Desio from this group); in cases where the "interlocking ban" does not apply pursuant to art. 36 of Law no. 214/2011; c) incompatibility between the office of Managing Director of Banco Desio and of Director in any other company (not belonging to Banco Desio Group) in which another Director of Banco Desio is Managing Director.

Without prejudice to the specific related provisions (with particular reference to those envisaged by law regarding the "interlocking ban" between competing banking, financial and insurance groups) the aforementioned general principles should not be considered compulsory and should a situation of non-compliance occur, it is not, in itself, justification for termination from office. In addition to performing a specific assessment at least annually with regard to the "interlocking ban", in compliance with the application criteria issued by Supervisory Authorities, the BoD reserves the right to evaluate

¹ Note that for auditors' offices, specific regulatory norms are in force with regard to the number of offices which can be held (Article 144-duodecies of the Consob Issuers' Regulations).

any non-compliant situations on case-by-case basis, without prejudice to the principle, defined in the Code, according to which the assessment regarding opportunities to accept offices is put to the discretion of the interested parties, including in internal committees, exclusively “when they feel they are able to dedicate the time necessary to perform their duties”. The offices held by Banco Desio’s Directors and Statutory Auditors in the Holding Company (Brianza Unione), in subsidiary, associated and investee companies, and in other listed and/or supervised companies, are summarised in the attached Table 3. The aforementioned limits on the accumulation of offices by Directors are similarly established in the Internal Regulation of BPS.

3.6 Self-Assessment

On 10 February 2015 the Board of Directors approved an Internal Self-Assessment of Bodies Regulation in order to regulate the relevant process in conformity with the provisions of Circular no. 285. It particularly identified the methodologies to use (mainly based on each Director filling in a special questionnaire and on holding a special complementary interview when filling in the questionnaire) and the profiles to be analysed – on the aggregate level – regarding the composition (professional competence, independence, etc.) and functioning (operating procedures, information flows, etc.) of the Board and Committees formed within it.

The assessment methodology (whose application will be appropriately differentiated during the three-year office of the Board) is based on a model updated during 2015 in light of the banking sector’s best practices, with the support of a consulting firm that had been selected for the 2012 self-assessment from those of primary standing with expertise in the Governance, Risk and Compliance area. Note that this company presently supplies organisational advice to the Group as far as the investment services segment in particular is concerned.

On 20 March 2012, 20 March 2013 and 13 March 2014, the Board of Directors passed the self-assessment resolutions with reference to the years 2011, 2012 and 2013 and gave positive opinions considering the implementation in 2012 of measures concerning: preparation of the aforementioned Information Flows Regulation for Corporate Bodies; refining the practices and procedures for distributing Board documentation; optimising certain aspects of the system of powers; planning training and continuing professional education courses for Directors; identifying a “theoretical profile” for Directors, also based on the preparation of the relative curricula upon renewal of offices. Compliance with this profile of the appointments made by the Shareholders’ Meeting on 29 April 2014 was checked “*ex-post*” on 29 May 2014.

On 18 February 2015, the self-assessment process for 2014 was launched, again using the aforementioned Self-Assessment Regulation as a reference, which identifies as parties appointed to the activity prodromic to the Board of Directors passing of the self-assessment resolution the Board Secretary, who plays a support role, and the Appointments Committee with an advisory role in conformity with Circular no. 285.

On 28 April 2015, the Board passed the self-assessment resolution for the year 2014. It gave a positive opinion on all aspects analysed with reference to the administrative body and the committees formed within it (number of members, professional competence of the members, functioning and information flows).

With reference to the aforementioned theoretical profile, and therefore the areas of competency taken into consideration for the self-assessment, please refer to the appropriate document published on the

website www.bancodesio.it, in the section Investor Relations / Assemblee / Assemblee 2014 (Investor Relations / Shareholders' Meetings / 2014 Shareholders' Meetings).

As part of the self-assessment process, consideration was given to the number of years in office (from the first appointment) of each member of the Board of Directors, as summarised below:

NAME	PRIMARY ACTIVITY	APPOINTMENT DATE INDIVIDUAL OFFICE	TOTAL SENIORITY
Agostino GAVAZZI - Director - Deputy Chairman - Chairman	Company Director	05/05/1983 10/04/1992 30/04/2002	31 years
Stefano LADO - Director - Deputy Chairman	Attorney	23/04/1993 28/04/2008	22 years
Tommaso CARTONE - Managing Director	Company Director	20/06/2012	3 years
Paolo GAVAZZI - <u>Director</u>	Freelance Professional	28/04/1997	18 years
Egidio GAVAZZI - <u>Director</u>	Company Director	28/04/2008	7 years
- Tito GAVAZZI - Director	Company Director	29/04/2014	1 year
- Graziella BOLOGNA Director	Company Director	29/04/2014	1 year
Cristina FINOCCHI MAHNE - - Director	University lecturer	30/05/2013	2 years
Gerolamo PELLICANÒ Director	Attorney	30/04/2002	13 years
- Sandro APPETITI - Director	Company Director	29/04/2014	1 year
- Gigliola ZECCHI BALSAMO - Director	Company Director	29/04/2014	1 year
AVERAGE SENIORITY OF DIRECTORS			9 years

After the offices renewal in 2014, the average seniority is diminished from 13 to 9 years (about – 30%).

3.7 Training programmes

As part of initiatives aimed at continuing professional education in the sector in which Banco Desio operates, in business dynamics and their evolution, as well as the reference regulatory framework, some initiatives were implemented in 2012, 2013 and 2014, appropriately diversified by subject and supervisors. They focussed on:

- Issues related to the banking application of Italian Legislative Decree no. 231/2001 as regards administrative liability of companies and entities;
- the structure and functioning of the corporate governance system of banks, also with reference to the Code of Conduct;
- profiles pertaining to the process of issuing European Community regulations of greater interest for the banking sector;
- key aspects of the ICAAP process.

In this context, also specific sessions on both governance and business topics held at ABI (Italian Bankers' Association) for newly appointed representatives were attended in 2014.

An in-depth session dedicated to strategic planning and the business model of the “new” banking group was also held and attended by the members of the Bodies of the various Group Company and several corporate functions. It was conducted by an outside banking business expert. This initiative falls within the “good practice” that the members of the Bodies meet once or twice a year outside of board meetings in order to analyse in depth and discuss strategic questions as required by Circular no. 285.

A basically similar training course is scheduled for 2015. It will be appropriately updated and enriched to follow the new developments in the regulatory and economic scenario.

By way of example, to date additional sessions are scheduled on i) economic-financial subjects; ii) the administrative liability of entities pursuant to Legislative Decree 231 in connection with the introduction of new offences in its scope, more specifically including the so-called “self-laundering”; and iii) the subject of internal control and risk management system.

3.8 Succession plans

The legal, statutory and internal regulation provisions apply in the event the Managing Director falls from office. The Managing Director is succeeded by the figure of the pro-tempore General Manager in office. Similar considerations are considered applicable also if the office of the General Manager is vacated in advance, bearing the figure of the Deputy General Manager in mind.

4 - SYSTEM OF POWERS AND AUTHORITY

4.1 General outlines

This system, regulated at senior level, by the Articles of Incorporation and, more specifically, by Internal Regulations, has been structured on the basis of criteria consistent with the principle that the main decisions are reserved for the Board of Directors (in other words, those which Circular no. 285 summarises in the policy and supervision functions of corporate management) and the periodic reporting to said BoD by executive Bodies and Parties who are primarily delegated the function of managing, or rather, implementing the policies resolved by the BoD as it carries out its role of strategic supervision: **Executive Committee, Managing Director and General Manager**. The latter represents the apex of the internal structure and, as such, participates in the management function,

and in the BoD and Executive Committee meetings, and also has the task of executing the resolutions adopted by said Bodies. The delegated Bodies and Parties, in addition to the general powers for their role, have different operating powers in various areas related to current operations, in particular, with regards to credit, commercial, legal and organisational issues, in line with their respective roles, as specified below. The layout of the operating powers defined in the Internal Regulations can be summarised as follows

4.2 Chairman - Executive Committee – Managing Director – General Manager

The **Chairman**, who is assigned a co-ordination and guarantee role for the purpose of the due functioning of the Board of Directors and the shareholders' meeting, and the Deputy Chairman who replaces the former in the event of his absence or unavailability, are not assigned operating powers. They and the Managing Director are assigned the representation of the Company in dealings with third parties and before the legal authorities on the basis of the Articles of Incorporation, acting separately. Pursuant to the Articles of Incorporation, the Chairman can adopt, for reasons of particular urgency, decisions which are the responsibility of the BoD or the Executive Committee (provided that they are not reserved by law or the Articles of Incorporation for the exclusive competence of these bodies), with the obligation to promptly disclose the same to the BoD during the next opportune meeting. This is a procedure of an exceptional nature which has almost never been applied. The Chairman is a high-profile representative (General Partner) of the Holding Company "Brianza Unione" (see Table 3, attached). As previously mentioned in section 1.2, the Chairman does not have operations powers and does not carry out operational functions individually nor de facto. The same concept applies to the Deputy Chairman, who is considered an Executive Director in connection with his or her Executive Committee membership. Vice versa, the Chairman is no longer a member of the Executive Committee since 29 April 2014, in keeping with the statutory amendment approved on that date in conformity with the aforementioned Circular no. 285. As a result, he or she is no longer considered an Executive Director in any way.

The Executive Committee (appointed with the same term of office as that of the Board of Directors and currently consisting of 5 Directors, including – as stated - the Deputy Chairman and who coordinates its work and the Managing Director) is granted operations management powers, with set limits on amounts, for matters not reserved exclusively for the BoD. Pursuant to the Articles of Incorporation, for particularly urgent reasons, the Executive Committee may also adopt decisions which are the responsibility of the Board of Directors, provided that they are not reserved by law exclusively for the latter. The Board itself must be informed of these decisions during the first subsequent meeting.

In 2014, the Executive Committee met on a total of 18 occasions, the majority of which scheduled at the beginning of the year; for 2015 a total of 21 have been scheduled.

The **Managing Director** presents the Management Body with projects, objectives and strategies for the growth of the Bank and the Group, coordinates the management of the bank and oversees the management, coordination and control of the Group, according to the standards established by the Board. The Managing Director is granted powers, within set limits that are lower than those of the Executive Committee, limited to certain matters of particular relevance for the governance of the Bank and the Group, consistent with the role of "Director responsible for the risk management and audit system". For example, the Managing Director is also tasked with ensuring – at an overall level – the functioning of the internal audit system, supervision of compliance risk, implementation of the process for assessing capital adequacy ("ICAAP") and overseeing the activities associated with internal, inter-company and external corporate information, with the support of the specific divisions that report to

him (Internal Auditing; Risk Management and Compliance, Anti-laundering, Planning, Management and Equity Investments Control – Investor Relations, and Legal & Corporate Affairs).

The General Manager executes the resolutions adopted by the BoD, the Executive Committee and the Managing Director and is placed in charge of the management of personnel, the organisation and functioning of company structures and carrying out current business affairs, according to the general policies established by the BoD and the Managing Director. Within the sphere of operational management, the General Manager has autonomous powers within amount limits lower than those of the Managing Director and/or the Executive Committee. In certain areas, these powers are exercised, above set thresholds, in agreement with the Managing Director.

The executive Bodies and Parties inform the BoD and the Board of Statutory Auditors, according to the provisions of the Information Flows Regulation for Corporate Bodies, with regard to activities carried out within the sphere of the assigned powers and the performance of Banco Desio and subsidiary companies. Reports are also provided which provide a comparison between the results achieved and those scheduled. Detailed indications on the amounts representative of the limits of the powers assigned are not provided, because the authorisation standards differ according to the matters dealt with.

Given the system of powers described above, even though the Managing Director (Tommaso Cartone) is the only individual with an executive role due to the operations powers assigned to him, also the Deputy Chairman (Stefano Lado) and Directors Graziella Bologna, Egidio Gavazzi and Tito Gavazzi are also considered executives, as they are members of the Executive Committee and in consideration of the frequency of meetings and the expansion of its responsibilities. For the sake of thoroughness, note that: no director (other than the Managing Director) covers executive positions within Banco Desio, or in the subsidiary companies, or in the parent companies, nor has the appointment of overseeing specific areas of the corporate operations ensuring a steadfast presence in said company and/or acquiring information from the operating structures and/or participating in the meetings of the Committees pursuant to the subsequent paragraph 4.3 (except for the attendance of an Executive Director at Finance Committee meetings with a coordination role); no Director holds similar roles in subsidiaries or the Holding Company; the Managing Director does not hold administrative roles in subsidiaries; other Directors hold administrative offices in the Holding Company and/or subsidiaries.

4.3 Technical-operating committees

Besides the Executive Committee and the three Advisory/Proposal-making Committees discussed above, at the technical-operating level the BoD set up a Credit Facilities Committee and a Finance Committee.

The Credit Facilities Committee is made up of the General Manager, the Deputy General Manager and the heads of the Loan Division and other relevant corporate divisions. The Credit Facilities Committee normally meets once a week to resolve on/discuss given matters pertaining to the granting of credit. Despite not being a member, the Managing Director may participate in Credit Facilities Committee meetings (without voting rights but with the right to express binding opinions on the presentation to the Executive Committee or the Board of Directors of loan proposals approved during the Committee's discussions).

The Finance Committee is made up of the Managing Director, General Manager, Deputy General

Manager and the heads of the Finance Division and of other relevant corporate divisions. The Finance Committee normally meets once a month to resolve on/discuss given matters pertaining to finance management. As previously stated, an Executive Director participates in the Finance Committee with a coordination role.

As regards BPS, the system of powers is essentially characterised by the presence of:

- a BoD consisting of 11 Directors, 7 of whom are independent in conformity with Article 37 of the Consob Regulation on Markets that requires a majority of independent directors in the case of listed companies subject to the management and coordination of another listed company;
- an Executive Committee consisting of 3 Directors, of whom one is the Deputy Chairman, who coordinates its work;
- a General Manager charged with executing the BoD's resolutions, as well as handling current business affairs and personnel.

The Chairman of BPS, who is assigned a co-ordination and guarantee role for the purpose of the due functioning of the Board of Directors and the Shareholders' Meeting, and the Deputy Chairman who replaces the former in the event of his absence or unavailability, are not assigned operating powers. They are assigned the representation of the Company in dealings with third parties and before the legal authorities on the basis of the Articles of Incorporation, acting separately. The Chairman of BPS can adopt, for reasons of particular urgency, decisions which are the responsibility of the BoD (provided that they are not reserved exclusively for this Body by law or the Articles of Incorporation), with the obligation to promptly disclose the same to the BoD during the next opportune meeting. This is a procedure of an exceptional nature. The Chairman of BPS however has a non-executive role and does not carry out operational functions, not even de facto. The Chairman of BPS is a high-profile representative (Deputy Chairman) of the Parent Company.

Please refer to the BPS Report published on the website www.bpsoleto.it – “Investor Relations” section for more information.

5 – CONFLICTS OF INTEREST – TRANSACTIONS WITH RELATED PARTIES, CONNECTED PARTIES (COLLECTIVELY REFERRED TO AS “ASSOCIATED PARTIES”) AND ARTICLE 136 OF THE CFA

The subject of conflicts of interest with reference to the various spheres of corporate operations (disbursement of credit, investment services, etc.) is subject to a prudent approach adopted by the Italian Group Banks. At present, the relevant main internal regulations for this matter are as follows:

- internal Procedure for Transactions with Associated Parties and Article 136 of the CBL of the Parent Company (as also implemented by Banco Desio with the specific “Addendum”) followed in 2013 by the issuing of the associated risk policy integrated in the “Risk Appetite Policy”;
- the “Policy” containing the general rules for governing Conflicts of Interest regarding investment services.

Internal Procedure for Transactions with Associated Parties and Article 136 of the CBL

This Internal Procedure, adopted pursuant to Article 2391-bis of the Italian Civil Code and Article 53 of the CBL, is primarily characterised by the existence of a Related Party Transactions Committee, with regard to decision-making processes. This advisory body is composed of 3 Independent Directors and is entitled to receive information and/or issue opinions, which are binding in certain cases, on transactions with related parties, as set forth, based on the quantitative and qualitative criteria established by the Consob Regulation and relevant Bank of Italy Provisions, in the Internal Procedure which – in addition to the Committee’s methods of operating – governs the various types of total or partial exceptions in relation to small amounts or ordinary transactions, as well as the membership to the Group of the counterpart in the transaction (in the absence of significant interests of other related parties). An independent annual expenditure budget of Euro 25,000.00 was assigned to the Committee for 2014 (and reconfirmed for 2015). The Committee meeting minutes are duly recorded in the specific register.

In 2014, the Related Party Transactions Committee met 7 times, to collect information and/or issue opinions mainly with regard to recurring inter-company transactions.

Note that on 18/12/2014 the Committee was called upon to give its binding opinion on the transaction of:

- Banco Desio contributing a business unit consisting of 32 bank branches, of which 21 are located in the Lazio Region and 11 in the Tuscany Region to BPS; and
- at the same time, the purchase of the only BPS-owned bank branch situated in Milan at via Achille Mauri no. 6 by Banco Desio.

This transaction is considered a transaction with related parties “of greater relevance” and is described in detail in the Information Document published by BPS on 24 December 2014 pursuant to the above-mentioned Consob Regulation.

For more information, refer to the entire Internal Procedure published, in compliance with said Regulations, on the internet site www.bancodesio.it – in the section “governo societario / operazioni con parti correlate” (Corporate Governance/Transactions with Related Parties). For a summary of these transactions relating to 2014, resolved in the aforementioned Internal Procedure, reference should be made to the financial statement disclosure and especially Part H of the Notes to the Consolidated Financial Statements.

The above also fulfils the obligation of shareholders’ meeting information required by the aforementioned supervisory regulations.

The “Policy” containing the General Rules for handling Conflicts of Interest regarding investment services has the aim of illustrating the guidelines which the Group has adopted for handling conflicts of interest when providing investment services and activities, related services or a combination of these services, following the endorsement in the Italian legal system of Directive No. 2004/39/EC (hereinafter also referred to as “MiFID”).

The Parent Company has established and regularly updates a register which includes - noting the types of investment and related services concerned - the situations in which a conflict of interest has arisen, or, in the case of a service or activity underway, where a conflict of interest may emerge, which risks seriously damaging the interests of one or more customers. This register is maintained and updated by the Compliance Department and other Parent Company departments according to the Consolidated Law on Conflicts of Interest, including on behalf of Group Banks. This activity will also be carried out on behalf of BPS on a regular basis.

6 – REMUNERATION AND INCENTIVE MECHANISMS - APPOINTMENTS AND REMUNERATION COMMITTEE

Criteria adopted to compensate and incentivise Group management are in line with general principles correlating these emoluments with the economic results achieved and the coherence with strategies and risk parameterisation, so as to avoid producing incentives in conflict with the interests of the Company over the long-term, as also indicated in the aforementioned Circular no. 285.

The remuneration of Banco Desio's Managing Director, General Manager, and Executives with strategic responsibilities consists of a fixed portion and a variable portion, appropriately deferred in compliance with the aforementioned Circular no. 285, as better detailed in the cited Remuneration Report. With regard to the Parent Company's BoD, the Articles of Incorporation envisage that the Ordinary Shareholders' Meeting determines the overall fee for the Directors other than the Chairman, Deputy Chairmen and Managing Director. The BoD, having consulted the Board of Statutory Auditors, contributes to the determination of the fees of the latter, as well as the division between the other Directors of the overall fee established by the Shareholders' Meeting. The division criteria also take into account appointments within the BoD and membership in the various Committees (including the offices as Secretary).

For the BoD of BPS, there is a mechanism with basically similar guidelines to those adopted by the Parent Company.

The Appointments Committee and Remuneration Committee (which were a single Committee as permitted by the Code of Conduct until 10 February 2015) are both currently composed of 1 non-executive director and 2 independent directors, including the Chairman (also see [Table 1](#) attached to this Report). The Chairman of the Board of Statutory Auditors participates in the meetings of each Committee, and other Alternate Auditors may also participate. The Managing Director participates with regard to appointments, remuneration and other actions involving parties included in the perimeter defined by the Consolidated Remuneration and Incentive System Code. The General Manager, Deputy General Manager and others who are in charge of relevant business areas (including internal audit) may be invited to participate in relation to the issues described above, as well as other employees/collaborators/consultants, depending upon the specific issues to be discussed.

These Committees are advisory/proposal-making bodies with the main task of: i) formulating opinions and/or proposals on the appointment and remuneration of Directors for the BoD in cases in which the decision is the responsibility of a Board Committee of the Parent Company and/or Shareholders' Meeting/Board Committee of the subsidiaries, specifically, decisions concerning Directors who have been appointed to certain offices and/or granted operating powers, as well as the General Manager and the Deputy General Managers(s), as well as, with reference to the Remuneration Committee: ii) formulating opinions and/or proposals for the BoD regarding general policies and specific criteria for management remuneration, including at the Group level and any stock-based incentive plans. As part of the above responsibilities, the Committee is involved in defining, assessing and monitoring retribution and incentive systems, in compliance with Circular no. 285. To formulate its opinions on the above matters, the Appointments and Remuneration Committee met 7 times in 2014, and some of the meetings saw the discussion, for areas within its competence, of issues associated with implementing the Group incentive system, adopted in 2011, and finally rationalised with the Board resolution of 19 December 2013, in order to ensure its consistency with the objectives and

compliance with the regulations also in light of the evolution of the reference scenario. The Appointments and Remuneration Committee was given an independent annual expenditure budget of Euro 25,000.00 for 2014 (also confirmed for 2015 with promiscuous use by the newly-formed Appointments Committee and Remuneration Committee). If these Committees use consultancy services to complete their duties, they must verify that the consultant is not involved in any situations that may compromise his/her independence. The Committee meeting minutes are duly recorded in the specific register.

The Articles of Incorporation of the Italian Group Banks also envisage that the Ordinary Shareholders' Meeting, in addition to establishing the above fees, approves the remuneration policies, including plans based on financial instruments and the criteria/limits for any "golden parachutes"²⁴ as set out in Circular no. 285. The Shareholders' Meeting is ensured adequate disclosure on the implementation of the remuneration policies.

For additional information on remuneration and incentive policies, refer to the Remuneration Report.

7 – INTERNAL AUDIT SYSTEM – AUDIT AND RISK COMMITTEE – EXECUTIVE APPOINTED TO DRAW UP THE ACCOUNTING DOCUMENTS – FINANCIAL DISCLOSURE PROCESS

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFAA

Banks are subject to regulations on the **internal audit system** established, in particular, by supervisory regulations on banking activities and the provision of investment services, issued by the Bank of Italy and Consob implementing the CBL and the CFAA. As "public interest entities", banks are also subject to the regulations of Italian Legislative Decree no. 39/2010 governing the external auditing of accounts. This system features a complex structure which involves all the corporate levels, with specific duties reserved for the Board of Directors, the Board of Statutory Auditors, the Managing Director, the General Manager and the individual in charge of internal auditing, represented by the pro-tempore Head of the Internal Auditing Department (Mr. Augusto Frigerio). This Department, like the Risk Management Department, Compliance Office and Anti-Money Laundering Office, was structured to report directly to the Board of Directors. The audit and reporting activities carried out by this Department are consistent with the specific recommendations of the Code of Conduct. The Parent Company outsources the functions of internal audit, risk management and compliance for BPS and Fides SpA.

* * *

In said context, the Board of Directors established an **Audit and Risk Committee** which, as shown in Table 1, is currently composed of 1 non-executive Director and 2 Independent Directors, including the Committee Chairman. The Chairman of the Board of Statutory Auditors, or a Standing Auditor designated by the Chairman, participates in Committee meetings, and, in any event, the other Standing Auditors may also participate. In addition, the Managing Director, in his role as "Director responsible for the risk management and control system" participates. The General Manager, Deputy General Manager and the heads of internal audit, risk management, compliance and anti-money laundering departments may also be invited to participate, as well as other employees/collaborators/consultants, depending upon the specific issues to be discussed. The Audit and Risk Committee, as an internal Board committee, performs advisory/proposal-making functions and assists the BoD in its activities of supervising the proper functioning of the internal audit and risk

management system, as well as assessment of the proper use of accounting standards. The Committee reports to the BoD on activities performed and the adequacy of the internal audit and risk management system through specific reports prepared every six months. Decisions taken regarding issues that fall under the BoD's responsibilities are communicated, including verbally, at the next opportune meeting.

During 2014, the Committee met 14 times, in its role as advisory/proposal-making body for issues regarding the internal audit and risk management. Generally, the participants in the meeting, other than the Committee members, included the Chairman of the Board of Statutory Auditors and the Head of the Internal Auditing Department, as well as the managers of the Risk Management, Compliance and Anti-Money Laundering departments. Depending on the issues to be discussed, other Auditors, the Managing Director, the General Manager, other Directors and/or employees, as well as external consultants participated in individual meetings. Specifically, in addition to the regular half-year report to the BoD on activities performed by the Committee, the primary issues addressed were in relation to the periodic Plans and results of the Internal Audit Department; the Committee also assessed the updates of various company "Policies" including the "Risk Appetite" policy and, for those aspects inherent in risk management, the 2013-2015 Business Plan and the 2015 budget. As regards certain supervisory profiles, the Committee was involved in the assessments relating to the "gap analysis" and consequent adaptations to the aforementioned Prudential Supervisory Provisions regarding internal control systems, IT systems and business continuity (Bank of Italy Circular 263/2006). As part of these adaptations, the Committee also evaluated the internal regulations adopted on the subject of "Transactions of Greater Relevance" (O.M.R.) that was also applied to the contribution transaction explained in section 5 above, which was examined by the Committee (for the aspects it is responsible for, highlighted in a special report of the Risk Management Department), jointly with the Related Party Transaction Committee on 18 December 2014. As mentioned, a "Control Coordination Document" regulating, among others, the "Risk Meetings" held periodically between the internal control functions and the link mechanisms between internal control and risk management Functions and Bodies was also adopted. The Committee has an independent budget for expenses of Euro 50,000.00 for 2014 (reconfirmed for 2015).

* * *

As regards the **Group Organisational Model pursuant to Italian Legislative Decree no. 231/2001**, which undergoes periodic maintenance, in 2015, an additional project will be carried out to update the Model with the recently introduced offence of "self-laundering". This Model is published on the website www.bancodesio.it – "The Group/Organisational and Management Model 231. In the meantime, steps will be taken at BPS to reach total harmonisation of its Model with that of Banco Desio. To this regard, please refer to the BPS Report.

The powers and functioning of the Board of Statutory Auditors in its role as Supervisory Body pursuant to Italian Legislative Decree no. 231/2001 (hereinafter, SB 231) were described in detail in the aforementioned Model and in a specific Regulation attached therein. The SB 231 is envisaged to have independent powers of initiative and control, supported by the Internal Auditing Department in supervisory activities, and must report every six months to the Board of Directors on activities performed. The SB 231 currently has an independent budget for expenses of Euro 50,000.00 for 2014 (reconfirmed for 2015), in relation to other actions associated with the project to review the Model, with particular reference to training activities.

* * *

In relation to existing risk management and internal audit systems in the **financial disclosure process, consolidated or otherwise**, a series of disclosure, audit and intervention powers have been assigned to the Appointed Executive pro-tempore (Mr. Mauro Walter Colombo), which essentially involve:

- the possibility of receiving data/information from specific corporate divisions; the right to carry out audits autonomously and through the Internal Auditing Department, as well as the right to request organisational changes in administrative-accounting activities;
- the possibility of participating in Board meetings which deal with administrative-accounting aspects and proposing policy and co-ordination actions vis-à-vis Group Companies (such as the appointment of his own Contact Persons in these Companies);
- the recognition of the financial autonomy of said Appointed Executive through the management of a specific annual expenditure budget.

The Articles of Incorporation state that the BoD appoints the Appointed Executive, subject to the favourable opinion of the Board of Statutory Auditors and mandate the integrity and professional standing requirements, consistent with the current legislation for bank representatives. In particular, this party must possess specific expertise with regard to administrative-accounting matters gained, in a period of no less than three years, in positions of operating responsibility in the Company, the Group or other comparable companies or entities in terms of activities and organisational structure.

The Appointed Executive is currently on the staff of the Managing Director and is supported directly by the Administration Division, maintaining constant supervision over the financial reporting process, to ensure the reliability and integrity of the accounting and operating information, consolidated or otherwise, with particular reference to the so-called “key accounts”.

With regard to the risk management and internal audit system in relation to the financial disclosure process, the BoD defined a specific risk control model relating to financial disclosure (“Financial Disclosure Control Model”), which is an integral part of the internal audit system at Group level. As indicated below, the main responsibilities of this model are assigned to the Appointed Executive.

The Control Model allows for the fulfilment of regulatory obligations relating to the adoption of a risk management and internal audit system for the financial disclosure process.

In this regard, the set of tasks aimed at identifying and assessing risks and controls on financial disclosure are part of the more general management process of the Control Model, which is broken down into the following phases:

- planning;
- implementation;
- assessment;
- reporting.

Based on the Model’s scope, which applies to the entire Group, the tasks listed above are carried out for both the Parent Company and, as far as compatible, for the Group Companies included in the scope of consolidation. With BPS’s recent entry in the Group, the financial disclosure control Model will soon be updated to reach full integration on the procedural level as well.

Phases in the Risk Management and Internal Audit System for the financial disclosure process

Within operations, Banco Desio has identified and defined the following types of financial disclosure risk, in line with its risk mapping:

- “risk of unintentional errors”: the risk of material errors in the financial statements from actions unintentionally committed or omitted, resulting from the inadequacy or malfunctioning of

- procedures, human resources and internal systems, or from external events;
- “risk of fraud”: the risk of material errors in the financial statements resulting from an intentional act, committed in order to gain unjust or illegal advantages through false financial disclosure.

In addition, criteria have been established for identifying the specific significant company components, items and accounting schedules on which to focus the activities of planning, development and maintenance of administrative-accounting processes (including processes for reporting to the Parent Company by the subsidiaries for the purpose of drawing up the consolidated financial statements) as well as the phase of risk and control assessment. In particular, with regard to this phase, the assessment of risks and the effectiveness of controls is conducted in accordance with the methods defined by the Appointed Executive, shared with the Internal Auditing Department, and with support as necessary from the Parent Company’s Risk Management and Compliance Department. In order to identify the approaches to assess financial disclosure risks, the Appointed Executive may avail of the Parent Company’s operating risks management division. For the other Group Companies, the Internal Contacts of the Appointed Executive avail of each Company’s operating risk management division, where existing. For the specific purpose of assessing risks and controls in the disclosure system, the Appointed Executive is supported by the Organisation and Systems Department as well as, where needed, the Parent Company’s Internal Auditing Department (for the other Group Companies, the Internal Contacts of the Appointed Executive avail of the support of the Operating Department as well as, where needed, the Controller).

In terms of the methods used to inform top management on the Financial Disclosure Control Model, the Appointed Executive reports to the Bank’s Corporate Bodies on the adequacy and effective application of said Model. In this regard, taking into account the provisions of Italian Legislative Decree no. 39/2010 on external auditing of accounts, the Appointed Executive:

- supports the Board of Statutory Auditors and the Independent Auditing Firm in assessing the correct use and homogeneity of accounting standards for the purpose of preparing the individual and consolidated financial statements;
- provides the Supervisory Body pursuant to Italian Legislative Decree 231/01 with the related certification pursuant to art. 154-bis, section 5 of the CFA as well as indications when specific critical situations are detected relating to the adequacy or operation of the financial disclosure control model;
- draws up an annual report to submit to the Managing Director and the General Manager (according to their respective powers established by the Internal Regulation), subsequently transmitted to the Board of Statutory Auditors. This report contains:
 - o an explanation of activities carried out as well as any key critical situations found in the operation of the financial disclosure control model;
 - o an assessment of the significance of the risk, by proposing Group Companies considered “significant” and financial statement accounts classified as “critical”, to be analysed the following year;
 - o planning of activities to be carried out for the following year, also in consideration of the above points.

Roles and functions

The responsibilities relating to the implementation and operational phases of the “Financial Disclosure Control Model”, taking into account the applicable regulatory context, which assigns specific responsibilities to the Appointed Executive, are assigned to Corporate Bodies and mainly to the Appointed Executive. For the purpose of carrying out his duties relating to preparing company accounting documents (mainly annual Financial Statements and Interim Financial Reports), the Executive is aided by the competent company officers of Banco Desio and the other Group Companies.

Operationally, the Appointed Executive, with the help of the Financial Statements and Accounting Control Office pursuant to Law 262, specifically avails of the support of the Administration Division and coordinates with departments of Banco Desio and Group Companies in order to receive information on the performance of activities which influence the economic, equity or financial position of Banco Desio and the other Group Companies. Specifically, the Appointed Executive:

- interfaces with the Organisation and Systems Department in order to verify that the administrative-accounting processes are formalised in specific organisational procedures, requesting specific supporting documentation from the Division ;
- has the right to request specific certifications from the Organisation and Systems Department regarding:
 - o the correct operation of company infrastructures and applications used to acquire, process and represent administrative-accounting information;
 - o the existence of adequate procedures to guarantee the protection of company informational assets, also with regard to outsourced IT processes.
- promptly acquires information on planned activities and the subsequent results of activities carried out by the Parent Company’s Internal Auditing Department, and may avail of the support of said Department in carrying out its controls;
- has the right to request the Risk Management Department to carry out additional analysis and assessment of risks in administrative-accounting processes he identifies periodically when selecting “key accounts”;
- may request the Compliance Department to provide consulting for the assessment and management of compliance risk as well as for any corrective actions to be implemented;
- for the purpose of transmitting the certifications/declarations to the market (with specific regard to the annual, half-year and quarterly financial statements), requests that the “Parent Company’s Process Managers” issue specific internal certifications, or may assign said internal structures to carry out specific audit activities for the purpose of verifying the correct performance of administrative-accounting processes. As proof to support the certification and audit activities, the Appointed Executive may acquire specific internal documentation and/or reports from the business structures involved.

For Group Companies, the Appointed Executive interfaces with the Contacts specifically identified for each Company (Internal Contacts of the Appointed Executive) on the reporting flows to acquire to ensure the regular preparation of the (annual and half-year) Consolidated Financial Report as well as the Consolidated Interim Report on Operations (first and third quarter). Operationally, he receives specific certifications from his Contact containing, at a minimum, the following information:

- assessment of the adequacy and effective application of administrative-accounting procedures, with specific reference to controls implemented to mitigate the main risks;
- assessment of the adequacy of controls and, more generally, of the organisational safeguards on financial disclosure established at company level;
- correspondence of the equity, economic and financial data and additional information provided for preparing the annual and half-year financial report with the accounting books and records;
- compliance of the accounting documents with the applicable international accounting standards;

- any critical situations, risks and uncertainties arising from the audits performed, as well as the related action plan

8 – CORPORATE INFORMATION

Governance of corporate information is formalised in the Corporate Information Procedure, first approved in due course by the BoD and most recently updated, as mentioned, on 29 January 2013, containing, inter alia, the procedures for calling the Board of Directors and the Committees, for the provision of documentation on items on the agenda and the related confidentiality restrictions (also see previous section 1), and discipline of the register of parties who, within the Group, have access to the privileged information before its circulation. In turn, BPS has adopted a similar Procedure.

The Procedure also disciplines disclosure obligations regarding Internal Dealing, in accordance with current provisions of the CFA and Consob, for transactions carried out on ordinary and savings shares issued by Banco Desio by Significant Parties (Shareholders or Representatives), reserving the BoD the right to establish any restrictions or time-limits on transactions on listed securities issued by Banco Desio. The party appointed to receive, handle and disclose the communications is the General Secretariat and Corporate Affairs Department. During 2014, transactions for a total equivalent value of around Euro 250 thousand, were reported by the Shareholders and Representatives and published by the Company.

Banco Desio, like BPS as well, publishes all the corporate documentation made public by law/regulations on its own website in full. As mentioned, BPS has its own website.

On 29 January 2013, pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, the Board of Directors resolved to adhere to the “opt-out” regime envisaged in Articles 70, paragraph 8 and 71 paragraph 1-bis of Consob Regulation no. 11971/99, taking advantage of the right to deviate from publishing obligations for disclosure documents described in Attachment 3B of said Consob Regulation, in the event of significant transactions involving mergers, spin-offs, share capital increases through in-kind contribution of assets, acquisitions and disposals. Vice versa, BPS did not avail itself of this right in turn.

9 – BOARD OF STATUTORY AUDITORS

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFA and articles 144-octies and 144-novies of the Issuers’ Regulation

Banco Desio’s Board of Statutory Auditors in office was also appointed by the shareholders’ meeting held on 29 April 2014 with the list voting mechanism illustrated in the previous paragraph 2.1.I), and falls from office as of the date of approval of the financial statements as at 31 December 2016; its composition is that illustrated in attached [Table 2](#). The statutory auditors elected from the minority list are the Chairman of the Board (Mr. Eugenio Mascheroni) and an Alternate Auditor (Mr. Paolo Pasqui).

In addition to the integrity and independence requisites and the causes of ineligibility envisaged by special legislation and by the Code of Conduct for listed banks, the Statutory Auditors must meet – on penalty of forfeiture – the following professional standing requirements: at least one Standing Auditor and one Alternate Auditor (and, in any event, the Chairman) must be enrolled in the register of chartered accountants; those who do not meet this requisite must have gained specific experience in

the activities and the sectors indicated in the Articles of Incorporation. The satisfaction of requirements is verified by means of the “supervisory” procedure described by the BoD and, in implementation of a specific recommendation of the Code of Conduct, said Board carries out a specific check on the observance of said requisites. All the Statutory Auditors have been chosen from among those enrolled in the register of chartered accountants and are independent on the basis of both the CFA and the Code of Conduct (with the exception of the criteria of “nine years” permanence on the Board of Statutory Auditors which, due to the reasons already mentioned for the Directors in compliance with the resolution adopting the Code adopted on 22 February 2007, is not, however considered in itself an indication of non-compliance with the independence requirement).

The lists of the other offices held by the Statutory Auditors, pursuant to Article 2400 of the Italian Civil Code and Article 148-bis of the CFA, are published in the prescribed methods and timeframes, together with the information on the personal and professional characteristics of the Statutory Auditors (published upon submission of the lists for the renewal of corporate offices, in compliance with governing Consob provisions), and are available on the website www.bancodesio.it in the section “Organi Sociali/Documentazione Esponenti” (Corporate Bodies / Representatives’ Documentation). The Internal Regulations of the Italian Subsidiary Banks include a general limit on the accumulation of the offices of statutory auditor, by virtue of which these Statutory Auditors cannot undertake this office when they already cover the office of member of the audit body in five listed or supervised companies, in cases where the “interlocking ban” does not apply pursuant to Article 36 of Italian Law no. 214/2011; it is also established that the Statutory Auditors cannot undertake offices in bodies other than the Board of Statutory Auditors within other Group Companies, as well as with companies in which Banco Desio directly or indirectly holds a strategic investment.

As previously stated, the Board of Statutory Auditors of Banco Desio, like those of BPS and Fides SpA, perform the functions of SB 231. During 2014, Banco Desio’s statutory auditors held a total of 72 collective meetings and assessment inspections at the head offices or the branches. The activities of the statutory auditors with reference to participation in the meetings of the Corporate Bodies are likewise summarised in [Table 2 containing](#), among other things, information on the average duration of the meetings; the other appointments covered by the statutory auditors in subsidiary, associated and investee companies or in listed and/or supervised companies are shown in [Table 3](#).

The Board of Statutory Auditors performed its self-assessment process using the same method already adopted by the Board of Directors (see section 3.6 above), which concluded with an equally positive judgment.

10 – RELATIONS WITH SHAREHOLDERS – FUNCTIONING OF THE GENERAL SHAREHOLDERS’ MEETING

The information in this section has been provided in accordance with Article 123-bis, section 2, letter c of the CFA

As indicated in section 8, Banco Desio publishes the documentation of interest to its shareholders on its website, with particular reference to that pertaining to the exercise of their rights (attendance and voting, dividends, etc.), as managed by the Legal and Corporate Affairs Department, which is on the staff of the Managing Director. Specifically, the notice of calling for Banco Desio’s Shareholders’ Meeting is published, within the legal deadlines differentiated according to the issues on the agenda, on the website www.bancodesio.it – in the section “Investor Relations/Assemblea” (Investor Relations/Shareholders’ Meeting), and concurrently in the national press.

The notice of calling contains indications on methods for exercising the right to attend and vote, as summarised below.

Pursuant to Art. 83-sexies of Italian Legislative Decree no. 58/98 (CFA) and Art. 10 of the Articles of Incorporation, parties holding the right to vote who have sent the Company a notification issued by an authorised intermediary based on the evidence in its accounting records at the end of the seventh trading day prior to the date set for the Shareholders' Meeting on first calling may participate in the Shareholders' Meeting, or be represented according to the methods set forth by law. Those who are shown to hold shares only following said date shall not have the right to participate or vote in the Shareholders' Meeting.

Each party entitled to participate in the Shareholders' Meeting may be represented according to the methods set forth by law, without Articles of Incorporation exceptions or limitations, by way of written proxy, as explained in detail in the notice of calling for the Shareholders' Meeting.

The Board of Directors is entitled to establish, from time to time, whether the proxy may be granted to a Designated **Representative of the Company as defined by Article 135-undecies of Italian Legislative Decree no. 58/98**, without cost to the shareholder, with voting instructions for all or some of the proposed agenda items.

Pursuant to Article 127-ter of Italian Legislative Decree no. 58/98, shareholders may ask questions about the agenda items, including prior to the Shareholders' Meeting, as explained in detail in the notice of calling for the Shareholders' Meeting.

Pursuant to Art. 126-bis of Italian Legislative Decree no. 58/98, shareholders who, including jointly, represent at least one-fortieth of the share capital with voting rights may request items be added to the agenda, indicating the additional issues proposed in their request, as explained in detail in the notice of calling for the Shareholders' Meeting.

The Shareholders' Meeting Regulations, which discipline the business of the meetings, including to the extent applicable the Special Savings' Shareholders' Meeting, aim to ensure the orderly participation of those entitled to attend, in line with the indications which emerged from the work carried out originally care of the pertinent Trade Associations. The underlying criteria which inspired the drafting of the Regulations was to guarantee a certain discretion in the powers of the Chair, albeit in observance of legal and Articles of Incorporation provisions, aimed at permitting appropriate flexibility in handling the general meeting business and ensuring the exercise of the rights of the shareholders, in particular the right to take part in the discussion, also with the faculty to reply. The provisions strictly pertaining to the undertaking of the Chair of the meeting, the right to attend, personally or via proxy, the right to vote and the resolutions adopted by the meeting, remain disciplined by the Articles of Incorporation, which furthermore do not envisage departures from the legal norms.

The minutes of the Banco Desio Shareholders' Meetings are taken by a Notary, including for Ordinary Shareholders' Meetings. In 2014, an Ordinary Shareholders' Meeting of Banco Desio was held to approve the financial statements as at 31 December 2013 (Extraordinary and Ordinary shareholders' meeting on 29 April 2014).

As regards the Special Savings Shareholders' Meeting, refer to section 11 below.

With regard to BPS, please refer to what is has specified its Report.

11 – SAVINGS SHARES – SPECIAL SHAREHOLDERS’ MEETINGS – COMMON REPRESENTATIVE

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFA

The characteristics of Banco Desio savings shares are indicated in the previous section 2 (Information on the ownership set-ups and on the Group), to which reference should be made. With regard to the organisational aspects of this category, the Articles of Incorporation discipline the procedures for the disclosure to the Common Representative of potentially price sensitive transactions for savings shares, establishing that the Common Representative’s fee may be paid by the Company through an Ordinary Shareholders’ Meeting resolution and assigns the Common Representative management of the expense account to protect the category’s interests, with the obligation to report to the Special Shareholders’ Meeting. With regard to the Special Shareholders’ Meeting, in addition to the appointment and activity requirements for the Common Representative, the Articles of Incorporation refers to the law. The Special Shareholders’ Meeting held on 29 April 2014, resolved:

- subject to reporting on the activities carried out, confirmation of the appointment of Mr. Franco Fumagalli Romario as Common Representative for three accounting periods, with allocation of an annual fee of Euro 10,000, inclusive of the lump-sum reimbursement of costs for fulfilling his duties and net of VAT and welfare contributions;
- establishment of a fund for the expenses necessary to protect the common interest for an amount equivalent to the fee due to the Common Representative, formally acknowledging that the recourse on the profits due to the savings shareholders exceeding the minimum guaranteed by the Articles of Incorporation as envisaged by law, does not take place if the Ordinary Shareholders’ Meeting resolves to assume the fee due to the Common Representative, to be paid by Banco Desio (resolution that was then adopted by the Ordinary Shareholders’ Meeting held on the same date);
- to establish that the Common Representative must provide account of the use of the fund and, in any event, any costs incurred, as well as, in general, activities carried out, during the first Special Shareholders’ Meeting called to resolve on the appointment to the office.

As envisaged in the Articles of Incorporation, Banco Desio, as a rule via the General Secretariat and Corporate Affairs Department, promptly informs the Common Representative of price sensitive corporate transactions, usually via the forwarding of press releases and any other documentation made public by law. Thus far, no resolutions have been adopted by Banco Desio’s Bodies which are detrimental to the rights of the category, such that they would require the approval of the Special Shareholders’ Meeting.

12 – INDEPENDENT AUDITING FIRM

The company appointed to audit the accounts in accordance with the law is Deloitte S.p.A. with registered office in Milan. Upon the proposal of the Board of Statutory Auditors, the assignment was granted by the Shareholders' Meeting of 26 April 2012, with the total duration until the approval of the 2020 financial statements. The total agreed fee is Euro 105,000 annually. The individual responsible for the audit assignment is Mr. Maurizio Ferrero. The same company “Deloitte” is appointed to audit the accounts, again in accordance with the law, of all the Italian subsidiary companies, as well as the Holding Company Brianza Unione di Luigi Gavazzi & C., with a duration, where possible, in line with that of the Banco Desio appointment (except in the case of BPS, in which it became necessary to

extend this term up to the 2022 financial year since its appointment, which by law must in any case last nine years as it is a listed company, was granted on 9 October 2014 following the bank's entry into the Group).

13 – CHANGES AFTER THE END OF THE ACCOUNTING PERIOD

Between the date of the end of the last accounting period (31 December 2014) and the below-indicated date of approval of this Report, no significant changes took place with respect to those illustrated in the previous sections.

It should be noted that in addition to resolving the division of the Appointments and Remuneration Committee into two distinct Committees on 10 February 2015 the Board of Directors launched a project for the review of the Articles of Incorporation in order to align certain clauses with Circular no. 285. A similar resolution was passed by the BPS Board of Directors. The effectiveness of the proposed amendments is subject to the issuing of the assessment provision by the Bank of Italy in accordance with Article 56 of Italian Legislative Decree no. 385/1993. For more information please refer to the report of the Board of Directors regarding said matter placed on the agenda of the Shareholders' Meeting called for 28 April.

Desio, 19 March 2015

On behalf of the Board of Directors
The Chairman
(Mr. Agostino Gavazzi)

Note a piè di pagina

¹ “Deputy General Manager” means, in this report, the Deputy General Manager or the Deputy General Managers appointed from time to time.

² *In the diagram, the arrows indicate the appointment and revocation relationships between the main bodies (note that the BoD is also responsible for appointing/revoking the Deputy General Manager, the Appointed Executive and the Heads of the Internal Control Divisions).*

³ The Advisory/Proposal-making Committees (Appointments Committee and Remuneration Committee, Control and Risk Committee, Related Party Transactions Committee) are composed solely of Board members and are, as such, defined as internal board committees.

⁴ The Technical/Operating Committees (Credit Facilities Committee, Finance Committee) consist of Executive Parties (MD and/or GM) and the Heads of specific corporate divisions.

⁵ Personal Transaction is understood, for the specific purposes of the aforementioned “Policy”, as a trade in a financial instrument effected by or on behalf of a Relevant Person, where at least one of the following criteria is met:

- a. the Relevant Person is acting outside the scope of the activities he carries out in his capacity as a Relevant Person;
- b. the trade is carried out for the account of any of the following persons:
 - i. the Relevant Person;
 - ii. any person with whom the Relevant Person has a “Family Relationship” or “Close Links” ;
 - iii. a person whose relationship with the Relevant Person is such that the Relevant Person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

A Relevant Person shall mean persons belonging to one of the following categories relating to each Group Company:

- a) members of “Corporate Bodies” (understood, also hereafter, as the Board of Directors and the Board of Statutory Auditors);
- b) shareholders who possess a significant equity investment in the Parent Company or in Group Companies;
- c) executives (including, also hereafter, the General Manager);
- d) employees;
- e) temporary workers and project-based contractors who participate in the provision of investment services and the exercise of investment activities;
- f) individuals who directly participate in the provision of services to the Group Parent and Group Companies based on an outsourcing agreement regarding the provision of investment services and related services.

Persons with whom the Relevant Person has a Family Relationship are intended as:

- a. the (not legally separated) spouse or the common law spouse of the Relevant Person;
- b. the children of the Relevant Person ;
- c. any other relative of the Relevant Person to the fourth degree (i.e. parents, grandparents, great-grandparents, grandchildren, first cousins, aunts, uncles and great-aunts and great-uncles) who has shared the same household as the Relevant Person for at least one year on the date of the Personal Transaction.

Parties with which the Relevant Person has Close Links means one or more individual or legal persons linked to a Relevant Person by:

- a) an equity investment (which means ownership, direct or by way of control, of 20% or more of voting rights or capital of an undertaking);
- b) control.

⁶ Corporate Governance Code for Listed Companies – Borsa Italiana – 2011 Edition (2014 update)

⁷ The Independent Directors meet at least once a year without the attendance of the other Directors (usually to approve the Annual Corporate Governance Report and to give their assessment on the aspects for which they are responsible).

⁸ The Provisions referred to are now contained in the aforementioned Circular no. 285.

⁹ Of the “essential elements of the overall architecture of the controls system”, the Provisions themselves indicate “powers, responsibilities, information flows and handling conflicts of interest”

¹⁰ As at the date of this Report, several additional powers are being introduced as part of a project to amend the Articles of Incorporation approved by the Board of Directors on 10 February 2014 (whose effect is subject to obtaining the assessment sanction from the Bank of Italy pursuant to Article 56 of the CBL)

¹¹ Power that is also being introduced as part of the same project

¹² As clarified in Circular no. 285, for this purpose “strategic” means that the equity investment has to be at least equal to 10% of the share capital or voting rights at the general shareholders’ meeting of the investee company, and 5% of the consolidated regulatory capital of the banking group.

13 The BPS shares are also listed on the MTA, but were suspended from trading indefinitely starting from 19 September 2013, as is better described in its Report.

14 Also see section 9 below for the relevant check of the Board of Statutory Auditors regarding requisites of the Directors and Auditors

15 In compliance with Circular no. 285, the independence requirements of the Code of Conduct that Banco Desio has adopted are also stated, in addition to those established in the CFL, in the Articles of Incorporation currently being amended. As specified in the Articles of Incorporation, the minimum number of Independent Directors is 1/4 (the actual number of 4 is therefore actually higher than the minimum number of 3)

16 An excerpt of the Comment on Principle No. 2 of the Code is provided for convenience: The non-executive Directors enrich their board meeting discussion with expertise formed outside the company that is generally strategic or particularly technical in nature. This expertise enables various items discussed to be analysed from different perspectives and therefore contribute to feeding the dialectics that is the distinctive prerequisite for a meditated and mindful board decision. The contribution of the non-executive directors is particularly helpful on topics in which the interest of the executive directors and that of the shareholders might not coincide, such as the remuneration of the executive directors themselves and the internal control and risk management system.

17 Amendment to the Articles of Incorporation to adapt to Circular no. 285 (procedure still in progress at the date of this Report)

18 See previous note

19 See previous note

20 See previous note

21 Note that for auditors' offices, specific regulatory norms are in force with regard to the number of offices which can be held (Article 144-duodecies of the Consob Issuers' Regulations).

22 In this context, "supervised companies" are understood to be: banks, insurance companies, stock brokerage companies, asset management companies and finance companies enrolled in the special register as per Article 107 of the CBL (Italian).

23 The system of powers is currently structured into different special powers of attorney issued from time to time to individual names for given categories of acts. The associated powers are in the course of being organised into a "Regulation of Powers" which is expected to be formalised into 2015, also in connection with the technical-operational harmonisation between Banco Desio and BPS.

24 The term "golden parachutes" means the fees to agree to should employment or office be terminated in advance.

25 As indicated by Circular no. 285, "strategic" for such purposes is understood to mean the equity investment which is equal to at least 10% of the share capital or the voting rights during ordinary Shareholders' Meetings of the investee company and 5% of the consolidated regulatory capital of the Banking Group.

TABLE 2 - STRUCTURE AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS
(Appointed by the Shareholders' Meeting held on 29 April 2014 with term expiring upon approval of the financial statements as at 31 December 2016)

Office	Name and Surname	Date of Birth	Date first appointed	list	Independence according to Code of Conduct	No. of other offices **	No. attendances at activities of the Board of Statutory Audit (tot. 72)* (of which 14 in function of SB 231)	No. Attendances at Shareholders' Meetings (tot. 1)	No. attendances at BoD meetings (tot. 15)	No. attendances at EC meetings (tot. 13)	No. attendances at RCC meetings (tot. 14)	No. attendances at APPTREMC meetings (tot. 7)	No. attendances at RPTC meetings (tot. 7)
Chairman	Eugenio Mascheroni	10/08/1938	14/04/1978 (Standing Auditor) 30/04/2002 (Chairman BoSA)	minority	YES	0	66 (of which 14 in function of SB 231)	2	15	13	14	7	7
Standing Auditor	Rodolfo Anghileri	28/02/1948	30/04/2002	majority	YES	0	58 (of which 13 in function of SB 231)	2	15	12	13	6	7
Standing Auditor	Giulia Pusterla	12/02/1960	29/04/2014	majority	YES	10	36 (of which 8 in function of SB 231)	=	10	8	7	3	3
Alternate Auditor	Negonda Elena	08/06/1977	29/04/2014	majority	YES	0	=	=	=	=	=	=	=
Alternate Auditor	Giovanni Cucchiani	04/08/1933	14/04/1978	majority	YES	0	=	=	=	=	=	=	=
Alternate Auditor	Paolo Pasqui	15/07/1956	29/04/2014	minority	YES	0	=	=	=	=	=	=	=
AUDITORS WHO FELL FROM OFFICE DURING THE YEAR OF REFERENCE													
Standing Auditor	Marco Piazza	02/02/1958	29/04/1999	majority	YES	0	5 (of which 2 in function of SB 231)	0	3	3	4	3	1

Average duration of the Board meetings	2 hours
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Quorum required for the minorities to present lists for the election of one or more members (pursuant to Art. 148 CFA): 2.5%

* Including the inspections (individual or collective) at the Headquarters or the Bank Branches.

BoD: Board of Directors

EC: Executive Committee

RCC: Risk Control Committee

APPTREMC: Appointments and Remuneration Committee

RPTC: Related Party Transactions Committee

**In this column the number of director or auditor office held by the concerned party pursuant to Art. 148-bis CFL and relevant implementation provisions contained in the Consob Issuers Regulation. The complete list is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuers Regulation.

TABLE 1 – STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS AND THE COMMITTEES AS AT 31/12/2014

BOARD OF DIRECTORS (Appointed by the Shareholders' Meeting held on 29 April 2014 and falling from office as of the approval of the financial statements as at 31 December 2016)								Executive Committee (appointed on 29 April 2014)		Appointments and Remuneration Committee (appointed on 29 April 2014)		Control and Risk Committee (appointed on 29 April 2014)		Ordinary Shareholders' Meetings	Related Party Transactions Committee (appointed on 29 April 2014)				
Office	Name and Surname	Date of Birth	Date first appointed	List	Independent	Executive	No. Other offices	No. of presences out of total meetings 2014 (15)	Member of the Committee	No. of presences out of total meetings 2014 (18)	Member of the Committee	No. of presences out of total meetings 2014 (5)	Member of the Committee	No. of presences out of total meetings 2014 (14)	No. of presences out of total meeting 2014 (1)	Member of the Committee	No. of presences out of total meetings 2014 (5)		
Chairman	Agostino Gavazzi	05.04.1945	05.05.1983	M	No	No YES (*) (until 29.04.2014)	-	13	No YES	3 upon invite 4 (until 29.04.2014)	No	1 upon invite	No	1 upon invite	2	No			
Deputy Chairman	Stefano Lado	17.04.1960	23.04.1993	M	No	YES (*)	2	15	YES as per Art. Assoc.	13	No		No		2	No			
Managing Director	Tommaso Cartone	15.01.1942	19.06.2012	M	No	YES (*)	-	15	YES	13	No	6 upon invite	No	13 upon invite	2	No	2 upon invite		
Director	Egidio Gavazzi	14.08.1937	28.04.2008	M	No	YES (*)	-	14	YES	12	No		No		2	No			
Director	Paolo Gavazzi	29.05.1947	28.04.1997	M	No	No	-	14	No		YES	6	YES	14	2	secretary	5		
Director	Tito Gavazzi	20.10.1976	29.04.2014	M	No	YES (*)	1	11	YES	9	No		No			No			
Director	Graziella Bologna	08.12.1954	29.04.2014	M	No	YES (*) (**)	1	11	YES	9	No		No			No			
Director	Cristina Finocchi Mahne	01.07.1965	30.05.2013	M	YES	No	2	15	No		No	1 upon invite	YES	13	1	YES (from 29.04.2014)	4		
Director	Gerolamo Pellicano'	14.09.1949	30.04.2002	M	YES	No	-	15	No		YES	7	YES (FROM 29.04.2014)	9	2	NO YES (until 29.04.2014)	1 on invite 2		
Director	Sandro Appetiti	02.04.1950	29.04.2014	M	YES	No	-	10	No		No		No	2 on invite		YES	5		
Director	Zecchi Balsamo Gigliola	07.06.1942	29.04.2014	m	YES	No	-	11	No		YES	3 3	No	1 on invite		YES	5		
General Manager	Luciano Colombini	04.03.1955	01.01.2014	-	No	No	1	15 as per Art. Inc.	No	13 as per Art. Assoc.	No	5 (upon invite)	No	7 upon invite	2 as per meeting regs.	No	3 upon invite		
Business General Deputy Manager	Ippolito Fabris	17.08.1956	13.03.2014	-	No	No	-	12 as per Art. Inc.	No	10 as per Art. Inc.	No	1 upon invite	No	1 upon invite	2 as per meeting regs.	No			
Deputy General Manager	Angelo Antoniazzi (until 13.03.2014)	14.01.1962	23.01.2014	-	No	No	-	3 as per Art. Inc.	No	2 as per Art. Inc.	No	3 upon invite	No	3 upon invite		No	1 upon invite		
DIRECTORS WHO FELL FROM OFFICE DURING THE YEAR OF REFERENCE																			
Director	Guido Pozzoli (until 29.04.2014)	16.05.1932	17.12.1973	M	No	YES (*)	-	4	YES	4	No		No		2	No			
Director	Lorenzo Rigodanza (until 29.04.2014)	27.08.1962	28.04.2011	M	YES	No	-	4	No		No	1 upon invite	YES	5	2	YES	2		
Director	Pier Antonio Cutelle (until 29.04.2014)	23.02.1950	28.04.2008	m	YES	No	-	4	No		YES	4	No		2	YES	2		
Director	Luigi Gavazzi (until 29.04.2014)	07.05.1939	06.04.1981	M	No	No	-	4	secretary	3	No		No		2	No			
M = Majority List m = Minority List								AVERAGE DURATION OF 2014 BOD AND COMMITTEE MEETINGS		about 2 h 45 min.		about 30 min.		about 30 min.		about 1 h 45 min.		about 30 min.	

Quorum required for minority to present lists for the election of one or more members (pursuant to Art. 147-ter CFL): 2.5%

(*) this Director is considered executive in connection with Executive Committee membership, considering his or her activity in terms of meeting attendance and extension of powers of said committee.

(**) this Director sits on the Finance Committee in a coordination role.

TABLE 3 - MAIN OFFICES HELD BY THE REPRESENTATIVES OF BANCO DESIO AS AT 31 DECEMBER 2014

Name and Surname	Offices held in the Parent Company Banco Desio Brianza	Offices held in the Holding Co. Brianza Unione di Luigi Gavazzi & C. Sapa	Offices held in Italian subsidiaries - associates - investee companies - other listed companies - other supervised companies (banks, stockbroking companies, asset management companies, holding companies, etc.)					
			Subsidiaries		Associated/Investee companies		Other	
			Company	Offices	Company	Offices	Company	Offices
Agostino Gavazzi	Chairman BoD	Director (General)						
Stefano Lado	Deputy Chairman, BoD Chairman, EC	Deputy Chairman (General)	Banca Popolare di Spoleto S Fides SpA	Chairman BoD Deputy Chairman	Istifid SpA Cedacri SpA	Director Director	Fondo Interbancario di Tutela dei Depositi	Director and Member of the Management Committee
Tommaso Cartone	Managing Director Member, EC							
Sandro Appetiti	Director Member, RPTC							
Graziella Bologna	Director Member, EC		Banca Popolare di Spoleto S	Director	Rovere SdG SA	Director		
Pier Antonio Cutellé (fell from office on 29 April 2014)								
Cristina Finocchi Mahne	Director Member, RCC and RPTC						Trevi-Finanziaria Industriale SpA Natuzzi Group	Director Member, RCC, RPTC and APPTREMC
Egidio Gavazzi	Director Member, EC							
Luigi Gavazzi (fell from office on 29 April 2014)								
Paolo Gavazzi	Director Member, RCC and APPTREMC*							
Tito Gavazzi	Director Member, EC		Fides SpA	Director				
Gerolamo Pellicano'	Director Chairman, RCC and APPTREMC*							
Guido Pozzoli (fell from office on 29 April 2014)								
Lorenzo Rigodanza (fell from office on 29 April 2014)								
Gigliola Zecchi Balsamo	Director Member, APPTREMC* and RPTC							
Luciano Colombini	General Manager		Banca Popolare di Spoleto S	Deputy Chairman, BoD	Cedacri SpA	Director		
Ippolito Fabris (appointed by BoD taking effect 17 March 2014)	Business Deputy General Manager							
Eugenio Mascheroni	Chairman, BoSA		Fides SpA	Chairman, BoSA				
Rodolfo Anghileri	Standing Auditor	Standing Auditor	Fides SpA	Standing Auditor				
Marco Piazza (fell from office on 29 April 2014)								
Giulia Pusterla	Standing Auditor		Banca Popolare di Spoleto S	Standing Auditor			Tod's SpA	Chairman, BoSA
Giovanni Cucchiani	Alternate Auditor	Chairman, BoSA						
Clemente Domenici (fell from office on 29 April 2014)								
Carlo Maria Mascheroni Fell from office on 29 April 2014								
Elena Negonda	Alternate Auditor							
Paolo Pasqui	Alternate Auditor							

Notes: BoD: Board of Directors EC: Executive Committee APPTREMC: Appointments and Remuneration Committee RCC: Risk Control Committee RPTC: Related Party Transactions Committee BoSA: Board of Statutory Auditors
* Two distinct committees were formed on 10 February 2015 to replace the APPTREMC: the Appointments Committee (AC) and the Remuneration Committee (RC), with the same members of the former APPTREMC continuing to hold office

TABLE 4 – SUMMARY OF COMPLIANCE WITH THE INDIVIDUAL PROVISIONS OF THE CODE OF CONDUCT FOR LISTED COMPANIES

The schedule summarises the state of compliance with the provisions of the Code, consistent with the Report Format indicated by Borsa Italiana, as adopted by Banco Desio
The information is also provided in accordance with Article 123-bis of the CFA

Subject	YES/ NO	Summary of the reasons for any deviation from the Code's recommendations (or reference to the Report as well as other notes)
COMPLIANCE		
Indicate whether the Code of Conduct has been adopted	YES	<p>The criteria for independence requirements for Directors and Auditors were implemented with the following exceptions: it has NOT been considered necessary to apply the independence requirement that the person cannot be in office for more than 9 years, since this parameter is not deemed significant especially in a situation such as the Bank's where, on the contrary, lengthy experience gained by a Director/Statutory Auditor who has always operated independently can be considered not as a weakness, but rather an enhancement of independence (if no other opposing factors intervene) and this is to Company's complete advantage in terms of the contribution of the Director/Statutory Auditor to the correct execution of the decision-making processes.</p>
Indicate whether the Bank or any of its strategically significant subsidiaries are subject to non-Italian legal provisions which influence the Bank's governance structure	NO	Also see section 2 of the Report
BOARD OF DIRECTORS		
Also see section 3 of the Report		
Indicate whether the BoD has established general criteria for the maximum number of offices in other companies compatible with the office of Director of the Bank	YES	
Indicate whether the BoD has been reserved the task of examining and approving: . the strategic plans of Banco Desio and the Group . the Corporate Governance System of Banco Desio . the Group structure	YES YES YES	The matters which are the exclusive responsibility of the General Shareholders' Meeting are unaffected: e.g. Articles of Incorporation amendments
Indicate whether the BoD has assessed the adequacy of the organisational, administrative and accounting set-up of the Bank and its subsidiaries, with particular reference to the internal auditing system and the handling of conflicts of interests	YES	Also see sections 5 and 7 of the Report
Indicate whether the BoD has established, having examined the proposals of the Appointments and Remuneration Committee and consulted the Board of Statutory Auditors, the remuneration of the Managing Director, the Chairman and the Deputy Chairman, as well as the allocation of	YES	Also see section 6 of the Report
Indicate whether the BoD has assessed the general operating performance, taking into account the periodic disclosure of the appointed Bodies/Parties, as well as comparing the results achieved with those planned	YES	Also see section 4 of the Report
Indicate whether the BoD has been reserved the task of examining and approving, in advance, the transactions of Banco Desio and the subsidiaries that have significant strategic, economic, equity or financial importance	YES	Also see section 3 of the Report
Indicate whether the BoD has been reserved the task of examining and approving transactions with related parties and/or transactions in which one or more Directors have an interest on their	YES	Certain types of transactions with related parties (other than those disciplined by Article 136 of the CBL) may be delegated within the limits envisaged by the specific Procedure

Indicate whether the BoD has established general criteria for identifying transactions (also with related parties) that have significant strategic, economic, equity or financial importance	YES	These are essentially extraordinary transactions (share capital increases, conferrals/business segment transfers, mergers/spin-offs) as well as transactions on equity investments, properties and branches
Indicate whether the BoD has carried out an assessment on the size, composition and functioning of said BoD and its Committees	YES	This evaluation is performed annually (on conclusion of the self-assessment process conducted using a method based on the processing of the responses of the Directors to the appropriate questionnaire) in conjunction with approval of the Report
Indicate whether the Shareholders' Meeting has authorised exceptions to the non-compete	NO	
APPOINTED BODIES		Also see section 4 of the Report
Indicate whether one or more Directors have received operating powers	YES	This applies exclusively to the Managing Director
Indicate whether the Chairman of the BoD: . has received operating powers . covers a specific role in the drawing up of company strategies . is the main party responsible for managing operations . is the controlling shareholder of Banco Desio	NO NO NO NO	The Chairman is the representative of the company which controls Banco Desio
Indicate whether an Executive Committee has been established to which the BoD has delegated	YES	
Indicate whether the appointed Bodies/Parties have reported to the BoD with regard to the activities carried out when exercising the powers granted	YES	Reporting on the exercise of delegated powers is part of the provisions of the Information Flows Regulation for Corporate Bodies
OTHER EXECUTIVE DIRECTORS		Also see section 4 of the Report
Indicate whether within the BoD there are Directors considered executives because: . they cover the office of Managing Director or Executive Chairman in companies of strategic importance controlled by the Issuer . they cover executive offices within Banco Desio or in a subsidiary of strategic importance, or holding company, and the appointment concerns Banco Desio . they are members of the Executive Committee and due to the frequency of the meetings and subject matters dealt with, they are inherently involved in the current operations of Banco Desio	NO NO YES	
INDEPENDENT DIRECTORS		Also see section 3 of the Report
Indicate whether the BoD: . Has, at the first opportunity after its appointment, assessed the independence requirements the non-executive Directors must satisfy . has assessed whether independence requirements continued to be met throughout the accounting period . during the assessments, has applied all the independence criteria envisaged by the Code	YES YES NO	The criteria of "9 years" is not applied for the reasons indicated above in point 1)
Indicate whether the Board of Statutory Auditors has checked the correct application of the assessment criteria and the procedures adopted by the BoD for assessing the independence	YES	
Indicate whether the Independent Directors have met during the accounting period in the absence of the other Directors	YES	1 meeting during 2014
CORPORATE INFORMATION		Also see section 8 of the Report
Indicate whether the BoD has approved a procedure for internal management and external communication of corporate documents and information, with particular reference to privileged information	YES	

Indicate whether initiatives have been undertaken to increase Directors' awareness with regard to the corporate situation and dynamics	YES	
COMMITTEES WITHIN THE BOD		Also see sections 6 and 4 of the Report
Indicate whether a Committee has been set up which carries out the functions of two or more of the committees envisaged by the Code	YES	Appointments and Remuneration Committee
Indicate whether Committees other than those envisaged by the Code have been set up	YES	Related Party Transactions Committee (an advisory committee envisaged in Consob and Bank of Italy regulations, consisting of 3 Independent Directors) - Credit Facilities Committee and Finance Committee (the latter 2 are technical-operating committees outside the BoD)
APPOINTMENTS COMMITTEE		Also see section 6 of the Report
Indicate whether the BoD has assessed whether to establish an internal Appointments	YES	
Indicate whether the Committee is made up of at least 3 Directors, all non-executive, the majority of whom are independent	YES	
Indicate whether the Remuneration Committee is assigned the following additional functions:		
. propose candidates to the BoD in the event of the co-opting of an Independent Director	YES	
. indicate the candidates for the office of Independent Director to be submitted to Banco Desio's Shareholders Meeting	NO	This requirement is fulfilled by the Articles of Incorporation provisions on list voting
. formulate opinions to the Banco Desio BoD with regard to the size and composition of the same	YES	The Appointments Committee is also involved in the BoD self-assessment process and the definition of the "theoretical profile" also for the purposes of the renewal of offices
. formulate proposals on the candidatures for the office designated by Banco Desio in Subsidiary/Associated/Investee companies	YES	
REMUNERATION COMMITTEE		Also see section 6 of the Report
Indicate whether the BoD has established an internal Remuneration Committee	YES	
Indicate whether the Committee is made up of at least 3 Directors, all non-executive, the majority of whom are independent	YES	
Indicate whether the Directors must refrain from participating in meetings where proposals are made relating to their remuneration	YES	
Indicate whether the Remuneration Committee is assigned the following additional functions:		
. present the BoD with proposals for the remuneration of the Managing Director and the other Directors vested with particular offices (Chairman and Deputy Chairman)	YES	
. assess and/or determine the criteria for the remuneration of the Managing Director, the General Manager and the Executives with strategic responsibilities, also at Group level	YES	
. formulate proposals to the BoD for the allocation of the total compensation established by the Shareholders' Meeting	YES	
Indicate whether the minutes of the Committee meetings have been taken	YES	
Indicate whether during the performance of its tasks, the Committee has the possibility of accessing information and business functions, as well as availing itself of external consultants	YES	

Indicate whether the Committee has been assigned an expenditure budget for its activities	YES	Euro 25,000 per annum (for promiscuous uses between the Appointments Committee and the
DIRECTORS' REMUNERATION		See also section 6 of this Report, as well the "Group Remuneration Policies Report" prepared in accordance with Article 123-ter of the CFA
Indicate whether a significant part of the remuneration of the Managing Director, the General Manager and the Executives with strategic responsibilities is linked to specific results/objectives	YES	
Indicate whether share-based incentive plans have been envisaged in favour of the parties indicated above	YES	There is a stock grant plan for Group management described in the previous "Group Remuneration Policies Report". Assignments of future share issues (subject to the maintenance of given performance conditions) in execution of said plan were carried out at the close of the 2011-2013 three-year period.
Indicate whether the remuneration of the non-executive Directors is linked to a significant extent to the economic results of Banco Desio	NO	
Indicate whether share-based incentive plans have been envisaged in favour of non-executive Directors	NO	
Indicate whether agreements have been entered into between the Bank and the Directors, which envisage an indemnity in the event of resignation, removal without just cause or termination of the relationship following a take-over bid	NO	
CONTROL AND RISK COMMITTEE		Also see section 7 of the Report
Indicate whether the BoD has established a Control and Risk Committee	YES	
Indicate whether the Committee is made up of at least 3 Directors, all non-executive, the majority of whom are independent	YES	
Indicate whether at least one member of the Committee has specific experience with regard to accounting and financial matters, assessed as adequate by the BoD	YES	
Indicate whether the Committee has been assigned the following additional functions:		
. assist the BoD (as well as senior management) with the functions it is entrusted with by supervisory regulations concerning internal auditing	YES	
. assess, together with the executive appointed to draw up the accounting documents, the adequacy of accounting standards and their consistency for the purpose of drawing up the consolidated financial statements	YES	
. express, also upon the request of the Managing Director, opinions on specific aspects pertaining to the identification of the main corporate risks, as well as the planning and assessment of the internal audit system	YES	
. examine the plan of activities of the Internal Audit Division and the periodic reports the same draws up	YES	
. assess the proposals of the independent auditing firm for the auditing appointment, the work plan and the reports drawn up by the same, as well as generally oversee the efficacy of the audit process	YES	

. report to the BoD, every six months, on the activities carried out and the adequacy of the internal audits	YES	
Indicate whether the Chairman of the Board of Statutory Auditors or a Standing Auditor has taken part in the Committee meetings	YES	
Indicate whether the minutes of the Committee meetings have been taken	YES	
Indicate whether during the performance of its tasks, the Committee had the possibility of accessing information and business functions, as well as availing itself of external consultants	YES	
Indicate whether the Committee has been assigned an expenditure budget for its activities	YES	Euro 50,000 per annum
INTERNAL CONTROL SYSTEM		Also see section 7 of the Report
Indicate whether the BoD has defined the policies of the internal control system so that the main risks pertaining to Banco Desio and the Group are identified, measured, handled and monitored, for the purpose of sound and prudent management	YES	
Indicate whether the BoD has assessed the adequacy, efficacy and functioning of the internal control system	YES	This assessment is usually carried out at the time of approval of the periodic reporting of the ARC and the internal audit, compliance and risk management divisions
Indicate whether the BoD has identified the Executive Director appointed to oversee the functioning of the internal control and risk management system	YES	This role is covered by the Managing Director
Indicate whether the Managing Director:		
. has identified the main business risks for the Bank and Group and has submitted them for the examination of the BoD	YES	
. has followed the guidelines of the BoD, overseeing the planning, creation and management of the internal audit system, constantly checking the adequacy, effectiveness and efficiency	YES	
. has adapted this system to the dynamics of operating conditions and the legislative and regulatory context	YES	
. has proposed the appointment, removal and remuneration of the individual in charge of internal control system	YES	
Indicate whether the BoD has appointed one or more parties tasked with checking that the internal control system is always adequate, fully operative and functioning	YES	These are the heads of internal auditing, risk management and compliance
Indicate whether the individual in charge of internal auditing is hierarchically free from responsibility for any area of operations	YES	
Indicate whether the individual in charge of internal control has:		
. had direct access to all the information useful for carrying out their appointment	YES	
. reported on their activities to the Control and Risk Committee, the Board of Statutory Auditors and the Managing Director	YES	
Indicate whether Banco Desio has established an Internal Auditing function and whether the individual in charge is the same as the head of the function	YES	
Indicate whether Banco Desio and the subsidiaries have adopted the Organisational Model pursuant to Italian Legislative Decree No. 231/2001	YES	
Indicate whether risk management and internal control systems exist in relation to the financial disclosure process, consolidated or otherwise	YES	
CONFLICTS OF INTEREST - OBLIGATIONS OF THE REPRESENTATIVES - TRANSACTIONS WITH RELATED PARTIES		Also see section 5 of the Report

Indicate whether the BoD has established a procedure for approving and carrying out transactions with related parties	YES	
Indicate whether the BoD has defined transactions or criteria for identifying transactions which must be approved by the BoD subject to the opinion of the Internal Control and Risk Committee and/or independent experts	YES	The opinion of the Control and Risk Committee is envisaged in the case of "Transactions of Greater Significance" ("O.M.R.") pursuant to Bank of Italy Circular 263
Indicate whether the BoD has adopted operating solutions suitable for facilitating the identification and adequate handling of situations where a Representative is the holder of an	YES	
BOARD OF STATUTORY AUDITORS		Also see section 9 of the Report
Indicate whether the Board of Statutory Auditors:		
. has, at the first opportune meeting after its appointment, assessed the independence requirements the Directors must satisfy	YES	
. has assessed whether independence requirements continued to be met throughout the accounting period	YES	
. during the assessments, has applied all the independence criteria envisaged by the Code	NO	See similar note referring to the Directors
Indicate whether the same provisions applied to the Directors for the transactions in which they have a direct or indirect interest are applied to the Statutory Auditors	YES	
Indicate whether the Board of Statutory Auditors has overseen the independence of the independent auditing firm, checking the nature and entity of any extra services rendered by the	YES	
Indicate whether the Board of Statutory Auditors has coordinated with the Internal Audit Division and with the Control and Risk Committee during its activities	YES	
RELATIONS WITH SHAREHOLDERS		
Indicate whether Banco Desio has established a specific section on the website dedicated to important information for the shareholders	YES	
Indicate whether an investor relator has been appointed	YES	Giorgio Federico Rossin - Tel. No. 0362/613469 - E-mail: G.Rossin@bancodesio.it
Indicate whether the establishment of a corporate structure tasked with handling shareholder relations has been assessed	YES	The various activities pertaining to these dealings are the responsibility of the Investor Relator and the Legal and Corporate Affairs Division (on the staff of the Managing Director)
ORDINARY SHAREHOLDERS' MEETINGS		Also see section 10 of the Report
Indicate whether the Articles of Incorporation envisage the prior communication pursuant to Article 2370, section 2 of the Italian Civil Code, for the purpose of attending General Meetings	NO	
Indicate whether the shares in relation to which the communication to attend the meeting is requested remain restricted until said meeting is over	NO	
Indicate whether initiatives have been undertaken for facilitating attendance of the meeting and the right to vote (e.g. voting by mail, on-line voting, video-conference facilities)	NO	The General Meeting Regulations, as well as the Articles of Incorporation, are published on the website www.bancodesio.it in the section dedicated to "corporate governance"
Indicate whether General Shareholders' Meeting regulations have been adopted	YES	
Indicate whether the BoD has reported to the Meeting on the activities carried out and scheduled and has taken steps to ensure the shareholders adequate disclosure so that they can make the related decisions in full awareness of the facts	YES	This disclosure takes place within the limits of the law
Indicate whether during the accounting period, significant changes have taken place with regard to the market capitalisation of Banco Desio or its corporate structure	NO	

Indicate whether the BoD has assessed the appropriateness of proposing changes to the Articles of Association on the quorums for the exercise of the shares and rights protecting minority shareholders	NO	The corporate structure and the free float are such that they do not justify quorums less than the legal ones
ADDITIONAL CORPORATE GOVERNANCE PRACTICES		
Indicate whether Banco Desio applies additional corporate governance practices besides the legal ones	YES	Banco Desio adopted an Organisational Model pursuant to Italian Legislative Decree No. 231/2001 and the relevant functions of the Supervisory Body are performed by the Board of Statutory Auditors (see Section 7 of the Report)
CHANGES AFTER THE END OF THE REFERENCE ACCOUNTING PERIOD		
Indicate whether changes have taken place in the corporate governance structure as from the 2014 year end date	YES	On 10 February 2015 the Appointments and Remuneration Committee was divided into two distinct Committees pursuant to Bank of Italy Circular 285

INDEPENDENT DIRECTORS' ASSESSMENT OF THE ANNUAL CORPORATE
GOVERNANCE REPORT

On 18 March 2015, the following Independent Directors of Banco di Desio e della Brianza SpA met:

- Gerolamo PELLICANO' (Coordinator of the meeting)
- Cristina Finocchi MAHNE
- Sandro APPETITI
- Gigliola ZECCHI BALSAMO

The meeting was called pursuant to Article 2.10 of the Corporate Bodies' Internal Regulation, in fulfilment of the provisions of the Code of Conduct for Listed Companies.

Having reviewed the draft of the "Annual Report on Corporate Governance and the Ownership Arrangements of the Group" pursuant to Article 123-bis of the Consolidated Finance Act, we offer a positive opinion, noting in particular the adequacy of the number of Independent Directors and the role they perform. Specifically, the Independent Directors are members of the Board's four advisory committees (Related Party Transactions Committee, Control and Risk Committee, Appointments Committee and Remuneration Committee¹), for which they constitute at least a majority if not the entire membership. This opinion is referenced in section 3 of said Report.

Gerolamo Pellicanò

Cristina Finocchi Mahne

Sandro Appetiti

Gigliola Zecchi Balsamo

¹ The Appointments and Remuneration Committee was divided into an Appointments Committee and a Remuneration Committee on 10 February 2015.