

## REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Shareholders,

This report, relating to the financial statements for the year ended 31 December 2014, has been drawn up in accordance with Article 2429 of the Italian Civil Code as well as of Article 153 of Italian Legislative Decree No. 58 of 24 February 1998.

The external audit, pursuant to and for the purposes of Article 2409 bis of the Italian Civil Code, has been entrusted to the Auditing Company BDO S.p.A. for the period 2011-2019.

### *Results for the financial year*

The financial statements for the year ended 31 December 2014 present:

Total assets	4,395,191,016
Shareholders' equity (including the revaluation reserves of Euro 2,709,246) net of the profit/(loss) for the year	392,565,378
Own shares in portfolio	(7,392,904)
Profit for the year	14,006,894

The positive and negative components of income analytically indicated in the income statement and extensively commented on in both the Directors' Report on Operations and section C of the explanatory notes, have contributed towards the formation of the profit for the year.

In short, the income statement discloses:

	31/12/2014	31/12/2013
<b>Net interest and other banking income</b>	153,245,337	111,964,868
Impairment losses/reversals of impairment losses	(76,408,641)	(50,074,428)
<b>Net profit (loss) from financial operations</b>	76,836,696	61,890,440
Operating costs	(52,981,988)	(50,562,842)
Gain (loss) on sales of investments	67,186	(16,457)
Income taxes for the year	(9,915,000)	(3,626,000)
<b>PROFIT FOR THE YEAR</b>	14,006,894	7,685,141

With the contribution of profit from disposal of financial assets, the net interest and other banking income reached Euro 153.2 million. Despite impairment losses of Euro 76.4 million, the profit for the year was Euro 14 million, compared to Euro 7.7 million of last year.

Due to their considerable impact on the financial statements, a breakdown of impaired loans and receivables and the impairment losses booked to the income statement, as well as the trend in the credit quality ratios, is presented below.

## Breakdown of loans and receivables and the adjustment provisions

2014 - Type of exposure/Amounts (amounts in Euro 000)	Gross exposure	Individual impairment	Collective impairment	Net exposure	% of total
a) Non-performing loans	292,825	130,703	-	162,122	5.48%
b) Substandard loans	211,120	35,474	-	175,646	5.93%
c) Restructured loans	19,404	1,680	-	17,724	0.60%
d) Past-due loans	29,773	1,829	-	27,944	0.94%
Total impaired loans	553,122	169,686	-	383,436	12.95%
e) Performing loans	2,595,104	-	17,963	2,577,141	
Total	3,148,226	169,686	17,963	2,960,577	

## Breakdown of adjustments made to income statement

Net impairment losses (amounts in Euro 000)	31/12/2014	31/12/2013
A ) NET IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES	(71,346)	(43,222)
B ) AFS securities impairment losses	(3,211)	(6,788)
C ) Guarantees and commitments	(1,852)	(65)
TOTAL IMPAIRMENT LOSSES (A+B+C)	(76,409)	(50,075)

Credit quality ratios	31/12/2014	31/12/2013
<b>on gross loans and receivables</b>		
% of non-performing loans out of total gross loans and	9.30%	8.28%
% of substandard and restructured loans out of total gross loans	7.32%	6.39%
% of past due loans out of total gross loans and receivables	0.95%	1.89%
% of doubtful loans out of total gross loans and receivables	17.57%	16.56%
<b>coverage percentages</b>		
Non-performing loans *	<b>*52.3%</b> 44.64%	34.87% **
Substandard and restructured loans	16.12%	9.80%
Past-due loans	6.14%	3.70%
<b>Total impaired loans *</b>	<b>*36.10%</b> <b>30.68%</b>	<b>21.64% **</b>
Performing loans	0.69%	0.61%
*also including extinguished loans as at 31 December 2014 still held by the Bank and default interests.		
** reduction to be ascribed to the disposal of more than Euro 65 million in gross non-performing loans		
<b>percentages out of net loans and receivables</b>		
% of non-performing loans out of total net loans and receivables	5.48%	5.62%
% of substandard and restructured loans out of total net loans	6.53%	6.01%
% of past due loans out of total net loans and receivables	0.94%	1.90%
<b>% of doubtful loans out of total net loans and receivables</b>	<b>12.95%</b>	<b>13.53%</b>

In particular, the tables show the high incidence of impairment losses to loans and receivables due to the serious crisis underway and the related repercussions on the economic fabric of the area.

The measure of impairment losses, net of reversals of impairment losses (Euro 71,346 thousand in addition to impairments of guarantees given of Euro 1,852 thousand) is considerable and, despite the slowdown observed in the stock of non-performing loans, well above the one already considerable made over the last few financial years, by virtue of the prudential nature of the internal policies of credit management of the Bank and of the more restrictive criteria contained in the

policy on the assessment of loans and receivables approved by the Board of Directors. The document revised the entire internal regulation by introducing more stringent criteria when examining the irregularly performing loans, when evaluating the guarantees, when determining the recoverable amount and timing of periodic revision of the defaulting positions, for a greater protection and monitoring of the quality of loans. In this connection, the Board of Statutory Auditors confirms the considerable organisational efforts that the Bank has made and the constant commitment to update the criteria for determining the provisions for impaired loans.

The balance sheet discloses a growing incidence of available-for-sale financial assets, as illustrated below.

<b>Financial assets (amounts in Euro 000)</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
Financial assets held for trading	181	197
Available-for-sale financial assets	1,183,203	1,012,280
Loans and receivables with banks	108,266	114,234
Equity investments	1,375	1,375
<b>Total</b>	<b>1.293.025</b>	<b>1.128.086</b>

In the presence of the importance assumed by available-for-sale financial assets, the Bank has laid down accurate internal regulations aimed at managing the risks linked to the securities portfolio. The securities portfolio includes a significant amount (Euro 126.9 million) of units of mutual investment funds.

The provisions envisaged by the 2013/36/EU European Directive and the EU 575 Regulation that implemented the standards defined by the Basel Committee on Banking Supervision became effective on 1 January 2014.

The new regulations redefined the elements forming the Regulatory Capital. With the application of the new defining rules, the ratio between the regulatory capital ( Tier 1 Capital + Tier 2 Capital) and risk-weighted assets is 14.75%, well above the minimum (10.50%) imposed by the regulations and in line with what is defined by the Board of Directors on RAF (Risk Appetite Framework).

### ***Significant events during the year***

The events that characterised the management company are reported and commented on in the report on operations. The most significant economic results are also commented on in this report.

### ***The activity of the Board of Statutory Auditors.***

The Board of Statutory Auditors carried out the activities laid down by current legislation, in observance of the provisions issued by the Bank of Italy and Consob, in compliance with its institutional role and availing itself, where necessary, of the collaboration of the internal control units (Internal Audit, Compliance, Anti-money Laundering, Risk Management and Supervisory Body).

In detail, it had systematic and on-going disclosure relations with the Internal Audit Service, by means of the analysis of both the scheduled work plans and the periodic reports drawn up for the Board of Directors and the control bodies. The Board of Statutory Auditors also checked, on a test basis, and jointly with the Internal Audit, the methods for defining and implementing the controls on the branches (with a special attention to the extraction of transaction samples to be checked), for the purpose of assessing the effective methods of carrying out the audit activities.

When carrying out the supervisory activities and in accordance with the work programme originally drafted, the Board of Statutory Auditors held meetings with General Management, with all the internal control units indicated above, with the Independent Auditing Firm as well as with the heads of the main areas of functional activities, in particular the Admin Sector, the Organisation Service, the Finance Service and the Loans Service.

The information and data required for assessing the organisational structure, the internal controls, the administrative-accounting system and its effective operation, was acquired from the encounters and meetings held.

### ***Principles of correct administration***

The Board of Statutory Auditors supervised the observance of the principles of correct administration both during the periodic checks and during the weekly meetings of the Board of Directors in which it regularly took part, checking the correct operation thereof, as well as the compliance of the resolutions with the provisions of the law and of the Articles of Association that regulate them.

The Board of Statutory Auditors periodically obtained information from the Directors, General Management and the heads of the main areas of functional activities, on the general operating trend, its business outlook as well as on transactions of greatest significance, due to their size or features, carried out by the Bank; in this connection, it can be reasonably stated that the actions carried out are compliant with the law and the Articles of Association and are not manifestly imprudent, hazardous or in contrast with the resolutions adopted by the shareholders' meeting or such that they compromise the integrity of the company assets.

The transactions of greatest economic, financial and equity importance and extraordinary nature are fully commented on in the Report on operations to which reference is made.

### ***Organisational structure and internal control system***

During 2014, the Board of Statutory Auditors supervised the adequacy of the organisational structure and of the internal control system, deeming them suitable, also further to the changes introduced, with regard to the dimensions and structure of the Bank. It also checked that all the business risks are supervised within the context of precise organisational references according to a model that uses methods and procedures aimed at ensuring the efficacy and efficiency of the operating processes, guaranteeing the reliability and integrity of the information and checking the observance of the regulations in recurrent operations.

The internal controls system is periodically subject to review and adaptation in relation to the changes in business operations and the reference context.

Activities continued for the updating and enhancement of the internal organisational structure with particular attention to the loans and receivables segment, both with regard to the approval process stage and the control stage, as well as to the anti-money laundering fulfilments.

Attention was also paid to the line and remote controls as part of the central structures and the network, in relation to specific auditing areas (loans and receivables segment, admin sector, commercial sector, financial sector, anti-money laundering monitoring) within which the various types of operations, their first level controls, their frequency and their responsibility were assessed.

In compliance with the provisions of the Bank of Italy, the Board of Statutory Auditors also supervised the process for the calculation of the internal capital (ICAAP), by means of the analysis of suitable information flows by the corporate bodies and the internal control units, checking the observance of the envisaged limits.

The Board of Statutory Auditors checked the observance by the Bank of the obligations to send communications, reports and documents to the Supervisory Bodies.

The Bank, in 2014, put in place the measures to adapt the management process of planned risks as part of the self-assessment carried out in 2013 with regard to the compliance of its corporate situation, with respect to the provisions introduced by the 15th update of Circular No. 263/06.

This update issued in July 2013 systematically reviewed the legislative framework relating to the system of controls, with the aim of getting the banks to further strengthen their business risk management abilities. In particular, the regulatory update confirmed how the internal control system must check the implementation of the corporate strategies and policies, ensuring the containment of the risk within the limits indicated in the reference framework for the determination of the Bank's propensity to risk (Risk Appetite Framework, abbreviated to RAF).

The document describing the internal Risk Appetite Framework was approved by the Board of Directors on 18 June 2014, following the definition of metrics for the quantification of the risk position of the Bank, the objectives in terms of desired risk profile (risk appetite), risk tolerance (intended as absolute deviation from the objectives set) and the operating limits to be monitored on an ongoing basis for each type of risk. In this regard, the Board of Statutory Auditors points out the significant organisational adjustment put in place by the Bank and the definition of appropriate internal regulations protecting asset quality. In this context, the internal regulation guarantees the required autonomy to the control functions and duly defines its duties and responsibilities. The Board of Statutory Auditors monitored constantly the process of implementation of the adjustments required by the regulations, the policies adopted by the Bank, the programmes of activities defined by the control functions. The checking of the periodic reports produced by the control functions highlighted the effective implementation of the envisaged instruments.

### ***Information and administrative-accounting system***

The Board of Statutory Auditors supervised the administrative-accounting system in its entirety, as well as its reliability in correctly representing operating performance.

It checked the procedures and the work phases by means of which the financial statements were drawn up, their compliance with the formats and guidelines envisaged by the Supervisory Authorities and the IAS-IFRS international accounting standards.

It also ascertained that the Directors did not make exceptions to the provisions of law.

With regard to the supervision of the information system, the Board of Statutory Auditors examined the report drawn up by a leading Independent Auditing Firm on the information system of the Cedacri consortium (data processing centre used by the Bank) which did not reveal any particular shortfalls or anomalies.

### ***Relations with the Independent Auditing Firm***

During the institutional activities, the Board of Statutory Auditors exchanged information with the Independent Auditing Firm also appointed to carry out the external audit (BDO S.p.A.), without reporting data or information worthy of indication in this report. The Independent Auditing Firm reported on the absence of situations of uncertainty or limitations in the checks carried out.

### ***Complaints pursuant to Article 2408 of the Italian Civil Code***

No complaints were presented during 2014, in accordance with Article 2408 of the Italian Civil Code, nor did any omissions, reprehensible facts, limitations, exceptions or irregularities emerge, such that they would require mentioning in this report.

### ***Meetings of the Board of Directors, the Board of Statutory Auditors and the Supervisory Body (SB)***

During the financial year, the Board of Directors meet constantly once a week. The Board of Statutory Auditors - besides the constant participation in the Board of Directors meetings - met 31 times to carry out the checks it is responsible for, both at the registered offices and at the individual branches.

The Board of Statutory Auditors also took part in the meetings of the Supervisory Body, which meets quarterly, not reporting any events that would require mentioning in this report.

In conclusion, a member of the Board of Statutory Auditors has become a member of the Supervisory Body.

### ***Financial statements as at 31 December 2014***

With reference to the financial statements for the year ended 31 December 2014, the following is hereby stated, in accordance with Article 2429, paragraph 2, of the Italian Civil Code:

- the financial statements, accompanied by the Directors' report on operations, were drawn up on the basis of the IAS-IFRS international accounting standards approved by the European Commission and in observance of the regulations laid down by the Bank of Italy and the Bank of Italy-Consob-Isvap document No. 4 of 3 March 2010;
- the accounting standards used are consistent with those adopted for the preparation of the previous year's financial statements;
- with reference to the Goodwill and the other intangible fixed assets (core deposit), recorded in the financial statements respectively for Euro 8,458 thousand and Euro 1,858 thousand, the Board of Statutory Auditors has given its consent to its recognition and consequent valuation, also with reference to the impairment test carried out with the collaboration of an external advisor;
- the financial statements, together with the reports which accompany them, were made available to the Board of Statutory Auditors by the deadline envisaged by Article 2429 of the Italian Civil Code;
- the external audit, and in particular the audit of the financial statements, are entrusted to the Independent Auditing Firm "BDO S.p.A.", which drew up its report on 13 March 2015, revealing no exceptional circumstances.

In as far as it is responsible, the Board of Statutory Auditors supervised the layout given to the financial statements, whose effects have been highlighted and illustrated in the explanatory notes and the report on operations.

### ***Related parties***

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.

These transactions essentially comprise relations with Directors, Statutory Auditors, General Management and Companies relating to them, as well as subsidiary companies of the Bank.

Within its supervisory role, the Board of Statutory Auditors has always checked the observance of the regulatory provisions envisaged in this connection. Pursuant to Consob resolution No. 17221 of 12 March 2010 and subsequent amendments and additions and the provisions of the Bank of Italy, the Bank adopted and published in its website, the "Regulation containing provisions on related-party transactions".

### ***Internal control and audit committee pursuant to Article 19 of Italian Legislative Decree No. 39/2010***

Within bodies of public interest (which include banks), the internal control and audit committee is the Board of Statutory Auditors. In this guise, the Board of Statutory Auditors supervised, to the extent of its remit:

- the financial disclosure process

- the efficacy of the internal control, internal audit and risk management systems, as results from the reports that document the activities of the Board of Statutory Auditors
- the external audit of the annual accounts, by means of the exchange of information with the company appointed to audit the accounts
- the independence of the External Auditing Company, in particular with regard to the provision of non-auditing services to the company subject to external audit.

***Final assessments regarding the supervisory activities of the Board of Statutory Auditors***

Dear Shareholders,

On the basis of the checks carried out and the information acquired, it is hereby stated that during 2014 the corporate activities were carried out in observance of the law and the Articles of Association and that no omission or reprehensible fact worthy of indication in this report has been noted by us.

Having taken into account that, the information received by the Independent Auditing Firm appointed with the external audit has not revealed any findings or reservations, we hereby formulate a favourable opinion both with regard to the approval of the draft financial statements for the year ended 31 December 2014, as drawn up by the Board of Directors, and with regard to the proposed allocation of the profit for the year.

Brescia, Italy, 1 April 2015

*The Board of Statutory Auditors*

*Stefano Bastianon (Chairman)*

*Bruno Garzoni (Acting auditor)*

*Filippo Mazzari (Acting auditor)*

*Federico Pozzi (Acting auditor)*

*Mauro Giorgio Vivenzi (Acting Auditor)*