

## Report on Operations 2011

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 **Banco di Desio e della Brianza S.p.A.**

## Corporate offices

### Board of Directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado*
<u>Managing Director</u>	Nereo Dacci*
<u>Directors</u>	Egidio Gavazzi* Luigi Gavazzi Paolo Gavazzi Guido Pozzoli* Luigi Guatri Gerolamo Pellicanò Pier Antonio Cutellé Lorenzo Rigodanza

\* *Members of Executives Committee*

### Board of Statutory Auditors

<u>Chairman</u>	Eugenio Mascheroni
<u>Statutory Auditors</u>	Rodolfo Anghileri Marco Piazza
<u>Alternate Auditors</u>	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

### General Management

<u>General Director</u>	Claudio Broggi
<u>Vice General Director</u>	Marco Sala

### Manager responsible for preparing the Company's financial reports pursuant to article 154-bis of Consolidated Law on Finance "TUF"

<u>Nominated Official in charge of drawing up Company Accounts</u>	Piercamillo Secchi
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## PREAMBLE

Following the merger of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. by incorporation into the Bank, with legal effect from 1 October 2011, and in order to make the comparison between the single items at 31 December 2011 and the data from the previous financial year more homogeneous, the latter were aggregated with those from the merged companies, including the necessary intergroup eliminations, as per the appropriate column “aggregate at 31.12.2010” of the Balance Sheet, as well as of the Income Statement of the Financial Statements schedules (this aggregation has showed an increase in the 2010 Profit equal to about Euro 0.1 million).

Therefore, the data and indexes reported in this *Report on operations*, in addition to the comments on the breakdowns of the items and the changes that occurred, make reference, if applicable, to the Balance Sheet of the Financial Statements layout, as well as to the reclassified Income Statement, as outlined in the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

## 1 - FINANCIAL HIGHLIGHTS AND RATIOS

### BALANCE SHEET DATA

<i>in thousands of Euros</i>	31.12.2011	aggregate at		Change	
		31.12.2010	Amount		%
Total assets	7,391,542	7,309,380	82,162		1.1%
Financial assets	1,001,436	916,565	84,871		9.3%
Amounts due from banks	167,016	272,772	-105,756		-38.8%
Amounts due from customers	5,774,850	5,728,999	45,851		0.8%
Tangible assets	143,777	142,060	1,717		1.2%
Intangible assets	8,384	8,062	322		4.0%
Amounts due to banks	393,373	319,826	73,547		23.0%
Amounts due to customers	3,513,235	3,678,515	-165,280		-4.5%
Securities issued and financial liabilities at fair value through profit or loss	2,543,123	2,338,667	204,456		8.7%
Shareholders' equity (including net profit for the period)	745,679	747,644	-1,965		-0.3%
Total indirect deposits	9,943,316	10,565,284	-621,968		-5.9%

### INCOME STATEMENT DATA <sup>(1)</sup>

<i>Amount in thousands of Euros</i>	31.12.2011	aggregate at		Change	
		31.12.2010	Amount		%
Operating income	298,141	289,345	8,796		3.0%
<i>of which net interest income</i>	178,757	162,936	15,821		9.7%
Operating costs	197,961	196,888	1,073		0.5%
Operating margin	100,180	92,457	7,723		8.4%
Operating profit net of taxes	35,535	34,029	1,506		4.4%
Non-recurring profit after taxes	7,700	15,203	-7,503		-49.4%
Net profit/(loss) for the period	43,235	49,232	-5,997		-12.2%

<sup>(1)</sup> from reclassified Income Statement

**FINANCIAL RATIOS**

	31.12.2011	aggregate at	
		31.12.2010	Change Amount
Shareholders' equity / Total assets	10.1%	10.2%	-0.1%
Shareholders' equity / Amounts due from customers	12.9%	13.1%	-0.2%
Shareholders' equity / Amounts due to customers	21.2%	20.3%	0.9%
Shareholders' equity / Securities issued and financial liabilities at fair value through profit or loss	29.3%	32.0%	-2.7%
(Tier 1 and Core Tier 1) Equity ratio	17.0%	20.0% <sup>(2)</sup>	-3.0%
(Tier 2) Solvency ratio	18.4%	22.3% <sup>(2)</sup>	-3.9%
Financial assets / Total assets	13.5%	12.5%	1.0%
Amounts due from banks / Total assets	2.3%	3.7%	-1.4%
Amounts due from customers / Total assets	78.1%	78.4%	-0.3%
Amounts due from customers / Direct deposits from customers	95.4%	95.2%	0.2%
Amounts due to banks / Total assets	5.3%	4.4%	0.9%
Amounts due to customers / Total assets	47.5%	50.3%	-2.8%
Securities issued and Financial liabilities at fair value through profit or loss / Total assets	34.4%	32.0%	2.4%
Direct deposits from customers / Total assets	81.9%	82.3%	-0.4%
Operating costs / Operating income (Cost/Income ratio)	66.4%	68.0%	-1.6%
Net interest income / Operating income	60.0%	56.3%	3.7%
Operating margin / Operating income	33.6%	32.0%	1.6%
Operating profit net of taxes / Shareholders' equity	4.8%	4.6%	0.2%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	6.2%	7.0%	-0.8%

<sup>(2)</sup> single data not aggregated

**STRUCTURE AND PRODUCTIVITY DATA**

	31.12.2011	aggregate at		
		31.12.2010	Change Amount	%
Number of employees	1,608	1,583	25	1.6%
Number of bank branches	164	155	9	5.8%
<i>in thousands of Euros</i>				
Amounts due from customers by employee (3)	3,619	3,636	-17	-0.5%
Direct deposits from ordinary customer by employee (3)	3,796	3,819	-23	-0.6%
Operating income by employee (3)	187	184	3	1.6%

(3) on the basis of the number of employees determined as arithmetic mean

## 2 - THE BASELINE SCENARIO

### 2.1 - THE MACROECONOMIC FRAMEWORK

In 2011, the global economy suffered a further slowdown and the reduction in the rate of growth of GDP affected both mature economies and emerging markets, with an associated variability in the growth rates of individual countries. In a situation as volatile as this, many shadows remain hanging over the International Economy: the slowdown in world trade, the fall in the price of raw materials, albeit at a moderate pace, and the weak expansion of manufacturing activity in the USA and Asia, which moreover is in sharp decline in Europe.

#### Emerging Economies

At the end of 2011, the slowdown in economic activity in the BRIC countries became increasingly pronounced. In the third quarter of 2011, GDP in China grew by 9.1% compared to average growth in 2010 of 10.4%. In India, the slowdown was even more considerable (+6.7% against +10% of the previous year). In Brazil the slowdown started to become increasingly marked; in the third quarter of 2011 GDP in Brazil grew by +2.1% on average compared to +7.6% in 2010. On the other hand, Russia continued to record good growth rates; in the third quarter GDP grew by an average of +4.8% against 4% in 2010. Consumer prices, after coming close to double figures, started to slow down. Russia started to suffer from the EMU crisis as a result of the more well-established presence of European banks in the region. The expansive measures of the Central Bank were aimed at avoiding a liquidity crisis in a context of maintaining domestic demand.

#### United States

The US economy struggled to regain its pre-crisis growth rates. In the first two quarters of 2011, GDP growth data were disappointing, whereas a rate of +2% was indicated in the final quarter, a trend that could continue into the first months of 2012. The latest positive data released regarding the employment market and the property market contributed to improving the climate of confidence in the strengthening of the economic cycle, although there are still a number of grey areas; the main item of concern related to household spending which is rather low. In fact, the weakness of the labour market weighs heavily on the trend of consumption; at the end of 2011 the rate of unemployment in the USA was still very high, albeit falling in the last months of the year. Another element that affected household spending was the level of borrowing; the ratio of loans to families to disposable income was equal to 115%, lower than the peak of 130% in 2007 but still high when compared to the average of 70% recorded in the last thirty years of the past century. Inflation remained broadly stable and fixed at 2%.

#### Japan

The situation in Japan highlighted a much deeper recession than previously reported as a result of the earthquake in March. The third quarter saw a sharp rebound in the growth of investments in construction and exports. On the other hand, growth in investments in machinery and equipment was negative whereas consumption rose slightly due to the effect of the increase in real salaries. The main economic indicators showed a decline in service activities and manufacturing at the end of 2011 in spite of the recovery in the summer.

#### Euro Zone

The difficulties faced by the European institutions in managing the crisis affected a growing number of countries. Growth in the Euro Zone slowed; indeed after 3.1% in the first quarter, GDP increased at very moderate rates (+0.7%, +0.6%). In the third quarter of 2011, GDP decreased compared to the second quarter, not only in a number of peripheral countries of the European Union but also in Holland and Belgium. Germany still stood out with reported growth of 1% in the second quarter and 2% in the third quarter. In France, after the standstill recorded in the second quarter, GDP returned to growth in the third quarter with a variance of +1.5% being recorded. The economic indicators for the last months of 2011 and the start of 2012 show an extremely weak situation for the majority of countries, the only exception being Germany. At the end of the third quarter of 2011

industrial production in the Euro Zone recorded a decline of 1.8% on a monthly basis. The business confidence index, which had been in decline since February, registered -7.3% in October. On the prices front, there was a further increase in inflation. The situation on the labour market continued to be very negative; in October the rate of unemployment hit 10.3%, up from the minimum level recorded in March 2008 (+7.3%). In a context in which the great uncertainty regarding the cyclic upturn continued to be compounded by the necessity to recapitalise a large number of banks, during 2011, the European Central Bank repeatedly provided support to the banking system and tried to avoid a credit crunch for families and businesses using all the means at its disposal.

#### Italy

The performance of the Italian economy was disappointing; the trend of GDP declined by 0.5% on an annual basis in the final part of the year. In October the industrial production index fell by another 2% with respect to the previous month, a weakness that seems destined to last. Production expectations are at the lowest levels since October, driven down mainly by a sharp reduction in orders. Exports were still below pre-crisis levels, having lost 24% and recovered only a half. In October, new manufacturing orders registered a decrease of 4.8% on an annual basis. In the same month, retail sales registered a negative variance. In November the business confidence index fell, from -9.7% to -11.3%. The mood of consumers fell sharply, from -29.2% to -34% between November and December. The labour market too showed a rate of unemployment of around 8.6%, with much higher peaks for the younger population; the depression of the employment market has led inevitably to a considerable weakness in private consumption. In 2010, the increase in the prices index could largely be attributed to the increase in oil prices, this tendency also intensified during 2011.

## 2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2011 recorded monthly performances less than the growths recorded in 2010; this is also evident if we observe International stock markets: notwithstanding the recovery in progress on a monthly basis, in fact, the annual changes were significantly negative. The Dow Jones Euro Stoxx recorded a decrease of 12.5% on an annual basis, the Nikkei 225 of Tokyo 17.1%, while the Standard & Poor's 500 of New York substantially remained stable (+0.2%). The main European Stock Exchange indexes also recorded, in December, monthly average changes showing a recovery but negative on an annual basis: the Ftse Mib recorded a variation of 0.3% on a monthly basis (-26.1% y/y), the Dax30 +0.7% (-16.1% y/y), the Cac40 +1.9% (-19.7% y/y) and the UK Ftse100 +1.5% (-6.8% y/y). In the wake of the trends in the stock exchanges of the individual markets, in December 2011 the capitalization of the Euro Zone stock market also showed a positive performance, on a cyclical basis (+0.5%) but negative on an annual basis (-18.1%). Within the Euro Zone, capitalisation was equal to 9.9% of the total in Italy, 31.2% in France and 25.5% in Germany. With specific reference to Italy, the overall capitalisation of the stock market came to Euro 133 billion (Euro 93 billion on an annual basis) at the end of December. The impact of bank capitalization on the total came to 16.7% compared to 29.8%, the value posted at the beginning of the financial crisis.

With reference to the banking system, at the end of 2011 the growth rate of domestic borrowing appeared to have settled, while the trend in the borrowing on foreign markets showed a decrease. The tendential growth rate of deposits in Euro of the Italian banks came to +1.5%. Specifically, deposits from customers recorded a tendential negative growth rate of -2.1%, while the annual change in bonds was positive and equal to +7.8%; a decrease was recorded by transactions with customers (-35.4%). The average return on bank deposits was stable, consistently with the performance of market rates. The average rate of bank deposits from customers came to 1.11% in December 2011, down by 37 basis points compared to the same period of the previous period.

Loans to private individuals showed an increase at the end of 2011, recording a tendential growth of +4.1%; on the basis of a breakdown by term, the medium/long-term segment showed a tendential growth change of +2.9%, while the short-term segment showed an increase equal to 7.6%.

At the end of the year, a slight deceleration was recorded in the trend of loans to businesses: however, a growth of 4.9% was recorded as a whole, a value which is again in line with the levels of April 2011. The weighted average rate on total loans to families and non-financial companies was equal to 4.25%, while that of loans for the purchase of properties was 3.83%.

In 2011, compared to 2010, the spread between the average rate on loans and the average rate on deposits recorded a slight increase; in December 2011 it was higher by 1 basis point than recorded by the average of December 2010. In the 2011 average the scissors were equal to 2.43%, up compared to the average value recorded in 2010 (2.15%).

### **3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST**

#### **3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK**

Even within the difficult macroeconomic scenario, the Bank firmly continued, also in 2011, to expand its distribution network which, following the opening of nine branches, reached an overall number of 164 units at the end of the financial year.

The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy was aimed at putting roots down in the territory with which the Bank is historically associated and in adjacent and complementary areas and taking up other local opportunities. This policy led to specifically extend the presence of the Bank in Lombardy, Emilia, Piedmont, Liguria, Tuscany and Veneto.

In the year that has closed, in particular the Bank opened four branches in Lombardy, in Milan near piazzale Cadorna, Vimercate (Monza e della Brianza), Treviglio (Bergamo) and Brembate (Bergamo), three branches in Emilia Romagna, in Bologna S. Viola (Bologna), Imola (Bologna) and Casalecchio di Reno (Bologna), one branch in Piedmont in Leinì (Turin) and another branch in Tuscany in Sesto Fiorentino (Florence).

The chart below reports the breakdown of the local presence by regions, while the subsequent chart shows the dimensional growth reached in the last few years, with growth rates corresponding to a Compound Annual Growth Rate of 4.7% in the three year period 2009-2011.



Chart no. 1 - THE BANK DISTRIBUTION NETWORK: BREAKDOWN BY REGION

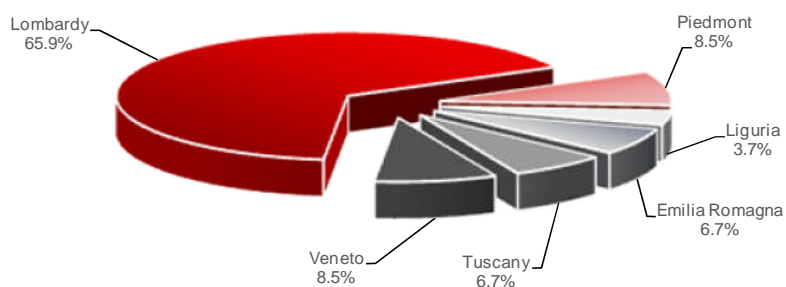
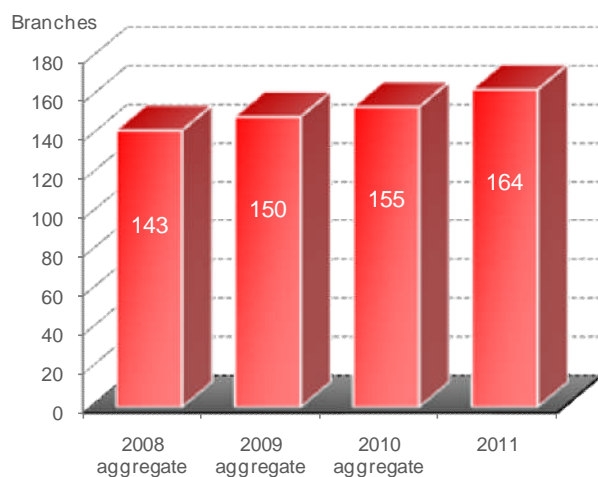


Chart no. 2 - THE DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEAR



### 3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

*Merger of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. by incorporation into the Bank and transfer of stakes in the subsidiary Rovere Società de Gestion SA*

In view of a more correct streamlining of the banking network in relation to its vocation of retail bank, the Bank implemented, in the year, the Plan of Merger by incorporation of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A., which led to the execution of the deed of merger with legal effect from 1 October 2011.

With reference to the shareholdings previously held by Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. in the subsidiary Rovere Società de Gestion SA, each for a share of 10%, and then transferred to the Bank as a result of the merger, it should be pointed out that, at the same time, the same transferred these shares to the subsidiary Brianfid-Lux SA, which increased its stake in the aforesaid company up to 70%.

*Approval of the 2012-2013 two-year Business Plan*

On 22 December 2011, the Board of Directors of the Bank approved the 2012-2013 two-year Strategic Group Plan in which, in a particularly difficult economic situation in which growth prospects and the performance of the financial markets are dependent on a number of crisis indicators, it reaffirms its strategy of unwavering confidence in the retail banking model, as a provider of a full range of services to its customers.

This Strategic Plan also incorporates the “Local Development Project” for the two-year period as notified to the Bank of Italy; as part of an ever-targeted local development initiative, it is expected that the distribution network of the Bank will number a total of 174 branches at the end of 2013, increased to 197 branches at Group level.

*Capital strengthening of the subsidiaries Banco Desio Lazio S.p.A. and FIDES S.p.A.*

As part of the strategic planning scheduled for the 2012-2013 two-year period, on 20 December 2011, the Bank made a shareholders' contribution to the capital of the subsidiary Banco Desio Lazio S.p.A., non-interest-bearing and without expiry (non-refundable), amounting to €10 million. The consequent capital strengthening can be connected for the most part to the forecast of operational development for the indirect subsidiary FIDES S.p.A.; indeed, on the same date, Banco Desio Lazio S.p.A. in turn made a shareholders' contribution to the capital of the finance company, non-interest-bearing and without expiry (non-refundable), amounting to Euro 5 million. Both transactions provide the opportunity to start the authorisation and deliberation process in order to reach the respective capital increases of the companies.

*Capital increase serving a Stock Grant Plan for the three-year period 2011-2013*

On 27 October 2011, the Board of Directors of the Bank took, subject to the favourable opinion of the Appointments and Remuneration Committee (to the extent pertaining thereto), some measures after the resolutions of 21 July 2011, which were adopted for the purposes of bringing the Group's Incentive System into line with the “Provisions for banks and banking groups governing remuneration and incentive policies and practices” (*Disposizioni per le banche e i gruppi bancari in materia di politiche e prassi di remunerazione e incentivazione*) issued by the Bank of Italy on 30 March 2011.

Following the subsequent authorisation given by the Bank of Italy as to the amendments to the by-laws connected to the 2011-2013 Stock Grant Plan, which forms an integral part of the new Incentive System, and at the request of the Board of Directors, on 29 November 2011 the Ordinary Shareholders' Meeting approved the review of the Group's Remuneration Policies in relation to the Incentive System in favour of the Management, as adopted for the purposes of complying with the abovementioned Supervisory provisions, the Stock Grant Plan for the three-year period 2011-2013 concerning the assignment, free of charge, of a maximum number of 1,000,000 ordinary shares of the Company in favour of the Group's Management (as identified in the application of the abovementioned supervisory Provisions), as well as the establishment of appropriate reserve for accumulated earnings, subject to the service of the capital increase, free of charge, reserved for the Group's Management.

Accordingly, the Extraordinary Shareholders' Meeting held on the same date approved the capital increase, free of charge, pursuant to article 2349 of the Italian Civil Code, on a divisible basis, for a maximum nominal amount of Euro 520,000 corresponding to a maximum number of 1,000,000 ordinary shares, with a par value of Euro 0.52 each, serving the Stock Grant Plan, to be issued by the Board of Directors in more than one tranche, within the time limits and subject to the conditions envisaged in the Plan itself, through the use of an appropriate equity reserve drawn from other free equity reserves made up of “undivided profits” and also approved the correlated proposed amendments to Section 4 of the Bylaws.

*Capital increase of the subsidiary Chiara Assicurazioni S.p.A. and increase to 66.66% of the stake held by the Bank in the insurance company*

On 27 April 2011 the subsidiary Chiara Assicurazioni S.p.A. implemented the capital increase of Euro 0.6 million, serving the residual Shareholding plan, increasing it to Euro 9.4 million; at the same time, the Bank increased its

stake held in the Insurance Company up to 66.66%, considering that, as early as 15 February 2011, it had reached 62.43% as a result of the purchase of 50,000 shares.

*Payment by shareholders on account of capital of the associated company Chiara Vita S.p.A.*

In view of the strengthening of the capital structure of the associated company Chiara Vita S.p.A., on 20 April 2011 the Bank made a shareholder payment on account of capital of Euro 2.7 million.

*Acquisition of the stake in AcomeA SGR S.p.A.*

On 25 July 2011 the Bank acquired 50,000 ordinary shares of AcomeA SGR S.p.A., within the capital increase of the same, at a price of Euro 30.00 per share (including Euro 20.00 by way of share premium), for a counter-value of Euro 1.5 million. As a result of this transaction, the bank holds a stake of 9.09% of the finance company.

*Group remuneration policies*

The Banco Desio Group has adopted the Bank of Italy and Consob regulations with respect to remuneration policies. The objective of the Bank of Italy is to ensure, in the interest of all stakeholders, systems of remuneration that are in line with the long-term corporate strategy and objectives, correlated to the company results, suitably adjusted to take into account all risks, consistently with the levels of capital and liquidity necessary to deal with the activities undertaken and in any case such as to avoid any incentives that may give rise to conflicts of interest and excessive risk taking. For all details, reference is made to the Group Remuneration Policies prepared pursuant to article 123-ter of the TUF, which are available on the Group's website, together with this Report.

*Opening of inspection procedures by the Bank of Italy*

It should be pointed out that on 21 November 2011 an ordinary supervisory inspection was started at the Bank in relation to the Banco Desio Group.

*Tax assessment by the Finance Police*

It should be pointed out that on 14 December 2011 a tax assessment was started at the Bank by the Finance Police – Tax Police Unit of Milan Milano.

### **3.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO SUBSIDIARIES OR ASSOCIATES**

*Judicial investigations - Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A.*

On 3 January 2012, the company received notification of a request for committal for trial submitted by the Public Prosecutor's Office of the Court of Rome, within the context of judicial proceedings concerning, among others, a number of parties who at the time of the alleged events, which date back to 2009, were representatives of the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A., as well as third parties with respect to the Companies themselves.

As the alleged events include offences that entail the administrative liability of legal persons, pursuant to Legislative Decree 231/2001 Banco Desio Lazio S.p.A. is involved in the abovementioned proceedings, in relation to the unlawful administrative act contested envisaged under articles 5 of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then Chief Executive Officer of the Company itself, as a result of the administration relationship existing at that time; Credito Privato Commerciale S.A. is involved in relation to the unlawful administrative act contested envisaged under articles 5 and 25-octies of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then General Manager of the Company itself, as a result of the management relationship existing at that time.

In light of the above, the Boards of Directors of each of the two subsidiaries has approved, in order to be prudent, the setting aside of a specific provision amounting to the average of the minimum and maximum penalties envisaged. On the basis of the work performed and the checks conducted so far in relation to the conditions of a plea bargain, the defence lawyer for the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. has confirmed that any other risks have been ruled out; in particular, we highlight that the banks have taken steps to adopt and implement an appropriate organisational model and before the next hearing they will also take steps to implement the remaining conditions which are required in order to rule out the application of disqualifying sanctions under article 17 of Legislative Decree 231/01.

*Adjustment to the value of the equity investment of Brianfid-Lux S.A. in the subsidiary Credito Privato Commerciale S.A.*

As part of the procedure that has been launched to explore the market for the possible sale of the Swiss subsidiary Credito Privato Commerciale S.A. by Brianfid-Lux S.A., the company has taken steps to align the value of the stake to the value deriving from the contingent application of market benchmarks for transactions of that nature.

## 4 -HUMAN RESOURCES

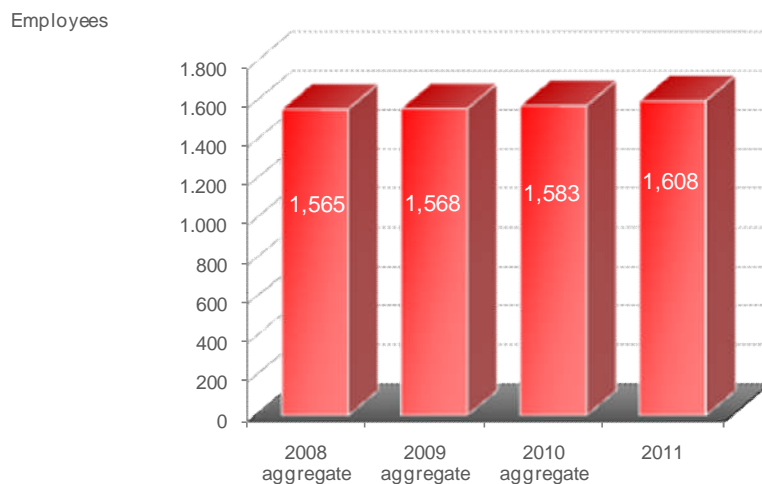
### 4.1 - MANAGEMENT AND BREAKDOWN OF THE RESOURCES

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.

As at 31 December 2011, the subordinate staff increased to 1,608 employees, with a change of twenty-five resources more than the previous year, corresponding to 1.6%.

The increase in the number of staff in the last three-year period 2009-2011 corresponded to an average compound annual growth rate equal to 0.9%, lower than that registered in the distribution network, which was equal to 4.7%, as evidenced by the numeric data represented in the chart below.

Chart no. 3 - INCREASE IN THE GROUP STAFF NUMBERS IN THE LAST FEW YEARS



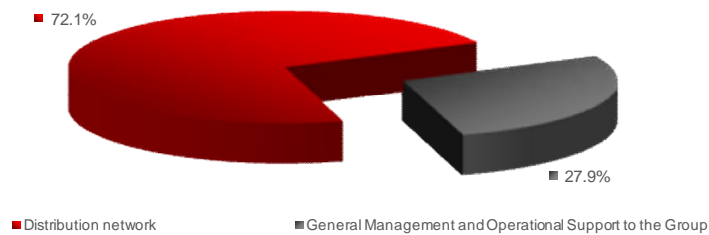
The table below shows the breakdown of staff by grade.

Table no. 1 - STAFF: BREAKDOWN BY GRADE

No. of employees	31.12.2011	Percentage breakdown	aggregate at 31.12.2010	Percentage breakdown	Change Value	%
Executives	28	1.7%	29	1.8%	-1	-3.4%
3rd and 4th level managers	397	24.7%	379	23.9%	18	4.7%
1st and 2nd level managers	451	28.1%	441	27.9%	10	2.3%
Other personnel	732	45.5%	734	46.4%	-2	-0.3%
<b>Staff</b>	<b>1,608</b>	<b>100.0%</b>	<b>1,583</b>	<b>100.0%</b>	<b>25</b>	<b>1.6%</b>

The chart below reports the breakdown of staff employed at the end of the financial year by area, showing the predominance of the share attributable to the distribution network, equal to 72.1%.

Chart no. 4 - BREAKDOWN OF THE STAFF IN EMPLOYMENT BY AREA OF REFERENCE



The average age of employees at the end of the period was 43 years, while the percentage of female staff came to 35%.

## 4.2 - TRAINING ACTIVITIES

With reference to training activities, which is a distinctly effective partner in growth processes and in developing resources, in accordance with the directives and procedures envisaged at Group level, the financial year saw the implementation of an overall number of 7,569 man/days, counting in-house courses, conferences, external seminars and online training activities.

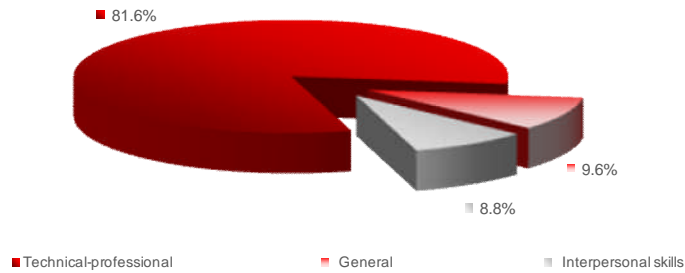
The provision of training in 2011 is broken down according to the types outlined below:

- "General": offers courses targeted at all professional families and with the objective of developing cross-sector skills;
- "Technical-professional": includes courses aimed at developing the technical skills of staff who are starting out in the performance of specific tasks or those interested in consolidating or further improving skills that are relevant to the position held;

- "Inter-personal skills": aims to develop behavioural skills and facilitate the spreading of the business culture as well as the internalisation of the company values.

The chart below reports the percentage breakdown of the days of training meetings for the three types specified.

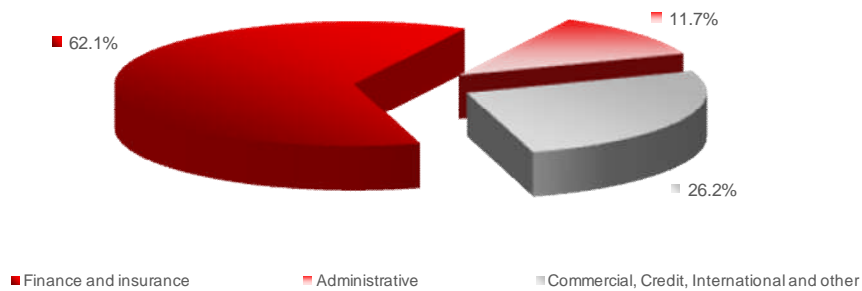
Chart no. 5 - "TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2011: BREAKDOWN BY SUBJECT



Within the scope of "General" training activities, note the importance attached to the actions for compliance with the regulations in force; specifically, attention was paid to the issues concerning "Money Laundering", "Legislative Decree 231/2001", "Transparency" and "Safety at Work".

Regarding the "Technical professional" training, the percentage breakdown of the meetings held based on the classification of the issues dealt with by sectors concerned is represented in the following chart.

Chart no. 6 - "TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2011: BREAKDOWN BY SUBJECT



The activity carried out, which particularly affects the "Loans" area, is composed of courses aimed at the further growth of professionals with a significant commitment to the planning of specific activities for the support and consolidation of skills, given the complexity and the changing needs of the market caused by the difficult and fragile macroeconomic situation.

In the "Finance and Insurance" segment we note the delivery of the programme relating to "Risks in investment services" which has been extended to the whole Private Clients department, with the objective of raising awareness among Network staff with regard to behaviour that is always strictly aligned to operational standards. In the Private Banker world, the training activity for the certification of on-the-job skills which was started in

previous years was completed. Furthermore, although it is cross-cutting compared to the specificity of individual professionals, as well as having maintained the insurance update in accordance with the provisions of the ISVAP Regulation, attention was given to the further development of specific skills for relevant profiles.

As regards the “Interpersonal Skills” initiatives we highlight the launch of a training programme to develop “commercial” skills, which moreover is being intensified this year and which pursues the objectives of improving interpersonal performance during the commercial offer phase as well as of increasing knowledge of clients, who have always been a focus of great attention since they are the true assets of the Group.

In general, the organisation of the training provision has led, and will lead to an increasing extent, to the use of channels that supplement the traditional classroom; in this regard we highlight the use of distance learning modules (FAD), manuals to support working activity and periods of working alongside subject experts, such as for example training on the job within the “Foreign” activities.

The focus placed by the Group on the growth and development of professional skills was recognised by the Fondo Banche Assicurazioni (FBA) (Banks and Insurance Companies Fund) which in 2011 provided the Bank with grants of around €0.5 million. The Fund’s recognition and support for training activity is the result of an approach that is now well-established.

### 4.3 – LABOUR RELATIONS

In the context of trade union relations, which have always been characterised by a cordial and constructive relationship in the manner established by the Bank, also at group level, it is noted that requests submitted by the company trade unions for the complete renewal of the Supplementary Company Agreement were closely examined during 2011. During this procedure it was confirmed that the 2<sup>nd</sup>-level supplementary bargaining will take place exclusively as regards the subjects expressly referred to by the National Collective Labour Agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*) for the sector; the negotiations, for which we are still waiting for the outline of the package put forward by the trade unions, will therefore take place within this context.

It should be pointed out that, on 19 January 2012, the A.B.I. (*Associazione Bancaria Italiana*, Italian bankers’ Association) and the Trade Unions for the sector signed the new “National collective labour agreement for middle managers and for the staff of professional areas depending on credit, finance and instrumental companies” (*Contratto Collettivo nazionale di lavoro per i quadri direttivi e per il personale delle aree professionali dipendenti dalle imprese creditizie, finanziarie e strumentali*).

## 5 - CONTROL ACTIVITIES

### 5.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, the Bank, in its capacity as the Parent Company, effects three levels of control on subsidiaries in order to implement the specific “co-ordination model” selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location and identifying the competent functions of the Parent Company for the specific control mechanisms.

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on performance and profitability, the analysis of development, research/investment plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget.

The third level can be described as being technical/operational in nature and in practice is conducted through the supervision of internal control systems.

Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## 5.2 - INTERNAL CONTROL SYSTEM

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving the top Bodies and management and, in general, all staff.

Detailed information on the internal control system, as well as on the Manager responsible for preparing the Company's financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## 5.3 - RISK MEASUREMENT AND MANAGEMENT

With regard to the specific activities carried out by the Bank' Risk Management Function, designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, please refer to Part E of the Notes to the Financial Statements "Information on Risks and the Related Hedging Policies".

# 6 - MANAGEMENT PERFORMANCE

## 6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets came to about Euro 16 billion, with an increase of 0.7% in direct deposits and a decrease of 5.9% in indirect deposits, particularly affected by the international economic and financial crisis that significantly affected stock prices, which entailed a decrease in the value of deposits equal to 3.5%.

The table below reports the breakdown and balances of the items of the aggregate.



Table no. 2 - DEPOSITS FROM CUSTOMERS

<i>Amounts in thousands of Euro</i>	31.12.2011	Percentage breakdown	aggregate at 31.12.2010	Percentage breakdown	Change Value	%
Amounts due to customers	3,513,235	22.0%	3,678,515	22.2%	-165,280	-4.5%
Securities issued and financial liabilities at fair value through profit or loss	2,543,123	15.9%	2,338,667	14.1%	204,456	8.7%
<b>Direct deposits</b>	<b>6,056,358</b>	<b>37.9%</b>	<b>6,017,182</b>	<b>36.3%</b>	<b>39,176</b>	<b>0.7%</b>
Deposits from ordinary customers	6,927,123	43.3%	7,396,237	44.6%	-469,114	-6.3%
Deposits from institutional customers	3,016,193	18.8%	3,169,047	19.1%	-152,854	-4.8%
<b>Indirect deposits</b>	<b>9,943,316</b>	<b>62.1%</b>	<b>10,565,284</b>	<b>63.7%</b>	<b>-621,968</b>	<b>-5.9%</b>
<b>Total deposits from customers</b>	<b>15,999,674</b>	<b>100.0%</b>	<b>16,582,466</b>	<b>100.0%</b>	<b>-582,792</b>	<b>-3.5%</b>

#### *Direct deposits*

At the end of 2011 the balance of direct deposits increased to about Euro 6.1 billion (+0.7%) as a result of the increase in outstanding securities and financial liabilities at fair value (+8.7%), which was partially adjusted by the decrease in amounts due to customers (-4.5%).

Amounts due to customers, which continue to represent the most significant item with 58% of the aggregate, can be referred to the "sight" deposits, i.e. current accounts and savings deposits, for about Euro 3.3 billion, while a residual part refers to time deposits, reverse repurchase agreements and other payables.

Securities issued and financial liabilities at fair value refer to bonds issued and placed by the Bank for Euro 2.2 billion (including about Euro 0.1 billion of subordinated securities) and to deposit certificates for Euro 0.4 billion. Within the balance, financial liabilities reported on the basis of the fair value option amounted to Euro 0.1 billion and related to bond loans hedged with financial derivative instruments.

It should be pointed out that, during 2011, the total nominal value of the bond loans issued and placed was around Euro 0.8 billion, while that of the loans repaid upon expiry amounted to about Euro 0.6 billion.

#### *Indirect deposits*

In the twelve months indirect deposits reported decrease of about Euro 0.6 billion, equal to 5.9% of the previous balance, coming to about Euro 9.9 billion.

Deposits from "ordinary" customers came to about Euro 6.9 billion, with an annual decrease of about Euro 0.5 billion, equal to 6.3%, which concerned both administered and managed assets, the latter showing an increase in the "bank-insurance" assets.

Deposits from institutional customers reported a decrease of about Euro 0.1 billion compared to the balance of the previous financial year, equal to 4.8%.

The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

Table no. 3 - **INDIRECT DEPOSITS**

<i>Amounts in thousands of Euros</i>	31.12.2011	Percentage breakdown	aggregate at 31.12.2010	Percentage breakdown	Change Value	%
Asset administration	3,870,257	38.9%	4,055,867	38.4%	-185,610	-4.6%
Asset management	3,056,866	30.8%	3,340,370	31.6%	-283,504	-8.5%
<i>of which: Mut.Fund and Open-end Inv.</i>	774,042	7.8%	1,103,750	10.4%	-329,708	-29.9%
<i>Portfolio management</i>	267,892	2.7%	351,830	3.3%	-83,938	-23.9%
<i>Bank Insurance</i>	2,014,932	20.3%	1,884,790	17.8%	130,142	6.9%
Deposits from ordinary customers	6,927,123	69.7%	7,396,237	70.0%	-469,114	-6.3%
Deposits from institutional customers	3,016,193	30.3%	3,169,047	30.0%	-152,854	-4.8%
Indirect deposits	9,943,316	100.0%	10,565,284	100.0%	-621,968	-5.9%

The charts below represent the percentage breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2011, as well as that of the components of the managed assets.

Chart no. 7 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2011: BREAKDOWN**

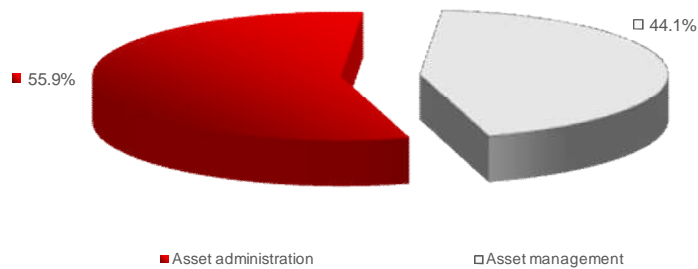
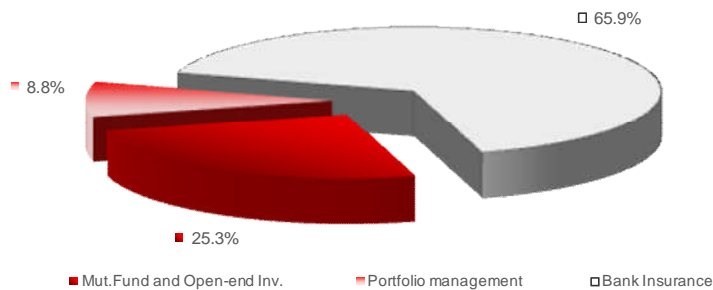


Chart no. 8 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2011: BREAKDOWN**

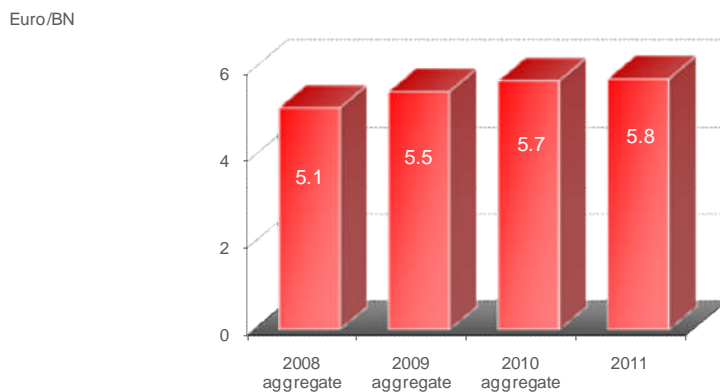


With reference to the components of the Mutual Funds and Open-end Inv. and Portfolio Management, the diversification of the investments was the key theme for management, in order to be better able to seize all the opportunities in the context of an extremely difficult economic situation and its main objective was to preserve invested capital. The bond portfolios tried to balance, on the one hand, activities that are risk-free despite their particularly low yield and, on the other hand, issues with potential to give interesting returns even if they are characterised by an increased price volatility. The share component was characterised by an extremely prudent approach; the investment favoured companies with strong financial statements, investing in large cap companies with interesting dividends and operating in all the main global markets.

## 6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

Loans to customers continued its growth trend, witnessing the particular commitment undertaken by the Group for the actual support to families and small- and medium-sized companies in the difficult economic and financial context. At 31 December 2011 the total amount of lending to customers increased up to about Euro 5.8 billion, with an annual increase of about Euro 0.1 billion, equal to 0.8%; the graph below represents the development trend of loans in the three-year period 2009-2011.

Chart no. 9 - LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS



The differences in the balances of the items making up lending, as shown in the table below, indicate in particular the increase in the actuarial form of current accounts and, even if more limited, the increase in the medium- and long-term forms and particularly mortgages.

Table no. 4 - AMOUNTS DUE FROM CUSTOMERS

Amounts in thousands of Euros	31.12.2011		aggregate at 31.12.2010	Percentage breakdown	Change	
	Value	Percentage breakdown			Value	%
Households	1.859.912	32,2%	1.809.615	31,6%	50.298	2,8%
Non-financial companies, small businesses and family businesses	3.603.224	62,4%	3.689.419	64,4%	-86.195	-2,3%
Financial companies	274.269	4,8%	159.289	2,8%	114.979	72,2%
Private social institutions and others (1)	37.444	0,6%	70.675	1,2%	-33.231	-47,0%
<b>Amounts due from customers</b>	<b>5.774.850</b>	<b>100,0%</b>	<b>5.728.999</b>	<b>100,0%</b>	<b>45.851</b>	<b>0,8%</b>

Amounts due to customers are also analysed in the table below, which evidences the changes in balances registered in the period under review, based on the type of customer, while the following chart represents their breakdown as at the end of 2011.

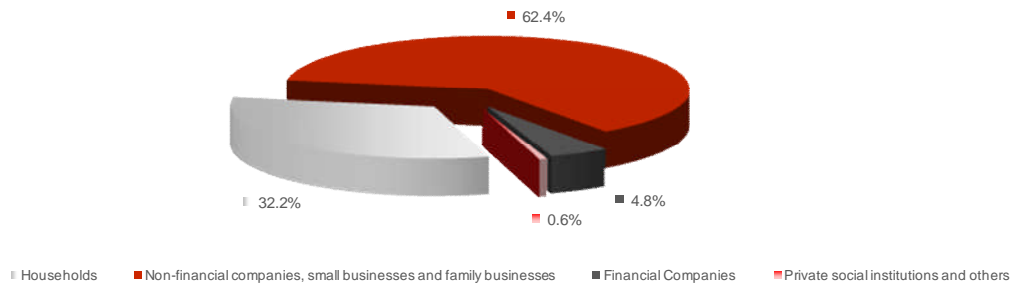
It is worth noting, in particular, the continuous predominance of loans to non-financial companies, small businesses and family businesses, which, at the end of the period, represented a share of 62.4% of the total, totalling Euro 3.6 billion and the increasing relevance of loans to households, with a positive change of 2.8%.

**Table no. 5 - AMOUNTS DUE FROM CUSTOMERS: BREAKDOWN BY TYPE OF CUSTOMER**

<i>Amounts in thousands of Euros</i>	<b>31.12.2011</b>		<b>aggregate at 31.12.2010</b>		<b>Change Value %</b>	
		Percentage breakdown		Percentage breakdown		
Households	1,859,912	32.2%	1,809,615	31.6%	50,298	2.8%
Non-financial companies, small businesses and family businesses	3,603,224	62.4%	3,689,419	64.4%	-86,195	-2.3%
Financial companies	274,269	4.8%	159,289	2.8%	114,979	72.2%
Private social institutions and others (1)	37,444	0.6%	70,675	1.2%	-33,231	-47.0%
<b>Amounts due from customers</b>	<b>5,774,850</b>	<b>100.0%</b>	<b>5,728,999</b>	<b>100.0%</b>	<b>45,851</b>	<b>0.8%</b>

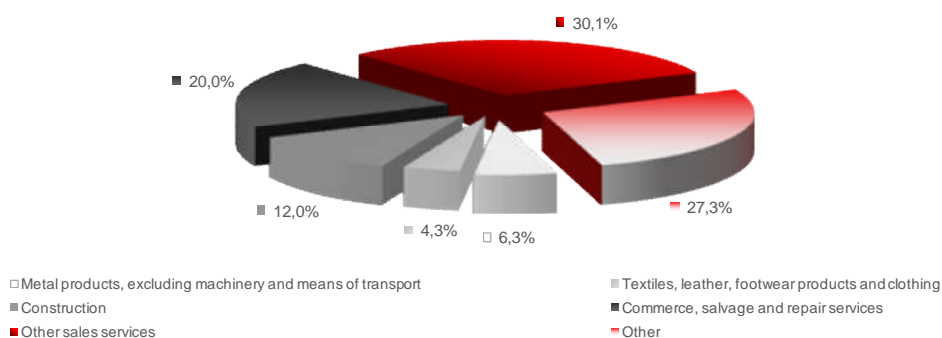
(1) including financial and non financial companies in the rest of the world

**Chart no. 10 - AMOUNTS DUE FROM CUSTOMERS AS AT 31.12.2010: PERCENTAGE BREAKDOWN BY TYPE OF CUSTOMER**



The chart below is an analysis of the breakdown of the loans referable to the category of non-financial companies, small businesses and family businesses with reference to the relevant economic sector.

**Chart no. 11 - AMOUNTS DUE FROM NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2011: PERCENTAGE BREAKDOWN BY ECONOMIC SECTOR**



The chart above highlights the considerable relevance of loans to companies belonging to the tertiary sector in general, particularly as regards other sales services, commerce, salvage and repair services, as well as construction. Jointly considered, these loans represent a share of 62%, corresponding to about Euro 2.2 billion, of the category under analysis.

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.

As regards the distribution of gross loans, including endorsement loans, the percentage impact of uptakes by the largest clients at the end of 2011 compared to the final figure at the end of the previous year, is reported in the table below, reflecting the high and even greater degree of risk spreading.

**Table no. 6 – AMOUNTS DUE FROM LARGEST CUSTOMERS: CONCENTRATION INDEX**

<i>Number of customers</i>	<b>31.12.2011</b>	<b>aggregate at 31.12.2010</b>
10 largest customers	2.0%	4.6%
20 largest customers	3.0%	5.8%
30 largest customers	3.9%	6.8%
50 largest customers	5.3%	8.6%

it should be pointed out that, according to the supervisory regulations in force, two positions were reported at the end of 2010, which can be classified as “Significant Risks”, for a total nominal amount (which also includes the guarantees given and any commitments) of about Euro 1.1 billion, which is set to zero in terms of total weighted amount. Excluding any relations with the Group companies and the Treasury Ministry, no outstanding position is reported.

At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 224.2 million, net of value adjustments of Euro 102.3 million. Specifically, net non-performing loans amounted to Euro 117 million, net problem loans to Euro 94.7 million and expired loans to Euro 28.6 million and restructured exposures to Euro 4 million.

The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase compared with the previous year as a natural consequence of the economic crisis.

Table no. 7 - AMOUNTS DUE FROM CUSTOMERS: RISK CREDIT INDICATORS

	31.12.2011	aggregate at 31.12.2010
<i>% Indexes for gross loans</i>		
Gross impaired loans to customers	5.87%	4.77%
<i>of which:</i>		
- gross non performing loans	3.22%	2.55%
- gross problem loans	2.08%	1.69%
- gross expired loans	0.50%	0.45%
- gross restructured loans	0.07%	0.08%
<i>% Indexes for net loans</i>		
Net impaired loans to customers	4.23%	3.24%
<i>of which:</i>		
- net non performing loans	2.03%	1.48%
- net problem loans	1.64%	1.25%
- net expired loans	0.50%	0.44%
- net restructured loans	0.07%	0.07%

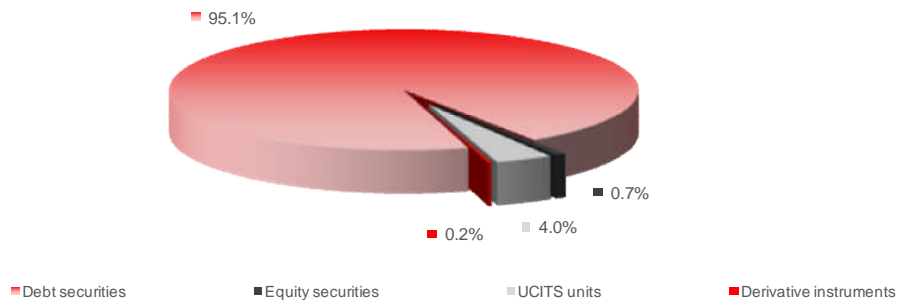
### 6.3 THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

#### *The securities portfolio*

On 31 December 2011 the Bank's total financial assets were equal to Euro 1 billion, compared to Euro 0.9 billion which was the figure of the preceding year.

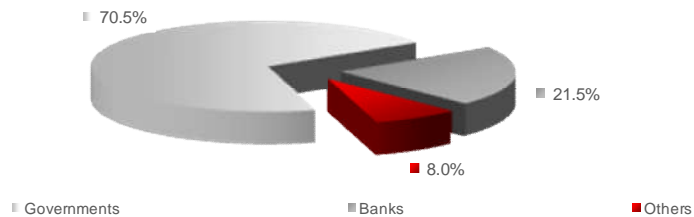
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the most significant portion.

Chart no. 12 - FINANCIAL ASSETS AT 31.12.2011: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY



With reference to the issuers of securities, the aggregate Portfolio at the end of the financial year is comprised of “Government securities” (over 58.4%), “Italian bank securities” (30.9%), and by “other issuers” for the remaining share, as evidenced in the graph below.

Chart no. 13 - FINANCIAL ASSETS AT 31.12.2011: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER



The Portfolio’s choice of investment fell, therefore, to a very large extent, to the government securities of Italy and the main Italian bank issuers, where there was particularly low volatility above all in the first half of 2011, when the spread between Italian long-term and German ten-year treasury bonds ranked between 150 and 180 basis points. From July the unprecedented and completely unexpected speculative attacks against Italy, which initially caused the spread to rise to 300 and then reach 560 basis points for both two-year and ten-year bonds, led the Bank to consolidate its defensive operational policy by keeping the duration below 2 years.

This prudent profile allowed the company to achieve an economic result that was in line with the budget and to maintain the capital losses of the AFS Portfolio at sustainable levels, whereas a gradual reduction of the corporates component was initiated, in favour of government securities, in order to improve the Basel III Liquidity Coverage Rate (LCR).

*Exposures held in sovereign debt*

With reference to Consob communication n. DEM/11070007 of 05/08/2011 “Communication on information to be provided in the financial reports as to the exposures held by listed companies in sovereign debt securities”

(Comunicazione in materia di informazioni da rendere nelle relazioni finanziarie in merito alle esposizioni detenute dalle società quotate nei titoli di debito sovrano), below are broken down the positions as at 31 December 2011.

Table no. 8 - SOVEREIGN DEBT SECURITIES: BREAKDOWN BY PORTFOLIO AND ISSUER

<i>Amounts in thousands of Euros</i>		Italy	31.12.2011
Financial assets available for trading	Nominal value	8,710	8,710
	Book value	8,594	8,594
Financial assets available for sale	Nominal value	622,382	622,382
	Book value	587,137	587,137
Financial assets held to maturity	Nominal value	110,000	110,000
	Book value	110,774	110,774
<b>Sovereign debt securities</b>	Nominal value	<b>741,092</b>	<b>741,092</b>
	Book value	<b>706,505</b>	<b>706,505</b>

Table no. 9 - SOVEREIGN DEBT SECURITIES: BREAKDOWN BY PORTFOLIO, ISSUER AND RESIDUAL TERM

<i>Amounts in thousands of Euros</i>		Italy	31.12.2011
Financial assets available for trading	up to 1 year	6,985	6,985
	1 to 3 years	750	750
	3 to 5 years	460	460
	beyond 5 years	515	515
	Total	8,710	8,710
Financial assets available for sale	up to 1 year	151,382	151,382
	1 to 3 years	305,000	305,000
	3 to 5 years	71,000	71,000
	beyond 5 years	95,000	95,000
	Total	622,382	622,382
Financial assets held to maturity	up to 1 year	0	0
	1 to 3 years	0	0
	3 to 5 years	0	0
	beyond 5 years	110,000	110,000
	Total	110,000	110,000
<b>Sovereign debt securities</b>	<b>up to 1 year</b>	<b>158,367</b>	<b>158,367</b>
	<b>1 to 3 years</b>	<b>305,750</b>	<b>305,750</b>
	<b>3 to 5 years</b>	<b>71,460</b>	<b>71,460</b>
	<b>beyond 5 years</b>	<b>205,515</b>	<b>205,515</b>
	<b>Total</b>	<b>741,092</b>	<b>741,092</b>



### *The interbank position*

The net interbank position at the end of the financial year was debited for about Euro 0.2 billion compared to the position again debited of about Euro 0.1 billion in the previous year.

With reference to the treasury activity, 2011 was characterised by a balanced situation in terms of liquidity, without particular tensions and, therefore, recourse was made to the open market transactions of the ECB only on an occasional basis.

In order to maintain a liquidity buffer, the Bank participated in the LTRO transaction (Long-Term Refinancing Operation) of the ECB on 22 December 2011 for Euro 200 million, using its own securities.

## **6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY**

Shareholders' equity as at 31 December 2011, including the net profits of the period, amounted to a total of Euro 745.7 million with respect to Euro 747.7 million of the figure recorded for 2010.

Shareholders' equity calculated in accordance with the supervisory regulations in force was equal to Euro 724.7 million, with respect to Euro 787.9 million of the 2010 (at individual level of the Bank and not aggregated). The figure is made up of Tier 1 capital of Euro 672.7 million (compared to Euro 706.9 million at the end of 2010) with Tier 2 capital of Euro 68.2 million (compared to Euro 94.5 million at the end of 2010) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 60.2 million (of which Euro 16.2 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets was equal to 17% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, was equal to 18.4%, according to the supervisory regulations in force. On 31 December 2010 these ratios were equal to 20% and 22.3% respectively (at individual level of the Bank and not aggregated).

## 6.5 - RECLASSIFIED INCOME STATEMENT

A reclassified Income Statement has been prepared (as compared with the Layout in the Financial Statements) in order to provide a view of the Bank's affairs that is more consistent with operational performance, and this is the basis on which the following comments are made.

The following is a summary of the criteria adopted in the preparation of this statement:

- two accounting item totals were stated, defined as "Operating income" and "Operating costs", the algebraic balance of which constitutes the "Operating margin";
- "Net profit/(loss) for the period" was divided into "Profits/(losses) after taxes from continuing operations" and "Non-recurring profits/(losses) after taxes";
- "Operating income" also includes the balance of item 190, "Other operating income and expenses", also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 150 (b), "Other administrative expenses" and as an increase of item 180, "Net adjustments to the value of /write-backs to intangible assets" in the "Operating costs" total;
- dividends on equity investments in subsidiaries were reclassified from item 70 "Dividends and other similar income" to the item "Dividends from equity investments in subsidiaries", which follows "Operating margin";
- the balance of item 100 (a), "Profit/(loss) on disposal/purchase of receivables" in "Operating income" was reclassified in special item "Profit/(loss) on disposal/purchase of receivables" after "Operating margin";
- provisions for clawback actions in debt litigation were reclassified from item 190, "Net provisions for risks and charges", to item 130 (a), "Net impairment losses on loans", both items following "Operating margin";
- provisions for extraordinary transactions are reclassified from item 160, "Net provisions for risks and charges", to item "Provisions for risks and charges on extraordinary transactions";
- the tax effect on non-recurring Profits/(losses) is reclassified from item 260, "Taxes for the period on income from continuing operations" to the item "Taxes for the period on income from non-recurring operations".

The 2011 financial year ended with a net profit for the period of Euro 43.2 million, as shown in the table below, which states the reclassified Income Statement in comparison with the income statement of the previous year.

Table no. 10 - RECLASSIFIED INCOME STATEMENT

Captions		31.12.2011	aggregate at 31.12.2010	Change	
<i>Amounts in thousands of Euros</i>				Value	%
10+20	Net interest income	178,757	162,936	15,821	9.7%
70	Dividend and similar income	1,362	3,748	-2,386	-63.7%
40+50	Net fees and commissions	105,314	109,887	-4,573	-4.2%
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	5,213	8,201	-2,988	-36.4%
190	Other operating income and expenses	7,496	4,573	2,923	63.9%
	<b>Operating income</b>	<b>298,141</b>	<b>289,345</b>	<b>8,796</b>	<b>3.0%</b>
150 a	Personnel expenses	-134,404	-133,181	-1,223	0.9%
150 b	Other administrative expenses	-54,430	-54,933	503	-0.9%
170+180	Net adjustments to tangible/intangible assets	-9,128	-8,774	-353	4.0%
	<b>Operating costs</b>	<b>-197,961</b>	<b>-196,888</b>	<b>-1,073</b>	<b>0.5%</b>
	<b>Operating margin</b>	<b>100,180</b>	<b>92,457</b>	<b>7,723</b>	<b>8.4%</b>
	Net profits/(losses) on disposal/purchase of receivables	-552	57	-609	-1068.9%
130 a	Net impairment losses on loans	-35,854	-37,775	1,921	-5.1%
130 d	Net impairment losses on other financial transactions	-3	-120	117	-97.1%
160	Net provisions for risks and charges	-1,210	584	-1,794	-307.2%
	Dividends on equity investments in subsidiaries	2,825	3,460	-634	-18.3%
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>65,385</b>	<b>58,663</b>	<b>6,722</b>	<b>11.5%</b>
260	Taxes for the period on income from continuing operations	-29,850	-24,634	-5,216	21.2%
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>35,535</b>	<b>34,029</b>	<b>1,506</b>	<b>4.4%</b>
210	Profits (losses) on equity investments	0	493	-493	-100.0%
	Provisions for risks and charges on extraordinary transactions	7,700	14,717	-7,017	-47.7%
	<b>Non-recurring Profit (Loss) before taxes</b>	<b>7,700</b>	<b>15,210</b>	<b>-7,510</b>	<b>-49.4%</b>
	Taxes for the period on income from non-recurring items	0	-7	7	-100.0%
	<b>Non-recurring Profit(Loss) after taxes</b>	<b>7,700</b>	<b>15,203</b>	<b>-7,503</b>	<b>-49.4%</b>
290	<b>Net profit/(loss) for the period</b>	<b>43,235</b>	<b>49,232</b>	<b>-5,997</b>	<b>-12.2%</b>

In order to make it easier to compare the reclassified Income Statement with the items as shown in the Financial Statements layout, a reconciliation statement is given for each year, showing the figures corresponding to the total in the layouts and the reclassification balances.

**Table no. 11 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2011**

Captions	Financial Statements 31.12.2011	Reclassifications						Reclassified Statements 31.12.2011
		Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	Taxes on income	
<i>Amounts in thousands of Euros</i>								
10+20	Net interest income	178,757						178,757
70	Dividend and similar income	4,187		-2,825				1,362
40+50	Net fees and commissions	105,314						105,314
80+90+100+	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables,							
110	financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	4,661			552			5,213
190	Other operating income and expenses	16,358	-11,468	2,606				7,496
	<b>Operating income</b>	<b>309,277</b>	<b>-11,468</b>	<b>-2,825</b>	<b>2,606</b>	<b>552</b>	<b>0</b>	<b>298,141</b>
150 a	Personnel expenses	-134,404						-134,404
150 b	Other administrative expenses	-65,898	11,468					-54,430
170+180	Net adjustments to tangible/intangible assets	-6,522		-2,606				-9,128
	<b>Operating costs</b>	<b>-206,823</b>	<b>11,468</b>	<b>-2,606</b>	<b>-2,606</b>	<b>0</b>	<b>0</b>	<b>-197,961</b>
	<b>Operating margin</b>	<b>102,453</b>	<b>0</b>	<b>-2,825</b>	<b>0</b>	<b>552</b>	<b>0</b>	<b>100,180</b>
	Net profits/(losses) on disposal/purchase of receivables				-552			-552
130 a	Net impairment losses on loans	-35,265				-589		-35,854
130 d	Net impairment losses on other financial transactions	-3						-3
160	Net provisions for risks and charges	5,900				-7,111		-1,210
	Dividends on equity investments in subsidiaries		2,825					2,825
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>73,085</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,700</b>	<b>0</b>	<b>65,385</b>
260	Taxes for the period on income from continuing operations	-29,850						-29,850
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>43,235</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,700</b>	<b>0</b>	<b>35,535</b>
	Provisions for risks and charges on extraordinary transactions					7,700		7,700
	<b>Non-recurring profit (loss) before taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,700</b>	<b>0</b>	<b>7,700</b>
	Taxes for the period on income from non-recurring items							0
	<b>Non-recurring profit (loss) after taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,700</b>	<b>0</b>	<b>7,700</b>
290	<b>Net profit/(loss) for the period</b>	<b>43,235</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43,235</b>

**Table no. 12 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2010**

Captions	Financial Statements							Reclassified Statements	
		aggregate at 31.12.2010	Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	Taxes on income	aggregate at 31.12.2010
<i>Amounts in thousands of Euros</i>									
10+20	Net interest income	162,936							162,936
70	Dividend and similar income	7,208		-3,460					3,748
40+50	Net fees and commissions	109,887							109,887
80+90+100+	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	8,258				-57			8,201
110									4,573
190	Other operating income and expenses	12,883	-10,432		2,122				4,573
	<b>Operating income</b>	<b>301,172</b>	<b>-10,432</b>	<b>-3,460</b>	<b>2,122</b>	<b>-57</b>	<b>0</b>	<b>0</b>	<b>289,345</b>
150 a	Personnel expenses	-133,181							-133,181
150 b	Other administrative expenses	-65,365	10,432						-54,933
170+180	Net adjustments to tangible/intangible assets	-6,652			-2,122				-8,774
	<b>Operating costs</b>	<b>-205,198</b>	<b>10,432</b>		<b>-2,122</b>		<b>0</b>	<b>0</b>	<b>-196,888</b>
	<b>Operating margin</b>	<b>95,974</b>	<b>0</b>	<b>-3,460</b>	<b>0</b>	<b>-57</b>	<b>0</b>	<b>0</b>	<b>92,457</b>
	Net profits/(losses) on disposal/purchase of receivables					57			57
130 a	Net impairment losses on loans	-38,127					352		-37,775
130 d	Net impairment losses on other financial transactions	-120							-120
160	Net provisions for risks and charges	15,653					-15,069		584
	Dividends on equity investments in subsidiaries			3,460					3,460
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>73,380</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,717</b>	<b>0</b>	<b>58,663</b>
260	Taxes for the period on income from continuing operations	-24,641						7	-24,634
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>48,739</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,717</b>	<b>7</b>	<b>34,029</b>
210	Profits (losses) on equity investments	493							493
	Provisions for risks and charges on extraordinary transactions						14,717		14,717
	<b>Non-recurring profit (loss) before taxes</b>	<b>493</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,717</b>	<b>0</b>	<b>15,210</b>
	Taxes for the period on income from non-recurring items							-7	-7
	<b>Non-recurring profit (loss) after taxes</b>	<b>493</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,717</b>	<b>-7</b>	<b>15,203</b>
290	<b>Net profit/(loss) for the period</b>	<b>49,232</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,232</b>

The breakdown and performance of the main reclassified Income Statement items are summarised as follows, on the basis of the above tables.

### Operating income

At the end of the year the balance of the aggregate made up of ordinary items of operations increased to Euro 298.1 million, with an increase of Euro 8.8 million compared to the previous year, corresponding to 3%. The positive performance is attributable to the *net interest income*, equal to Euro 178.8 million, which accounts for 60% of the aggregate, showing an increase of Euro 15.8 million (+9.7%), and the contribution from the item *other operating income and expenses*, up by Euro 2.9 million compared to that for the period under comparison (+63.9%); vice versa, as a partial adjustment to these increase in the overall balance, lower contributions were given by *net fees and commissions* for Euro 4.6 million (-4.2%), *net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities* for Euro 3 million (both items were particularly affected by the economic and financial trend) and *dividends and similar income* for about Euro 2.3 million, mainly attributable to the lower dividend issued by the associated company Chiara Vita S.p.A.

With the help of the table below, which reports the breakdown of *net fees and commissions* by type, it is pointed out that the decrease is mainly attributable to the fees for Port. Mgmt. and Receipt/Transmission of orders, as well as to the trend in "Other services" attributable to the cancellation of the custodian bank fees, an activity that was terminated in the course of the previous financial year.

Table no. 13 - NET COMMISSIONS: BREAKDOWN BY SERVICE TYPE

<i>Amounts in thousands of Euros</i>	31.12.2011	Percentage breakdown	aggregate at 31.12.2010	Percentage breakdown	Change Value	%
Collection and payment services	16,513	15.7%	16,140	14.7%	373	2.3%
Securities placement	6,779	6.4%	6,879	6.3%	-100	-1.5%
Port. Mgmt. and Receipt/Transmission of orders	10,031	9.5%	12,019	10.9%	-1,988	-16.5%
Distribution of insurance products	8,153	7.8%	7,410	6.7%	743	10.0%
Holding and managing current accounts	55,617	52.8%	57,165	52.0%	-1,548	-2.7%
Other services	8,221	7.8%	10,274	9.4%	-2,053	-20.0%
<b>Net commissions</b>	<b>105,314</b>	<b>100.0%</b>	<b>109,887</b>	<b>100.0%</b>	<b>-4,573</b>	<b>-4.2%</b>

#### *Operating costs*

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, show an overall balance of about Euro 197.9 million, with a limited increase of about Euro 1.1 million compared to 2010, equal to 0.5%.

#### *Operating margin*

The operating margin at the end of the period is consequently Euro 100.2 million, compared to Euro 92.5 million in the comparable period.

#### *Profits/(losses) after taxes from continuing operations*

Net impairment losses on loans, equal to Euro 35.9 million (Euro 37.8 million in 2010), the *net profits/(losses) on disposal/repurchase of receivables* of Euro 0.6 million, and *net provisions for risks and charges* of Euro 1.2 million, the contribution from *dividends on equity investments in subsidiaries* for Euro 2.8 million, as well as *taxes for the period on income from continuing operations* of Euro 29.8 million lead to profits/(losses) after taxes from continuing operations equal to Euro 35.5 million, up by Euro 1.5 million compared to the 2010 final figure, corresponding to 4.4%.

#### *Profits/(losses) after taxes from non-recurring operations*

Profits/(losses) after taxes from non-recurring operations amounted to Euro 7.7 million and related to the partial release of the provision set aside at the end of 2008, against the risks of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. by the Bank, as envisaged as per contract at the end of the business plan of the Company (2012). At the end of the previous period this partial release amounted to Euro 14.7 million.

#### *Net profit (loss)*

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations, the net profit (loss) for the 2011 financial year was then Euro 43.2 million, down by about Euro 6 million compared to that of the previous year (-12.2%), which on the other hand benefitted from an additional Euro 7.5 million referable to the non-recurring result, net of taxes.

## 7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events are reported which occurred after the reporting date.

## 8 - OTHER INFORMATION

### 8.1 - SHAREHOLDINGS HELD IN BANCO DESIO E DELLA BRIANZA S.P.A. BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND DEPUTY GENERAL MANAGER HOLDING OFFICE AT THE END OF THE PERIOD

Name and surname	Office held in Banco Desio e della Brianza S.p.A.	Ownership / Type of ownership	Ordinary shares at 31.12.2010	%	Savings shares at 31.12.2010	%	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2011	%	Savings shares at 31.12.2011	%
Agostino Gavazzi	Chairman	Ow ned	78,244	0.067	0	0.000	0	0	0	0	78,244	0.067	0	0.000
		Bare property	5,500	0.005	0	0.000	0	0	0	0	5,500	0.005	0	0.000
		Registered to spouse	2,900	0.002	0	0.000	0	0	0	0	2,900	0.002	0	0.000
Stefano Lado	Deputy Chairman	Ow ned	270,656	0.231	0	0.000	10,000	16,000	0	0	280,656	0.240	16,000	0.121
		Registered to spouse	6,500	0.006	0	0.000	0	0	0	0	6,500	0.006	0	0.000
Nereo Dacci	Managing Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Francesco Cesarini	Director (until 28.04.2011)		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Pier Antonio Cutelle	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Egidio Gavazzi	Director	Ow ned	54,758	0.047	0	0.000	0	0	19,758	0	35,000	0.030	0	0.000
Luigi Gavazzi	Director	Ow ned	84,340	0.072	0	0.000	0	0	0	0	84,340	0.072	0	0.000
		Bare property	5,500	0.005	0	0.000	0	0	0	0	5,500	0.005	0	0.000
Paolo Gavazzi	Director	Ow ned	798,453	0.682	15,004	0.114	0	0	0	0	798,453	0.682	15,004	0.114
Luigi Guatri	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Gerolamo Pellicano'	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Guido Pozzoli	Director	Ow ned	37,000	0.032	0	0.000	0	0	0	0	37,000	0.032	0	0.000
		Registered to spouse	12,500	0.011	0	0.000	0	0	0	0	12,500	0.011	0	0.000
		Usufruct	50,000	0.043	3,000	0.023	0	0	0	0	50,000	0.043	3,000	0.023
Lorenzo Rigodanza	Director (from 28.04.2011)		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	
Eugenio Mascheroni	Chairman of the Board of Statutory Auditors		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	
Rodolfo Anghileri	Statutory Auditor		0	0.000	0	0.000	0	20,000	0	0	0	0.000	20,000	0.151
Marco Piazza	Statutory Auditor		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	
Claudio Broggi	General Manager		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	
Giovanni Cucchiani	Alternate Stat. Aud.	Ow ned	14,240	0.012	1,000	0.008	0	0	0	0	14,240	0.012	1,000	0.008
		Registered to spouse	3,200	0.003	0	0.000	0	0	0	0	3,200	0.003	0	0.000
Clemente Domenici	Alternate Stat. Aud.	Ow ned	1,000	0.001	0	0.000	0	0	0	1,000	0.001	0	0.000	
Carlo Mascheroni	Alternate Stat. Aud.		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	
Marco Sala	Deputy General Manager		0	0.000	0	0.000	0	0	0	0	0.000	0	0.000	

### 8.2 - SHAREHOLDINGS HELD IN SUBSIDIARIES BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND DEPUTY GENERAL MANAGER HOLDING OFFICE AT THE END OF THE PERIOD

At 31 December 2011 there was no record of any shareholdings in subsidiaries owned by directors, statutory auditors, the General Manager and Deputy General Manager holding office at the end of the period, nor were any such shareholdings involved in movements during the period.

### 8.3 - TREASURY SHARES

As at 31 December 2011, as well as at 31 December 2010, the Bank did not hold any treasury shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

### 8.4 - RELATIONS BETWEEN BANCO DI DESIO E DELLA BRIANZA S.P.A. AND ITS CONTROLLING COMPANY, ITS SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

With reference to the financial year end date, the following is a summary of the balance sheet and income statement values underlying the relations between the Bank and the parent company, the subsidiary companies and those subject to significant influence, divided by counterparty and by nature.

Table no. 14 RELATIONS BETWEEN CONTROLLING COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AS OF 31.12.2011

<i>Amounts in thousands of Euros</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Guarantees / Commitment</b>	<b>Revenues</b>	<b>Charges</b>
<b>Controlling company</b>					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	542	0	8	34
<b>Subsidiaries</b>					
Banco Desio Lazio S.p.A.	13,863	113,598	12,469	3,744	1,493
Brianfid-Lux S.A.	26	20	0	105	0
Credito Privato Commerciale S.A.	4	23,449	0	265	1,351
Rovere Societé de Gestion S.A.	481	0	0	2,166	0
FIDES S.p.A.	187,657	653	0	5,169	6
Chiara Assicurazioni S.p.A.	357	1,485	2	2,918	214
<b>Companies subject to significant influence</b>					
Chiara Vita S.p.A.	0	0	0	814	868
Istifid S.p.A.	13	1,057	0	5	177
<b>Relations by company</b>	<b>202,401</b>	<b>140,804</b>	<b>12,471</b>	<b>15,194</b>	<b>4,143</b>
<b>Breakdown of relations by type</b>					
Finance	201,095	140,777	5,306	8,862	3,975
Business	574	27	7,165	5,146	10
Assets Rental / Management	11	0	0	441	0
Supply of services	695	0	0	640	158
Other	26	0	0	105	0
<b>Relations by type</b>	<b>202,401</b>	<b>140,804</b>	<b>12,471</b>	<b>15,194</b>	<b>4,143</b>



It should be noted that the relations evidenced in this table were adjusted, whenever it has been possible to make a comparison, by applying the average terms and rates indicated by the market.

Pursuant to article 37, paragraph 2 of the Consob Regulations on Markets (Resolution no. 16191 dated 29 October 2007), we specifically declare that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., parent company of the Bank, in accordance with the express provisions of its Articles of Associations, does not exercise any management and coordination activity on the Bank, nor on any of its subsidiaries, whether on the basis of banking laws or provisions of the Civil Code. For more details on the structure of the Group for the purposes of management and coordination activities, reference should be made to paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

## 8.5 -RATING

On 29 November 2011, the international agency Fitch Ratings, as a result of the downgrading of the growth prospects of the Italian economy and the complex economic and financial conditions in which the banks will operate, changed the ratings assigned to the Bank as follows:

- long-term rating from "A" (with 'stable' outlook) to "A-" (with 'negative' outlook);
- short-term rating from "F1" to "F2";
- viability rating from "a" to "a-",
- senior debt notes rating from "A" to "A-".

However, all the other ratings assigned previously were confirmed.

Fitch Ratings considers the Bank to be in a better position than medium-sized banks to manage the impact of the economic decline, thanks to its prudent management of the credit risk and the solidity of its assets. Furthermore, the bank is less exposed to market sentiments as it relies on direct deposits from clients for its funding and not on the wholesale market. The bank's rating also reflects its solid capitalisation. The negative outlook is solely linked to the possibility of a further intensification of the financial crisis in the Eurozone and the potential impact that it could have on the profitability margins of the banking system.

## 8.6 -CODE FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

The obligation to adopt the Security Policy Statement (*Documento Programmatico della Sicurezza*) was abolished by Decree Law no. 5 of 9.02.2012 "Urgent measures for simplification and development"; however, the obligations laid down with regard to minimum security measures remain fully applicable and the data controller must therefore continue to fulfil all the relevant requirements on the subject.

In spite of the fact that the abovementioned decree allows specific relevant requirements to be postponed, and pending further instructions from the Authority, we highlight that the annual update of the Security Policy Statement was carried out nonetheless, in accordance with the provisions, in place at the time, of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Code for the Protection of Personal Data. This Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

## 8.7 - LEGISLATIVE DECREE 231/2001

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Bank's Board of Directors resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.

In accordance with the Bankitalia Order concerning organisations and internal controls relating to money laundering, on 1 September 2011 the Compliance Office established the Group's Anti-Money Laundering Function and the Compliance office was duly empowered for the delivery of the SOSs (*Segnalazioni di Operazioni Sospette*, Reports on Suspect Transactions) on the part of the Bank and of the subsidiaries Banco Desio Lazio S.p.A. and FIDES S.p.A.

For a summary description of the Model 231 adopted, reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report

## 8.8 - TRANSACTIONS WITH RELATED PARTIES

For a more detailed description of the procedures governing transactions with Related Parties, we would refer to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the website of the Group at the same time as this Report.

The transactions with related parties approved by the Board of Directors in 2011 are detailed in Part H of the Notes to the Financial Statements.

## 8.9 - INFORMATION ON STOCK OPTION PLANS

The Plans in existence at the end of the financial period are those started during 2006, regarding shares of subsidiary Chiara Assicurazioni S.p.A. (shares to be issued in the future against capital increases resolved as per Article 2443 of the Civil Code) and the Plan started during 2008, regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding these Plans.

## 8.10- THE ANNUAL REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

The information on the adoption of the Code of Conduct for listed companies is reported in the Annual Report on Corporate Governance required by article 123-*bis* of the Consolidated Law on Finance, made available on the Group's website at the same time as this Report, to which reference is made.

## 8.11 - RESEARCH AND DEVELOPMENT ACTIVITIES

Within its function as parent company, as described in paragraph 5.1 "Levels of control in the function of direction and co-ordination" above, the Bank places itself in a development context aimed at supporting and coordinating the companies belonging to the Group, as well as at the research into/ investment in operating solutions specifically aimed at the continuous improvement of the Group's relations with its own customers.

Of the activities carried out during 2011, we highlight that the internal activities were completed in connection to the provisions of the Regulations regarding the treatment of loans to consumers. In this context, all the safeguards provided for by the Regulations on Transparency with regard to transactions entered into with private consumers were effectively regulated and put in place. In terms of Credit Risk Mitigation, monitoring activities are periodically planned in order to continue to meet both the general and specific eligibility criteria laid down by the Supervisory Measures.

## 9 -BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The rationalisation of the banking network in relation to the vocation of retail bank, the contribution from the commercial development of integrated services for customers and the growth in size of distribution capabilities, together with a particular attention to the provision of credit and a constant control of operating costs, are the main elements for the substantial achievement of the financial and economic objectives for the year in progress, which are set in advance by the two-year Strategic Plan. The hope, however obvious, is for a gradual improvement in the macroeconomic context and, as a consequence, the possibility to operate in less critical market conditions than the current ones and those of the recent past.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 2011 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. The equity and financial structure, as well as the operating business performance, constitute absolute confirmations to this end.

The chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in details in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies”.

Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the elated paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

## 10 - PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE ALLOCATION OF NET PROFIT

Dear Shareholders,

We hereby submit for your approval the Financial Statements for the year ended on 31 December 2011, which close with a net Profit of Euro 43,225,277.90, as shown in the Income Statement.

Pursuant to article 31 of the articles of association, the following allocation of the net profit is hereby proposed:

- 10% to be allocated to the legal reserve	Euro	4,323,528.00
- 10% to be allocated to the statutory reserve	Euro	4,323,528.00
- to shareholders:		
Euro 0.10500 for each of the 117,000,000 ordinary shares	Euro	12,285,000.00
Euro 0.12600 for each of the 13,202,000 savings shares	Euro	1,663,452.00
- additional allocation to the statutory reserve	Euro	20,639,769.90
<b>Total Net Profit</b>	<b>Euro</b>	<b>43,235,277.90</b>

Desio, 20 March 2012

The Board of Directors

**BANCO DI DESIO E DELLA BRIANZA S.p.A.**

Registered office: Via Rovagnati,1 – 20832 Desio (MB)  
Fiscal Code no. 01181770155

Registered in the Monza and Brianza Register of Companies

Share Capital: Euro 67,705,040.00 fully paid-up

Member of the Interbank Deposit Protection Fund

(*Fondo Interbancario di Tutela dei Depositi*)

and the National Guarantee Fund

(*Fondo Nazionale di Garanzia*)

Registered in the Register of Banks (*Albo delle Banche*) under ABI code no. 3440/5

Parent Company of the Banco di Desio e della Brianza Banking Group

Registered in the Register of Banking Groups (*Albo dei Gruppi Bancari*) under no. 3440/5

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**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS'**

**MEETING OF BANCO DI DESIO E DELLA BRIANZA S.P.A.**

**(ARTICLE 153 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND**

**ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE)**

**FOR THE FINANCIAL YEAR ENDED 31/12/2011**

Dear Shareholders,

In accordance with article 153 of Legislative Decree no. 58 of 24 February 1998 (hereinafter also referred to as the "T.U.F.", *Testo Unico della Finanza*, Consolidated Act on Finance) and article 2429 of the Italian Civil Code, we hereby submit to you the following Report in order to inform you of the supervisory and control activity carried out during the 2011 financial year, which closed with the Financial Statements at 31 December 2011 that are submitted to you together with the Report on Operations and the information documents that adequately illustrate the performance of the Bank and of its Subsidiaries, as well as the economic and financial data and the results achieved.

As regards the audit of the accounts and of the Financial Statements, it should be noted that the task was carried out by PricewaterhouseCoopers S.p.A. (P.W.C.).

On 4 April 2012 the Independent Auditors issued their favourable opinion on the Financial Statements at 31 December 2011, without making any remarks, objections or disclosures.

The Financial Statements relating to the financial year ended 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in compliance with the general principles for the preparation of financial statements reported in the notes to the financial statements; specifically, the formats in the financial statements and the notes to the financial statements were prepared and drawn up in compliance with the compilation rules published by the Bank of Italy in its Circular Letter no. 262 of 22 December 2005, as updated.

The Report on Operations adequately comments on and illustrates the performance of the financial year and provides indications on the outlook for operations. The Report itself complies, *inter alia*, with the information requirements laid down in article 123-bis of the T.U.F. governing ownership structures, with a relevant reference to the related available annual Report on Corporate Governance, which was also approved by the Board of Directors on 20 March 2012.

We hereby confirm to you that during the financial year we carried out our supervisory activity in accordance with the law.

In performing our supervisory and control activity, we had meetings with the Top Management, the Internal control functions (Compliance, Risk Management, Manager responsible for preparing the Company's reports and Internal Audit), the Independent Auditors, the Managers responsible for different services provided by the Company and the Internal Control Committee, the Committee for Related-Party Transactions and the Appointment and Remuneration Committee, which allowed us to gather, in the different sectors, any information about the organization, the internal control

system and the administrative and accounting system that was useful and necessary in order to assess their suitability for corporate requirements, as well as their operational reliability.

We had meetings and carried out checks on general and specific issues which are subject to supervision and control and checks at secondary offices.

We have been able to establish, by participating in all meetings of the Board of Directors and of the Executive Committee, that the delegated bodies have reported to the Board of Directors and to the Board of Statutory Auditors in relation to transactions carried out by virtue of the powers conferred, the general performance of operations and the outlook for operations.

By participating in the meetings of the Board of Directors and of the Executive Committee and by examining the minutes of the meetings themselves, we obtained adequate information on the activity carried out and on the most significant transactions in economic, financial and equity terms effected by the Company. As regards these transactions, we are able to affirm, also on the basis of the information gathered, that they were performed in accordance with the law and the by-laws and always in the interests of the Company, and that they did not appear to be manifestly imprudent or reckless, to cause a conflict of interests, to be in conflict with the resolutions passed by the Shareholders' Meeting and by the Board or in any case to be such as to compromise the integrity of the corporate assets.

Contact with the Manager responsible for preparing the Company's reports allowed checks to be carried out as to compliance with procedures for controlling the administrative and accounting system, which was proven to be adequate and effective, as well as the pricing Policy for the valuation of financial instruments.

The substantial and continuous connection with the Internal Audit Department, which we hereby thank for the cooperation afforded to us, allowed us to follow any supervisory activity carried out

within the Group.

The meetings held with the Risk Management Office and the Compliance Office, allowed the Board to receive a constant flow of information on the risk management system.

Having regard to the procedures by which the Board has carried out its institutional activity, it hereby notifies and acknowledges that:

- it participated in 2 General Shareholders' Meetings and 1 Special Shareholders' Meeting for holders of savings shares, 15 Board of Directors' meetings and 4 Executive Committee meetings, which were held during the financial year and that it received from the Directors and the Top Management timely and suitable information on the activity carried out;
- it carried out 35 individual and collective checks at the registered office and 8 checks at secondary offices to verify the adequate application of any operating and control systems;
- it participated, through the Chairman or a delegated Statutory Auditor, in the meetings of the Internal Control Committee as well as in those of the Appointment and Remuneration Committee and the Committee for Related Party Transactions;
- it gathered the knowledge necessary to carry out control activities, for the aspects under its responsibility, over the degree of adequacy of the organisational structure of the Company, also as regards connections with the Subsidiaries, through direct investigations, by gathering information from the managers responsible for the Functions involved and through the exchange of data and information with the Independent Auditors;
- it supervised the application of money laundering rules and compliance with the instructions issued by the Bank of Italy and Consob (Italian Securities and Exchange Commission);
- it supervised the operation of the internal control and the administrative and accounting systems in order to assess their suitability for the management requirements, as well as the



reliability of the latter in representing management events, through direct investigations on corporate documents, the attainment of information from the managers responsible for the respective Functions and the analysis of the results of the work carried out by the Independent Auditors.

- it supervised the controls carried out by the Parent Company over the Subsidiaries, both through the presence of members of the Board of Statutory Auditors of the Parent Company on the Boards of Statutory Auditors of the investee companies, in compliance with Consob notice DAC/RM/97001574 of 20 February 1997, as updated, and through collective meetings between the Board of Statutory Auditors of the Parent Company and the various Boards of Statutory Auditors of the Subsidiaries.

Therefore, the Board of Statutory Auditors can confirm the adequacy of:

- the Governance System and of the correlated Internal Control System, the basic principles of which are outlined in the aforesaid Annual Report on Corporate Governance pursuant to article 123-*bis* of the T.U.F.;
- the Internal Process of Capital Adequacy (*Processo Interno di Adeguatezza Patrimoniale*, ICAAP), the preparation and updating of which are being checked in compliance with the specific Supervision provisions;
- the organisational and control checks in line with the provisions of law and the Supervision regulations governing Money Laundering;
- the control activities carried out by the responsible functions and, specifically, by the Manager responsible for preparing the Company's reports, the Compliance Department, the Risk Management Department and the Internal Audit Department, also through a periodic evaluation of institutional reports;

- the procedures for managing complaints received from the Group's Customers, also with reference to those relating to investment services;
- the activities carried out in relation to the Privacy Code (Law no. 193/2006), acknowledging the Security Policy Statement (*Documento Programmatico sulla Sicurezza*) which was brought to the attention of the Board of Directors.

In relation to Safety at Work, the Board acknowledges that a number of checks exist in relation to the rules reviewed by Legislative Decree no. 81/2008.

In reporting to you, in more detail, the supervisory activity carried out, we are complying with the Consob provisions under DEM/1025564 notice of 6 April 2001, as supplemented.

Specifically, the Board has examined the significant events that occurred during the financial year and the main ones are described below:

- *Merger of Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A.*

With effect from 1 October 2011 the Parent Company, which owned 100% of the Capital, merged the subsidiaries Banco Desio Toscana SpA and Banco Desio Veneto SpA into it, as part of a plan to simplify the organisation of the Group. The Board examined the various aspects (legal, IT and administrative) of the merger transactions but made no remarks on them.

- *Local development*

During the 2011 financial year, nine new Branches were opened: (4 in Lombardy, 3 in Emilia Romagna, 1 in Piedmont and 1 in Tuscany). Therefore, the distribution network of the Bank included 164 Branches at 31 December 2011, taking into account the merger of the two subsidiary banks operating in Tuscany and Veneto.

- *Rovere SICAV*

With reference to the equity investments previously held by Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. in the subsidiary Rovere Société de Gestion SA, a stake of 10% each, and which have therefore been transferred to the Bank as a result of the merger, it is noted that the Bank immediately transferred these equity investments to the subsidiary Brianfid-Lux SA, which thus increased its interest in the company to 70%.

- *Administrative liability of legal persons pursuant to Legislative Decree no. 231/2001*

In relation to the Public Prosecutor's Office of Rome's request for the committal to trial of the two subsidiary companies Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.p.A., as described in detail in the Report on Operations, the Board of Statutory Auditors examined the results of the in-depth analysis of all of the preliminary investigation documents and expressed its opinions, also during the meetings of the Board, which adopted measures with regard to the issue. In this context, the Board of Statutory Auditors carefully supervised the consolidation measures adopted by Group companies in order to adopt Organisational Models pursuant to Legislative Decree no. 231/2001 in compliance with the reference regulations and in line with best practice.

- *Payment by shareholders on account of capital in favour of the subsidiary Banco Desio Lazio S.p.A.*

With a view to strengthening its capital structure, the Bank made a payment on account of capital to the Subsidiary Banco Desio Lazio S.p.A. to the value of € 10,000,000.

Banco Desio Lazio S.p.A., in turn, made a payment on account of capital to Fides to the value of € 5,000,000.

With a view to strengthening the capital structure of the subsidiary Chiara Vita S.p.A., on 20 April 2011 the Bank made a shareholder payment on account of capital of Euro 2.7 million.

- *Corporate Governance*

During 2011 there were no particularly significant changes to report in the Corporate Governance organisation of the Group. Any further information regarding this organisation is reported in the aforementioned Annual Report on Corporate Governance.

- *Capital increase to serve a Stock Grant plan for the 2011-2013 three-year period*

On 29 November 2011 the Extraordinary Shareholders' Meeting resolved a capital increase, free of charge, pursuant to article 2349 of the Italian Civil Code, divisible into 'tranches', with a maximum nominal amount of Euro 520,000 (corresponding to a maximum of 1,000,000 ordinary shares with a nominal value of Euro 0.52 each) to serve the Stock Grant Plan for the Management of the Banco Desio Group and to be issued by the Board of Directors in several 'tranches' according to the terms and conditions envisaged by the Plan itself and using special profit reserves.

- *Opening of inspections*

The Bank of Italy launched an inspection in November 2011 (the conclusion of which is expected soon) while the Milan Tax Police launched a tax inspection in December 2011.

To date, there is nothing to report whatsoever regarding this inspection as, apart from accessing and gathering data, the investigation has not proceeded.

- *Opinions issued by the Board of Statutory Auditors*

The Board of Statutory Auditors has issued, when required, its opinion in reply to specific requests received from the Supervisory Authorities, and submitted for the attention of the Boards.

In the Extraordinary Shareholders' Meeting which, on 29 November 2011, resolved the aforementioned share capital free of charge, to serve the abovementioned Stock Grant Plan, the

Board of Statutory Auditors also issued an opinion advising the setting up of a special profit reserve for the limited purpose of serving capital increases.

- *Selection of the Independent Auditors*

The Board of Statutory Auditors has selected the Independent Auditors to be appointed by the Shareholders' Meeting. It has issued a separate justified proposal on this matter.

- *Atypical and/or unusual, intragroup or related-party transactions*

The Board of Statutory Auditors acknowledges that intragroup transactions and any other transactions with related parties, in particular those defined by article 136 of the T.U.B. have been always subject to specific analysis by the Board of Directors.

In compliance with Consob Regulation no. 17221/2010, the Bank has adopted and applied a Procedure concerning transactions with related parties, which is aimed at ensuring transparency and the material and procedural correctness of transactions with related parties carried out directly or through subsidiaries pursuant to article 2391-*bis* of the Italian Civil Code; as regards procedures for passing resolutions, this procedure is mainly characterised by the presence of a Committee for Transactions with Related Parties.

This advisory body is composed of all 4 Independent Directors who hold office and is competent to receive disclosures and/or issue opinions, which are also binding in some cases, on transactions with related parties as outlined according to the quantitative and qualitative criteria laid down in the Consob Regulation.

In addition to the operation of the Committee, the Internal Procedure also regulates a number of cases of exemptions, either total or partial, in relation to a small amount or to an ordinary nature, as

well as in relation to the transaction counterparty (in the absence of any significant interests of any other related party) being a member of the group.

The Board acknowledges that it has found that the operating procedures adopted in order to monitor and identify any transaction of this kind are effective and consistent.

As for intragroup transactions, the Board has examined their lawfulness and reasonableness and is able to certify that they are based on correct economic, financial and accounting principles.

The Report on Operations and the Notes to the Financial Statements provide adequate and exhaustive information as to the transactions referred to above.

No atypical or unusual transactions were effected.

*- Relationships with the Independent Auditors and any observations*

We have had meetings and exchanges of information and knowledge relating to the supervisory and control activities falling within the respective sphere of responsibility with the Independent Auditors, which are responsible for auditing accounts and financial statements.

During these meetings, the Auditors declared that no irregularities or censurable facts which would have been required to be reported to the Supervisory Bodies and Authorities emerged during the checks carried out; they also reported on the correct drawing up of the financial statements according to the rules which regulate the criteria for their preparation. As already said, the Independent Auditors have issued their opinion which does not contain any remarks, objections or disclosures.

*- Notices pursuant to Article 2408 of the Italian Civil Code – Article 2409 of the Italian Civil Code*

No notice was received by the Board of Statutory Auditors pursuant to article 2408 of the Italian

Civil Code and no notices were given to the Court pursuant to article 2409 of the Italian Civil Code.

*- Notices – petitions – complaints*

For the sake of completeness of information, it should be noted that all complaints received by the Company from customers (a total of 238, of which 30 related to investment services) during 2010 were duly examined by the Legal and Corporate Affairs Department which took steps to fulfil the required formalities; 228 of these complaints (of which 10 related to investment services) were rejected, while 10 (of which 0 related to investment services) were granted.

Furthermore, it should be noted that 9 requests for information were received from the Bank of Italy against notices given by customers to the Supervisory Authority itself.

*- Assignment of tasks to the Independent Auditors – Opinions required by law.*

During 2011 the following “additional” tasks were entrusted to the Independent Auditors:

- an assignment concerning the issue of a certification on the relevant aggregates which are decisive for the purposes of calculating the contribution to be paid out to the National Guarantee Fund for total fees quantified at € 2,500.00, plus VAT;
- an assignment concerning the translation into English of the complete dossier of the 2010 Annual Accounts and Consolidated Financial Statements and of the 2011 quarterly and half-year report for total fees quantified at € 28,900 plus VAT.

*- Compliance with the Principles of correct administration, adequacy of the administrative structure.*

The Board of Statutory Auditors has acquired knowledge of and supervised the adequacy of the administrative structure of the Company and its compliance with the principles of correct administration.

The Board, as part of the checks carried out and its participation in the business of the Company, with specific reference to meetings and checks with the Manager responsible for preparing the Company's financial/corporate reports, can attest that the administrative structure is suitable for the business conducted by your Bank, and it can ensure that the material principles of correct administration as laid down in the current legislation and related regulations are complied with.

The accounting and administrative system, which also uses outsourcing services for the IT system, is reliable and adequate in order to correctly represent management events.

*- Adequacy of the Internal Control System*

During 2010 the Internal Control System was subject to further strengthening measures, both in the application of the various supervision regulations and to provide the Group with a more efficient control system.

The aforementioned "Annual Report on Corporate Governance" describes the Guidelines for the Group's Internal Control Systems, in accordance with the provisions laid down in the by-laws and in the regulations.

All Group companies share – without prejudice to the operational peculiarities of each corporate type – models for the measurement and management of risks defined by the Parent Company at general level.

The assessment of the effectiveness of the internal control system is the responsibility of the Internal Audit Department, within the functions attributed to it by virtue of the supervision and corporate regulations, and its judgments are reported in detail to the company Bodies.

Within the respective purposes, and taking account of the provisions under Legislative Decree 39/2010 governing the auditing of accounts, the Board of Statutory Auditors and the Internal Control System are responsible for assessing the efficacy and efficiency of any control services



adopted by virtue of the resolutions passed by the Board of Directors.

The Board of Statutory Auditors has maintained constant connection with and has received adequate support in its tasks from the Internal Audit Department; also on the basis of the examination of the reports produced by the aforesaid Department, the Board of Statutory Auditors can affirm that the Company's internal control functions are considered to be proportional and fair with respect to the operations and related risks, as well as being carried out in a constant, adequate and efficient manner.

*- Instructions given to Subsidiaries (Article 114 of Legislative Decree no. 58/98)*

Relations maintained by the Parent Company with its Subsidiaries have always been reported in the meetings of the Boards of the Parent Company and the Board of Statutory Auditors has always obtained exhaustive replies to its requests for more information. The direction, coordination and control system implemented by the Bank in performing its functions of strategic leadership and direction of the entire Group, also pursuant to article 61 of the T.U.B. and article 2497 of the Italian Civil Code in consideration of the unitariness of the economic entity, is adequate and functional.

*- Adequacy of the control systems applied to the foreign non-EU Subsidiary / Article 36 -  
"Market Consob Regulation" in implementing the T.U.F.*

The Board of Statutory Auditors acknowledges that, also on the basis of the auditing activities carried out by the Independent Auditors, the Subsidiary C.P.C. – Credito Privato Commerciale S.A., with registered office in Lugano (Switzerland), has an administrative and accounting system suitable for allowing the Management and the Auditor of the controlling company to receive, in a regular manner, the economic, equity and financial data necessary to prepare the consolidated financial statements. The foregoing also mitigates the adequacy opinion that emerged from the

outcome of the checks carried out by the Manager responsible for preparing the Company's report and by the Internal Audit Department of Banco di Desio e della Brianza S.p.A..

- *Privacy Code.*

We acknowledge that the Directors, in compliance with the provisions under article 34, paragraph g, of Legislative Decree no. 196/2003, reported, in the Report on Operations, on the annual update of the Security Policy Statement within the time limits set out.

- *Remuneration policies*

The Board of Statutory Auditors has examined, without any observations, the Annual Report on the Group's Remuneration and Incentive Policies, which is now also drawn up pursuant to article 123-ter of the T.U.F. [*Testo Unico della Finanza, Consolidated Finance Act*].

The Board of Statutory Auditors has checked the procedures which ensure that the remuneration practices applied by the Bank comply with the regulatory framework, by also using the results of the checks carried out, within the sphere of the respective responsibilities, by the Compliance and Risk Management Functions and by the Internal Audit Department: in particular: the latter carried out the annual check required by the Supervisory Measures issued by the Bank of Italy on the subject.

- *Self-Regulatory Code of Listed Companies.*

The Board of Statutory Auditors points out that the Company has adopted the Self-Regulatory Code of Listed Companies since 1999 (Board of Directors' resolution of 26 November 1999), as amended in 2002 (Board of Directors' resolution of 12 November 2002) and 2006 (Board of Directors' resolution of 22 February 2007).

Within the recommendations given by the Code, the Board, on 26 May 2011, carried out the

customary check that the Directors' independence requirements had been correctly assessed by the Board of Directors and has directly verified the existence of similar requirements on the part of each of the Statutory Auditors; furthermore, in accordance with the abovementioned Bank of Italy's Order concerning Corporate Governance, the Board has acknowledged its own adequacy in terms of powers, operation and composition, taking account of the size and complexity of, and the activity carried out by, the Bank (also as Parent Company pursuant to article 61 of the T.U.B.).

*- Final valuations of the supervisory activity and possible proposals pursuant to article 153 of Legislative Decree 58/98*

The Board of Statutory Auditors can reasonably assure that no significant events emerged during the supervisory activity which would have had to be reported to the Supervisory Bodies or which would have been such as to constitute a reason for remarks or proposals to the Shareholders' Meeting.

Therefore, the Board can conclude that, through the activity carried out in the financial year, it was able to assess:

- Compliance with the Law and the By-Laws
- The adequacy of the administrative and accounting structure
- The adequacy of the organisational and control structure
- The principles of correct administration
- The actual application of the corporate governance rules
- The adequacy of the instructions given to Subsidiaries
- The subsequent preparation of the Annual Accounts and of the Consolidated Financial Statements in accordance with the international accounting standards IAS-IFRS and the

instructions given by the Bank of Italy (order no. 262 of 22 December 2005, as updated).

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**Consolidated Financial Statements as at 31 December 2011**

The Board of Statutory Auditors has also examined the Consolidated Financial Statements for the 2011 financial year which are submitted to you by the Directors and it is able to certify that they were prepared in accordance with the law and that the Report on Operations includes a description of the performance of the companies and a summary of the performance of the subsidiaries, as well as of the Group's structure.

In this regard, we can confirm that:

- We assessed the correct application of the accounting standards and policies. Specifically, we assessed compliance with the principles of consolidation and the rules relating to the formation of the scope of consolidation;
- The application of these criteria, no reasons for exception having emerged, has allowed the consolidated equity, financial and economic position to be represented in a true and correct manner and from a perspective of considering the situation in its totality;
- We determined that the organisational and procedural structure of the Parent Company is adequate to manage information flows and consolidation operations;
- We assessed compliance with the requests submitted by Consob on the Financial Statements' disclosures and on the performance of the different business segments.

The checks carried out by the Independent Auditors have determined that the values expressed in the Financial Statements are proven by the accounting records of the Parent Company, by the Financial Statements of the Subsidiaries and by the related information formally notified by the latter.

The determination of the scope of consolidation, the choice of principles for the consolidation of equity investments and the choice of procedures adopted for this purpose comply with the relevant provisions of law.

The preparation of the Consolidated Financial Statements is therefore to be considered technically correct and compliant with the specific regulations as a whole.

As is known, it is the responsibility of the governing body of the company to prepare the Consolidated Financial Statements and the Independent Auditors have been appointed to give a professional opinion, based on an audit. This opinion was issued on 4 April 2012 and does not contain any observations, remarks or objections.

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Dear Shareholders,

We conclude our Report on the control activity carried out during 2011, as better highlighted by the foregoing, and we hereby give a favourable opinion on the activity carried out by your Company, on the organisation of the same, on the internal control system and on the compliance with the Law and the Company's By-Laws.

Accordingly, we hereby give a favourable opinion on the approval of the Financial Statements at 31 December 2011 which were submitted to you by the Board of Directors and on the proposed distribution of dividends to the amount of €0.105 for each of 117,000,000 ordinary shares and €0.126 for each of 13,202,000 savings shares, for a total dividend of €13,948,452.00, as well as on the proposed allocation of the residual profit to the Legal Reserve for an amount of €4,323,528.00, the Statutory Reserve for an amount of €4,323,528.00 and as an additional increase in the Statutory

Reserve for €20,639,769.90.

Desio, 4 April 2012

**THE STATUTORY AUDITORS**

Eugenio Mascheroni – Chairman

Marco Piazza

Rodolfo Anghileri

## Financial Statements

## PREAMBLE

### Merger by incorporation of Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A.

As already disclosed in the “Report on operations”, the merger of the two subsidiary banks Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. by incorporation into the parent company Banco di Desio e della Brianza S.p.A. became effective on 1 October 2011.

The accounting and tax effects of the merger transaction started from 1 January 2011 and involved the merger of the two wholly-owned banks by incorporation into the Parent Company; as a consequence both the balance sheet and income statement balances were entered from that date.

For the purpose of greater clarity and completeness of information in these financial statements the charts in the balance sheet, income statement and notes to the financial statements also show the restated data from the previous year adjusted to take account of this transaction. This data was restated using the process of line-by-line consolidation of the two banks affected by the abovementioned transaction into the controlling company.

The restated situation has not been audited.



## BALANCE SHEET

### ASSETS

Assets	31.12.2011	31.12.2010	31.12.2010 aggregate	Change 12/2011 on 12/2010	
10. Cash and cash equivalents	24,897,296	19,947,956	23,880,327	1,016,969	4.3%
20. Financial assets held for trading	11,200,686	35,859,229	35,825,138	(24,624,452)	-68.7%
40. Available-for-sale financial assets	869,346,435	759,809,272	759,909,272	109,437,163	14.4%
50. Held-to-maturity investments	120,888,883	120,830,922	120,830,922	57,961	0.0%
60. Amounts due from banks	167,015,724	399,445,216	272,771,656	(105,755,932)	-38.8%
70. Amounts due from customers	5,774,849,725	4,885,870,154	5,728,998,999	45,850,726	0.8%
80. Hedging derivatives	5,631,061	-	-	5,631,061	100.0%
100. Equity investments	124,179,800	193,446,869	107,769,656	16,410,144	15.2%
110. Tangible assets	143,776,662	133,107,933	142,059,597	1,717,065	1.2%
120. Intangible assets	8,383,501	2,814,388	8,062,231	321,270	4.0%
of which:					
- goodwill	6,958,401	1,728,505	6,958,401	-	
130. Tax assets	49,272,042	34,799,985	37,177,822	12,094,220	32.5%
a) current	-	2,971,426	3,196,398	(3,196,398)	-100.0%
b) deferred	49,272,042	31,828,559	33,981,424	15,290,618	45.0%
150. Other assets	92,100,644	61,438,629	72,094,024	20,006,620	27.8%
<b>Total assets</b>	<b>7,391,542,459</b>	<b>6,647,370,553</b>	<b>7,309,379,644</b>	<b>82,162,815</b>	<b>1.1%</b>

### LIABILITIES

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2011	31.12.2010	31.12.2010 aggregate	Change 12/2011 on 12/2010	
10 Amounts due to banks	393,372,805	338,710,376	319,826,071	73,546,734	23.0%
20 Amounts due to customers	3,513,235,434	3,236,374,102	3,678,515,253	(165,279,819)	-4.5%
30 Securities issued	2,453,985,180	1,790,741,047	2,004,340,338	449,644,842	22.4%
40 Financial liabilities held for trading	2,729,409	2,489,430	2,403,857	325,552	13.5%
50 Financial liabilities at fair value through profit or	89,138,186	323,525,132	334,326,509	(245,188,323)	-73.3%
60 Hedging derivatives	2,683,661	2,653,142	2,653,142	30,519	1.2%
80 Tax liabilities	14,077,858	8,833,762	9,641,771	4,436,087	46.0%
a) current	4,476,101	-	682,452	3,793,649	555.9%
b) deferred	9,601,757	8,833,762	8,959,319	642,438	7.2%
100 Other liabilities	115,752,210	124,734,964	143,819,985	(28,067,775)	-19.5%
110 Reserve for employee termination indemnities	23,090,659	23,150,886	23,818,850	(728,191)	-3.1%
120 Reserves for risks and charges:	37,797,800	41,797,356	42,389,969	(3,999,556)	-10.8%
b) other reserves	37,797,800	41,797,356	42,389,969	(4,592,169)	-10.8%
130 Valuation reserves	- 11,660,285	14,139,739	14,156,308	(25,816,593)	-182.4%
160 Reserves	630,254,136	607,276,191	600,405,132	29,849,004	5.0%
170 Share premium reserve	16,145,088	16,145,088	16,145,088	-	
180 Share capital	67,705,040	67,705,040	67,705,040	-	
200 Net profit / (loss) for the period (+/-)	43,235,278	49,094,298	49,232,331	(5,997,053)	-12.2%
<b>Total Liabilities and shareholders' equity</b>	<b>7,391,542,459</b>	<b>6,647,370,553</b>	<b>7,309,379,644</b>	<b>82,162,815</b>	<b>1.1%</b>

## INCOME STATEMENT

Item	31.12.2011	31.12.2010	31.12.2010 aggregate	Change 12/2011 on 12/2010	
10 Interest income and similar revenues	269,063,481	206,471,664	229,703,367	39,360,114	17.1%
20 Interest expense and similar charges	(90,306,384)	(60,876,599)	(66,767,196)	(23,539,188)	35.3%
<b>30 Net interest income</b>	<b>178,757,097</b>	<b>145,595,065</b>	<b>162,936,171</b>	<b>15,820,926</b>	<b>9.7%</b>
40 Fee and commission income	109,578,120	104,123,484	115,422,069	(5,843,949)	5.2%
50 Fee and commission expense	(4,264,471)	(6,295,096)	(5,535,277)	1,270,806	-23.0%
<b>60 Net fees and commissions</b>	<b>105,313,649</b>	<b>97,828,388</b>	<b>109,886,792</b>	<b>(4,573,143)</b>	<b>-4.2%</b>
70 Dividends and similar income	4,187,201	7,126,999	7,207,970	(3,020,769)	-41.9%
80 Net profits/(losses) on trading activities	(1,232,094)	366,444	448,442	(1,680,536)	-374.7%
90 Net profits/(losses) on hedging activities	(23,491)	1,596,539	1,596,539	(1,620,030)	-101.5%
100 Profit/(loss) on disposal or repurchase of:	3,170,521	7,946,633	7,957,140	(4,786,619)	-60.2%
a) loans and receivables	(552,267)	55,175	56,735	(609,002)	-1073.4%
b) available-for-sale financial assets	2,624,045	7,064,207	7,064,207	(4,440,162)	-62.9%
d) financial liabilities	1,098,743	827,251	836,198	262,545	31.4%
110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	2,746,116	(1,881,018)	(1,743,156)	4,489,272	-257.5%
<b>120 (intermediation margin)</b>	<b>292,918,999</b>	<b>258,579,050</b>	<b>288,289,898</b>	<b>4,629,101</b>	<b>1.6%</b>
130 Net impairment losses on/w ritebacks to:	(35,268,225)	(34,897,415)	(38,247,969)	2,979,744	-7.8%
a) loans and receivables	(35,264,769)	(34,782,054)	(38,127,676)	2,862,907	-7.5%
d) other financial assets	(3,456)	(115,361)	(120,293)	116,837	-97.1%
<b>140 Net income from banking activities</b>	<b>257,650,774</b>	<b>223,681,635</b>	<b>250,041,929</b>	<b>7,608,845</b>	<b>3.0%</b>
150 Administrative expenses:	(200,301,559)	(174,625,358)	(198,546,044)	(1,755,515)	0.9%
a) personnel expenses	(134,403,900)	(117,696,028)	(133,180,784)	(1,223,116)	0.9%
b) other administrative expenses	(65,897,659)	(56,929,330)	(65,365,260)	(532,399)	0.8%
160 Net provisions for risks and charges	5,900,268	15,570,236	15,653,646	(9,753,378)	-62.3%
170 Net adjustments to the value of tangible assets	(5,937,619)	(5,349,445)	(6,221,173)	283,554	-4.6%
180 Net adjustments to the value of intangible assets	(584,312)	(422,889)	(430,554)	(153,758)	35.7%
190 Other operating (expenses)/income	16,357,776	13,077,009	12,882,502	3,475,274	27.0%
<b>200 Operating expenses</b>	<b>(184,565,446)</b>	<b>(151,750,447)</b>	<b>(176,661,623)</b>	<b>(7,903,823)</b>	<b>4.5%</b>
210 Profits/(losses) on equity investments		493,232	493,232	(493,232)	-100.0%
<b>Profits/(losses) before taxes from continuing operations</b>	<b>73,085,328</b>	<b>72,424,420</b>	<b>73,873,538.0</b>	<b>(788,210)</b>	<b>-1.1%</b>
260 Taxes for the period on income from	(29,850,050)	(23,330,122)	(24,641,207)	(5,208,843)	21.1%
<b>Net profits (loss) after tax from continuing operations</b>	<b>43,235,278</b>	<b>49,094,298</b>	<b>49,232,331</b>	<b>(5,997,053)</b>	<b>-12.2%</b>
<b>290 Net profit/(loss) for the period</b>	<b>43,235,278</b>	<b>49,094,298</b>	<b>49,232,331</b>	<b>(5,997,053)</b>	<b>-12.2%</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2011	31.12.2010
<b>10.</b>	<b>Net Profit (Loss) for the period</b>	<b>43,235,279</b>	<b>49,094,298</b>
	<b>Other income components, net of taxes</b>		
<b>20.</b>	Available-for-sale financial assets	(25,834,843)	(12,242,894)
<b>30.</b>	Tangible assets		
<b>40.</b>	Intangible assets		
<b>50.</b>	Hedging of foreign investments		
<b>60.</b>	Cash flow hedge		
<b>70.</b>	Exchange differences		
<b>80.</b>	Non-current assets being disposed of		
<b>90.</b>	Actuarial Gains (Losses) on defined benefit plans	34,820	195,555
<b>100.</b>	Portion of valuation reserves of equity investments carried at equity		
<b>110.</b>	<b>Total other income components, net of taxes</b>	<b>(25,800,023)</b>	<b>(12,047,340)</b>
<b>120.</b>	<b>Comprehensive income (Item 10+110)</b>	<b>17,435,256</b>	<b>37,046,958</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2011

	Equity as of 31.12.2010	Change in opening balances	Equity as of 01.01.2011	Allocation of result from previous period		Changes over the period							Equity as of 31.12.2011
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity					Comprehensive income as at 31.12.2011	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Shareholders' equity:													
a) ordinary shares	60,840		60,840										60,840
b) other shares	6,865		6,865										6,865
Share premium reserve	16,145		16,145										16,145
Reserves:													
a) retained earnings	607,276		607,276	35,146	(12,199)								630,223
b) others											31		31
Revaluation reserves:	14,140		14,140									(25,800)	(11,660)
Equity instruments													
Treasury shares													
Net Profit (loss) for the year	49,094		49,094	(35,146)	(13,948)							43,235	43,235
<b>Shareholders' equity</b>	<b>754,360</b>		<b>754,360</b>		<b>(13,948)</b>	<b>(12,199)</b>					<b>31</b>	<b>17,435</b>	<b>745,679</b>

The "Changes in reserves" were caused by the merger by incorporation of Banco Desio Toscana as regards a total of Euro 1,841 thousand and of Banco Desio Veneto as regards a total of Euro -14,040 thousand. The change in reserves concerning the stock grant plant resolved upon by the Ordinary and Extraordinary Shareholders' Meeting of 29 November 2011 is shown in the "Stock options" column.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2010

	Equity as of 31.12.2009	Change in opening balances	Equity as of 01.01.2010	Allocation of result from previous period		Changes over the period							Equity as of 31.12.2010
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity					Comprehensive income as at 31.12.2010	
							Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
Shareholders' equity:													
a) ordinary shares	60,840		60,840										60,840
b) other shares	6,865		6,865										6,865
Share premium reserve	16,145		16,145										16,145
Reserves:													
a) retained earnings	563,162		563,162	44,114									607,276
b) others													
Revaluation reserves:	26,187		26,187									(12,047)	14,140
Equity instruments													
Treasury shares													
Net Profit (loss) for the year	58,063		58,063	(44,114)	(13,949)							49,094	49,094
<b>Shareholders' equity</b>	<b>731,262</b>		<b>731,262</b>		<b>(13,949)</b>							<b>37,047</b>	<b>754,360</b>

## CASH FLOW STATEMENT

A. OPERATIONS	<i>Amount</i>	
	31.12.2011	31.12.2010
<b>1. Management activities</b>	<b>88,265,302</b>	<b>76,646,885</b>
- interest income earned (+)	268,398,303	206,341,637
- interest expenses paid (-)	(89,695,460)	(60,588,235)
- dividends and similar revenues	1,361,732	-
- net commissions (+/-)	105,842,225	97,358,446
- personnel costs (-)	(134,403,900)	(117,696,028)
- other costs (-)	(57,089,696)	(46,634,867)
- other revenues (+)	23,702,147	21,196,053
- taxes and duties (-)	(29,850,049)	(23,330,121)
- costs/revenues relating to non current assets held for sale and discontinued operations,	-	-
<b>2. Liquid assets generated (absorbed) by decrease/increase in financial assets</b>	<b>(147,253,808)</b>	<b>336,715,050</b>
- financial assets held for trading	23,086,621	34,648,838
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(150,034,747)	(6,008,844)
- amounts due from customers	(91,164,683)	(242,341,609)
- amounts due from banks: at sight	118,281,597	72,898,928
- amounts due from banks: others	(12,514,824)	448,278,571
- other assets	(34,907,772)	29,239,166
<b>3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities</b>	<b>95,994,506</b>	<b>(259,377,091)</b>
- amounts due to banks: at sight	(48,420,809)	(63,597,516)
- amounts due to banks: others	121,967,543	144,679,822
- amounts due to customers	(165,279,819)	(438,851,723)
- securities issued	442,484,353	318,099,441
- financial liabilities held for trading	(2,921,061)	(9,065,456)
- financial liabilities at fair value through profit or loss	(241,922,498)	(220,552,846)
- other liabilities	(9,913,202)	9,911,187
<b>Net liquid assets generated (absorbed) by operations (A)</b>	<b>37,005,999</b>	<b>153,984,844</b>
<b>B. INVESTMENTS</b>		
<b>1. Liquid assets generated by</b>	<b>2,909,623</b>	<b>8,388,191</b>
- sale of investments	-	1,244,400
- dividends received from investments	2,825,468	7,126,999
- sale/redemption of financial assets held to maturity	-	-
- sale of tangible assets	84,155	16,792
- sale of intangible assets	-	-
- sale of business divisions	-	-
<b>2. Liquid assets absorbed by</b>	<b>(25,050,201)</b>	<b>(146,473,088)</b>
- purchase of investments	(16,405,780)	(16,896,242)
- purchase of financial assets held to maturity	0	(120,831,709)
- purchase of tangible assets	(7,738,840)	(8,223,305)
- purchase of intangible assets	(905,582)	(521,832)
- purchase of business divisions	-	-
<b>Net liquid assets generated (absorbed) by investments (B)</b>	<b>(22,140,578)</b>	<b>(138,084,897)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,948,452)	(13,948,452)
<b>Net liquid assets generated (absorbed) by funding activities (C)</b>	<b>(13,948,452)</b>	<b>(13,948,452)</b>
<b>NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>	<b>916,969</b>	<b>1,951,495</b>

**RECONCILIATION**

<b>Financial statements' items</b>	2011	2010
Cash and cash equivalents at beginning of year	23,980,327	17,996,461
Total liquid assets generated (absorbed) during the year	916,969	1,951,495
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	24,897,296	19,947,956

N.B.: The item "Cash and cash equivalents at beginning of the year" corresponds to the total value and therefore includes the starting stock balances of the merged banks.

## Notes to the financial statements

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## **Part A - ACCOUNTING POLICIES**

### **A. 1 – GENERAL**

#### **Section 1 – Declaration of conformity with international accounting standards**

These financial statements were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the notes on operations.

In application of Legislative Decree no. 38 of 28 February 2005, which incorporated EC Regulation no. 1606/2002 of 19 July 2002, the Bank's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such financial statements.

Set out below are the accounting policies adopted in the preparation of the financial statements as of 31 December 2011.

#### **Section 2 – General accounting policies**

The financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.

When noting the main management events emphasis has been given to the principle of economic substance over form.

The financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale and valued at fair value and of all existing derivative contracts which have been valued in accordance with the fair value principle.

The accounting value of liabilities recorded in the financial statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.

As provided for under IAS39, with regard to the valuation of financial instruments, the fair value option was also adopted, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation. The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

Amounts are expressed in Euro units, except for the notes to the financial statements which have been expressed in thousands of Euros.

#### **Section 3 – Events subsequent to the reporting date**

Reference is made to the Directors' Report.

#### **Section 4 – Other aspects**

##### **Use of estimates and assumptions when drawing up the financial statements**

The drafting of the financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements. The use of such estimates involves the use of available information and the adoption of



subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the financial statements may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the notes to the financial statements;
- the use of valuation techniques for the determination of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of the reserve for employee termination indemnities and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the financial statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the financial statements.

## Auditing

These financial statements have been audited by the company PricewaterhouseCoopers SpA pursuant to Legislative Decree no. 39 of 27 January 2010 and in implementation of the resolution taken at the meeting of 30 April 2003, which was extended on 28 April 2006 and again on 27 April 2007 for the 2009-2011 financial years.

## A.2 - MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of the financial statements as at 31 December 2011, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date and have been applied on a going-concern basis.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

### Financial assets held for trading

#### *Classification criteria*

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments with a positive value and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent transfers to other categories are not generally permitted for this category of financial assets, except as permitted by IAS 39 in specific and exceptional circumstances.

#### *Recognition criteria*

Initial recognition is at fair value at the settlement date, which corresponds to the consideration paid without considering transaction costs, which are charged directly to the income statement.

#### *Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).

Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).

Shares and bonds which are not traded on an active market are measured at fair value by using valuation

techniques and considering objective elements that can be observed in the market (Level 2 fair value).

Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

#### *Derecognition criteria*

Assets held for trading are derecognised when they are sold or upon expiry of the assets.

### **Available-for-sale financial assets**

#### *Classification criteria*

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.

“Available-for sale financial assets” may be transferred to the category “Held-to-maturity investments” only in the following circumstances:

- a change in intention or ability,
- in the rare circumstances that a reliable measure of fair value is not available.

The transfer to the category “Loans and Receivables” is permitted only in particular circumstances.

#### *Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date.

#### *Measurement criteria*

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.

Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, “significant” (exceeding 50%) or “extended” (beyond 24 months) decreases in value are considered as an objective evidence of impairment of equity securities.

The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value.

#### *Criteria for the recognition of income statement components*

Gains or losses are recorded at equity in the valuation reserve, net of tax effects, until derecognition of the asset, while the component deriving from amortised cost is instead charged to the income statement.

At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount accrued in the valuation reserve is recognised in the income statement.

When impairment losses which have been recognised in the income statement, are balanced as a result of subsequent revaluations, the value write-back, up to the amount of these losses, is recognised in the income statement for debt securities and in an equity reserve for equity securities.

*Derecognition criteria*

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

**Held-to-maturity investments***Classification criteria*

“Held-to-maturity investments” comprise non-derivative (including implicit) financial assets listed on an active market (Level 1) with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank’s control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

*Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date.

*Criteria for the measurement and recognition of income statement components*

After initial recognition subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognised in the income statement.

Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

*Derecognition criteria*

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

**Loans and receivables***Classification criteria*

“Loans and receivables” comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Transfers from the categories of “Financial assets available for sale” and “Financial assets held for trading” are permitted only in particular circumstances specified by IAS 39.

#### *Recognition criteria*

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable, normally equal to the value paid out.

#### *Measurement criteria*

After initial recognition subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Loans and receivables are periodically subject to analysis, and are classified as “performing” and “nonperforming” based on the state of impairment of the loan or receivable.

Non-performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem, restructured exposures and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

The loans and receivables portfolio is subject to reassessment at least at the close of every set of annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. Measurement is achieved by considering both the specific solvency situation of customers and the local or national economic conditions relative to the debtor's sector of activity.

“Performing” loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not yet known at the time of measurement, in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the “non-performing” category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

Receivables for default interest that have accrued on impaired assets are accounted for as to their actual collection.

The value of loans to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards “performing loans” beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non-performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value. The fair value is determined through the development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model (Level 3).

#### *Derecognition criteria*

Loans and receivables that are transferred are only derecognised from the assets of the financial statements if the transfer has entailed the material transfer of all of the risks and benefits connected to the actual loans and receivables. However, if a substantial part of the risks and benefits relating to the transferred loans and receivables has been retained, they continue to be recorded in the assets of the financial statements, even though legally the ownership of the loan or receivable has actually been transferred.

In the event that it is not possible to ascertain whether the material transfer of the risks and benefits has taken place, the loans and receivables are derecognised from the financial statements if no type of control over them has been retained. On the other hand, if such control is retained, even partially, the loans and receivables are retained in the financial statements, to the extent of the residual involvement, which is measured by the exposure

of the transferred loans and receivables to changes in value and to variations in financial flows. Finally, the transferred loans and receivables are derecognised from the financial statements in the event that the contractual rights to receive the related cash flows are retained, with the concurrent assumption of an obligation to pay these cash flows, and only these, to other parties.

#### *Criteria for the recognition of income statement components*

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Default interest accrued is charged to the income statement only at the time of their actual collection.

Interest accruing over time as a result of the discounting-back of impaired loans is recognised in the income statement under write-backs.

The adjustments arising from the analytical and collective assessments are recognized in profit and loss.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recognized in profit and loss.

### **Hedging transactions**

#### *Classification criteria*

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments in the income statement.

The type of hedge used is the Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

#### *Recognition criteria*

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- -specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- preparation of complete formal documentation of the hedging relationship.

#### *Criteria for the measurement and recognition of income statement components*

The fair value of hedging financial instruments, which are not listed on an active market, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).

The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

This offsetting is recognised by recording, under item 90 "Net profits (losses) on hedging activities" in the income statement, the changes in value pertaining both to the item hedged (as regards the variations produced by the underlying risk factor) and to the hedging instrument. Any difference is therefore its net economic effect.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each set of annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

If the tests do not confirm the effectiveness of the hedge and taking account of internal policy, from that moment accounting for hedging transactions, as set out above, is suspended, the derivative hedging contract is reclassified as an instrument held for trading and the hedged financial instrument reacquires the valuation criterion that corresponds to its classification in the financial statements.

#### *Derecognition criteria*

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expires, is terminated or is sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

### **Equity investments**

#### *Classification criteria*

This item comprises investments in subsidiaries and associates, as defined by IAS 27 and 28. Other minority investments are accounted for in accordance with IAS 39, and are classified as available-for-sale financial assets and measured in accordance with the criteria for that class of financial asset.

#### *Recognition criteria*

Investments are entered at the settlement date. Initial recognition is at cost including any directly attributable additional charges.

#### *Measurement criteria*

After initial recognition, investments in subsidiaries and associates are valued at cost. Any value adjustments due to impairment must be recognised in the income statement.

a) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the Equity Investment, reference is made to the so-called "fair value":

The impairment test is conducted by using the financial valuation method Discounted Cash Flow (DCF).

Time horizon for the determination of future cash flows: it is only that attributable to the last Business Plan or budget approved by the Directors.

#### Cash flows

1) Equity investments in banking companies

With reference to this type of equity investments, the DCF method adopted is the so-called "Asset Side", taking account of the fact that the financial margin is the most peculiar component of the income statement for these entities. Furthermore, flows represented directly by the Net Results (NR) are assumed as future net Cash Flows.

2) Equity investments in other companies

With reference to equity investments (if any) in non-banking companies, the DCF method adopted is always the so-called "Asset Side", and, accordingly, the future net Cash Flows (CF) are determined on the basis of the prospective (unlevered) financial statements, or net of the financial margin.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which, as is known, expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness.

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be:

- equal to zero, where the Subsidiary or Associate has already reached an income stability, or a ROE (return on equity, i.e. the ratio between Net Result and Equity) in line with the equity ratio; vice versa,
- equal to an annual growth rate such as to allow a ROE (return on equity) to be reached by the entity, in the medium- to long-term, in line with the equity ratio previously determined.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of “perpetual annuity” at the WACC rate, or by taking account of the Market Multiples (Stock Exchange), with reference to the P/E (Capitalisation value divided by the Net Profit) of a significant basket of listed companies.

The Fair Value of the Equity Investment, as determined on the date when observations are made, is then compared to the value at which the specific Equity Investment is entered in the accounts, with the sole objective of verifying impairment losses (if any).

b) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (equity investments), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Board of Directors of the Company.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

c) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific equity investment entered in the accounts, should report a significant negative deviation (exceeding 10% of the value of the equity investment).

For equity investments in banks, this method is identified as the so-called “mixed” method, i.e. the most used relevant method within transactions concerning banking companies. The method in question estimates the Bank’s value on the basis of:

- *adjusted equity*, or of the equity, taking account of implicit revaluations/write-downs (if any) of assets and/or liabilities; in applying the method, reference is made only to the book value of the equity;
- *Market value of Direct and Indirect Deposits* on the basis of a reasonable panel of valuation rates;
- *value of the so-called “income goodwill”* which arises from a 3-year (in the case of a negative value) or 5-year (in the case of a positive value) discounting back of the difference between the Net Result and the Cost of Capital given by the equity ratio multiplied by the sum of adjusted equity and the market value of Direct and Indirect Deposits.

For equity investments in other (non-banking) companies, the control method is identified as the method of the so-called “multiples” that can be recorded in the market (Stock Exchange) or within recent transactions which have taken place for companies in the sector in which the company operates, for which an impairment is made in relation to the equity investment or the economic segment next to it.

*Criteria for the recognition of income components*

Dividends are accounted for when the right to receive them matures. Profits/losses from disposals are determined based on the difference between the investment’s book value, according to the weighted-average cost method and the consideration paid for the transaction, net of any directly attributable additional charges.

*Derecognition criteria*

Investments are derecognised from the accounts when the contractual rights to the cash flows from financial assets expire or when they are transferred together with the substantial transfer of all related risks and rewards.

## Tangible assets

### *Classification criteria*

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

### *Recognition criteria*

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer.

Ordinary maintenance costs are recognized directly in the income statement. In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables

### *Measurement criteria*

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets.

Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

### *Criteria for the recognition of income statement components*

Depreciation and impairment (if any) are recognised in the income statement under net value adjustments to tangible assets.

### *Derecognition criteria*

Tangible assets are derecognised on disposal.

## Intangible assets

### *Classification criteria*

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs



for the purchase of applications software.

Restructuring costs related to leasehold properties are entered under other assets.

#### *Recognition criteria*

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

#### *Measurement criteria*

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

a) Definition of the CGU "cash generating unit"

It is identified as the group of branches which are or have been purchased or contributed on the part of the purchasing bank or the contributing bank.

b) Allocation of goodwill

The price settled by the purchasing bank by cash or equity gives rise to an asset defined as "goodwill" or a "negative reserve" which is entered under the assets (under "intangible asset" with an unlimited life) or liabilities (under "equity reserves") of the financial statements of the purchasing or contributing bank at the time of the purchase or contribution.

c) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the CGUs, reference is made to the so-called "value in use" obtained by estimating the following factors:

- future incoming and outgoing cash flows which will derive from the continuing use of the CGU and from its "theoretical" future disposal;
- an appropriate discount rate (WACC – Weighted Average Cost Of Capital) for future incoming and outgoing flows cash flows;
- the time horizon considered is only that attributable to the last business plan or budget approved by the Directors.

Cash flows: the flows represented by EBITDA (earnings before interest, tax, depreciation and amortisation) are assumed as future Cash Flows of the CGU.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness,

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be equal to zero.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of "perpetual annuity" at the WACC rate.

Completion of the impairment test

The value in use of the CGU, as determined on the basis of the above procedure on the date when observations are made, is then compared to the value of the specific item entered in the accounts of the bank, with the sole objective of verifying impairment losses (if any).

d) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (groups of branches), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Directors.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

e) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific item entered in the accounts of the Bank, should report a significant negative deviation (exceeding 10% of the value of the item).

For CGUs, this method is identified as that of the so-called "market multiples" which, in the present case, is referred to the price per branch relating to the most recent market transactions concerning the purchase and sale of bank branches.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

*Criteria for the recognition of income statement components*

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.

Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

*Derecognition criteria*

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

**Current and deferred taxes**

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 130 "Tax assets".

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 "Tax liabilities". Likewise, current taxes that have not yet been paid are separately recognised under item 80 "Current tax liabilities". In the event of excess payments on account, the receivable to be recovered is recognized under item 130 "Current tax assets". Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

Finally, it should be noted that Banco Desio, together with other Italian companies in the Group, has adopted the Group's national tax consolidation mechanism.

**Reserve for employee termination indemnities**

*Measurement criteria*

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of Employee Termination Indemnity (TFR)) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of resignations and advance requests.

*Criteria for the recognition of income statement components*

The provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial profit (loss) element, and against the profit and loss account under provisions as regards other elements such as interest accrued in time (time-discounting) and the adjustment of the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

**Reserves for risks and charges - Other provisions***Classification criteria*

Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

*Measurement criteria*

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

*Criteria for the recognition of income statement components*

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

**Liabilities and securities issued***Classification criteria*

This item includes the various types of deposits received by the Bank: amounts due to banks, amounts due to

customers, certified bond securities held on deposit or issued by the Bank itself.

*Recognition criteria*

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, equal to the amount collected, or at the issue price, adjusted by any initial costs or income directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement. The fair value of hedge financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).

In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.

Securities issued by the Bank are shown net of any repurchases.

*Derecognition criteria*

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale. For securities issued, the part subject to repurchase is, in essence, settled. The reinvestment of the Bank's securities previously repurchased is considered as a new issue at the selling value.

**Financial liabilities held for trading**

*Classification criteria*

This item comprises derivative instruments that are held for trading with a negative fair value.

*Recognition criteria*

Liabilities held for trading are recognised at fair value.

*Criteria for the measurement and recognition of income statement components*

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derivative instruments traded on active markets are valued at the closing price on the day of valuation (Level 1).

For derivative instruments, not traded on active markets, the pricing is made by employing valuation techniques (Level 3).

*Derecognition criteria*

Financial liabilities are derecognised upon sale, maturity or settlement.

**Financial liabilities at fair value through profit or loss**

*Classification criteria*

This item includes financial liabilities at fair value through profit or loss.

Specifically, the item refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged are classified under this category.

#### *Recognition criteria*

These are recognised at fair value, which corresponds to the consideration collected or the issue price, as adjusted by initial income or charges (if any) directly attributable to the individual issue.

#### *Criteria for the measurement and recognition of income statement components*

These are measured at fair value through profit or loss.

Fair value is determined through valuation techniques which use parameters that can be observed in active markets (level 2). The method is the discounted cash flow method by using a zero-coupon curve made up of elements present in the market, and applying a credit spread calculated using the euro swaps curve and the curve of the yields of the securities issued by European banks with a rating equal to that of the Bank (Level 2). For subordinate bonds, a specific adjustment factor is also considered.

#### *Derecognition criteria*

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

### **Transactions in foreign currency**

#### *Recognition criteria*

Foreign currency transactions are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

#### *Measurement criteria*

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction;
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

#### *Criteria for the recognition of income statement components*

For monetary elements the effect of the valuation is assigned to the income statement.

For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange

rate differences will be recognized in equity as well.

## Other information

### *Revaluation reserves*

This item comprises the revaluation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value, as deemed cost, to tangible assets upon the first-time adoption of IAS/IFRS are also included.

### *Costs and revenues recognition*

Revenues are recognized when they are earned or, in any case, when it is probable that future benefits will be received and that these benefits can be quantified reliably. In particular:

- interest payments are recognised on a pro rata basis according to the contractual rate of interest or the actual rate in the case of the application of amortised cost. The item interest receivable (or interest payable) also includes the differentials or the positive (or negative) margins accrued from the reference date of the financial statements in relation to financial derivative contracts:
  - a) to hedge assets or liabilities that generate interest;
  - b) classified in the Balance Sheet in the trading portfolio, but connected from an operational point of view to financial assets and/or liabilities valued at fair value (fair value option);
  - c) connected operationally to assets and liabilities classified in the trading portfolio and which provide for the settlement of differentials or margins with several expiry dates;
- default interest, which may be provided for contractually, is accounted for in the Income Statement only when it is actually collected;
- dividends are charged to the Income Statement when a resolution is taken for their distribution;
- commission on income from services is recorded, on the basis of contractual agreements, in the period in which the actual services are provided;
- income deriving from the brokering of financial trading instruments, which is determined by the difference between the transaction price and the fair value of the instrument, is charged to the Income Statement when the transaction is recorded if the fair value can be determined from parameters or recent transactions that can be observed on the same market in which the instrument is traded. If these values cannot be easily obtained or if they show reduced liquidity, the financial instrument is recorded at an amount equal to the transaction price, without the sales margin; the difference against the fair value is charged to the Income Statement for the duration of the transaction with a gradual reduction, in the valuation model, of the corrective factor connected to the reduced liquidity of the instrument; profits/losses deriving from the trading of financial instruments are charged to the Income Statement when the sale is completed, on the basis of the difference between the consideration paid or collected and their carrying value;
- income deriving from the sale of non-financial assets is recorded when the sale is completed, unless the majority of the risks and benefits connected to the asset have been retained.

Costs are charged to the Income Statement in the period in which the relative income is accounted for. If the association between costs and income is generic and indirect, costs are recorded over several periods using rational procedures and on a systematic basis. Costs that cannot be linked to income are immediately charged to the Income Statement.

### *Finance leases*

Assets under finance leases are shown as receivables at an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

## **A.3 - INFORMATION ON FAIR VALUE**

### **A.3.1 Transfers between portfolios**

The amendments to IAS 39 and IFRS 7 "Reclassification of financial assets" which were approved by the IASB in 2008, allow certain financial assets to be reclassified out of the "held for trading" and "available for sale" portfolios subsequent to their initial entry.

In particular, the following can be reclassified:

- those financial assets held for trading or available for sale that would have fulfilled the definition laid down by international accounting standards for the loans portfolio (if these assets had not been classified as held for trading or available for sale respectively when they were initially recorded) if the business has the intention and capacity to hold them for the foreseeable future or until their expiry;
- "only in rare circumstances" those financial assets held for trading that at the time of their being recorded did not fulfil the definition of loans.

Banco Desio Brianza has not reclassified any items between portfolios.

### A.3.2 Fair value hierarchy

#### A.3.2.1 Accounting portfolios: breakdown by level of fair value

Assets/Liabilities at fair value	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	8,783	19	2,399	16,684	1,763	17,412
2. Financial assets at fair value						
3. Available-for-sale financial assets	630,639	232,080	6,627	507,926	246,754	5,129
4. Hedging derivatives			5,631			
<b>Total</b>	<b>639,422</b>	<b>232,099</b>	<b>14,657</b>	<b>524,610</b>	<b>248,517</b>	<b>22,541</b>
1. Financial liabilities held for trading	16	16	2,697	65	8	2,416
2. Financial liabilities at fair value		89,138			323,525	
3. Hedging derivatives			2,684			2,653
<b>Total</b>	<b>16</b>	<b>89,154</b>	<b>5,381</b>	<b>65</b>	<b>323,533</b>	<b>5,069</b>

**A.3.2.2 Financial assets at fair value (level 3): annual changes**

	FINANCIAL LIABILITIES			
	held for trading	at fair value	available-for-sale	hedging
<b>1. Opening balances</b>	<b>17,412</b>		<b>5,129</b>	
<b>2. Increases</b>	<b>4,585</b>		<b>1,600</b>	<b>7,256</b>
2.1 Purchases	179		1,600	
<i>of which: Business combinations</i>	179		100	
2.2 Profits charged to:				
2.2.1 Income statement	1,841			5,409
- of which Capital Losses	1,841			5,409
2.2.2 Equity				
2.3 Transfers from other levels				
2.4 Other increases	2,565			1,847
<b>3. Decreases</b>	<b>19,598</b>		<b>102</b>	<b>1,625</b>
3.1.Sales			100	
<i>of which: Business combinations</i>			100	
3.2. Redemptions				
3.3. Losses charged to:				
3.3.1 Income statement	6,724			3
- of which Capital Gains	6,724			3
3.3.2 Equity				
3.4 Transfers to other levels				
3.5 Other decreases	12,874		2	1,622
<i>of which: Business combinations</i>	85			
<b>4. Closing balances</b>	<b>2,399</b>		<b>6,627</b>	<b>5,631</b>



**A.3.2.3 Financial liabilities at fair value (level 3): annual changes**

	FINANCIAL LIABILITIES		
	held for trading	at fair value	hedging
<b>1. Opening balances</b>	<b>2,416</b>		<b>2,653</b>
<b>2. Increases</b>	<b>3,718</b>		<b>3,520</b>
2.1 Issues	128		
<i>of which: Business combinations</i>	128		
2.2 Losses charged to:			
2.2.1 Income statement	2,759		995
- <i>of which Capital Losses</i>	2,759		995
2.2.2 Equity			
2.3 Transfers from other levels			
2.4 Other increases	831		2,525
<b>3. Decreases</b>	<b>3,437</b>		<b>3,489</b>
3.1 Redemptions			
3.2 Repurchases			
3.3 Profits charged to:			
3.3.1 Income statement	2,723		2,799
- <i>of which Capital Gains</i>	2,723		2,799
3.3.2 Equity			
3.4 Transfers to other levels			
3.5 Other decreases	714		690
<i>of which: Business combinations</i>	34		690
<b>4. Closing balance</b>	<b>2,697</b>		<b>2,684</b>

**A.3.3 Information on the so-called "day one profit/loss"**

In relation to the Bank's operations and on the basis of the internal valuation methods which are currently in use, no differences have been recognized between the price of the transactions and the initial measurement of financial assets and liabilities entered in the accounts (the so-called "day one profit/loss").

**Part B - INFORMATION ON THE BALANCE SHEET**
**ASSETS**
**SECTION 1 - CASH AND CASH EQUIVALENTS (caption 10)**
**1.1 Cash and cash equivalents : break-down**

	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
a) Cash	24,897	19,948	23,880
b) Sight deposits at Central Banks	-	-	-
<b>Total</b>	<b>24,897</b>	<b>19,948</b>	<b>23,880</b>

The counter-value of the component expressed in foreign currencies totals Euro 663 thousand (the aggregated amount was Euro 704 thousand at the end of the previous period).

**SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING (caption 20)**
**2.1 Financial assets held for trading: break-down by type**

Caption/amount	Total 31.12.2011			Total 31.12.2010			Total 31.12.2010 aggregate		
	L 1	L 2	L 3	L 1	L 2	L 3	L 1	L 2	L 3
<b>A. Cash equivalents</b>									
1. Debt securities	8,594			16,274	1,748		16,274	1,748	
1.1 Structured securities					145			145	
1.2 Other debt securities	8,594			16,274	1,603		16,274	1,603	
2. Equity securities	166			314			314		
3. UCITS units									
4. Financing									
4.1 Repurchase agreements assets									
4.2 Other									
<b>Total (A)</b>	<b>8,760</b>	<b>-</b>	<b>-</b>	<b>16,588</b>	<b>1,748</b>	<b>-</b>	<b>16,588</b>	<b>1,748</b>	<b>-</b>
<b>B. Derivative</b>									
1. Financial derivatives:	23	19	2,399	96	15	17,412	96	15	17,378
1.1 trading	23	19	830	96	15	1,469	96	15	1,435
1.2 connected with the fair value option			1,569			15,943			15,943
1.3 other									
2. Credit derivatives									
2.1 trading									
2.2 connected with the fair value option									
2.3 other									
<b>Total (B)</b>	<b>23</b>	<b>19</b>	<b>2,399</b>	<b>96</b>	<b>15</b>	<b>17,412</b>	<b>96</b>	<b>15</b>	<b>17,378</b>
<b>Total (A+B)</b>	<b>8,783</b>	<b>19</b>	<b>2,399</b>	<b>16,684</b>	<b>1,763</b>	<b>17,412</b>	<b>16,684</b>	<b>1,763</b>	<b>17,378</b>

This caption included securities held for trading together with the positive value of derivative contracts created for trading purposes and those connected with the fair value option.

The counter-value of derivative instruments referring to banks of the Group amounts to Euro 1 thousand (Euro 3 thousand at aggregated level last year).

**2.2 Financial assets held for trading: break-down by debtor/issuer**

Caption /Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>A. CASH EQUIVALENTS</b>			
<b>1. Debt securities</b>	<b>8,594</b>	<b>18,022</b>	<b>18,022</b>
a) Governments and central banks	8,594	17,557	17,557
b) Other public entities			
c) Banks	-	465	465
d) Other issuers			
<b>2. Equity securities</b>	<b>166</b>	<b>314</b>	<b>314</b>
a) Banks	166	314	314
b) Other issuers	-	-	-
- insurance companies			
- financial institutions			
- non-financial companies			
- other			
<b>3. UCITS units</b>			
<b>4. Financing</b>	-	-	-
a) Governments and central banks			
b) Other public entities			
c) Banks			
d) Other entities			
<b>Total A</b>	<b>8,760</b>	<b>18,336</b>	<b>18,336</b>
<b>B. DERIVATIVE INSTRUMENTS</b>			
a) Banks	-	16,916	16,844
- fair value	1,924	16,916	16,844
b) Customers	-	607	645
- fair value	517	607	645
<b>Total B</b>	<b>2,441</b>	<b>17,523</b>	<b>17,489</b>
<b>Total (A + B)</b>	<b>11,201</b>	<b>35,859</b>	<b>35,825</b>

**2.3 Cash financial assets held for trading: annual changes**

	Debt securities	Equity securities	UCITS units	Financing	2011
<b>A. Opening balance</b>	<b>18,022</b>	<b>314</b>			<b>18,336</b>
<b>B. Increases</b>	<b>357,100</b>	<b>424,798</b>			<b>781,898</b>
B.1 Purchases	173,466	212,227			385,693
B.2 Positive fair value changes	39				39
B.3 Other changes	331	98			429
<b>C. Decreases</b>	<b>183,264</b>	<b>212,473</b>			<b>395,737</b>
<b>C.1 Sales</b>	<b>170,854</b>	<b>212,120</b>			<b>382,974</b>
C.2 Redemptions	12,181				12,181
C.3 Negative fair value changes	104	200			304
C.4 Transfers to other portfolios					
C.5 Other changes	125	153			278
<b>D. Closing balance</b>	<b>8,594</b>	<b>155</b>			<b>8,760</b>

Item "B.3 Other changes" includes profits from trading activities and from redemptions for a total of Euro 351 thousand, of which Euro 253 thousand on debt securities and Euro 98 thousand on equity instruments, as well as interest accrued, inclusive of the positive issue spreads, for an aggregate of Euro 78 thousand.

On the contrary, item "C.5 Other changes" includes losses from trading activities or from redemptions for a total of Euro 241 thousand, of which Euro 88 thousand on debt securities and Euro 153 thousand on equity instruments; and the de-recognition of interest accrued at the end of the previous year amounting to Euro 37 thousand.

The results of the fair value changes of the trading portfolio, as reported under items "B.2 positive fair value changes" and "C.3 Negative fair value changes", are recognised in the income statement under item 80 "Net profits/(losses) on trading activities", together with profits/losses from trading or redemptions.

**SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE (caption 30)**

This item has a balance of nil in the periods of reference.

**SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS (caption 40)**
**4.1 Available-for-sale financial assets: break-down by type**

Caption/Amount	Total 31.12.2011			Total 31.12.2010			Total 31.12.2010 aggregate		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	590,503	232,080	110	477,443	246,754	110	477,443	246,754	110
1.1 Structured securities		3,500			3,662			3,662	
1.2 Other debt securities	590,503	228,580	110	477,443	243,092	110	477,443	243,092	110
2. Equity securities	509	-	6,517	662	-	5,019	662	-	5,119
2.1 Measured at fair value	509		4,951	662		4,951	662		4,951
2.2 Measured at cost			1,566			68			168
3. UCITS units	39,627			29,821			29,821		
4. Financing									
<b>Total</b>	<b>630,639</b>	<b>232,080</b>	<b>6,627</b>	<b>507,926</b>	<b>246,754</b>	<b>5,129</b>	<b>507,926</b>	<b>246,754</b>	<b>5,229</b>

The item "Equity securities" is made up of equity investments in stock companies with voting rights of less than 20% of the company's share capital and which do not represent strategic investments for the Bank.

UCITS units are subdivided in the following categories of funds: bonds Euro 25.2 million, equity Euro 3.5 million, hedge funds Euro 10.7 million, flexible Euro 0.2 million; whereas last year the breakdown into the various categories was as follows: bond funds of Euro 13.0 million, monetary funds of Euro 5.0 million, equity funds of Euro 1.6 million, hedge funds of Euro 10.2 million.

**4.2 Available-for-sale financial assets: break-down by debtor/issuer**

Caption/Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>1. Debt securities</b>	<b>822,693</b>	<b>724,307</b>	<b>724,307</b>
a) Governments and central banks	587,135	406,827	406,827
b) Other public entities			
c) Banks	202,912	272,727	272,727
d) Other issuers	32,646	44,753	44,753
<b>2. Equity securities</b>	<b>7,026</b>	<b>5,681</b>	<b>5,781</b>
a) Banks			
b) Other issuers	7,026	5,681	5,781
- insurance companies			
- financial institutions	1,534	697	797
- non-financial companies	5,492	4,984	4,984
- other			
<b>3. UCITS units</b>	<b>39,627</b>	<b>29,821</b>	<b>29,821</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Governments and central banks			
b) Other public entities			
c) Banks			
d) Other entities			
<b>Total</b>	<b>869,346</b>	<b>759,809</b>	<b>759,909</b>

**4.3 Available-for-sale financial assets: assets subject to specific hedging**

Caption / Amount	31.12.2011	31.12.2010
<b>1. Financial assets subject to specific hedging of fair value</b>	14,245	-
a) interest rate risk	14,245	
b) price risk		
c) exchange risk		
d) credit risk		
e) other risk		
<b>2. Financial assets subject to specific hedging of cash flows</b>	-	-
a) interest rate risk		
b) exchange risk		
c) other		
<b>Total</b>	<b>14,245</b>	<b>-</b>

**4.4 Available-for-sale financial assets: annual changes**

	Debt securities	Equity securities	UCITS units	Financing	2011
<b>A. Opening balance</b>	<b>724,307</b>	<b>5,681</b>	<b>29,821</b>	-	<b>759,809</b>
<b>B. Increases</b>	<b>654,631</b>	<b>1,634</b>	<b>17,080</b>	-	<b>673,345</b>
B.1. Purchases	638,079	100	16,200		654,379
B.2. Positive fair value changes		100			100
B.3. Write-backs	1,718		786		2,504
- charged to statement of income					
- charged to shareholders' equity					
B.4. Transfer from other portfolios					
B.5. Other increases	14,834	1,534	94		16,462
<b>C. Decreases</b>	<b>556,243</b>	<b>290</b>	<b>7,275</b>	-	<b>563,808</b>
C.1. Sales	407,894	100	6,678		414,672
C.2. Redemptions	102,309				102,309
C.3. Negative fair value changes	42,916	153	597		43,666
C.4. Impairment write-downs	-	-	-		-
- charged to statement of income					
- charged to shareholders' equity					
C.5. Transfers to other portfolios					
C.6. Other decreases	3,124	37	-		3,161
<b>D. Closing balance</b>	<b>822,695</b>	<b>7,025</b>	<b>39,626</b>	-	<b>869,346</b>

Items "B.2 Positive fair value changes" and "C.3 Negative fair value changes" represent capital gains/losses, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves".

In relation to the section "Debt securities", item "B.5 Other changes" includes:

- interest accrued, including the positive issue spreads and the increase in the amortised cost, for an aggregate of Euro 8.5 million, charged to the income statement under item 10 "Interest income on securities";
- income of Euro 1.4 million related to a valuation adjustment under hedge accounting, charged to the income statement under item "90 Net profits (losses) on hedging activities";
- profits on trading activities for an aggregate of Euro 4.9 million, charged to the income statement under item 100 "Profit/(loss) on disposal or repurchase of financial assets available for sale";

On the other hand the item "C.6 Other changes" includes:

- . interest accrued in the previous year and the negative change of the amortised cost for an aggregate of Euro 3.0 million, charged under item 10 in the income statement;
- . losses from trading activities for an aggregate of Euro 0.1 million, charged under item 100 in the income statement.

### Impairment test on financial assets available for sale

As required by the IFRS accounting standards, the financial assets available for sale were subject to an impairment test at the end of the period in order to check whether there were any negative events that could lead one to consider that the value of these assets in the financial statements was not fully recoverable.

The criteria for carrying out the impairment test on financial assets available for sale are described in the specific section of "Part A – Accounting policies" of these Notes to the Financial Statements.

The tests carried out did not entail the need to enter any impairment losses.

## SECTION 5 - HELD-TO-MATURITY INVESTMENTS (caption 50)

### 5.1 Held-to-maturity investments: break-down by type

Transactions type / Amount	Total 31.12.2011				Total 31.12.2010				Total 31.12.2010 aggregate			
	Book value	Fair value			Book value	Fair value			Book value	Fair value		
		L 1	L 2	L 3		L 1	L 2	L 3		L 1	L 2	L 3
1. Debt securities	120,889	94,218	-	-	120,831	114,262	-	-	120,831	114,262	-	-
- structures securities					-							
- other debt securities	120,889	94,218			120,831	114,262			120,831	114,262		
2. financing												
<b>Total</b>	<b>120,889</b>	<b>94,218</b>	<b>-</b>	<b>-</b>	<b>120,831</b>	<b>114,262</b>	<b>-</b>	<b>-</b>	<b>120,831</b>	<b>114,262</b>	<b>-</b>	<b>-</b>

### 5.2 Held-to-maturity investments: break-down by debtor/issuer

Transaction type/Amount	Total 31.12.2011	Total 31.12.2010
	<b>1. Debt securities</b>	<b>120,889</b>
a) Governments and central banks	110,774	110,719
b) Other public entities		
c) Banks	10,115	10,112
d) Other issuers	-	-
<b>2. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
<b>Total</b>	<b>120,889</b>	<b>120,831</b>



### 5.3 Held-to-maturity investments: subject to specific hedging

At the balance sheet date there was a balance of nil for held-to-maturity investments subject to specific hedging.

### 5.4 Held-to-maturity financial assets: annual changes

	Debt securities	Financing	2011
<b>A. Opening balance</b>	<b>120,831</b>		<b>120,831</b>
<b>B. Increases</b>	<b>1,625</b>		<b>1,625</b>
B.1 Purchases	-		
B.2 Write-backs			
B.3 Transfer from other portfolios			
B.4 Other increases	1,625		1,625
<b>C. Decreases</b>	<b>(1,567)</b>		<b>(1,567)</b>
C1. Sales			
C2. Redemptions			
C3. Value adjustments			
C4. Transfers to other portfolios			
C5. Other decreases	(1,567)		(1,567)
<b>D. Closing balance</b>	<b>120,889</b>		<b>120,889</b>

Item B.4 “Other increases” is made up of Euro 1,567 thousand for accruals accrued at the end of the period and Euro 58 thousand for the portion of positive amortised cost accrued in the year, all of which was accounted for in the income statement under item 10 “Interest income”.

On the contrary, item “C.5. Other decreases” is made up of Euro 1,565 thousand for accruals accumulated last year and Euro 2 thousand for the negative change in the amortised cost accrued in the period; the entry in the accounts of the two elements entails a reduction in item 10 of the income statement.

**SECTION 6 - AMOUNTS DUE FROM BANKS (caption 60)**
**6.1 Amounts due from banks: break-down by type**

Transaction type/Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>A. Amounts due from Central banks</b>	<b>29,371</b>	<b>69,384</b>	<b>69,384</b>
1. Restricted deposits			
2. Compulsory reserve	29,371	69,384	69,384
3. Repurchase agreements			
4. Other			
<b>B. Amounts due from banks</b>	<b>137,645</b>	<b>330,061</b>	<b>203,388</b>
deposits	31,328	135,211	68,404
2. Restricted deposits	73,281	75,692	70,490
3. Other financing	7,604	33,699	19,103
3.1 repurchase agreements			
3.2 Finance leases			
3.3 Other	7,604	33,699	19,103
4. Debt securities	25,432	85,459	45,391
4.1 Structured securities	25,432	25,358	25,358
4.2 Other debt securities	-	60,101	20,033
<b>Total (book value)</b>	<b>167,016</b>	<b>399,445</b>	<b>272,772</b>
<b>Total (fair value)</b>	<b>166,580</b>	<b>399,445</b>	<b>272,772</b>

The aggregate of credits expressed in foreign currencies amounts to Euro 59.8 million (Euro 44.6 million in the previous year).

The intragroup relations outstanding at the end of the year come to 13.2 million (the aggregate amount was Euro 47.5 million as at 31.12.2010), of which Euro 5.6 million for current accounts, Euro 7.5 million for other loans and Euro 0.1 million for restricted deposits.  
All accounts are regulated at arm's length.

At the end of the year, the commitment to maintain the Compulsory reserve undertaken by Banco Desio for all the Group banks amounted to Euro 86.1 million (Euro 24.5 million in the previous year)..

At the end of the year there were no impaired assets in amounts due from banks.

**6.2 Amounts due from banks: assets subject to specific hedging**

At the reference date there were no amounts due from banks subject to specific hedging.

**6.3 Amounts due from banks: finance leases**

Banco Desio has no amounts due from banks in connection with finance lease transactions.

**SECTION 7 - AMOUNTS DUE FROM CUSTOMERS (caption 70)**
**7.1 Amounts due from customers: break-down by type**

Transactions type / Amount	Total 31.12.2011		Total 31.12.2010		Total 31.12.2010 aggregate	
	Performing	Impaired	Performing	Impaired	Performing	Impaired
1. Current account	1,428,346	75,122	1,108,129	61,590	1,345,941	68,414
2. Repurchase agreements	3,583		1,522		1,522	
3. Mortgage loans	2,776,999	138,598	2,283,316	88,148	2,739,597	93,089
4. Credit cards, personal loans and loans on salary	66,941	3,875	87,393	3,292	87,662	3,292
5. Financial leases	576,355	21,272	598,102	17,944	598,102	17,944
6. Factoring	11,180	104	9,139	167	9,139	167
7. Other transactions	645,464	5,264	568,637	2,861	705,565	2,935
8. Debt securities	21,747		55,630		55,630	
8.1 Structured securities						
8.2 Other debt securities	21,747		55,630		55,630	
<b>Total (book value)</b>	<b>5,530,615</b>	<b>244,235</b>	<b>4,711,868</b>	<b>174,002</b>	<b>5,543,158</b>	<b>185,841</b>
<b>Total (fair value)</b>	<b>5,834,472</b>	<b>244,235</b>	<b>4,954,916</b>	<b>174,002</b>	<b>5,826,007</b>	<b>185,841</b>

The amounts due from customers shown relate to Euro 5,766.6 million of relations with resident clients and to Euro 8.2 million of relations with non-resident clients (Euro 4,861.9 million of relations with resident clients and Euro 24.0 million of relations with non-resident customers last year, respectively).

Currency exposures amount to a counter-value of Euro 27.2 million (Euro 6.0 million at the end of the previous year).

Amounts due from Group Banco Desio companies amounted to Euro 187.9 million (the aggregated amount was Euro 109.5 million last year), of which Euro 187.5 million from the indirect subsidiary Fides S.p.a (the aggregated amount was Euro 108.8 million as at 31.12.2010).

Section E of these Notes should be referred to for information regarding "Impaired assets" additional to that provided in the Report on Operations.

The fair value of credits reflects performing loans connected with medium and long term financing, the major changes of which refer to mortgages estimated at Euro 3,032.2 million, finance lease of Euro 620.4 million, credit cards, personal loans and loans on salary ("*cessione del quinto*") for Euro 71.5 million.

The amount of item "8.e Other debt securities" represents the counter-value of capitalisation policies.

**7.2 Amounts due from customers: break-down by debtor/issuer**

Transaction typeAmount	Total 31.12.2011		Total 31.12.2010		Total 31.12.2010 aggregate	
	Performing	Impaired	Performing	Impaired	Performing	Impaired
<b>1. Debt securities</b>	<b>21,747</b>	<b>-</b>	<b>55,630</b>	<b>-</b>	<b>55,630</b>	<b>-</b>
a) Governments						
b) other public entities						
c) other issuers	21,747		55,630		55,630	
- non-financial companies						
- financial companies						
- insurance companies	21,747		55,630		55,630	
- other						
<b>2. Loans to:</b>	<b>5,508,868</b>	<b>244,235</b>	<b>4,656,238</b>	<b>174,002</b>	<b>5,487,528</b>	<b>185,841</b>
a) Governments						
b) Other public entities			49		49	
c) Other entities	5,508,868	244,235	4,656,189	174,002	5,487,479	185,841
- non-financial companies	3,454,375	151,933	2,991,785	110,939	3,572,660	119,625
- financial companies	277,668	184	137,739	2	160,785	31
- insurance companies	1,512	-	1,527		1,646	
- other	1,775,313	92,118	1,525,138	63,061	1,752,388	66,185
<b>Total</b>	<b>5,530,615</b>	<b>244,235</b>	<b>4,711,868</b>	<b>174,002</b>	<b>5,543,158</b>	<b>185,841</b>

**7.3 Amounts due from customers: assets subject to specific hedging**

At the reference date there were no amounts due from customers subject to specific hedging.

**7.4 Financial lease**

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor.

Type of transactions	Gross investment	Deferred profit	Net investment	Unsecured residual values
Finance lease	736,308	146,549	589,759	85,793
- of which leaseback agreements	50,704	10,867	39,837	7,794
<b>Total</b>	<b>736,308</b>	<b>146,549</b>	<b>589,759</b>	<b>85,793</b>

Relevant period	Gross investment	Deferred profit	Net investment
- Within 1 year	15,986	369	15,617
- Between 1 and 5 years	225,342	17,166	208,176
- Beyond than 5 years	494,980	129,014	365,966
<b>Total</b>	<b>736,308</b>	<b>146,549</b>	<b>589,759</b>

The net investment exclusively corresponds to the capital falling due for the contracts existing at the year-end.

**SECTION 8 - HEDGING DERIVATIVES (caption 80)**
**8.1 Hedging derivatives: breakdown by type of hedge and by level**

	31/12/2011			NV	31/12/2010			NV
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>			<b>5,631</b>	<b>216,637</b>				
1) Fair value			5,631	216,637				
2) Cash flow								
3) Foreign investments								
<b>B. credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>			<b>5,631</b>	<b>216,637</b>				

**Key**

NV = Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

**8.2 Hedging derivatives: breakdown by portfolios hedged and by type of hedge**

Transactions/Hedging type	Fair Value					Cash flows			Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange risk	credit risk	price risk	other risk				
1. Available-for-sale financial assets									
2. Credits									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transaction									
<b>Total assets</b>	-	-	-	-	-	-	-	-	-
1. Financial liabilities	5,631								
2. Portfolio									
<b>Total liabilities</b>	<b>5,631</b>	-	-	-	-	-	-	-	-
1. Expected settlements									
2. Financial assets and liabilities portfolio									

**SECTION 9 - ADJUSTMENT TO VALUES OF FINANCIAL ASSETS SUBJECT TO SPECIFIC HEDGING (caption 90)**

At the reference date there were no financial assets subject to specific hedging.

**SECTION 10 - EQUITY INVESTMENTS (caption 100)**
**10.1 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: information on ownership relationships**

Company name	Registered Office	% Ownership share
<b>A. Wholly-owned subsidiary companies</b>		
Brianfid-Lux S.A.	<i>Luxembourg</i>	100.000
Banco Desio Lazio S.p.A.	<i>Rome</i>	100.000
Chiara Assicurazioni S.p.A.	<i>Desio</i>	66.662
<b>C. Companies subject to significant influence</b>		
Chiara Vita S.p.A.	<i>Milan</i>	30.000
Istifid S.p.A.	<i>Milan</i>	28.961

**10.2 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: accounting data**

Company name	Total assets	Total revenues	Profit (loss)	Net		
				Shareholders' equity	Book value	Fair value
<b>A. Wholly-owned subsidiary companies</b>						
Brianfid-Lux S.A.	31,836	1,974	(2,807)	31,419	27,970	x
Banco Desio Lazio S.p.A.	966,101	45,123	4,138	71,967	65,995	x
Chiara Assicurazioni S.p.A.	60,430	30,614	2,499	12,580	13,135	x
<b>Total A</b>	<b>1,058,367</b>	<b>77,711</b>	<b>3,830</b>	<b>115,966</b>	<b>107,100</b>	
<b>C. Companies subject to significant influence (1)</b>						
Chiara Vita S.p.A.	2,127,170	832,826	6,584	51,321	16,197	x
Istifid S.p.A.	6,063	5,165	186	3,635	883	x
<b>Total C</b>	<b>2,133,233</b>	<b>837,991</b>	<b>6,770</b>	<b>54,956</b>	<b>17,080</b>	
<b>Total</b>	<b>3,191,600</b>	<b>915,702</b>	<b>10,600</b>	<b>170,922</b>	<b>124,180</b>	

(1) With the exception of the book value all other data refers to 31.12.2010, the last approved financial statements

**10.3 Equity investments: annual changes**

	Total 2011	Total 2010
<b>A. Opening balance</b>	<b>193,447</b>	<b>177,795</b>
<b>B. Increases</b>	<b>16,410</b>	<b>16,896</b>
B.1 Purchases	16,406	16,403
B.2 Write-backs		
B.3 Revaluations		
B.4 Other increases	4	493
<b>C. Decreases</b>	<b>85,677</b>	<b>1,244</b>
C.1 Sales		1,244
C.2 Value adjustments		
C.3 Other decreases	85,677	
<b>D. Closing balance</b>	<b>124,180</b>	<b>193,447</b>
<b>E. Total revaluations</b>		
<b>F. Total value adjustments</b>		

The item "Purchases" refers to the following transactions:

- . Chiara Assicurazioni S.p.A. – purchase of 859,000 shares with a total value of Euro 3.7 million;
- . Banco Desio Lazio S.p.A. – capital contribution payment of Euro 10 million;
- . Chiara Vita S.p.A. - capital contribution payment of 2.7 million.

The item C.3 "Other decreases" includes exclusively the effect of the merger by incorporation of the subsidiaries:

- . Banco Desio Toscana S.p.A. – to a value of 32.6 million;
- . Banco Desio Veneto S.p.A. – to a value of 53.1 million.

**Impairment tests on equity investments**

As indicated in "Part A – Accounting policies" equity investments are subject to impairment tests in order to assess the recoverability of the book value in the financial statements.

The results of the valuations carried out did not entail the recording of any impairment.

**List of equity investments**

(amounts in Euro units)

Equity investments	Number of shares or stakes	% ownership share	Nominal value	Book value
<b>Subsidiaries</b>				
BRIANFID-LUX S.A.	2,794,300	100.000	27,943,000	27,969,818
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	47,700,000	65,994,595
CHIARA ASSICURAZIONI S.p.A.	6,273,600	66.662	6,273,600	13,135,482
<b>Total subsidiaries</b>			<b>81,916,600</b>	<b>107,099,895</b>
<b>Associated companies</b>				
ISTIFID S.p.A. (1)	419,937	28.961	419,937	883,370
CHIARA VITA S.p.A.	10,253,400	30.000	10,253,400	16,196,535
<b>Total associated companies</b>			<b>10,673,337</b>	<b>17,079,905</b>
<b>Total equity investments</b>				<b>124,179,800</b>
(1) of which 0.623% equal to no. 9,035 shares -bare property				

(amounts in Euro units)

Equity investments	Number of shares or stakes	% ownership share	Nominal value	Book value
<b>Other (*)</b>				
Cedacri S.p.A.	643	5.100	643,000	4,951,100
First Capital S.p.A.	666,990	2.998	666,990	508,578
Be.Ve.Re.Co. S.r.l.	30,000	5.825	15,000	15,494
Carta Si	60,826	0.103	36,496	34,174
S.S.B. Società Servizi Bancari S.p.A.	51,491	0.030	6,694	3,640
Consorzio Bancario S.I.R. S.p.A.	882,939	0.057	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Si.Te.Ba.	7,264	0.145	3,777	3,751
Sviluppo Brianza	1	0.698	2,462	2,613
AcomeA Sgr p.a.	50,000	9.091	500,000	1,500,000
				<b>7,025,196</b>

(\*) Equity investments recognised under item 40 "Financial assets available for sale"



**List of significant equity investments (article 126 of CONSOB resolution no. 11971/1999)**

Company name	Number of shares or stakes with voting right	% ownership share with voting right	Type of ownership	Type of holding
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	holding	direct
CHIARA ASSICURAZIONI S.p.A.	6,273,600	66.662	holding	direct
CHIARA VITA S.p.A.	10,253,400	30.000	holding	direct
ISTIFID S.p.A. (1)	419,937	28.961	holding	direct
FIDES S.p.A.	2,264,922	100.000	holding	indirect through Banco Desio Lazio
BRIANFID-LUX S.A.	2,794,300	100.000	holding	direct
CREDITO PRIVATO COMMERCIALE S.A.	11,000	100.000	holding	indirect through Brianfid-Lux
ROVERE Societ� de Gestion S.A.	40,000	70.000	holding	indirect through Brianfid-Lux
		10.000	holding	indirect through Banco Desio Lazio

**SECTION 11 - TANGIBLE ASSETS (CAPTION 110)**
**11.1 Tangible assets: break-down of assets valued at cost**

Asset/Value	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>A. Functional assets</b>			
<b>a) land</b>	<b>143,771</b>	<b>133,102</b>	<b>142,053</b>
b) buildings	39,442	36,539	38,386
c) fixtures and fittings	86,724	81,548	85,178
d) electrical equipment	7,855	6,854	8,272
e) other	2,252	2,102	2,611
1.2 acquired under finance lease	7,498	6,059	7,606
<b>1.2 acquired under finance lease</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) land			
b) buildings			
c) fixtures and fittings			
d) electrical equipment			
e) other			
<b>Total A</b>	<b>143,771</b>	<b>133,102</b>	<b>142,053</b>
<b>B. Tangible assets held for investment</b>			
2.1 owned by the Bank			
a) land	<b>6</b>	<b>6</b>	<b>6</b>
b) buildings	6	6	6
<b>2.2 acquired under finance lease</b>			
<b>b) buildings</b>			
a) land			
b) buildings			
<b>Total B</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Total (A + B)</b>	<b>143,777</b>	<b>133,108</b>	<b>142,059</b>

The estimated useful life for the main categories of assets is defined as follows:

- buildings: 50 years;
- furniture for office use, fittings, systems and miscellaneous equipment;
- office machines, armoured counters and security doors, alarm systems: 10 years; vehicles for business use: 8 years;
- terminals and PCs, motor vehicles for dual purpose: 4 years.

Within the individual categories, where required, some types of assets were identified to which different specified useful lives were assigned.

Depreciation is calculated on a straight line basis for all classes of tangible assets, with the exception of land which is not depreciated.

### **11.2 Tangible assets: break-down of assets at fair value or revalued**

There were no tangible assets measured at fair value or revalued at the end of the period.

**11.3 Tangible assets for business use: annual changes**

	Land	Buildings	Fixtures and	Electronic equipment	Other	Total 2011
<b>A. Gross opening balance</b>	<b>36,539</b>	<b>91,728</b>	<b>27,051</b>	<b>17,510</b>	<b>32,902</b>	<b>205,730</b>
A.1 Total net decreases in value		10,180	20,197	15,408	26,843	72,628
<b>A.2 Net opening balance</b>	<b>36,539</b>	<b>81,548</b>	<b>6,854</b>	<b>2,102</b>	<b>6,059</b>	<b>133,102</b>
<b>B. Increases:</b>	<b>2,903</b>	<b>7,361</b>	<b>3,491</b>	<b>1,732</b>	<b>5,264</b>	<b>20,751</b>
B.1 Purchases	2,903	5,116	3,417	1,672	4,473	17,581
<i>of which: Business combinations</i>	1,846	3,983	2,373	1,081	2,827	12,110
B.2 Capitalized improvement expenses		2,245				2,245
B.3 Write-backs						
B.4 Positive fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences						
B.6 Transfers from assets held for investment						
B.7 Other increases			74	60	791	925
<b>C. Decreases:</b>	<b>-</b>	<b>2,185</b>	<b>2,490</b>	<b>1,582</b>	<b>3,825</b>	<b>10,082</b>
C.1 Sales		351	1,031	637	2,126	4,145
<i>of which: Business combinations</i>		351	954			
C.2 Amortization/depreciation		1,834	1,459	945	1,699	5,937
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
C.4 Negative fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other decreases		-			-	-
<b>D. Net closing balance</b>	<b>39,442</b>	<b>86,724</b>	<b>7,855</b>	<b>2,252</b>	<b>7,498</b>	<b>143,771</b>
D.1 Total net decreases in value		12,365	22,760	16,867	29,045	81,037
<b>D.2 Gross closing balance</b>	<b>39,442</b>	<b>99,089</b>	<b>30,615</b>	<b>19,119</b>	<b>36,543</b>	<b>224,808</b>
E. Valuation at cost						

Land and buildings have been valued based on the revalued amount as of 1 January 2004 upon first time application of IASs. Once in operation, they have been valued at cost. Furniture, electronic systems and other tangible assets have been valued at cost.

The sale of tangible assets, of which item "C.1 Sales" represents the net carrying value of the assets disposed of, led to the recognition of profits on sales of Euro 48 thousand; and losses on sales of Euro 26 thousand.

**11.4 Tangible assets held for investment: annual changes**

During the year tangible assets held for investment recorded no changes.

**Statement of revaluations made on assets entered in the accounts (pursuant to Article 10 of Law No. 72 of 19/3/1983)**

(amounts in Euro units)

	Monetary revaluations			Economic revaluations		TOTAL
	L. 576/75	L.72/83	L. 413/91	Merger deficit	Voluntary revaluation	
Properties						
DESIO, via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO P.zza Gramsci			1,173			1,173
CUSANO M.NO Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU' Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE Via XX Settembre			355		4,132	4,487
MILANO Via della Posta			189,958		51,645	241,603
NOVATE M.SE Via Matteotti			22,022	170,257		192,279
GIUSSANO Via dell'Addolorata			26,067			26,067
MEDA Via Indipendenza			51,616			51,616
MONZA Corso Milano			227,521			227,521
BOVISIO Via Garibaldi			26,357			26,357
PADERNO DUGNANO Via Casati			24,339			24,339
LEGNANO Corso Garibaldi			176,676			176,676
SOVICO Via G. da Sovico			62,703			62,703
<b>T O T A L</b>	<b>10,170</b>	<b>985,736</b>	<b>7,858,976</b>	<b>1,491,970</b>	<b>68,702</b>	<b>10,415,554</b>

**PROPERTY OWNED BY THE BANK  
(excluding properties under financial lease)**

Location		Surface area for offices (sqm)	Net book value (thousands of euros)
ALBINO	Viale Libertà 23/25	332	735
ARCORE	Via Casati, 7	362	595
BAREGGIO	Via Falcone, 14	200	297
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	876
BOLOGNA SANTA VIOLA	Via Della Ferriera, 4	200	1,058
BOVISIO MASCIAGO	Via Garibaldi, 8	382	452
BRESCIA	Via Verdi, 1	530	1,894
BRESCIA 1° piano	Via Verdi, 1	190	1,145
BRIOSCO	Via Trieste, 14	430	441
BRUGHERIO	Viale Lombardia, 216/218	425	1,361
BUSTO ARSIZIO	Via Volta, 1	456	1,049
CADORAGO	Via Mameli, 5	187	316
CANTU'	Via Manzoni, 41	1,749	2,348
CARATE BRIANZA	Via Azimonti, 2	773	1,042
CARUGATE	Via XX Settembre, 8	574	656
CARUGO	Via Cavour, 2	252	395
CASTELLANZA	Corso Matteotti, 18	337	447
CESANO MADERNO	Corso Roma, 15	692	923
CHIAVARI	Piazza Matteotti	68	1,065
CINISELLO BALSAMO	Via Frova, 1	729	967
CINISELLO BALSAMO	Piazza Gramsci	26	16
COLOGNO MONZESE	Via Cavallotti, 10	128	51
CUSANO MILANINO	Viale Matteotti, 39	522	728
DESIO	Piazza Conciliazione, 1	1,694	2,225
DESIO	Via Rovagnati, 1	20,032	29,969
DESIO	Via Volta	238	616
EMPOLI	Via Masini, 58	448	1,744
GARBAGNATE	Via Varese, 1	400	1,294
GIUSSANO	Via Addolorata, 5	728	992
LECCO	Via Volta	615	1,785
LEGNANO	Corso Italia, 8	1,545	2,856
LISSONE	Via San Carlo, 23	583	1,455
MEDA	Via Indipendenza, 60	678	857
MILANO	Via della Posta, 8	1,912	7,868
MILANO	Via Foppa	223	829
MILANO	Via Menotti	825	3,094
MILANO	Via Moscova	668	5,476
MILANO	Via Trau'	627	3,331
MILANO	P.za De Angeli	385	2,326
MISINTO	Piazza Mosca, 3	330	383
MODENA	Via Saragozza, 130	720	4,517
MONZA	Via Manzoni, 37	397	768
MONZA	Corso Milano, 47	2,143	4,141
MONZA	Via Rota, 66	330	586
MONZA	P.za S. Paolo	496	3,940
NOVA MILANESE	Piazza Marconi, 5	526	726

Location		Surface area for offices (sqm)	Net book value (thousands of euros)
NOVATE MILANESE	Via Matteotti, 7	462	691
ORIGGIO	Largo Croce, 6	574	809
PADOVA	Via Matteotti, 20	550	3,654
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	629
PIACENZA	Via Vittorio Veneto, 67/a	486	1,525
REGGIO EMILIA	Via Terrachini, 1 ang. Via Risorgiment	713	2,812
RENATE	Piazza don Zanzi, 2	429	691
RHO	Via Martiri Libertà, 3	410	759
RUBIERA	Via Emilia Ovest, 7	310	1,467
SARONNO	Via Rimembranze, 42	530	784
SEGRATE	Via Cassanese, 200	170	308
SEREGNO	Via Trabattoni, 40	1,233	2,184
SESTO SAN GIOVANNI	Piazza Oldrini	377	847
SEVESO	Via Manzoni	382	1,158
SOVICO	Via Frette, 10	673	1,140
TORINO	Via Filadelfia, 136	370	1,772
VAREDO	Via Umberto I <sup>a</sup> , 123	501	557
VEDUGGIO	Via Vittorio Veneto, 51	257	258
VERANO BRIANZA	Via Preda, 17	322	415
VIGEVANO	Via Decembrio, 21	480	2,074
VIMERCATE	Via Milano 6	338	996
<b>Sub total</b>		<b>56,884</b>	<b>126,165</b>
<b>Properties for investment purposes</b>			
MEDA car parking	Via Indipendenza, 60	15	6
<b>Sub total</b>		<b>15</b>	<b>6</b>
<b>Total</b>		<b>56,899</b>	<b>126,171</b>

### 11.5 Commitments for purchase of tangible assets

There were no commitments for purchase of tangible assets at the financial statements date.

**SECTION 12 - INTANGIBLE ASSETS (caption 120)**
**12.1 Intangible assets: break-down by type of asset**

Caption/Value	Total 31.12.2011		Total 31.12.2010		Total 31.12.2010 aggregate	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill	x	6,958	x	1,729	x	6,958
A.2 Other intangible assets:	1,426		1,086		1,104	
A.2.1 Assets valued at cost:	1,426		1,086		1,104	
a) Intangible assets generated internally						
b) Other assets	1,426		1,086		1,104	
A.2.2 Assets at fair value through profit or loss:						
a) Intangible assets generated internally						
b) Other assets						
<b>Total</b>	<b>1,426</b>	<b>6,958</b>	<b>1,086</b>	<b>1,729</b>	<b>1,104</b>	<b>6,958</b>

Goodwill and as a result assets with an indefinite useful life are represented by the amalgamation of the goodwill arising from the initial transaction for the transfer of branches to Banco Desio Toscana and from the deficit relating to the merger of the subsidiary.

Intangible assets with an indefinite useful life are subject to an impairment test at least once a year and in particular in order to draw up the financial statements or in any case when certain circumstances arise that would imply a reduction in value.

The valuation technique is based on the determination of the "value in use" of the CGU (cash-generating unit) which is made up directly of the entire "business unit" of the branch network of the former Banco Desio Toscana and compared with the amount of goodwill as above equal to a total of Euro 5.3 million.

The calculation of the "value in use" is obtained by estimating the following factors:

- a) future incoming and outgoing cash flows that derive from the continuous use of the CGU and from its "hypothetical" final disposal;
- b) appropriate discount rate (WACC – *Weighted Average Cost of Capital*) applied to the incoming and outgoing cash flows.

Other intangible assets have been amortized on a straight-line basis according to their useful life, that for indemnities for abandonment of premises is estimated to be equal to the lease term, being equal to 4 years for software associated with machines and to 5 years for application software.

**12.2 Intangible assets: annual changes**

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2011
		definite duration	indefinite duration	definite duration	indefinite duration	
<b>A. Opening balance</b>	<b>3,458</b>	-	-	<b>3,911</b>	-	<b>7,369</b>
A.1 Total net decreases in value	1,729	-	-	2,825	-	4,554
<b>A.2 Net opening balance</b>	<b>1,729</b>	-	-	<b>1,086</b>	-	<b>2,815</b>
<b>B. Increases</b>	<b>5,229</b>	-	-	<b>959</b>	-	<b>6,188</b>
B.1 Purchases	5,229	-	-	959	-	6,188
of which: <i>Business combinations</i>	5,229	-	-	18	-	5,247
B.2 Increases in internal intangible assets						
B.3 Write-backs						
B.4 Increases in fair value charged to:						
- shareholders' equity						
- statement of income						
B.5 Positive exchange differences						
B.6 Other increases						
<b>C. Decreases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>619</b>	<b>0</b>	<b>619</b>
C.1 Sales						
C.2 Adjustments				584		
- Amortization				584		
- Write-downs						
+ shareholders' equity						
+ statement of income						
C.3 Decreases in fair value charged to:						
- shareholders' equity						
- statement of income						
C.4 Transfers to non-current assets held for sale and discontinued operations						
C.5 Negative exchange differences						
C.6 Other decreases				35		35
<b>D. Net Closing balance</b>	<b>6,958</b>	-	-	<b>1,426</b>	-	<b>8,384</b>
D.1 Total net adjustments	2,008	-	-	2,969	-	4,977
<b>E. Gross closing balance</b>	<b>8,966</b>	-	-	<b>4,395</b>	-	<b>13,361</b>
F. Valuation at cost						



**SECTION 13 - TAX ASSETS AND LIABILITIES (caption 130 under assets and caption 80 under liabilities)**

Tax assets and liabilities resulting from the application of “deferred taxation” are calculated by applying to the temporary differences, generated in connection with the discrepancies between statutory and tax provisions, the theoretical tax rates in force at the moment of their settlement.

**13.1 Deferred tax assets: break-down**

Temporary Differences	ires	irap	31.12.2011	31.12.2010	Total 31.12.2010 aggregate
<b>a) against profit and loss</b>					
tax losses					185
w ritedow ns of loans to customers deductible on a straight-line basis	24,707		24,707	21,859	22,613
provisions for risks from implicit loan losses	305				305
w rite-dow n of loans to customers outstanding as at 31.12.1994	9		9	10	10
goodw ill deductible for tax purposes					679
statutory depreciation of properties					1
statutory depreciation of tangible assets	161		161	119	151
provisions for guarantees and commitments/country risk	244		244	299	322
provisions for personnel charges	2,796		2,796	1,919	2,054
provisions for legal disputes	1,504		1,504	1,630	1,648
provisions for revocatory actions	924		924	793	793
provision for sundry charges	87		87	91	91
tax provision for employee termination indemnities	294		294	251	251
entertainment expenses, w ithin the limit of one third deductible in the follow ing four financial years				9	9
other general expenses deductible in the follow ing accounting period	35		35	60	63
<b>Total a)</b>	<b>31,066</b>	<b>-</b>	<b>31,066</b>	<b>27,040</b>	<b>29,175</b>
<b>b) against Equity</b>					
tax provision for employee termination indemnities	556		556	505	523
w ritedow n of securities classified AFS	14,643	2,997	17,640	4,283	4,283
w rite-dow n of equity investments		10	10	1	1
<b>Total b)</b>	<b>15,199</b>	<b>3,007</b>	<b>18,206</b>	<b>4,789</b>	<b>4,807</b>
<b>Total</b>	<b>46,265</b>	<b>3,007</b>	<b>49,272</b>	<b>31,829</b>	<b>33,982</b>

Tax assets and liabilities resulting from the application of “deferred taxation” are calculated by applying to the temporary differences, generated in connection with the discrepancies between statutory and tax provisions, the theoretical tax rates in force at the moment of their settlement.

The assessment of the probabilities of recovering the deferred tax assets was carried out on the basis of the information available which was an estimate of forecast taxable incomes deduced from the 2012-2013 Strategic Plan. In these two financial years the recovery of the deferred tax assets should amount to around Euro 6.7 million.

**13.2 Deferred tax assets: break-down**

Temporary Differences	ires	irap	Total		Total 31.12.2010 aggregate
			31.12.2011	31.12.2010	
<b>a) against Profit and Loss</b>					
gains on disposal of tangible assets	19		19	42	42
tax amortization of properties	7,061	1,106	8,167	8,088	8,096
tax amortization of tangible assets		22	22	23	24
tax amortization of goodwill	417	84	501	298	405
tax amortization on long-term charges (software)	2	7	9	8	8
tax provision for employee termination indemnities			-		9
<b>Total a)</b>	<b>7,499</b>	<b>1,219</b>	<b>8,718</b>	<b>8,459</b>	<b>8,584</b>
<b>b) against Equity</b>					
revaluation of AFS securities	563	114	677	209	209
revaluation of equity investments	2	10	12	10	10
tax provision for employee termination indemnities	195		195	156	156
<b>Total b)</b>	<b>760</b>	<b>124</b>	<b>884</b>	<b>375</b>	<b>375</b>
<b>Total</b>	<b>8,259</b>	<b>1,343</b>	<b>9,602</b>	<b>8,834</b>	<b>8,959</b>

**13.3 Change in deferred tax assets (against profit and loss)**

	Total 31.12.2011	Total 31.12.2010
<b>1. Initial amount</b>	<b>27,040</b>	<b>24,186</b>
<b>2.1 Deferred tax assets recognized</b>	<b>8,500</b>	<b>6,301</b>
a) from previous years	6,366	6,237
b) due to adoption of different accounting		
c) write-backs		
d) other		
2.2 New taxes or increases in fiscal rates	6,366	6,237
2.3 Other increases	2,134	64
of which: Business combinations	2,134	
<b>3. Decreases</b>	<b>4,474</b>	<b>3,447</b>
3.1 Deferred tax assets cancelled during the	3,752	3,447
a) reallocation	3,752	3,447
b) write-downs due to irrecoverability		
c) different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	722	
<b>4. Final amount</b>	<b>31,066</b>	<b>27,040</b>

The item 3.3 "Other decreases" refers to the cancellation of deferred tax assets:

- to the value of Euro 43 thousand due to the effect of recalculating the deferred tax assets at 31.12.2010, determined while preparing the tax return, which related to entries concerning the write-down of loans and receivables;
- to the value of Euro 679 thousand due to the effect of the reversal of the deferred tax assets recorded during the transaction for the redemption of the tax value of the goodwill, carried out in the 2009 financial year by the

merged company Banco Desio Veneto S.p.A, pursuant to article 15, paragraph 10, of Decree Law no. 185/2008.

**13.4 Change in deferred tax liabilities (against profit and loss)**

	Total 31.12.2011	Total 31.12.2010
<b>1. Initial amount</b>	<b>8,459</b>	<b>8,502</b>
<b>2. Increases</b>	<b>374</b>	<b>62</b>
2.1 Deferred tax liabilities recognized during the year	86	62
a) from previous years		
b) due to adoption of different accounting standards		
c) other	86	62
2.2 New taxes or increases in fiscal rates	162	
2.3 Other increases	126	
of which: Business combinations	126	
<b>3. Decreases</b>	<b>115</b>	<b>105</b>
3.1 Deferred tax liabilities cancelled during the year	115	105
a) reallocation	115	105
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>8,718</b>	<b>8,459</b>

**13.5 Change in deferred tax assets (against equity)**

	Total 31.12.2011	Total 31.12.2010
<b>1. Initial amount</b>	<b>4,789</b>	<b>2,006</b>
<b>2. Increases</b>	<b>14,457</b>	<b>3,972</b>
2.1 Deferred tax assets recognized during	14,359	3,972
a) from previous years		
b) due to adoption of different		
c) other	14,359	3,972
2.2 New taxes or increases in fiscal rates	79	
2.3 Other increases	19	
of which: Business combinations	19	
<b>3. Decreases</b>	<b>1,040</b>	<b>1,189</b>
3.1 Deferred tax assets cancelled during the	1,040	1,189
a) reallocation	1,040	1,189
b) write-downs due to irrecoverability		
c) due to adoption of different		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>18,206</b>	<b>4,789</b>

**13.6 Change in deferred tax liabilities (against equity)**

	Total 31.12.2011	Total 31.12.2010
<b>1. Initial amount</b>	<b>375</b>	<b>2,240</b>
<b>2. Increases</b>	688	189
2.1 Deferred tax liabilities recognized during	686	189
a) from previous years		
b) due to adoption of different		
c) other	686	189
2.2 New taxes or increases in fiscal rates	2	
2.3 Other increases		
<b>3. Decreases</b>	179	2,054
3.1 Deferred tax liabilities cancelled during	179	2,054
a) reallocation	179	2,054
b) due to adoption of different		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>884</b>	<b>375</b>

**13.7 Other information**

As from this financial year, advances and withholding taxes paid are no longer separated under “current tax assets”, but are detracted, by type of tax, from the forecasted liabilities for taxes of the current financial year.

**Advances for current tax**

Items	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
IRES advances for current taxes		2,809	3,034
IRAP advances for current taxes		162	162
<b>Total</b>	<b>-</b>	<b>2,971</b>	<b>3,196</b>

**Current tax liabilities**

Items	Totale 31.12.2011	Totale 31.12.2010	Totale 31.12.2010 aggregate
ires	2,531		578
irap	1,945		104
<b>Total</b>	<b>4,476</b>	<b>-</b>	<b>682</b>

**Tax dispute**

On 16 December 2011 the Regional Tax Office of Lombardy provided the Bank with notice of a tax assessment relating to the 2006 financial year and concerning the IRES, IRAP and VAT taxes.

The findings regarding the IRES and IRAP taxes mainly referred to adjustments highlighted in the tax audit report drawn up at the end of the tax audit carried out by the same Office in 2009. The irregularities found mostly refer to costs deemed not connected or not relevant to the Bank's business income.

The irregularity found in relation to VAT concerns the failure to tax the fees charged to Anima SGRpA for the service relating to the appointment as depository bank. These fees, charged to the management company with the application of a VAT exemption, ought to have been subject to VAT of 20% in the opinion of the Tax Authority.

As a result of the adjustments, the office imposed the penalties detailed below on the Bank:

	higher tax	interest	sanctions	Total
Ires	496	71	645	1,212
Irap	70	10		80
Iva	981	147	1,913	3,041
<b>Total</b>	<b>1,547</b>	<b>228</b>	<b>2,558</b>	<b>4,333</b>

In objection to the findings, the Bank submitted a tax settlement proposal.

In view of the findings, a provision for risks and charges of Euro 400 thousand was made to cover the presumed higher taxes and sanctions payable in relation to the IRES and IRAP findings. No provision was made on the other hand as regards the VAT findings, which are considered completely groundless.

**Tax audits in progress**

It should be noted that the Italian Finance Police initiated a tax audit on 14 December 2011 with reference to direct taxes for the years 2007, 2008, 2009, 2010 and 2011.

**SECTION 15 - OTHER ASSETS** (caption 150)

**15.1 Other assets: break-down**

	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
Tax credits			
. Capital quota	414	41	41
Amounts due from tax authorities for paid advances	9,170	10,535	12,140
Taxes withheld	-	13	15
Traded cheques to be settled	20,912	13,074	16,241
Guarantee deposits			
Invoices issued to be collected	792	76	76
Accounts receivable for third-party securities	49		
Unprocessed transactions and amounts in transit with bank branches	23,887	15,102	17,216
Currency spreads on portfolio transactions	48	-	-
Investments in supplementary termination indemnities for personnel	674	758	758
Leasehold improvements	20,496	14,191	18,275
Accrued income and prepaid expenses	1,440	421	483
Other items	14,219	7,228	6,849
<b>Total</b>	<b>92,101</b>	<b>61,439</b>	<b>72,094</b>

The increase in the item "Tax credits – capital quota" mainly concerns the credit claimed for the reimbursement of Euro 336 thousand as a result of the cancellation of the substitute tax applied in the transaction for the redemption of the tax value of the goodwill carried out in the 2009 tax year pursuant to article 15, paragraph 10, of Decree Law no. 185/2008 by the merged company Banco Desio Veneto S.p.A. The amount is partially counterbalanced, to the value of Euro 679 thousand, by the cancellation of deferred tax credits, as already shown in table 13.3.

The changes in "Amounts due from tax authorities for paid advances" mainly involve:

- . the decrease of the withholdings on interest on deposits and current accounts of Euro 3,435 thousand, against the use of the 2009 credit taken as a reduction in the amount of the taxes actually withheld in 2011;
- . the increase in the credit for the online payment of stamp duty of Euro 2,167 thousand, due to the increase in the amount of stamp duty on account statements for securities introduced by Decree Law no. 98/2011.

The leasehold improvement expenses also include the costs incurred during the period which amount to Euro 2.9 million, in relation to the consideration paid for the granting of leasehold rights on municipal land and the expenses incurred for the construction of an underground car park, as well as adjustment of the surface area. The expenses referred to leasehold improvements are subject to annual amortisation as regards the residual term of the lease agreement.

The caption includes assets, almost exclusively for invoices to be settled by or issued to other companies in the Group, for a total amount of Euro 1,314 thousand (the aggregate amount last year was Euro 751 thousand last year).

## LIABILITIES

### SECTION 1 - AMOUNTS DUE TO BANKS (caption 10)

#### 1.1 Amounts due to banks: break-down by type

Transaction type / Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>1. Amounts due to Central Banks</b>	200,051	-	-
<b>2.1 Current accounts and unrestricted deposits</b>	<b>193,322</b>	<b>338,710</b>	<b>319,826</b>
2.2 Restricted deposits	101,858	150,278	144,179
2.3. Financing	62,187	46,253	34,576
2.3.1 Reverse repos	29,271	140,769	140,769
2.3.2 <i>Other</i>	29,271	140,769	140,769
2.4 Commitments for repurchases of own equity			
2.5 Other amounts due			
Total	6	1,410	302
<b>Total</b>	<b>393,373</b>	<b>338,710</b>	<b>319,826</b>
<b>Fair value</b>	<b>393,373</b>	<b>338,710</b>	<b>319,825</b>

Payables expressed in foreign currency have been valued at Euro 57.6 million (the aggregated amount was Euro 112.8 million at the end of the previous period).

Relations with Group banks amounted to Euro 178.3 million (the aggregated amount was Euro 159.4 million at the end of the previous period).

All relations were regulated at arm's length.

#### 1.1 Breakdown of item 10 "Amounts due to banks": subordinated debts

Banco Desio had no subordinated debts due to banks at the reference dates.

#### 1.2 Breakdown of item 10 "Amounts due to banks": structured debts

Banco Desio had no structured debts due to banks at the reference dates.

#### 1.3 Amounts due to banks subject to specific hedging

Banco Desio had no amounts due to banks subject to specific hedging at the reference dates.

#### 1.4 Amounts due for finance leases

Banco Desio had no finance lease contracts in place with banks at the reference dates.

### SECTION 2 - AMOUNTS DUE TO CUSTOMERS (caption 20)

#### 2.1 Amounts due to customers: break-down by type

Transaction type /Value	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
1. Current accounts and unrestricted	3,347,036	3,162,128	3,589,211
2. Restricted deposits	102,439	66	66
3. Financing	35,374	52,751	67,809
3.1 Reverse repos	11,514	19,418	19,418
3.2 other	23,860	33,333	48,391
4. Commitments for repurchases of own equity instruments			
5. Other amounts due	28,386	21,429	21,429
<b>Total</b>	<b>3,513,235</b>	<b>3,236,374</b>	<b>3,678,515</b>
<b>Fair value</b>	<b>3,513,235</b>	<b>3,236,374</b>	<b>3,678,515</b>

Payables due to resident customers amounted to a total of Euro 3,506.7 million (the aggregated amount was Euro 3,658.2 million at the end of last year), while the total amount of relations in foreign currency amounted to Euro 6.5 million (the aggregated amount was Euro 11.6 million at the end of 2010).

All payables due to Group companies were serviced at market rates and totalled Euro 2.1 million (the aggregated amount was Euro 3.5 million at the end of last year).

Item "Other amounts due" includes Euro 27.8 million of bank drafts and Euro 0.6 million of non-transferable cheques (with an aggregated amount of Euro 20.2 million for bank drafts and Euro 1.2 million for non-transferable cheques respectively at the end of 2010).

#### 2.2 Breakdown of item 20 "Amounts due to customers: subordinated debts

Banco Desio had no subordinated debts due to customers at the reference dates.

#### 2.3 Breakdown of item 20 "Amounts due to customers: structured debts"

Banco Desio had no structured debts due to customers at the reference dates.

#### 2.4 Amounts due to customers subject to specific hedging

Banco Desio had no amounts due to customers in connection with finance leases at the reference dates.



## 2.5 Amounts due for finance leases

Banco Desio had no amounts due to customers in connection with finance lease transactions at the reference dates.

## SECTION 3 - SECURITIES ISSUED (caption 30)

### 3.1 Securities issued: break-down by type

Security type / Amount	Total 31.12.2011			Total 31.12.2010			Total 31.12.2010 aggregate					
	Book value	fair value			Book value	fair value			Book value	fair value		
		L 1	L 2	L 3		L 1	L 2	L 3		L 1	L 2	L 3
<b>A. Securities</b>												
1. Bonds	2,078,301	1,987,021			1,534,011	1,517,261			1,725,856	1,707,892		
1.1 structured	47,071	42,371			-	-			-	-		
1.2 other	2,031,230	1,944,650			1,534,011	1,517,261			1,725,856	1,707,892		
2. other securities	375,684	375,684			256,730	256,730			278,484	278,484		
2.1 structured												
2.2 other	375,684	375,684			256,730	256,730			278,484	278,484		
<b>Total</b>	<b>2,453,985</b>	<b>2,362,705</b>			<b>1,790,741</b>	<b>1,773,991</b>			<b>2,004,340</b>	<b>1,986,376</b>		

The book value is determined according to the amortised cost method and therefore it includes the accruals matured.

The caption "A.2.2 Other Securities – Other" is made up of deposit certificates and the relative amounts accrued, Euro 367.2 million of which was issued on a short-term basis and Euro 8.5 million on a longer-term basis.

### 3.2 Break-down of caption 30 "securities issued": subordinated securities

Bonds	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
due 29.12.2011		12,991	12,991
due 01.06.2012	12,967	12,983	12,983
due 03.06.2013	12,811	13,003	13,003
due 04.05.2014	29,890	29,877	29,877
due 15.12.2014	29,982	29,879	29,879
due 01.12.2015	13,008	13,019	13,019
due 29.12.2016	13,002		
<b>Total</b>	<b>111,660</b>	<b>111,752</b>	<b>111,752</b>

During the year, the Bank issued a subordinated debenture loan named "Banco di Desio e della Brianza 29/12/2011-29/12/2016 variable rate subordinated lower tier II" whose characteristics are summarised below:

- total nominal value: Euro 13,000,000, divided into no.13,000 bonds with a nominal value of Euro 1,000 each;
- issue price of bonds: equal to 100% of the nominal value, i.e. Euro 1,000.00,
- duration: 5 years, expiry date 29/12/2016;

- indexation ratio and record date: 3-month Euribor, taken on the fifth last working day prior to the start of the relevant coupon entitlement;
- spread: the indexation parameter will be increased by a spread equal to 200 basis points;
- coupon payment frequency: coupons will be paid on a quarterly basis on 29/03, 29/06, 29/09 and 29/12 of each year;
- redemption price and procedures: redemptions will be made at a percentage equal to 100% of the nominal value, in one single payment, on 29/12/2016; bonds will no longer bear interest on the date of redemption;
- early redemption: no early redemptions of bonds nor repayments by amortisation, are envisaged;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed, on account of capital and residual interest, only after all other creditors, not equally subordinated, have been paid off.

Subordinated debenture loans issued in previous years show characteristics similar to those of the loan issued in the last accounting period.

### 3.3 "Securities issued": securities subject to specific hedging

Security type/ Value	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
1. Debt securities subject to fair value	222,675	59,375	59,375
<i>a) interest rate risk</i>	222,675	59,375	59,375
<i>b) exchange rate risk</i>			
<i>c) other risks</i>			
2. Debt securities subject to cash flow	-	-	-
<i>a) interest rate risk</i>			
<i>b) exchange rate risk</i>			
<i>c) other risks</i>			
<b>Total</b>	<b>222,675</b>	<b>59,375</b>	<b>59,375</b>

**SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING (caption 40)**
**4.1 Financial liabilities held for trading: break-down by type**

Transaction type / Values	Total 31.12.2011				Total 31.12.2010				Total 31.12.2010 aggregate					
	VN	FV			FV*	VN	FV			FV*	VN	FV		
		L1	L2	L3			L1	L2	L3			L1	L2	L3
<b>A. Liabilities for cash</b>														
1. Amounts due to banks														
2. Amounts due to customers														
3. Debt securities														
3.1 Bonds														
3.1.1 Structured														
3.1.2 Other bonds														
3.2 Other securities														
3.2.1 Structured														
3.2.2 Other														
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives instruments</b>														
1. Financial derivatives	16	16	792		65	8	1,947		65	7	1,863			
1.1 Trading	16	16	792		65	8	1,329		65	7	1,210			
1.2 Connected with the fair value option							618				653			
1.3 Other														
2. Credit derivatives	-		1,905		-		469		-		469			
2.1 Trading			1,905				469				469			
2.2 Connected with the fair value option														
2.3 Other														
<b>Total B</b>	16	16	2,697		65	8	2,416		65	7	2,332			
<b>Total (A + B)</b>	16	16	2,697		65	8	2,416		65	7	2,332			

**Legend**

FV\* = fair value calculated by excluding value variations due to the changed credit rating of the issuer with respect to the issue date

VN = nominal or notional value

Derivative instruments "connected with the fair value option" are related to the negative valuations of derivatives fully associated to financial liabilities designated at fair value and represented solely by bonds issued by the Bank.

"Financial derivatives for trading" include a total of Euro 161 thousand (the aggregated amount was Euro 382 thousand at the end of last year) in transactions with Group companies.

**4.2 Breakdown of item 40 "Financial liabilities held for trading": subordinated debts**

Banco Desio had no subordinated financial debts held for trading at the reference dates.

**SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 50)**
**5.1 Financial liabilities at fair value through profit or loss: break-down by type**

Transaction type / Amount	Total 31.12.2011					Total 31.12.2010					Total 31.12.2010 aggregate				
	Nominal value	fair value			FV*	Nominal value	fair value			FV*	Nominal value	fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3			L 1	L 2	L 3	
1. Amounts due to bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured					x					x					x
1.2 Other					x					x					x
2. Amounts due to cust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured					x					x					x
2.2 Other					x					x					x
3. Debt securities	92,095	-	89,138	-	94,630	318,473	-	323,525	-	325,792	329,473	-	334,327	-	336,906
3.1 Structured	37,850		34,306		x	26,900		25,458		x	37,900		36,260		x
3.2 Other	54,245		54,832		x	291,573		298,067		x	291,573		298,067		x
<b>Total</b>	<b>92,095</b>	<b>-</b>	<b>89,138</b>	<b>-</b>	<b>94,630</b>	<b>318,473</b>	<b>-</b>	<b>323,525</b>	<b>-</b>	<b>325,792</b>	<b>329,473</b>	<b>-</b>	<b>334,327</b>	<b>-</b>	<b>336,906</b>

**Legend**

FV\* - fair value calculated by excluding value variations due to the changed credit rating of the issuer with respect to the issue date

Financial liabilities measured at fair value refer to bond issues hedged with derivative instruments.

**5.2 Breakdown of item 50 “Financial liabilities at fair value through profit or loss”: subordinated debts**

Banco Desio had not issued any subordinated debenture stock at the reference dates that could be classified in financial liabilities at fair value through profit or loss.

**5.3 Financial liabilities at fair value through profit or loss: annual changes**

	Amounts due to banks	Amounts due to customers	Securities issued	<b>Total 2011</b>
<b>A. Opening balance</b>			<b>323,525</b>	<b>323,525</b>
B. Increases	-	-	<b>19,418</b>	<b>19,418</b>
B1. Issues				
B2. Sales			17,980	17,980
<i>of which: Business combinations</i>			10,801	10,801
B3. Increases in fair value				
B4. Other increases			1,438	1,438
<b>C. Decreases</b>	-	-	<b>253,805</b>	<b>253,805</b>
C1. Purchases			9,537	9,537
C2. Redemptions			235,857	235,857
C3. Decreases in fair value			3,266	3,266
C4. Other decreases			5,145	5,145
<b>D. Closing balance</b>	<b>-</b>	<b>-</b>	<b>89,138</b>	<b>89,138</b>

Item B.2 “Sales” represents the counter-value of reissuing bonds previously reacquired.

Items B.3 “Increases in fair value” and C.3 “Decreases in fair value” reflect charges and income, respectively, deriving from changes in the valuations at fair value, recognised in the income statement account under item “110

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss”.

Item B.4 “Other increases” relates exclusively to the accruals accrued at the end of the year and to the positive issue spreads.

Item C.4 “Other decreases” is made up of the de-recognition of interest accrued at the end of the previous year, for a total amount of Euro 2,418 thousand and profits on repurchase and redemption for Euro 2,727 thousand.

## SECTION 6 - HEDGING DERIVATIVES (caption 60)

### 6.1 Hedging derivatives: breakdown by type of hedging and by hierarchical levels

	31.12.2011				31.12.2010				31.12.2010 aggregate			
	Fair value			NV	Fair value			NV	Fair value			NV
	L 1	L 2	L 3		L 1	L 2	L 3		L 1	L 2	L 3	
<b>A. Financial derivatives</b>	-	-	<b>2,684</b>	<b>15,000</b>	-	-	<b>2,653</b>	<b>79,617</b>	-	-	<b>2,653</b>	<b>79,617</b>
1) Fair value			2,684	15,000			2,653	79,617			2,653	79,617
2) Cash flow s												
3) Foreign investments												
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-	-	-	-	-
1) Fair value												
2) Cash flow s												
<b>Total A</b>	-	-	<b>2,684</b>	<b>15,000</b>	-	-	<b>2,653</b>	<b>79,617</b>	-	-	<b>2,653</b>	<b>79,617</b>

### 6.2 Hedging derivatives: breakdown by hedged portfolios and by type of hedging

Transactions/Hedging type	Fair Value						Financial cash flow s		Foreign investments
	Specific			Generic	Price risk	Other risks	Specific	Generic	
	Interest rate risk	Exchange risk	Credit risk						
1. Available-for-sale financial assets	2,684								
2. Credits									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transactions									
<b>Total assets</b>	<b>2,684</b>	-	-	-	-	-	-	-	-
1. Financial liabilities									
2. Portfolio									
<b>Total liabilities</b>	-	-	-	-	-	-	-	-	-
1. Expected settlements									
2. Financial assets and liabilities portfolio									

## SECTION 7 - ADJUSTMENT TO VALUE OF FINANCIAL LIABILITIES SUBJECT TO GENERAL HEDGING (caption 70)

Banco Desio had no financial liabilities subject to general hedging at the reference dates.

## SECTION 8 - TAX LIABILITIES (caption 80)

The composition and breakdown of tax liabilities are provided under Section 13 of Assets, together with information on deferred tax assets.

**SECTION 9 - LIABILITIES ASSOCIATED WITH ASSETS BEING DISPOSED OF (caption 98)**

Banco Desio had no liabilities associated with assets for disposal at the reference dates.

**SECTION 10 - OTHER LIABILITIES (caption 100)**
**10.1 Other liabilities: break-down**

	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggegate
Due to tax authorities	74	656	883
Amounts due to tax authorities on account of third parties	14,825	12,827	14,408
Social security contributions to be reversed	4,649	3,989	4,555
Due to shareholders on account of dividends	15	14	14
Suppliers	12,511	10,360	11,223
Amounts available for customers	9,493	7,109	7,712
Interest and fees to be credited	202	440	448
Payments against disposals on bills	434	341	373
Advance payments on expiring loans	281	200	200
Unprocessed transactions and amounts in transit w ith branches	9,165	10,041	11,226
Currency spreads on portfolio transactions	6,556	45,298	51,846
Amounts due to personnel	2,343	1,978	2,239
Other accounts payable	52,282	27,774	34,736
Provisions for guarantees and commitments	886	1,075	1,162
Accrued liabilities and deferred income	2,036	2,633	2,795
<b>Total</b>	<b>115,752</b>	<b>124,735</b>	<b>143,820</b>

This item includes a total of Euro 109 thousand in liabilities towards companies of the Group (Euro 90 thousand at end of the previous period).

“Amounts due to personnel” related to the value assigned to untaken annual leaves and holidays at the end of the year.

Accrued liabilities and deferred income which are reported in this section relates to positions which are not connected to any specific items in the balance sheet.

**SECTION 11 - PROVISIONS FOR EMPLOYEES TERMINATION INDEMNITIES (caption 110)**
**11.1 Provisions for employee termination indemnities: annual changes**

	2011	2010	2010 aggregate
<b>A. Opening balance</b>	<b>23,151</b>	<b>24,350</b>	<b>24,976</b>
<b>B. Increases</b>	<b>1,885</b>	<b>1,167</b>	<b>1,264</b>
B.1 Provisions during the year	1,217	1,167	1,264
B.2 Other increases	668		
<i>of which: Business combinations</i>	668		
<b>C. Decreases</b>	<b>1,945</b>	<b>2,366</b>	<b>2,421</b>
C.1 Amounts paid	1,764	2,202	2,249
C.2 Other decreases	181	164	172
<b>D. Closing balance</b>	<b>23,091</b>	<b>23,151</b>	<b>23,819</b>

The amount payable actually accrued at the end of the financial year is equal to Euro 26.2 million (the aggregated amount was Euro 26.9 million at the end of last year).

**11.2 Other information**

Below are shown the actuarial assumptions utilized by an independent actuary to determine the liabilities at the reporting date:

*Demographic assumptions*

The following assumptions were made:

- as regards death probabilities, those determined by the General Accounting Office (*Ragioneria Generale dello Stato*) and named RG48, as broken down by gender;
- as regards the time of retirement, for the assets in general, the attainment of the first of the pension requirements valid for the Compulsory General Insurance was assumed;
- as regards the probabilities of leaving employment for reasons other than death, based on internal statistics, an annual frequency of 2.5% was assumed;
- as regards the probabilities of incapacity, those adopted in the INPS model for projections to 2010, broken down by gender.

*Economic-financial assumptions*

Technical valuations have been carried out based on the following assumptions:

- annual technical discount rate 4.00%
- annual rate of inflation 2.00%
- overall annual rate of salary increase 3.00%
- annual rate of increase of TFR 3.00%

As regards the discount rate, such parameter was determined taking in consideration the index IBoxx Eurozone Corporates AA 7-10.

**SECTION 12 - PROVISIONS FOR RISKS AND CHARGES (caption 120)**
**12.1 Provisions for risks and charges: break-down**

	31.12.2011	31.12.2010	31.12.2010 aggregate
1. Company pension funds			
2. Other provisions for risks and charges	37,798	41,797	42,390
2.1 <i>legal disputes</i>	8,830	8,812	8,879
2.2 <i>personnel charges</i>	12,868	8,521	9,047
2.3 <i>other</i>	16,100	24,464	24,464
<b>Total</b>	<b>37,798</b>	<b>41,797</b>	<b>42,390</b>

The item "legal disputes" includes the provisions for disputes in progress and the relative expenses; Euro 5,469 thousand pertains to lawsuits and Euro 3,361 thousand to bankruptcy claw-back actions.

The item "personnel charges" includes the provisions related to company bonuses and seniority bonuses and additional holidays.

The item "other" includes amounts set aside as follows:

- . Euro 15.4 million, (Euro 23.1 million at the end of the last year) created against the risk of partial review of the price collected for the sale of 70% of Chiara Vita S.p.A. as envisaged as per contract at the end of the industrial plan of the Company (2012);
- . Euro 0.4 million, to deal with the tax dispute;
- . Euro 0.3 million, to deal with any charges for operating risks.

**12.2 Provisions for risks and charges: annual changes**

	Pension funds	Other funds	2011
<b>A. Opening balance</b>		<b>41,797</b>	<b>41,797</b>
<b>B. Increases</b>		<b>11,288</b>	<b>11,288</b>
B.1 Provisions during the year		10,673	10,673
B.2 Changes due to the elapsing of time		22	22
B.3 Changes due to discount rate adjustments			
B.4 Other increases		593	593
<i>of which: Business combinations</i>		563	593
<b>C. Decreases</b>		<b>15,287</b>	<b>15,287</b>
C.1 Use during the year		15,287	15,287
C.2 Changes due to discount rate adjustments			
C.3 Other decreases			
<b>D. Closing balance</b>		<b>37,798</b>	<b>37,798</b>

The item B.1 "Provisions during the year" includes:

- . a total of Euro 8.9 million for personnel charges;
- . Euro 1.4 million for lawsuits and claw-back actions;
- . Euro 0.4 million for tax dispute.

The caption "B.2 Changes due to the elapsing of time" includes interests from discounting-back activity accrued over the year in the provision for legal disputes.

The uses during the year (item C.1) refer to:



- . charges of Euro 1.5 million for lawsuits and bankruptcy claw-back actions;
- . charges of Euro 6.1 million for personnel costs;
- . a special fund set up for the review of the price for the transfer of Chiara Vita S.p.A. to the value of Euro 7.7 million.

### **12.3 Defined benefit company pension funds**

The item contains no balances.

### **12.4 Provisions for risks and charges - Other provisions**

The breakdown of the item "Other funds" was already provided in section 12.1

## **SECTION 13 - REDEEMABLE SHARES (caption 140)**

There were no balances in this item at the financial statements date.

**SECTION 14 - BANK'S SHAREHOLDERS'EQUITY (captions 130, 150, 160, 170, 180, 190 and 200)**
**14.1 Capital and treasury shares: break-down**

Caption/Value	31.12.2011	31.12.2010
Share capital	67,705	67,705
Treasury shares	-	-
<b>Total</b>	<b>67,705</b>	<b>67,705</b>

The share capital, fully subscribed and paid up, is made up of.

- . 117,000,000 ordinary shares with a nominal value of Euro 0.52 each;
- . 13,202,000 savings shares with a nominal value of Euro 0.52 each.

The Bank does not hold, nor has it held in the course of the year, treasury shares.

**14.2 Capital - Number of shares: annual changes**

Caption/Type	Ordinary	Other
<b>A. Number of shares at the beginning of the year</b>	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	117,000,000	13,202,000
<b>B. Increases</b>	-	-
B.1 New issues		
- on a payment basis:	-	-
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:	-	-
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
<b>C. Decreases</b>	-	-
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	117,000,000	13,202,000
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

### 14.3 Capital: other information

There is no other information to report.

### 14.4 Profit reserves: other information

In compliance with the provisions of article 2427, paragraph 1, n: 7-bis) of the Italian Civil Code, please see below a summary of the Net Equity items divided according to their origin and indicating the possibility for use and for distribution, as well as their use in the three previous financial years.

	31.12.2011	Possible uses	Available share	Uses in the last three financial years	
				Loss coverage	Other uses
Share Capital	67,705	-	-	-	-
Share premiums	16,145	A,B,C (1)	16,145		
Legal reserve	75,019	A, B (2)			
Statutory reserves	435,301	A,B,C	435,301		
Reserve for stock grant/option plans	551	A			
Reserves from merger surpluses/deficits	(6,203)				
Valuation reserve :					
. Available-for-sale financial assets	(34,630)	(3)			
. actuarial valuation of tfr	74	(3)			
. special revaluation laws	22,199	A,B (4)			
. revaluation reserve L. 413/1991	697	A,B,C			
Reserves for transition to IAS	123,356	(5)			
Other	2,231	A,B,C	2,231		
<b>Total</b>	<b>702,445</b>		<b>453,677</b>		

**Legenda:** A = for capital increase B = for loss coverage C = for distribution to shareholders

(1) Share premium reserve, pursuant to article 2431 of the Italian Civil Code, is considered to be non-distributable for the portion necessary to replenish, as per minimum legal requirements, the Legal Reserve (one fifth of the Share Capital)

(2) This may be used for capital increases only for the portion that exceeds one fifth of the share capital

(3) Unavailable reserve pursuant to article 6 of Legislative Decree no. 38/2005

(4) Reserve set up at the time of the first adoption of of IAS/IFRS, as a result of the measurement of tangible assets at "presumed cost", as required by the "IAS decree"

(5) Reserves for adoption of IAS/IFRS comply with the provisions under article 7 of Legislative Decree 38/2005

### 14.5 Equity instruments: breakdown and annual changes

None.

### 14.6 Other information

There is no other information to report.

## OTHER INFORMATION

### 1. Guarantees granted and commitments

Transactions	31.12.2011	31.12.2010	31.12.2010 aggregate
1) Financial guarantees granted	<b>13,207</b>	<b>9,967</b>	<b>14,530</b>
a) Banks	8,241	8,031	9,015
b) Customers	4,966	1,936	5,515
2) Commercial guarantees granted	<b>187,163</b>	<b>177,567</b>	<b>198,154</b>
a) Banks	10,961	15,245	15,245
b) Customers	176,202	162,322	182,909
3) Irrevocable commitments to grant finance	<b>138,742</b>	<b>176,572</b>	<b>197,320</b>
a) Banks	12,529	17,296	17,345
<i>i) certain to be called on</i>	12,529	17,296	17,345
<i>ii) not certain to be called on</i>	-	-	-
b) Customers	126,213	159,276	179,975
<i>i) certain to be called on</i>	12,719	15,768	15,768
<i>ii) not certain to be called on</i>	113,494	143,508	164,207
4) Underlying commitments to credit derivatives: hedging sales	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>
5) Assets lodged to guarantee minority interest	<b>1,521</b>	<b>1,547</b>	<b>1,547</b>
6) Other commitments	-	-	-
<b>Total</b>	<b>365,633</b>	<b>390,653</b>	<b>436,551</b>

### 2. Assets lodged to guarantee own liabilities and commitments

Portfolios	31.12.2011	31.12.2010	31.12.2010 aggregate
1. Financial assets held for trading	6,049	352	352
2. Financial assets at fair value			
3. Available-for-sale financial assets	329,669	261,232	261,232
4. Held-to-maturity financial assets	10,115	43,451	43,451
5. Amounts due from banks		4,108	19,162
6. Amounts due from customers			
7. Tangible assets			

**4. Administration and dealing on behalf of third parties**

Type of services	Amount
<b>1. Execution of orders on behalf of customers</b>	<b>87,658</b>
a) purchase	41,714
1. settled	38,842
2. not settled	2,872
b) sale	45,944
1. settled	43,027
2. not settled	2,917
<b>2. Portfolio management</b>	<b>845,013</b>
a) individual	270,637
b) collective	574,376
<b>3. Custody and administration of securities</b>	<b>10,532,915</b>
with depositary bank's services (excluding portfolio management)	-
1. securities issued by the bank preparing the accounts	-
2. other securities	-
b) other third-party securities held on deposit (excluding portfolio management): other	9,458,140
1. securities issued by the bank preparing the accounts	2,361,102
2. other securities	7,097,038
c) third-party securities deposited with third parties	9,109,471
d) own securities deposited with third parties	1,074,775
<b>4. Other transactions</b>	<b>-</b>

## Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### SECTION 1 - INTEREST (captions 10 and 20)

#### 1.1 Interest income and similar revenues: breakdown

Caption/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
1. Financial assets held for trading	273		5,351	<b>5,624</b>	13,473	13,568
2. Available-for-sale financial assets	20,849			<b>20,849</b>	13,623	13,623
3. Held-to-maturity investments	4,683			<b>4,683</b>	1,732	1,732
4. Amounts due from banks	969	3,046		<b>4,015</b>	4,480	3,429
5. Amounts due from customers profit or loss	1,395 -	230,898		<b>232,293</b> -	172,919 142	197,105 142
7. Hedging derivatives			1,532	<b>1,532</b>	29	29
8. Other assets			67	<b>67</b>	74	77
<b>Total</b>	<b>28,169</b>	<b>233,944</b>	<b>6,950</b>	<b>269,063</b>	<b>206,472</b>	<b>229,705</b>

This item includes interest paid by Banks and other Companies of the Group with an aggregate of Euro 5.1 million (the total was Euro 2.6 million at the end of last year) of which Euro 0.2 million on amounts due from banks, Euro 4.8 million on amounts due from customers and Euro 0.1 million on financial assets held for trading.

Interest on "amounts due from customers" is recognised net of any default interest accrued in the financial year on impaired assets, since such interest is included in the balance sheet only after its collection. Interest of this nature amounts to Euro 4.1 million overall.

On the other hand a total of Euro 686 thousand (the total was Euro 704 thousand at the end of 2010) was accounted for in the item for interest collected during the year), of which Euro 591 thousand referred to previous financial years (the total was Euro 578 thousand last year).

#### 1.2 Interest income and similar revenues: differentials on hedging transactions

Caption/Value	31.12.2011	31.12.2010	31.12.2010 aggregate
A. Positive differentials on hedging transactions	5,416	761	761
B. Negative differentials on hedging transactions	(3,884)	(732)	(732)
<b>C. Balance (A-B)</b>	<b>1,532</b>	<b>29</b>	<b>29</b>

### 1.3 Interest income and similar revenues: other information

#### 1.3.1 Interest income on foreign currency financial assets

Technical forms	31.12.2011	31.12.2010	31.12.2010 aggregate
- Amounts due to banks	470	319	255
- Amounts due to customers	634	448	537
<b>Total</b>	<b>1,104</b>	<b>767</b>	<b>792</b>

#### 1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under "Amounts due from customers - Loans", amount to Euro 20.0 million; these include Euro 18.5 million related to indexed contracts, of which Euro 0.9 million on leaseback contracts (in 2010 respectively Euro 12.7 million on indexed contracts, of which Euro 0.9 million on leaseback contracts).

Financial profits pertaining to subsequent years amount to Euro 146.5 million, of which Euro 10.9 million on leaseback contracts (respectively Euro 150.8 million and Euro 13.6 million at the end of the last year).

### 1.4 Interest expense and similar charges: break-down

Captions/Technical types	Debts	Securities	Other transactions	Total	Total	Total
				31.12.2011	31.12.2010	31.12.2010 aggregate
1. Amounts due to central banks	(802)			<b>(802)</b>	(39)	(39)
2. Amounts due to banks	(4,146)			<b>(4,146)</b>	(1,202)	(1,067)
3. Amounts due to customers	(28,501)			<b>(28,501)</b>	(15,633)	(18,047)
4. Securities issued		(48,617)		<b>(48,617)</b>	(27,542)	(30,868)
5. Financial liabilities held for trading				-		
6. Liabilities at fair value through profit or loss	-	(8,218)		<b>(8,218)</b>	(16,445)	(16,732)
7. Other liabilities			(22)	<b>(22)</b>	(16)	(16)
8. Hedging derivatives				-		
<b>Total</b>	<b>(33,449)</b>	<b>(56,835)</b>	<b>(22)</b>	<b>(90,306)</b>	<b>(60,877)</b>	<b>(66,769)</b>

Debit interest paid to Group companies amounted to a total of Euro 2.6 million, of which Euro 2.4 million of amounts due to banks and Euro 0.1 million of amounts due to customers and Euro 0.1 million on securities in issue (Euro 1.1 million last year).

### 1.5 Interest income and similar revenues: differentials on hedging transactions

Details are shown in item 1.2 above.

**1.6 Interest expense and similar charges: other information**
**1.6.1 Interest expense on foreign currency liabilities**

Captions/Technical forms	31.12.2011	31.12.2010	31.12.2010 aggregate
Amounts due to banks	(311)	(165)	(153)
Amounts due to customers	(33)	(98)	(106)
Securities issued	-	-	-
<b>Total</b>	<b>(344)</b>	<b>(263)</b>	<b>(259)</b>

**1.6.2 Interest income on finance lease liabilities**

No such operations in Banco Desio.



**SECTION 2 - NET FEE AND COMMISSION INCOME (caption 40 and 50)**
**2.1 Fee and commission income: break-down**

Type of service / Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
a) Guarantees given	1,914	1,728	1,996
b) Credit derivatives			
c) Management, trading and consultancy services:	28,576	29,970	33,170
1. trading of financial instruments	-	25	25
2. currency trading	1,043	1,039	1,229
3. portfolio management	2,340	2,559	2,732
3.1. <i>Individual</i>	1,632	1,876	2,049
3.2. <i>Collective</i>	708	683	683
4. securities safekeeping and administration	1,759	1,701	1,861
5. depositary bank		2,478	2,478
6. securities placement	6,779	6,085	6,879
7. order receipt and transmission	7,691	8,071	9,287
8. consultancy services			
8.1 on investments			
8.2 on financial structures			
9. distribution of third party services	8,964	8,012	8,679
9.1. portfolio management	477	295	467
9.1.1. <i>Individual</i>	477	295	467
9.1.2. <i>Collective</i>			
9.2. insurance products	8,153	6,962	7,410
9.3. other products	334	755	802
d) Collection and payment services	18,817	16,881	18,757
e) Servicing for securitization operations			
f) Factoring transaction services	97	57	57
g) Tax collection services			
h) multi-lateral trading systems management			
i) holding and managing current accounts	55,617	51,659	57,165
j) other services	4,557	3,828	4,276
<b>Total</b>	<b>109,578</b>	<b>104,123</b>	<b>115,421</b>

Commission paid by Group Companies amounted to a total of Euro 5.0 million (total was Euro 3.2 million at the end of the last year).

**2.2 Fee and commission income: products and services distribution channels**

Channel/Sectors	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
<b>a) Bank branches:</b>	<b>18,083</b>	<b>16,656</b>	<b>18,299</b>
1. Portfolio management	2,340	2,559	2,732
2. Placement of securities	6,779	6,085	6,879
3. Third party services and products	8,964	8,012	8,688
<b>b) Door-to-door sale:</b>	-	-	-
1. Portfolio management			
2. Placement of securities			
3. Third party services and products			
<b>c) Other distribution channels:</b>	-	-	-
1. Portfolio management			
2. Placement of securities			
3. Third party services and products			

In the current financial year fees paid to us by Group companies in relation to placement of securities and third-party services and products amount to a total of Euro 4.8 million.

**2.3 Fee and commission expense: break-down**

Services/Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
a) Guarantees received	(17)	(31)	(33)
b) Credit derivatives			
c) Management and dealing services:	(1,264)	(3,143)	(2,033)
1. Trading of financial instruments	(26)	(36)	(38)
2. Currency trading			
3. Portfolio management:	-	-	-
3.1 own portfolio			
3.2 delegated			
4. Securities safekeeping and	(1,238)	(1,692)	(1,692)
5. Placement of financial instruments	-	(1,415)	(303)
6. Door-to-door sale of financial instruments, products and services			
d) Collection and payment services	(2,304)	(2,269)	(2,617)
e) Other services	(679)	(852)	(851)
<b>Total</b>	<b>(4,264)</b>	<b>(6,295)</b>	<b>(5,534)</b>

The figure for debit commission paid to Group companies amounted to Euro 10 million (total of Euro 320 thousand of the last period).

**SECTION 3 - DIVIDENDS AND SIMILAR REVENUES (caption 70)**
**3.1 Dividends and similar revenues: break-down**

Caption / Revenues	31.12.2011		31.12.2010		31.12.2010 aggregate	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	5					
B. Available-for-sale financial assets	170		364		445	
C. Financial assets at fair value through profit or loss						
D. Equity investments	4,012	x	6,763	x	6,763	
<b>Total</b>	<b>4,187</b>	<b>-</b>	<b>7,127</b>	<b>-</b>	<b>7,208</b>	<b>-</b>

The item "B. Financial assets available for sale" includes dividends of Euro 146 thousand collected by the merged companies Banco Desio Toscana and Banco Desio Veneto in relation to the subsidiary Rovere S.A.

Dividends collected from equity investments, included under point D, relate to:

Banco Desio Lazio	euro 2,146 thousand	(previously 2.862 thousand)
Chiara Assicurazioni	euro 533 thousand	
Chiara Vita	euro 1,333 thousand	(previously 3.384 thousand)
Brianfid	euro 0	(previously 517 thousand)

**SECTION 4 - PROFITS (LOSSES) ON TRADING (CAPTION 80)**
**4.1 Profit (losses) on trading: break-down**

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2011	Net income 31.12.2010	Net income 31.12.2010 aggre
<b>1. Financial assets held for trading</b>	<b>39</b>	<b>480</b>	<b>(304)</b>	<b>(241)</b>	<b>(26)</b>	<b>(39)</b>	<b>61</b>
1.1 Debt securities	39	253	(104)	(88)	100	156	236
1.2 Equity securities		98	(200)	(153)	(255)	(321)	(321)
1.3 UCITS units							
1.4 Loans							
1.5 Other		129			129	126	146
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>
2.1 Debt securities							(10)
2.2 Debts							
2.3 Other							
<b>3. Other financial assets and liabilities: foreign exchange differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>440</b>	<b>1,245</b>	<b>1,305</b>
<b>4. Derivative instruments</b>	<b>284</b>	<b>1,237</b>	<b>(2,005)</b>	<b>(1,184)</b>	<b>(1,646)</b>	<b>(840)</b>	<b>(910)</b>
4.1 Financial derivatives:							
- on debt securities and interest rates	219	1,237	(1,923)	(1,184)	(1,651)	(894)	(964)
- on equity securities and stock	65	-	(82)	-	(17)	40	40
- on currencies and gold	x	x	x	x	22	14	14
- other							
4.2 Credit derivatives							
<b>TOTAL</b>	<b>323</b>	<b>1,717</b>	<b>(2,309)</b>	<b>(1,425)</b>	<b>(1,232)</b>	<b>366</b>	<b>446</b>

Profit (losses) on trading was affected by income earned in the operations carried out with Group companies for a total of Euro 169 thousand (total of Euro 123 thousand at the end of 2010).

**SECTION 5 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING (caption 90)**
**5.1 Fair value adjustments in hedge accounting: break-down**

Income component/Value	31.12.2011	31.12.2010	31.12.2010 aggregate
<b>A. Income relating to:</b>			
A.1 Fair value hedging derivatives	6,651	2,312	2,312
A.2 Hedged financial assets (fair value)	1,383		
A.3 Hedged financial liabilities (fair value)	-	856	856
A.4 Cash flow hedge financial derivatives			
A.5 Currency assets and liabilities			
<b>Total income from hedging activities</b>	<b>8,034</b>	<b>3,168</b>	<b>3,168</b>
<b>B. Charges relating to:</b>			
B.1 Fair value hedging derivatives	(1,507)	(1,113)	(1,113)
B.2 Hedged financial assets (fair value)		(458)	(458)
B.3 Hedged financial liabilities (fair value)	(6,550)		
B.4 Cash flow hedge financial derivatives			
B.5 Currency assets and liabilities			
<b>Total charges from hedging activities</b>	<b>(8,057)</b>	<b>(1,571)</b>	<b>(1,571)</b>
<b>C. Net hedging income</b>	<b>(23)</b>	<b>1,597</b>	<b>1,597</b>

The net hedging income is given by the difference between valuation at fair value of the bond issues being hedged and the valuation of the related hedging derivatives.

**SECTION 6 - PROFITS (LOSSES) ON DISPOSAL/REPURCHASE (caption 100)**
**6.1 Profits (losses) on disposal/repurchase: break-down**

Caption/Income component	31.12.2011			31.12.2010			31.12.2010 aggregate		
	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income
<b>Financial assets</b>									
1. Amounts due from banks									
2. Amounts due from customers	34	(586)	(552)	55		55	57		57
3. Available-for-sale financial assets	5,383	(2,759)	2,624	11,058	(3,994)	7,064	11,058	(3,994)	7,064
3.1 Debt securities	4,998	(2,750)	2,248	9,882	(1,663)	8,219	9,882	(1,663)	8,219
3.2 Equity securities	200	(2)	198	100	(25)	75	100	(25)	75
3.3 UCITS units	185	(7)	178	1,076	(2,306)	(1,230)	1,076	(2,306)	(1,230)
3.4 Loans									
4. Held-to-maturity investments									
<b>Total assets</b>	<b>5,417</b>	<b>(3,345)</b>	<b>2,072</b>	<b>11,113</b>	<b>(3,994)</b>	<b>7,119</b>	<b>11,115</b>	<b>(3,994)</b>	<b>7,121</b>
<b>Financial liabilities</b>									
1. Amounts due to banks									
2. Amounts due to customers									
3. Securities issued	1,114	(15)	1,099	931	(104)	827	960	(124)	836
<b>Total liabilities</b>	<b>1,114</b>	<b>(15)</b>	<b>1,099</b>	<b>931</b>	<b>(104)</b>	<b>827</b>	<b>960</b>	<b>(124)</b>	<b>836</b>

Profits/losses on Amounts due from customers result from the transfer of non-performing loans.

Profits/losses from disposal/repurchase of financial assets available for sale represent the effect in the income statement of the sales made in the financial year, including the release of the related valuation reserves before tax effect. Profits referred to disposal of UCITS units also include the relevant tax credit.

As regards financial liabilities, the result reflects the profits/losses resulting from the purchase, sale or redemption of bonds issued by the Bank.

**SECTION 7 - PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 110)**
**7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down**

Transaction/ Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income	Net income	Net income
					31.12.2011	31.12.2010	31.12.2010 aggregate
<b>1. Financial assets</b>	-	-	-	-	-	-	-
1.1 Debt securities							
1.2 Equity securities							
1.3 UCITS units							
1.4 Loans							
<b>2. Financial liabilities</b>	<b>3,266</b>	<b>2,727</b>	-	-	<b>5,993</b>	<b>8,005</b>	<b>8,280</b>
2.1 Debt securities	3,266	2,727	-	-	5,993	8,005	8,280
2.2 Amounts due to banks							
2.3 Amount due to customers							
<b>3. Other financial assets and liabilities: foreign exchange differences</b>					-	-	-
<b>4. Financial and credit derivatives</b>	<b>1,536</b>		<b>(4,783)</b>		<b>(3,247)</b>	<b>(9,886)</b>	<b>(10,022)</b>
<b>Total</b>	<b>4,802</b>	<b>2,727</b>	<b>(4,783)</b>	-	<b>2,746</b>	<b>(1,881)</b>	<b>(1,742)</b>

Profits (losses) on financial assets and liabilities at fair value through profit or loss are given by the difference between valuation of the bonds issued, subject to "natural" hedging in compliance with the so-called fair value option, and the corresponding financial derivatives.

**SECTION 8 - NET LOSSES/RECOVERIES ON IMPAIRMENT (caption 130)**
**8.1 Net impairment losses on loans: break-down**

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries			
A. Amounts due from							11	10	10	
- loans							11	10	10.00	
- debt securities										
B. Amounts due from	(13,403)	(42,374)		5,980	12,379		2,142	(34,792)	(38,137)	
- loans	(13,403)	(42,374)		5,980	12,379		2,142	(34,792)	(38,137)	
- debt securities							-			
<b>C. Total</b>	<b>(13,403)</b>	<b>(42,374)</b>	-	<b>5,980</b>	<b>12,379</b>	-	<b>2,153</b>	<b>(34,782)</b>	<b>(38,127)</b>	

"Impairment losses due to write-offs" entirely refer to the writing off of non-performing loans.

"Impairment losses - other" are generated by the analytical valuation of the likelihood of recovery of impaired loans and by the discounting of cash flows expected on the same classes of loans; specifically they refer:

- to non-performing loans Euro 21.2 million (previously Euro 20.5 million);
- to problem loans Euro 19,9 million (previously Euro 17.7 million);
- restructured loans Euro 0,1 million (previously Euro 0.3 million);
- to default loans Euro 1.1 million (previously Euro 0.9 million).

Recoveries: – due to interest” result from the release of interest from the discounting of capital on non-performing or impaired loans.

As regards specific recoveries, “other recoveries” refer:

- . to transactions amortised in previous years Euro 2.3 million (previously 2.1 million);
- . to collections of previously devalued credits Euro 6.1 million (previously 6.1 million);
- . to recoveries from valuations Euro 4.0 million (previously 4.5 million).

## 8.2 Net impairment losses on financial assets available for sale: breakdown

There were no net impairment losses at the end of the period on financial assets available for sale.

## 8.3 Net impairment losses on held-to-maturity investments: breakdown

There were no net impairment losses at the end of the period on held-to-maturity investments.

## 8.4 Net impairment losses on other financial transactions: break-down

Transaction/Income component	Impairment losses			Recoveries				Total	Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2011	31.12.2010	31.12.2010 aggregate
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries			
A. Guarantees granted	(279)	(51)			75		252	(3)	(115)	(120)
B. Credit derivatives										
C. Commitments to grant finance										
D. Other transactions										
<b>E. Total</b>	<b>(279)</b>	<b>(51)</b>			<b>75</b>		<b>252</b>	<b>(3)</b>	<b>(115)</b>	<b>(120)</b>

“Impairment losses and recoveries - specific: other” represent the valuation of the guarantees issued with regard to non-performing loans or problems loans.



**SECTION 9 - ADMINISTRATIVE EXPENSES (caption 150)**
**9.1 Personnel costs: break-down**

Type of costs/Amount	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
1) Employees	(128,732)	(112,127)	(126,801)
a) wages and salaries	(84,692)	(75,771)	(85,843)
b) social security charges	(22,048)	(18,705)	(21,345)
indemnities			
d) social security costs			
e) provisions for termination indemnities	(1,200)	(1,144)	(1,241)
f) accruals to pension funds and similar funds:	-	-	-
- defined contribution			
- defined benefit			
g) amounts paid to external complementary social security funds:	(9,705)	(8,645)	(9,566)
- defined contribution	(9,705)	(8,645)	(9,566)
- defined benefit			
h) costs arising from payment agreements based on own financial	(62)		(142)
i) other benefits in favor of employees	(11,025)	(7,862)	(8,664)
2) Other personnel in active employment	(1,649)	(1,618)	(1,746)
3) Directors and statutory auditors	(4,127)	(3,981)	(4,738)
4) Staff pensioned off			
5) Recoveries of expenses for staff seconded to other companies	104	104	104
6) Refund of expenses for third-party employees seconded to the company	-	(74)	-
<b>Total</b>	<b>(134,404)</b>	<b>(117,696)</b>	<b>(133,181)</b>

**9.2 Average number of employees by category**

	31.12.2011	31.12.2010	31.12.2010 aggregate
<b>Employees</b>	<b>1,607</b>	<b>1,416</b>	<b>1,595</b>
a) Executives	28	24	29
b) Managers	844	720	825
c) Remaining employees	735	672	741
<i>Other personnel</i>	<b>25</b>	<b>22</b>	<b>27</b>

**9.3 Corporate defined-benefit pension funds: total costs**

None.

**9.4 Other benefits in favour of employees**

	31.12.2011	31.12.2010	31.12.2010 aggregate
provisions for sundry costs	(7,956)	(4,440)	(4,830)
social security contribution	(1,136)	(904)	(1,001)
training and education expenses	(371)	(525)	(532)
leases on buildings dedicated to the use by employees	(116)	(56)	(95)
other	(1,446)	(1,937)	(2,080)
<b>Total</b>	<b>(11,025)</b>	<b>(7,862)</b>	<b>(8,664)</b>

**9.5 Other administrative costs: break-down**

	31.12.2011	31.12.2010	31.12.2010 aggregate
indirect taxes and duties			
- stamp duties	(10,063)	(7,559)	(8,412)
- other	(3,286)	(3,368)	(3,881)
other costs			
- information technology charges	(8,067)	(9,170)	(10,418)
- property/equipment lease	(9,893)	(6,808)	(9,110)
equipment	(3,256)	(3,157)	(3,518)
- postal and telegraphic charges	(2,107)	(2,102)	(2,350)
- telephone, data transmission charges	(2,345)	(1,880)	(2,451)
- electric power, heating, water	(3,109)	(2,741)	(3,061)
- cleaning services	(1,086)	(842)	(1,018)
expenses	(1,161)	(950)	(1,087)
- transport costs	(696)	(617)	(731)
- surveillance and security	(1,352)	(1,113)	(1,209)
- advertising	(1,020)	(1,261)	(1,371)
- information and certificates	(933)	(1,082)	(1,305)
- insurance premiums	(860)	(770)	(861)
- legal expenses	(4,866)	(4,490)	(4,757)
- professional consulting expenses	(2,891)	(2,672)	(3,035)
- contributions and donations	(163)	(127)	(162)
- other expenses	(8,744)	(6,220)	(6,628)
<b>Total</b>	<b>(65,898)</b>	<b>(56,929)</b>	<b>(65,365)</b>

This item includes the fees paid to the firm PricewaterhouseCoopers S.p.A. which is responsible for auditing the financial statements for the following types of services rendered to the Bank.

Type of services / Remuneration	31.12.2011	31.12.2010	31.12.2010 aggregate
Audit	188	125	186
Certification services	6	3	7
Tax advisory services			
Other services: agreed procedures	29	26	26

**SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES (captions 160)**
**10.1 Net provisions for risks and charges: break-down**

Type of costs / Amount	31.12.2011	31.12.2010	31.12.2010 aggregate
charges for legal disputes	(1,413)	1,072	1,072
sundry charges	7,313	14,498	14,581
<b>Total</b>	<b>5,900</b>	<b>15,570</b>	<b>15,653</b>

Adjustment to provisions relating to personnel charges is included under "Administrative expenses - Personnel costs".

**SECTION 11 - NET ADJUSTMENTS TO/RECOVERIES ON TANGIBLE ASSETS (caption 170)**
**11.1 Net adjustments to/recoveries on tangible assets: break-down**

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income	Net income	Net income
				31.12.2011	31.12.2010	31.12.2010 aggregate
A. Tangible assets						
A.1 owned by the Bank	(5,938)	-	-	(5,938)	(5,349)	(6,221)
- for business use	(5,938)			(5,938)	(5,349)	(6,221)
- for investment				-		
A.2 leased	-	-	-	-	-	-
- for business use				-		
- for investment				-		
<b>Total</b>	<b>(5,938)</b>	<b>-</b>	<b>-</b>	<b>(5,938)</b>	<b>(5,349)</b>	<b>(6,221)</b>

Value adjustments exclusively refer to depreciation calculated on the basis of the useful life of assets.

The breakdown of the amortizations by type of asset is shown in the table 11.3 of the Assets.

**SECTION 12 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS (caption 180)**
**12.1 Net adjustments to/recoveries on intangible assets: break-down**

Asset / Income component	Amortization	Impairment losses	Recoveries	Net income	Net income	Net income
				31.12.2011	31.12.2010	31.12.2010 aggregate
A. Intangible assets				-		
A.1 owned by the Bank	(584)	-	-	(584)	(423)	(431)
- generated internally				-		
- other	(584)			(584)	(423)	(431)
A.2 leased				-		
<b>Total</b>	<b>(584)</b>	<b>-</b>	<b>-</b>	<b>(584)</b>	<b>(423)</b>	<b>(431)</b>

Value adjustments exclusively refer to amortization calculated on the basis of the useful life of intangible assets.

**SECTION 13 - OTHER OPERATING INCOME (caption 190)**
**13.1 Other operating expenses: break-down**

Type of costs / Amount	31.12.2011	31.12.2010	31.12.2010 aggregate
amortization of costs for leasehold improvements	(2,606)	(1,798)	(2,122)
losses on disposal of tangible assets	(26)	(15)	(15)
charges on non-banking services	(524)	(1,734)	(1,797)
<b>Total</b>	<b>(3,156)</b>	<b>(3,547)</b>	<b>(3,934)</b>

This item accounts for other intragroup expenses of Euro 1 thousand (total was also Euro 1 thousand at the end of 2010).

**13.2 Other operating income: break-down**

Type of costs / Amount	31.12.2011	31.12.2010	31.12.2010 aggregate
recovery of taxes from third parties	11,468	9,202	10,433
recovery of expenses	1,807	1,299	1,471
rentals receivable	5	5	5
other recoveries of expenses	4,225	3,161	1,948
profits from disposal of tangible assets	48	2,957	2,960
others	1,961		
<b>Total</b>	<b>19,514</b>	<b>16,624</b>	<b>16,817</b>

This item accounts for other intergroup income of Euro 1,088 thousand (total of Euro 1,056 thousand at the end of 2010).

**SECTION 14 - PROFITS (LOSSES) ON EQUITY INVESTMENTS (caption 210)**
**14.1 Profits (losses) on equity investments: break-down**

Income component / Values	Total 31.12.2011	Total 31.12.2010	Total 31.12.2010 aggregate
A. Revenues	-	493	493
1. Revaluations			
2. Profits on disposal	-	493	493
3. Write-backs			
4. Other			
B. Charges	-	-	-
1. Write-downs			
2. Impairment losses			
3. Losses on disposal			
4. Other			
<b>Net result</b>	-	<b>493</b>	<b>493</b>

**SECTION 15 - NET PROFITS (LOSSES) FROM TANGIBLE AND INTANGIBLE ASSETS AT FAIR VALUE (caption 220)**

Banco Desio has no tangible or intangible assets valued at fair value.

**SECTION 16 - IMPAIRMENT OF GOODWILL (caption 230)**

As noted in section 12 "Intangible assets" of the balance sheet assets, the performance of the impairment test did not show any impairment of goodwill during the period.

**SECTION 17 - PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS (caption 240)**

There was no profit (loss) on disposal of investments during the period.

**SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS (caption 260)**
**18.1 Taxes on income from continuing operations: breakdown**

Income component / Values	Total	Total	Total
	31.12.2011	31.12.2010	31.12.2010 aggregate
1. Current taxes (-)	(31,919)	(26,111)	(27,374)
2. Changes in current taxes of previous periods (+/-)	311	(115)	(104)
3. Decrease in current taxes of the year (+)			
4. Changes in deferred tax assets (+/-)	1,894	2,852	2,815
5. Changes in deferred tax liabilities (+/-)	(136)	44	22
<b>6. Taxes for the year</b>	<b>(29,850)</b>	<b>(23,330)</b>	<b>(24,641)</b>

Item 2 "Changes in current taxes of previous periods" recorded the following changes:

- increase of Euro 336 thousand as a result of the reversal of the substitute tax applied during the transaction for the tax redemption of goodwill, carried out in the 2009 financial year, pursuant to article 15, paragraph 10 of Decree Law no. 185/2008 by the merged company Banco Desio Veneto S.p.A. The amount claimed in refund was entered in the tax credits. The cancellation of the transaction also entailed the reversal of deferred tax assets amounting to Euro 679 thousand.  
The reversal of the transaction caused a total negative effect on the income statement equal to Euro 343 thousand.
- reduction of Euro 25 thousand of current taxes allocated as at 31.12.2010.

**18.2 Reconciliation of theoretical and effective tax charges in the financial statements**

	IRES		IRAP	
Profit before taxes	73,085		73,085	
Non-deductible costs for IRAP purposes			200,909	
Non-taxable revenues for IRAP purposes			(33,502)	
Sub-Total	73,085		240,492	
<b>Theoretical tax charge</b>				
<b>27.5% Ires - 5.57% Irap</b>		<b>(20,098)</b>		<b>(13,395)</b>
Temporary taxable differences over subsequent years	(261)		(261)	
Temporary deductible differences over subsequent years	23,149			
Reallocation of temporary differences from previous financial years	(13,506)		1,596	
Differences not to be reversed in subsequent years	(8,080)		(36,034)	
Taxable income	74,387		205,793	
<b>Current taxes for the period</b>				
<b>27.5% Ires - 5.57% Irap</b>		<b>(20,456)</b>		<b>(11,463)</b>

The effective tax charge, amounts to Euro 31,919 thousand is equal to the amount reported under item "1. Current taxes", previous table 18.1.

**SECTION 19 - GAINS (LOSSES) ON GROUPS OF ASSETS BEING DISPOSED OF, NET OF TAXES (caption 280)**

There were no gains/losses on groups of assets/liabilities for disposal at the end of the period.

**SECTION 20 - OTHER INFORMATION**

There is no other information to report in this section.

**SECTION 21 - EARNING PER SHARE**
**21.1 Average number of diluted ordinary shares**

During the year no transaction on the share capital or no issue of financial instruments was carried out which could entail the issue of shares; therefore, the number of shares entitled to profits is equal to mo. 117,000,000 ordinary shares and no. 13,202,000 savings shares

**21.2 Other information**
**Earnings per share**

(Amounts in Euros)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285,000	1,663,452	
Retained earnings	25,794,167	3,492,659	
	38,079,167	5,156,111	43,235,278
Average number of outstanding ordinary shares:			
Categories:			
Ordinary shares	117.000.000		
Savings shares	13.202.000		
<b><i>Earnings per share - Basic :</i></b>	<b>0.325</b>	<b>0.391</b>	

**PART D - COMPREHENSIVE INCOME**
**ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME**

Captions		Gross Amount	Income tax	Net amount
<b>10.</b>	<b>Profit (Loss) for the period</b>	<b>X</b>	<b>X</b>	<b>43 235</b>
	<b>Other income components</b>			
<b>20.</b>	Available-for-sale financial assets	(38,668)	12,833	(25,835)
	a) fair value changes	(41,493)	13,680	(27,813)
	b) reversal to the income statement	2,495	(817)	1,678
	- value adjustments due to deterioration			
	- profits/losses on disposal	2,495	(817)	1,678
	c) other changes	330	(30)	300
<b>30.</b>	Tangible assets			
<b>40.</b>	Intangible assets			
<b>50.</b>	Foreign investment hedge:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>60.</b>	Cash flow hedge:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>70.</b>	Exchange differences:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>80.</b>	Non-current assets held for sale and discontinued operations			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>90.</b>	Actuarial profits (losses) on defined benefit plans	42	(7)	35
<b>100.</b>	Share of valuation reserve of equity investments carried at equity:			
	a) fair value changes			
	b) reversal to the income statement			
	- value adjustments due to deterioration			
	- profits/losses on disposal			
	c) other changes			
<b>110.</b>	<b>Total other income components</b>	<b>(38,626)</b>	<b>12,826</b>	<b>(25,800)</b>
<b>120.</b>	<b>Comprehensive income (10+110)</b>	<b>X</b>	<b>X</b>	<b>17,435</b>



## **PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES**

### **SECTION 1 – CREDIT RISK**

#### **Qualitative information**

##### **1. General aspects**

Banco di Desio e della Brianza's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Bank has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

In relation to policies of risk assumption, one of the main principles underlying the management and formulation of strategic decisions has historically been represented by the effective and precise monitoring of exposure quality.

As a consequence, all policies are aimed at maintaining the high level of receivable quality while also keeping business objectives in mind.

For some specific products (targeted personal loans, leasing), activities are also conducted by means of authorised operators.

##### **2. Policies for the management of credit risks**

###### **2.1 Organisational aspects**

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Bank's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions. The Board of Directors is assigned, on an exclusive basis, inter alia, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.

The Board also ensures that the Managing Director, with the assistance of the General Manager, defines the structure of internal controls and that control functions are autonomous within this structure, in which particular importance is assumed by the system of delegated powers envisaged in the Articles of Association and specified in detail in Internal Regulations. This is a comprehensive system involving various bodies and functions, from the Executive Committee to Middle Managers, which also grants specific powers with regard to disbursing and recovering loans within operating powers.

The various functions are therefore given responsibility for the assessment and assumption of risks in compliance with the lending autonomy ceilings under Internal Regulations and consistently with the organisational system of the sales network.

In this context:

- the Loans Department (for the ordinary credit and for medium-to-long term, para-banking and consumer credit) standardises the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk and Litigation Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality;
- the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;
- the Internal Audit department, assesses the efficiency and reliability of the entire internal control system and checks, inter alia, that lending is carried out in accordance with the rules;
- the duty of the Risk Management Office is to develop credit risk models and measurement methodologies by drawing up periodic reports; the analyses produced mainly regard the evolution of the credit risk attached to the overall credit portfolio and/or to individual fractions of the portfolio entailing other particular credit risks.

## 2.2 Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.

During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower's structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.

The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to a series of controls, including points awarded on the basis of a sociological and behavioural scoring system.

In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of collaterals. Creditworthiness is assessed with care including on the basis of the customer's explanation of his or her financial requirements in the identification of the most appropriate technical form.

The risk involved in lending is analysed and monitored by the Risk Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are separated into classes by analysis of the performance of the relationship and of information from the automated Interbank Risk Service through a specific procedure, which separates customers whose conduct in the course of the relationship is anomalous from those with whom the relationship proceeds smoothly.

When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified as under control or in loans to reverse or problem loans with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk Performance Control Department.

The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to available sources of information.

The Bank adopts, for management purposes, in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System) developed within the Parent Company, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). This model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non-performing loans (expired, problem and non-performing loans).

The Bank follows the rules laid down in the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

### 2.3 Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk.

Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

A prudential spread is applied to collaterals that varies according to the degree of risk inherent in the assets pledged, which are monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by Internal regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal securities consist for the most part in performance bonds granted by both natural individuals and companies. The related evaluation is always effected on a valuation of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.

The guarantees received by the Bank are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments. The guarantee management process, in compliance with the requirements in the new regulations, provides for monitoring activities and specific checks with a view to the verification of eligibility.

To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

### 2.4 Impaired financial assets

The transfer to the non-performing loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Loans to customers are classified as problem loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively.

In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

As to the classification under restructured loans, either cash or "off-balance sheet", the Bank complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.

Positions which are overdue are kept under constant review by the Risk Control Area with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.

In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop.

The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out on the basis of information relating to the various court districts.

## Quantitative information

### A. Credit quality

#### A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area

##### A.1.1 Loans: break-down by portfolio and credit quality (book values)

Portfolio / Quality	Non Performing Loans	Problem loans	Restructured loans	Expired loans	Othes assets	Total
1. Financial assets held for trading					11,035	11,035
2. Available-for-sale financial assets	110				822,583	822,693
3. Held-to-maturity investments					120,889	120,889
4. Amount due from banks					167,016	167,016
5. Amounts due from customers	116,967	94,748	3,921	28,600	5,530,614	5,774,850
6. Financial assets at fair value through profit or loss						
7. Financial assets under disposal						
8. Hedging derivatives					5,631	5,631
<b>Total 31/12/2011</b>	<b>117,077</b>	<b>94,748</b>	<b>3,921</b>	<b>28,600</b>	<b>6,657,768</b>	<b>6,902,114</b>
<b>Total 31/12/2010</b>	<b>81,024</b>	<b>66,165</b>	<b>3,130</b>	<b>23,802</b>	<b>5,991,877</b>	<b>6,165,998</b>

##### A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Financial assets held for trading				11,035		11,035	11,035
2. Available-for-sale financial assets	110		110	822,583		822,583	822,693
3. Held-to-maturity investments				120,889		120,889	120,889
4. Amount due from banks				167,016		167,016	167,016
5. Amounts due from customers	346,786	(102,550)	244,236	5,557,188	(26,574)	5,530,614	5,774,850
6. Financial assets at fair value through profit or loss							
7. Financial assets under disposal							
8. Hedging derivatives				5,631		5,631	5,631
<b>Total 31/12/2011</b>	<b>346,896</b>	<b>(102,550)</b>	<b>244,346</b>	<b>6,684,342</b>	<b>(26,574)</b>	<b>6,657,768</b>	<b>6,902,114</b>
<b>Total 31/12/2010</b>	<b>261,702</b>	<b>(87,581)</b>	<b>174,121</b>	<b>6,017,559</b>	<b>(25,682)</b>	<b>5,991,877</b>	<b>6,165,998</b>

**Breakdown of performing exposures**

The item "Amounts due from customers" includes net receivables arising from renegotiations with Collective agreements for Euro 25.3 million and Euro 341.0 million of expired loans in relation to which the breakdown is reported according to the maturity date of the same.

Portfolio/quality	Performing loans		
	Gross exposure	Portfolio adjustments	Net exposure
<b>. Amounts due from customers</b>	<b>5,557,189</b>	<b>(26,574)</b>	<b>5,530,615</b>
<b>of which . Expired loans</b>	<b>344,790</b>	<b>(3,792)</b>	<b>340,998</b>
. Until 3 months	307,872	(3,197)	304,675
. Between 3 and 5 months	33,460	(496)	32,694
. Between 6 months and 1	3,386	(96)	3,290
. Beyond 1 year	72	(3)	69

**A.1.3 Cash and off-balance sheet loans to banks: gross and net values**

Type of loan / Amount	Gross exposure	Portfolio adjustments	Net exposure	Net exposure
<b>A. Cash loans</b>				
a) Non-performing loans				
b) Problem loans				
c) Restructured loans				
d) Expired loans				
e) Other assets	380,043			380,043
<b>Total A</b>	<b>380,043</b>			<b>380,043</b>
<b>B. Off-balance sheet loans</b>				
a) Impaired	-			-
b) Other	26,221	(45)		26,176
<b>Total B</b>	<b>26,221</b>	<b>(45)</b>		<b>26,176</b>
<b>Total (A+B)</b>	<b>406,264</b>	<b>(45)</b>		<b>406,219</b>

**A.1.4 Banking group – Cash and off-balance sheet loans to banks: change in impaired loans - gross**

None at the reference date.

**A.1.5 Banking group – Cash and off-balance sheet loans to banks: changes in overall impairments**

None at the reference date.

**A.1.6 Cash and off-balance sheet loans to customers: gross and net values**

Type of loan / Amount	Gross exposure	Portfolio adjustments	Net exposure	Net exposure
<b>A. Cash loans</b>				
a) Non-performing loans	190,148	(73,071)	-	117,077
b) Problem loans	122,675	(27,927)	-	94,748
c) Restructured loans	4,361	(440)	-	3,921
d) Expired loans	29,712	(1,112)	-	28,600
e) Other assets	6,296,227	-	(26,574)	6,269,653
<b>Total A</b>	<b>6,643,123</b>	<b>(102,550)</b>	<b>(26,574)</b>	<b>6,513,999</b>
<b>B. Off-balance sheet loans</b>				
a) Impaired	7,171	(95)	-	7,076
b) Other	326,272		(746)	325,526
<b>Total B</b>	<b>333,443</b>	<b>(95)</b>	<b>(746)</b>	<b>332,602</b>
<b>Total (A+B)</b>	<b>6,976,566</b>	<b>(102,645)</b>	<b>(27,320)</b>	<b>6,846,601</b>

**A.1.7 Cash loans to customers: changes in impaired loans– gross**

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Opening gross exposure</b>	<b>142,346</b>	<b>91,064</b>	<b>3,512</b>	<b>24,771</b>
of w hich: loans sold but not w ritten off				
<b>B. Increases</b>	<b>99,708</b>	<b>149,905</b>	<b>2,350</b>	<b>99,632</b>
b.1 from performing loans	7,503	88,404	267	91,372
of impaired loans	82,663	25,532	383	623
B.3 other increases	9,542	35,969	1,700	7,637
<b>C. Decreases</b>	<b>51,906</b>	<b>118,294</b>	<b>1,501</b>	<b>94,691</b>
c.1 to performing loans		12,084		40,148
C.2 w rite-offs	30,945			
C.3 collections	20,739	30,144	1,501	21,598
C.4 arising from sales	34			
impaired loans	188	76,066		32,945
C.6 other decreases				
<b>D. Closing gross exposure</b>	<b>190,148</b>	<b>122,675</b>	<b>4,361</b>	<b>29,712</b>
of w hich: loans sold but not w ritten off				

**A.1.8 Cash loans to customers: changes in total value adjustments**

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Total opening adjustments</b> of which: loans sold but not written off	<b>61,322</b>	<b>24,908</b>	<b>382</b>	<b>969</b>
<b>B. Increases</b>	<b>53,191</b>	<b>22,768</b>	<b>301</b>	<b>1,149</b>
B.1 transfer from other categories of impaired loans	35,262	19,945	87	1,069
	14,629	190	162	56
B.3 other increases	3,300	2,633	52	24
<b>C. Decreases</b>	<b>41,442</b>	<b>19,749</b>	<b>243</b>	<b>1,006</b>
C.1 write-backs due to valuation	5,816	3,459	159	594
C.2 write-backs due to collection	4,681	1,503	84	161
C.3 write-offs	30,945			
C.4 transfer to other categories of impaired loans		14,787		251
C.5 other decreases				
<b>D. Total closing adjustments</b> of which: loans sold but not written off	<b>73,071</b>	<b>27,927</b>	<b>440</b>	<b>1,112</b>

**A.2 Break-down of exposures based on external ratings**
**A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)**

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

**A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings**

The Bank does not use internal rating models for the determination of capital requirements.

As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company has developed, for management purposes, a rating model aimed at assessing retail clients (private consumers and micro enterprises) and to Corporate clients (enterprises with a turnover of over Euro 1million).

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate loans.

Loans as at 31.12.2011	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	35.9%	45.6%	18.5%	100%
Off-balance sheet loans	60.4%	32.6%	7.0%	100%

**A.3 Breakdown of guaranteed loans by type of guarantee**
**A.3.2 Secured loans to banks**

	Net amount of loan	Real Guarantees			Personal Guarantees									Total
		Property	Securities	Other real guarantees	Credit derivatives					Endorsements				
					CLN	Other derivatives		Banks	Other entities	Governments and Central banks	Other public entities	Banks	Other entities	
						Governments and Central banks	Other public entities							
<b>1. Secured cash loans:</b>														
1.1 fully secured	3,816,331	5,947,893	457,336	98,484								2,361	3,269,048	<b>9,775,122</b>
- of which impaired	185,515	342,919	9,299	1916									394,873	<b>749,007</b>
1.2 partially secured	207,027	9,298	46,360	21,802									72,553	<b>150,013</b>
- of which impaired	10,032	103	717	1,149									6,24	<b>8,093</b>
<b>2. Secured off-balance sheet loans</b>														
2.1 fully secured	121,645	36,425	13,273	9,823									141,787	<b>201,308</b>
- of which impaired	3,180		1,740	34									3,521	<b>5,295</b>
2.2 partially secured	32,177		8,670	2,606									7,216	<b>18,492</b>
- of which impaired	65		39										10	<b>49</b>



**B. Break-down and concentration of loans**
**B.1 Cash and off-balance sheet loans to customers: break-down by sector (book value)**

Loan / Counterparty	Governments			Other public entities			Financial institutions			Insurance company			Non financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
<b>A. Cash loans</b>																		
A.1 Non-performing loans							128	(40)					81,210	(53,347)		35,739	(19,684)	
A.2 Problem loans							166	(94)					52,126	(15,231)		42,456	(12,602)	
A.3 Restructured loans													3,921	(440)				
A.4 Expired loans													14,677	(626)		13,923	(486)	
A.5 Other loans	706,505						294,993		(174)	23,260			3,469,582		(21,765)	1,775,313		(4,635)
<b>Total A</b>	706,505						295,287	(134)	(174)	23,260			3,621,516	(69,644)	(21,765)	1,867,431	(32,772)	(4,635)
<b>B. Off-balance sheet loans</b>																		
B.1 Non-performing loans													101	(44)		30		
B.2 Problem loans							1,500						3,283	(50)		40	(1)	
B.3 Other impaired assets													2,100			22		
B.4 Other loans	25,000						2,015		(7)	468		(2)	267,859		(676)	30,184		(61)
<b>Total B</b>	25,000						3,515		(7)	468		(2)	273,343	(94)	(676)	30,276	(1)	(61)
<b>Total (A+B) 2011</b>	731,505						298,802	(134)	(181)	23,728		(2)	3,894,859	(69,738)	(22,441)	1,897,707	(32,773)	(4,696)
<b>Total 2010</b>	535,102			49			164,281		(88)	57,347			3,407,846	(62,171)	(21,821)	1,646,752	(25,529)	(4,571)

**B.2 Cash and off-balance sheet loans to customers: break-down by geographical area (book value)**

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans	116,967	(73,071)			10					
A.2 Problem loans	94,748	(27,927)								
A.3 Restructured loans	3,921	(440)								
A.4 Expired loans	28,600	(1,112)								
A.5 Other loans	6,258,535	(26,466)	9,488	(108)	1,460		170			
<b>TOTAL A</b>	<b>6,502,771</b>	<b>(129,016)</b>	<b>9,488</b>	<b>(108)</b>	<b>1,570</b>		<b>170</b>			
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans	131	(44)								
B.2 Problem loans	4,823	(51)								
B.3 Other impaired assets	2,122									
B.4 Other loans	325,370	(746)	156							
<b>TOTAL B</b>	<b>332,446</b>	<b>(841)</b>	<b>156</b>							
<b>TOTAL (A+B) 2011</b>	<b>6,835,217</b>	<b>(129,857)</b>	<b>9,644</b>	<b>(108)</b>	<b>1,570</b>		<b>170</b>			
<b>TOTAL 2010</b>	<b>5,798,252</b>	<b>(114,086)</b>	<b>10,846</b>	<b>(94)</b>	<b>1,574</b>		<b>705</b>			

**B.3 Cash and off-balance sheet loans to banks: break-down by geographical area (book value)**

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	342,568		36,773		507		87		108	
<b>TOTAL</b>	<b>342,568</b>		<b>36,773</b>		<b>507</b>		<b>87</b>		<b>108</b>	
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	20,885		5,185		2		83	(36)	21	(9)
<b>TOTAL</b>	<b>20,885</b>		<b>5,185</b>		<b>2</b>		<b>83</b>	<b>(36)</b>	<b>21</b>	<b>(9)</b>
<b>TOTAL 2011</b>	<b>363,453</b>		<b>41,958</b>		<b>509</b>		<b>170</b>	<b>(36)</b>	<b>129</b>	<b>(9)</b>
<b>Total 2010</b>	<b>648,071</b>		<b>72,085</b>		<b>661</b>		<b>611</b>	<b>(38)</b>	<b>1,572</b>	<b>(120)</b>

**B.4 Large risks**

With reference to the supervisory regulations in force, two positions were recognised for a total nominal amount, including guarantees and commitments issued, of Euro 1,108.6 million, and for a weighted total of nil. Below is the breakdown of the three positions:

	<u>nominal amounts</u>	<u>weighted amounts</u>
. relations with Group companies :	402.1 million	0
. Treasury Ministry:	706.5 million	0

## C. Securitisation transactions and asset disposal

### C.1 Securitization transactions

#### Quantitative information

##### C.1.1 Loans arising from securitization transactions divided by quality of the underlying assets

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. With own underlying assets</b>																		
a) impaired																		
b) other																		
<b>B. With third party underlying assets</b>																		
a) impaired																		
b) other	721	721																

##### C.1.2 Banking group – Loans arising from the main “Bank” securitization transactions divided by type of securitized assets and by type of exposure

None.

*C.1.3 Loans arising from main "third party" securitization transactions divided by type of securitized assets and of loan*

Underlying asset type / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs	Book value	of which adjustments /write- backs
<b>A.1 F.I.P. 26.04.25</b>																		
Property	721																	

*C.1.4 Exposures arising from securitizations broken down by portfolio and by type*

Exposure / Portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	31.12.2011	31.12.2010
1. Cash loans							
- senior			721			721	1,307
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

**C.2 Asset disposals**
**C.2.1 Financial assets sold but not written off**

	Financial assets held for trading	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total	
							31.12.2011	31.12.2010
<b>A. Cash assets</b>								
1. Debt securities	6,049		35,059				41,108	160,976
2. Equity securities								
3. U.C.I.T.S								
4. Financing								
<b>B. Derivative instruments</b>								
<b>Total 31/12/2011</b>	<b>6,049</b>		<b>35,059</b>				<b>41,108</b>	<b>160,976</b>
<i>of which impaired</i>								
<b>Total 31/12/2010</b>	<b>352</b>		<b>123,178</b>	<b>33,338</b>	<b>4,108</b>		<b>160,976</b>	
<i>of which impaired</i>								

Legend:

- A = Transferred financial assets fully recognised (book value)
- B = Transferred financial assets partially recognised (book value)
- C = Transferred financial assets partially recognised (full value)



**C.2.2 Financial liabilities against financial assets sold but not written off**

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
<b>1. Due to customers</b>							
a) corresponding to fully recorded assets	6,048					5,466	<b>11,514</b>
b) corresponding to partially recorded assets							
<b>2. Due to banks</b>							
a) corresponding to fully recorded assets						29,271	<b>29,271</b>
b) corresponding to partially recorded assets							
<b>Total 31/12/2011</b>	<b>6,048</b>					<b>34,737</b>	<b>40,785</b>
<b>Total 31/12/2010</b>	<b>352</b>		<b>123,801</b>	<b>31,926</b>	<b>4,108</b>		<b>160,187</b>

## SECTION 2 – MARKET RISKS

### 2.1 Interest rate risk and price risk- regulatory trading portfolio

#### Qualitative information

##### A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin.

Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

The Bank adopted a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile, through a low portfolio duration.

##### B. Interest rate risk and price risk management processes and measurement methods

The operational activity of the Finance Department is monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Bank carries out both hedging and trading transactions and has established stop-loss limits on high-volatility financial instruments such as derivatives and equity. The Head Office is informed, on a daily basis, of operations and amounts in portfolios, as well as informing it in the event that operating limits have been reached.

Together with the abovementioned controls, the Bank has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit, which operates completely independently with respect to operational offices.

In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

This is a parametric model of a variance-covariance type for “linear” instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.

The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations.

The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.

The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of “backtesting” analysis.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and price risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The results of the monitoring are in any event given daily to the Finance Department

Manager and to the top Management. Given the market turbulence that characterised the 2011 financial year, the overall V.a.R limits related to the “managed portfolio” were exceeded in the period of reference, although they still fell within the delegated limits.

The internal model is not used in the calculation of the capital requirement on market risks.

### Quantitative information

#### 1. *Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives*

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>		<b>5,920</b>	<b>10</b>	<b>1,502</b>	<b>1,085</b>	<b>13</b>	<b>7</b>	
1.1 Debt securities		5,920	10	1,502	1,085	13	7	
- with an option for early redemption								
- other		5,920	10	1,502	1,085	13	7	
1.2 Other assets								
<b>2. Cash liabilities</b>	<b>5</b>	<b>5,493</b>	<b>549</b>					
2.1 reverse repos	5	5,493	549					
2.2 Other liabilities								
<b>3. Financial derivatives</b>		<b>18,1503</b>	<b>13,984</b>	<b>11,934</b>	<b>28,233</b>			
3.1 With underlying security		51,729	10,949	11,145	28,233			
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		<b>51,729</b>	<b>10,949</b>	<b>11,145</b>	<b>28,233</b>			
+ Long positions		38,648	9,137	1,307	2,176			
+ Short positions		13,081	1,812	9,838	26,057			
3.2 With no underlying security		29,774	3,035	789				
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		29,774	3,035	789				
+ Long positions		65,454	1,518	395				
+ Short positions		64,320	1,517	394				

**Currency of denomination: US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
		51,746	3,216	310				
		51,746	3,216	310				
		25,698	1,608	155				
		26,048	1,608	155				

**Currency of denomination: UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
		<b>6,114</b>						
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
3.2 With no underlying security		<b>6,114</b>						
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
		<b>6,114</b>						
		<b>3,023</b>						
		<b>3,091</b>						

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security		256			248			
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		256			248			
+ Long positions		28			24			
+ Short positions		28			24			
3.2 With no underlying security		541						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		541						
+ Long positions		170						
+ Short positions		371						

**Currency of denomination: Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
		<b>157</b>						
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
		<b>157</b>						
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
		<b>157</b>						
+ <i>Long positions</i>								
		<b>79</b>						
+ <i>Short positions</i>								
		<b>78</b>						

**Currency of denomination: Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								



**Currency of denomination: Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
								<b>5,134</b>
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								5,134
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								5,134
+ Long positions								2,316
+ Short positions								2,818

### 3. *Regulatory trading portfolio - internal models and other methods for sensitivity analyses*

Monitoring effected on the “regulatory trading portfolio” during the 2011 financial year showed a structure with limited market risk. Given the policy implemented by the Group to underestimate price risks, the “regulatory trading portfolio” is almost entirely exposed to the interest rate risk.

The VaR at 31 December 2011 is Euro 39 thousand, with a percentage of less than 0.53% of the trading portfolio and a duration of 0.75, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2011, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 48 thousand, equal to:

- ⇒ 0.53 % of trading portfolio;
- ⇒ 0.02 % of business margin;
- ⇒ 0.14 % of net income for the period;
- ⇒ 0.01 % of shareholders' equity, net of the result for the period.

## 2.2 Interest rate risk and price risk – banking portfolio

### Qualitative information

#### **A. General aspects, management procedures and methods of measuring interest rate risk and price risk**

It is the responsibility of the risk management unit, which is autonomous with respect to operating areas, to measure interest rate risk. The system of the bank's commercial activities consisting of balance sheet asset and liability maturity transformation, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; the Simulation module is also active which allows the monitoring and management of the interest rate risk adopting a dynamic approach.

The static analysis which is currently implemented allows the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. Decision-making is aimed at minimising the volatility of the expected interest margin and of economic value, directing the bank's strategy so that it takes up the opportunities the market offers as the interest rate structure varies.

The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.

Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.

The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.

The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes.

#### **B. Fair Value hedge**

The Bank's primary objective is to manage the risks associated with its operations prudently and actively, namely on the basis of a determinate risk profile that allows it to take up any opportunities deriving from risk factor variations.

To date, the Bank only takes out Fair Value type hedges in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. To date, hedged instruments relate to both assets and liabilities, and of these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Bank has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the Dollar Offset Method (hedge ratio) on a cumulative basis, namely the comparison between changes in Fair Value of the hedging instrument and of the hedged instrument. All the hedges are specific.

The Bank, with the purpose of making the fair value of the entire financial instrument more reliable and representative, applied the Fair Value Option to some types of bonds issued.

### **C. Cash flow hedge**

No cash flow hedge transactions have been effected by the Bank.

**Quantitative information**

 1. *Banking portfolio: distribution by outstanding maturity (repricing date) of banking assets and liabilities.*

 Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption		16,926		953	5,919	1,958	721	
- other	4,779	47,856	24,967	202,802	461,491	200,642		
1.2 Financing to banks								
	24,845	52,372			4,500		97	
1.3 Financing to customers								
- Current account	1,463,011	443	1,612	3,084	32,812	1,968		
- other loans								
- with an option for early redemption	45,998	2,475,013	80,636	52,433	203,662	78,871	1,872	
- other	426,959	688,379	51,373	30,882	99,799	8,342	491	
<b>2. Cash liabilities</b>								
2.1 Due to customers								
- Current account	3,270,295	43,434	42,189	16,521				
- other debts								
- with an option for early redemption								
- other	49,148	5,473	2,213	4,070	17,595			
2.2 Due to banks								
- Current account	23,886							
- other	68,086	214,821		28,918				
2.3 Debt securities								
- with an option for early redemption	150				29,657			
- other	16,773	683,058	401,197	235,865	1,153,825	16,906		
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions		1,126	1,460	5,770	194,400	45,163	44,241	
+ Short positions		211,082	4,441	4,319	72,320			
- Other derivatives								
+ Long positions		78,016	20,000	10,000	206,637	10,000		
+ Short positions		232,233	92,420					

**Currency of denomination: US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>214</b>	<b>65,989</b>	<b>2,148</b>	<b>34</b>				
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	157	51,492						
1.3 Financing to customers	57	14,497	2,148	34				
- Current account	5							
- other loans								
- with an option for early redemption								
- other	52	14,497	2,148	34				
<b>2. Cash liabilities</b>	<b>32,196</b>	<b>35,551</b>						
2.1 Due to customers	22,180							
- Current account	22,180							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	10,016	35,551						
- Current account	9,988							
- other	28	35,551						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security		304						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		304						
+ Long positions		152						
+ Short positions		152						

**Currency of denomination: UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,226</b>	<b>1,847</b>	<b>12</b>					
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	693	1,712						
1.3 Financing to customers	533	135	12					
- Current account	533							
- other loans								
- with an option for early redemption								
- other		135	12					
<b>2. Cash liabilities</b>	<b>1,114</b>	<b>1,892</b>						
2.1 Due to customers	1,067							
- Current account	1,067							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	47	1,892						
- Current account	44							
- other	3	1,892						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

**Currency of denomination: Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>2,032</b>	<b>2,502</b>						
11 Debt securities								
- with an option for early redemption								
- other								
12 Financing to banks	2,024	8						
13 Financing to customers	8	2,494						
- Current account								
- other loans								
- with an option for early redemption								
- other	8	2,494						
<b>2. Cash liabilities</b>	<b>1,709</b>	<b>2,550</b>						
2.1 Due to customers	1,592							
- Current account	1,592							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	117	2,550						
- Current account	116							
- other	1	2,550						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

**Currency of denomination: Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>530</b>							
11 Debt securities								
- with an option for early redemption								
- other								
12 Financing to banks	530							
13 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>530</b>							
2.1 Due to customers	530							
- Current account	530							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks								
- Current account								
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								



**Currency of denomination: Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>81</b>	<b>7,283</b>						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	71							
1.3 Financing to customers	10	7,283						
- Current account								
- other loans								
- with an option for early redemption								
- other	10	7,283						
<b>2. Cash liabilities</b>	<b>34</b>	<b>7,385</b>						
2.1 Due to customers	24							
- Current account	24							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	10	7,385						
- Current account	10							
- other		7,385						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security		14,770						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		14,770						
+ Long positions		7,385						
+ Short positions		7,385						

**Currency of denomination: Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>3,084</b>							
11 Debt securities								
- with an option for early redemption								
- other								
12 Financing to banks	3,084							
13 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>2,573</b>							
2.1 Due to customers	2,479							
- Current account	2,479							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	94							
- Current account	94							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

## 2. Banking portfolio - internal models and other methods for sensitivity analyses

This operational and strategic approach of the Bank is directed at minimising the volatility of interest margins and of total economic value.

The table below shows the results of the impact on the interest margin, from a fixed perspective and in the absence of behavioural models for the items at sight, of the analyses carried out at 31 December 2011 in the event of a parallel variation in the interest rate curve and in consideration of the time effect of item repricing.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2011

	+100 bp	-100 bp
<i>% on the expected margin</i>	3.47%	-9.83%
<i>% on the business margin</i>	2.24%	-6.35%
<i>% on the result for the period</i>	10.04%	-28.45%
<i>% of net equity</i>	0.51%	-1.44%

As regards economic value the impact, estimated using measurement models with a fixed perspective and in the absence of behavioural models for the items at sight, has shown a risk exposure for 2011 that has remained at levels that do not involve a significant impact on total equity.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve as of 31 December 2011

	+100 bp	-100 bp
<i>% of economic value</i>	-1.35%	1.56%

## 2.3 EXCHANGE RISK

### Qualitative information

#### A. General aspects, management procedures and methods of measuring exchange risk

The Bank is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.

The Bank is exposed to exchange risks to a marginal extent. The Finance Department's Operations Room handles currency operations, namely:

- transactions on the domestic and foreign currency, exchange rate and currency deposits markets;
- trading spot and forward contracts on its own behalf and for customers;
- forward and deposit transactions in foreign currencies with resident and non-resident counter-parties.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

## B. Exchange rate hedge

The Bank's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

### Quantitative information

#### 1: Break-down of assets, liabilities and derivatives by currency of denomination

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
<b>A. Financial assets</b>	<b>68,385</b>	<b>3,083</b>	<b>7,365</b>	<b>530</b>	<b>4,534</b>	<b>3,083</b>
A.1 Debt securities						
A.2 Equity securities						
A.3 Financing to banks	51,649	2,405	71	530	2,032	3,083
A.4 Financing to customers	16,736	678	7,294		2,502	
A.5 Other financial assets						
<b>B. Other assets</b>	<b>237</b>	<b>199</b>	<b>25</b>	<b>28</b>	<b>125</b>	<b>47</b>
<b>C. Financial assets</b>	<b>67,748</b>	<b>3,005</b>	<b>7,419</b>	<b>530</b>	<b>4,259</b>	<b>2,573</b>
C.1 Due to banks	45,568	1,938	7,395		2,667	94
C.2 Due to customers	22,180	1,067	24	530	1,592	2,479
C.3 Debt securities						
C.4 Other financial liabilities						
<b>D. Other liabilities</b>	<b>176</b>				<b>81</b>	
<b>E. Financial derivatives</b>	<b>351</b>	<b>68</b>		<b>(1)</b>	<b>201</b>	<b>501</b>
- Options						
+ long positions						
+ short positions						
- Other	351	68		(1)	201	501
+ long positions	27,460	3,023	2,794	79	170	2,316
+ short positions	27,811	3,091	2,794	78	371	2,817
<b>Total assets</b>	<b>96,082</b>	<b>6,305</b>	<b>10,184</b>	<b>637</b>	<b>4,829</b>	<b>5,446</b>
<b>Total liabilities</b>	<b>95,735</b>	<b>6,096</b>	<b>10,213</b>	<b>608</b>	<b>4,711</b>	<b>5,390</b>
<b>Imbalance</b>	<b>347</b>	<b>209</b>	<b>(29)</b>	<b>29</b>	<b>118</b>	<b>56</b>

2. *Internal models and other methods for sensitivity analysis*

The exchange risk profile assumed by the Bank is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

**2.4 DERIVATIVE INSTRUMENTS**
**A. Financial derivatives**

 A.1 *Regulatory trading portfolio: period-end and average notional values*

Underlying assets / Type of derivatives	Total 31.12.2011		Total 31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	32,000		90,000	
a) Options	1,000		35,000	
b) Swap	31,000		55,000	
c) Forward				
d) Futures				
e) Other				
2. Equity securities and stock indexes		39		6,263
a) Options		39		
b) Swap				
c) Forward				6,263
d) Futures				
e) Other				
3. Currencies and gold	63,669		82,684	
a) Options				
b) Swap				
b) Forward	63,669		82,684	
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
<b>Total</b>	<b>95,669</b>	<b>39</b>	<b>172,684</b>	<b>6,263</b>
<b>Average values</b>	<b>37,604</b>	<b>39</b>	<b>89,882</b>	<b>42</b>

A.2 *Banking portfolio: period-end and average notional values*

 A.2.1 *Hedging instruments*

Underlying assets / Type of derivatives	Total 31.12.2011		Total 31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	231,637		79,617	
a) Options				
b) Swap	231,637		79,617	
c) Forward				
d) Futures				
e) Other				
2. Equity securities and stock indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Currencies and gold				
a) Options				
b) Swap				
b) Forward				
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
<b>Total</b>	<b>231,637</b>		<b>79,617</b>	
<b>Average values</b>	<b>208,299</b>		<b>23,562</b>	

A.2.2 *Other derivatives*

Underlying assets / Type of derivatives	Total 31.12.2011		Total 31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>158,816</b>		<b>372,682</b>	
a) Options	65,800		48,800	
b) Swap	93,016		323,882	
c) Forward				
d) Futures				
e) Other				
<b>2. Equity securities and stock indexes</b>				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
<b>3. Currencies and gold</b>				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
<b>4. Commodities</b>				
<b>5. Other underlying items</b>				
<b>Total</b>	<b>158,816</b>		<b>372,682</b>	
<b>Average values</b>	<b>158,816</b>		<b>368,534</b>	

A.3 *Financial derivatives: gross positive fair value – breakdown by products*

Portfolio/Type of derivatives	<i>Positive fair value</i>			
	Total 31.12.2011		Total 31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>831</b>	<b>14</b>	<b>1,508</b>	<b>57</b>
a) Options		14	39	
b) Interest rate sw ap	189		685	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward	642		784	57
f) Futures				
g) Other				
<b>B. Banking portfolio - hedging instruments</b>	<b>5,631</b>			
a) Options				
b) Interest rate sw ap	5,631			
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>C. Banking portfolio - other derivatives</b>	<b>1,569</b>		<b>15,943</b>	
a) Options				
b) Interest rate sw ap	1,569		15,943	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>Total</b>	<b>8,031</b>	<b>14</b>	<b>17,451</b>	<b>57</b>



## A.4 Financial derivatives: gross negative fair value – breakdown by products

Portfolio/Type of derivatives	<b>Negative Fair value</b>			
	<b>Total 31.12.2011</b>		<b>Total 31.12.2010</b>	
	<b>Over the counter</b>	<b>Central counterparties</b>	<b>Over the counter</b>	<b>Central counterparties</b>
<b>A. Regulatory trading portfolio</b>	<b>791</b>		<b>1,329</b>	<b>65</b>
a) Options				
b) Interest rate sw ap	159		532	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard	632		797	65
f) Futures				
g) Other				
<b>B. Banking portfolio - hedging instruments</b>	<b>2,684</b>		<b>2,653</b>	
a) Options				
b) Interest rate sw ap	2,684		2,653	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
<b>C. Banking portfolio - other derivatives</b>			<b>618</b>	
a) Options				
b) Interest rate sw ap			618	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
<b>Total</b>	<b>3,475</b>		<b>4,600</b>	<b>65</b>

**A.5 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values by counterparties - contracts which do not fall within offset agreements**

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			21,000	10,000		1,000	
- positive fair value			30	156		3	
- negative fair value			159				
- future exposure							
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Exchange rate and gold</b>							
- notional value			31,866	24,381		4,504	2,918
- positive fair value			304	263		18	57
- negative fair value			334	2		207	90
- future exposure			319	244		45	29
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values by counterparties - contracts which do not fall within offset agreements**

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			328,733				
- positive fair value			6,620				
- negative fair value							
- future exposure			1,318				
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Exchange rate and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.8 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values by counterparties - contracts which fall within offset agreements**

Contracts which fall within offset agreements	Governments and central banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			61,720				
- positive fair value			579				
- negative fair value			2,684				
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>3) Exchange rate and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							

**A.9 Residual maturity of over-the-counter financial derivatives: notional values**

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>A. Regulatory trading portfolio</b>	<b>95,669</b>			<b>95,669</b>
A.1 Financial derivatives on debt securities and interest rates	32,000			32,000
A.2 Financial derivatives on equity securities and stock indexes				
A.3 Financial derivatives on exchange rates and gold	63,669			63,669
A.4 Financial derivatives on other instruments				
<b>B. Banking portfolio</b>	<b>108,016</b>	<b>236,637</b>	<b>45,800</b>	<b>390,453</b>
B.1 Financial derivatives on debt securities and interest rates	108,016	236,637	45,800	390,453
B.2 Financial derivatives on equity securities and stock indexes				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
<b>Total 31/12/2011</b>	<b>203,685</b>	<b>236,637</b>	<b>45,800</b>	<b>486,122</b>
<b>Total 31/12/2010</b>	<b>385,450</b>	<b>132,116</b>	<b>107,417</b>	<b>624,983</b>

**B. Credit derivatives**
*B.1 Credit derivatives: period-end and average nominal values*

Categories of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on more than one subject (basket)	on a single subject	on more than one subject (basket)
<b>1. Hedging purchases</b>				
a) Credit default products				
b) Credit spread products				
c) Total rate of return sw ap				
d) Other				
<b>TOTAL 31/12/2011</b>				
<b>AVERAGE VALUES</b>				
<b>TOTAL 31/12/2010</b>				
<b>2. Hedging sales</b>				
a) Credit default products		25,000		
b) Credit spread products				
c) Total rate of return sw ap				
d) Other				
<b>TOTAL 31/12/2011</b>		<b>25,000</b>		
<b>AVERAGE VALUES</b>		25 000		
<b>TOTAL 31/12/2010</b>		25,000		

*B.3 OTC credit derivatives: gross negative fair value – breakdown by products*

Portfolio / Type of derivatives	Negative Fair value	
	Total 31/12/2011	Total 31/12/2010
<b>A. Regulatory trading portfolio</b>		
a) Credit default products	1,906	469
b) Credit spread products	1,906	
c) Total rate of return sw ap		
d) Other		469
<b>B. Banking portfolio</b>		
a) Credit default products		
b) Credit spread products		
c) Total rate of return sw ap		
d) Other		
<b>Total</b>	<b>1,906</b>	<b>469</b>

**B.4 OTC credit derivatives: gross positive and negative fair values by counterparties - contracts which do not fall within offset agreements**

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial institutions	Other entities
<b>Regulatory trading</b>							
<b>1) Hedging purchase</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>2) Hedging sales</b>							
- notional value			25,000				
- positive fair value							
- negative fair value			1,906				
- future exposure			2,000				
<b>Banking portfolio</b>							
<b>1) Hedging purchase</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>2) Hedging sales</b>							
- notional value							
- positive fair value							
- negative fair value							

**B.6 Residual maturity of credit derivatives: notional values**

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>A. Regulatory trading portfolio</b>		<b>25,000</b>		<b>25,000</b>
A.1 Derivatives on loans with "qualified" "reference obligation"				
A.2 Derivatives on loans with "non-qualified" "reference obligation"		25,000		25,000
<b>B. Banking portfolio</b>				
A.1 Derivatives on loans with "qualified" "reference obligation"				
A.2 Derivatives on loans with "non-qualified" "reference obligation"				
<b>Total 31/12/2011</b>		<b>25,000</b>		<b>25,000</b>
<b>Total 31/12/2010</b>		<b>25,000</b>		<b>25,000</b>

### SECTION 3 - LIQUIDITY RISK

#### Qualitative information

##### **A. General aspects, management procedures and methods of measuring liquidity risk**

Liquidity risk is managed through the Finance Department with the aim of meeting liquidity requirements, while avoiding position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates. The activity of monitoring and periodical reporting on liquidity risks is the responsibility of the Risk Management Department, both for structural and operational liquidity, which are carried out on a monthly basis and on a daily basis, respectively.

Treasury activities consist in procurement and allocation of liquidity available through the interbank market, open market transactions, repos and derivatives.

The relevant scope of application of daily reports on operational liquidity refers to those items with a high volatility level and a strong impact on the monetary basis. Monitoring and compliance with operating limits are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

The counterbalancing capacity model allows reports to be integrated with all those free assets which can be promptly used both because they can be allocated for the refinancing at the ECB and because they can be converted into cash. Together with the application of the haircuts determined by the ECB for the securities that can be allocated, adequate discount factors are also prepared (which are broken down by type of security, rating, currency) for all securities which cannot be allocated, but which are in any case considered to be negotiable as appropriately positioned in time buckets.

An additional support to the management of liquidity risks derives from monitoring the structural liquidity with the main objective of maintaining an adequate dynamic relationship between medium/long-term assets and liabilities.

Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a present period of time.

Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

In 2011 the Bank estimated the impact of the new indicators introduced by the quantitative rules – calculation of the LCR (Liquidity Coverage ratio) and of the NDFR (Net Stable Funding Ratio) – in order to prepare the appropriate checks also in consideration of the adjustments necessary for adopting the new rules issued by the Bank of Italy governing prudential supervision.

## Quantitative information

### 1. Break-down by contractual residual maturity of financial assets and liabilities

#### Currency of denomination: Euro

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,489,660</b>	<b>60,592</b>	<b>24,352</b>	<b>248,684</b>	<b>433,091</b>	<b>206,969</b>	<b>505,320</b>	<b>2,069,984</b>	<b>1,857,885</b>	<b>31,364</b>
A.1 Government securities					31,630	10	123,503	366,837	202,823	
A.2 Other debt securities				2,959	4,450		84,559	149,941	42,905	1,993
A.3 UCITS units	39,438									
A.4 Financing	1,450,222	60,592	24,352	245,725	397,011	206,959	29,758	1,553,206	161,157	29,371
- banks	24,845	15,000	5,000					7,500	97	29,371
- customers	1,425,377	45,592	19,352	245,725	397,011	206,959	297,258	1,545,706	162,060	
<b>Cash liabilities</b>	<b>3,412,062</b>	<b>50,620</b>	<b>24,933</b>	<b>77,426</b>	<b>417,770</b>	<b>385,181</b>	<b>277,337</b>	<b>1,621,733</b>	<b>50,331</b>	
B.1 Deposits and current accounts	3,411,016	669	4,318	23,540	29,693	42,205	16,524	21		
- Banks	91,613			14,769						
- Customers	3,319,403	669	4,318	23,540	29,693	42,205	16,524	21		
B.2 Debt securities	612	41,951	20,415	52,487	386,726	340,230	227,828	1,404,117	50,331	
B.3 Other liabilities	434	8,000	200	1,399	1,351	2,746	32,985	217,595		
<b>"Off-balance" sheet transactions</b>	<b>189,371</b>	<b>60,560</b>	<b>366</b>	<b>51,866</b>	<b>7,474</b>	<b>17,986</b>	<b>16,813</b>	<b>129,777</b>	<b>107,721</b>	<b>9,136</b>
C.1 Financial derivatives with underlying asset exchange		60,560	366	51,497	7,080	13,983	11,795	28,371		
- long positions		43,787	183	25,753	3,378	10,654	1,563	2,314		
- short positions		16,773	183	25,744	3,702	3,329	10,232	26,057		
C.2 Financial derivatives without underlying asset exchange	348			97	324	237	1,167			
- long positions	189			97	313	237	990			
- short positions	159				11		177			
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	188,305					1,233	2,479	101,406	107,721	9,136
- long positions	233					1,233	2,479	76,406	107,721	4,568
- short positions	188,072							25,000		4,568
C.5 Financial guarantees granted	718			272	70	2,533	1,372			



**Currency of denomination: US Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>213</b>	<b>32,458</b>	<b>22,252</b>	<b>4,865</b>	<b>6,528</b>	<b>2,160</b>	<b>34</b>			
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	213	32,458	22,252	4,865	6,528	2,160	34			
- banks	157	32,074	19,354		64					
- customers	56	384	2,898	4,865	6,464	2,160	34			
<b>Cash liabilities</b>	<b>32,197</b>	<b>6,183</b>	<b>19,322</b>	<b>10,047</b>						
accounts	32,197	6,183	19,322	10,047						
- Banks	10,017	6,183	19,322	10,047						
- Customers	22,180									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>5,796</b>	<b>396</b>	<b>39,698</b>	<b>6,160</b>	<b>3,216</b>	<b>310</b>			
C.1 Financial derivatives with underlying asset exchange		5,492	396	39,698	6,160	3,216	310			
- long positions		2,571	198	19,849	3,080	1,608	155			
- short positions		2,921	198	19,849	3,080	1,608	155			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance		304								
- long positions		152								
- short positions		152								
C.5 Financial guarantees granted										

**Currency of denomination: UK Pound Sterling**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,226</b>		<b>6</b>	<b>61</b>	<b>1,780</b>	<b>12</b>				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	1,226		6	61	1,780	12				
- banks	693				1,712					
- customers	533		6	61	68	12				
<b>Cash liabilities</b>	<b>1,114</b>	<b>180</b>			<b>1,712</b>					
B.1 Deposits and current accounts	1,114	180			1,712					
- Banks	47	180			1,712					
- Customers	1,067									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>1,350</b>		<b>4,764</b>						
with underlying asset exchange		1,350		4,764						
- long positions		641		2,382						
- short positions		709		2,382						
without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

**Currency of denomination: Swiss Franc**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>2,032</b>		<b>394</b>	<b>641</b>	<b>1,482</b>					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	2,032		394	641	1,482					
- banks	2,024				8					
- customers	8		394	641	1,474					
<b>Cash liabilities</b>	<b>1,709</b>		<b>2,550</b>							
B.1 Deposits and current accounts	1,709		2,550							
- Banks	117		2,550							
- Customers	1,592									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>741</b>		<b>160</b>	<b>152</b>			<b>248</b>		
C.1 Financial derivatives with underlying asset exchange		485		160	152			248		
- long positions		142		80	76			124		
- short positions		343		80	76			124		
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance		256								
- long positions		128								
- short positions		128								
C.5 Financial guarantees granted										

**Currency of denomination: Canadian Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>530</b>									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	530									
- banks	530									
- customers										
<b>Cash liabilities</b>	<b>530</b>									
B.1 Deposits and current accounts	530									
- Banks										
- Customers	530									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>			<b>157</b>							
C.1 Financial derivatives with underlying asset exchange			157							
- long positions			79							
- short positions			78							
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

**Currency of denomination: Japanese Yen**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>82</b>		<b>5,586</b>	<b>1,276</b>	<b>485</b>	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	82		5,586	1,276	485					
- banks	71									
- customers	11		5,586	1,276	485					
<b>Cash liabilities</b>	<b>34</b>	<b>7,385</b>								
B.1 Deposits and current accounts	34	7,385								
- Banks	10	7,385								
- Customers	24									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>15,030</b>		<b>4,830</b>		<b>498</b>				
C.1 Financial derivatives with underlying asset exchange		260		4,830		498				
- long positions		130		2,415		249				
- short positions		130		2,415		249				
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received		14,770								
- long positions		7,385								
- short positions		7,385								
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

**Currency of denomination: Other currencies**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>3,084</b>									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	3,084									
- banks	3,084									
- customers	-									
<b>Cash liabilities</b>	<b>2,573</b>									
B.1 Deposits and current accounts	2,573									
- Banks	94									
- Customers	2,479									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>1,788</b>		<b>2,684</b>	<b>662</b>					
C.1 Financial derivatives with underlying asset exchange		1,788		2,684	662					
- long positions		643		1,342	331					
- short positions		1,145		1,342	331					
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

## SECTION 4 - OPERATING RISK

### Qualitative information

#### A. General aspects, management procedures and methods of measuring operating risk

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation (Bank of Italy – circular no. 263 of 27 December 2006). This type includes, inter alia, losses arising from frauds, human errors, discontinuance of operations, unavailability of the systems, contract defaults and natural disasters. Banco Desio Brianza uses the definition of operational risk given by the Parent Company within the relevant methodological framework which adopts the definition given by the Bank of Italy in its circular letter no. 263 of 27/12/2006.

In Banco Desio there is an appropriate procedure for the structured gathering of adverse events which might generate operating losses. A reporting system for detrimental events recorded in the Corporate Operating Losses Database (DBPOA) was implemented that has the capacity to provide top management at set intervals with all the information (overall and detailed) available regarding such events: the number of events, the amounts of gross losses and of losses net of any recoveries by business line concerned.

The Bank is, as a Banking Group, a member of the Italian Banking Association DIPO.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 “Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality”, the Bank adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies.

The organisational model under review is updated also following the changes that have occurred in the regulatory framework of reference.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Bank’s operational continuity. Measures were carried out aimed at the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Bank operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.

The various corporate functions guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Bank at the end of the financial year consist in disputes regarding financial instruments trading.

The lawsuits pending for Banco Desio Brianza have a value of Euro 69,583 thousand. These risks are appropriately assessed and hedged by prudential allocations to provisions of Euro 9,183 thousand. The most important lawsuits make up 96.43% of the whole, mostly attributable to objections relating to the default on the part of bond issuers and objections relating to compounding and bankruptcy claw-back actions.

### Quantitative information

The number of adverse events detected, and recognized in the accounts, by Banco Desio Brianza in 2011 totalled 795 events. The result of the process for the gathering of adverse events is summarised in the table below (expressed in thousands of Euros):

Type of event	No. of Events	% of Events	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	6	0.75%	2,053.36	49.55%	2,041.20	52.25%	12.16	0.59%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	251	31.57%	465.54	11.24%	248.01	6.35%	217.54	46.73%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	3	0.38%	68.44	1.65%	68.44	1.75%	0.00	0.00%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	19	2.39%	265.11	6.40%	265.11	6.79%	0.00	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	1	0.13%	1.93	0.05%	1.93	0.05%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	4	0.50%	8.22	0.20%	1.07	0.03%	7.15	87.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	511	64.28%	1,281.07	30.93%	1,281.07	32.79%	0.00	0.00%
<b>TOTAL</b>	<b>795</b>	<b>100.00%</b>	<b>4,144</b>	<b>100.00%</b>	<b>3,907</b>	<b>100.00%</b>	<b>237</b>	<b>5.72%</b>

Gross operating loss amounts to Euro 4,144 thousand, in relation to which prudential provisions of Euro 3,179.2 thousand were set aside during the year. The gross losses paid out were recovered for Euro 237 thousand, thus reporting a net loss of Euro 3,907 thousand.



## Part F – INFORMATION ON EQUITY

### Section 1 – The Bank's shareholders' equity

#### A. Qualitative information

The Board of Directors has always paid most attention to the shareholders' equity of the bank, aware both of its function in guaranteeing the trust of outside financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the bank's stability.

The concept of accounting capital used by the Bank is given by the algebraic sum of the following liability items in the Balance Sheet: Share capital, Valuation reserves, Reserves, Share premiums and Profit for the Period.

The policy of the Board of Directors is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the bank, and to optimise returns for the shareholders, keeping to a prudent risk profile. As far as this is concerned, it should be remembered that the main component of the compulsory minimum capital requirements relates to the credit risk against a loan portfolio spread on its core market which is made up of local enterprises and families.

#### B. Quantitative information

##### B.1 The Bank's shareholders' equity: breakdown

	31.12.2011	31.12.2010
1. Shareholders' equity	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	630,254	607,276
- retained earnings		
a) legal	75,019	70,109
b) statutory	435,821	405,585
c) treasury shares		
d) other	23,571	23,571
e) advances on dividends		
- other	95,843	108,011
4. Equity instruments		
5. Treasury shares		
6. Revaluation reserves		
- Available-for-sale financial assets	(34 630)	(8 795)
- tangible assets		
- intangible assets		
- foreign investment hedge		
- exchange rate differences		
- non-current assets held for sale and disco		
- actuarial profits (losses) relating to		
defined benefit plans	74	39
- shares of valuation reserves relating to		
investee companies carried at equity	22,896	22,896
- special revaluation law s	43,235	49,094
<b>Total</b>	<b>745,679</b>	<b>754,360</b>

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

Assets / Amounts	31.12.2011		31.12.2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	738	(39,221)	268	(10,217)
2. Equity securities	158	(168)	159	(23)
3. UCITS Units	631	(408)	170	(16)
4. Financing				
<b>Total</b>	<b>1,527</b>	<b>(39,797)</b>	<b>597</b>	<b>(10,256)</b>

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

	Debt securities	Equity securities	UCITS units	Loans
<b>1. Opening balance</b>	<b>(9,085)</b>	<b>136</b>	<b>154</b>	
<b>2. Increases</b>	<b>3,073</b>		<b>531</b>	
2.1 Fair value increases	738		523	
2.2 Reversal of negative reserves to the income statement	1,839		5	
- from deterioration				
- from disposal	1,839		5	
2.3 Other increases	496		3	
<b>3. Decreases</b>	<b>28,831</b>	<b>146</b>	<b>462</b>	
3.1 Fair value decreases	28,531	145	400	
3.2 Adjustments from deterioration				
3.3 Reversal of positive reserves to the income statement: from disposal	104		61	
3.4 Other decreases	196	1	1	
<b>4. Closing balance</b>	<b>34,843</b>	<b>10</b>	<b>(223)</b>	

**Section 2 – Regulatory capital and ratios**
**2.1 Regulatory capital**
**A. Qualitative information**

The Board of Directors also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banks. The relevant regulations, in fact, state that "...the most important control tools are based on this, such as the solvency

coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size". In compliance with European Directives, the regulations specify the method for the calculation of regulatory capital. This is made up of the sum of Tier 1 capital - which is allowed into the calculation without any limitation- and the Tier 2 capital, which is allowed within the maximum limit of Tier 1 capital. The following are deducted from this sum: equity investments, hybrid equity instruments and subordinated assets, held in other banks and finance companies.

As of 31 December 2011, the bank's regulatory capital is made up as follows:

Description	Amount
Primary capital	672,664
Supplementary capital	68,193
Deductions	16,197
Regulatory capital	724,660

### 1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative capital instruments are the most significant elements of the capital. From these positive elements, any negative elements are deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.

Tier 1 capital accounts for about 93 % of the Regulatory Capital.

### 2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.

Tier 2 capital accounts for about 9% of the Regulatory Capital. The elements to be deducted account for about 2%.

### 3. Tier 3 capital

This is composed of the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risks.

**B. Quantitative information**

	31.12.2011	31.12.2010
<b>A. Tier 1 capital before the application of prudential filters</b>	735,007	723,458
B. Prudential filters for Tier 1 capital:	(40,334)	(11,352)
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	40,334	11,352
C. Tier 1 gross of deductions (A+B)	694,673	712,106
D. Deductions from Tier 1 capital	22,009	5,156
<b>E. Total primary capital (TIER1) (C-D)</b>	672,664	706,950
<b>F. Tier 2 capital before the application of prudential filters</b>	90,308	99,786
G. Prudential filters for Tier 2 capital:	(106)	(145)
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	106	145
<b>H. Tier 2 gross of deductions (F+G)</b>	90,202	99,641
I. Deductions from Tier 2 capital	22,009	5,156
<b>L. Total supplementary capital (TIER2) (H-J)</b>	68,193	94,485
M. Deductions from Tier 1 and Tier 2 capital	16,197	13,497
<b>N. Regulatory capital (E + L - M)</b>	724,660	787,939
O. Tier 3 capital	-	-
P. Regulatory Capital including TIER3 (N + O)	724,660	787,939

**2.2 Capital adequacy**
**A. Qualitative information**

The Prudential Supervision provisions provide for banks to retain a minimum amount of the Total Regulatory Capital equal to 8% of the risk-weighted assets as a whole (credit and counterpart, market, operational risk). This requirement is reduced by 25% for institutes belonging to Banking Groups that respect the limit of 8% at consolidated level. The rules for determining the overall capital requirement and the capital structure of the Bank provide the following ratios at 31 December 2011:

- Tier 1 capital / risk-weighted assets <sup>(1)</sup>	17.04 %
- Regulatory capital / risk-weighted assets <sup>(1)</sup>	18.36 %

The Board of Directors periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

(1) Risk-weighted assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

**B. Quantitative information**
*Prudential ratios*

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>	<b>7,500,175</b>	<b>6,968,560</b>	<b>4,752,936</b>	<b>4,212,881</b>
1. <i>STANDARD METHODOLOGY</i>	7,499,454	6,967,253	4,752,576	4,212,619
2. <i>METHODOLOGY BASED ON INTERNAL RATINGS</i>				
2.1 Base				
2.2 Advanced				
3. <i>SECURITISATIONS</i>	721	1,307	360	261
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISKS</b>			<b>380,235</b>	<b>337,030</b>
<b>B.2 MARKET RISK</b>			<b>137</b>	<b>242</b>
1. <i>STANDARD METHODOLOGY</i>			137	242
2. <i>INTERNAL MODELS</i>				
3. <i>CONCENTRATION RISK</i>				
<b>B.3 OPERATIONAL RISK</b>			<b>40,652</b>	<b>39,196</b>
1. <i>BASE METHODOLOGY</i>			40,652	39,196
2. <i>STANDARD METHODOLOGY</i>				
3. <i>ADVANCED METHODOLOGY</i>				
<b>B.4 OTHER CAPITAL REQUIREMENTS</b>				
<b>B.5 OTHER CALCULATION ELEMENTS</b>			(105,256)	(94,117)
<b>B.6 TOTAL CAPITAL REQUIREMENTS</b>			<b>315,768</b>	<b>282,351</b>
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>				
C.1 Risk-weighted assets			<b>3,947,100</b>	<b>3,529,389</b>
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			17.04%	20.03%
C.3 Regulatory capital including TIER 3 / Risk-weighted assets (Total capital ratio)			18.36%	22.33%

## PART H - TRANSACTIONS WITH RELATED PARTIES

### 1 - Information in remuneration paid to directors and managers

For information regarding the remuneration paid to the Directors and Managers with strategic responsibilities please refer to the "Report on Group Remuneration Policies" drawn up pursuant to Article 123-ter of the T.U.F. [*Testo Unico della Finanza*, Consolidated Act on Finance].

For information about the stock option plans reference is also made to Part I of these notes.

### 2 - INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Internal Procedure adopted pursuant to Consob Regulation no. 17221/2010 for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) is outlined in the Annual Report on Corporate Governance. The Procedure itself is published, in compliance with the abovementioned Regulation, on the website [www.bancodesio.it](http://www.bancodesio.it) – section "Banco Desio / Corporate Governance / Transactions with Related Parties".

Considering that, pursuant to article 5 of the Regulation itself and of article 154-ter of the Consolidated Act on Finance referred to by the same, information is to be provided on:

- a) the individual "most significant" transactions entered into in the reporting period, these being the transactions which exceed, also on a cumulative basis, the thresholds envisaged in Annex 3 to the abovementioned Regulation<sup>1</sup>;
- b) any other individual transactions (if any) with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, entered in the relevant period, which have significantly affected the financial position or results of Banco Desio;
- c) any change in or development of transactions with related parties described in the last annual report which have had a significant effect on the financial position or results of Banco Desio in the reporting period.

It is noted that in 2011 no transactions were entered into which were such as to present the characteristics referred to in letters a), b) and c) without prejudice to the merger of the full subsidiaries Banco Desio Toscana SpA and Banco Desio Veneto SpA into the Parent company – effective from 1 October 2011 – which, as reported in the specific disclosures, was approved by the Board of Directors after a binding favourable opinion expressed by the Committee for Transactions with Related Parties.

Relations with external related parties are generally settled on market conditions and, where the market is not a satisfactory reference, (as in the instance of the Agreements for outsourcing services provided by the Parent Company to subsidiaries), on advantageous and correct conditions, that are valued in compliance with the Procedures above, in any case taking account of the company's interest in performing the transactions.

In this context, as of 31 December 2011, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.

The following paragraphs summarise the relations by counterparty category (Parent Company, Subsidiaries, Associates, Representatives), highlighting in particular current account and security account balances at the end of the period and, finally, any supplier relations of a different type.

In this context, also note – according to a single management approach of potential conflicts of interest – those transactions which are effected pursuant to article 136 of the Consolidated Banking Law and which, in any case, do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, in short, of article 2391-bis of the Italian Civil Code by virtue of which this Regulation has been issued (mainly with reference to the following subjects: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies with which the representatives of the Group hold offices of director/statutory auditor in the absence of relationships of control/association).

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<sup>1</sup> As regards the significance ratio of the countervalue of transactions with related parties, the Internal Procedure makes reference to a significance threshold equal to Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital as recognized at the date of adoption of the Procedure itself)

**I - Parent Company**

At the end of the year, the amounts due (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA by Banco Desio totalled Euro 179.5 million, of which Euro 178.9 million related to security portfolios. The company has no debt exposure.

During the year, there were no other transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph IV below).

**II - Subsidiaries**

The table below summarises significant transactions with the subsidiary companies (excluding the merged companies Banco Desio Toscana SpA and Banco Desio Veneto SpA) approved by the Board of Directors during the year and in the board meetings prior to the approval of the financial statements at 31 December 2011, within the abovementioned Procedure:

<b>Type of Transaction</b>	<b>Amounts/economic conditions (Euro)</b>	<b>Counterparty</b>
Placement of Chiara Vita Bankassurance products	Special consideration	Banco Desio Lazio SpA
Financing current account – renewal	50,000,000	Banco Desio Lazio SpA
Credit line for commercial banking transactions	5,000,000	Banco Desio Lazio SpA
Credit line for ordinary current account overdraft	Increase from 170,000,000 to 220,000,000	Fides SpA
Group integrated treasury 2012 Resolution	Review of conditions	Banco Desio Lazio SpA Fides SpA Chiara Assicurazioni SpA Brianfid_LUX Sa Credito Privato Commerciale Sa Rovere SdG SA
Review of the Master Agreement for the supply of technical-administrative services	Total annual fee in favour of the Parent Company 628,000	Banco Desio Lazio SpA Fides SpA
Renewal of contract for supply of IT services	Annual fee in favour of the Parent Company 25,000	Chiara Assicurazioni SpA

The amount of assets/liabilities, as well as guarantees/commitments and revenues/charges, resulting from relations with the aforesaid companies, is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Subsidiaries”.

### III – Associated companies

At the end of the year there were two associated companies:

- Chiara Vita SpA, in which an interest of 30% is retained within the framework of the agreements with the Helvetia Group entered into 2008;
- Istifid S.p.A., in which the interest of approx. 29% (relative majority) is retained, which was reached during 2009

Within the framework of the agreements entered into with the Helvetia Group, the following agreements are still in place with Chiara Vita Spa: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

At the close of the period, the amounts due (to customers) to Chiara Vita SpA by Banco Desio amounted to a total of Euro 158.5 million, of which Euro 40.7 million related to security portfolios; the company has no debt exposure.

The contractual relations maintained with Istifid SpA by Banco Desio consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc) which are charged at the usual costs for such services. With reference to the transactions for closing the “Banco Desio Veneto” and “Chiara Assicurazioni” stock option plans described in Part 1 of these notes, it is noted that the associate company was appointed to carry out, as for similar transactions carried out in previous periods, a series of activities of a fiduciary nature, with a resulting outlay by Banco Desio equal to Euro 0.1 million.

As regards the banking services provided by Banco Desio to Istifid SpA, the amounts due (to customers) at the close of the period amounted to a total of Euro 48.8 million, of which Euro 23.5 million related to security portfolios; the company has no debt exposure.

It is clarified that these amounts payable and receivable also refer to relations maintained by Istifid SpA as part of fiduciary mandates granted by third parties.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid companies is shown in paragraph 8.4 of the Report of Operations under the item “Companies subject to significant influence”.

### IV - Transactions with Representatives and subjects referable thereto

Pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives (i.e. directors, statutory auditors and managers with strategic responsibilities within the Bank and the companies under control) concerned stated that they had interests of various kinds by virtue of stakes held of a controlling/associate nature, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness.

The total amount of the facilities granted in the 34 positions existing as at 31 December 2011 is equal to about Euro 30.8 million and the relative uses totalled about Euro 22.6million. The figures above do not include outstanding transactions with the associate and investee companies mentioned in point III above (officially treated pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

As regards deposit relations held by Banco directly with the Representatives, as well as with parties connected to these it is also worth noting that the debit as at 31 December 2011 amounted to about Euro 57.2 million in amounts due to customers (inclusive of about Euro 40.8 million in security accounts).

It should be noted that the position of those who are Representatives of only the subsidiaries of Banco Desio, entails a scope of activity which is limited to the respective companies, such as to exclude their classification as Managers with strategic responsibilities of Banco Desio pursuant to IAS 24 and/or Consob Regulation no. 17221/2010.

The abovementioned calculations exclude the transactions and balances referring to the parent company and the associate companies as per paragraphs II and III above (even though they fall within the scope of article 136 of the TUB [*Testo Unico Bancario*, Consolidated Banking Act] as a result of the roles held there by a number of Representatives of the Bank).

The table below shows the breakdown relating to the aforesaid credit line and collection relationships as described in this paragraph:



(balances at 31.12.2011 in Euro /million)	Subjects "art. 136 of Consolidated banking Act" which fall within the scope of related parties "article 2391-bis of the Italian Civil Code" (e.g.: Representatives of "Banco Desio" or of "Brianza Unione"; their close relatives; related companies in a control/association relationship)  (A)	Subjects "art. 136 of Consolidated banking Act" which do <u>not</u> fall within the scope of related parties "article 2391-bis of the Italian Civil Code" (e.g.: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor where there is no relationship of control/association)  (B)	TOTAL (A+B)
<b><u>Credit line transactions:</u></b>			
Amount granted	5.8	25	30.8
Amount used	4.6	18	22.6
<b><u>Borrowing transactions:</u></b>			
Current account and savings deposit amount (a)	7.4	9.02	16.4
Amount of securities accounts (b)	37.6	3.2	40.8
Total (a+b)	45	12.2	57.2

\* \* \*

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 1, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

## PART L – SEGMENT REPORTING

This disclosure makes reference to the organisational and executive structure of the bank, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Bank operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, the segment reporting takes account of the fact that the operating structure of the bank does not present segment networks and/or divisions.

This section reports the results of the segments described below:

- *commercial bank*: bringing together the activities directed towards retail and corporate customers concerning the traditional credit brokerage activity. Included in this operating segment are products and services related to: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; and debit and credit cards;
- *investment banking*: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- *corporate center*: reports the results of the bank's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the operations and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in relation to the centralized functions at the bank supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.).

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

- *net interest income*: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- *net income from services*: is obtained by direct allocation of each actual asset and liability commission component;
- *operating costs*: are allocated to each operating segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full costing method;
- *provisions and adjustments*: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.

Income statement data	31.12.2011	Merchant bank	Investment banking	Asset mng	Corporate center
Business margin (1)	309,276	284,014	14,024		11,238
Structure costs (2)	-206,823	-170,637	-1,842		-34,344
Provisions and adjustments (3)	-29,368	-35,268			5,900
Profits/(Losses) on equity investments carried at equity					
Profits/(Losses) on the disposal of investments					
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>73,085</b>	<b>78,109</b>	<b>12,182</b>		<b>-17,206</b>

(1) income statement, including other operating income/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

<b>Balance sheet data</b>	<b>31.12.2011</b>	<b>Merchant bank</b>	<b>Investment banking</b>	<b>Asset mng</b>	<b>Corporate center</b>
Financial assets	1,001,436		1,001,436		
Equity investments	124,180				124,180
Amounts due from banks	167,016		167,016		
Amounts due from customers	5,774,849	5,774,849			
Amounts due to banks	393,373		393,373		
Amounts due to customers	3,513,235	3,513,235			
Securities issued and Financial liabilities at fair value	2,543,123	2,543,123			
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>9,943,316</b>	<b>9,943,316</b>			

<b>Income statement data</b>	<b>31.12.2010</b>	<b>Merchant bank</b>	<b>Investment banking</b>	<b>Asset mng</b>	<b>Corporate center</b>
Business margin (1)	301,172	266,288	17,059		17,825
Structure costs (2)	-205,198	-168,453	-1,860		-34,885
Provisions and adjustments (3)	-22,594	-38,243	-5		15,654
Profits/(Losses) on equity investments carried at equity	493				493
Profits/(Losses) on the disposal of investments					
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>73,873</b>	<b>59,592</b>	<b>15,194</b>		<b>-913</b>

(1) income statement, including other operating income/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

<b>Balance sheet data</b>	<b>31.12.2010</b>	<b>Merchant bank</b>	<b>Investment banking</b>	<b>Asset mng</b>	<b>Corporate center</b>
Financial assets	916,466		916,466		
Equity investments	107,870				107,870
Amounts due from banks	272,770		272,770		
Amounts due from customers	5,728,999	5,728,999			
Amounts due to banks	319,825		319,825		
Amounts due to customers	3,678,515	3,678,515			
Securities issued and Financial liabilities at fair value	2,338,666	2,318,633	20,033		
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>10,565,285</b>	<b>10,565,285</b>			

## **CERTIFICATION OF THE FINANCIAL STATEMENTS**

### **PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/1998**

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the Company financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:
  - the adequacy in relation to the Company's features and
  - the actual applicationof the administrative and accounting procedures employed to draw up the financial statements for the 2011 financial year.
2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the financial statements as at 31 December 2011 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistently with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.
3. The undersigned also certify that:
  - 3.1 The Financial Statements:
    - a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002; the applicable provisions under the Italian Civil Code, Legislative decree no. 38 of 28 February 2005 and the administrative provisions issued by the Bank of Italy;
    - b. correspond to the results of the books and accounts;
    - c. give a true and fair representation of the equity, economic and financial position of the issuer.
  - 3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer, together with the description of the main risks and uncertainties to which they are exposed.

*Desio, 20 March 2012.*

Managing Director

*Nereo Dacci*

Manager responsible for preparing  
the Company's financial reports

*Piercamillo Secchi*



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 DATED 27 JANUARY 2010**

To the shareholders of  
Banco di Desio e della Brianza SpA

1 We have audited the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2011, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April, 2011.

3 In our opinion, the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza SpA for the period then ended.

4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001

**PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561



issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report of the Corporate Governance Shareholding Structure, are consistent with the financial statements of Banco di Desio e della Brianza SpA as of December 31, 2011.

Milan, 4 April 2012

PricewaterhouseCoopers SpA

Signed by  
Lia Lucilla Turri  
(Partner)

*This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.*

# Consolidated Report on Operations *2011*

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## Corporate offices (Banco di Desio e della Brianza S.p.A.)

### Board of Directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado*
<u>Managing Director</u>	Nereo Dacci*
<u>Directors</u>	Egidio Gavazzi* Luigi Gavazzi Paolo Gavazzi Guido Pozzoli* Luigi Guatri Gerolamo Pellicanò Pier Antonio Cutellé Lorenzo Rigodanza <i>* Members of Executive Committee</i>

### Board of Statutory Auditors

<u>Chairman</u>	Eugenio Mascheroni
<u>Statutory Auditors</u>	Rodolfo Anghileri Marco Piazza
<u>Alternate Auditors</u>	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

### General Management

<u>General Director</u>	Claudio Broggi
<u>Vice General Director</u>	Marco Sala

### Manager responsible for preparing the Company's financial reports pursuant to article 154-bis of Consolidated Law on Finance "TUF"

<u>Nominated Official in charge of drawing up Company Accounts</u>	Piercamillo Secchi
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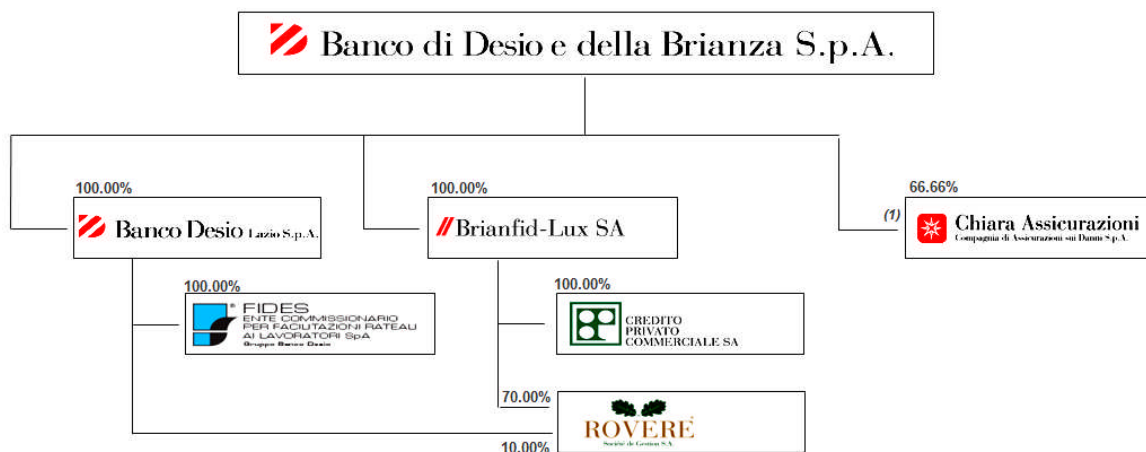


## PREAMBLE

The data and indexes reported in this *Report on operations* make reference, if applicable, to the Balance Sheet of the Financial Statements layouts, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

## THE BANCO DESIO GROUP

As at 31 December 2011 this consolidated report on operations relates to the following corporate structure of the Banco Desio Group:



(1) Company excluded from the perimeter of the Banking Group

## 1 - FINANCIAL HIGHLIGHTS AND RATIOS

### BALANCE SHEET DATA

<i>in thousand of Euros</i>	31.12.2011	31.12.2010	Change	
			Amount	%
Total assets	8,359,795	8,163,010	196,785	2.4%
Financial assets	1,066,594	999,053	67,541	6.8%
Amounts due from banks	288,525	302,852	-14,327	-4.7%
Amounts due from customers	6,580,450	6,476,720	103,730	1.6%
Tangible assets	154,481	150,821	3,660	2.4%
Intangible assets	46,496	47,592	-1,096	-2.3%
Amounts due to banks	267,998	171,918	96,080	55.9%
Amounts due to customers	4,347,706	4,459,599	-111,893	-2.5%
Securities issued and financial liabilities at fair value through profit or loss	2,696,584	2,448,734	247,850	10.1%
Shareholders'equity (including net profit for the period) (1)	770,926	783,022	-12,096	-1.5%
Indirect deposits	10,821,717	11,605,011	-783,294	-6.7%

### INCOME STATEMENT DATA <sup>(2)</sup>

<i>in thousands of Euros</i>	31.12.2011	31.12.2010	Change	
			Amount	%
Operating income	356,597	340,992	15,605	4.6%
<i>of which Net Interest income</i>	205,556	184,314	21,242	11.5%
Operating costs	236,657	233,248	3,409	1.5%
Operating margin	119,940	107,744	12,196	11.3%
Operating profit net of taxes	41,189	38,221	2,968	7.8%
Non-recurring profit after taxes	4,702	15,239	-10,537	-69.1%
Net profit/(loss) for the period <sup>(1)</sup>	44,942	52,611	-7,669	-14.6%

<sup>(1)</sup> pertaining to the Parent Company ;

<sup>(2)</sup> from reclassified Income Statement

## FINANCIAL RATIOS

	31.12.2011	31.12.2010	Change Amount
Shareholders' equity / Total assets	9.2%	9.6%	-0.4%
Shareholders' equity / Amounts due from customers	11.7%	12.1%	-0.4%
Shareholders' equity / Amounts due to customers	17.7%	17.6%	0.1%
Shareholders' equity / Securities issued and financial liabilities valued at fair value	28.6%	32.0%	-3.4%
(Tier 1 and Core Tier 1) Equity ratio	10.7%	11.0%	-0.3%
(Tier 2) Solvency ratio	11.8%	12.4%	-0.6%
Financial assets / Total assets	12.8%	12.2%	0.6%
Amounts due from banks / Total assets	3.5%	3.7%	-0.2%
Amounts due from customers / Total assets	78.7%	79.3%	-0.6%
Amounts due from customers / Direct deposits from customers	93.4%	93.8%	-0.4%
Amounts due to banks / Total assets	3.2%	2.1%	1.1%
Amounts due to customers / Total assets	52.0%	54.6%	-2.6%
Securities issued and financial liabilities valued at fair value/ Total assets	32.3%	30.0%	2.3%
Direct deposits from customers / Total assets	84.3%	84.6%	-0.3%
Operating costs / Operating income (Cost/Income ratio)	66.4%	68.4%	-2.0%
Net interest income / Operating income	57.6%	54.1%	3.5%
Operating margin / Operating income	33.6%	31.6%	2.0%
Operating profit net of taxes / Shareholders' equity	5.7%	5.2%	0.5%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	6.2%	7.2%	-1.0%

## STRUCTURE AND PRODUCTIVITY DATA

	31.12.2011	31.12.2010	Change	
			Amount	%
Number of employees	1,875	1,846	29	1.6%
Number of bank branches	185	175	10	5.7%
<i>in thousands of Euros</i>				
Amounts due from customers by employee <sup>(3)</sup>	3,537	3,545	-8	-0.2%
Direct deposits from ordinary customer by employee <sup>(3)</sup>	3,786	3,781	5	0.1%
Operating income by employee <sup>(3)</sup>	192	187	5	2.7%

<sup>(3)</sup> on the basis of the number of employees determined as arithmetic mean

## 2 - THE BASELINE SCENARIO

### 2.1 - THE MACROECONOMIC FRAMEWORK

In 2011, the global economy suffered a further slowdown and the reduction in the rate of growth of GDP affected both mature economies and emerging markets, with an associated variability in the growth rates of individual countries. In a situation as volatile as this, many shadows remain hanging over the International Economy: the slowdown in world trade, the fall in the price of raw materials, albeit at a moderate pace, and the weak expansion of manufacturing activity in the USA and Asia, which moreover is in sharp decline in Europe.

#### Emerging Economies

At the end of 2011, the slowdown in economic activity in the BRIC countries became increasingly pronounced. In the third quarter of 2011, GDP in China grew by 9.1% compared to average growth in 2010 of 10.4%. In India, the slowdown was even more considerable (+6.7% against +10% of the previous year). In Brazil the slowdown started to become increasingly marked; in the third quarter of 2011 GDP in Brazil grew by +2.1% on average compared to +7.6% in 2010. On the other hand, Russia continued to record good growth rates; in the third quarter GDP grew by an average of +4.8% against 4% in 2010. Consumer prices, after coming close to double figures, started to slow down. Russia started to suffer from the EMU crisis as a result of the more well-established presence of European banks in the region. The expansive measures of the Central Bank were aimed at avoiding a liquidity crisis in a context of maintaining domestic demand.

#### United States

The US economy struggled to regain its pre-crisis growth rates. In the first two quarters of 2011, GDP growth data were disappointing, whereas a rate of +2% was indicated in the final quarter, a trend that could continue into the first months of 2012. The latest positive data released regarding the employment market and the property market contributed to improving the climate of confidence in the strengthening of the economic cycle, although there are still a number of grey areas; the main item of concern related to household spending which is rather low. In fact, the weakness of the labour market weighs heavily on the trend of consumption; at the end of 2011 the rate of unemployment in the USA was still very high, albeit falling in the last months of the year. Another element that affected household spending was the level of borrowing; the ratio of loans to families to disposable income was equal to 115%, lower than the peak of 130% in 2007 but still high when compared to the average of 70% recorded in the last thirty years of the past century. Inflation remained broadly stable and fixed at 2%.

#### Japan

The situation in Japan highlighted a much deeper recession than previously reported as a result of the earthquake in March. The third quarter saw a sharp rebound in the growth of investments in construction and exports. On the other hand, growth in investments in machinery and equipment was negative whereas consumption rose slightly due to the effect of the increase in real salaries. The main economic indicators showed a decline in service activities and manufacturing at the end of 2011 in spite of the recovery in the summer.

#### Euro Zone

The difficulties faced by the European institutions in managing the crisis affected a growing number of countries. Growth in the Euro Zone slowed; indeed after 3.1% in the first quarter, GDP increased at very moderate rates (+0.7%, +0.6%). In the third quarter of 2011, GDP decreased compared to the second quarter, not only in a number of peripheral countries of the European Union but also in Holland and Belgium. Germany still stood out with reported growth of 1% in the second quarter and 2% in the third quarter. In France, after the standstill recorded in the second quarter, GDP returned to growth in the third quarter with a variance of +1.5% being

recorded. The economic indicators for the last months of 2011 and the start of 2012 show an extremely weak situation for the majority of countries, the only exception being Germany. At the end of the third quarter of 2011 industrial production in the Euro Zone recorded a decline of 1.8% on a monthly basis. The business confidence index, which had been in decline since February, registered -7.3% in October. On the prices front, there was a further increase in inflation. The situation on the labour market continued to be very negative; in October the rate of unemployment hit 10.3%, up from the minimum level recorded in March 2008 (+7.3%). In a context in which the great uncertainty regarding the cyclic upturn continued to be compounded by the necessity to recapitalise a large number of banks, during 2011, the European Central Bank repeatedly provided support to the banking system and tried to avoid a credit crunch for families and businesses using all the means at its disposal.

#### Italy

The performance of the Italian economy was disappointing; the trend of GDP declined by 0.5% on an annual basis in the final part of the year. In October the industrial production index fell by another 2% with respect to the previous month, a weakness that seems destined to last. Production expectations are at the lowest levels since October, driven down mainly by a sharp reduction in orders. Exports were still below pre-crisis levels, having lost 24% and recovered only a half. In October, new manufacturing orders registered a decrease of 4.8% on an annual basis. In the same month, retail sales registered a negative variance. In November the business confidence index fell, from -9.7% to -11.3%. The mood of consumers fell sharply, from -29.2% to -34% between November and December. The labour market too showed a rate of unemployment of around 8.6%, with much higher peaks for the younger population; the depression of the employment market has led inevitably to a considerable weakness in private consumption. In 2010, the increase in the prices index could largely be attributed to the increase in oil prices, this tendency also intensified during 2011.

## 2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2011 recorded monthly performances less than the growths recorded in 2010; this is also evident if we observe International stock markets: notwithstanding the recovery in progress on a monthly basis, in fact, the annual changes were significantly negative. The Dow Jones Euro Stoxx recorded a decrease of 12.5% on an annual basis, the Nikkei 225 of Tokyo 17.1%, while the Standard & Poor's 500 of New York substantially remained stable (+0.2%). The main European Stock Exchange indexes also recorded, in December, monthly average changes showing a recovery but negative on an annual basis: the Ftse Mib recorded a variation of 0.3% on a monthly basis (-26.1% y/y), the Dax30 +0.7% (-16.1% y/y), the Cac40 +1.9% (-19.7% y/y) and the UK Ftse100 +1.5% (-6.8% y/y). In the wake of the trends in the stock exchanges of the individual markets, in December 2011 the capitalization of the Euro Zone stock market also showed a positive performance, on a cyclical basis (+0.5%) but negative on an annual basis (-18.1%). Within the Euro Zone, capitalisation was equal to 9.9% of the total in Italy, 31.2% in France and 25.5% in Germany. With specific reference to Italy, the overall capitalisation of the stock market came to Euro 133 billion (Euro 93 billion on an annual basis) at the end of December. The impact of bank capitalization on the total came to 16.7% compared to 29.8%, the value posted at the beginning of the financial crisis.

With reference to the banking system, at the end of 2011 the growth rate of domestic borrowing appeared to have settled at the end of 2011, while the trend in the borrowing on foreign markets showed a decrease. The tendential growth rate of deposits in Euro of the Italian banks came to +1.5%. Specifically, deposits from customers recorded a tendential negative growth rate of -2.1%, while the annual change in bonds was positive and equal to +7.8%; a decrease was recorded by transactions with customers (-35.4%). The average return on bank deposits was stable, consistently with the performance of market rates. The average rate of bank deposits from customers came to 1.11% in December 2011, down by 37 basis points compared to the same period of the previous period.

Loans to private individuals showed an increase at the end of 2011, recording a tendential growth of +4.1%; on the basis of a breakdown by term, the medium/long-term segment showed a tendential growth change of +2.9%, while the short-term segment showed an increase equal to 7.6%.

At the end of the year, a slight deceleration was recorded in the trend of loans to businesses: however, a growth of 4.9% was recorded as a whole, a value which is again in line with the levels of April 2011. The weighted average rate on total loans to families and non-financial companies was equal to 4.25%, while that of loans for the purchase of properties was 3.83%.

In 2011, compared to 2010, the spread between the average rate on loans and the average rate on deposits recorded a slight increase; in December 2011 it was higher by 1 basis point than recorded by the average of December 2010. In the 2011 average the scissors were equal to 2.43%, up compared to the average value recorded in 2010 (2.15%).

### **3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST**

#### **3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK**

Even within the difficult macroeconomic scenario, the Group firmly continued, also in 2011, to expand its distribution network which, following the opening of ten branches, reached an overall number of 185 units at the end of the financial year.

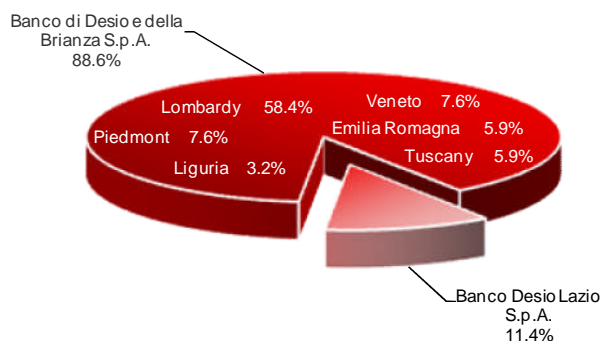
The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy was to put roots down in the territory with which the Group is historically associated and in adjacent and complementary areas and to take up other local opportunities. Over time this policy has led the Group to extend its presence in Lombardy, Emilia, Piedmont, Liguria, Tuscany, Veneto and Lazio.

The breakdown of the branch network by Group company with the change in the year is shown in the table below, while the chart that follows it also gives the percentage distribution by region as at the end of the year.

Table no. 1 - THE GROUP DISTRIBUTION NETWORK: BREAKDOWN BY BANK

No. of branches	31.12.2011		31.12.2010		Change	
	No. of branches	Percentage breakdown	No. of branches	Percentage breakdown	Value	%
Banco di Desio e della Brianza S.p.A.	164	88,6%	155	88,6%	9	5,8%
Banco Desio Lazio S.p.A.	21	11,4%	20	11,4%	1	5,0%
<b>Group distribution network</b>	<b>185</b>	<b>100,0%</b>	<b>175</b>	<b>100,0%</b>	<b>10</b>	<b>5,7%</b>

Chart no. 1- THE GROUP DISTRIBUTION NETWORK: PERCENTAGE BREAKDOWN BY BANK AND BY REGION 2011

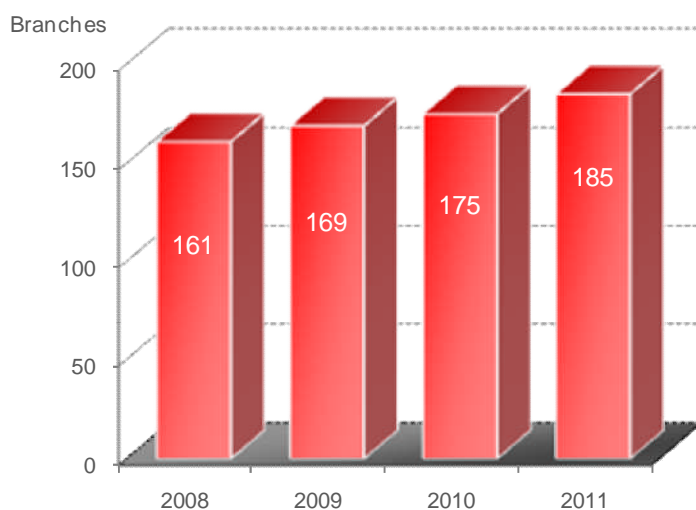


In the year that has closed, the Parent Company opened four branches in Lombardy, in Milan near piazzale Cadorna, Vimercate (Monza e della Brianza), Treviglio (Bergamo) and Brembate (Bergamo), three branches in Emilia Romagna, in Bologna S. Viola (Bologna), Imola (Bologna) and Casalecchio di Reno (Bologna), one branch in Piedmont in Leinì (Turin) and another branch in Tuscany in Sesto Fiorentino (Florence).

The distribution structure of the subsidiary Banco Desio Lazio S.p.A., with the opening of the branch in Albano Laziale (Rome) in October, numbered a total of twenty-one branches, with a presence particularly concentrated in the capital and the surrounding areas.

The chart below shows the dimensional growth of the Group in the last few years, corresponding to a development rate equal to the Compound Annual Growth Rate of 4.7% in the three year period 2009-2011.

Chart no. 2 - THE GROUP DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS



### 3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

*Merger of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. by incorporation into the Parent Company and transfer of stakes in the subsidiary Rovere Società de Gestion SA*

In view of a more correct streamlining of the banking network in relation to its vocation of retail bank, the Parent Company implemented, in the year, the Plan of Merger by incorporation of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A., which led to the execution of the deed of merger with legal effect from 1 October 2011.

With reference to the shareholdings previously held by Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. in the subsidiary Rovere Società de Gestion SA, each for a share of 10%, and then transferred to the Parent Company as a result of the merger, it should be pointed out that, at the same time, the same transferred these shares to the subsidiary Brianfid-Lux SA, which increased its stake in the aforesaid company up to 70%.

*Approval of the 2012-2013 two-year Business Plan*

On 22 December 2011, the Board of Directors of the Parent Company approved the 2012-2013 two-year Strategic Group Plan in which, in a particularly difficult economic situation in which growth prospects and the performance of the financial markets are dependent on a number of crisis indicators, it reaffirms its strategy of unwavering confidence in the retail banking model, as a provider of a full range of services to its customers.

This Strategic Plan also incorporates the “Local Development Project” for the two-year period as notified to the Bank of Italy; as part of an ever-targeted local development initiative, it is expected that the distribution network will number a total of 197 branches at the end of 2013.

*Capital strengthening of the subsidiaries Banco Desio Lazio S.p.A. and FIDES S.p.A.*

As part of the strategic planning scheduled for the 2012-2013 two-year period, on 20 December 2011, the Parent Company made a shareholders’ contribution to the capital of the subsidiary Banco Desio Lazio S.p.A., non-interest-bearing and without expiry (non-refundable), amounting to €10 million. The consequent capital strengthening can be connected for the most part to the forecast of operational development for the indirect



subsidiary FIDES S.p.A.; indeed, on the same date, Banco Desio Lazio S.p.A. in turn made a shareholders' contribution to the capital of the finance company, non-interest-bearing and without expiry (non-refundable), amounting to €5 million. Both transactions provide the opportunity to start the authorisation and deliberation process in order to reach the respective capital increases of the companies.

*Capital increase serving a Stock Grant Plan for the three-year period 2011-2013*

On 27 October 2011, the Board of Directors of the Parent Company took, subject to the favourable opinion of the Appointments and Remuneration Committee (to the extent pertaining thereto), some measures after the resolutions of 21 July 2011, which were adopted for the purposes of bringing the Group's Incentive System into line with the "Provisions for banks and banking groups governing remuneration and incentive policies and practices" (*Disposizioni per le banche e i gruppi bancari in materia di politiche e prassi di remunerazione e incentivazione*) issued by the Bank of Italy on 30 March 2011.

Following the subsequent authorisation given by the Bank of Italy as to the amendments to the by-laws connected to the 2011-2013 Stock Grant Plan, which forms an integral part of the new Incentive System, and at the request of the Board of Directors, on 29 November 2011 the Ordinary Shareholders' Meeting approved the review of the Group's Remuneration Policies in relation to the Incentive System in favour of the Management, as adopted for the purposes of complying with the abovementioned Supervisory provisions, the Stock Grant Plan for the three-year period 2011-2013 concerning the assignment, free of charge, of a maximum number of 1,000,000 ordinary shares of the Company in favour of the Group's Management (as identified in the application of the abovementioned supervisory Provisions), as well as the establishment of appropriate reserve for accumulated earnings, subject to the service of the capital increase, free of charge, reserved for the Group's Management.

Accordingly, the Extraordinary Shareholders' Meeting held on the same date approved the capital increase, free of charge, pursuant to article 2349 of the Italian Civil Code, on a divisible basis, for a maximum nominal amount of Euro 520,000 corresponding to a maximum number of 1,000,000 ordinary shares, with a par value of Euro 0.52 each, serving the Stock Grant Plan, to be issued by the Board of Directors in more than one tranche, within the time limits and subject to the conditions envisaged in the Plan itself, through the use of an appropriate equity reserve drawn from other free equity reserves made up of "undivided profits" and also approved the correlated proposed amendments to Section 4 of the Bylaws.

*Capital increase of the subsidiary Chiara Assicurazioni S.p.A. and increase to 66.66% of the stake held by the Parent Company in the insurance company*

On 27 April 2011 the subsidiary Chiara Assicurazioni S.p.A. implemented the capital increase of Euro 0.6 million, serving the residual Shareholding plan, increasing it to Euro 9.4 million; at the same time, the Parent Company increased its stake held in the Insurance Company up to 66.66%, considering that, as early as 15 February 2011, it had reached 62.43% as a result of the purchase of 50,000 shares.

*Payment by shareholders on account of capital of the associated company Chiara Vita S.p.A.*

In view of the strengthening of the capital structure of the associated company Chiara Vita S.p.A., on 20 April 2011 the Parent Company made a shareholder payment on account of capital of Euro 2.7 million.

*Acquisition of the stake in AcomeA SGR S.p.A.*

On 25 July 2011 the Parent Company acquired 50,000 ordinary shares of AcomeA SGR S.p.A., within the capital increase of the same, at a price of Euro 30.00 per share (including Euro 20.00 by way of share premium), for a counter-value of Euro 1.5 million. As a result of this transaction, the stake held in the finance company is equal to 9.09%.

*Group remuneration policies*

The Banco Desio Group has adopted the Bank of Italy and Consob regulations with respect to remuneration policies. The objective of the Bank of Italy is to ensure, in the interest of all stakeholders, systems of remuneration that are in line with the long-term corporate strategy and objectives, correlated to the company results, suitably adjusted to take into account all risks, consistently with the levels of capital and liquidity necessary to deal with the activities undertaken and in any case such as to avoid any incentives that may give rise to conflicts of interest and excessive risk taking. For all details, reference is made to the Group Remuneration Policies prepared pursuant to article 123-ter of the TUF, which are available on the Group's website , together with this Report.

*Opening of inspection procedures by the Bank of Italy*

It should be pointed out that on 21 November 2011 an ordinary supervisory inspection was started at the Parent Company in relation to the Banco Desio Group.

*Tax assessment by the Finance Police*

It should be pointed out that on 14 December 2011 a tax assessment was started at the Parent Company by the Finance Police – Tax Police Unit of Milan Milano.

### **3.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO SUBSIDIARIES OR ASSOCIATES**

*Judicial investigations - Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A.*

On 3 January 2012, the company received notification of a request for committal for trial submitted by the Public Prosecutor's Office of the Court of Rome, within the context of judicial proceedings concerning, among others, a number of parties who at the time of the alleged events, which date back to 2009, were representatives of the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A., as well as third parties with respect to the Companies themselves. As the alleged events include offences that entail the administrative liability of legal persons, pursuant to Legislative Decree 231/2001 Banco Desio Lazio S.p.A. is involved in the abovementioned proceedings, in relation to the unlawful administrative act contested envisaged under articles 5 of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then Chief Executive Officer of the Company itself, as a result of the administration relationship existing at that time; Credito Privato Commerciale S.A. is involved in relation to the unlawful administrative act contested envisaged under articles 5 and 25-octies of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then General Manager of the Company itself, as a result of the management relationship existing at that time.

In light of the above, the Boards of Directors of each of the two subsidiaries has approved, in order to be prudent, the setting aside of a specific provision amounting to the average of the minimum and maximum penalties envisaged. On the basis of the work performed and the checks conducted so far in relation to the conditions of a plea bargain, the defence lawyer for the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. has confirmed that any other risks have been ruled out; in particular, we highlight that the banks have taken steps to adopt and implement an appropriate organisational model and before the next hearing they will also take steps to implement the remaining conditions which are required in order to rule out the application of disqualifying sanctions under article 17 of Legislative Decree 231/01.

*Adjustment to the value of the equity investment of Brianfid-Lux S.A. in the subsidiary Credito Privato Commerciale S.A.* As part of the procedure that has been launched to explore the market for the possible sale of the Swiss subsidiary Credito Privato Commerciale S.A. by Brianfid-Lux S.A., the company has taken steps to align the value of the stake to the value deriving from the contingent application of market benchmarks for transactions of that nature.

## 4 - HUMAN RESOURCES

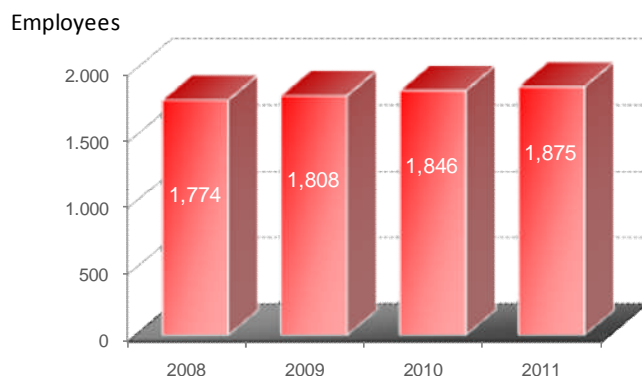
### 4.1 - MANAGEMENT AND BREAKDOWN OF THE RESOURCES

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.

As at 31 December 2011, the Group counted 1,875 employees, with an increase of 29, corresponding to 1.6%, compared to the final figure of the previous year.

The increase in the number of staff in the last three-year period 2009-2011 corresponded to an average compound annual growth rate equal to 1.9%, lower than that registered in the distribution network, which was equal to 4.7%, as evidenced by the numeric data represented in the chart below.

Chart no. 3 - INCREASE IN THE GROUP STAFF NUMBERS IN THE LAST FEW YEARS



The table below shows the breakdown of staff by grade and the variation on the previous year.

Table no. 2 - GROUP STAFF: BREAKDOWN BY GRADE

No. of employees	31.12.2011		31.12.2010		Change	
	No. of employees	Percentage breakdown	No. of employees	Percentage breakdown	Value	%
Executives	38	2.0%	42	2.3%	-4	-9.5%
3rd and 4th level managers	444	23.7%	420	22.8%	24	5.7%
1st and 2nd level managers	500	26.7%	490	26.5%	10	2.0%
Other personnel	893	47.6%	894	48.4%	-1	-0.1%
<b>Group staff</b>	<b>1,875</b>	<b>100.0%</b>	<b>1,846</b>	<b>100.0%</b>	<b>29</b>	<b>1.6%</b>

## 4.2 – TRAINING ACTIVITIES

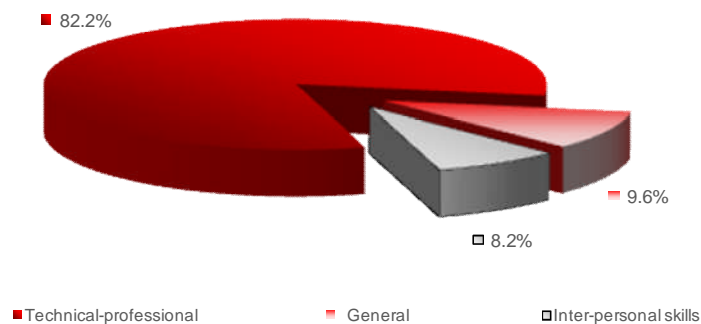
With reference to training activities, which is a distinctly effective partner in growth processes and in developing resources, in accordance with the directives and procedures envisaged at Group level, the financial year saw the implementation of an overall number of 8,120 man/days of training meetings, counting in-house courses, conferences, external seminars and online training activities.

The provision of training in 2011 is broken down according to the types outlined below:

- “General”: offers courses targeted at all professional families and with the objective of developing cross-sector skills;
- “Technical-professional”: includes courses aimed at developing the technical skills of staff who are starting out in the performance of specific tasks or those interested in consolidating or further improving skills that are relevant to the position held;
- “Inter-personal skills”: aims to develop behavioural skills and facilitate the spreading of the business culture as well as the internalisation of the company values.

The chart below reports the percentage breakdown of the days of training meetings for the three types specified.

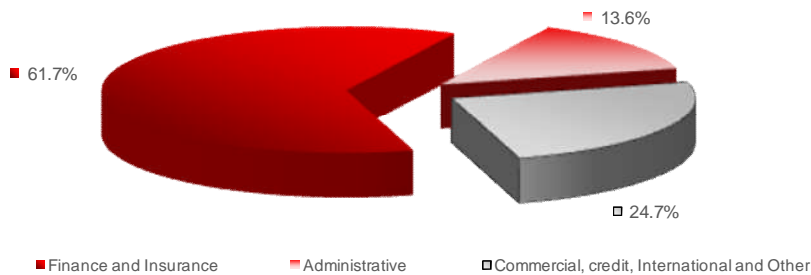
Chart no. 4 - “TECHNICAL PROFESSIONAL” TRAINING IN THE YEAR 2010: BREAKDOWN BY SUBJECT



Within the scope of “General” training activities, note the importance attached to the actions for compliance with the regulations in force; specifically, attention was paid to the issues concerning “Money Laundering”, “Legislative Decree 231/2001”, “Transparency” and “Safety at Work”.

Regarding the “Technical professional” training, the percentage breakdown of the meetings held based on the classification of the issues dealt with by sectors concerned is represented in the following chart.

Chart no. 5 - "TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2011: BREAKDOWN BY SUBJECT



The activity carried out, which particularly affects the "Loans" area, is composed of courses aimed at the further growth of professionals with a significant commitment to the planning of specific activities for the support and consolidation of skills, given the complexity and the changing needs of the market caused by the difficult and fragile macroeconomic situation.

In the "Finance and Insurance" segment we note the delivery of the programme relating to "Risks in investment services" which has been extended to the whole Private Clients department, with the objective of raising awareness among Network staff with regard to behaviour that is always strictly aligned to operational standards. In the Private Banker world, the training activity for the certification of on-the-job skills which was started in previous years was completed. Furthermore, although it is cross-cutting compared to the specificity of individual professionals, as well as having maintained the insurance update in accordance with the provisions of the ISVAP Regulation, attention was given to the further development of specific skills for relevant profiles.

As regards the "Interpersonal Skills" initiatives we highlight the launch of a training programme to develop "commercial" skills, which moreover is being intensified this year and which pursues the objectives of improving interpersonal performance during the commercial offer phase as well as of increasing knowledge of clients, who have always been a focus of great attention since they are the true assets of the Group.

In general, the organisation of the training provision has led, and will lead to an increasing extent, to the use of channels that supplement the traditional classroom; in this regard we highlight the use of distance learning modules (FAD), manuals to support working activity and periods of working alongside subject experts, such as for example training on the job within the "Foreign" activities.

The focus placed by the Group on the growth and development of professional skills was recognised by the Fondo Banche Assicurazioni (FBA) (Banks and Insurance Companies Fund) which in 2011 provided the Parent Company with grants of around €0.5 million. The Fund's recognition and support for training activity is the result of an approach that is now well-established.

#### 4.3 – LABOUR RELATIONS

In the context of trade union relations, which have always been characterised by a cordial and constructive relationship in the manner established by the Parent Company, it is noted that requests submitted by the company trade unions for the complete renewal of the Supplementary Company Agreement were closely examined during 2011. During this procedure it was confirmed that the 2<sup>nd</sup>-level supplementary bargaining will take place exclusively as regards the subjects expressly referred to by the National Collective Labour Agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*) for the sector; the negotiations, for which we are still waiting for the outline of the package put forward by the trade unions, will therefore take place within this context.

It should be pointed out that, on 19 January 2012, the A.B.I. (*Associazione Bancaria Italiana*, Italian bankers' Association) and the Trade Unions for the sector signed the new "National collective labour agreement for middle managers and for the staff of professional areas depending on credit, finance and instrumental companies" (*Contratto Collettivo nazionale di lavoro per i quadri direttivi e per il personale delle aree professionali dipendenti dalle imprese creditizie, finanziarie e strumentali*).

## **5 - CONTROL ACTIVITIES**

### **5.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION**

In the exercise of its function of direction and co-ordination, the Parent Company Banco di Desio e della Brianza S.p.A., effects three levels of control on subsidiaries in order to implement the specific "co-ordination model" selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location and identifying within its structure the competent functions for the specific control mechanisms.

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on performance and profitability, the analysis of development/research/investment plans and of strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget.

The third level can be described as being technical/operational in nature and in practice is conducted through the supervision of internal control systems.

Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

### **5.2 - INTERNAL CONTROL SYSTEM**

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving the top Bodies and management and, in general, all staff.

Company's financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

### 5.3 - RISK MEASUREMENT AND MANAGEMENT

With regard to the specific activities carried out by the Parent Company's Risk Management function designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, please refer to Part E of the Notes to the Financial Statements Information on Risks and the Related Hedging Policies.

## 6 - MANAGEMENT PERFORMANCE

### 6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets came to about Euro 17.9 billion, with an increase of 2% in direct deposits and a decrease of 6.7% in indirect deposits, particularly affected by the international economic and financial crisis that significantly affected stock prices, which entailed a decrease in the value of deposits equal to 3.5%.

The breakdown and balances of the items of the aggregate are shown in the table below.

Table no. 3 - DEPOSITS FROM CUSTOMERS

<i>Amounts in thousands of Euro</i>	31.12.2011		31.12.2010		Change	
		Percentage breakdown		Percentage breakdown	Value	%
Amounts due to customers	4,347,706	24.3%	4,459,599	24.1%	-111,893	-2.5%
Securities issued and financial liabilities at fair value through profit or loss	2,696,584	15.1%	2,448,734	13.2%	247,850	10.1%
<b>Direct deposits</b>	<b>7,044,290</b>	<b>39.4%</b>	<b>6,908,333</b>	<b>37.3%</b>	<b>135,957</b>	<b>2.0%</b>
Deposits from ordinary customers	7,717,007	43.2%	8,365,300	45.2%	-648,293	-7.7%
Deposits from institutional customers	3,104,710	17.4%	3,239,711	17.5%	-135,001	-4.2%
<b>Indirect deposits</b>	<b>10,821,717</b>	<b>60.6%</b>	<b>11,605,011</b>	<b>62.7%</b>	<b>-783,294</b>	<b>-6.7%</b>
<b>Total deposits from customers</b>	<b>17,866,007</b>	<b>100.0%</b>	<b>18,513,344</b>	<b>100.0%</b>	<b>-647,337</b>	<b>-3.5%</b>

#### *Direct deposits*

At the end of 2011 the balance of direct deposits exceeded Euro 7 billion (+2%) as a result of the increase in outstanding securities and financial liabilities at fair value (+10.1%), which was partially adjusted by the decrease in amounts due to customers (-2.5%).

Amounts due to customers, which continue to represent the most significant item with 61.7% of the aggregate, can be referred to about Euro 4.2 billion to the "sight" deposits, i.e. current accounts and savings deposits, while a residual part refers to time deposits, reverse repurchase agreements and other payables.

Securities issued and financial liabilities at fair value refer to bonds issued and placed by the Group for about Euro 2.3 billion (including Euro 0.1 billion of subordinated debt) and to deposit certificates for about Euro 0.4 billion. Within the balance, financial liabilities reported on the basis of the fair value option amounted to about Euro 0.1 billion and related to bond loans hedged with financial derivative instruments.

It should be pointed out that, during 2011, the total nominal value of the bond loans issued and placed was around Euro 0.8 billion, while that of the loans repaid upon expiry amounted to about Euro 0.7 billion.

#### *Indirect deposits*

In the twelve months indirect deposits reported a decrease of about Euro 0.8 billion, equal to 6.7% of the previous balance, totalling about Euro 10.8 billion.

Deposits from “ordinary” customers came to about Euro 7.7 billion, with an annual decrease of about Euro 0.6 billion, equal to 7.7%, which concerned both administered and managed assets, the latter showing an increase in the “bank-insurance” assets.

Deposits from institutional customers reported a decrease of about Euro 0.1 billion compared to the balance of the previous financial year, equal to 4.2%.

The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

Table no. 4 - **INDIRECT DEPOSITS**

<i>Amounts in thousands of Euros</i>					<b>Change</b>	
	<b>31.12.2011</b>	<b>Percentage breakdown</b>	<b>31.12.2010</b>	<b>Percentage breakdown</b>	<b>Value</b>	<b>%</b>
<b>Asset administration</b>	<b>4,335,692</b>	<b>40.1%</b>	<b>4,568,258</b>	<b>39.4%</b>	<b>-232,566</b>	<b>-5.1%</b>
<b>Asset management</b>	<b>3,381,315</b>	<b>31.2%</b>	<b>3,797,042</b>	<b>32.7%</b>	<b>-415,727</b>	<b>-10.9%</b>
<i>of which: Mut.Fund and Open-end Inv.</i>	815,585	7.5%	1,187,076	10.2%	-371,491	-31.3%
<i>Portfolio management</i>	459,571	4.2%	631,235	5.4%	-171,664	-27.2%
<i>Bank Insurance</i>	2,106,159	19.5%	1,978,731	17.1%	127,428	6.4%
<b>Deposits from ordinary customers</b>	<b>7,717,007</b>	<b>71.3%</b>	<b>8,365,300</b>	<b>72.1%</b>	<b>-648,293</b>	<b>-7.7%</b>
<b>Deposits from institutional customers</b>	<b>3,104,710</b>	<b>28.7%</b>	<b>3,239,711</b>	<b>27.9%</b>	<b>-135,001</b>	<b>-4.2%</b>
<b>Indirect deposits</b>	<b>10,821,717</b>	<b>100.0%</b>	<b>11,605,011</b>	<b>100.0%</b>	<b>-783,294</b>	<b>-6.7%</b>

The charts below represent the breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2011, as well as that of the components of the managed assets.



Chart no. 5 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2011:**

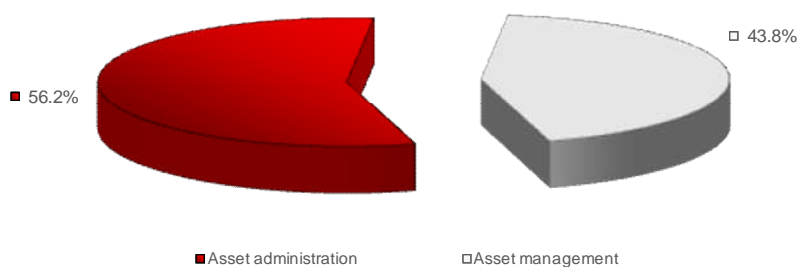
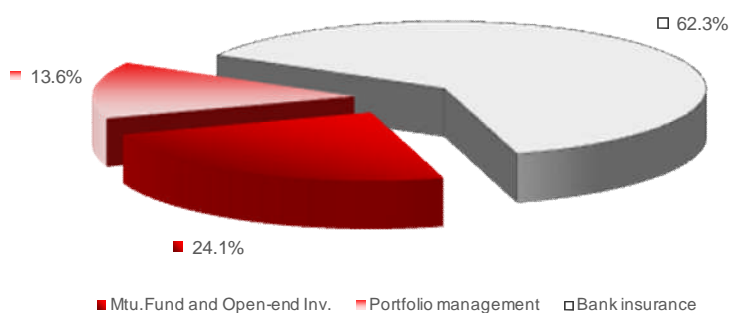


Chart no. 6 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2011: BREAKDOWN**

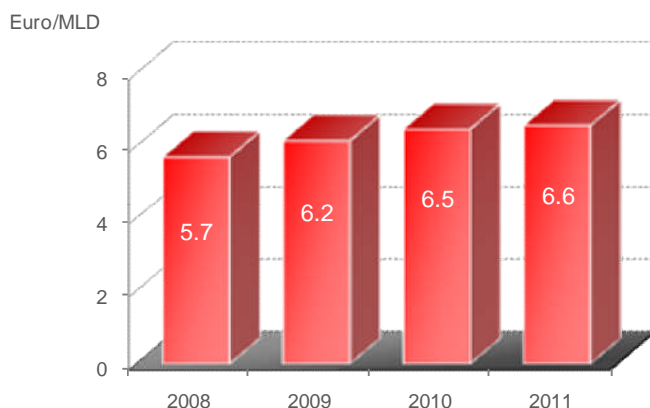


With reference to the components of the Mutual Funds and Open-end Inv. and Portfolio Management, the diversification of the investments was the key theme for management, in order to be better able to seize all the opportunities in the context of an extremely difficult economic situation and its main objective was to preserve invested capital. The bond portfolios tried to balance, on the one hand, activities that are risk-free despite their particularly low yield and, on the other hand, issues with potential to give interesting returns even if they are characterised by an increased price volatility. The share component was characterised by an extremely prudent approach; the investment favoured companies with strong financial statements, investing in large cap companies with interesting dividends and operating in all the main global markets.

## 6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

Loans to customers continued its growth trend, witnessing the particular commitment undertaken by the Group for the actual support to families and small- and medium-sized companies in the difficult economic and financial context. At 31 December 2011 the total amount of lending to customers increased up to about Euro 6.6 billion, with an annual increase of Euro 0.1 billion, equal to 1.6%; the graph below represents the development trend of loans in the three-year period 2009-2011.

Chart no. 7 - LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS



The differences in the balances of the items making up lending, as shown in the table below, show in particular the increase in the medium- and long-term actuarial form, which is mainly made up of mortgages.

Table no. 5 - AMOUNTS DUE FROM CUSTOMERS

<i>Amounts in thousands of Euros</i>	31.12.2011		31.12.2010		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Current accounts	1,536,661	23.4%	1,508,312	23.3%	28,349	1.9%
Mortgages and other medium/long term loans	4,285,266	65.1%	4,121,587	63.6%	163,679	4.0%
Other	758,523	11.5%	846,821	13.1%	-88,298	-10.4%
<b>Amounts due from customers</b>	<b>6,580,450</b>	<b>100.0%</b>	<b>6,476,720</b>	<b>100.0%</b>	<b>103,730</b>	<b>1.6%</b>

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.

As regards the distribution of gross loans, including endorsement loans, the percentage impact of uptakes by the largest clients at the end of 2011 compared to the final figure at the end of the previous year, is reported in the table below, reflecting the high and even greater degree of risk spreading.

Table no. 6 – AMOUNTS DUE FROM LARGEST CUSTOMERS: CONCENTRATION INDEX

<i>Number of customers</i> <sup>(1)</sup>	31.12.2011	31.12.2010
10 largest customers	2.2%	3.6%
20 largest customers	3.3%	4.7%
30 largest customers	4.2%	5.5%
50 largest customers	5.6%	7.0%

<sup>(1)</sup> On the basis of the data of the Parent Company and of the subsidiary Banco Desio Lazio S.p.A.

It should be noted that, according to the supervisory regulations in force, at the end of 2011 only one position was recorded which can be classified as “Significant Risks”, for a total nominal amount (which also includes the guarantees given and any commitments) of about Euro 0.7 billion, which has no corresponding total weighted amount; on the other hand, as the position relates to relations with the Treasury Ministry, no outstanding position is actually reported against customers at Group level.

At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 268.1 million, net of value adjustments of Euro 109.7 million. Specifically, net non-performing loans amounted to Euro 124.7 million, net problem loans to Euro 104.6 million and expired loans to Euro 34.9 million and restructured exposures to Euro 3.9 million.

The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase compared with the previous year as a natural consequence of the economic crisis.

Table no. 7 - AMOUNTS DUE FROM CUSTOMERS: RISK CREDIT INDICATORS

<i>% Indexes for gross loans</i>	<b>31.12.2011</b>	<b>31.12.2010</b>
Gross impaired loans to customers	5.62%	4.59%
<i>of which:</i>		
- gross non performing loans	3.01%	2.37%
- gross problem loans	2.01%	1.65%
- gross expired loans	0.54%	0.50%
- gross restructured loans	0.06%	0.07%
<hr/>		
<i>% Indexes for net loans</i>	<b>31.12.2011</b>	<b>31.12.2010</b>
Net impaired loans to customers	4.07%	3.15%
<i>of which:</i>		
- net non performing loans	1.89%	1.38%
- net problem loans	1.59%	1.22%
- net expired loans	0.53%	0.49%
- net restructured loans	0.06%	0.06%

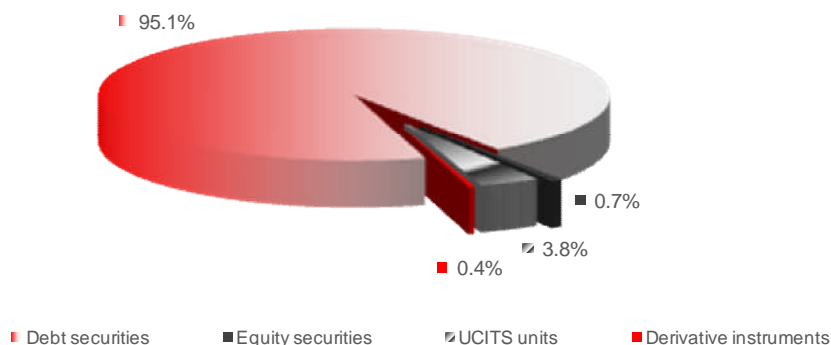
### 6.3 THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

#### *The securities portfolio*

On 31 December 2011 the Group's total financial assets were equal to about Euro 1.1 billion, compared to Euro 1.1 billion which was the figure of the preceding year.

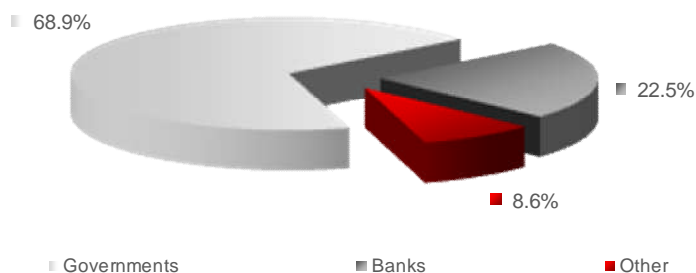
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the most significant portion.

Chart no. 8 - FINANCIAL ASSETS AT 31.12.2011: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY



With reference to the issuers of securities, the aggregate Portfolio at the end of the financial year is comprised of “Government securities” (68.9%), “bank securities” (22.5%), and by “other issuers” for the remaining share, as evidenced in the graph below

Chart no. 9 - FINANCIAL ASSETS AT 31.12.2011: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER



The Portfolio’s choice of investment fell, therefore, to a very large extent, to the government securities of Italy and the main Italian bank issuers, where there was particularly low volatility above all in the first half of 2011, when the spread between Italian long-term and German ten-year treasury bonds ranked between 150 and 180 basis points. From July the unprecedented and completely unexpected speculative attacks against Italy, which initially caused the spread to rise to 300 and then reach 560 basis points for both two-year and ten-year bonds, led the Parent Company to consolidate its defensive operational policy by keeping the duration below 2 years.

This prudent profile allowed the company to achieve an economic result that was in line with the budget and to maintain the capital losses of the AFS Portfolio at sustainable levels, whereas a gradual reduction of the corporates component was initiated, in favour of government securities, in order to improve the Basel III Liquidity Coverage Rate (LCR).

*Exposures held in sovereign debt*

With reference to Consob communication n. DEM/11070007 of 05/08/2011 “Communication on information to be provided in the financial reports as to the exposures held by listed companies in sovereign debt securities”

(Comunicazione in materia di informazioni da rendere nelle relazioni finanziarie in merito alle esposizioni detenute dalle società quotate nei titoli di debito sovrano), below are broken down the positions as at 31 December 2011.

Table no. 8 - SOVEREIGN DEBT SECURITIES: BREAKDOWN BY PORTFOLIO AND ISSUER

<i>Amounts in thousands of Euros</i>		<b>Italy</b>	<b>31.12.2011</b>
Financial assets available for trading	Nominal value	8,710	8,710
	Book value	8,594	8,594
Financial assets available for sale	Nominal value	652,172	652,172
	Book value	614,460	614,460
Financial assets held to maturity	Nominal value	110,000	110,000
	Book value	110,774	110,774
<b>Sovereign debt securities</b>	Nominal value	<b>770,882</b>	<b>770,882</b>
	Book value	<b>733,828</b>	<b>733,828</b>

Table no. 9 - SOVEREIGN DEBT SECURITIES: BREAKDOWN BY PORTFOLIO, ISSUER AND RESIDUAL TERM

<i>Amounts in thousands of Euros</i>		<b>Italy</b>	<b>31.12.2011</b>
Financial assets available for trading	up to 1 year	6,985	6,985
	1 to 3 years	750	750
	3 to 5 years	460	460
	beyond 5 years	515	515
	Total	8,710	8,710
Financial assets available for sale	up to 1 year	153,182	153,182
	1 to 3 years	318,660	318,660
	3 to 5 years	75,720	75,720
	beyond 5 years	104,610	104,610
Totale	652,172	652,172	
Financial assets held to maturity	up to 1 year	0	0
	1 to 3 years	0	0
	3 to 5 years	0	0
	beyond 5 years	110,000	110,000
Total	110,000	110,000	
<b>Sovereign debt securities</b>	<b>up to 1 year</b>	<b>160,167</b>	<b>160,167</b>
	<b>1 to 3 years</b>	<b>319,410</b>	<b>319,410</b>
	<b>3 to 5 years</b>	<b>76,180</b>	<b>76,180</b>
	<b>beyond 5 years</b>	<b>215,125</b>	<b>215,125</b>
	<b>Total</b>	<b>770,882</b>	<b>770,882</b>

### *The interbank position*

The net interbank position at the end of the financial year was positive and almost balanced (Euro 20 million), compared to the positive position of about Euro 0.1 billion in the previous year.

With reference to the treasury activity, 2011 was characterised by a balanced situation in terms of liquidity, without particular tensions and, therefore, recourse was made to the open market transactions of the ECB only on an occasional basis.

In order to maintain a liquidity buffer, the Parent Company participated in the LTRO transaction (Long-Term Refinancing Operation) of the ECB on 22 December 2011 for Euro 200 million, using its own securities.

## **6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY**

Shareholders' equity as at 31 December 2011, including the net profits of the period, amounted to a total of Euro 770.9 million, with respect to Euro 783 million of the figure recorded for 2010.

Shareholders' equity calculated in accordance with the supervisory regulations in force was equal to Euro 728.9 million with respect to Euro 772.6 million at the end of the previous year. The figure is made up of Tier 1 capital of Euro 663.7 million (compared to Euro 686.5 million at the end of 2010) with Tier 2 capital of Euro 75.6 million (compared to Euro 99.6 million at the end of 2010) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 49.3 million (of which about Euro 10.4 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets was equal to 10.7% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, was 11.8% according to the supervisory regulations in force. On 31 December 2010 these ratios were 11% and 12.4% respectively.

## 6.5 - RECLASSIFIED INCOME STATEMENT

A reclassified Income Statement has been prepared (as compared with the layout in the Financial Statements) in order to provide a view of the Bank's affairs that is more consistent with operational performance, and this is the basis on which the following comments are made.

The following is a summary of the criteria adopted in the preparation of this statement:

- two accounting item totals were stated, defined as "Operating income" and "Operating costs", the algebraic balance of which constitutes the "Operating margin";
- "Net profit/(loss) for the period" was divided into "Profits/(losses) after taxes from continuing operations" and "Non-recurring profits/(losses) after taxes";
- Net income from insurance activities includes the following income from Chiara Assicurazioni S.p.A.: net interest income (items 10 and 20), net insurance premiums (item 150), profits/(losses) on disposal/repurchase of financial assets available for sale (item 100), Other operating income and expenses (item 220) and the balance of other income/charges from insurance activities management (item 160);
- "Operating income" also includes the balance of item 220, "Other operating income and expenses", also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 180 (b), "Other administrative expenses" and as an increase of item 210, "Net adjustments to the value of /write-backs to intangible assets" in the "Operating costs" total;
- shares of profits in the period relating to equity investments in associates were reclassified from item 240 "Profits/(losses) on equity investments" to the item "Profits on equity investments in associates";
- the balance of item 100 (a), "Profit/(loss) on disposal/purchase of receivables" in "Operating income" was reclassified in special item "Profit/(loss) on disposal/purchase of receivables" after "Operating margin";
- provisions for clawback actions in debt litigation were reclassified from item 190, "Net provisions for risks and charges", to item 130 (a), "Net impairment losses on loans", both items following "Operating margin";
- provisions for extraordinary transactions are reclassified from item 190, "Net provisions for risks and charges", to item "Provisions for risks and charges on extraordinary transactions";
- the tax effect on non-recurring Profits/(losses) is reclassified from item 290, "Taxes for the period on income from continuing operations" to the item "Taxes for the period on income from non-recurring operations".

The 2011 financial year ended with Parent Bank net profit (loss) of Euro 44.9 million, as shown in the table below, which states the reclassified Income Statement in comparison with the income statement of the previous year.



Table no. 10 - RECLASSIFIED INCOME STATEMENT

Captions <i>Amounts in thousands of Euros</i>		31.12.2011	31.12.2010	Change	
				Value	%
10+20	Net interest income	205,556	184,314	21,242	11.5%
70	Dividend and similar income	48	370	-322	-87.0%
	Profits (losses) on equity investments in associates	2,763	3,380	-617	-18.3%
40+50	Net fees and commissions	120,142	127,606	-7,464	-5.8%
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	7,049	9,611	-2,562	-26.7%
150+160	Net income from insurance activities	12,539	10,373	2,166	20.9%
220	Other operating income and expenses	8,500	5,338	3,162	59.2%
	<b>Operating income</b>	<b>356,597</b>	<b>340,992</b>	<b>15,605</b>	<b>4.6%</b>
180 a	Personnel expenses	-157,073	-154,975	-2,098	1.4%
180 b	Other administrative expenses	-67,944	-67,545	-399	0.6%
200+210	Net adjustments to tangible/intangible assets	-11,640	-10,728	-912	8.5%
	<b>Operating costs</b>	<b>-236,657</b>	<b>-233,248</b>	<b>-3,409</b>	<b>1.5%</b>
	<b>Operating margin</b>	<b>119,940</b>	<b>107,744</b>	<b>12,196</b>	<b>11.3%</b>
	Net profits/(losses) on disposal/repurchase of receivables	-556	60	-616	-1026.7%
130 a	Net impairment losses on loans	-38,959	-40,306	1,347	-3.3%
130 d	Net impairment losses on other financial transactions	-87	-102	15	-14.7%
190	Net provisions for risks and charges	-3,056	570	-3,626	-636.1%
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>77,282</b>	<b>67,966</b>	<b>9,316</b>	<b>13.7%</b>
290	Taxes for the period on income from continuing operations	-36,093	-29,745	-6,348	21.3%
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>41,189</b>	<b>38,221</b>	<b>2,968</b>	<b>7.8%</b>
240+270+	Profits (losses) on equity investments and on disposal of investments				
260	value adjustments to goodwill	-2,998	529	-3,527	-666.7%
	Provisions for risks and charges on extraordinary transactions	7,700	14,717	-7,017	-47.7%
	<b>Non-recurring profit/(loss) before taxes</b>	<b>4,702</b>	<b>15,246</b>	<b>-10,544</b>	<b>-69.2%</b>
	Taxes for the period on income from non-recurring items	0	-7	7	-100.0%
	<b>Non-recurring profit/(loss) after taxes</b>	<b>4,702</b>	<b>15,239</b>	<b>-10,537</b>	<b>-69.1%</b>
320	<b>Net profit/(loss) for the period</b>	<b>45,891</b>	<b>53,460</b>	<b>-7,569</b>	<b>-14.2%</b>
330	(Profit)/loss for the period attributable to minority interests	-949	-849	-100	11.8%
340	<b>Parent Bank net profit (loss)</b>	<b>44,942</b>	<b>52,611</b>	<b>-7,669</b>	<b>-14.6%</b>

In order to make it easier to compare the reclassified Income Statement with the items as shown in the Financial Statements layout, a reconciliation statement is given for each year, showing the figures corresponding to the total in the layouts and the reclassification balances.

**Table no. 11 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2011**

Captions	Financial Statements 31.12.2011	Reclassifications							Reclassified Statements 31.12.2011	
		Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	Taxes on income		
<i>Amounts in thousands of Euros</i>										
10+20	Net interest income	206,867	-1,311							205,556
70	Dividend and similar income	48								48
	Profits (losses) on equity investments in associates			2,763						2,763
40+50	Net fees and commissions	120,142								120,142
80+90+100+	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	6,460	33				556			7,049
150+160	Net income from insurance activities	11,296	1,243							12,539
220	Other operating income and expenses	17,956	35	-12,679		3,188				8,500
	<b>Operating income</b>	<b>362,769</b>	<b>0</b>	<b>-12,679</b>	<b>2,763</b>	<b>3,188</b>	<b>556</b>	<b>0</b>	<b>0</b>	<b>356,597</b>
180 a	Personnel expenses	-157,073								-157,073
180 b	Other administrative expenses	-80,623		12,679						-67,944
200+210	Net adjustments to tangible/intangible assets	-8,452				-3,188				-11,640
	<b>Operating costs</b>	<b>-246,148</b>	<b>0</b>	<b>12,679</b>	<b>0</b>	<b>-3,188</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-236,657</b>
	<b>Operating margin</b>	<b>116,621</b>	<b>0</b>	<b>0</b>	<b>2,763</b>	<b>0</b>	<b>556</b>	<b>0</b>	<b>0</b>	<b>119,940</b>
	Net profits/(losses) on disposal/repurchase of receivables						-556			-556
130 a	Net impairment losses on loans	-38,370						-589		-38,959
130 d	Net impairment losses on other financial transactions	-87								-87
190	Net provisions for risks and charges	4,055						-7,111		-3,056
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>82,219</b>	<b>0</b>	<b>0</b>	<b>2,763</b>	<b>0</b>	<b>0</b>	<b>-7,700</b>	<b>0</b>	<b>77,282</b>
290	Taxes for the period on income from continuing operations	-36,093								-36,093
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>46,126</b>	<b>0</b>	<b>0</b>	<b>2,763</b>	<b>0</b>	<b>0</b>	<b>-7,700</b>	<b>0</b>	<b>41,189</b>
240+270+	Profits (losses) on equity investments and on disposal of investments									
260	/value adjustments to goodwill	-235		-2,763						-2,998
	Provisions for risks and charges on extraordinary transactions						7,700			7,700
	<b>Non-recurring profit(loss) before taxes</b>	<b>-235</b>	<b>0</b>	<b>0</b>	<b>-2,763</b>	<b>0</b>	<b>0</b>	<b>7,700</b>	<b>0</b>	<b>4,702</b>
	Taxes for the period on income from non-recurring items								0	0
	<b>Non-recurring profit(loss) after taxes</b>	<b>-235</b>	<b>0</b>	<b>0</b>	<b>-2,763</b>	<b>0</b>	<b>0</b>	<b>7,700</b>	<b>0</b>	<b>4,702</b>
320	<b>Net profit(loss) for the period</b>	<b>45,891</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,891</b>
330	(Profit)/loss for the period attributable to minority interests	-949								-949
340	<b>Parent Bank net profit (loss)</b>	<b>44,942</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,942</b>

**Table no. 12 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2010**

Captions	Financial Statements 31.12.2010	Reclassifications							Reclassified Statements 31.12.2010	
		Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	Taxes on income		
<i>Amounts in thousands of Euros</i>										
10+20	Net interest income	185,161	-847							184,314
70	Dividend and similar income	370								370
	Profits (losses) on equity investments in associates			3,380						3,380
40+50	Net fees and commissions	127,606								127,606
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	9,777	-106				-60			9,611
150+160	Net income from insurance activities	9,406	967							10,373
220	Other operating income and expenses	14,430	-14	-11,598	2,520					5,338
	<b>Operating income</b>	<b>346,750</b>	<b>0</b>	<b>-11,598</b>	<b>3,380</b>	<b>2,520</b>	<b>-60</b>	<b>0</b>	<b>0</b>	<b>340,992</b>
180 a	Personnel expenses	-154,975								-154,975
180 b	Other administrative expenses	-79,143		11,598						-67,545
200+210	Net adjustments to tangible/intangible assets	-8,208				-2,520				-10,728
	<b>Operating costs</b>	<b>-242,326</b>	<b>0</b>	<b>11,598</b>	<b>0</b>	<b>-2,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-233,248</b>
	<b>Operating margin</b>	<b>104,424</b>	<b>0</b>	<b>0</b>	<b>3,380</b>	<b>0</b>	<b>-60</b>	<b>0</b>	<b>0</b>	<b>107,744</b>
	Net profits/(losses) on disposal/repurchase of receivables						60			60
130 a	Net impairment losses on loans	-40,658						352		-40,306
130 d	Net impairment losses on other financial transactions	-102								-102
190	Net provisions for risks and charges	15,639						-15,069		570
	<b>Profits/(losses) before taxes from continuing operations</b>	<b>79,303</b>	<b>0</b>	<b>0</b>	<b>3,380</b>	<b>0</b>	<b>0</b>	<b>-14,717</b>	<b>0</b>	<b>67,966</b>
290	Taxes for the period on income from continuing operations	-29,752							7	-29,745
	<b>Profits/(losses) after taxes from continuing operations</b>	<b>49,551</b>	<b>0</b>	<b>0</b>	<b>3,380</b>	<b>0</b>	<b>0</b>	<b>-14,717</b>	<b>7</b>	<b>38,221</b>
240+270+260	Profits (losses) on equity investments and on disposal of investments / value adjustments to goodwill	3,909			-3,380					529
	Provisions for risks and charges on extraordinary transactions							14,717		14,717
	<b>Non-recurring profit(loss) before taxes</b>	<b>3,909</b>	<b>0</b>	<b>0</b>	<b>-3,380</b>	<b>0</b>	<b>0</b>	<b>14,717</b>	<b>0</b>	<b>15,246</b>
	Taxes for the period on income from non-recurring items								-7	-7
	<b>Non-recurring profit(loss) after taxes</b>	<b>3,909</b>	<b>0</b>	<b>0</b>	<b>-3,380</b>	<b>0</b>	<b>0</b>	<b>14,717</b>	<b>-7</b>	<b>15,239</b>
320	<b>Net profit(loss) for the period</b>	<b>53,460</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,460</b>
330	(Profit)/loss for the period attributable to minority interests	-849								-849
340	<b>Parent Bank net profit (loss)</b>	<b>52,611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52,611</b>

The breakdown and performance of the main reclassified Income Statement items are summarised as follows, on the basis of the above tables.

### Operating income

At the end of the year the balance of the aggregate made up of ordinary items of operations increased to Euro 356.6 million, with an increase of Euro 15.6 million compared to the previous year, corresponding to 4.6%. The positive performance is attributable to the *net interest income*, equal to Euro 205.6 million, which accounts for 57.6% of the aggregate, showing an increase of Euro 21.2 million (+11.5%), the *net income from insurance activities*, up by Euro 2.2 million compared to the previous year (+20.9%) and the contribution from the item *other operating income and expenses*, up by Euro 2.9 million compared to the comparative balance (+63.9%); vice versa, as a partial adjustment to these increase in the overall balance, lower contributions were given by *net fees and commissions* for Euro 7.5 million (-5.8%), *net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities* for Euro 2.6 million (both items were particularly affected by the economic and financial trend) and *dividends and similar income*, as well as *profits on equity investments in associates* for about Euro 1 million, mainly attributable to the lower share of profit relating to the associated company Chiara Vita S.p.A.

With the help of the table below, which reports the breakdown of *net fees and commissions* by type, it is pointed out that the decrease is mainly attributable to the fees for Securities placement and for Port. Mgmt. and Receipt/Transmission of orders, as well as to "Other services", whose trend is directly correlated to the cancellation of the custodian bank fees, an activity that was terminated in the course of the previous financial year.

Table no. 13 - **BREAKDOWN OF NET COMMISSIONS BY TYPE OF SERVICE**

Amounts in thousands of Euros	31.12.2011		31.12.2010		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Collection and payment services	18,362	15.3%	18,011	14.1%	351	1.9%
Securities placement	4,745	3.9%	7,086	5.6%	-2,341	-33.0%
Port. Mgmt. and Receipt/Transmission of orders	12,452	10.4%	14,657	11.5%	-2,205	-15.0%
Distribution of insurance products	6,448	5.4%	6,068	4.8%	380	6.3%
Holding and managing current accounts	62,156	51.7%	63,227	49.5%	-1,071	-1.7%
Other services	15,979	13.3%	18,557	14.5%	-2,578	-13.9%
<b>Net commissions</b>	<b>120,142</b>	<b>100.0%</b>	<b>127,606</b>	<b>100.0%</b>	<b>-7,464</b>	<b>-5.8%</b>

#### Operating costs

Total operating costs, which include *personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets*, showed an overall balance of about Euro 236.7 million, an increase of Euro 3.4 million compared to 2010, equal to 1.5%.

#### Operating margin

The operating margin at the end of the year, is consequently Euro 119.9 million compared to Euro 107.7 million in the period under comparison.

#### Profits/(losses) after taxes from continuing operations

*Net impairment losses on loans*, equal to Euro 39 million (Euro 40.3 million 2010), the *net profits/(losses) on disposal/repurchase of receivables* of Euro 0.6 million, the *net provisions for risks and charges* of about Euro 3.1 million, as well as *taxes for the period on income from continuing operations* of Euro 36.1 million lead to profits/(losses) after taxes from continuing operations of Euro 41.2 million, up by about Euro 3 million compared to that of the previous year, corresponding to 7.8%.

#### Profits/(losses) after taxes from non-recurring operations

Profits/(losses) after taxes from non-recurring operations amounted to Euro 4.7 million and is made up of Euro 7.7 million for the partial release of the provision which was set aside, at the end of 2008, against the risks of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. by the Parent Company, as envisaged as per contract at the end of the business plan of the Company (2012), and of Euro 3 million for the value adjustment made by the subsidiary Brianfid-Lux S.A. to the equity investment held in Credito Privato Commerciale S.A., following what is specified above in paragraph 3.3 "Other transactions / major corporate events relating to subsidiaries or associates". The balance of the previous financial year mainly referred to the abovementioned partial release of the provision set aside at the end of 2008, but for an amount of Euro 14.7 million.

*Parent Bank net profit (loss)*

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations and minority interests, the Parent Bank net profit (loss) for the 2011 financial year was Euro 44.9 million, down by about Euro 7.7 million compared to that of the previous year (-14.6%), which also benefitted from an additional Euro 10.5 million referable to the non-recurring result, net of taxes.

**7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

No significant events are reported which occurred after the reporting date.

**8 - OTHER INFORMATION****8.1 - TREASURY SHARES**

As at 31 December 2011, as in the previous year, the Parent Company Banco di Desio e della Brianza S.p.A did not hold any treasury shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

**8.2 - IL RATING**

On 20 November 2011, the international agency Fitch Ratings, as a result of the downgrading of the growth prospects of the Italian economy and the complex economic and financial conditions in which the banks will operate, changed the ratings assigned to the Parent Company as follows:

- long-term rating from "A" (with 'stable' outlook) to "A-" (with 'negative' outlook);
- short-term rating from "F1" to "F2";
- viability rating from "a" to "a-",
- senior debt notes rating from "A" to "A-".

However, all the other ratings assigned previously were confirmed.

Fitch Ratings considers the Parent Company to be in a better position than medium-sized banks to manage the impact of the economic decline, thanks to its prudent management of the credit risk and the solidity of its assets. Furthermore, the bank is less exposed to market sentiments as it relies on direct deposits from clients for its funding and not on the wholesale market. The bank's rating also reflects its solid capitalisation. The negative outlook is solely linked to the possibility of a further intensification of the financial crisis in the Eurozone and the potential impact that it could have on the profitability margins of the banking system.

### 8.3 - CODE FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

The obligation to adopt the Security Policy Statement (*Documento Programmatico della Sicurezza*) was abolished by Decree Law no. 5 of 9.02.2012 “Urgent measures for simplification and development”; however, the obligations laid down with regard to minimum security measures remain fully applicable and the data controller must therefore continue to fulfil all the relevant requirements on the subject.

In spite of the fact that the abovementioned decree allows specific relevant requirements to be postponed, and pending further instructions from the Authority, we highlight that the annual update of the Security Policy Statement was carried out nonetheless, in accordance with the provisions, in place at the time, of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Code for the Protection of Personal Data.

This Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

### 8.4 - Legislative Decree 231/2001

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Parent Company’s Board of Directors resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.

In accordance with the Bankitalia Order concerning organisations and internal controls relating to money laundering, on 1 September 2011 the Compliance Office established the Group’s Anti-Money Laundering Function and the Compliance office was duly empowered for the delivery of the SOS (*Segnalazioni di Operazioni Sospette*, Reports on Suspect Transactions) on the part of the Parent Company and of the subsidiaries Banco Desio Lazio S.p.A. and FIDES S.p.A.

For a summary description of the Model 231 adopted, reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group’s website at the same time as this Report.

### 8.5 - TRANSACTIONS WITH RELATED PARTIES

For a more detailed description of the procedures governing the transactions with Related Parties, we would refer to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the website of the Group at the same time as this Report.

The breakdown of transactions with Related Parties approved by the Board of Directors in 2011 is reported in Part H of the Notes to the Financial Statements.

### 8.6 - INFORMATION ON STOCK OPTION PLANS

The Plans in existence at the end of the financial period include that started during 2006, regarding shares of the subsidiary Chiara Assicurazioni S.p.A. (shares to be issued in the future against capital increases resolved as per

Article 2443 of the Civil Code) and the Plan started during 2008, regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession). Part I of the Notes to these Group's consolidated financial statements should be referred to for information regarding these Plans.

## **8.7- THE ANNUAL REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES**

The information on the adoption of the Code of Conduct for listed companies is reported in the Annual Report on Corporate Governance required by article 123-bis of the Consolidated Law on Finance, made available on the Group's website at the same time as this Report, to which reference is made.

## **8.8 – RESEARCH AND DEVELOPMENT ACTIVITIES**

Within its function as parent company, as described in paragraph 5.1 "Levels of control in the function of direction and co-ordination" above, Banco di Desio e della Brianza S.p.A. places itself in a development context aimed at supporting and coordinating the companies belonging to the Group, as well as at the research into/ investment in operating solutions specifically aimed at the continuous improvement of the Group's relations with its own customers.

Of the activities carried out during 2011, we highlight that the internal activities were completed in connection to the provisions of the Regulations regarding the treatment of loans to consumers. In this context, all the safeguards provided for by the Regulations on Transparency with regard to transactions entered into with private consumers were effectively regulated and put in place. In terms of Credit Risk Mitigation, monitoring activities are periodically planned in order to continue to meet both the general and specific eligibility criteria laid down by the Supervisory Measures.

## **9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES**

The rationalisation of the banking network in relation to the vocation of retail Group, the contribution from the commercial development of integrated services for customers and the growth in size of distribution capabilities, together with a particular attention to the provision of credit and a constant control of operating costs, are the main elements for the substantial achievement of the financial and economic objectives for the year in progress, which are set in advance by the two-year Strategic Plan. The hope, however obvious, is for a gradual improvement in the macroeconomic context and, as a consequence, the possibility to operate in less critical market conditions than the current ones and those of the recent past.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 2011 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. The equity and financial structure, as well as the operating performance of the Group, constitute absolute confirmations to this end.

The chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the

company's operations of the various types of risk are shown in details in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies”.

Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the elated paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.



# **CONSOLIDATED FINANCIAL STATEMENTS**

**(amounts in Euro/ 1.000)**

## CONSOLIDATED BALANCE SHEET

### ASSETS

ASSETS	31/12/2011	31/12/2010	change	
			absolute	%
10. Cash and cash equivalents	31,983	28,615	3,368	11.8%
20. Financial assets held for trading	17,585	40,759	(23,174)	-56.9%
40. Available-for-sale financial assets	924,383	833,814	90,569	10.9%
50. Held-to-maturity investments	124,626	124,480	146	0.1%
60. Amounts due from banks	288,525	302,852	(14,327)	-4.7%
70. Amounts due from customers	6,580,450	6,476,720	103,730	1.6%
80. Hedging derivatives	5,631		5,631	100.0%
100. Equity investments	13,838	16,720	(2,882)	-17.2%
110. Technical reserves arising from reinsurance	6,931	6,363		
120. Tangible assets	154,481	150,821	3,660	2.4%
130. Intangible assets	46,496	47,592	(1,096)	-2.3%
- goodwill	41,345	44,345	(3,000)	-6.8%
140. Tax assets	56,134	42,822	13,312	31.1%
a) current	3,897	7,289	(3,392)	-46.5%
b) deferred	52,237	35,533	16,704	47.0%
160. Other assets	108,732	91,452	17,280	18.9%
<b>Total assets</b>	<b>8,359,795</b>	<b>8,163,010</b>	<b>196,785</b>	<b>2.4%</b>

### LIABILITIES

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2011	31/12/2010	change	
			absolute	%
10. Amounts due to banks	267,998	171,918	96,080	55.9%
20. Amounts due to customers	4,347,706	4,459,599	(111,893)	-2.5%
30. Securities issued	2,607,446	2,114,408	493,038	23.3%
40. Financial liabilities held for trading	4,342	6,657	(2,315)	-34.8%
50. Financial liabilities at fair value through profit or loss	89,138	334,326	(245,188)	-73.3%
60. Hedging derivatives	2,684	2,653	31	1.2%
80. Tax liabilities	17,358	12,664	4,694	37.1%
a) current	6,854	2,763	4,091	148.1%
b) deferred	10,504	9,901	603	6.1%
100. Other liabilities	143,516	174,893	(31,377)	-17.9%
110. Reserve for employee termination indemnities	23,720	24,378	(658)	-2.7%
120. Reserves for risks and charges:	41,982	43,517	(1,535)	-3.5%
a) pensions and similar commitments	185	186	(1)	-0.5%
b) other reserves	41,797	43,331	(1,534)	-3.5%
130. Technical reserves	38,539	29,980		
140. Valuation reserves	(14,576)	17,536	(32,112)	-183.1%
170. Reserves	656,710	629,025	27,685	4.4%
180. Share premium reserve	16,145	16,145		0.0%
190. Share capital	67,705	67,705		0.0%
210. Minority interests (+/-)	4,440	4,995	(555)	-11.1%
220. Net profit / (loss) for the period	44,942	52,611	(7,669)	-14.6%
<b>Total Liabilities and shareholders' equity</b>	<b>8,359,795</b>	<b>8,163,010</b>	<b>196,785</b>	<b>2.4%</b>

## CONSOLIDATED INCOME STATEMENT

Caption	31/12/2011	31/12/2010	Change	
			absolute	%
10. Interest income and similar revenues	307,311	258,056	49,255	19.1%
20. Interest expense and similar charges	(100,444)	(72,895)	(27,549)	37.8%
<b>30. Net interest income</b>	<b>206,867</b>	<b>185,161</b>	<b>21,706</b>	<b>11.7%</b>
40. Fee and commission income	139,563	145,269	(5,706)	-3.9%
50. Fee and commission expense	(19,421)	(17,663)	(1,758)	10.0%
<b>60. Net fees and commissions</b>	<b>120,142</b>	<b>127,606</b>	<b>(7,464)</b>	<b>-5.8%</b>
70. Dividends and similar income	48	370	(322)	-87.0%
80. Net profits/(losses) on trading activities	425	1,817	(1,392)	-76.6%
90. Net profits/(losses) on hedging activities	(23)	1,597	(1,620)	-101.4%
100. Profit/(loss) on disposal or repurchase of:	3,312	8,114	(4,802)	-59.2%
a) loans and receivables	(556)	60	(616)	-1026.7%
b) available-for-sale financial assets	2,591	7,198	(4,607)	-64.0%
d) financial liabilities	1,277	856	421	49.2%
110. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	2,746	(1,751)	4,497	-256.8%
<b>120. Net interest and other banking income (intermediation margin)</b>	<b>333,517</b>	<b>322,914</b>	<b>10,603</b>	<b>3.3%</b>
130. Net impairment losses on/w ritebacks to:	(38,457)	(40,760)	2,303	-5.7%
a) loans and receivables	(38,370)	(40,658)	2,288	-5.6%
d) other financial assets	(87)	(102)	15	-14.7%
<b>140. Net income from banking activities</b>	<b>295,060</b>	<b>282,154</b>	<b>12,906</b>	<b>4.6%</b>
150. Net insurance premiums	29,106	24,674	4,432	18.0%
160. Balance of other income/charges arising on insurance management activities	(17,810)	(15,268)	(2,542)	16.6%
<b>170. Net income from banking and insurance activities</b>	<b>306,356</b>	<b>291,560</b>	<b>14,796</b>	<b>5.1%</b>
180. Administrative expenses:	(237,696)	(234,118)	(3,578)	1.5%
a) personnel expenses	(157,073)	(154,975)	(2,098)	1.4%
b) other administrative expenses	(80,623)	(79,143)	(1,480)	1.9%
190. Net provisions for risks and charges	4,055	15,639	(11,584)	-74.1%
200. Net adjustments to the value of tangible assets	(6,852)	(7,088)	236	-3.3%
210. Net adjustments to the value of intangible assets	(1,600)	(1,120)	(480)	42.9%
220. Other operating (expenses)/income	17,956	14,430	3,526	24.4%
<b>230. Operating expenses</b>	<b>(224,137)</b>	<b>(212,257)</b>	<b>(11,880)</b>	<b>5.6%</b>
240. Profits/(losses) on equity investments	2,763	3,909	(1,146)	-29.3%
260. Value adjustments to goodwill	(3,000)		(3,000)	-100.0%
270. Profits/(losses) on the disposal of investments	2		2	100.0%
<b>280. Profits/(losses) before taxes from continuing operations</b>	<b>81,984</b>	<b>83,212</b>	<b>(1,228)</b>	<b>-1.5%</b>
290. Taxes for the period on income from continuing operations	(36,093)	(29,752)	(6,341)	21.3%
<b>300. Net profits (loss) after tax from continuing operations</b>	<b>45,891</b>	<b>53,460</b>	<b>(7,569)</b>	<b>-14.2%</b>
<b>320. Net profit/(loss) for the period</b>	<b>45,891</b>	<b>53,460</b>	<b>(7,569)</b>	<b>-14.2%</b>
<b>330. Profit (loss) for the period attributable to minority interests</b>	<b>(949)</b>	<b>(849)</b>	<b>(100)</b>	<b>11.8%</b>
<b>340. Parent Bank net profit (loss)</b>	<b>44,942</b>	<b>52,611</b>	<b>(7,669)</b>	<b>-14.6%</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Captions</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>10. Profit (Loss) for the period</b>	<b>45,891</b>	<b>53,460</b>
<b>Other income components, net of taxes</b>		
20. Available-for-sale financial assets	(28,611)	(13,163)
30. Tangible assets		
40. Intangible assets		
50. Foreign investment hedge:		
60. Cash flow hedge:		
70. Exchange differences:	485	3,603
80. Non-current assets held for sale and discontinued operations		
90. Actuarial profits (losses) on defined benefit plans	10	236
100. Share of valuation reserve of equity investments carried at equity	(4,748)	(2,361)
<b>110. Total other income components, net of taxes</b>	<b>(32,864)</b>	<b>(11,685)</b>
<b>120. Comprehensive income (10+110)</b>	<b>13,027</b>	<b>41,775</b>
130. Consolidated comprehensive income attributable to minority interests	(197)	(615)
<b>140. Consolidated comprehensive income attributable to the parent company</b>	<b>12,830</b>	<b>41,160</b>

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2011**

	Equity as of 31.12.2010	Change in opening balances	Equity as of 1.01.2011	Allocation of result from previous period		Changes over the period								Group shareholders' equity at 31.12.2011	Minority interests as of 31.12.2011
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity						Comprehensive income FY 31.12.2011		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	64,278		64,278				(201)							60,840	3,237
b) other shares	6,865		6,865											6,865	
Share premium reserve	16,303		16,303					52						16,145	210
Reserves:															
a) retained earnings	620,461		620,461	39,070		(11,170)								647,418	943
b) others	9,261		9,261								31			9,292	
Valuation reserves	17,389		17,389									(32,864)	(14,576)	(899)	
Equity instruments															
Treasury shares															
Net Profit (loss) for the year	53,460		53,460	(39,070)	(14,390)							45,891	44,942	949	
<b>Group Shareholders' equity</b>	<b>783,022</b>		<b>783,022</b>		<b>(13,949)</b>	<b>(11,008)</b>					<b>31</b>	<b>12,830</b>	<b>770,926</b>		
<b>Shareholders' equity</b>	<b>4,995</b>		<b>4,995</b>		<b>(441)</b>	<b>(162)</b>	<b>(201)</b>	<b>52</b>				<b>197</b>		<b>4,440</b>	

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2010**

	Equity as of 31.12.2009	Change in opening balances	Equity as of 1.01.2010	Allocation of result from previous period		Changes over the period								Group Shareholders' equity at 31.12.2010	Minority interests as of 31.12.2010
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity						Comprehensive income FY 31.12.2010		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	63,702		63,702				576							60,840	3,438
b) other shares	6,865		6,865											6,865	
Share premium reserve	16,392		16,392				(89)							16,145	158
Reserves:															
a) retained earnings	582,485		582,485	39,733		(1,757)								619,764	697
b) others	9,119		9,119								142			9,261	
Valuation reserves	29,074		29,074									(11,685)	17,536	(147)	
Equity instruments															
Treasury shares															
Net Profit (loss) for the year	53,682		53,682	(39,733)	(13,949)							53,460	52,611	849	
<b>Group Shareholders' equity</b>	<b>757,372</b>		<b>757,372</b>		<b>(13,949)</b>	<b>(1,703)</b>					<b>142</b>	<b>41,160</b>	<b>783,022</b>		
<b>Shareholders' equity</b>	<b>3,947</b>		<b>3,947</b>			<b>(54)</b>	<b>487</b>	<b>-</b>				<b>615</b>		<b>4,995</b>	

**CONSOLIDATED CASH FLOW STATEMENT**

A. OPERATIONS	Import	
	31.12.2011	31.12.2010
<b>1. Management activities</b>	<b>97,875</b>	<b>95,447</b>
- interest income earned (+)	306,634	257,894
- interest expenses paid (-)	(99,754)	(72,485)
- dividends and similar revenues (+)	48	370
- net commissions (+/-)	120,770	127,003
- personnel costs (-)	(157,073)	(154,975)
- net premiums collected (+)	29,106	24,674
- other insurance income/charges (+/-)	(17,810)	(15,268)
- other costs (-)	(75,554)	(73,743)
- other revenues (+)	27,601	31,729
- taxes and duties (-)	(36,093)	(29,752)
- costs/revenues relating to non current assets held for sale and discontinued operations, net of tax effect (+/-)	-	-
<b>2. Liquid assets generated (absorbed) by decrease/increase in financial assets</b>	<b>(281,665)</b>	<b>240,041</b>
- financial assets held for trading	21,463	34,248
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(130,411)	45,963
- amounts due from customers	(152,019)	(360,426)
- amounts due from banks: at sight	(28,206)	37,699
- amounts due from banks: others	42,544	452,442
- other assets	(35,036)	30,115
<b>3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities</b>	<b>214,969</b>	<b>(184,964)</b>
- amounts due to banks: at sight	(2,104)	(344)
- amounts due to banks: others	98,184	135,604
- amounts due to customers	(111,893)	(408,677)
- securities issued	489,064	311,686
- financial liabilities held for trading	(5,562)	(5,927)
- financial liabilities at fair value through profit or loss	(245,188)	(222,826)
- other liabilities	(7,532)	5,520
<b>Net liquid assets generated (absorbed) by operations (A)</b>	<b>31,179</b>	<b>150,524</b>
<b>B. INVESTMENTS</b>		
<b>1. Liquid assets generated by</b>	<b>111</b>	<b>43</b>
- sale of investments	-	-
- dividends received from investments	-	-
- sale/redemption of financial assets held to maturity	-	-
- sale of tangible assets	111	43
- sale of intangible assets	-	-
- sale of business divisions	-	-
<b>2. Liquid assets absorbed by</b>	<b>(13,973)</b>	<b>(134,469)</b>
- purchase of investments	(2,700)	-
- purchase of financial assets held to maturity	(146)	(121,392)
- purchase of tangible assets	(10,623)	(9,742)
- purchase of intangible assets	(504)	(3,335)
- purchase of business divisions	-	-
<b>Net liquid assets generated (absorbed) by investments (B)</b>	<b>(13,862)</b>	<b>(134,426)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,949)	(13,798)
<b>Net liquid assets generated (absorbed) by funding activities (C)</b>	<b>(13,949)</b>	<b>(13,798)</b>
<b>NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>	<b>3,368</b>	<b>2,300</b>

**RECONCILIATION**

<b>Financial statements items</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents at beginning of year	28,615	26,315
Total liquid assets generated (absorbed) during the year	3,368	2,300
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	31,983	28,615

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**



## **Part A - ACCOUNTING POLICIES**

### **A. 1 – GENERAL**

#### **Section 1 – Declaration of conformity with international accounting standards**

These consolidated financial statements of the Banco Desio Group were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and are made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the report on operations.

In application of Legislative Decree no. 38 of 28 February 2005, which incorporated EC Regulation no. 1606/2002 of 19 July 2002, the consolidated financial statements of the Banco Desio Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such financial statements.

Set out below are the accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2011.

#### **Section 2 – General accounting policies**

The consolidated financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.

When noting the main management events emphasis has been given to the principle of economic substance over form.

The consolidated financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale and valued at fair value and of all existing derivative contracts which have been valued in accordance with the fair value principle.

The accounting value of liabilities recorded in the financial statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.

As provided for under IAS39, with regard to the valuation of financial instruments the Group adopted the fair value option, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.

The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

Amounts are expressed in thousands of Euro.

**Section 3 – Scope and methods of consolidation**

**1. Investments in wholly-owned subsidiary companies and companies subject to joint control (consolidated proportionately)**

Company name	Registered office	Type of ownership	Ownership relationship		% Ownership share with voting rights
			Investing company	% share	
<i>A. Companies</i>					
<i>A.1 Wholly-owned subsidiary companies</i>					
Banco Desio Lazio S.p.A.	Rome		1 Banco Desio	100.000	100.000
Brianfid-Lux S.A.	Luxembourg		1 Banco Desio	100.000	100.000
Chiara Assicurazioni S.p.A.	Desio		1 Banco Desio	66.662	66.662
Credito Privato Commerciale S.A.	Lugano		1 Brianfid-Lux	100.000	100.000
Rovere S.A.	Luxembourg		1 Brianfid-Lux	70.000	70.000
			1 Banco Desio Lazio	10.000	10.000
Fides S.p.A.	Rome		1 Banco Desio Lazio	100.000	100.000

**Legend:**

(1) Type of relationship: 1 = majority of voting rights at the ordinary shareholders meeting

During the period the stake in Chiara Assicurazioni S.p.A. increased from 61.86% last year to 66.662%.

As regards Rovere S.A., note a different breakdown of the shareholdings, while the overall shareholding remained unchanged at Group level.

It should be remembered that with legal effect from 1.10.2011 the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. were merged into Banco Desio Brianza S.p.A.

Equity investments in companies subject to significant influence - Chiara Vita S.p.A. (shareholding 30%) and Istifid (shareholding 28.961%) are consolidated on an equity basis. Compared to the previous period, no change was reported in the shareholdings.

**2. Other information**

The consolidation criteria are regulated as follows:

- subsidiaries on an exclusive basis: the assets, liabilities, shareholders' equity, "off-balance-sheet transactions", costs and income are integrated into the relevant items of the consolidated financial statements, using the line-by-line method as required under IAS 27. Any positive difference arising from the comparison between the book value of each equity investment and the relevant residual portion of the shareholders' equity of the subsidiary company after allocation to the specific items is recognised as goodwill and is subject to the impairment test procedure;
- associates: equity investments in associated companies are consolidated using the equity method as required by IAS 28.

**Section 4 – Events subsequent to the reporting date**

Reference is made to the consolidated financial Report.

**Section 5 – Other aspects**

*Use of estimates and assumptions when drawing up the consolidated financial statements.*

The drafting of the consolidated financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the

notes to the financial statements.

The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently recognised may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective estimations and valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of disclosures;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of staff reserves and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the financial statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the consolidated financial statements.

#### **Option for national tax consolidation regime**

Banco di Desio e della Brianza and the Italian companies of the Group have adopted the so-called “national tax consolidation” regime regulated by articles 117-129 of the TUIR [*Testo Unico delle imposte sui redditi*, Consolidated Act on Income Tax], introduced into the tax legislation by Legislative Decree no. 344/2003. This regulation provides for an optional regime, by virtue of which the total income or loss of each subsidiary company participating in the tax consolidation regime – together with withholding tax incurred, tax allowances and tax credits – are transferred to the controlling company, for which a single taxable income, or a single loss that can be carried forward, is then determined and, consequently, a single tax debit/credit.

#### **Auditing**

These financial statements have been audited by the company PricewaterhouseCoopers SpA in implementation of the resolution taken at the meeting of 30 April 2003, which was extended on 28 April 2006 and again on 27 April 2007 for the 2009-2011 financial years.

## **A.2 MAIN FINANCIAL STATEMENT ITEMS**

The measurement criteria described below, used in the preparation of the consolidated financial statements as at 31 December 2011, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) and in force at the reporting date and have been applied on a going concern basis.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place in a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

#### **Financial assets held for trading**

##### *Classification criteria*

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments with a positive value and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent transfers to other categories are not generally permitted for this category of financial assets, except as permitted by IAS 39 in specific and exceptional circumstances.

*Recognition criteria*

Initial recognition is at fair value at the settlement date, which corresponds to the consideration paid without considering transaction costs, which are charged directly to the income statement.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).

Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).

Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).

Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

*Derecognition criteria*

Assets held for trading are derecognised when they are sold or upon expiry of the assets.

**Available-for-sale financial assets**

*Classification criteria*

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.

“Available-for sale financial assets” may be transferred to the category “Held-to-maturity investments” only in the following circumstances:

- a change in intention or ability to hold,
- in the rare circumstances that a reliable measure of fair value is not available.

The transfer to the category “Loans and Receivables” is permitted only in particular circumstances.

*Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date.

*Measurement criteria*

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.

Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, “significant” (exceeding 50%) or “extended” (beyond 24 months) decreases in value are considered as objective evidence of impairment of equity securities.

The amount of the loss of value is represented by the difference between the asset's accounting value and its

recoverable value.

*Criteria for the recognition of income statement components*

Gains or losses are recorded at equity in the valuation reserve, net of tax effects, until derecognition of the asset, while the component deriving from amortised cost is instead charged to the income statement.

At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount accrued to the valuation reserve is recognised in the income statement.

When impairment losses which have been recognised in the income statement, are balanced as a result of subsequent revaluations, the value write-back, up to the amount of these losses, is recognised in the income statement for debt securities and in an equity reserve for equity securities.

*Derecognition criteria*

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

### **Held-to-maturity investments**

*Classification criteria*

“Held-to-maturity investments” comprise non-derivative (including implicit) financial assets listed on an active market (Level 1), with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank’s control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

*Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.

At every balance sheet date, an assessment is made of any evident impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognized in profit and loss.

Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

*Derecognition criteria*

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

## Loans and receivables

### *Classification criteria*

“Loans and receivables” comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market which have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Transfers from the categories of “Financial assets available for sale” and “Financial assets held for trading” are permitted only in particular circumstances specified by IAS 39.

### *Recognition criteria*

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable to the acquisition, normally equal to the value paid out.

### *Measurement Criteria*

After initial recognition, subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, as determined using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction following impairment or uncollectibility.

Loans and receivables are periodically subject to analysis, and are classified as “performing” and “nonperforming” based on the state of impairment of the loan or receivable.

Non-performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem, restructured exposures and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

The loans and receivables portfolio is subject to reassessment at least at the close of every set of annual or interim financial statements, for the purpose of identifying and determining any objective impairment. This is carried out considering both the specific solvency situation of debtors and the local or national economic conditions relative to the debtor’s sector of activity.

“Performing” loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not yet known at the time of measurement, in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance a convergence with the valuation criteria provided by the Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the “non-performing” category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

Receivables for default interest accrued on impaired assets are reported in the accounts only at the time of their

actual collection.

The value of loans to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards “performing loans” beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non-performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value.

The fair value is determined through the contractual development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model (level 3).

#### *Derecognition criteria*

Loans and receivables that are assigned are only derecognised from the assets of the financial statements if the assignment has entailed the material transfer of all of the risks and awards connected to the actual loans and receivables. However, if a substantial part of the risks and awards relating to the assigned loans and receivables has been retained, they continue to be recorded in the assets of the financial statements, even though legally the ownership of the loan or receivable has actually been transferred.

In the event that it is not possible to ascertain whether the material transfer of the risks and awards has taken place, the loans and receivables are derecognised from the financial statements if no type of control over them has been retained. On the other hand, if such control is retained, even partially, the loans and receivables are retained in the financial statements, to the extent of the residual involvement, which is measured by the exposure to changes in value of the assigned loans and receivables and to variations in cash flows of the same.

Finally, the assigned loans and receivables are derecognised from the financial statements in the event that the contractual rights to receive the related cash flows are retained, with the concurrent assumption of an obligation to pay these cash flows, and only these, to other parties.

#### *Criteria for the recognition of income statement components*

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Accrued default interest is charged to the income statement only at the time of their actual collection.

Interest accruing over time as a result of the discounting-back of impaired loans is recognised in the income statement under write-backs.

The adjustments arising from the analytical and collective assessments are recognized in profit and loss.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recognized in profit and loss.

## **Hedging transactions**

#### *Classification criteria*

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments on the income statement.

The type of hedge used is the Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

*Recognition criteria*

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- preparation of complete formal documentation of the hedging relationship.

*Criteria for the measurement and recognition of income statement components*

The fair value of hedging financial instruments, which are not listed on active markets, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).

The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately against profit and loss.

This offsetting is recognised by reporting, under item 90 "Net profits (losses) on hedging activities" in the income statement, the changes in value pertaining both to the item hedged (as regards the variations produced by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore its net economic effect.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each set of annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

If the tests do not confirm the effectiveness of the hedge and taking account of internal policy, from that moment accounting for hedging transactions, as set out above, is suspended, the derivative hedging contract is reclassified as an instrument held for trading and the hedged financial instrument reacquires the valuation criterion that corresponds to its classification in the financial statements.

*Derecognition criteria*

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expires, is terminated or is sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

**Equity investments***Classification criteria*

This item comprises investments in associates, as defined by IAS 28. Other investments are accounted for in accordance with IAS 39, and are classified as available-for-sale financial assets and measured in accordance with the measurement criteria for that class of financial asset.

*Recognition criteria*



Investments are initially entered at cost including any directly attributable additional charges.

#### *Measurement criteria*

The equity method is applied in measuring after first recognition: according to this method, the initial carrying amount is adjusted to recognise the Parent Company's portion in the associate's balance sheet. If there are indications of impairment after the value of the investment has been adjusted in accordance with the equity method, its recoverable value is estimated in the light of the present value of the future cash flows that it may generate, including the cost of its final disposal.

If recoverable value is lower than carrying amount, the difference is recognised in profit and loss.

#### *Criteria for the recognition of income statement components*

Item 240, profit/loss on equity investments, includes the associates' portion of the result for the year.

#### *Derecognition criteria*

Investments are derecognised when the contractual rights to the cash flows from the assets expire or when they are transferred together with the substantial transfer of all the related risks and rewards.

### **Tangible assets**

#### *Classification criteria*

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

#### *Recognition criteria*

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer.

Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables.

#### *Measurement criteria*

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is

not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are depreciated in relation to the residual useful life of the related assets.

Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

*Criteria for the recognition of income statement components*

Depreciation and impairment (if any) are recognised in the income statement under net value adjustments to tangible assets.

*Derecognition criteria*

Tangible assets are derecognised on disposal.

**Intangible assets**

*Classification criteria*

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software.

Restructuring costs related to leasehold properties are entered under other assets.

*Recognition criteria*

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

*Measurement criteria*

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

a) Definition of the CGU "cash generating unit"

It is identified as the group of branches which are or have been purchased or contributed on the part of the purchasing bank or the contributing bank.

b) Allocation of goodwill

The price settled by the purchasing bank by cash or equity gives rise to an asset defined as "goodwill" or a "negative reserve" which is entered under the assets (under "intangible asset" with an unlimited life) or liabilities (under "equity reserves") of the financial statements of the purchasing or contributing bank at the time of the purchase or contribution.

c) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the CGUs, reference is made to the so-called "value in use" obtained by estimating the following factors;

- future incoming and outgoing cash flows which will derive from the continuing use of the CGU and from its “theoretical” future disposal;
- an appropriate discount rate (WACC – Weighted Average Cost Of Capital) for future incoming and outgoing flows cash flows;
- the time horizon considered is only that attributable to the last business plan or budget approved by the Directors.

Cash flows: the flows represented by EBITDA (earnings before interest, tax, depreciation and amortisation) are assumed as future Cash Flows of the CGU.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness.

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be equal to zero.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of “perpetual annuity” at the WACC rate.

Completion of the impairment test

The value in use of the CGU, as determined on the basis of the above procedure on the date when observations are made, is then compared to the value of the specific item entered in the accounts of the bank, with the sole objective of verifying impairment losses (if any).

d) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (groups of branches), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Directors.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

e) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific item entered in the accounts of the Bank, should report a significant negative deviation (exceeding 10% of the value of the item).

For CGUs, this method is identified as that of the so-called “market multiples” which, in the present case, is referred to the price per branch relating to the most recent market transactions concerning the purchase and sale of bank branches.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

*Criteria for the recognition of income statement components*

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.

Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

*Derecognition criteria*

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

## Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Tax assets and liabilities include the fiscal positions of every single company within the Group. Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 140 "Deferred tax assets".

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 "Deferred tax liabilities".

Current taxes that have not yet been paid are separately recognised under item "Current tax liabilities" in the Balance Sheet. In the event of excess payments on account for current taxes, the receivable to be recovered is recognized under item "Current tax assets" in the Balance Sheet.

Tax assets and liabilities are recognised in equity if connected to transactions recognised directly in equity.

## Reserves for risks and charges

### Reserve for employee termination indemnities

#### *Measurement criteria*

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of Employee Termination Indemnity (TFR)) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of resignations and advance requests.

#### *Criteria for the recognition of income statement components*

The provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial gain (loss) element, and against the profit and loss account under provisions as regards other elements such as interest accrued in time (time-discounting) and the adjustment to the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

## Other provisions

#### *Classification criteria*

Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

*Measurement criteria*

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

*Criteria for the recognition of income statement components*

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

**Liabilities and securities issued***Classification criteria*

This item includes the various types of deposits received by the Bank: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Group itself.

*Recognition criteria*

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, equal to the amount collected, or at the issue price, adjusted by any initial costs or income directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in profit and loss. The fair value of hedged financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).

In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.

Securities issued by the Group are shown net of any repurchases.

*Derecognition criteria*

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale.

For securities issued, the part subject to repurchase is, in essence, settled. The reinvestment of the Group's securities previously repurchased is considered as a new issue at the selling value.

**Financial liabilities held for trading***Classification criteria*

This item comprises derivative instruments that are held for trading with negative fair values.

*Recognition criteria*

Liabilities held for trading are recognised at fair value.

*Criteria for the measurement and recognition of income statement components*

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derivative instruments traded on active markets are valued at the closing price on the day of valuation (level 1).

Derivative instruments, not traded on active markets, the pricing is made by employing valuation techniques (Level 3).

*Derecognition criteria*

Financial liabilities are derecognised upon sale, maturity or settlement.

**Financial liabilities at fair value through profit or loss***Classification criteria*

This item includes financial liabilities at fair value through profit or loss.

Specifically, the item refers to the application of the so-called fair value option for “naturally hedged” financial liabilities, aimed at improving the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies
- the measurement of instruments containing embedded derivatives
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged have been classified under this category.

*Recognition criteria*

These are recognised at fair value, which corresponds to the consideration collected or the issue price, as adjusted by initial income or charges (if any) directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

These are measured at fair value through profit or loss.

Fair value is determined through valuation techniques which use parameters that can be observed in active markets (level 2). The method is the discounted cash flow method by using a zero-coupon curve made up of elements present in the market, and applying a credit spread calculated using the euro swaps curve and the

curve of the yields of the securities issued by European banks with a rating equal to that of the Bank (Level 2). For subordinate bonds, a specific adjustment factor is also considered.

#### *Derecognition criteria*

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

#### **Transactions in foreign currency**

##### *Recognition criteria*

Foreign currency transactions are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

##### *Measurement criteria*

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction;
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

##### *Criteria for the recognition of income statement components*

For monetary elements the effect of the valuation carried out is recognized in profit and loss.

For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity.

#### **Insurance assets and liabilities**

The insurance assets and liabilities entered in the Group's consolidated financial statements arise solely from the consolidation of Chiara Assicurazioni S.p.A. on a line-by-line basis, and represent the contracts that are classified as insurance contracts as prescribed by IFRS 4, as well as the investment contracts classified as DPF (Discretionary Participation Feature).

The technical reserves are the contractual obligations under the insurance contracts that have been entered into.

They are recognised on the basis of the taking out and continuation of the policies and are sufficient to allow the prudentially estimated commitments to be met as far as can reasonably be foreseen.

They comprise:

*Assets:*

- actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used

to make provision for the risks assumed by the Company (the so-called “direct labour”).

**Liabilities:**

- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked, such as the Supplementary Pension Fund (FIP);
- other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

**Other information**

*Revaluation reserves*

This item comprises the revaluation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value, as deemed cost, to tangible assets upon the first-time adoption of IAS/IFRS are also included.

*Costs and revenues recognition*

Revenues are recognized in the financial statements when they are earned or, in any case, when it is probable that future benefits will be received and that these benefits can be quantified reliably. In particular:

- interest payments are recognised on a *pro rata* basis according to the contractual rate of interest or the actual rate in the case of the application of amortised cost. The item interest receivable (or interest payable) also includes the differentials or the positive (or negative) margins accrued from the reporting date of the financial statements in relation to financial derivative contracts:
  - a) to hedge assets or liabilities that generate interest;
  - b) classified in the Balance Sheet in the trading portfolio, but connected from an operational point of view to financial assets and/or liabilities measured at fair value (fair value option);
  - c) connected operationally to assets and liabilities classified in the trading portfolio and which provide for the settlement of differentials or margins with several expiry dates;
- default interest, which may be provided for contractually, is accounted for in the Income Statement only when it is actually collected;
- dividends are charged to the Income Statement when a resolution is taken for their distribution;
- commissions on revenues from services are recognised, on the basis of contractual agreements, in the period in which the actual services are provided;
- income deriving from the brokering of financial trading instruments, which is determined by the difference between the transaction price and the fair value of the instrument, is charged to the Income Statement when the transaction is recognised if the fair value can be determined from parameters or recent transactions that can be observed on the same market in which the instrument is traded. If these values cannot be easily obtained or if they show reduced liquidity, the financial instrument is recognised at an amount equal to the transaction price, without the sales margin; the difference against the fair value is charged to the Income Statement for the duration of the transaction with a gradual reduction, in the valuation model, of the corrective factor connected to the reduced liquidity of the instrument;
- profits/losses deriving from the trading of financial instruments are charged to the Income Statement when the sale is completed, on the basis of the difference between the consideration paid or collected and their carrying value;
- income deriving from the sale of non-financial assets is recognised when the sale is completed, unless the majority of the risks and awards connected to the asset have been retained.

Costs are charged to the Income Statement in the period in which the relative income is accounted for.

If the association between costs and income is generic and indirect, costs are recognised over several periods using rational procedures and on a systematic basis.

Costs that cannot be linked to income are immediately charged to the Income Statement.



### *Finance leases*

Assets under finance leases are shown as receivables at an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

### *Share-based payments*

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised;
- equity-settled, and then valued with the Black and Scholes model and recorded in the Income Statement on the basis of the accrued amount at the end of the accounting period and recorded in a specific reserve under equity.

## **A.3 - INFORMATION ON FAIR VALUE**

### *A.3.1 Transfers between portfolios*

The amendments to IAS 39 and IFRS 7 “Reclassification of financial assets” which were approved by the IASB in 2008, allow certain financial assets to be reclassified out of the “held for trading” and “available for sale” portfolios subsequent to their initial recognition.

In particular, the following can be reclassified:

- those financial assets held for trading or available for sale that would have fulfilled the definition laid down by international accounting standards for the loans portfolio (if these assets had not been classified as held for trading or available for sale respectively when they were initially recognised) if the business has the intention and capacity to hold them for the foreseeable future or until their expiry;
- “only in rare circumstances” those financial assets held for trading that at the time of their being recognised did not fulfil the definition of loans.

No Group company has reclassified any items between portfolios.

A.3.2 *Fair value hierarchy*

A.3.2.1 *Accounting portfolios: breakdown by level of fair value*

Assets/liabilities at fair value	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	13,379	18	4,188	16,879	1,760	22,120
2. Financial assets at fair value						
3. Available-for-sale financial assets	672,827	244,913	6,643	554,915	273,754	5,145
4. Hedging derivatives			5,631			
<b>Total</b>	<b>686,206</b>	<b>244,931</b>	<b>16,462</b>	<b>571,794</b>	<b>275,514</b>	<b>27,265</b>
1. Financial liabilities held for trading	15	13	4,314	65	7	6,585
2. Financial liabilities at fair value		89,138			334,326	
3. Hedging derivatives			2,684			2,653
<b>Total</b>	<b>15</b>	<b>89,151</b>	<b>6,998</b>	<b>65</b>	<b>334,333</b>	<b>9,238</b>

A.3.2.2 *Financial assets at fair value (level 3): annual changes*

	Financial assets			
	held for trading	at fair value	available for sale	hedging
<b>1. Opening balance</b>	<b>22,120</b>		<b>5,145</b>	
<b>2.1. Purchases</b>	<b>4,406</b>		<b>1,500</b>	<b>7,256</b>
2.2 Profits charged to:	179		1,500	
2.2.1 Income statement				
- of w hich Capital Gains	1,841			5,409
2.2.2 Equity	1,841			5,409
2.3 Transfers from other levels				
2.4 Other increases				
2.4. Other increases	2,565			1,847
<b>3. Decreases</b>	<b>22,338</b>		<b>2</b>	<b>1,625</b>
3.1 Sales				
3.2 Redemptions				
3.3 Losses charged to:				
3.3.1 Income statement	6,630			3
- of w hich Capital Losses	6,630			3
3.3.2 Equity				
3.4 Transfers to other levels				
3.5 Other decreases	15,708		2	1,622
<b>4. Closing balance</b>	<b>4,188</b>		<b>6,543</b>	<b>5,631</b>

A.3.2.3 *Financial assets at fair value (level 3): annual changes*

	Financial liabilities		
	held for trading	at fair value	hedging
<b>1. Opening balance</b>	<b>6,585</b>		<b>2,653</b>
<b>2. Increases</b>	<b>3,591</b>		<b>3,519</b>
2.1 Issues	128		
2.2 Losses charged to:			
2.2.1 Income statement	2,759		995
- of w hich Capital Losses	2,759		995
2.2.2 Equity			
2.3 Transfers from other levels			
2.4 Other increases	832		2,524
<b>3. Decreases</b>	<b>5,862</b>		<b>3,488</b>
3.1 Redemptions			
3.2 Repurchases			
3.3 Profits charged to:			
3.3.1 Income statement	2,405		2,798
- of w hich Capital Gains	2,405		2,799
3.3.2 Equity			
3.4 Transfers to other levels			
3.5 Other decreases	3,457		690
<b>4. Closing balance</b>	<b>4,314</b>		<b>2,684</b>

**A.3.3**      *Information on the so-called “day one profit/loss”*

In relation to the Group's operations and on the basis of the internal valuation methods which are currently in use, no differences have been recognized between the price of the transactions and the initial measurement of financial assets and liabilities entered in the accounts (the so-called “day one profit/loss”).

**Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET**
**ASSETS**
**SECTION 1 - CASH AND CASH EQUIVALENTS (caption 10)**
**1.1 Cash and cash equivalents: breakdown**

	31.12.2011	31.12.2010
a) Cash	29,228	27,732
b) Sight deposits at Central Banks	2,755	892
<b>Total</b>	<b>31,893</b>	<b>28,615</b>

**SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING (caption 20)**
**2.1 Financial assets held for trading: breakdown by type**

Caption/amount	31.12.2011			31.12.2010		
	L 1	L 2	L 3	L 1	L 2	L 3
<b>A. Cash equivalents</b>						
1. Debt securities	13,190			16,469	1,748	
1.1 Structured securities					145	
1.2 Other debt securities	13,190			16,469	1,603	
2. Equity securities	166			314		
3. UCITS units						
4. Financing						
4.1 Repurchase agreements						
assets						
4.2 Other						
<b>Total (A)</b>	<b>13,356</b>	<b>-</b>	<b>-</b>	<b>16,783</b>	<b>1,748</b>	<b>-</b>
<b>B. Derivative instruments:</b>						
1. Financial derivatives:	23	18	4,188	96	12	22,120
1.1 trading	23	18	2,619	96	12	6,093
1.2 connected with the fair value option			1,569			16,027
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 connected with the fair value option						
2.3 other						
<b>Total (B)</b>	<b>23</b>	<b>18</b>	<b>4,188</b>	<b>96</b>	<b>12</b>	<b>22,120</b>
<b>Total (A+B)</b>	<b>13,379</b>	<b>18</b>	<b>4,188</b>	<b>16,879</b>	<b>1,760</b>	<b>22,120</b>

**2.2 Financial assets held for trading: breakdown by debtor/issuer**

Caption /Amount	31.12.2011	31.12.2010
<b>A. CASH EQUIVALENTS</b>		
<b>1. Debt securities</b>	<b>13,190</b>	<b>18,217</b>
a) Governments and central banks	8,594	17,557
b) Other public entities	3,734	
c) Banks	862	660
d) Other issuers		
<b>2. Equity securities</b>	<b>166</b>	<b>314</b>
a) Banks	166	314
b) Other issuers		
- insurance companies		
- financial institutions		
- non-financial companies		
- other		
<b>3. UCITS units</b>		
<b>4. Financing</b>		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
<b>Total A</b>	<b>13,356</b>	<b>18,531</b>
<b>B. DERIVATIVE INSTRUMENTS</b>		
a) Banks		
- fair value	1,924	19,876
b) Customers		
- fair value	2,275	2,352
<b>Total B</b>	<b>4,229</b>	<b>22,228</b>
<b>Total (A + B)</b>	<b>17,585</b>	<b>40,759</b>

**2.3 Cash financial assets held for trading: annual changes**

	Debt securities	Equity securities	UCITS units	Financing	Total
<b>A. Opening balance</b>	<b>18,217</b>	<b>314</b>			<b>18,531</b>
<b>B. Increases</b>	<b>223,676</b>	<b>212,325</b>			<b>435,951</b>
B.1 Purchases	223,178	212,227			435,405
B.2 Positive fair value changes	77				77
B.3 Other changes	371	98			469
<b>C. Decreases</b>	<b>228,653</b>	<b>212,473</b>			<b>441,126</b>
C.1 Sales	216,234	212,120			428,363
C.2 Redemptions	12,181				12,181
C.3 Negative fair value changes	104	200			304
C.4 Transfers to other portfolios					
C.5 Other changes	125	153			278
<b>D. Closing balance</b>	<b>13,190</b>	<b>169</b>			<b>13,356</b>

**SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 30)**

This item has a balance of nil in the periods of reference.

**SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS (caption 40)**
**4.1 Available-for-sale financial assets: breakdown by type**

Caption/Amount	31.12.2011			31.12.2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	630,841	244,913	110	523,666	273,754	110
1.1 Structured securities	561	3,500		899	3,662	
1.2 Other debt securities	630,280	241,413	110	522,767	270,092	110
2. Equity securities	1,121		6,533	662		5,035
2.1 Measured at fair value	1,121		4,952	662		4,952
2.2 Measured at cost			1,581			83
3. UCITS units	40,865			30,587		
4. Financing						
<b>Total</b>	<b>672,827</b>	<b>244,913</b>	<b>6,643</b>	<b>554,915</b>	<b>273,754</b>	<b>5,145</b>

The component attributable to the insurance company, which is represented almost exclusively by Level 1-securities, amounts to a total of Euro 34,994 thousand, of which debt securities of Euro 33,345 thousand, equity instruments of Euro 612 thousand and UCITS units of Euro 1,037 thousand (compared to Euro 27,758 thousand in 2010).

**4.2 Available-for-sale financial assets: breakdown by debtor/issuer**

Caption/Amount	31.12.2011	31.12.2010
<b>1. Debt securities</b>	<b>875,864</b>	<b>797,530</b>
a) Governments and central banks	615,232	432,377
b) Other public entities		
c) Banks	226,390	318,835
d) Other issuers	34,242	46,318
<b>2. Equity securities</b>	<b>7,654</b>	<b>5,697</b>
a) Banks	612	
b) Other issuers	7,042	5,697
- insurance companies		
- financial institutions	1,535	698
- non-financial companies	5,507	4,999
- other		
<b>3. UCITS units</b>	<b>40,865</b>	<b>30,587</b>
<b>4. Financing</b>		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
<b>Total</b>	<b>924,383</b>	<b>833,814</b>

**4.3 Available-for-sale financial assets: assets subject to specific hedging**

Caption / Amount	31.12.2011	31.12.2010
<b>1. Financial assets subject to specific hedging of fair value</b>	<b>14,264</b>	-
a) interest rate risk	14,246	
b) price risk		
c) exchange risk		
d) credit risk		
e) other risk		
<b>2. Financial assets subject to specific hedging of cash flows</b>		
a) interest rate risk		
b) exchange risk		
c) other		
<b>Total</b>	<b>14,264</b>	-



**4.4 Available-for-sale financial assets: annual changes**

	Debt securities	Equity securities	UCITS units	Financing	Total
<b>A. Opening balance</b>	<b>797,530</b>	<b>5,697</b>	<b>30,587</b>	-	<b>833,814</b>
<b>B. Increases</b>	<b>668,326</b>	<b>2,317</b>	<b>17,725</b>		<b>688,368</b>
B.1. Purchases	651,176	2,283	16,843		670,302
B.2. Positive fair value changes	2,160		788		2,948
B.3. Write-backs					
- charged to statement of income					
- charged to shareholders' equity					
B.4. Transfer from other portfolios					
B.5. Other increases	14,990	34	94		15,118
<b>C. Decreases</b>	<b>589,992</b>	<b>360</b>	<b>7,447</b>	-	<b>597,799</b>
C.1. Sales	412,762	117	6,678		419,557
C.2. Redemptions	126,806				126,806
C.3. Negative fair value changes	47,179	206	769		48,154
C.4. Impairment write-downs					
- charged to statement of income					
- charged to shareholders' equity					
C.5. Transfers to other portfolios					
C.6. Other decreases	3,245	37			3,282
<b>D. Closing balance</b>	<b>875,864</b>	<b>7,654</b>	<b>40,865</b>	<b>40,865</b>	<b>924,383</b>

Items "B.2 Positive fair value changes" and "C.3 Negative fair value changes", respectively, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves".

**Impairment test on financial assets available for sale**

As required by the IFRS accounting standards, the financial assets available for sale were subject to an impairment test at the end of the period in order to check whether there were any negative events that could lead one to consider that the value of these assets in the financial statements was not fully recoverable. The criteria for carrying out the impairment test on financial assets available for sale are described in the specific section of "Part A – Accounting policies" of these Notes to the Consolidated Financial Statements. The tests carried out did not entail the need to enter any impairment losses.

**SECTION 5 - HELD-TO-MATURITY INVESTMENTS (caption 50)**
**5.1 Held-to-maturity investments: breakdown by type**

Transactions type / Amount	31.12.2011			31.12.2010				
	Book value	Fair value			Book value	Fair value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Debt securities	124,626	90,389	9,715	124,480	118,052			
- structured securities								
- other debt securities	124,626	90,389	9,715	124,480	118,052			
2. Financing								

**5.2 Held-to-maturity investments: breakdown by debtor/issuer**

Transaction type/Amount	31.12.2011	31.12.2010
<b>1. Debt securities</b>	<b>124,626</b>	<b>124,480</b>
a) Governments and central banks	110,774	110,719
b) Other public entities		
c) Banks	10,115	10,112
d) Other issuers	3,737	3,649
<b>2. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
<b>Total</b>	<b>124,626</b>	<b>124,480</b>
<b>Total fair value</b>	<b>100,104</b>	<b>118,052</b>

**5.3 Held-to-maturity investments: subject to specific hedging**

At the balance sheet date there was a balance of nil for held-to-maturity investments subject to specific hedging.

**5.4 Held-to-maturity investments: annual changes**

	Debt securities	Financing	Total
<b>A. Opening balance</b>	<b>124,480</b>	-	<b>124,480</b>
<b>B. Increases</b>	<b>1,729</b>		<b>1,729</b>
B.1 Purchases			
B.2 Write-backs			
B.3 Transfer from other portfolios			
B.4 Other increases	1,729		1,729
<b>C. Decreases</b>	<b>(1,583)</b>		<b>(1,583)</b>
C1. Sales			
C2. Redemptions			
C3. Value adjustments			
C4. Transfers to other portfolios			
C5. Other decreases	(1,583)		(1,583)
<b>D. Closing balance</b>	<b>124,626</b>	-	<b>124,626</b>

**SECTION 6 - AMOUNTS DUE FROM BANKS (caption 60)**
**6.1 Amounts due from banks: breakdown by type**

Transaction type/Amount	31.12.2011	31.12.2010
<b>A. Amounts due from Central banks</b>	<b>29,371</b>	<b>69,384</b>
1. Restricted deposits		
2. Compulsory reserve	29,371	69,384
3. Repurchase agreements		
4. Other		
<b>B. Amounts due from banks</b>	<b>259,154</b>	<b>233,468</b>
deposits	158,889	130,673
2. Restricted deposits	74,729	77,207
3. Other financing	104	232
3.1 repurchase agreements		
3.2 Finance leases		
3.3 Other	104	232
4. Debt securities	25,432	25,358
4.1 Structured securities	25,432	25,358
4.2 Other debt securities		
<b>Total (book value)</b>	<b>288,525</b>	<b>302,852</b>
<b>Total (fair value)</b>	<b>288,089</b>	<b>302,852</b>

Amounts due from banks claimed by the insurance company, net of intra-group accounts, amount to Euro 6,150 thousand, all of which refer to current accounts and unrestricted deposits (Euro 4,566 thousand last year).

## 6.2 Amounts due from banks: assets subject to specific hedging

At the reference date there were no amounts due from banks subject to specific hedging.

## 6.3 Amounts due from banks: finance leases

At the reference date there were no amounts due from banks in connection with finance lease transactions.

## SECTION 7 - AMOUNTS DUE FROM CUSTOMERS (caption 70)

### 7.1 Amounts due from customers: breakdown by type

Transactions type / Amount	31.12.2011		31.12.2010	
	Performing	Impaired	Performing	Impaired
1. Current account	1,451,585	85,076	1,433,110	75,202
2. Repurchase agreements	3,583		1,522	
3. Mortgage loans	3,229,191	148,056	3,170,555	99,874
4. Credit cards, personal loans and loans on salary	302,172	8,220	230,076	5,036
5. Financial leases	576,355	21,272	598,102	17,944
6. Factoring	11,180	104	9,139	167
7. Other transactions	716,538	5,317	777,245	3,118
8. Debt securities	21,747		55,630	
8.1 Structured securities				
8.2 Other debt securities	21,747		55,630	
<b>Total (book value)</b>	<b>6,312,351</b>	<b>268,099</b>	<b>6,275,379</b>	<b>201,341</b>
<b>Total (fair value)</b>	<b>6,615,008</b>	<b>268,099</b>	<b>6,596,889</b>	<b>201,341</b>

The year-end balance of performing loans includes receivables pertaining to the insurance business of a total of Euro 20 thousand (unchanged compared to the previous period).

As regards "Impaired assets", for further information to that already provided in the Report on Operations, refer to "Section E" of these Notes to the Consolidated Financial Statements.

**7.2 Amounts due from customers: breakdown by debtor/issuer**

Transaction type/Amount	31.12.2011		31.12.2010	
	Performing	Impaired	Performing	Impaired
<b>1. Debt securities</b>	<b>21,747</b>		<b>55,630</b>	
a) Governments				
b) other public entities				
c) other issuers	21,747		55,630	
- non-financial companies				
- financial companies				
- insurance companies	21,747		55,630	
- other				
<b>2. Loans to:</b>	<b>6,290,604</b>	<b>268,099</b>	<b>6,219,749</b>	<b>201,341</b>
a) Governments				
b) Other public entities			49	
c) Other entities	6,290,604	268,099	6,219,700	201,341
- non-financial companies	3,958,774	164,488	4,058,788	127,925
- financial companies	101,884	209	62,165	102
- insurance companies	2,624		1,877	
- other	2,227,322	103,402	2,096,870	73,314
<b>Total</b>	<b>6,312,351</b>	<b>268,099</b>	<b>6,275,379</b>	<b>201,341</b>

**7.3 Amounts due from customers: assets subject to specific hedging**

At the reference date there were no amounts due from customers subject to specific hedging.

**7.4 Finance lease**

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor.

Type of transactions	Gross investment	Deferred profit	Net investment	Unsecured residual values
Finance lease	736,308	146,549	589,759	85,793
- of which leaseback agreements	50,704	10,867	39,837	7,794
<b>Total</b>	<b>736,308</b>	<b>146,549</b>	<b>589,759</b>	<b>85,793</b>

Relevant period	Gross investment	Deferred profit	Net investment
- Within 1 year	15,986	369	15,617
- Between 1 and 5 years	225,342	17,166	208,176
- Beyond than 5 years	494,980	129,014	365,966
<b>Total</b>	<b>736,308</b>	<b>146,549</b>	<b>589,759</b>

**SECTION 8 - HEDGING DERIVATIVES (caption 80)**

**8.1 Hedging derivatives: breakdown by type of hedging and by level**

	31/12/2011				NV	31/12/2010				NV
	L1	L2	L3			L1	L2	L3		
<b>A. Financial derivatives</b>				5,631	216,637					
1) Fair value				5,631	216,637					
2) Cash flow										
3) Foreign investments										
<b>B. Credit derivatives</b>										
1) Fair value										
2) Cash flow										
<b>Total</b>				5,631	216,637					

**Key**

NV = Notional value

**8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging**

Transactions/Hedging type	Fair Value					Cash flows			Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange risk	credit risk	price risk	other risk				
1. Available-for-sale financial assets									
2. Credits									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transaction									
<b>Total assets</b>									
1. Financial liabilities									
2. Portfolio									
<b>Total liabilities</b>									
1. Expected settlements									
2. Financial assets and liabilities portfolio									

**SECTION 9 - ADJUSTMENT TO VALUES OF FINANCIAL ASSETS SUBJECT TO SPECIFIC HEDGING (caption 90)**

At the reference date there were no financial assets subject to specific hedging.

**SECTION 10 - EQUITY INVESTMENTS (caption 100)**
**10.1 Equity investments in companies subject to joint control (carried at equity) and companies subject to significant influence: information on ownership relationships**

Company name	Registered Office	Type of relationship	Ownership relationship Investing company	% Ownership share
Chiara Vita S.p.A.	Milan	Significant influence	Banco Desio Brianza	30
Istifid S.p.A.	Milan	Significant influence	Banco Desio Brianza	28.961

**10.2 Equity investments in companies subject to joint control and companies subject to significant influence: accounting data**

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders' equity	Book value
<b>A. Companies valued at equity</b>					
<b>A. 2 Companies subject to significant influence</b>					
Chiara Vita S.p.A.	2,127,170	832,826	6,584	51,321	12,662
Istifid S.p.A.	6,063	5,165	186	3,635	1,176
<b>Total C</b>	<b>2,133,233</b>	<b>837,991</b>	<b>6,770</b>	<b>54,956</b>	<b>13,838</b>

data referred to the 2010 financial statements, the most recent accounts approved

**10.3 Equity investments: annual changes**

	31/12/2011	31/12/2010
<b>A. Opening balance</b>	<b>16,720</b>	<b>20,964</b>
<b>B. Increases</b>	<b>5,463</b>	<b>3,380</b>
B.1 Purchases	2,700	
B.2 Write-backs		
B.3 Revaluations	2,763	3,380
B.4 Other increases		
<b>C. Decreases</b>	<b>8,345</b>	<b>7,624</b>
C.1 Sales		
C.2 Value adjustments		
C.3 Other decreases	8,345	7,624
<b>D. Closing balance</b>	<b>13,838</b>	<b>16,720</b>
<b>E. Total revaluations</b>	<b>5,616</b>	<b>4,186</b>
<b>F. Total value adjustments</b>		

The item B.3 "Revaluations" is the share of profit for the 2011 financial year for the two companies subject to significant influence.

**SECTION 11 - TECHNICAL INSURANCE RESERVES CARRIED BY REINSURERS (caption110)**
**11.1 Technical insurance reserves carried by reinsurers: breakdown**

	31.12.2011	31.12.2010
<b>A. Non-Life branch</b>	<b>6,931</b>	<b>6,363</b>
A.1 premiums reserves	5,684	5,227
A.2 claims reserves	1,247	1,136
A.3 other reserves		
<b>B. Life branch</b>		
B.1 mathematical reserves		
B.2 reserves for amounts to be disbursed		
B.3 other reserves		
<b>C. Technical reserves for investment risks to be borne by the insured</b>		
C.1 reserves for contracts with disbursements connected with investment funds and market indices		
C.2 reserves from pension fund management		
<b>D. Total technical insurance reserves carried by reinsurers</b>	<b>6,931</b>	<b>6,363</b>

**11.2 Change in caption 110 "Technical insurance reserves carried by reinsurers"**

The item Non-Life branch shows a total increase of Euro 568 thousand (Euro 834 thousand last year).



**SECTION 12 - TANGIBLE ASSETS (caption 120)**
**12.1 Tangible assets: breakdown of assets valued at cost**

Asset/Value	31.12.2011	31.12.2010
<b>A. Functional assets</b>		
<b>1.1 owned by the Bank</b>	<b>154,475</b>	<b>150,815</b>
a) land	42,778	40,756
b) buildings	91,002	88,213
c) fixtures and fittings	9,034	9,570
d) electrical equipment	2,678	3,128
e) other	8,983	9,148
<b>1.2 acquired under finance lease</b>		
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
<b>Total A</b>	<b>154,475</b>	<b>150,815</b>
<b>B. Tangible assets held for investment</b>		
<b>2.1 owned by the Bank</b>		
a) land	6	6
b) buildings	6	6
<b>2.2 acquired under finance lease</b>		
a) land		
b) buildings		
<b>Total B</b>	<b>6</b>	<b>6</b>
<b>Total (A + B)</b>	<b>154,481</b>	<b>150,821</b>

The insurance component amounts to Euro 225thousand (Euro 264 thousand last year).

**12.2 Tangible assets: breakdown of tangible assets at fair value or revalued**

At the reference date there were no tangible assets measured at fair value or revalued.

**12.3 Tangible assets for business use: annual changes**

	Land	Buildings	Fixtures and	Electronic equipment	Other	Total
<b>A. Gross opening balance</b>	<b>40,756</b>	<b>99,447</b>	<b>32,076</b>	<b>19,601</b>	<b>38,345</b>	<b>230,225</b>
A.1 Total net decreases in value		11,234	22,506	16,473	29,197	79,410
<b>A.2 Net opening balance</b>	<b>40,756</b>	<b>88,213</b>	<b>9,570</b>	<b>3,128</b>	<b>9,148</b>	<b>150,815</b>
<b>B. Increases:</b>	<b>2,022</b>	<b>5,096</b>	<b>2,255</b>	<b>1,328</b>	<b>4,064</b>	<b>14,765</b>
B.1 Purchases	1,990	2,621	2,151	1,257	3,236	11,255
B.2 Capitalized improvement expenses		2,407				2,407
B.3 Write-backs						
a:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences	32	68	8		5	113
B.6 Transfers from assets held for investment						-
B.7 Other increases			96	71	823	990
<b>C. Decreases:</b>	<b>-</b>	<b>2,307</b>	<b>2,791</b>	<b>1,778</b>	<b>4,229</b>	<b>11,105</b>
C.1 Sales		351	1,066	649	2,185	4,251
C.2 Amortization/depreciation		1,956	1,725	1,129	2,044	6,854
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other decreases						
<b>D. Net closing balance</b>	<b>42,778</b>	<b>91,002</b>	<b>9,034</b>	<b>2,678</b>	<b>8,983</b>	<b>154,475</b>
D.1 Total net decreases in value		13,435	24,193	17,609	30,571	85,808
<b>D.2 Gross closing balance</b>	<b>42,778</b>	<b>104,437</b>	<b>33,227</b>	<b>20,287</b>	<b>39,554</b>	<b>240,283</b>
E. Valuation at cost						

#### 12.4 Tangible assets held for investment: annual changes

No changes were recorded during the period in tangible assets held for investment.

#### 12.5 Tangible assets: commitments for purchase of tangible assets

At the reference date there were no commitments for purchase of tangible assets.

### SECTION 13 - INTANGIBLE ASSETS (caption 130)

#### 13.1 Intangible assets: breakdown by type of assets

Caption/Value	31.12.2011		31.12.2010	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
<b>A.1 Goodwill</b>		<b>41,345</b>		<b>44,345</b>
<b>A.2 Other intangible assets:</b>	<b>5,151</b>		<b>3,247</b>	
A.2.1 Assets valued at cost:	5,151		3,247	
a) Intangible assets generated internally				
b) Other assets	5,151		3,247	
A.2.2 Assets at fair value through profit or loss:				
a) Intangible assets generated internally				
b) Other assets				
<b>Total</b>	<b>5,151</b>	<b>41,345</b>	<b>3,247</b>	<b>44,345</b>

Tests were performed on the goodwill recorded in the financial statements to check the recoverability of the value. To this end we note, as already reported in the Report on Operations, that the subsidiary Brianfid S.A. – Luxembourg has written down, by a total of Euro 3 million, the value of the stake in C.P.C. s.a. – Lugano.

The insurance component, which only refers to intangible assets, amounts to Euro 2,206 thousand (Euro 1,201 thousand last year).

**13.2 Intangible assets: annual changes**

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2011
		definite duration	indefinite duration	definite duration	indefinite duration	
<b>A. Opening balance</b>	<b>46,489</b>	-	-	<b>9,356</b>	-	<b>55,845</b>
A.1 Total net decreases in value	2,144			6,109		8,253
<b>A.2 Net opening balance</b>	<b>44,345</b>	-	-	<b>3,247</b>	-	<b>47,592</b>
<b>B. Increases</b>				<b>3,539</b>		<b>3,539</b>
B.1 Purchases				3,526		3,526
B.2 Increases in internal intangible assets						
B.3 Write-backs						
B.4 Increases in fair value charged to: - shareholders' equity - statement of income						
B.5 Positive exchange differences				13		13
B.6 Other increases						
<b>C. Decreases</b>	<b>3,000</b>			<b>1,635</b>		<b>4,635</b>
C.1 Sales						
C.2 Adjustments	3,000			1,600		4,600
- Amortization				1,600		1,600
- Write-downs	3,000					3,000
+ shareholders' equity						
+ statement of income	3,000					3,000
C.3 Decreases in fair value charged to: - shareholders' equity - statement of income						
C.4 Transfers to non-current assets held for sale and discontinued operations						
C.5 Negative exchange differences						
C.6 Other decreases				35		35
<b>D. Net Closing balance</b>	<b>41,345</b>	-	-	<b>5,151</b>	-	<b>46,496</b>
D.1 Total net adjustments	5,144			7,199		12,343
<b>E. Gross closing balance</b>	<b>46,489</b>	-	-	<b>12,350</b>	-	<b>58,839</b>
F. Valuation at cost						

**SECTION 14 - TAX ASSETS AND LIABILITIES (caption 140 under assets and caption 80 under liabilities)**
**14.1 Deferred tax assets: breakdown**

Temporary Differences	ires	irap	Total 31.12.2011	Total 31.12.2010
<b>a) against profit and loss</b>				
tax losses				185
goodwill deductible for tax purposes				679
w ritedow ns of loans to customers deductible on a straight-line basis	25,295		25,295	23,149
provisions for risks from implicit loan losses	305		305	305
w rite-dow n of loans to customers outstanding as at 31.12.1994	9		9	10
statutory depreciation of properties				1
statutory depreciation of tangible assets	189		189	175
provisions for guarantees and commitments/country risk	364		364	426
provisions for personnel charges	2,928		2,928	2,276
provisions for legal disputes	1,581		1,581	1,671
provisions for revocatory actions	924		924	793
provision for sundry charges	137		137	118
tax provision for employee termination indemnities	304		304	260
entertainment expenses, w ithin the limit of one third deductible in the follow ing four financial years				10
other general expenses deductible in the follow ing accounting period	35		35	63
other	13		13	16
<b>Total a)</b>	<b>32,084</b>	<b>-</b>	<b>32,084</b>	<b>30,137</b>
<b>b) against Equity</b>				
tax provision for employee termination indemnities	564		564	528
w ritedow n of securities classified AFS	16,206	3,373	19,579	4,867
w rite-dow n of equity investments		10	10	1
<b>Total b)</b>	<b>16,770</b>	<b>3,383</b>	<b>20,153</b>	<b>5,396</b>
<b>Total</b>	<b>48,854</b>	<b>3,383</b>	<b>52,237</b>	<b>35,533</b>

Deferred tax assets relating to the insurance company amount to Euro 1,496 thousand, of which Euro 1,495 thousand accounted for with a contra-entry in equity (a total of Euro 391 thousand last year).

**14.2 Deferred tax liabilities: breakdown**

Temporary Differences	ires	irap	Total 31.12.2011	Total 31.12.2010
<b>a) against Profit and Loss</b>				
gains on disposal of tangible assets	20		20	42
tax amortization of properties	7,062	1,106	8,168	8,097
tax amortization of tangible assets	1	24	25	26
tax amortization of goodwill	672	136	808	654
tax amortization on long-term charges (software)	2	7	9	8
tax provision ex art. 106, c. 3	340		340	438
tax provision for employee termination indemnities	28		28	37
other	12	2	14	14
<b>Total a)</b>	<b>8,137</b>	<b>1,275</b>	<b>9,411</b>	<b>9,316</b>
<b>b) against Equity</b>				
revaluation of AFS securities	738	145	883	415
revaluation of equity investments	2	9	11	10
tax provision for employee termination indemnities	199		199	160
<b>Total b)</b>	<b>939</b>	<b>154</b>	<b>1,093</b>	<b>585</b>
<b>Total</b>	<b>9,076</b>	<b>1,429</b>	<b>10,504</b>	<b>9,901</b>

Deferred tax liabilities relating to the insurance company amount to Euro 247 thousand, of which Euro 42 thousand is set-off in the Income Statement and Euro 205 thousand in Equity (a total of Euro 247 thousand also last year).

**14.3 Change in deferred tax assets (against profit and loss)**

	31/12/2011	31/12/2010
<b>1. Initial amount</b>	<b>30,137</b>	<b>27,336</b>
<b>2. Increases</b>	<b>6,742</b>	<b>6,898</b>
2.1 Deferred tax assets recognized during the year	6,742	6,837
a) from previous years		
b) due to adoption of different accounting		
c) value adjustments		
d) other	6,742	6,657
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		61
<b>3. Decreases</b>	<b>4,795</b>	<b>4,097</b>
3.1 Deferred tax assets cancelled during the year	4,073	4,033
a) reallocation	4,073	4,033
b) due to adoption of different accounting		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	722	64
<b>4. Final amount</b>	<b>32,084</b>	<b>30,137</b>

**14.4 Change in deferred tax liabilities (against profit and loss)**

	31.12.2011	31.12.2010
<b>1. Initial amount</b>	<b>9,316</b>	<b>9,310</b>
<b>2.1 Increases</b>	<b>308</b>	<b>144</b>
2.1 Deferred tax assets recognized during the year	141	144
a) from previous years		
b) due to adoption of different accounting		3
c) other	141	141
2.2 New taxes or increases in fiscal rates	167	
2.3 Other increases		
<b>3. Decreases</b>	<b>213</b>	<b>138</b>
3.1 Deferred tax assets cancelled during the year	213	138
a) reallocation	213	138
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>9,411</b>	<b>9,316</b>

**14.5 Change in deferred tax assets (against equity)**

	31.12.2011	31.12.2010
<b>1. Initial amount</b>	<b>5,396</b>	<b>2,177</b>
<b>2. Increases</b>	<b>15,804</b>	<b>4,449</b>
2.1 Deferred tax liabilities recognized during	15,721	4,446
a) from previous years		
b) due to adoption of different accounting		
c) other	15,721	4,446
2.2 New taxes or increases in fiscal	83	
2.3 Other increases		3
<b>3. Decreases</b>	<b>1,047</b>	<b>1,230</b>
3.1 Deferred tax liabilities cancelled during	1,047	1,230
a) reallocation	1,047	1,230
b) write-downs due to irrecoverability		
c) due to adoption of different accounting		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>20,153</b>	<b>5,396</b>

**14.6 Change in deferred tax liabilities (against equity)**

	31.12.2011	31.12.2010
<b>1. Initial amount</b>	<b>585</b>	<b>2,453</b>
<b>2. Increases</b>	<b>687</b>	<b>195</b>
2.1 Deferred tax assets recognized during	685	193
a) from previous years		
b) due to adoption of different		4
c) other	685	189
2.2 New taxes or increases in fiscal rates	2	
2.3 Other increases		2
<b>3. Decreases</b>	<b>179</b>	<b>2,063</b>
3.1 Deferred tax assets cancelled during the	179	2,063
a) reallocation	179	2,062
b) due to adoption of different		
c) other		1
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>1,093</b>	<b>585</b>

**SECTION 15 - NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES (caption 150 under assets and caption 90 under liabilities)**

There were none at the reference date.



**SECTION 16 - OTHER ASSETS (caption 160)**
**16.1 Other assets: breakdown**

	31.12.2011	31.12.2010
Tax credits		
. Capital quota	429	68
Amounts due from tax authorities for paid advances	10,233	15,177
Taxes withheld	44	26
Traded cheques to be settled	26,124	20,350
Guarantee deposits	2	2
Invoices issued to be collected	792	76
Accounts receivable for third-party securities and coupons to be collected	49	
Unprocessed transactions and amounts in transit with bank branches	26,398	20,943
Currency spreads on portfolio transactions	282	303
Investments in supplementary termination indemnities for personnel	674	758
Leasehold improvements	23,639	21,527
Accrued income and prepaid expenses	1,815	715
Other items	18,251	11,507
<b>Total</b>	<b>108,732</b>	<b>91,452</b>

The amount attributable to the insurance company, net of intragroup relations, amounts to Euro 3,355 thousand (Euro 4,396 thousand last year).

**LIABILITIES**
**SECTION 1 - AMOUNTS DUE TO BANKS (caption 10)**
**1.1 Amounts due to banks: breakdown by type**

Transaction type / Amount	31.12.2011	31.12.2010
<b>1. Amounts due to Central Banks</b>	<b>200,051</b>	
<b>2. Amounts due to banks</b>	<b>67,947</b>	<b>171,918</b>
2.1 Current accounts and unrestricted deposits	11,227	13,331
2.2 Restricted deposits	26,349	16,602
2.3. Financing	29,271	140,769
2.3.1 Reverse repos	29,271	140,769
2.3.2 Other		
2.4 Commitments for repurchases of own equity instruments		
2.5 Other amounts due	1,100	1,216
<b>Total</b>	<b>267,998</b>	<b>171,918</b>
<b>Fair value</b>	<b>267,998</b>	<b>171,918</b>

**1.2 Breakdown of caption 10 “Amounts due to banks”: subordinated debts**

There were no subordinated debts due to banks at the reference date.

**1.3 Breakdown of caption 10 “Amounts due to banks”: structured debts**

There were no structured debts due to banks at the reference date.

**1.4 Amounts due to banks subject to specific hedging**

There were no amounts due to banks subject to specific hedging at the reference date.

**1.5 Amounts due for finance leases**

There were no finance lease contracts in place with banks at the reference date.

**SECTION 2 - AMOUNTS DUE TO CUSTOMERS (caption 20)**
**2.1 Amounts due to customers: breakdown by type**

<b>Transaction type/Amount</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
1. Current accounts and unrestricted deposits	4,147,184	4,367,104
2. Restricted deposits	135,685	1,721
3. Financing	35,374	68,009
3.1 Reverse repos	11,514	19,618
3.2 other	23,860	48,391
5. Other amounts due	29,463	22,765
<b>Total</b>	<b>4,347,706</b>	<b>4,459,599</b>
<b>Fair value</b>	<b>4,347,706</b>	<b>4,459,599</b>

**2.2 Breakdown of caption 20 “Amounts due to customers: subordinated debts**

There were no subordinated debts due to customers at the reference date.

**2.3 Breakdown of caption 20 “Amounts due to customers: structured debts”**

There were no structured debts due to customers at the reference date.

**2.4 Amounts due to customers subject to specific hedging**

There were no amounts due to customers in connection with finance leases at the reference date.

**SECTION 3 - SECURITIES ISSUED (caption 30)**
**3.1 Securities issued: breakdown by type**

Security type / Amount	Total 31.12.2011			Total 31.12.2010				
	Book value	Fair Value			Book value	Fair Value		
		L 1	L 2	L 3		L 1	L 2	L 3
<b>A. Securities</b>								
1. Bonds	2,219,510	2,123,755			1,835,097	1,816,290		
1.1 structured	47,071	42,371						
1.2 other	2,172,439	2,081,384			1,835,097	1,816,290		
2. other securities	387,936	387,936			279,311	279,311		
2.1 structured								
2.2 other	387,936	387,936			279,311	279,311		
<b>Total</b>	<b>2,607,446</b>	<b>2,511,691</b>			<b>2,114,408</b>	<b>2,095,601</b>		

**3.2 Breakdown of caption 30 "Securities issued": subordinated securities**

Bonds	31.12.2011	31.12.2010
due 29.12.2011		12,991
due 01.06.2012	12,967	12,983
due 03.06.2013	12,811	13,003
due 04.05.2014	29,890	29,877
due 15.12.2014	29,982	29,879
due 01.12.2015	13,008	13,019
due 29.12.2016	13,002	
<b>Total</b>	<b>111,660</b>	<b>111,752</b>

All subordinated securities issued have similar characteristics:

- duration: 5 years;
- interest rate: variable rate with coupons payable every six months on a deferred basis;
- redemption: in one single solution upon maturity;
- early redemption clause: not provided;
- possession: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- subordination: the subordination clauses provide that in the event that the issuer is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

**3.3 Breakdown of caption 30 "Securities issued": securities subject to specific hedging**

	31.12.2011	31.12.2010
<b>1. Debt securities subject to fair value hedging</b>	<b>222,675</b>	<b>59,375</b>
a) interest rate risk	222,675	59,375
b) exchange rate risk		
c) other risks		
<b>2. Debt securities subject to cash flow hedging</b>		
a) interest rate risk		
b) exchange rate risk		
c) other risks		

**SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING (caption 40)**

**4.1 Financial liabilities held for trading: breakdown by type**

Transaction type / Values	31.12.2011					31.12.2010				
	Nominal value	Fair value			FV*	FV	Fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>A. Liabilities for cash</b>										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1 Bonds										
3.11 Structured										
3.12 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
<b>Total A</b>										
<b>B. Derivatives instruments</b>										
1. Financial derivatives		15	13	2,409			65	7	6,116	
1.1 Trading		15	13	2,409			65	7	5,464	
1.2 Connected with the fair value option									652	
1.3 Other										
2. Credit derivatives				1,905					469	
2.1 Trading				1,905					469	
2.2 Connected with the fair value option										
2.3 Other										
<b>Total B</b>		15	13	4,314			65	7	6,585	
<b>Total (A+B)</b>		15	13	4,314			65	7	6,585	

**Legend**

NV = nominal or notional value

FV\* = fair value calculated excluding variations due to the changed rating of the issuer with respect to the issue date

**4.2 Breakdown of item 40 “Financial liabilities held for trading”: subordinated debts**

There were no subordinated financial debts held for trading at the reference date.

**4.3 Breakdown of item 40 “Financial liabilities held for trading”: structured debts**

The financial liabilities held for trading did not include any structured debts at the reference date.

**4.4 Cash financial liabilities held for trading (excluding “uncovered short positions”): annual changes**

There were no changes in cash financial liabilities held for trading during the period

**SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 50)**
**5.1 Financial liabilities at fair value through profit or loss: breakdown**

Transaction type / Amount	31.12.2011				31.12.2010					
	Nominal value	fair value			FV*	Nominal value	fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Amounts due to banks										
1.1 Structured										
1.2 Other										
2. Amounts due to customers										
2.1 Structured										
2.2 Other										
3. Debt securities	92,095		89,138	94,630	329,473		334,326		336,906	
3.1 Structured	37,850		34,306		37,900		36,259			
3.2 Other	54,245		54,832		291,573		298,067			
<b>Total</b>	<b>92,095</b>		<b>89,138</b>	<b>94,630</b>	<b>329,473</b>		<b>334,326</b>		<b>336,906</b>	

**Key**

FV\* - fair value calculated excluding changes in value as a result of changes in the credit rating of the issuer since the date of issue.

**5.2 Breakdown of item 50 “Financial liabilities at fair value through profit or loss”: subordinated debts**

There was no subordinated debenture stock at the reference date that could be classified in financial liabilities at fair value through profit or loss.

**5.3 Financial liabilities at fair value through profit or loss: annual changes**

	Amounts due to banks	Amounts due to customers	Securities issued	<b>Total</b>
<b>A. Opening balance</b>			<b>334,326</b>	<b>334,326</b>
<b>B. Increases</b>			<b>8,616</b>	<b>8,616</b>
B1. Issues				
B2. Sales			7,178	7,178
B3. Increases in fair value				
B4. Other increases			1,438	1,438
<b>C. Decreases</b>			<b>253,804</b>	<b>253,804</b>
C1. Purchases			9,537	9,537
C2. Redemptions			235,856	235,856
C3. Decreases in fair value			3,266	3,266
C4. Other decreases			5,145	5,145
<b>D. Closing balance</b>			<b>89,138</b>	<b>89,138</b>

The item B2 "Sales" is the equivalent value for reissuing debentures previously repurchased.

The items B3 "Increases in fair value" and C3 "Decreases in fair value" represent the charges and the proceeds, respectively, deriving from the changes in valuations of fair value accounted for in the income statement.

**SECTION 6 - HEDGING DERIVATIVES (caption 60)**
**6.1 Hedging derivatives: breakdown by type of hedging and by level**

	31.12.2011				31.12.2010			
	<i>fair value</i>			NV	<i>fair value</i>			NV
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>			<b>2,684</b>	<b>15,000</b>			<b>2,653</b>	<b>79,617</b>
1) Fair value			2,684	15,000			2,653	79,617
2) Cash flows								
3) Foreign investments								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flows								
<b>Total</b>			<b>2,684</b>	<b>15,000</b>			<b>2,653</b>	<b>79,617</b>

**6.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging**

Transactions/Hedging type	Fair Value					Cash flows			Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Other risks				
1. Available-for-sale financial assets	2,684								
2. Credits									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transactions									
<b>Total asset</b>	<b>2,684</b>								
1. Financial liabilities									
2. Portfolio									
<b>Total liabilities</b>									
1. Expected settlements									
2. Financial assets and liabilities portfolio									

**SECTION 7 - ADJUSTMENT TO VALUES OF FINANCIAL LIABILITIES SUBJECT TO GENERAL HEDGING (voce 70)**

There were no financial liabilities subject to general hedging at the reference date.

**SECTION 8 - TAX LIABILITIES (action 80)**

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

**SECTION 9 - LIABILITIES ASSOCIATED WITH ASSETS BEING DISPOSED OF (voce 90)**

There were no liabilities associated with assets being disposed of at the reference date.



**SECTION 10 - OTHER LIABILITIES (CAPTION 100)**
**10.1 Other liabilities: breakdown**

Description	31.12.2011	31.12.2010
Due to tax authorities	1,736	1,778
Amounts due to tax authorities on account of third parties	18,576	17,115
Social security contributions to be reversed	5,116	5,147
Due to shareholders on account of dividends	15	14
Suppliers	14,636	13,200
Amounts available for customers	10,353	8,722
Interest and fees to be credited	206	460
Payments against disposals on bills	756	468
Advance payments on expiring loans	281	413
Unprocessed transactions and amounts in transit with branches	11,337	13,213
Currency spreads on portfolio transactions	6,934	55,928
Amounts due to personnel	2,948	3,280
Other accounts payable	66,890	40,285
Provisions for guarantees and commitments	1,325	1,544
Accrued liabilities and deferred income	2,407	3,204
<b>Total</b>	<b>143,516</b>	<b>174,893</b>

The component attributable to the insurance company, net of intergroup relations, amounts to Euro 7,255 thousand (Euro 5,819 thousand last year).

**SECTION 11 - PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES (caption 110)**
**11.1 Provisions for employee termination indemnities: annual changes**

	31.12.2011	31.12.2010
<b>A. Opening balance</b>	<b>24,378</b>	<b>25,696</b>
<b>B. Increases</b>	<b>1,319</b>	<b>1,352</b>
B.1 Provisions during the year	1,312	1,343
B.2 Other increases	7	9
<b>C. Decreases</b>	<b>1,977</b>	<b>2,670</b>
C.1 Amounts paid	1,786	2,498
C.2 Other decreases	191	172
<b>D. Closing balance</b>	<b>23,720</b>	<b>24,378</b>

The year-end balance includes the amounts pertaining to the insurance company equal to Euro 135 thousand (Euro 89 thousand last year).

**SECTION 12 - PROVISIONS FOR RISKS AND CHARGES (CAPTION 120)**
**12.1 Provisions for risks and charges: breakdown**

Caption/Amount	31.12.2011	31.12.2010
1. Company pension funds	185	186
2. Other provisions for risks and charges	41,797	43,331
2.1 legal disputes	11,903	9,000
2.2 personnel charges	13,412	9,417
2.5 other	16,482	24,914
<b>Total</b>	<b>41,982</b>	<b>43,517</b>

In the item "legal disputes" a total of Euro 2.3 million has been prudently set aside by the two Subsidiaries affected by the judicial investigations mentioned in the Report on Operations. The item includes amounts earmarked for lawsuits and bankruptcy claw-back actions.

The main provisions under the item "other" refer as follows: Euro 15.4 million to the fund set up to cover the risk of a partial review of the price received for the sale of 70% of Chiara Vita S.p.A. as provided for contractually at the end of the business plan of the Company (2012); Euro 0.4 million to the fund aimed at dealing with the tax dispute; and Euro 0.3 million to deal with any charges for operating risks.

**12.2 Provisions for risks and charges: annual changes**

	Pension funds	Other funds	Total
<b>A. Opening balance</b>	<b>186</b>	<b>43,331</b>	<b>43,517</b>
<b>B. Increases</b>	<b>29</b>	<b>14,366</b>	<b>14,395</b>
B.1 Provisions during the year	24	14,135	14,159
B.2 Changes due to the elapsing of time		23	23
B.3 Changes due to discount rate adjustments			
B.4 Other increases	5	208	213
<b>C. Decreases</b>	<b>30</b>	<b>15,900</b>	<b>15,930</b>
C.1 Use during the year	30	15,853	15,883
C.2 Changes due to discount rate adjustments		18	18
C.3 Other decreases		29	29
<b>D. Closing balance</b>	<b>185</b>	<b>41,797</b>	<b>41,982</b>

**12.3 Defined benefit company pension funds**

The amount entered in the accounts refers to the subsidiary C.P.C. S.A. - Lugano.

**12.4 Provisions for risks and charges – Other provisions**

The breakdown of the item "Other" was already provided in section 12.1.

**SECTION 13 - TECHNICAL RESERVES (caption 130)**
**13.1 Technical reserves: breakdown**

	Direct work	Indirect work	31.12.2011	31.12.2010
<b>A. Non-Life branch</b>	<b>38,539</b>		<b>38,539</b>	<b>29,980</b>
A.1 premiums reserves	30,153		30,153	23,565
A.2 claims reserves	7,910		7,910	6,040
A.3 other reserves	476		476	375
<b>B. Life branch</b>				
B.1 mathematical reserves				
B.2 reserves for amounts to be disbursed				
B.3 other reserves				
<b>C. Technical reserves for investment risks to be borne by the insurers</b>				
C.1 reserves for contracts with disbursements connected with investment funds and market indices				
C.2 reserves from pension fund management				
<b>D. Total technical insurance reserves</b>	<b>38,539</b>		<b>38,539</b>	<b>29,980</b>

**13.2 Technical reserves: annual changes**

	Direct work	Indirect work	Total 2011
<b>A. Opening balance</b>	<b>29,980</b>		<b>29,980</b>
<b>B. Increases</b>	<b>8,559</b>		<b>8,559</b>
B.1 Provisions during the year	8,559		8,559
B.2 Other increases			
<b>C. Decreases</b>			
C.1 Use in the period			
C.2 Other decreases			
<b>D. Closing balance</b>	<b>38,539</b>		<b>38,539</b>

**SECTION 14 - REDEEMABLE SHARES (caption 150)**

There were no redeemable shares at the reference date.

**SECTION 15 - GROUP'S SHAREHOLDERS' EQUITY (captions 140, 160, 170, 180, 190, 200 and 220)**
**15.1 "Share capital" and "Treasury shares": breakdown**

	31.12.2011	31.12.2010
<b>A. Share capital</b>	67,705	67,705
<b>B. Treasury shares</b>		
<b>Total</b>	<b>67,705</b>	<b>67,705</b>

The share capital of the Parent Company Banco Desio, fully subscribed and paid up, is made up of:

- . no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- . no. 13,202,000 savings shares, with a nominal value of Euro 0.52.

No Group company holds or has been in possession of its own shares at any time during the accounting period

**15.2 Capital – Number of Parent Company shares: annual changes**

Caption/Type	Ordinary	Other
<b>A. Number of shares at the beginning of the year</b>	<b>117,000,000</b>	<b>13,202,000</b>
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	<b>117,000,000</b>	<b>13,202,000</b>
<b>B. Increases</b>		
B.1 New issues		
- on a payment basis:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:		
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
<b>C. Decreases</b>		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	<b>117,000,000</b>	<b>13,202,000</b>
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

**15.3 Capital: other information**

There is no other information to report at the reference date.

**15.4 Revenue reserves: other information**

Caption	31.12.2011	31.12.2010
Legal reserve	75,019	70,109
Statutory reserves	435,821	405,585
Profits (losses) carried forward	23,571	23,571
First Time Adoption (F.T.A.) reserves	99,785	99,785
Other reserves	22,514	29,975
<b>Total</b>	<b>656,710</b>	<b>629,025</b>

**SECTION 16 - MINORITY INTERESTS (caption 210)**
**16.1 Shareholders' equity attributable to minority interests: breakdown**

Captions/Amount	Banking Group	Insurance company	31.12.2011	31.12.2010
1. Shareholders' equity	100	3,137	<b>3,237</b>	3,438
2. Share premium reserve		210	<b>210</b>	158
3. Reserves	30	913	<b>943</b>	697
4. Treasury shares				
5. Revaluation reserves		(899)	<b>(899)</b>	(147)
6. Equity instruments				
7. Profit (loss) for the period attributable to minority interests	116	833	949	849
<b>Total</b>	<b>246</b>	<b>4,194</b>	<b>4,440</b>	<b>4,995</b>

**OTHER INFORMATION**
**Guarantees granted and commitments**

<b>Transactions</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
1) Financial guarantees granted	45,000	64,069
a) Banks	33,934	50,061
b) Customers	11,066	14,008
2) Commercial guarantees granted	209,890	213,836
a) Banks	3,840	3,464
b) Customers	206,050	210,372
3) Irrevocable commitments to grant finance	159,215	206,700
a) Banks	7,818	3,959
i) certain to be called on	7,224	3,959
ii) not certain to be called on	594	-
b) Customers	151,397	202,741
i) certain to be called on	12,719	15,768
ii) not certain to be called on	138,678	186,973
4) Underlying commitments to credit derivatives: hedging sales	25,000	25,000
5) Assets lodged to guarantee minority interest	1,521	1,547
6) Other commitments		
<b>Total</b>	<b>440,626</b>	<b>511,152</b>

**Assets lodged to guarantee own liabilities and commitments**

<b>Portfolios</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
1. Financial assets held for trading	6,049	352
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	329,669	261,432
4. Held-to-maturity financial assets	10,115	43,451
5. Amounts due from banks		19,162
6. Amounts due from customers		
7. Tangible assets		

**5 Administration and dealing on behalf of third parties**

Type of services	Amount
<b>1. Execution of orders on behalf of customers</b>	<b>817,544</b>
a) purchase	404,925
1. settled	402,053
2. not settled	2,872
b) sale	412,619
1. settled	409,702
2. not settled	2,917
<b>2. Portfolio management</b>	<b>1,037,971</b>
a) individual	463,595
b) collective	574,376
<b>3. Custody and administration of securities</b>	<b>10,565,995</b>
a) Third-party securities held on deposit in connection with depositary bank's services (excluding portfolio management)	
1. securities issued by the bank preparing the accounts	
2. other securities	
b) other third-party securities held on deposit (excluding portfolio management): other	9,458,140
1. securities issued by the bank preparing the	2,495,037
2. other securities	6,963,103
c) third-party securities deposited with third parties	9,195,611
d) own securities deposited with third parties	1,107,855
<b>4. Other transactions</b>	<b>-</b>

## Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### SECTION 1 - INTEREST (caption 10 and 20)

#### Interest income and similar revenues: breakdown

Caption/Technical forms	Debt securities	Loans	Other transaction	31.12.2011	31.12.2010
1. Financial assets held for trading	226		5,351	5,577	13,566
2. Available-for-sale financial assets	22,543			22,543	15,119
3. Held-to-maturity investments	4,789			4,789	1,826
4. Amounts due from banks	902	2,999	107	4,008	3,264
5. Amounts due from customers	1,396	267,399		268,795	224,033
6. Financial assets at fair value through profit or loss					142
7. Hedging derivatives			1,532	1,532	29
8. Other assets			67	67	77
<b>Total</b>	<b>29,856</b>	<b>270,398</b>	<b>7,057</b>	<b>307,311</b>	<b>258,056</b>

Interest income pertaining to the insurance company, net of the intergroup component, amounts to a total of Euro 1,247 thousand (Euro 847 thousand last year)

#### 1.2 Interest income and similar revenues: differentials on hedging transactions

Caption	31.12.2011	31.12.2010
A. Positive differentials on hedging transactions	5,416	761
B. Negative differentials on hedging transactions	(3,884)	(732)
<b>C. Balance (A-B)</b>	<b>1,532</b>	<b>29</b>

#### 1.3 Interest income and similar revenues: other information

##### 1.3.1 Interest income on foreign currency financial assets

Interest income on currency financial assets accounted for under "Interest income and similar revenues" as at the year-end amounts to Euro 1.2 million, of which Euro 558 thousand on amounts due from banks and Euro 638 thousand on amounts due from customers (a total of Euro 0.7 million in the previous financial year).

##### 1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under "Amounts due from customers - loans", amount to Euro 20.0 million (Euro 17.3 million last year); of which Euro 18.5 million relate to indexed contracts, of which Euro 0.9 million relating to leaseback agreements (in 2010 Euro 12.7 million of interest on indexed contracts, of which Euro 0.9 million relating to leaseback agreements, respectively).



Financial profits pertaining to subsequent years amount to Euro 146.6 million, of which Euro 10.9 million relating to leaseback agreements (Euro 150.8 million, of which Euro 13.6 million on leaseback agreements last year, respectively).

#### 1.4 Interest expense and similar charges: breakdown

Captions/Technical types	Debts	Securities	Other transaction	31.12.2011	31.12.2010
1. Amounts due to central banks	(802)			(802)	(39)
2. Amounts due to banks	(1,830)			(1,830)	(463)
3. Amounts due to customers	(37,761)			(37,761)	(22,507)
4. Securities issued		(51,809)		(51,809)	(33,091)
5. Financial liabilities held for trading loss		(8,218)		(8,218)	(16,779)
7. Other liabilities			(24)	(24)	(16)
8. Hedging derivatives					
<b>Total</b>	<b>(40,393)</b>	<b>(60,027)</b>	<b>(24)</b>	<b>(100,444)</b>	<b>(72,895)</b>

#### 1.5 Interest expense and similar charges: differentials on hedging transactions

In this financial year differentials on hedging transactions showed a positive balance and therefore they were reported in the table "1.2 Interest income and similar revenues: differentials on hedging transactions".

#### 1.6 Interest expense and similar charges: other information

At year-end, interest expense on currency liabilities accounted for under "Interest expense and similar charges" amounted to Euro 189 thousand, of which Euro 76 thousand on amounts due to banks and Euro 113 thousand on amounts due to customers (a total of Euro 255 thousand last year).

**SECTION 2 - NET FEE AND COMMISSION INCOME (caption 40 and 50)**
**2.1 Fee and commission income: breakdown**

Type of service / Amount	31.12.2011	31.12.2010
a) Guarantees given	2,217	2,315
b) Credit derivatives		
c) Management, trading and consultancy services:	31,568	38,821
1. trading of financial instruments	3,441	3,550
2. currency trading	1,123	1,327
3. portfolio management	4,473	5,060
3.1. Individual	3,765	4,377
3.2. Collective	708	683
4. securities safekeeping and administration	2,858	3,164
5. depositary bank		2,478
6. securities placement	4,745	7,086
7. order receipt and transmission	7,979	9,597
8. consultancy services		
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	6,949	6,559
9.1. portfolio management	484	481
9.1.1. Individual	484	481
9.1.2. Collective		
9.2. insurance products	6,448	6,068
9.3. other products	17	10
d) Collection and payment services	20,933	20,863
e) Servicing for securitization operations		
f) Factoring transaction services	97	57
g) Tax collection services		
h) multi-lateral trading systems management		
i) holding and managing current accounts	62,156	63,227
j) other services	22,592	19,986
<b>Total</b>	<b>139,563</b>	<b>145,269</b>

Compared to the data released last year, item "9.3 Other products" has fallen by Euro 8,868 thousand due to the same amount being reclassified to item "j) Other services".

**2.2 Fee and commission expense: breakdown**

Services/Amount	31.12.2011	31.12.2010
a) Guarantees received	(18)	(37)
b) Credit derivatives		
c) Management and dealing services:	(2,259)	(2,218)
1. Trading of financial instruments	(926)	(448)
2. Currency trading		
3. Portfolio management:		
3.1 own portfolio		
3.2 delegated		
4. Securities safekeeping and administration	(1,333)	(1,770)
5. Placement of financial instruments		
6. Door-to-door sale of financial instruments, products and services		
d) Collection and payment services	(2,571)	(2,852)
e) Other services	(14,573)	(12,556)
<b>Total</b>	<b>(19,421)</b>	<b>(17,663)</b>

Compared to the data released last year item "c) 6. Door-to-door sale of financial instruments, products and services" was cleared, with the balance – equal to Euro 8,532 thousand – being reclassified to item "e) other services".

The element pertaining to the insurance company is limited to just Euro 0.8 thousand.

**SECTION 3 - DIVIDENDS AND SIMILAR REVENUES (caption 70)**
**3.1 Dividends and similar revenues: breakdown**

Caption/Revenues	31.12.2011		31.12.2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	5			
B. Available-for-sale financial assets	43		364	6
C. Financial assets at fair value through profit or loss				
D. Equity investments				
<b>Total</b>	<b>48</b>		<b>364</b>	<b>6</b>

The element pertaining to the insurance company amounts to Euro 19 thousand (Euro 6 thousand last year).

**SECTION 4 - PROFITS (LOSSES) ON TRADING (caption 80)**
**4.1 Profits (losses) on trading: breakdown**

<b>Transaction / Income component</b>	<b>Capital gain</b>	<b>Profit on trading</b>	<b>Capital losses</b>	<b>Losses on trading</b>	<b>Net income</b>
<b>1. Financial assets held for trading</b>	<b>108</b>	<b>527</b>	<b>(304)</b>	<b>(262)</b>	<b>69</b>
1.1 Debt securities	92	283	(104)	(109)	162
1.2 Equity securities		98	(200)	(153)	(255)
1.3 UCITS units					
1.4 Loans					
1.5 Other	16	146			162
<b>2. Financial liabilities held for trading</b>					
2.1 Debt securities					
2.2 Debts					
2.3 Other					
<b>liabilities: foreign exchange differences</b>					<b>2,009</b>
<b>4. Derivative instruments</b>	<b>105</b>	<b>1,042</b>	<b>(1,999)</b>	<b>(824)</b>	<b>(1,653)</b>
4.1 Financial derivatives:	105	1,042	(1,999)	(824)	(1,653)
- on debt securities and interest rates	40	1,042	(1,917)	(824)	(1,659)
- on equity securities and stock indexes	65		(82)		(17)
- on currencies and gold					23
- other					
4.2 Credit derivatives					
<b>TOTAL</b>	<b>213</b>	<b>1,569</b>	<b>(2,303)</b>	<b>(1,086)</b>	<b>425</b>

**SECTION 5 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING (caption 90)**
**5.1 Fair value adjustments in hedge accounting: breakdown**

<b>Income component/Amount</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>A. Income relating to:</b>		
A.1 Fair value hedging derivatives	6,651	2,312
A.2 Hedged financial assets (fair value)	1,383	
A.3 Hedged financial liabilities (fair value)		856
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
<b>Total income from hedging activities (A)</b>	<b>8,034</b>	<b>3,168</b>
<b>B. Charges relating to:</b>		
B.1 Fair value hedging derivatives	(1,507)	(1,113)
B.2 Hedged financial assets (fair value)		(458)
B.3 Hedged financial liabilities (fair value)	(6,550)	
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
<b>Total charges from hedging activities (B)</b>	<b>(8,057)</b>	<b>(1,571)</b>
<b>C. Net hedging income (A – B)</b>	<b>(23)</b>	<b>1,597</b>

**SECTION 6 - PROFITS (LOSSES) ON DISPOSAL/REPURCHASE (caption 100)**
**6.1 Profits (losses) on disposals/repurchase: breakdown**

Caption/Income component	31.12.2011			31.12.2010		
	Profits	Losses	Net income	Profits	Losses	Net income
<b>Financial assets</b>						
1. Amounts due from banks						
2. Amounts due from customers	38	(594)	(556)	60		60
3. Available-for-sale financial assets	5,431	(2,840)	2,591	11,249	(4,051)	7,198
3.1 Debt securities	5,046	(2,798)	2,248	10,073	(1,720)	8,353
3.2 Equity securities	200	(35)	165	100	(25)	75
3.3 UCITS units	185	(7)	178	1,076	(2,306)	(1,230)
3.4 Loans						
4. Held-to-maturity investments						
<b>Total assets</b>	<b>5,469</b>	<b>(3,434)</b>	<b>2,035</b>	<b>11,309</b>	<b>(4,051)</b>	<b>7,258</b>
<b>Financial liabilities</b>						
1. Amounts due to banks						
2. Amounts due to customers						
3. Securities issued	1,292	(15)	1,277	1,018	(162)	856
<b>Total liabilities</b>	<b>1,292</b>	<b>(15)</b>	<b>1,277</b>	<b>1,018</b>	<b>(162)</b>	<b>856</b>

Profits/losses from assignments of receivables arise from the transfer of non-performing loans.

Profits/losses from disposal/repurchase of available-for-sale financial assets represent the impact of the sales for the year on the income statement, including the release of the related valuation reserves, gross of tax effect. Profits related to the transfer of UCITS units also include tax credits.

For financial liabilities, the result is given by profits/losses for the purchase and sale or repayment of debenture loans issued by the Bank.

The income component pertaining to the insurance company, which relates to operations on available-for-sale financial assets, recorded a negative result of Euro 33 thousand (against a positive result last year of Euro 106 thousand).

**SECTION 7 - PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 110)**
**7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: breakdown**

Transaction/ Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income
<b>1. Financial assets</b>					
1.1 Debt securities					
1.2 Equity securities					
1.3 UCITS units					
1.4 Loans					
<b>2. Financial liabilities</b>	<b>3,266</b>	<b>2,727</b>			<b>5,993</b>
2.1 Debt securities	3,266	2,727			5,993
2.2 Amounts due to banks					
2.3 Amount due to customers					
<b>3. Financial assets and liabilities: foreign exchange differences</b>					
<b>4. Financial and credit derivatives</b>	<b>1,536</b>		<b>(4,783)</b>		<b>(3,247)</b>
<b>TOTAL</b>	<b>4,802</b>	<b>2,727</b>	<b>(4,783)</b>		<b>2,746</b>

**Section 8 - NET LOSSES/RECOVERIES ON IMPAIRMENT (caption 130)**
**8.1 Net impairment losses on loans: breakdown**

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2011	Total 31.12.2010
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks							11	10	
- loans							11	10	
- debt securities									
B. Amounts due from customers	(13,751)	(45,621)	(732)	6,305	13,276		2,142	(38,381)	
- loans	(13,751)	(45,621)	(732)	6,305	13,276		2,142	(38,381)	
- debt securities									
<b>C. Total</b>	<b>(13,751)</b>	<b>(45,621)</b>	<b>(732)</b>	<b>6,305</b>	<b>13,276</b>		<b>2,153</b>	<b>(38,370)</b>	

**8.2 Net impairment losses on financial assets available for sale: breakdown**

There were no net impairment losses at the reference date on financial assets available for sale.

### 8.3 Net impairment losses on held-to-maturity investments: breakdown

There were no net impairment losses at the reference date on held-to-maturity investments.

### 8.4 Net impairment losses on other financial transactions: breakdown

Transaction / Income component	Impairment losses			Recoveries				Total 31.12.2011	Total 31.12.2010
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted	(305)	(236)	(9)		101		362	(87)	(102)
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
<b>Total</b>	<b>(305)</b>	<b>(236)</b>	<b>(9)</b>		<b>101</b>		<b>362</b>	<b>(87)</b>	<b>(102)</b>

## SECTION 9 - NET INSURANCE PREMIUMS (caption 150)

### 9.1 Net insurance premiums: breakdown

Net insurance premiums	Direct work	Indirect work	31.12.2011	31.12.2010
<b>A. Life branch</b>				
A.1 Gross premiums accounted for (+)				
A.2 Premiums assigned for reinsurance (-)				
<b>A.3 Total</b>				
<b>B. Non-life branch</b>				
B.1 Gross premiums accounted for (+)	32,201		32,201	27,234
B.2 Premiums assigned for reinsurance (-)	(3,095)		(3,095)	(2,560)
B.3 Changes in the gross amount of premium reserve (+/-)				
B.4 Changes in premium reserves reassured with third parties (-/+)				
<b>B.5 Total</b>	<b>29,106</b>		<b>29,106</b>	<b>24,674</b>
<b>C. Total net insurance premiums</b>	<b>29,106</b>		<b>29,106</b>	<b>24,674</b>



**SECTION 10 - OTHER NET INSURANCE INCOME/EXPENSES (caption 160)**
**10.1 Other net insurance income/expenses: breakdown**

Captions	31.12.2011	31.12.2010
1. Net change in technical reserves	(6,689)	(7,298)
2. Claims accrued and paid during the period	(4,184)	(3,415)
3. Other income/charges arising from insurance activities	(6,937)	(4,555)
<b>Total</b>	<b>(17,810)</b>	<b>(15,268)</b>

**10.2 Breakdown of sub-caption "Net change in technical reserves"**

Net change in technical reserves	31/12/2011	31/12/2010
<b>1. Life branch</b>		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 Amount reassured with third parties (-)		
B. Other technical reserves		
B.1 Gross annual amount		
B.2 Amount reassured with third parties (-)		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount		
C.2 Amount reassured with third parties (-)		
<b>Total "life branch reserves"</b>		
<b>2. Non-Life branch</b>		
Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	<b>(6,689)</b>	<b>(7,298)</b>

**10.3 Breakdown of sub-caption "Claims accrued and paid during the year"**

<b>Charges associated to claims</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Life branch: charges associated to claims, net of reinsurance ceded</b>		
A. Amounts paid		
A.1 Gross annual amount third parties		
B. Changes in funds for amounts to be disbursed		
B.1 Gross annual amount		
B.2 (-) Amount reassured with third parties		
<b>Total life branch claims</b>		
<b>Non-Life branch: charges associated to claims, net of recoveries and reinsurance ceded</b>		
C. Amounts paid:	(2,425)	(1,467)
C.1 Gross annual amount third parties	(3,336)	(1,830)
911	911	363
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund	(1,759)	(1,948)
E.1 Gross annual amount third parties	(1,870)	(2,172)
111	111	224
<b>Total non-life branch claims</b>	<b>(4,184)</b>	<b>(3,415)</b>
<b>Total</b>	<b>(4,184)</b>	<b>(3,415)</b>

**10.4 Breakdown of sub-caption "Other net insurance income/expense"**
**10.4.2 Non-Life Branch**

	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>NON-LIFE BRANCH</b>		
<b>Income</b>	<b>2,610</b>	<b>1,979</b>
-Other technical income, net of recoveries and reinsurance	410	145
- Change in commissions and other acquisition costs to be amortised		
- Commissions and share of gains received from reinsurers	2,200	1,834
<b>Charges</b>	<b>(9,547)</b>	<b>(6,534)</b>
- Other technical charges, net of recoveries and reinsurance	(1,089)	(178)
- Acquisition fees	(8,373)	(6,275)
- Other acquisition costs	(85)	(81)
- Collection fees		
<b>Total non-life branch</b>	<b>(6,937)</b>	<b>(4,555)</b>

**SECTION 11 - ADMINISTRATIVE COSTS (caption 180)**
**11.1 Personnel costs: breakdown**

Type of costs/Amount	31.12.2011	31.12.2010
1) Employees	(148,450)	(145,035)
a) wages and salaries	(98,934)	(98,902)
b) social security charges	(25,196)	(24,146)
c) provision for employee termination indemnities		
d) social security costs	(26)	(25)
e) provisions for termination indemnities	(1,280)	(1,322)
f) accruals to pension funds and similar funds:		
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social security funds:		
- defined contribution	(10,942)	(10,746)
- defined benefit	(10,942)	(10,746)
h) costs arising from payment agreements based on own financial instruments	(159)	(268)
i) other benefits in favor of employees	(11,913)	(9,626)
2) Other personnel in active employment	(2,787)	(3,034)
3) Directors and statutory auditors	(5,836)	(6,906)
4) Staff pensioned off		
5) Recoveries of expenses for staff seconded to other companies		
6) Refund of expenses for third-party employees seconded to the company		
<b>Total</b>	<b>(157,073)</b>	<b>(154,975)</b>

The insurance component amounts to Euro 3,296 thousand (Euro 3,045 thousand last year).

**11.2 Average number of employees by category: banking group**

	31.12.2011	31.12.2010
<b>Employees</b>	<b>1,834</b>	<b>1,746</b>
a) Executives	35	37
b) Managers	932	897
c) Remaining employees	867	812
<b>Other personnel</b>	<b>39</b>	<b>39</b>

The average number of employees in the insurance company was 38 (39 last year), of which 2 Senior Managers, 10 Managers (11 last year) and 10 remaining staff. Other staff comprises 4 units of staff (1 last year).

**11.3 Corporate defined-benefit pension funds: total costs**

None at the reference date.

**11.4 Other employee benefits**

	31.12.2011	31.12.2010
provisions for sundry costs	(8,409)	(5,151)
social security contribution	(1,260)	(1,108)
training and education expenses	(408)	(589)
leases on buildings dedicated to the use by other	(191)	(149)
	(1,645)	(2,629)
<b>Total</b>	<b>(11,913)</b>	<b>(9,626)</b>

The element pertaining to the insurance company amounts to Euro 58 thousand (Euro 52 thousand last year).

**11.5 Other administrative costs: breakdown**

	31.12.2011	31.12.2010
indirect taxes and duties		
- stamp duties	(11,154)	(9,353)
- other	(3,687)	(4,363)
other costs		
- information technology charges	(10,056)	(12,034)
- property/equipment lease	(13,219)	(12,532)
- maintenance of property/furniture and equipment	(3,614)	(3,876)
- postal and telegraphic charges	(2,353)	(2,566)
- telephone, data transmission charges	(2,946)	(3,027)
- electric power, heating, water	(3,391)	(3,430)
- cleaning services	(1,342)	(1,268)
- printing, stationery and consumables expenses	(1,411)	(1,424)
- transport costs	(905)	(909)
- surveillance and security	(1,950)	(1,790)
- advertising	(1,421)	(1,686)
- information and certificates	(1,680)	(2,027)
- insurance premiums	(1,120)	(929)
- legal expenses	(5,490)	(5,296)
- professional consulting expenses	(4,331)	(3,953)
- contributions and donations	(179)	(221)
- other expenses	(10,374)	(8,459)
<b>Total</b>	<b>(80,623)</b>	<b>(79,143)</b>

The total amount of "other administrative expenses" attributable to the insurance company, net of intergroup costs, amounts to Euro 1,990 thousands (Euro 2,134 thousand last year).

This item includes the fees paid to the audit firm PriceWaterHouseCoopers S.p.A. for the different types of services rendered to the Group.

Type of services	Service Supplier	Beneficiary	Remuneration 2011
Audit	PricewaterhouseCoopers	Group	411
Certification services	PricewaterhouseCoopers	Group	8
Tax advisory services	PricewaterhouseCoopers	Group	
Other services: agreed procedures	PricewaterhouseCoopers	Group	29

## SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES (caption 190)

### 12.1 Net provisions for risks and charges: breakdown

Captions	31.12.2011	31.12.2010
charges for legal disputes	(3,245)	1,062
undry charges	7,300	14,577
<b>Total</b>	<b>4,055</b>	<b>15,639</b>

## SECTION 13 - NET ADJUSTMENTS TO/RECOVERIES ON TANGIBLE ASSETS (caption 200)

### 13.1 Net adjustments to recoveries on tangible assets: breakdown

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income
A. Tangible assets				
A.1 owned by the Bank	(6,852)			(6,852)
- for business use	(6,852)			(6,852)
- for investment				
A.2 leased				
- for business use				
- for investment				
<b>Total</b>	<b>(6,852)</b>			<b>(6,852)</b>

This item includes amortization attributable to the insurance company for Euro 68 thousand.

**SECTION 14 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS (caption 210)**
**14.1 Net adjustments to/recoveries on intangible assets: breakdown**

Asset / Income component	Amortization	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 owned by the Bank	(1,600)			(1,600)
- generated internally				
- other	(1,600)			(1,600)
A.2 leased				
<b>Total</b>	<b>(1,600)</b>			<b>(1,600)</b>

The insurance component amounts to Euro 578 thousand.

**SECTION 15 - OTHER OPERATING INCOME (EXPENSES) (caption 220)**
**15.1 Other operating expenses: breakdown**

Captions	31.12.2011	31.12.2010
amortization of costs for leasehold improvements	(3,252)	(2,581)
losses on disposal of tangible assets	(39)	(16)
charges on non-banking services	(1,198)	(2,360)
<b>Total</b>	<b>(4,489)</b>	<b>(4,957)</b>

The insurance component, net of intergroup relations, amounts to Euro 45 thousand (Euro 29 thousand last year).

**15.2 Other operating income: breakdown**

Captions	31.12.2011	31.12.2010
recovery of taxes from third parties	12,760	11,685
recovery of expenses	2,013	1,630
others	7,672	6,072
<b>Total</b>	<b>22,445</b>	<b>19,387</b>

The insurance component amounts to Euro 18 thousand (Euro 43 thousand last year).

**SECTION 16 - PROFITS (LOSSES) ON EQUITY INVESTMENTS (caption 240)**
**16.1 Profits (losses) on equity investments: breakdown**

Income component / Values	31.12.2011	31.12.2010
<b>Companies subject to significant influence</b>		
<b>A. Revenues</b>	<b>2,763</b>	<b>3,909</b>
1. Revaluations	2,763	3,380
2. Profits on disposal		
3. Write-backs		529
4. Other		
<b>B. Charges</b>		
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other		
<b>Net result</b>	<b>2,763</b>	<b>3,909</b>

**SECTION 17 - NET PROFITS (LOSSES) FROM TANGIBLE AND INTANGIBLE ASSETS AT FAIR VALUE (caption 250)**

There were no tangible or intangible assets measured at fair value at the reference date.

**SECTION 18 - IMPAIRMENT OF GOODWILL (caption 260)**
**18.1 Impairment of goodwill: breakdown**

The results of the recoverability tests on goodwill recorded in the financial statements led to impairment losses of Euro 3.0 million being recorded for the subsidiary C.P.C. S.A. – Lugano.

**SECTION 19 - PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS (caption 270)**
**19.1 Profits (losses) on disposals of investments: breakdown**

Income component/Sectors	31.12.2011	31.12.2010
A. Real estate assets		
- Profits on disposal		
- Losses on disposal		
B. Other assets	2	
- Profits on disposal	2	
- Losses on disposal		
<b>Net result</b>	<b>2</b>	

**SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN (caption 290)**
**20.1 Taxes on income from continuing operations: breakdown**

Income component / Values	31.12.2011	31.12.2010
1. Current taxes (-)	(38,241)	(32,362)
2. Changes in current taxes of previous periods (+/-)	296	(10)
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	1,947	2,622
5. Changes in deferred tax liabilities (+/-)	(95)	(2)
<b>6. Taxes for the year</b>	<b>(36,093)</b>	<b>(29,752)</b>

The component attributable to the insurance company amounts to Euro 1,682 thousand (Euro 1,033 thousand last year).



**20.2 Reconciliation of theoretical and effective tax charges in the financial statements**

	IRES		IRAP	
Profit before taxes	86,552		86,552	
Non-deductible costs for IRAP purposes			225,302	
Non-taxable revenues for IRAP purposes			(39,384)	
Sub-Total	86,552		272,470	
<b>Theoretical tax charge</b>				
<b>27.5% Ires - 5.57% Irap</b>		<b>(23,802)</b>		<b>(15,239)</b>
Temporary taxable differences over subsequent years	(426)		(426)	
Temporary deductible differences over subsequent years	27,706		3,220	
Reallocation of temporary differences from previous financial years	(14,320)		1,593	
Differences not to be reversed in subsequent years	(9,789)		(41,704)	
Taxable income	89,723		235,153	
<b>Current taxes for the period</b>				
<b>27.5% Ires - 5.27% Irap</b>		<b>(24,673)</b>		<b>(13,168)</b>

(\*) for the insurance business the IRAP rate is 6.82%

Reconciliation is made for the sole consolidated companies which are resident in Italy, since no substantial differences between the theoretical tax charge and the effective charge shown in the accounts are recognised for foreign companies.

**SECTION 21 - GAINS (LOSSES) ON GROUPS OF ASSETS BEING DISPOSED OF, NET OF TAXES (caption 310)**

There were no gains/losses on groups of assets being disposed of at the reference date.

**SECTION 22 - PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS (caption 330)**
**22.1 Breakdown of caption 330 "Profit for the period attributable to minority interests"**

The total amount of Euro 949 thousand (Euro 849 thousand last year) for Euro 833 thousand refers to Chiara Assicurazioni S.p.A. and for Euro 116 thousand to Rovere S.A. (last year Euro 575 thousand for Chiara Assicurazioni S.p.A. and Euro 274 thousand to Rovere S.A.).

**SECTION 24 - EARNINGS PER SHARE**
**24.1 Average number of diluted-capital ordinary shares**

During the year no transaction on the share capital or no issue of financial instruments was carried out which could entail the issue of shares; therefore, the number of shares entitled to profits is equal to 117,000,000 ordinary shares and 13,202,000 savings shares.

**24.2 Other information**
**Basic earnings per share**

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285	1,663	
Retained earnings	27,297	3,697	
	39,582	5,360	44,942
Average number of outstanding ordinary shares:			
Categories:			
Ordinary shares	117.000.000		
Savings shares	13.202.000		
<b>Earnings per share - Basic :</b>	<b>0.338</b>	<b>0.406</b>	

**PART D - CONSOLIDATED COMPREHENSIVE INCOME**
**Statement of consolidated comprehensive income**

	Captions	Gross amount	Income tax	Net amount
<b>10.</b>	<b>Profit (Loss) for the period</b>	<b>X</b>	<b>X</b>	<b>45 891</b>
	<b>Other income components</b>			
<b>20.</b>	Available-for-sale financial assets	(42 780)	14 169	(28 611)
	a) fair value changes	(45 652)	15 030	(30 622)
	b) reversal to the income statement	2 542	( 835)	1 707
	- value adjustments due to deterioration			
	- profits/losses on disposal	2 542	( 835)	1 707
	c) other changes	330	( 26)	304
<b>30.</b>	Tangible assets			
<b>40.</b>	Intangible assets			
<b>50.</b>	Foreign investment hedge:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>60.</b>	Cash flow hedge:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>70.</b>	Exchange differences:	485		485
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes	485		485
<b>80.</b>	operations			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
<b>90.</b>	Actuarial profits (losses) on defined benefit plans	13	( 3)	10
<b>100.</b>	Share of valuation reserve of equity investments carried at equity:			
	a) fair value changes	(4 748)		(4 748)
	b) reversal to the income statement			
	- value adjustments due to deterioration			
	- profits/losses on disposal			
	c) other changes			
<b>110.</b>	<b>Total other income components</b>	<b>(47 030)</b>	<b>14 166</b>	<b>(32 864)</b>
<b>120.</b>	<b>Comprehensive income (10+110)</b>	<b>X</b>	<b>X</b>	<b>13 027</b>
	Consolidated comprehensive income attributable to			
<b>130.</b>	minority interests	X	X	( 197)
<b>140.</b>	<b>Consolidated comprehensive income attributable to the parent company</b>	<b>X</b>	<b>X</b>	<b>12 830</b>

## **PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES**

### **SECTION 1 – THE BANKING GROUP RISK**

#### **1.1 Credit risk**

##### **Qualitative information**

###### **1. 1. General aspects**

The Group's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

For some specific products (targeted personal loans, leasing), activities are also conducted by means of authorised operators.

###### **2. Policies for the management of credit risks**

###### **2.1 Organisational aspects**

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.

The Board of Directors of the Parent Company is assigned, on an exclusive basis, the tasks and powers related to the determination of the policies which affect the general operation of the company and of the Group. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.

In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, establishes any concrete procedures to implement the control levels envisaged, taking account of the nature and size of the business conducted by the subsidiary.

###### **2.2 Management, measurement and control systems**

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.

The organisational structure and the risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated.

The Banco Desio Group adopts, for management purposes in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System), developed within the Group, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the

default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). The application of this model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non-performing loans (expired, problem and non-performing loans). The Group followed the rules laid down in the legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

### **2.3 Credit risk mitigation techniques**

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Group obtains additional real and/or personal securities in order to mitigate risk.

Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments. The guarantee management process, in compliance with the requirements in the new regulations, provides for monitoring activities and specific internal monitoring with a view to the verification of eligibility.

To date, the Group has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

### **2.4 Impaired financial assets**

The transfer to the non-performing loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Loans to customers are classified as problem loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively. In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

As to the classification under restructured loans, either cash or "off-balance sheet", the Group complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.

Positions which are overdue are kept under constant review by the functions responsible with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent. In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out on the basis of the information relating to the various court districts.

**Quantitative information**
**A. Credit quality**
**A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area**
*A.1.1 Loans: break-down by portfolio and credit quality (book values)*

Portfolio / Quality	Banking Group				Other companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Impaired Others	
1. Financial assets held for trading					17,419		17,419
2. Available-for-sale financial assets	110				842,409	33,345	875,864
3. Held-to-maturity investments					124,626		124,626
4. Amount due from banks					282,375	6,150	288,525
5. Amounts due from customers	124,676	104,553	3,921	34,948	6,312,332	20	6,580,450
6. Financial assets at fair value through profit or loss							
7. Financial assets under disposal							
8. Hedging derivatives					5,631		5,631
<b>Total 31/12/2011</b>	<b>124,786</b>	<b>104,553</b>	<b>3,921</b>	<b>34,948</b>	<b>7,584,792</b>	<b>39,515</b>	<b>7,892,515</b>
Total 31/12/2010	89,538	78,907	4,119	31,759	7,506,719	31,779	7,742,821

**A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)**

Portfolio / Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
<b>A. Group Bank</b>							
1. Financial assets held for trading				17,419		17,419	17,419
2. Available-for-sale financial assets	110		110	842,409		842,409	842,519
3. Held-to-maturity investments				124,626		124,626	124,626
4. Amount due from banks				282,375		282,375	282,375
5. Amounts due from customers	377,779	(109,681)	268,098	6,343,221	(30,889)	6,312,332	6,580,430
6. Financial assets at fair value through profit or loss							
7. Financial assets under disposal							
8. Hedging derivatives				5,631		5,631	5,631
<b>Total A</b>	<b>377,889</b>	<b>(109,681)</b>	<b>268,208</b>	<b>7,615,681</b>	<b>(30,889)</b>	<b>7,584,792</b>	<b>7,853,000</b>
<b>B. Other companies included in the consolidation</b>							
1. Financial assets held for trading							
2. Available-for-sale financial assets				33,345		33,345	33,345
3. Held-to-maturity investments							
4. Amount due from banks				6,150		6,150	6,150
5. Amounts due from customers				20		20	20
6. Financial assets at fair value through profit or loss							
7. Financial assets under disposal							
8. Hedging derivatives							
<b>Totale B</b>				<b>39,515</b>		<b>39,515</b>	<b>39,515</b>
<b>Total 31/12/2011</b>	<b>377,889</b>	<b>(109,681)</b>	<b>268,208</b>	<b>7,655,196</b>	<b>(30,889)</b>	<b>7,624,307</b>	<b>7,892,515</b>
<b>Total 31/12/2010</b>	<b>303,559</b>	<b>(99,236)</b>	<b>204,323</b>	<b>7,570,190</b>	<b>(32,486)</b>	<b>7,537,704</b>	<b>7,742,027</b>

**Breakdown of performing assets**

The item "Amounts due from customers" includes net receivables arising from renegotiations within Collective agreements for Euro 28.5 million and Euro 404.9 million for expired loans, for which the breakdown of the same by maturity date is reported.

Portfolio/quality	Performing loans		
	Gross exposure	Portfolio adjustments	Net exposure
<b>. Amounts due from customers</b>	<b>6,343,221</b>	<b>(30,889)</b>	<b>6,312,332</b>
<b>of which . Expired loans</b>	<b>409,509</b>	<b>(4,616)</b>	<b>404,893</b>
. Until 3 months	364,640	(3,899)	360,741
. Between 3 and 5 months	40,956	(605)	40,351
. Between 6 months and 1 year	3,509	(97)	3,412
. Beyond 1 year	404	(15)	389

**A.1.3 Banking group - Cash and off-balance sheet loans to banks: gross and net values**

Type/Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. Cash loans</b>				
b) Non-performing loans				
c) Restructured loans				
d) Expired loans				
e) Other assets				
<b>Total A</b>	509,097			509,097
<b>A. Cash loans</b>	<b>509,097</b>			<b>509,097</b>
<b>a) Problem loans</b>				
c) Restructured loans				
d) Expired loans	20,914		(45)	20,869
<b>Total B</b>	<b>20,914</b>		<b>(45)</b>	<b>20,869</b>
<b>Total (A+B)</b>	<b>530,011</b>		<b>(45)</b>	<b>529,966</b>

**A.1.4 Banking group – Cash and off-balance sheet loans to banks: change in impaired loans - gross**

None at the reference date.

**A.1.5 Banking group – Cash and off-balance sheet loans to banks: changes in overall impairments**

None at the reference date.

**A.1.6 Banking group - Cash and off-balance sheet loans to customers: gross and net values**

Type/Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. Cash loans</b>				
a) Problem loans	202,459	(77,673)		124,786
b) Non-performing loans	134,936	(30,383)		104,553
c) Restructured loans	4,361	(440)		3,921
d) Expired loans	36,133	(1,185)		34,948
e) Other assets	7,097,063		(30,889)	7,066,174
<b>Total A</b>	<b>7,474,952</b>	<b>(109,681)</b>	<b>(30,889)</b>	<b>7,334,382</b>
<b>B. Off-balance sheet loans</b>				
a) Impaired assets	10,067	(368)		9,699
b) Other	411,208		(913)	410,295
<b>Total B</b>	<b>421,275</b>	<b>(368)</b>	<b>(913)</b>	<b>419,994</b>
<b>Total (A+B)</b>	<b>7,896,227</b>	<b>(110,049)</b>	<b>(31,802)</b>	<b>7,754,376</b>



**A.1.7 Banking group – Cash loans to customers: changes in impaired loans – gross**

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Opening gross exposure</b> of which: loans sold but not written off	<b>156,940</b>	<b>109,126</b>	<b>4,553</b>	<b>32,904</b>
<b>B. Increases</b>	<b>99,503</b>	<b>154,285</b>	<b>1,309</b>	<b>118,215</b>
b.1 from performing loans	8,237	96,029	267	110,556
B.2 transfer from other categories of impaired loans	88,052	28,227	383	930
B.3 other increases	3,214	30,029	659	6,729
<b>C. Decreases</b>	<b>53,984</b>	<b>128,475</b>	<b>1,501</b>	<b>114,986</b>
c.1 to performing loans		13,695		54,723
C.2 write-offs	32,297	14		1
C.3 collections	21,461	33,006	1,501	24,619
C.4 arising from sales	38			
C.5 transfer to other categories of impaired loans	188	81,760		35,643
C.6 other decreases				
<b>D. Closing gross exposure</b> of which: loans sold but not written off	<b>202,459</b>	<b>134,936</b>	<b>4,361</b>	<b>36,133</b>

**A.1.8 Banking group – Cash loans to customers: changes in total value adjustments**

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Total opening adjustments</b> of which: loans sold but not written off	<b>67,402</b>	<b>30,228</b>	<b>434</b>	<b>1,172</b>
	-	-	-	-
<b>B. Increases</b>	<b>53,640</b>	<b>21,553</b>	<b>249</b>	<b>1,226</b>
B.1 adjustments	37,449	21,322	87	1,139
B.2 transfer from other categories of impaired loans	15,778	230	162	86
B.3 other increases	413	1	-	1
<b>C. Decreases</b>	<b>43,369</b>	<b>21,398</b>	<b>243</b>	<b>1,213</b>
C.1 write-backs due to valuation	6,093	3,803	159	697
C.2 write-backs due to collection	4,979	1,617	84	223
C.3 write-offs	32,297	14	-	1
C.4 transfer to other categories of impaired loans	-	15,964	-	292
C.5 other decreases	-	-	-	-
<b>D. Total closing adjustments</b> of which: loans sold but not written off	<b>77,673</b>	<b>30,383</b>	<b>440</b>	<b>1,185</b>
	-	-	-	-

**A.2 Break-down of exposures based on external ratings**
*A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)*

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

*A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings*

The Group does not use internal rating models for the determination of capital requirements. As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company has developed, for management purposes, a rating model aimed at assessing retail clients (private consumers and micro enterprises) and Corporate clients (enterprises with a turnover of over Euro 1million). The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate.

Loans at 31.12.2011	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	35.90%	45.10%	19.00%	100%
Off-balance sheet loans	61.90%	30.40%	7.70%	100%

**A.3 Breakdown of guaranteed loans by type of guarantee**
**A.3.1 Banking group – Secured loans to banks**

None at the reference date.

**A.3.2 Banking group – Secured loans to customers**

	Net amount of loan	Real Guarantees			Personal Guarantees								Total	
		Property	Securities	Other real guarantees	Credit derivatives				Endorsements					
					CLN	Other derivatives	Banks	Other entities	Governments and Central banks	Other public entities	Banks	Other entities		
<b>1. Secured cash loans:</b>														
1.1 fully secured	4,465,121	7,017,964	482,937	119,977								2,791	3,979,888	<b>11,603,557</b>
- of which impaired	202,635	376,787	9,343	2,591									431,834	<b>820,555</b>
1.2 partially secured	220,288	9,298	49,014	23,344									76,747	<b>158,403</b>
- of which impaired	10,582	103	717	1,149									6,795	<b>8,764</b>
<b>2. Secured off-balance sheet loans :</b>														
2.1 fully secured	160,049	48,005	14,965	13,091									192,986	<b>269,047</b>
- of which impaired	3,258		1,750	134									3,681	<b>5,565</b>
2.2 partially secured	34,927		10,133	3,015									7,237	<b>20,385</b>
- of which impaired	65		39										10	<b>49</b>

**B. Break-down and concentration of loans**
**B.1 Banking group – Cash and off-balance sheet loans to customers: break-down by sector (book value)**

Loan/ Counterparty	Governments			Other public entities			Financial institutions			Insurance company			Non financial companies			Other entities		
	Net exposure	Specific	Portfolio	Net exposure	Specific	Portfolio	Net exposure	Specific	Portfolio	Net exposure	Specific	Portfolio	Net exposure	Specific	Portfolio	Net exposure	Specific	Portfolio
		value	value		value	value		value	value		value	value		value	value		value	value
	adjustments	adjustments		adjustments	adjustments		adjustments	adjustments		adjustments	adjustments		adjustments	adjustments		adjustments	adjustments	
<b>A. Cash loans</b>																		
A.1 Non-performing loans							128	(40)					86,202	(56,388)		38,456	(21,245)	
A.2 Problem loans							191	(110)					57,330	(16,794)		47,032	(13,479)	
A.3 Restructured loans													3,921	(440)				
A.4 Expired loans													17,034	(673)		17,914	(512)	
A.5 Other loans	713,498			3,734			119,189		(249)	24,711	(85)	3,973,982		(24,909)	2,231,060		(5,646)	
<b>Total A</b>	713,498			3,734			119,508	(150)	(249)	24,711	(85)	4,138,469	(74,295)	(24,909)	2,334,462	(35,236)	(5,646)	
<b>B. Off-balance sheet loans</b>																		
B.1 Non-performing loans													114	(58)		453	(85)	
B.2 Problem loans							1,500						3,339	(50)		1,229	(174)	
B.3 Other impaired assets													2,100			964	(1)	
B.4 Other loans	25,000						6,642		(8)	873	(2)	319,190		(805)	58,590		(98)	
<b>Total B</b>	25,000						8,142	(8)	(8)	873	(2)	324,743	(108)	(805)	61,236	(260)	(98)	
<b>Total (A+B) 2011</b>	738,498			3,734			127,650	(150)	(257)	25,584	(87)	4,463,212	(74,403)	(25,714)	2,395,698	(35,496)	(5,744)	
<b>Total 2010</b>	583,722	(1)	(59)	87,406	(112)	(124)	95,691	(73)	(235)	58,638	(21)	4,599,546	(70,853)	(27,500)	2,095,017	(28,316)	(5,557)	

**B.2 Banking group - Cash and off-balance sheet loans to customers: break-down by geographical area (book value)**

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans	124,676	(77,673)			110					
A.2 Problem loans	104,553	(30,383)								
A.3 Restructured loans	3,921	(440)								
A.4 Expired loans	34,948	(1,185)								
A.5 Other loans	7,039,341	(30,634)	24,448	(237)	1,669	(5)	715	(13)	1	
<b>Total A</b>	<b>7,307,439</b>	<b>(140,315)</b>	<b>24,448</b>	<b>(237)</b>	<b>1,779</b>	<b>(5)</b>	<b>715</b>	<b>(13)</b>	<b>1</b>	
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans	567	(143)								
B.2 Problem loans	6,068	(224)								
B.3 Other impaired assets	3,064	(1)								
B.4 Other loans	403,608	(913)	5,853		684				150	
<b>TOTAL B</b>	<b>413,307</b>	<b>(1,281)</b>	<b>5,853</b>		<b>684</b>				<b>150</b>	
<b>TOTAL (A+B) 2011</b>	<b>7,720,746</b>	<b>(141,596)</b>	<b>30,301</b>	<b>(237)</b>	<b>2,463</b>	<b>(5)</b>	<b>715</b>	<b>(13)</b>	<b>151</b>	
<b>TOTAL 2010</b>	<b>7,487,149</b>	<b>(132,603)</b>	<b>26,049</b>	<b>(218)</b>	<b>6,103</b>	<b>(30)</b>	<b>719</b>			

**B.3 Banking group - Cash and off-balance sheet loans to banks: break-down by geographical area (book value)**

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	348,908		159,397		597		87		108	
<b>TOTAL</b>	<b>348,908</b>		<b>159,397</b>		<b>597</b>		<b>87</b>		<b>108</b>	
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	14,684		6,079		2		83	(36)	21	(9)
<b>TOTAL</b>	<b>14,684</b>		<b>6,079</b>		<b>2</b>		<b>83</b>	<b>(36)</b>	<b>21</b>	<b>(9)</b>
<b>TOTAL 2011</b>	<b>363,592</b>		<b>165,476</b>		<b>599</b>		<b>170</b>	<b>(36)</b>	<b>129</b>	<b>(9)</b>
<b>Total 2010</b>	<b>547,105</b>	<b>(256)</b>	<b>142,702</b>		<b>969</b>		<b>611</b>	<b>(38)</b>	<b>1,572</b>	<b>(120)</b>

#### **B.4 Large risks**

With reference to the supervisory regulations 1 position was recorded, referring to the Ministry of the Treasury, with a total nominal amount of Euro 713.5 million, and a weighted value of nil.

**C. SECURITIZATION TRANSACTIONS AND ASSET DISPOSAL**

**C.1 Securitization transactions**

**Quantitative information**

*C.1.1 Banking group - Loans arising from securitization transactions divided by quality of the underlying assets*

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. With own underlying assets</b>																		
a) impaired																		
b) other																		
<b>B. With third party underlying assets</b>																		
a) impaired																		
b) other	721	721																

*C.1.2 Banking group – Loans arising from the main “Bank” securitization transactions divided by type of securitized assets and by type of exposure*

None at the reference date.

*C.1.3 Banking group - Loans arising from main “third party” securitization transactions divided by type of securitized assets and of loan*

Underlying asset type / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A.1 F.I.P. 26.04.25</b>																		
Property	721																	



C.1.4 Banking group - Exposures arising from securitizations broken down by portfolio and by type

Exposure / Portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	31/12/2011	31/12/2010
1. Cash loans							
- senior			721			721	1,307
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

**C.2 Asset disposals**

*C.2.1 Banking group - Financial assets sold but not written off*

	Financial assets held for trading			Financial assets at fair value through profit and loss			Available-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2011	31/12/2010
<b>A. Cash assets</b>																				
1. Debt securities	6,049						35,059												41,108	157,068
2. Equity securities																				
3. U.C.I.T.S																				
4. Financing																				
<b>B. Derivative instruments</b>																				
<b>Total 31/12/2011</b>	<b>6,049</b>						<b>35,059</b>												<b>41,108</b>	<b>157,068</b>
<i>of which impaired</i>																				
<b>Total 31/12/2010</b>	<b>352</b>						<b>123,378</b>			<b>33,338</b>									<b>157,068</b>	
<i>of which impaired</i>																				

Key:

- A = Transferred financial assets which are fully recognised (book value)
- B = Transferred financial assets which are partially recognised (book value)
- C = Transferred financial assets which are partially recognised (full value)

**C.2.2 Banking group - Financial liabilities against financial assets sold but not written off**

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
<b>1. Due to customers</b>							
a) corresponding to fully recorded assets	6,048					5,466	11,514
b) corresponding to partially recorded assets							
<b>2. Due to banks</b>							
a) corresponding to fully recorded assets						29,271	29,271
b) corresponding to partially recorded assets							
<b>3. Securities issued</b>							
a) corresponding to fully recorded assets							
b) corresponding to partially recorded assets							
<b>Total 31/12/2011</b>	<b>6,048</b>					<b>34,737</b>	<b>40,785</b>
<b>Total 31/12/2010</b>	<b>352</b>		<b>124,001</b>	<b>31,926</b>	<b>4,108</b>		<b>160,387</b>

**D. Banking Group - Credit risk measurement models**
**1.2 Banking group - market risks**
**1.2.1 Interest rate risk and price risk – Regulatory trading portfolio**
**Qualitative information**
**A. General aspects**

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

The Group adopted, in the financial year just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile through a low portfolio duration.

**B. Interest rate risk and price risk management processes and measurement methods**

In exercising its responsibilities of direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific rules for controls at the various levels of all the banking Group companies.

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors both operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. On a daily basis, the Head Office is informed with operations and amounts in portfolios, as well as when operating limits have been reached.

Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit of the Parent Company, which operates completely independently with respect to both operational offices and subsidiaries.

This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.

In order to quantify generic risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

This is a parametric model of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.

The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations. The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis. The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of "backtesting" analysis".

Trading activity is subject to operating limits laid down by the Board of Directors of the Parent Company and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. Given the market turbulence that characterised the 2011 financial year, the overall V.a.R limits relating to the "managed portfolio" were exceeded in the period of reference, although they still fell within the delegated limits. The internal model is not used in the calculation of the capital requirement on market risks.

**Quantitative information**

1. *Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives*

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>3,734</b>	<b>5,920</b>	<b>10</b>	<b>1,502</b>	<b>1,085</b>	<b>13</b>	<b>7</b>	
1.1 Debt securities	3,734	5,920	10	1,502	1,085	13	7	
- with an option for early redemption								
- other	3,734	5,920	10	1,502	1,085	13	7	
1.2 Other assets								
<b>2. Cash liabilities</b>	<b>5</b>	<b>5,493</b>	<b>549</b>					
2.1 reverse repos	5	5,493	549					
2.2 Other liabilities								
<b>3. Financial derivatives</b>		<b>154,410</b>	<b>10,328</b>	<b>10,689</b>	<b>26,126</b>			
3.1 With underlying security		44,684	7,293	9,900	26,126			
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		44,684	7,293	9,900	26,126			
+ Long positions		36,908	7,215	62	69			
+ Short positions		7,776	78	9,838	26,057			
3.2 With no underlying security		109,726	3,035	789				
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		109,726	3,035	789				
+ Long positions		55,406	1,518	395				
+ Short positions		54,320	1,517	394				

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
		<b>56,501</b>	<b>5,141</b>	<b>736</b>				
		<b>56,501</b>	<b>5,141</b>	<b>736</b>				
		56,501	5,141	736				
		28,217	2,702	368				
		28,284	2,430	368				

**Currency of denomination: UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security		<b>6,686</b>	<b>1,324</b>					
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security		<b>6,686</b>	<b>1,324</b>					
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		6,686	1,324					
+ Long positions		3,441	662					
+ Short positions		3,245	662					

Currency of d: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
		<b>522</b>						
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
		<b>522</b>						
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
		522						
+ <i>Long positions</i>								
		175						
+ <i>Short positions</i>								
		347						



**Currency of denomination: Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- <i>with an option for early redemption</i>								
- <i>other</i>								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
3.2 With no underlying security								
- Options								
+ <i>Long positions</i>								
+ <i>Short positions</i>								
- Other derivatives								
+ <i>Long positions</i>								
+ <i>Short positions</i>								

**Currency of denomination: Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
3.1 With underlying security			<b>7,181</b>	<b>644</b>				
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security			<b>7,181</b>	<b>644</b>				
- Options								
+ Long positions								
+ Short positions								
- Other derivatives			7,161	644				
+ Long positions			3,590	322				
+ Short positions			3,591	322				

**Currency of denomination: Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>								
2.1 reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>								
		<b>5,134</b>						
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
		5,134						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
		5,134						
+ Long positions								
		2,316						
+ Short positions								
		2,813						

2. *Regulatory trading portfolio: breakdown by exposures in equity securities and stock indexes for the main Countries of the listing market*

Type of transactions/Listing index	Listed			Unlisted
	Italy	United States	Other countries	
<b>A. Equity securities</b>				
- long positions		166		
- short positions				
<b>B. Unsettled purchases and sales on equity securities</b>				
- long positions				
- short positions		5		
<b>C. Other derivatives on equity securities</b>				
- long positions				
- short positions				
<b>D. Derivates on stock indexes</b>				
- long positions				
- short positions				

3. *Regulatory trading portfolio - internal models and other methods for sensitivity analyses*

Monitoring of the Parent Company's portfolio and the Italian banks during the 2011 financial year showed a structure with limited market risks. Given the policy implemented by the Group to underestimate price risks, the "regulatory trading portfolio" is almost entirely exposed to the interest rate risk. The Parent Company takes on almost the whole interest rate and price risk, the Italian subsidiaries making a completely negligible contribution.

VaR at 31 December 2011 is Euro 39 thousand with a percentage of less than 0.53% of the trading portfolio and a duration of 0.75, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates, as at 31.12.2011, show - considering the positive variation in rates - a negative impact of Euro 48 thousand, equal to:

- ⇒ 0.53 % of trading portfolio;
- ⇒ 0.01 % of business margin;
- ⇒ 0.12 % of net income for the period;
- ⇒ 0.01 % of shareholders' equity, net of the result for the period.

### 1.2.2 Interest rate risk and price risk – banking portfolio

#### Qualitative information

#### A. General aspects, management procedures and methods of measuring interest rate risk and price risk

It is the responsibility of the Parent Company' risk management unit to measure interest rate risk. This activity is only directed at the Group's Italian banks, which account for almost the entire banking portfolio. The system of the

Group's commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; the Simulation module is also active which allows the monitoring and management of the interest rate risk adopting a dynamic approach.

The static analysis which is currently implemented allows the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation of assets and the interest margin. The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.

Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by Gap Analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.

The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.

The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes. In the banking portfolio the assets subject to price risks are represented exclusively by equity investments and mutual fund units. The latter represent a marginal share and are measured through VaR techniques described in paragraph 2.1.

## **B. Fair Value hedge**

The Group's primary objective is to manage the risks associated with its operations prudently and actively. The Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument.

To date, hedged instruments refer to both assets and liabilities; the latter being bond loans only, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Parent Company has prepared a model which is able to manage hedge accounting consistently with the relevant regulations laid down in the IAS accounting standards. The method used by the Parent Company to conduct effectiveness tests is the "Dollar Offset Method" (hedge ratio) on a cumulative basis. All hedges are specific hedges.

The Group, with the purpose of making the fair value of the entire financial instrument more reliable and representative, applied the Fair Value Option to some types of bonds issued.

## **C. Cash flow hedge**

No cash flow hedge transactions have been effected by the Group.

**Quantitative information**
**1. Banking portfolio: distribution by outstanding maturity (repricing date) of financial assets and liabilities**
**Currency of denomination: Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>								
1.1 Debt securities								
- with an option for early redemption		19,266		953	5,919	1,958	721	
- other	4,789	47,856	25,937	212,323	468,476	200,642	-	
1.2 Financing to banks	70,562	49,372	1,553				97	
1.3 Financing to customers								
- Current account	1,491,651	443	1,624	3,303	35,665	2,083		
- other loans								
- with an option for early redemption	49,084	2,873,717	95,176	59,197	224,831	90,024	2,247	
- other	490,951	700,869	59,741	45,866	217,773	99,929	523	4,345
<b>2. Cash liabilities</b>								
2.1 Due to customers								
- Current account	3,973,476	71,725	44,751	17,076				
- other debts								
- with an option for early redemption								
- other	53,072	5,473	2,213	4,070	17,595			
2.2 Due to banks								
- Current account	11,203							
- other	1,478	200,052		28,918				
2.3 Debt securities								
- with an option for early redemption	150				29,657			
- other	17,865	716,144	442,665	249,410	1,218,095	16,906		
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions		1,264	1,605	6,314	207,757	50,695	50,611	
+ Short positions		236,567	5,042	4,319	72,320			
- Other derivatives								
+ Long positions		78,016	20,000	10,000	206,637	10,000		
+ Short positions		232,233	92,420					

**Currency of denomination: US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>214</b>	<b>65,989</b>	<b>2,148</b>	<b>34</b>				
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	157	51,492						
1.3 Financing to customers	57	14,497	2,148	34				
- Current account	5							
- other loans								
- with an option for early redemption								
- other	52	14,497	2,148	34				
<b>2. Cash liabilities</b>	<b>32,196</b>	<b>35,551</b>						
2.1 Due to customers	22,180							
- Current account	22,180							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	10,016	35,551						
- Current account	9,988							
- other	28	35,551						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>		<b>304</b>						
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security		304						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		304						
+ Long positions		152						
+ Short positions		152						

**Currency of denomination: UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,226</b>	<b>1,847</b>	<b>12</b>					
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	693	1,712						
1.3 Financing to customers	533	135	12					
- Current account	533							
- other loans								
- with an option for early redemption								
- other		135	12					
<b>2. Cash liabilities</b>	<b>1,114</b>	<b>1,892</b>						
2.1 Due to customers	1,067							
- Current account	1,067							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	47	1,892						
- Current account	44							
- other	3	1,892						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								



**Currency of denomination: Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>2,032</b>	<b>2,502</b>						
11 Debt securities								
- with an option for early redemption								
- other								
12 Financing to banks	2,024	8						
13 Financing to customers	8	2,494						
- Current account								
- other loans								
- with an option for early redemption								
- other	8	2,494						
<b>2. Cash liabilities</b>	<b>1,709</b>	<b>2,550</b>						
2.1 Due to customers	1,592							
- Current account	1,592							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	117	2,550						
- Current account	116							
- other	1	2,550						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

**Currency of denomination: Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>530</b>							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	530							
1.3 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>530</b>							
2.1 Due to customers	530							
- Current account	530							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks								
- Current account								
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

**Currency of denomination: Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>81</b>	<b>7,283</b>						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	71							
1.3 Financing to customers	13	7,283						
- Current account								
- other loans								
- with an option for early redemption								
- other	10	7,283						
<b>2. Cash liabilities</b>	<b>34</b>	<b>7,385</b>						
2.1 Due to customers	24							
- Current account	24							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	10	7,385						
- Current account	10							
- other		7,385						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>		<b>14,770</b>						
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security		14,770						
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		14,770						
+ Long positions		7,385						
+ Short positions		7,385						

**Currency of denomination: Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>3,448</b>							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	3,446							
1.3 Financing to customers	2							
- Current account	2							
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>2,925</b>							
2.1 Due to customers	2,924							
- Current account	2,924							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	1							
- Current account	1							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

## 2. Banking portfolio - internal models and other methods for sensitivity analyses

This operational and strategic approach of the Group is directed at minimising the volatility of interest margins and of total economic value.

The table below shows the results of the impact on the interest margin, from a fixed perspective and in the absence of behavioural models for the items at sight, of the analyses carried out at 31 December 2011 in the event of a parallel variation in the interest rate curve and considering the time effect of repricing of the items.

Risk indices as at 31 December 2011 (economic margins of the operational management as per the reclassified income statement): parallel shifts of the interest rate curve.

	+100 bp	-100 bp
<i>% on the expected margin</i>	3,23%	-9,53%
<i>% on the business margin</i>	2,03%	-6,00%
<i>% on the result for the period</i>	8,77%	-25,90%
<i>% of net equity</i>	0,49%	-1,46%

As regards economic value the impact, estimated using measurement models with a fixed perspective and in the absence of behavioural models for the items at sight, has shown a risk exposure for 2011 that has remained at levels that do not involve significant shifts in the interest rate curve.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve as of 31 December 31.12.2011

	+100 bp	-100 bp
<i>% of economic value</i>	-0,78%	0,95%

### 1.2.3 Exchange risk

#### Qualitative information

##### A. General aspects, management procedures and methods of measuring exchange risk

The Group is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.

The Group is exposed to exchange risks to a marginal extent. As regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

## B. Exchange rate hedge

The Group's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

### Quantitative information

#### 1: Break-down of assets, liabilities and derivatives by currency of denomination

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
<b>A. Financial assets</b>	<b>68,384</b>	<b>3,083</b>	<b>7,365</b>	<b>530</b>	<b>4,534</b>	<b>3,083</b>
A.1 Debt securities						
A.2 Equity securities						
A.3 Financing to banks	51,552	2,405	71	530	2,024	3,083
A.4 Financing to customers	16,832	678	7,294		2,510	
A.5 Other financial assets						
<b>B. Other assets</b>	<b>259</b>	<b>252</b>	<b>26</b>	<b>30</b>	<b>137</b>	<b>51</b>
<b>C. Financial assets</b>	<b>67,716</b>	<b>3,003</b>	<b>7,419</b>	<b>530</b>	<b>4,259</b>	<b>2,573</b>
C.1 Due to banks	16,426	213	7,395		2,602	94
C.2 Due to customers	51,290	2,790	24	530	1,657	2,479
C.3 Debt securities						
C.4 Other financial liabilities	( 4)					
<b>D. Other liabilities</b>	<b>196</b>				<b>81</b>	
<b>E. Financial derivatives</b>	<b>303</b>	<b>69</b>		<b>( 1)</b>	<b>201</b>	<b>501</b>
- Options						
+ long positions						
+ short positions						
- Other	303	69		( 1)	201	501
+ long positions	27,460	3,022	2,794	79	170	2,316
+ short positions	27,763	3,091	2,794	78	371	2,817
<b>Total assets</b>	<b>96,103</b>	<b>6,357</b>	<b>10,185</b>	<b>639</b>	<b>4,841</b>	<b>5,450</b>
<b>Total liabilities</b>	<b>95,671</b>	<b>6,094</b>	<b>10,213</b>	<b>608</b>	<b>4,711</b>	<b>5,390</b>
<b>Imbalance</b>	<b>432</b>	<b>263</b>	<b>( 28)</b>	<b>31</b>	<b>130</b>	<b>60</b>

#### 2. Internal models and other methods for sensitivity analysis

The exchange risk profile assumed by the Group is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

**1.2.4 Derivative instruments**
**A. Financial derivatives**
*A.1 Regulatory trading portfolio: average and period-end notional values*

Underlying assets / Type of derivatives	31.12.2011		31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>22,000</b>		<b>24,000</b>	
a) Options	1,000		1,000	
b) Sw ap	21,000		23,000	
c) Forw ard				
d) Futures				
e) Other				
<b>2. Equity securities and stock indexes</b>	<b>5,745</b>	<b>39</b>	<b>44,967</b>	<b>6,263</b>
a) Options	5,745	39	44,967	
b) Sw ap				
c) Forw ard				6,263
d) Futures				
e) Other				
<b>3. Currencies and gold</b>	<b>238,887</b>		<b>619,881</b>	
a) Options				
b) Sw ap				
b) Forw ard	63,669		82,682	
c) Futures				
e) Other	175,218		537,199	
<b>4. Commodities</b>				
<b>5. Other underlying items</b>				
<b>Total</b>	<b>266,632</b>	<b>39</b>	<b>688,848</b>	<b>6,263</b>
<b>Average values</b>	<b>49,846</b>	<b>39</b>	<b>98,233</b>	<b>42</b>

**A.2 Banking portfolio: average and period-end notional values**
**A.2.1 Hedging instruments**

Underlying assets / Type of derivatives	31.12.2011		31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
	31/12/2011		31/12/2010	
<b>1. Debt securities and interest rates</b>	<b>231,637</b>		<b>79,617</b>	
a) Options				
b) Sw ap	231,637		79,617	
c) Forw ard				
d) Futures				
e) Other				
<b>2. Equity securities and stock indexes</b>				
a) Options				
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other				
<b>3. Currencies and gold</b>				
a) Options				
b) Sw ap				
b) Forw ard				
c) Futures				
e) Other				
<b>4. Commodities</b>				
<b>5. Other underlying items</b>				
<b>Total</b>	<b>231,637</b>		<b>79,617</b>	
<b>Average values</b>	<b>208,299</b>		<b>23,562</b>	



**A.2.2 Other derivatives**

Underlying assets / Type of derivatives	31.12.2011		31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>158,816</b>		<b>400,682</b>	
a) Options	65,800		65,800	
b) Sw ap	93,016		334,882	
c) Forw ard				
d) Futures				
e) Other				
<b>2. Equity securities and stock indexes</b>				
a) Options				
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other				
<b>3. Currencies and gold</b>				
a) Options				
b) Sw ap				
b) Forw ard				
c) Futures				
e) Other				
<b>4. Commodities</b>				
<b>5. Other underlying items</b>				
<b>Total</b>	<b>158,816</b>		<b>400,682</b>	
<b>Average values</b>	<b>158,816</b>		<b>393,399</b>	

A.3 *Financial derivatives: gross positive fair value - breakdown by products*

Portfolio/Type of derivatives	<i>Positive Fair value</i>			
	31.12.2011		31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>2,619</b>	<b>14</b>	<b>6,131</b>	<b>57</b>
a) Options	70	14	712	
b) Interest rate sw ap	189		566	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward	642		785	57
f) Futures				
g) Other	1,718		4,068	
<b>B. Banking portfolio - hedging instruments</b>	<b>5,631</b>			
a) Options				
b) Interest rate sw ap	5,631			
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>C. Banking portfolio - other derivatives</b>	<b>1,569</b>		<b>16,028</b>	
a) Options				
b) Interest rate sw ap	1,569		16,028	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>Total</b>	<b>9,819</b>	<b>14</b>	<b>22,159</b>	<b>57</b>

**A.4 Financial derivatives: gross negative fair value - breakdown by products**

Portfolio/Type of derivatives	<i>Fair value negativo</i>			
	31.12.2011		31.12.2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Regulatory trading portfolio</b>	<b>2,408</b>		<b>5,493</b>	<b>65</b>
a) Options	70		673	
b) Interest rate sw ap	3		31	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward	632		826	65
f) Futures				
g) Other	1,703		3,963	
<b>B. Banking portfolio - hedging instruments</b>	<b>2,684</b>		<b>2,653</b>	
a) Options				
b) Interest rate sw ap	2,684		2,653	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>C. Banking portfolio - other derivatives</b>			<b>652</b>	
a) Options				
b) Interest rate sw ap			652	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>Total</b>	<b>5,092</b>		<b>8,798</b>	<b>65</b>

**A.5 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values by counterparties - contracts which do not fall within offset agreements**

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			11,000	10,000		1,000	
- positive fair value			30	156		3	
- negative fair value			3				
- future exposure							
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Exchange rate and gold</b>							
- notional value			31,866	24,381		4,504	2,918
- positive fair value			304	263		18	57
- negative fair value			334	2		207	90
- future exposure			319	244		45	29
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.6 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements**

None at the reference date.

**A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties- contracts which do not fall within offset agreements**

Contracts w hich do not fall w ithin offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			328,733				
- positive fair value			6,620				
- negative fair value							
- future exposure			1,318				
<b>2)Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3)Exchange rate and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4)Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.8 OTC financial derivatives - Banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which fall within offset agreements**

Contracts which fall within offset agreements	Governments and central banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			61,720				
- positive fair value			579				
- negative fair value			2,684				
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>3) Exchange rate and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							

**A.9 Residual maturity of OTC financial derivatives: notional values**

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>A. Regulatory trading portfolio</b>	85,669			85,669
A.1 Financial derivatives on debt securities and interest rates	22,000			22,000
A.2 Financial derivatives on equity securities and stock indexes				
A.3 Financial derivatives on exchange rates and gold	63,669			63,669
A.4 Financial derivatives on other instruments				
<b>B. Banking portfolio</b>	108,016	236,637	45,800	390,453
B.1 Financial derivatives on debt securities and interest rates	108,016	236,637	45,800	390,453
B.2 Financial derivatives on equity securities and stock indexes				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
<b>Total 31/12/2011</b>	193,685	236,637	45,800	476,122
<b>Total 31/12/2010</b>	(375,998)	(107,116)	(105,417)	(588,531)

**B. Credit derivatives**
*B.1 Credit derivatives: period-end and average nominal values*

Categories of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on more than one subject (basket)	on a single subject	on more than one subject (basket)
<b>1. Hedging purchases</b>				
a) Credit default products				
b) Credit spread products				
c) Total rate of return swap				
d) Other				
<b>TOTAL 31.12.2011</b>				
<b>AVERAGE VALUES</b>				
<b>TOTAL 31.12.2010</b>				
<b>2. Hedging sales</b>				
a) Credit default products		25,000		
b) Credit spread products				
c) Total rate of return swap				
d) Other				
<b>TOTAL 31.12.2011</b>		25,000		
<b>AVERAGE VALUES</b>		25,000		
<b>TOTAL 31.12.2010</b>		25,000		

*B.2 OTC credit derivatives: gross negative fair value – breakdown by products*

None at the reference date.

**B.3 OTC credit derivatives: gross negative fair value – breakdown by product**

Portfolio / Type of derivatives	<b>Negative Fair value</b>	
	<b>31.12.2011</b>	<b>31.12.2010</b>
A. Regulatory trading portfolio	1,906	469
a) Credit default products	1,906	
b) Credit spread products		
c) Total rate of return sw ap		
d) Other		469
B. Banking portfolio		
a) Credit default products		
b) Credit spread products		
c) Total rate of return sw ap		
d) Other		
<b>Total</b>	<b>1,906</b>	<b>469</b>

**B.4 OTC credit derivatives: gross (positive and negative) fair values for counterparties - contracts which do not fall within offset agreements**

Contracts which do not fall within offset agreements	<b>Governments and Central banks</b>	<b>Other public entities</b>	<b>Banks</b>	<b>Financial institutions</b>	<b>Insurance companies</b>	<b>Non-financial institution</b>	<b>Other entities</b>
<b>Regulatory trading</b>							
<b>1) Hedging purchase</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>2) Hedging sales</b>							
- notional value			25,000				
- positive fair value							
- negative fair value				1,906			
- future exposure			2,000				
<b>Banking portfolio</b>							
<b>1) Hedging purchase</b>							
- notional value							
- positive fair value							
- negative fair value							
<b>2) Hedging sales</b>							
- notional value							
- positive fair value							
- negative fair value							

**B.5 OTC credit derivatives: gross (positive and negative) fair values by counterparties - contracts which fall within offset agreements**

None at the reference date.



**B.6** *Residual life of credit derivatives: notional values*

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>A. Regulatory trading portfolio</b>		25,000		25,000
A.1 Derivatives on loans with "qualified" "reference obligation"				
A.2 Derivatives on loans with "non-qualified" "reference obligation"		25,000		25,000
<b>B. Banking portfolio</b>				
A.1 Derivatives on loans with "qualified" "reference obligation"				
A.2 Derivatives on loans with "non-qualified" "reference obligation"				
<b>Total 31/12/2011</b>		<b>25,000</b>		<b>25,000</b>
<b>Total 31/12/2010</b>		<b>25,000</b>		<b>25,000</b>

### 1.3 Banking group – liquidity risk

#### Qualitative information

##### **A. General aspects, management procedures and methods of measuring liquidity risks**

It is the responsibility of the Parent Company to manage the liquidity risk through the Finance Department with the aim of verifying the Group's capacity to meet liquidity requirements, while avoiding position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates. The Group's governance model is based on the centralised management of liquidity at the Parent Company for the Italian Commercial Banks, for which the Parent Company is also responsible for the funding management.

With reference to the Italian Commercial Banks, the activity of monitoring and periodical reporting on liquidity risks is the responsibility of the Risk Management Department of the Parent Company, both for structural and operational liquidity, which are carried out on a monthly basis and on a daily basis, respectively. The Treasury activity consists of procuring and allocating available funds through the interbank market, open market transactions, repo transactions and derivatives.

The relevant scope of application of daily reports on operational liquidity refers to those items with a high volatility level and a strong impact on the monetary basis. Monitoring and compliance with operating limits are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

The counterbalancing capacity model allows reports to be integrated with all those free assets which can be promptly used both because they can be allocated for the refinancing at the ECB and because they can be converted into cash. Together with the application of the haircuts determined by the ECB for the securities that can be allocated, adequate discount factors are also prepared (which are broken down by type of security, rating, currency) for all securities which cannot be allocated, but which are in any case considered to be negotiable as appropriately positioned in time buckets.

An additional support to the management of liquidity risks derives from monitoring the structural liquidity with the main objective of maintaining an adequate dynamic relationship between medium/long-term assets and liabilities. Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a present period of time.

Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

In 2011 the Group estimated the impact of the new indicators introduced by the quantitative rules – calculation of the LCR (Liquidity Coverage ratio) and of the NSFR (Net Stable Funding Ratio) – in order to prepare the appropriate checks also in consideration of the adjustments necessary for adopting the new rules issued by the Bank of Italy governing prudential supervision.

**Quantitative information**
**1. Break-down by contractual residual maturity of financial assets and liabilities**
**Currency of denomination: Euro**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,542,387</b>	<b>63,233</b>	<b>24,553</b>	<b>282,893</b>	<b>480,440</b>	<b>236,367</b>	<b>557,276</b>	<b>2,400,970</b>	<b>2,177,184</b>	<b>35,709</b>
A.1 Government securities					31,630	10	123,503	373,822	202,823	
A.2 Other debt securities	3,734			2,959	4,450	970	94,280	152,727	42,905	1,993
A.3 UCITS units	39,639									
A.4 Financing	1,499,014	63,233	24,553	279,934	444,360	235,387	339,493	1,874,421	1,931,456	33,716
- banks	73,487	15,000	5,000			1,553			97	29,371
- customers	1,425,527	48,233	19,553	279,934	444,360	233,834	339,493	1,874,421	1,931,359	4,345
<b>Cash liabilities</b>	<b>4,038,798</b>	<b>54,898</b>	<b>27,426</b>	<b>81,271</b>	<b>449,434</b>	<b>424,941</b>	<b>293,768</b>	<b>1,690,273</b>	<b>52,331</b>	
B.1 Deposits and current accounts	4,036,658	1,947	6,811	24,885	38,099	44,767	17,079	21		
- Banks	11,227									
- Customers	4,025,431	1,947	6,811	24,885	38,099	44,767	17,079	21		
B.2 Debt securities	612	44,951	20,415	54,987	409,984	377,428	243,704	1,472,657	52,331	
B.3 Other liabilities	1,528	8,000	200	1,399	1,351	2,746	32,985	217,595		
<b>"Off-balance" sheet transactions</b>	<b>135,360</b>	<b>68,257</b>	<b>366</b>	<b>51,883</b>	<b>8,459</b>	<b>14,707</b>	<b>14,323</b>	<b>126,640</b>	<b>32,030</b>	<b>2,930</b>
C.1 Financial derivatives with underlying asset exchange	0	53,473	366	51,497	7,073	10,327	10,689	26,125		
- long positions	0	42,006	183	25,753	3,371	8,732	457	68		
- short positions	0	11,467	183	25,744	3,702	1,595	10,232	26,057		
C.2 Financial derivatives without underlying asset exchange	192			97	324	237	1,167			
- long positions	189			97	313	237	990			
- short positions	3				11		177			
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	134,880	14,784			634	1,377	4,200	109,309	44,504	5,734
- long positions	795	7,392			634	1,377	4,200	84,309	44,504	2,867
- short positions	134,085	7,392						25,000		2,867
C.5 Financial guarantees granted	288			289	428	2,766	( 1733)	( 8 794)	( 12 474)	( 2 804)

**Currency of denomination: US Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>213</b>	<b>32,458</b>	<b>22,252</b>	<b>4,865</b>	<b>6,528</b>	<b>2,160</b>	<b>34</b>			
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	213	32,458	22,252	4,865	6,528	2,160	34			
- banks	157	32,074	19,354		64					
- customers	56	384	2,898	4,865	6,464	2,160	34			
<b>Cash liabilities</b>	<b>32,197</b>	<b>6,183</b>	<b>19,322</b>	<b>10,047</b>						
B.1 Deposits and current accounts	32,197	6,183	19,322	10,047						
- Banks	10,017	6,183	19,322	10,047						
- Customers	22,180									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>5,796</b>	<b>396</b>	<b>39,698</b>	<b>6,160</b>	<b>3,216</b>	<b>310</b>			
C.1 Financial derivatives with underlying asset exchange		5,492	396	39,698	6,160	3,216	310			
- long positions		2,571	198	19,849	3,080	1,608	155			
- short positions		2,921	198	19,849	3,080	1,608	155			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance		304								
- long positions		152								
- short positions		152								
C.5 Financial guarantees granted										

**Currency of denomination: UK Pound Sterling**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,226</b>		<b>6</b>	<b>61</b>	<b>1,780</b>	<b>12</b>				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	1,226		6	61	1,780	12				
- banks	693				172					
- customers	533		6	61	68	12				
<b>Cash liabilities</b>	<b>1,114</b>	<b>180</b>			<b>1,712</b>					
B.1 Deposits and current accounts	1,114	180			1,712					
- Banks	1,114	180			1,712					
- Customers	1,067									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>1,350</b>		<b>4,764</b>						
C.1 Financial derivatives with underlying asset exchange		1,350		4,764						
- long positions		641		2,382						
- short positions		709		2,382						
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

**Currency of denomination: Swiss Franc**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>2,032</b>		<b>394</b>	<b>641</b>	<b>1,482</b>					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	2,032		394	641	1,482					
- banks	2,024				8					
- customers	8		394	641	1,474					
<b>Cash liabilities</b>	<b>1,709</b>			<b>2,550</b>						
B.1 Deposits and current accounts	1,709			2,550						
- Banks	117			2,550						
- Customers	1,592									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>741</b>		<b>160</b>	<b>152</b>			<b>248</b>		
C.1 Financial derivatives with underlying asset exchange		485		160	152			248		
- long positions		142		80	76			124		
- short positions		343		80	76			124		
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance		256								
- long positions		28								
- short positions		28								
C.5 Financial guarantees granted										

Currency denomination: **Canadian Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>535</b>									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	535									
- banks	535									
- customers										
<b>Cash liabilities</b>	<b>534</b>									
B.1 Deposits and current accounts	534									
- Banks										
- Customers	534									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>				<b>157</b>						
C.1 Financial derivatives with underlying asset exchange				157						
- long positions				79						
- short positions				78						
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

**Currency of denomination: Japanese Yen**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>82</b>		<b>5,586</b>	<b>1,276</b>	<b>485</b>					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	82		5,586	1,276	485					
- banks	71									
- customers	11		5,586	1,276	485					
<b>Cash liabilities</b>	<b>34</b>	<b>7,385</b>								
B.1 Deposits and current accounts	34	7,385								
- Banks	10	7,385								
- Customers	24									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>15,030</b>		<b>4,830</b>			<b>498</b>			
C.1 Financial derivatives with underlying asset exchange		260		4,830			498			
- long positions		130		2,415			249			
- short positions		130		2,415			249			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received		14,770								
- long positions		7,385								
- short positions		7,385								
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										



**Currency of denomination: Other currencies**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>3,448</b>									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	3,448									
- banks	3,446									
- customers	2									
<b>Cash liabilities</b>	<b>2,925</b>									
B.1 Deposits and current accounts	2,925									
- Banks	1									
- Customers	2,924									
B.2 Debt securities										
B.3 Other liabilities										
<b>"Off-balance" sheet transactions</b>		<b>1,788</b>		<b>2,684</b>	<b>662</b>					
C.1 Financial derivatives with underlying asset exchange		1,788		2,684	662					
- long positions		643		1,342	331					
- short positions		1,145		1,342	331					
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

## **1.4 Banking Group – Operational risks**

### **Qualitative information**

#### **A. General aspects, management procedures and methods of measuring operational risk**

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.

The Banco Desio Group uses the definition of operational risk given by the Parent Company within the relevant methodological framework which adopts the definition given by the Bank of Italy in its circular no. 263 of 27 December 2006.

At Group level, a process is carried out to identify, classify and collect detrimental events.

In relation to the management of risks having an impact on the Group's operational continuity, consistently with its governance model and in line with banking group supervision regulations, it was decided to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific master agreements, the Parent Company provides the Italian banking subsidiaries with outsourced services for operations, assistance and consultancy.

The various corporate functions of the Group guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Group at the end of the financial year consisted in claw-back actions in bankruptcy, and other disputes concerning the trading service of financial instruments.

Overall, the lawsuits pending with regard to the Italian banks of the Group have a value of Euro 76,614 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 9.313 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 96.96% of the total amount 96.84%.

### **Quantitative information**

The number of adverse events detected by the Group in 2011 totalled 841 events. The result of the process for the gathering of adverse events is summarised in the table below (monetary values are reported in thousands of Euros):

Type of event	No. of Events	% of Events	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	6	0.71%	2,053	40.32%	2,041.20	42.16%	12.16	0.59%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	282	33.53%	514	10.08%	282.48	5.83%	231.11	45.00%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	3	0.36%	68	1.34%	68.44	1.41%	0.00	0.00%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	21	2.50%	1,141	22.41%	1,141.21	23.57%	0.00	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	1	0.12%	2	0.04%	1.93	0.04%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	4	0.48%	8	0.16%	1.07	0.02%	7.15	87.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	524	62.31%	1,306	25.64%	1,305.65	26.97%	0.00	0.00%
<b>TOTAL</b>	<b>841</b>	<b>100.00%</b>	<b>5,092</b>	<b>100.00%</b>	<b>4,842</b>	<b>100.00%</b>	<b>250</b>	<b>4.92%</b>

The value of the gross operating loss, equal to Euro 5,092 thousand; in relation to it, prudential provisions were set aside for Euro 4,085 thousand during the year. The expensed gross losses were recovered for Euro 250 thousand, thus recording a net loss equal to Euro 4,842 thousand.

## SECTION 2 – INSURANCE COMPANIES’ RISKS

### 2.1 Insurance risks

#### Qualitative information

Insurance risks are analysed in relation to the activity carried out by the insurance company Chiara Assicurazioni, a subsidiary owned by the Parent Company which is active in the non-life branch.

In compliance with Regulation 20 of 26 March 2008 issued by ISVAP and for the purpose of maintaining at an acceptable level the risks to which it is exposed, consistently with the assets available, the Company has obtained an appropriate risk management system, proportionate to the size, nature and complexity of the business that it conducts, which should allow it to identify, measure and monitor the most significant risks.

The main risks subject to qualitative and quantitative analysis by the Company are as follows:

- *underwriting risk*: the risk deriving from the execution of insurance contracts attached to the events covered, to the procedures followed for the rating and selection of risks and to a more unfavourable claims trend than that estimated;
- *reserves risk*: the risk attached to having calculated claims reserves that are not sufficient to meet commitments to insured and damaged parties;

The procedures for registering risks and the relative quantitative results are suitably documented in the following reports:

- mapping of operating risks carried out on an annual basis;
- reporting using the main Key Risk Indicators on a quarterly basis;
- valuation of the capital requirement according to the Solvency II regime;
- valuation of the effects on the Company's state of solvency following a stress test.

The procedures for identifying and assessing the risks are carried out on a continuous basis, to take account of both the changes that have occurred to the nature and size of the business and to the market context, and of the onset of new risks or the change in existing risks.

Particular attention is paid to the evaluation of risks arising from the offer of new products or from entering new markets. In this case, there is a direct involvement of the Risk Management function of the Company which, on the basis of the technical characteristics of the product, assesses the potential capital absorption for the Company resulting from the possible issue of the new product.

Once a year, the Company, with reference to the closing of the accounts, carries out a prospective quantitative analysis using a stress tests, namely the evaluation of the Solvency Capital Requirement, which by definition, is equal to the maximum probable loss with a probability level equal to 99.5% and with a time horizon of one year.

The risk management process is therefore divided into the following phases, which are closely connected to each other:

- definition of the propensity to risk of the Company;
- identification, valuation and measurement of risks;
- control and reporting;
- implementation of remedial measures (if any) in the event of exposure which exceeds the risk thresholds.

The Board of Directors defines and approves the Company's propensity to risk, this being the risk level which can be supported over a certain period of time, which allows to achieve economic and financial objectives.

### **Underwriting risk**

Operating limits relating to premiums are fully applied consistently with the contractual term and conditions laid down in insurance contracts.

Premium practices are thus applied in full accordance with the reinsurance guidelines, through a range of products complying, in terms of risks assumed and guarantees excluded, with the reinsurance limits assigned to the different types of products.

As to reinsurance, the transfer of risks is aimed at maintaining a constant equilibrium of the technical results of the portfolio with respect to all the dynamics which potentially could jeopardise the expected profit.

In view of the protection of corporate assets and control of venture capital, the plan for transfer to reinsurers helps to increase the Company's underwriting capacity, thus offering protection against anomalous trends in claims, in terms of both frequency and impact.

The corporate mission, as defined in the initial phases of the Company's operations, focuses on a business model that provides for the marketing of non-life insurance policies at the bank branches through a highly standardised offer.

The distribution of the Company's products takes place predominantly at bank counters – with the exception of distribution via insurance agents, multilevel networks, brokers or other atypical distributors.

The distribution network performs exclusively the function of placing standardised insurance products, with insurance contracts being issued by brokers using an online issuing platform which does not allow any type of personalisation of the tariffs fixed by the Company, in order to maintain a level of risk in keeping with the predefined underwriting limits.

These safeguards as a whole are aimed at containing risks in compliance with the approved strategy and with the objective of maximising the risk/yield profile of the Company.

The Company places insurance products through the offer of two product lines:

- line of products "integrated" with banking services;
- line of "individual" products".

As at 31 December 2011 total premiums were equal to Euro 32,379 thousand, up by 18.4% compared to the previous year.

The analysis of the premiums shows a significant impact of the policies integrated with banking services which account for about 63.33% of the total premiums.

Therefore, the type of contract term accounts for 50.1% of long-term policies with an advance single premium and 49.9% of annual policies based on tacit renewal.

## Reserves risks

To monitor reserve risks, which are associated with the possible quantification of inadequate technical reserves with respect to the commitments undertaken to insured and damaged parties, formalised procedures are in place which are applied by the relevant functions and are characterised by the following control elements:

- adequate segregation of duties and responsibilities in the reserve quantification process for the staff responsible for assessment and the persons who carry out administrative checks;
- procedures to support the correct determination of technical reserves, including:
  - an organisational process which provides for a constant update of the assumptions underlying the assessment of the technical reserves in the non-life branch before their assessment;
  - an organisational process which provides for the automatic allocation of claims reserves upon filing of any claims;
  - on-going control procedures which show variances in claims reserves to be subjected to additional checks.

During the 2011 financial year the Company carried out the Stress Tests required by the Supervisory Authority pursuant to article 20, paragraph 5, of ISVAP Regulation no. 20/2008, with a valuation date of 31.12.2010. The Company calculated the Solvency Capital Requirement (SCR) according to the standard formula in the fifth quantitative impact study (QIS5). The study has demonstrated that also from a Solvency II perspective the minimum capital requirements are fully covered by the Company's own reserves. The available capital was sufficient to meet the capital requirements (so-called SCR) and that the coverage degree (so-called Solvency Ratio) amounted to 184%.

## 2.2 Financial risks

### Quantitative information

The asset allocation guidelines and the investment operating limits of the assets are approved by the Board of Directors. The monitoring of financial risks is the responsibility of the Investment Committee which is responsible for the operational asset management through investment and disinvestment decisions relating to transferable securities and through the management of the liquidity deriving from operating and financial cash flow.

As at 31 December 2011 equity investments amounted to Euro 35,998 thousand (+30% compared to the previous year). Below is reported the breakdown in thousands of Euro:

<b>Assets</b>	<b>Book value</b>	<b>Portfolio weighting</b>
Cash	7,615	17.46%
Shares	0,613	1.41%
Bonds	34,355	78.77%
UCITS	1,029	2.36%
<b>Total</b>	<b>43,613</b>	<b>100%</b>

The assets in the portfolio at 31 December 2011 were classified as *Available for Sale*, and therefore they fall into the working capital of the Company.

The investments in bonds at the valuation date amounted to € 34,335 thousand and they represent around 78.77% of the securities portfolio. The breakdown is shown below, in thousands of euro:

<b>Assets</b>	<b>Book value</b>	<b>Portfolio weighting</b>
Government bonds	22,017	50.48%
Corporate bonds	12,338	28.29%
<b>TOTAL</b>	<b>34,355</b>	<b>78.77%</b>

#### **DISCLOSURE TO THE PUBLIC**

Information for which publication is subject to the rules laid down by Section IV, Chapter 1 of the Bank of Italy circular no. 263/06 "New regulations for the prudential supervision of banks" is published on the internet site of the parent company by the deadline set out for the publication of the financial statements.

## **Part F – INFORMATION ON CONSOLIDATED EQUITY**

### **SECTION 1 - CONSOLIDATED SHAREHOLDERS' EQUITY**

#### **A Qualitative information**

The Banco Desio Group has always paid most attention to shareholders' equity, aware both of its function in guaranteeing the trust of outside financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth. In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.

The concept of accounting capital used by the Group is given by the algebraic sum of the following liability items in the Balance Sheet: Share capital, Valuation reserves, Reserves, Share premiums and Profit for the Period.

The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in business growth.

**B Quantitative information**

*B.1 Consolidated equity: breakdown by type of business*

Captions/values	Banking Group	Insurance companies	Other companies	Eliminations and adjustments from consolidation	Total	of which "attributable to minority interests"
1. Shareholders' equity	67,805	3,137			<b>70,942</b>	3,237
2. Share premium reserve	16,145	210			<b>16,355</b>	210
3. Reserves	656,187	913		553	<b>657,653</b>	943
- retained earnings					0	
a) legal	75,021	913			75,934	915
b) statutory	435,849				435,849	28
c) treasury shares						
d) other	145,317			553	145,870	
e) advances on dividends						
- other						
4. Equity instruments						
5. Treasury shares						
6. Revaluation reserves	(14 576)	( 899)			<b>(15 475)</b>	( 899)
- Available-for-sale financial assets	(37 370)	( 900)			<b>(38 270)</b>	( 900)
- tangible assets						
- intangible assets						
- foreign investment hedge						
- exchange rate differences						
- non-current assets held for sale and discontinued opt	4,841				<b>4,841</b>	
- actuarial profits (losses) relating to defined benefit plans	71	1			<b>72</b>	1
- shares of valuation reserves relating to investee companies carried at equity	(5 014)				<b>(5 014)</b>	
- special revaluation laws	22 896				<b>22 896</b>	
- special revaluation laws	45,058	833			<b>45,891</b>	949
<b>Total</b>	<b>770,619</b>	<b>4,194</b>	<b>-</b>	<b>553</b>	<b>775,366</b>	<b>4,484</b>



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

Assets / Amounts	Banking Group		Insurance companies		Other companies		Eliminations and adjustments from consolidation		31.12.2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	738	(36 520)		(2 701)					738	(39 221)
2. Equity securities	158	( 168)							158	( 168)
3. UCITS Units	631	( 408)							631	( 408)
4. Financing										
<b>Total 31/12/2011</b>	<b>1,527</b>	<b>(37 096)</b>		<b>(2 701)</b>					<b>1,527</b>	<b>(39 797)</b>
<b>Total 31/12/2010</b>	<b>597</b>	<b>(9 869)</b>		<b>( 387)</b>					<b>597</b>	<b>(10 256)</b>

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

	Debt securities	Equity securities	UCITS units	Loans
<b>1. Opening balance</b>	<b>(9 949)</b>	<b>136</b>	<b>154</b>	
<b>2. Increases</b>	<b>3,106</b>		<b>531</b>	
2.1 Fair value increases	738		523	
2.2 Reversal of negative reserves to the income statement	1,868		5	
- from deterioration				
- from disposal	1,868		5	
2.3 Other increases	500		3	
<b>3. Decreases</b>	<b>31,640</b>	<b>146</b>	<b>462</b>	
3.1 Fair value decreases	31,340	145	400	
3.2 Adjustments from deterioration				
3.3 Reversal of positive reserves to the income statement: from disposal	104		61	
3.4 Other decreases	196	1	1	
<b>4. Closing balance</b>	<b>38,483</b>	<b>10</b>	<b>( 223)</b>	

**SECTION 2 - BANKING REGULATORY CAPITAL AND RATIOS**
**2.1 Scope of application of the regulations**

According to the prudential regulations (Bank of Italy's Circular Letters no. 263 and no. 155), the scope of consolidation includes the companies which present the following characteristics:

- banking, financial and functional companies directly or indirectly owned by the Parent Company and to which the method of consolidation on a line-by-line basis is applied;
- businesses, other than banking, financial and functional companies, directly or indirectly owned by the Parent Company on an exclusive or joint basis or subject to significant influence; such companies are consolidated on an equity basis.

Banking and financial companies valued at equity and qualified companies, which are directly or indirectly owned by the Parent Company to an extent exceeding 10%, are deducted from the regulatory capital for 50% from Tier 1 capital and for the remaining 50% from the Tier 2 capital; the difference as at the date of first-time application of equity between the book value of the equity investment and the correspondent portion of equity of the company is entered as a total reduction in Tier 1 capital; equity investments in insurance companies acquired before 20 July 2006 are deducted from the Tier 1 capital and from the Tier 2 capital.

The book value of the companies other than banking and financial companies and of the banking companies owned to an extent equal to or less than 10% is included in weighted risk assets.

The prudential scope of consolidation differs from the scope of consolidation of the annual accounts reported according to the international accounting standards (IAS/IFRS); in the second case, in fact, the subsidiary companies or the companies subject to joint control are consolidated on a line-by-line or proportional basis, even if they are other than banking, financial and functional companies.

Within the Banking Group, there are no restrictions or impediments to the transfer of financial resources between companies in the banking group.

## 2.2 Banking regulatory capital

### A. Qualitative information

The Banco Desio Group pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banking Groups. The relevant regulations, in fact, state that "...the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size".

As of 31 December 2011 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

Description	Amount
Primary capital	663,679
Supplementary capital	75,582
Deductions	10,344
Regulatory capital	728,917

#### 1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative equity instruments are the most significant elements of the capital. From these positive elements, any negative elements is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.

Tier 1 capital accounts for about 89% of the Regulatory Capital.

#### 2. Tier 2 capital

Valuation reserves, innovative equity instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments, represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.

Tier 2 capital accounts for about 12% of the Regulatory Capital. The elements to be deducted account for about 1%.

#### 3. Tier 3 capital

This is made up of the portion of Tier 2 subordinated liabilities that cannot be calculated in Tier 2 because they exceed 50% of the core capital before deductions and by Tier 3 subordinated liabilities. This total can be used only to cover the capital requirements for the market risks up to a maximum amount of 71.4% of the same.

**B. Quantitative information**

	31/12/2011	31/12/2010
<b>A. Tier 1 capital before the application of prudential filters</b>	724,414	703,014
B. Prudential filters for Tier 1 capital:	(4,1274)	(12,142)
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	41,274	12,142
C. Tier 1 gross of deductions (A+B)	683,140	690,872
D. Deductions from Tier 1 capital	19,461	4,362
<b>E. Total primary capital (TIER1) (C-D)</b>	663,679	686,510
<b>F. Tier 2 capital before the application of prudential filters</b>	95,149	104,142
G. Prudential filters for Tier 2 capital:	(106)	(145)
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	106	145
<b>H. Tier 2 gross of deductions (F+G)</b>	95,043	103,997
I. Deductions from Tier 2 capital	19,461	4,362
<b>L. Total supplementary capital (TIER2) (H-J)</b>	75,582	99,635
M. Deductions from Tier 1 and Tier 2 capital	10,344	13,497
<b>N. Regulatory capital (E + L - M)</b>	728,917	772,648
O. Tier 3 capital	-	-
P. Regulatory Capital including TIER3 (N + O)	728,917	772,648

**2.3 Capital adequacy**

**A. Qualitative information**

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / weighted risk assets <sup>(1)</sup>	10.72%
- Regulatory capital / weighted risk assets <sup>(1)</sup>	11.77%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

**B. Quantitative information**

**Consolidated prudential ratios**

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>	<b>8,455,586</b>	<b>9,244,889</b>	<b>5,522,095</b>	<b>5,585,465</b>
1. STANDARD METHODOLOGY	8,454,865	9,243,582	5,521,734	5,585,204
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS	721	1,307	361	261
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISKS</b>			<b>441,768</b>	<b>446,837</b>
<b>B.2 MARKET RISK</b>			<b>4,436</b>	<b>6,410</b>
1. STANDARD METHODOLOGY			4,436	6,410
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
<b>B.3 OPERATIONAL RISK</b>			<b>49,213</b>	<b>48,109</b>
1. BASE METHODOLOGY			49,213	48,109
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
<b>B.4 OTHER CAPITAL REQUIREMENTS</b>			0	-1,608
<b>B.5 TOTAL CAPITAL REQUIREMENTS</b>			<b>495,417</b>	<b>499,748</b>
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>				
C.1 Risk-weighted assets			<b>6,192,708</b>	<b>6,246,853</b>
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			10.72%	10.99%
C.3 Regulatory capital including TIER 3 / Risk-weighted assets (Total capital ratio)			11.77%	12.37%

**SECTION 3 - CONSOLIDATED REGULATORY CAPITAL AND RATIOS**

The Group's consolidated financial statements report insurance assets/liabilities arising from the consolidation, on a line-by-line basis, of Chiara Assicurazioni S.p.A., the only Group company subject to insurance supervision (ISVAP).

The main capital amounts for Chiara Assicurazioni S.p.A. as at 31 December 2011 are shown below:

- The available solvency margin (ASM) at 31/12/2011 is equal to Euro 9,780 thousand;
- The solvency margin requirement (SMR) at 31/12/2011 is equal to Euro 4,924 thousand;
- The solvency ratio, defined as the ratio between the ASM and the SMR at 31/12/2011 is equal to 1.99, an improvement over 2011.

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

## Part H - TRANSACTIONS WITH RELATED PARTIES

For information regarding the remuneration paid to the members of management and control boards and managers with strategic responsibilities please refer to the "Report on Group Remuneration Policies" drawn up pursuant to Article 123-ter of the T.U.F. [*Testo Unico della Finanza*, Consolidated Act on Finance].

For information about the stock option plans reference is also made to "Part I" of these notes.

### **Information on transactions with related parties**

The Internal Procedure adopted pursuant to Consob Regulation no. 17221/2010 for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) is described in the Annual Report on Corporate Governance.

The procedure itself is published, in compliance with the abovementioned Regulation, on the website [www.bancodesio.it](http://www.bancodesio.it) – section "Banco Desio / Corporate Governance / Transactions with Related Parties".

Considering that, pursuant to article 5 of the Regulation itself and article 154-ter of the Consolidated Act on Finance referred to by the same, periodical information is to be provided regarding:

- a) the individual "most significant" transactions entered into in the reporting period, these being the transactions which exceeds, also on a cumulative basis, the thresholds envisaged in Annex 3 to the abovementioned Regulation<sup>1</sup>;
- b) any other individual transactions (if any) with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, entered in the relevant period, which have significantly affected the Group's financial position or results;
- c) any change in or development of transactions with related parties described in the last annual report which have had a significant effect on the Group's financial position or results in the reporting period;

it is noted that in 2011 no transactions were entered into which were such as to present the characteristics referred to in letters a), b) and c) without prejudice to the merger of the full subsidiaries Banco Desio Toscana SpA and Banco Desio Veneto SpA into the Parent company – effective from 1 October 2011 – which, as reported in the specific disclosures, was approved by the Board of Directors after a binding favourable opinion expressed by the Committee for Transactions with Related Parties.

Relations with external related parties are generally settled at market conditions and, where the market is not a satisfactory reference (as in the instance of the Agreements for outsourcing services provided to subsidiaries by the Parent Company), at advantageous and correct conditions, that are valued in compliance with the Procedures above, in any case taking account of the company's interest in performing the transactions.

In this context, as of 31 December 2011, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.

The following paragraphs summarise the existing relations by categories of related parties (Parent Company, Associates, Representatives and parties connected to these), highlighting in particular the current accounts and security accounts at the close of the financial year and, finally, any supplier relations of a different type.

In this context, also note – according to a single management approach of potential conflicts of interest – those transactions which are effected pursuant to article 136 of the Consolidated Banking Law and which, in any case, do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, in short, of article 2391-bis of the Italian Civil Code by virtue of which this Regulation has been issued (mainly with reference to the following subjects: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies with which the representatives of the Group hold offices of director/statutory auditor where there is no relationship of control/association).

### I - Parent Company

At the end of the year, the amounts due (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi & C. SpA by Banco Desio totalled Euro 179.5 million, of which Euro 178.9 million related to security portfolios. The company has no debt exposure.

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<sup>1</sup> As regards the significance ratio of the countervalue of transactions with related parties, the Internal Procedure makes reference to a significance threshold equal to Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital as recognized at the date of adoption of the Procedure itself)

During the year, there were no other transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph III below).

## II – Associated companies

At the end of the year there were two associated companies:

- Chiara Vita SpA, in which an interest of 30% is retained within the framework of the agreements with the Helvetia Group entered into in 2008;
- Istifid S.p.A., in which the interest of approx. 29% (relative majority) is retained, which was reached during 2009

Within the framework of the agreements with the Helvetia Group, the following agreements are still in place with Chiara Vita SpA: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

At the close of the period, the amounts due (to customers) to Chiara Vita SpA by Banco Desio amounted to a total of Euro 158.5 million, of which Euro 40.7 million related to security portfolios; the company has no debt exposure.

The contractual relations maintained by Banco Desio with Istifid SpA consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc.) which are charged at the usual costs for such services. With reference to the transactions for closing the “Banco Desio Veneto” and “Chiara Assicurazioni” stock option plans described in Part 1 of these notes, it is noted that the associate company was appointed to carry out, as for similar transactions carried out in previous periods, a series of activities of a fiduciary nature, with a resulting outlay by Banco Desio equal to Euro 0.1 million.

As regards the banking services provided by Banco Desio to Istifid SpA, the amounts due (to customers) at the close of the period amounted to a total of Euro 48.8 million, of which Euro 23.5 million related to security portfolios; the company has no debt exposure.

It is clarified that these amounts payable and receivable also refer to relations maintained by Istifid SpA as part of fiduciary mandates granted by third parties.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations of Banco Desio with the aforesaid companies is shown in paragraph 8.4 of the individual company Report of Operations under the item “Companies subject to significant influence”.

## III - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved in 2010 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives (by such is meant the directors, auditors and managers with strategic responsibilities in the Bank and in the companies with a control relationship) concerned stated that they had interests of various kinds by virtue of stakes held of a controlling/associate nature, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted by the Group’s Banks in the 38 positions existing as at 31 December 2011 is equal to about Euro 31.5 million. The relative uses totalled about Euro 23.2 million in amounts due from customers.

The figures above do not include approved transactions with the associate companies mentioned in point II above (officially resolved pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

It should be noted that the position of those working as Representatives of only the Banco Desio’s subsidiaries are confined to their respective companies, thus excluding their classification as “Managers with strategic responsibilities within the Group” pursuant to IAS24 and/or Consob Regulation no. 17221/2010.

As regards deposit relations held by the Banks of the Group directly with the Representatives, as well as with parties connected to these, it is also worth noting that the balances as at 31 December 2011 amount to about Euro 64.9 million in amounts due to customers (inclusive of about Euro 44.8 million, in securities accounts).

The table below reports the breakdown of the aforesaid credit line and borrowing relationships as described in this paragraph:

(balances at 31.12.2011 Euro /million)	Subjects "art. 136 of Consolidated banking Act" which fall within the scope of related parties "article 2391-bis of the Italian Civil Code" (e.g.: Representatives of "Banco Desio" or of "Brianza Unione"; their close relatives; related companies in a control/connection relationship)  (A)	Subjects "art. 136 of Consolidated banking Act" which <u>do not</u> fall within the scope of related parties "article 2391-bis of the Italian Civil Code" (e.g.: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor where there is no relationship of control/connection (B)	TOTAL (A+B)
<b><u>Credit line transactions:</u></b>			
Amount granted	5.8	25.7	31.5
Amount used	4.6	18.6	23.2
<b><u>Borrowing transactions:</u></b>			
Current account and savings deposit amount (a)	7.4	12.7	20.1
Amount of securities accounts (b)	37.6	7.2	44.8
Total (a+b)	45	19.9	64.9

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In compliance with CONSOB Resolution no. 15519 of 27 July 2006 it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

## **PART I – PAYMENT AGREEMENTS BASED ON THE GROUP’S EQUITY INSTRUMENTS**

### **Stock Grant Plan for shares of the Parent Company**

With reference to the Stock Grant Plan for the 2011-2012-2013 three-year period, which concerns the allocation, free of charge, of ordinary shares of the company to the Management of the Banco Desio Group, approved by the General Shareholders’ Meeting of 29 November 2011, reference is made to the “Report on Group remuneration policies” drawn up pursuant to Article 123-ter of the T.U.F. [*Testo Unico della Finanza*, Consolidated Act on Finance].

### **Stock Option Plan for shares of the merged company Banco Desio Veneto SpA**

The “Banco Desio Veneto” Plan, which drew to its conclusion during the period, was already outlined in detail in the financial statements of 2006 (the year when the plan was activated) and then appropriately updated in the subsequent financial statements and in the six-monthly financial reports.

In support of the subscription options exercised by the beneficiaries by virtue of the provisions of the Plan Rules, the share capital of Banco Desio Veneto SpA was increased on 27 April 2011, in a single “tranche” – for a fee with the exception of the option right of shareholders pursuant to articles 2441 and 2443 of the Italian Civil Code – by a total nominal amount of Euro 5,614,474 (through the issue of 5,614,474 ordinary shares, with a nominal value of Euro 1.00 each). The exercise of the options took place at a weighted average price of Euro 1.09 per share and therefore with a total value of Euro 6.1 million.

The shares issued were subscribed, upon the mandate of the beneficiaries, by the appointed trustee, who on the same date of 27 April 2011 transferred, upon the instructions of the beneficiaries, all of the subscribed shares to Banco di Desio e della Brianza SpA at a price of Euro 2.08 per share and therefore with a total value of Euro 11.7 million. This price was determined by the Board of Directors of Banco di Desio e della Brianza on 24 February 2011 on the basis of a special report drawn up as is the custom by a financial expert and based on the accounting data at 31 December 2010.

As a result of the above-mentioned transactions, Banco di Desio e della Brianza SpA’s stake in Banco Desio Veneto SpA therefore remained 100% until the merger effective from 1 October 2011.

### **Stock option plan for shares of subsidiary Chiara Assicurazioni SpA**

The “Chiara Assicurazioni” Plan, which also came to an end during the period was already outlined in details in the financial statements of 2006 (the year when the plan was activated) and then appropriately updated in the subsequent Financial Statements and in the six-monthly financial reports.



In support of the subscription options exercised by the beneficiaries by virtue of the provisions of the Plan Rules, the share capital of Chiara Assicurazioni SpA was increased on 27 April 2011, in a third and final “tranche” – for a fee with the exception of the option right of shareholders pursuant to articles 2441 and 2443 of the Italian Civil Code – by a total nominal amount of Euro 658,000 (through the issue of 658,000 ordinary shares, with a nominal value of Euro 1.00 each). The exercise of the options took place at a price of Euro 1.33 per share and therefore with a total value of Euro 0.9 million.

The shares issued were subscribed, upon the mandate of the beneficiaries, by the appointed trustee, who on the same date of 27 April 2011 transferred, upon the instructions of the beneficiaries, all of the shares in question (including 151,000 shares subscribed in the first two “tranches” and retained in the portfolio) to Banco di Desio e della Brianza SpA at a price of Euro 4.42 per share and therefore with a total value of Euro 3.6 million. This price was determined by the Board of Directors of Banco di Desio e della Brianza on 24 February 2011 on the basis of a special report drawn up as is the custom by an actuarial expert and based on the accounting data at 31 December 2010.

As a result of the above-mentioned transactions, Banco di Desio e della Brianza SpA's stake in Chiara Assicurazioni SpA is therefore 66.66%.

### **Stock option plan for shares of subsidiary Fides SpA held by Banco Desio Lazio SpA**

The “Fides” Plan was already outlined in detail in the 2008 financial statements (the year that the Plan was activated) and then appropriately updated in the subsequent financial statements and in the six-monthly financial reports. In summary, this Plan refers to a maximum number of shares equal to 20% of the share capital of the subsidiary, which is a finance company operating in particular, as known, in the sector of salary-secured loans. This maximum portion remains substantially unchanged after the capital increases carried out by the subsidiary during the 2009 and 2010 financial years, as a consequence of additional allocations granted to the beneficiaries to such an extent as to offset the resulting share dilution incurred by them, as laid down by the Plan Rules. The base of beneficiaries is made up of a number of representatives and employees of the company and of the Group that are directly and/or indirectly involved in the process of developing the business of the company.

As a result of the changes already outlined in detail in the last financial statements, there were a total of 401,509 options remaining at 31 December 2011. The final deadline for the exercise of the abovementioned options (previously 1 – 31 October 2011) was extended by the Board of Directors of Banco Desio Lazio to 31 October 2012, by means of a resolution taken on 17 October 2011.

The strike price of Euro 7.64 per share takes account of the normal value of Euro 7.55 initially set by an appropriate expert's report, as well as of the subsequent appropriations of additional charges which increased the carrying amount of the Fides shares with the holder Banco Desio Lazio SpA.

The Black & Scholes method was used to value options; the basic assumptions made for valuation are similar to those for the other plans described above. The unit value of each option is included in a range between a minimum of Euro 0.15356 and a maximum of Euro 1.03901. The value of the existing options is Euro 304,752.

The cost accruing, in 2011, for the aforesaid no. 401,509 options, calculated by distributing the total cost over the term of the options - is Euro 89,209.

## **PART L – SEGMENT REPORTING**

This disclosure makes reference to the organisational and executive structure of the Group, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Group operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, segment reporting takes account of the fact that the operating structure of the commercial banks does not present segment networks and/or divisions. This section reports the results of the Group's segments described below:

- *commercial bank*: bringing together the activities directed towards retail and corporate customers concerning the traditional credit brokerage activity. Included in this operating segment are products and services related to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- *investment banking*: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- *asset management*: includes the activities carried out by the subsidiary companies Brianfid Sa, Banca Credito Privato Commerciale Sa e Rovere SA;
- *corporate center*: reports the results of the Group's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the operations and entrusted to the corporate centre to guarantee productive efficiency and organizational consistency. The corporate centre structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intra-group adjustments are allocated to the corporate centre, except where the intra-group netting are between companies within the same segment.

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

- *net interest income*: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- *net income from services*: is obtained by direct allocation of each actual asset and liability commission component;
- *operating costs*: are allocated to each operating segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full costing method;
- *provisions and adjustments*: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.

The data by segment is shown before intra-group balances, except where the intra-group balances are between companies within the same operating segment.

Income statement data	31.12.2011	Merchant bank	Investment banking	Asset mng	Corporate center
Business margin (1)	362,769	326,863	15,916	11,864	8,126
Structure costs (2)	-246,148	-200,069	-1,846	-9,165	-35,068
Provisions and adjustments (3)	-37,402	-38,468		-766	1,832
Profits/(Losses) on equity investments carried at equity	2,763				2,763
Profits/(Losses) on the disposal of investments	2			2	
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>81,984</b>	<b>88,326</b>	<b>14,070</b>	<b>1,935</b>	<b>-22,347</b>

(1) including other operating expenses/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data	31.12.2011	Merchant bank	Investment banking	Asset mng	Corporate center
Financial assets	1,066,594	34,994	1,021,489	10,323	-212
Amounts due from banks	288,525		168,134	145,288	-24,898
Amounts due from customers	6,580,450	6,573,677		6,773	
Amounts due to banks	267,998		291,446		-23,448
Amounts due to customers	4,347,706	4,210,068		137,658	-20
Securities issued and financial liabilities at fair value through profit or loss	2,696,584	2,696,584			
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>10,821,717</b>	<b>9,908,851</b>		<b>912,866</b>	

Income statement data	31.12.2010	Merchant bank	Investment banking	Asset mng	Corporate center
Business margin (1)	346,750	303,513	19,194	13,705	10,338
Structure costs (2)	-242,326	-196,179	-1,863	-9,257	-35,027
Provisions and adjustments (3)	-25,121	-40,756	-5		15,640
Profits/(Losses) on equity investments carried at equity	3,909				3,909
Profits/(Losses) on the disposal of investments					
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>83,212</b>	<b>66,578</b>	<b>17,326</b>	<b>4,448</b>	<b>-5,140</b>

(1) including other operating expenses/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

<b>Balance sheet data</b>	<b>31.12.2010</b>	<b>Merchant bank</b>	<b>Investment banking</b>	<b>Asset mng</b>	<b>Corporate center</b>
Financial assets	999,053	27,758	963,039	8,787	-531
Amounts due from banks	302,852		238,386	139,481	-75,015
Amounts due from customers	6,476,720	6,469,570		7,150	
Amounts due to banks	171,918		253,332		-81,414
Amounts due to customers	4,459,599	4,331,719		127,900	-20
Securities issued and financial liabilities at fair value through profit or loss	2,448,734	2,448,734			
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>11,605,011</b>	<b>10,411,111</b>		<b>1,193,900</b>	

## **CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/1998**

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the Company financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures employed to draw up the consolidated financial statements for the 2011 financial year.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2011 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistently with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.

3. The undersigned also certify that:

3.1 The Consolidated Financial Statements:

- a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;
- b. correspond to the results of the books and accounts;
- c. give a true and fair representation of the equity, economic and financial position of the issuer and the whole of the companies included in the scope of consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer and the whole of the companies included in the scope of consolidation, together with the description of the main risks and uncertainties to which they are exposed.

*Desio, 20 March 2012*

Managing Director

*Nereo Dacci*

Manager responsible for preparing  
the Company's financial reports

*Piercamillo Secchi*



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 DATED 27 JANUARY 2010**

To the shareholders of  
Banco di Desio e della Brianza SpA

- 1 We have audited the consolidated financial statements of Banco di Desio e della Brianza SpA and its subsidiaries (Banco di Desio e della Brianza Group) as of 31 December 2011, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.  
  
For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April, 2011.
- 3 In our opinion, the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza Group for the period then ended.
- 4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1,

**PricewaterhouseCoopers SpA**

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letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance Shareholding Structure are consistent with the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2011.

Milan, 4 April 2012

PricewaterhouseCoopers SpA

Signed by  
Lia Lucilla Turri  
(Partner)

*This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.*