PART F - Information on equity

Section 1 - Corporate equity

A. Qualitative information

The Bank's equity corresponds to the algebraic sum of the items 130 "Valuation reserves", 160 "Reserves", 170 "Share premium reserve", 180 "Share capital", 190 "Own shares (-)" and 200 " Profit/loss for the year" under liabilities in the balance sheet.
The balance and the trend in the capital components represent one of the Bank's strategic priorities, both in relation to the growth and development prospects of the risk and in relation to regulatory legislation.
Therefore, also with regard to the future, the capital requirements are determined by:
- respect of the requirements dictated by supervisory regulations;
- supervision of the risks associated with the banking business;
- corporate growth projects;
- the assessments on the amount of the profits to be distributed to the shareholders and to be capitalised.

Part B - Liability Section 14 of these explanatory notes provides disclosure regarding the components, amounts, origin and degree of availability and distributable nature of the various items.

B. Quantitative information

B.1 Company equity: breakdown

	Item/Amounts	Total 31/12/2014	Total 31/12/2013
1.	Share capital	107,390	107,390
2.	Share premium reserve	235,405	235,405
3.	Reserves	47,061	43,670
	- income-related	50,153	46,762
	a) legal	21,574	20,805
	b) statutory	15,980	13,419
	c) own shares	12,014	12,014
	d) other	585	524
	- other	(3,092)	(3,092)
4.	Equity instruments	-	-
5.	(Own shares)	(7,393)	(5,664)
6.	Valuation reserves	2,709	(2,516)
	- Available-for- sale financial assets	2,239	(3,490)
	- Tangible assets	-	-
	- Intangible assets	-	-
	- Hedging of investments in foreign operations	-	-
	- Cash flow hedges	-	-
	- Exchange rate gains (losses)	-	-
	- Non-current assets held for sale and discontinued operations	-	-
	- Actuarial gains (losses) on defined benefit plans	(509)	(5)
	- Portion of valuation reserves pertaining to equity-accounted investees	-	-
	- Special revaluation laws	979	979
7.	Profit (loss) for the year	14,007	7,685
	Total	**399,179**	**385,970**

The change in the reserves as per point 3. of the table above (financial statement item 160) is described in the following table:

	Balances as at 31 December 2013	Shareholders' resolution for approval of 2013 financial statements			Other changes	Closing balances as at 31 December 2014
		Allocation to reserves	Assignment of own shares to supplement dividend	Reintegration and increase of Provision for purchase of own shares		
Income-related reserves:	46,762	3,330	-	-	61	50,153
a) legal	20,805	769	-	-	-	21,574
b) statutory	13,419	2,561	-	-	-	15,980
c) own shares	12,014	-	-	-	-	12,014
d) other	524	-	-	-	61	585
"Other" reserves	(3,092)	-	-	-	-	(3,092)
Reserves item 160	**43,670**	**3,330**	**-**	**-**	**61**	**47,061**

The amount recorded under Reserves "Other" represents the merger difference deriving from the incorporation of Credito Veronese in 2012.

The change in the valuation reserves is commented on in the following tables.

B.2 Valuation reserves for available-for-sale financial assets: breakdown

	Asset/Amounts	Total 31/12/2014		Total 31/12/2013	
		Positive reserve	Negative reserve	Positive reserve	Negative reserve
1.	Debt securities	803	(385)	72	(3,252)
2.	Equity securities	1,716	(391)	355	(649)
3.	UCIT units	807	(311)	2	(18)
4.	Loans	-	-	-	-
	Total	**3,326**	**(1,087)**	**429**	**(3,919)**

The valuation reserves are assigned both the positive and negative fair value changes registered in available-for-sale financial assets.
The overall net difference with regard to the previous year of Euro 5,730 thousand is indicated in the statement of comprehensive income included in part D of these explanatory notes.

B.3 Valuation reserves for available-for-sale financial assets: annual changes

		Debt securities	Equity instruments	UCIT units	Loans
1.	**Opening balances**	**(3,180)**	**(294)**	**(17)**	-
2.	**Increases**	**4,055**	**2,066**	**825**	-
2.1	Fair value gains	803	1,416	807	-
2.2	Reversal to income statement of				
	negative reserves	3,252	650	18	-
	from impairment	-	47	18	-
	on sales	3,252	602	-	-
2.3	Other changes	-	1	-	-
3.	**Decreases**	**457**	**447**	**312**	-
3.1	Fair value losses	385	447	311	-
3.2	Impairment losses	-	-	-	-
3.3	Reversal to income statement of				
	positive reserves: on sales	72	-	1	-
3.4	Other changes	-	-	-	-
4.	**Closing balances**	**418**	**1,325**	**496**	-

B.4 Valuation reserves related to defined benefit plans: annual changes

The actuarial reserve relating to the future defined benefit pension plans, recorded under Valuation reserves net of the tax effects recorded under prepaid taxes, presented a negative balance of Euro 509 thousand as at 31 December 2014, whilst at the end of 2013 it presented a negative balance of Euro 5 thousand, decreasing by Euro 504 thousand (Euro 787 thousand with the tax effect).
The difference is due to the discounting back rate that decreased from 3.17% to 1.49%, leading to an actuarial loss of Euro 787 thousand, compared with a profit of Euro 563 thousand in 2013.
As described in part B of the explanatory notes, the actuary carried out the calculation on the basis of the following financial hypotheses: annual discount rate of 1.49% (determined, consistently with section 83 of IAS 19, with reference to the average yield curve that derives from the IBOXX Eurozone Corporates AA index with a duration of 10+ struck on 31 December 2014, rate considered as the best expression of yields of businesses of primary standing), annual rate of inflation 1.50% for 2017 and 2018, 2.00% as from 2019, annual Post-employment benefit rate 1.95% for 2015, 2.40% for 2016, 2.625% for 2017 and 2018, 3.00% as from 2019.

Section 2 - Own funds and capital ratios

2.1 Own funds

A. Qualitative information

Own funds and capital ratios were calculated on the basis of the book values determined with the application of the regulations envisaged by the IAS/IFRS international accounting standards; moreover, the specific regulations issued by the European Union on Prudential Supervision (CRR 575/2013 regulation, directive 36 of 2013, implementing regulation 680/2014 as supplemented) and implemented by the Bank of Italy in its Circulars, no. 285 and no. 286 of 2013, in particular, are taken into consideration.
The new regulations came into force on 1 January 2014; the definitions and methods of calculation of the means representing the equity and solvency ratios used in the new regulations differ in some cases compared to the past even if, for our Bank, the basic concepts remain at present mostly unchanged.
Specifically, to the new term “Total Own Funds” corresponds what was once "Regulatory Capital", and to “Tier 1 Capital” corresponds roughly what was once “Core capital”.

The structure of the tables shown below in the document is affected by the regulations, since the tables were changed compared to those previously in force; the tables used in 2013 are also shown in their original format only for comparative purposes.

1. Common Equity Tier 1 capital (CET1)

The Common Equity Tier 1 capital (CET1) before the application of deductions and prudential filters consists of the share capital, share premium reserves, reserves, including valuation reserves; the regulatory reduction expected for own shares is calculated within this aggregate for the maximum amount authorised of Euro 10.3 million.
The items to be deducted include goodwill (net of the relevant deferred taxation), other intangible assets and the prepaid taxation related to the second exemption of goodwill from incorporation of Credito Veronese.
The value of the AFS securities valuation reserves is indicated in the line related to the transitional regime, reserves partially calculated later in T2.

2. Additional Tier 1 capital (AT1)

There are no significant Additional Tier 1 capital elements.

3. Tier 2 capital (Tier2 - T2)

Tier 2 Elements includes the part of securities valuation reserves (recorded in the AFS portfolio) accountable after the application of the transitional provisions and national filters.
The Bank exercised the option for the neutralisation of gains/losses on government securities issued by Central Governments of European Countries (Measure of Bank of Italy of 18 May 2010, “Symmetric approach”).
Note that, complying with Article 26, par. 2 of Reg. 575/2013, the Bank did not calculate in the equity elements the profit (loss) for the year because when the supervisory reports were sent (11/2/2015), the

financial statements were not yet approved by the Board of Directors and certified by the Independent Auditing Firm.

B. Quantitative information

TABLE 2014	Total 31/12/2014
A. Common Equity Tier 1 capital (CET1) before the application of prudential filters	**382,265**
of which instruments of CET1 subject to transitional provisions	-
B. CET 1 prudential filters (+/-)	-
C. CET1 gross of elements to be deducted and of the effects of the transitional regime (A+/-B)	**382,265**
D. Elements to be deducted from CET1	**(11,360)**
E. Transitional regime - Impact on CET1 (+/-)	**(2,240)**
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**368,665**
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and of the effects of the transitional regime	**3**
of which instruments of AT1 subject to transitional provisions	-
H. Elements to be deducted from AT1	-
I. Transitional regime - Impact on AT1 (+/-)	**(3)**
L. Additional Tier 1 capital (AT1) (G-H+/-I)	**-**
M. Tier 2 capital (Tier 2 - T2) gross of elements to be deducted and of the effects of transitional regime	**728**
of which instruments of T2 subject to transitional provisions	-
N. Elements to be deducted from T2	-
O. Transitional regime - Impact on T2 (+/-)	**728**
P. Total Tier 2 capital (Tier 2 - 2) (M-N+/-O)	**728**
Q. Total own funds (F+L+P)	**369,393**

	TABLE 2013	Total 31/12/2013
A.	**Tier 1 capital before the application of prudential filters**	**372,938**
B.	Tier 1 prudential filters:	(1,291)
B1	- Positive IAS/IFRS prudential filters (+)	-
B2	- Negative IAS/IFRS prudential filters (-)	(1,291)
C.	**Tier 1 capital before any deduction allowed (A+B)**	**371,647**
D.	**Elements to be deducted from Tier 1 capital**	**-**
E.	**Total Tier 1 capital (C-D)**	**371,647**
F.	**Tier 2 capital before the application of prudential filters**	**25,979**
G.	**Prudential filters of Tier 2:**	**-**
G1	- Positive IAS/IFRS prudential filters (+)	-
G2	- Negative IAS/IFRS prudential filters (-)	-
H.	**Tier 2 capital before any deduction allowed (F+G)**	**25,979**
I.	**Elements to be deducted from Tier 2 capital**	**-**
L.	**Total Tier 2 capital (H-I)**	**25,979**
M.	**Elements to be deducted from total Tier 1 and Tier 2 capital**	**-**
N.	**Regulatory capital (E+L-M)**	**397,626**
O.	Tier 3 capital	-
C.	**Regulatory capital including TIER 3 (N+O)**	**397,626**

There are no effects relating to the application of the new IAS 19 effective as from 2013, given that before application of the new standard the Bank directly booked the changes from discounting back to the income statement, without using the corridor approach.
In the absence of the option for the neutralisation of the capital gains/losses on the Government securities issued by Central Governments of European countries and with the maintenance of the asymmetric approach, the Own funds would be greater by Euro 211 thousand (positive reserves on securities issued by European Central Governments: Euro 422 thousand x 100% (% filter by transitional provisions) x 50% (national % filter)).

2.2 Capital adequacy

Qualitative information

The prudent regulations according to the Basel Agreement on Capital are based on three Pillars as already indicated in the section "The Risk Management System" in the report on operations.
With regard to the valuation of the sound equity, the "Core tier one" is of particular importance, represented by the ratio between the Tier 1 capital and total risk-weighted assets.

Quantitative information

	TABLE 2014	**Non-weighted amounts**	**Weighted requirements**
		31/12/2014	**31/12/2014**
A.	**RISK ASSETS**	**4,450,353**	**2,319,624**
A.1	**Credit risk and counterparty risk**	**4,450,353**	**2,319,624**
1.	Standardised approach	4,450,353	2,319,624
2.	Internal rating method	-	-
	2.1 Base	-	-
	2.2 Advanced	-	-
3.	Securitisations	-	-
B.	**REGULATORY CAPITAL REQUIREMENTS**		
B.1	**Credit risk and counterparty risk**	**-**	**185,570**
B.2	**Credit rating adjustment risk**	**-**	**1**
B.3	**Settlement risk**	**-**	**-**
B.4	**Market risk**	**-**	**-**
1.	Standardised approach	-	-
2.	Internal models	-	-
3.	Concentration risk	-	-
B.5	**Operational risk**	**-**	**14,817**
1.	Basic indicator approach	-	14,817
2.	Standardised approach	-	-
3.	Advanced approach	-	-
B.6	**Other calculation elements**	**-**	**-**
B.7	**Total prudential requirements**	**-**	**200,388**
C.	**RISK ASSETS AND CAPITAL RATIOS**		
C.1	Risk-weighted assets	-	2,504,844
C.2	Common equity tier 1 capital / Risk-weighted assets (CET1 capital ratio)	-	**14.72%**
C.3	Tier 1 Capital/Risk-weighted assets (Tier 1 capital ratio)	-	**14.72%**
C.4	Total own funds/Risk-weighted assets (Total capital ratio)	-	**14.75%**

The Bank presents a ratio between Tier 1 capital and risk-weighted assets (Core tier one) equal to 14.72% and a ratio between Own funds and risk-weighted assets (total capital ratio) of 14.75%; albeit in the absence of the contribution of subordinated securities accountable (whereas at the end of 2013, they amounted approximately to Euro 25 million), the Total capital ratio is similar to that of the previous financial year due to lower risk assets.
Note that without the application of the neutralisation on the reserves concerning the securities issued by the European Central Governments, the Total capital ratio would have been substantially unchanged.

TABLE 2013		**Non-weighted amounts**	**Weighted amounts/ requirements**
		31/12/2013	**31/12/2013**
A.	**RISK ASSETS**	**4,316,871**	**2,521,774**
A.1	**Credit risk and counterparty risk**	**4,316,871**	**2,521,774**
1.	Standardised approach	4,316,871	2,521,774
2.	Internal rating method	-	-
	2.1 Base	-	-
	2.2 Advanced	-	-
3.	Securitisations	-	-
B.	**REGULATORY CAPITAL REQUIREMENTS**		
B.1	**Credit risk and counterparty risk**	**-**	**201,742**
B.2	**Market risk**	**-**	**45**
1.	Standardised approach	-	45
2.	Internal models	-	-
3.	Concentration risk	-	-
B.3	**Operational risk**	**-**	**16,318**
1.	Basic indicator approach	-	16,318
2.	Standardised approach	-	-
3.	Advanced approach	-	-
B.4	**Other prudential requirements**	**-**	**-**
B.5	**Other calculation elements**	**-**	**-**
B.6	**Total prudential requirements**	**-**	**218,105**
C.	**RISK ASSETS AND CAPITAL RATIOS**		
C.1	Risk-weighted assets	-	2,726,302
C.2	Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	-	**13.63%**
C.3	Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)	-	**14.58%**

Part G - Business combinations

Section 1 – Operations carried out during the year
Section 2 – Transactions carried out after the end of the reporting period
Section 3 – Retrospective adjustments

This section has not been drawn up since during the year, and even as of the current date, no business combinations were carried out.

PART H - RELATED PARTY TRANSACTIONS

Section 1 - Information on remuneration of key management personnel

The following table discloses the fees for the year of the directors and statutory auditors, as well as the remuneration paid to the key executives in 2014:

Item/Amounts	31/12/2014
Directors	600
Statutory Auditors	140
Statutory Auditors Key executives	1,334

The fees for the Directors refer to the matters established by the Shareholders' meeting held on 20 April 2013, net of VAT and social security charges if due.
The emolument of the Board of Statutory Auditors is equal to that resolved by the Shareholders' meeting held on 21 April 2012 for the three year period 2012/2014.
The "bank cost" is increased by VAT and social security charges if due.
The amount is detailed in the comments on the income statement, part C of the explanatory notes - section 9.1 - labour costs.
The amount indicated for the "key executives" includes the amount of the remuneration disbursed, as well as the social security and welfare charges payable by the Bank and the portion of the post-employment benefit accrued during the year. With regard to the executives, no incentive payments linked to the profits achieved are envisaged; no pension plans are envisaged other than those enjoyed employees; and no stock option incentive plans have been envisaged.
The members of general management and the two head office directors are key executives.

Section 2 - Information on transactions with related parties

Related parties, as defined by the international standard IAS 24, are the following:
1. Subsidiary companies, parent companies or those subject to joint control;
2. The companies that may exercise significant influence over the company that draws up the financial statements;
3. Associates;
4. Joint ventures in which the company that draws up the financial statements invests;
5. The Directors, statutory auditors and executives with strategic responsibilities of the company that draws up the financial statements.
6. Close family members of one of the parties as per point 5;
7. Subsidiary companies, jointly controlled companies or parties subject to the significant influence of one of the parties as per points 5 and 6;
8. Pension funds of employees or any other body related to them.

Close family members are understood to be those who it is expected may influence, or be influenced by, the party concerned in their relations with the company such as spouses not legally separated and common-law spouses, offspring and dependent individuals of the party, the spouse not legally separated and the common-law spouse.
On the basis of the legislation on industrial co-operative banks, there is no controlling party or a party which exercises management and co-ordination activities over Banca Valsabbina S.C.p.A.

The Bank wholly-owns Valsabbina Real Estate S.R.L., a single-shareholder company.

Related party transactions are regulated on the arms'-length basis envisaged for individual transactions or aligned, if the requirements are met, to the conditions applied to employees.
No specific provisions have been made for losses on loans/receivables during the year, vis-à-vis related parties.

The risks outstanding with related parties, including companies in which the directors and statutory auditors cover management and audit positions, were as follows at year end:

Directors, Statutory auditors, Key executives	31/12/2014	31/12/2013
On-balance sheet loans and receivables	78,661	49,331
Endorsement credits	5,552	3,819

The ratio of loans and receivables with related parties to total loans and receivables in the financial statements is 2.65% compared to 1.65% of the previous year.
The balance sheet relations, as well as the income statement balances as of 31 December, with the subsidiary company are illustrated in the table below:

Financial statement items	Valsabbina Real Estate	
	31/12/2014	31/12/2013
Balance sheet amounts: assets	**8,784**	**9,526**
Loans and receivables with customers	8,784	9,526
Balance sheet amounts: liabilities	**-**	**-**
Income statement figures	**192**	**107**
Interest income	172	92
Other operating income and expense	20	15

Part L - Segment reporting

This part is not drawn up since the banking activities carried out by the Bank predominantly concern retail customers resident in the province of Brescia, the province of Trento, limited to the branches in the Storo area, and in the province of Verona via the 8 branches under the Credito Veronese trademark.

Publication of the fees for the auditing and of other services differing from the audit as per the Consob Issuers' Regulations Article 149 duodieces

The fees in favour of the Independent Auditing Firm BDO SpA and possibly the companies belonging to the same network for the audit services (control of the annual and interim accounts) and certification services, as resolved by the Shareholders' meeting held on 9 April 2011 (inclusive of any index-linking, but excluding out-of-pocket expenses, the Consob contribution and VAT) amount to Euro 37 thousand.