Consolidated Half-Year Financial Report
at 30 June 2011

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Corporate offices

(Banco di Desio e della Brianza S.p.A.)

Board of Directors

Chiarman	Agostino Gavazzi*
Vice Chairman	Stefano Lado*
Managing Director	Nereo Dacci*
Directors	Egidio Gavazzi* Luigi Gavazzi Paolo Gavazzi Guido Pozzoli* Luigi Guatri Gerolamo Pellicanò Pier Antonio Cutellé Lorenzo Rigodanza

* *Members of the Executive Committee*

Board of Statutory Auditors

Chiarman	Eugenio Mascheroni
Statutory Auditors	Rodolfo Anghileri Marco Piazza
Alternate Auditors	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

General Management

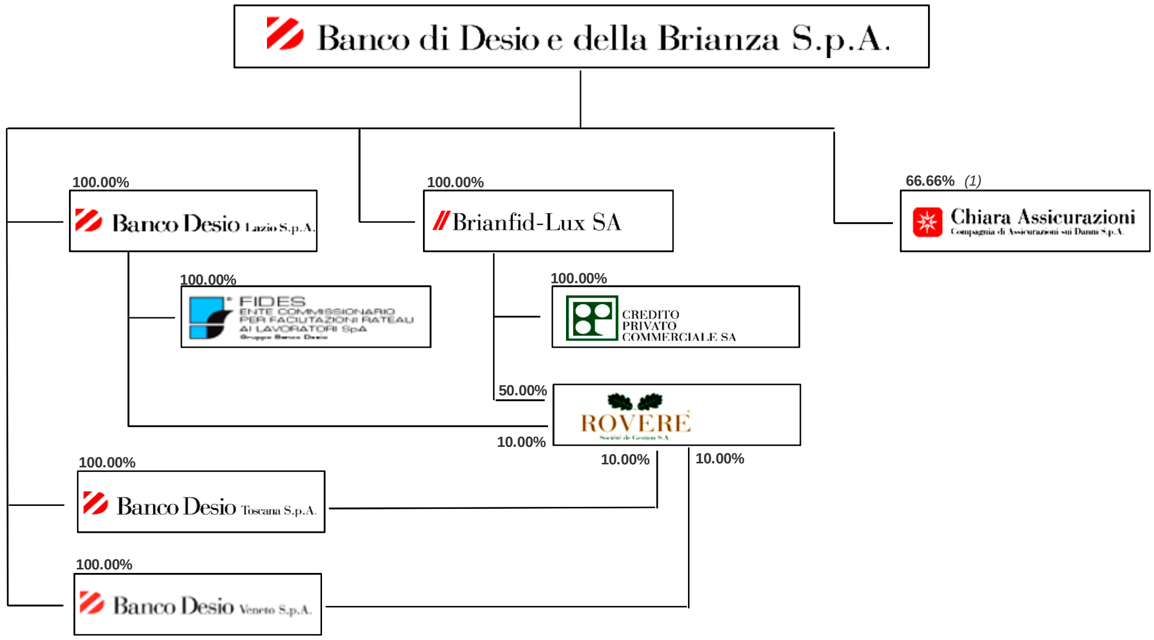
General Director	Claudio Broggi
Vice General Director	Marco Sala

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

Nominated Official in charge of drawing up Company Accounts	Piercamillo Secchi

The Banco Desio Group

This consolidated half-year financial report as at 30 June 2011 relates to the following corporate structure of the Banco Desio Group:



(1) Company excluded from the perimeter of the Banking Group

Foreword

This Banco Desio Group Consolidated Half-Year Financial Report at 30 June 2011, consisting of the *Interim Report on Operations* and the *Condensed interim financial statements*, was prepared in accordance with Article 154 (iii) of Legislative Decree 58/1998, the Consolidated Law on Finance, implementing Legislative Decree 195 of 6 November 2007 (the Transparency Directive) and in compliance with the applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) 1606 of 19 July 2002, and, particularly with IAS 34, *Interim Reporting*, as well as to the provisions issued by the Bank of Italy by Circular Letter no. 262 of 22 December 2005, as updated.

The Half-Year Financial Report is in a condensed form and does not, therefore, include the complete disclosures required for annual financial statements. The preparation of the *Condensed interim financial statements* also entails recourse to estimation procedures, which, however, do not affect its reliability.

The data and indexes reported in this *Interim Report on Operations*, if applicable, refer to the Balance Sheet layout of the *Condensed interim financial statements*, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Income Statement layout of the *Condensed Interim financial statements*.

Interim Report on Consolidated Operations at 30 June 2011

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

in thousands of Euros	30.06.2011	30.06.2010	Change Amount	%
Total assets	8,409,362	8,245,231	164,131	2.0%
Financial assets	1,047,882	1,083,819	-35,937	-3.3%
Amounts due from banks	274,362	486,228	-211,866	-43.6%
Amounts due from customers	6,663,750	6,279,307	384,443	6.1%
Tangible assets	154,904	149,576	5,328	3.6%
Intangible assets	55,580	45,959	9,621	20.9%
Amounts due to banks	335,121	95,075	240,046	252.5%
Amounts due to customers	4,309,171	4,588,316	-279,145	-6.1%
Securities issued and Financial liabilities at fair value through profit or loss	2,487,807	2,368,438	119,369	5.0%
Shareholders' equity (including net proft for the period) (1)	810,269	774,691	35,578	4.6%
Total indirect deposits	11,834	11,424	410	3.6%

INCOME STATEMENT DATA (2)

in thousands of Euros	30.06.2011	30.06.2010	Change Amount	%
Operating income	170,030	169,302	728	0.4%
of which Net interest income	*98,065*	*91,129*	*6,936*	*7.6%*
Operating costs	112,655	113,322	-667	-0.6%
Operating margin	57,375	55,980	1,395	2.5%
Operating profit net of taxes	27,979	22,660	5,319	23.5%
Profits/(losses) after taxes from non-recurring operations	7,702	14,636	-6,934	-47.4%
Net profit/(loss) for the period (1)	35,226	36,949	-1,723	-4.7%

(1) pertaining to the Parent Company;

(2) from reclassified income statement.

FINANCIAL RATIOS

	30.06.2011	30.06.2010	Change Amount
Shareholders' equity / Total assets	9.6%	9.4%	0.2%
Shareholders' equity / Amounts due from customers	12.2%	12.3%	-0.1%
Shareholders' equity / Amounts due to customers	18.8%	16.9%	1.9%
Shareholders' equity / Securities issued and Financial liabilities at fair value throu	32.6%	32.7%	-0.1%
(Tier 1 and Core Tier 1) Equity ratio	11.3%	10.9%	0.4%
(Tier 2) Solvency ratio	12.4%	12.3%	0.1%
Financial assets / Total assets	12.5%	13.1%	-0.6%
Amounts due from banks / Total assets	3.3%	5.9%	-2.6%
Amounts due from customers / Total assets	79.2%	76.2%	3.0%
Amounts due from customers / Direct deposits from customers	98.0%	90.3%	7.7%
Amounts due to banks / Total assets	4.0%	1.2%	2.8%
Amounts due to customers / Total assets	51.2%	55.6%	-4.4%
Securities issued and financial liabilities at fair value through profit or loss / Total assets	29.6%	28.7%	0.9%
Direct deposits from customers / Total assets	80.8%	84.4%	-3.6%
Operating costs / Operating income (Cost/Income ratio)	66.3%	66.9%	-0.6%
Net interest income / Operating income	57.7%	53.8%	3.9%
Operating margin / Operating income	33.7%	33.1%	0.6%
Operating profit net of taxes / Shareholders' equity - annualized	7.2%	6.1%	1.1%
Net profit/(loss) for the period/ R.O.E. - annualized	9.1%	10.0%	-0.9%

STRUCTURE AND PRODUCTIVITY DATA

	30.06.2011	30.06.2010	Change Amount	%
Number of employees	1,873	1,847	26	1.4%
Number of bank branches	178	172	6	3.5%
in thousands of Euros				
Amounts due from customers by employee [(3)]	3,584	3,436	148	4.3%
Direct deposits from ordinary customer by employee [(3)]	3,655	3,807	-152	-4.0%
Operating income by employee [(3)] - *annualized*	183	185	-2	-1.1%

[(3)] *on the basis of the number of employees determined as arithmetic mean between the period-end figure and the previous period-end figure*

2 - THE MACROECONOMIC SCENARIO

The global economic trend remains characterised by the presence of a phase of expansion both in Industrialised Countries and within Emerging Economies that is accompanied by the good performance of world trade. However, the international macroeconomic scenario is adversely affected by two risk elements: the first is linked to the recovery in prices of raw materials and specifically of oil, the price of which is now close to 120 dollars per barrel. The second is instead attributable to the fact that tax and monetary incentives, which have been provided for a long time in order to fight the recession induced by the global financial crisis, have gradually ceased to be applied. While tax consolidation mostly affects, at present, the Euro Zone, the monetary restrictions to contrast inflation are still in progress also within some Emerging Economies (India and China).

In the United States GDP grew by 2.3% on an annual basis; nevertheless, it seems that the expansion actions as per the budget policy approved in December 2010 have not provided the expected positive boost of internal demand. In fact, GDP grew by only 0.5% on a quarterly basis, more slowly than at the quarterly closing of 2010 (+0.8%); the reasons for this weakness must be found in the absence of recovery signals in the property market, the uncertainty of the labour market (9%), the erosion of both the purchasing power arising from increased inflation (3.4%) and the savings capacity of households. The economic policy will remain expansive (up to the end of 2012), but it will be affected by the correction of public debt (no extensions may be granted in 2013). As regards monetary policy, the expansive prospects will remain in force up to the second half of 2012; interest rates will remain relatively low and will be accompanied by new purchases of government bonds by the Federal Reserve.

As regards Japan, the fall in internal demand following the earthquake of 11 March generated a 0.9% drop in GDP compared to the previous quarter; private consumption, in fact, decreased by 0.6%, while non-residential investments fell by 1.3%. In May industrial production recorded 5.7% growth compared to the previous month; the automotive sector showed signs of recovery, the orders for the construction industry were on the rise, retail sales reported a lower decrease than expected and the first signs of a stabilisation of consumer trust were recorded. The monetary and fiscal policy still remained expansive, with low interest rates and funding programmes for companies in difficulty after the earthquake. The restrictions on the recovery of industrial production are linked to the full restoration of the supply chain of the main segments and to the energy capacity available after the tsunami.

Emerging Economies were confirmed as the engine of the global economic recovery; however, note a moderate slowdown that was recorded by India and the Asian countries compared to the end of 2010, and the adoption of gradually restrictive monetary policies to contrast increasing inflation. In detail, the economy of Russia grew by 4.1% on a quarterly basis; even if the change was lower than the previous data (+4.5% at the end of 2010), Russia may rely on an improvement in the labour market and the oil price which is constantly above 100 dollars per barrel. In the Asian countries (China and India firstly) and countries of Latin America, the GDP growth prospects remained high, even if showing a slowdown compared to 2010, with a slowdown even more significant in investments compared to private consumption. The monetary policies of these countries will become gradually restrictive, with repeated actions on interest rates and compulsory reserve ratios of commercial banks in order to contrast the increasing inflation.

In the Euro Zone GDP grew by 2.5% on an annual basis; of the main countries, Germany has recorded once again the highest growth rate (+1.5% on a quarterly basis). Starting from the second quarter of 2011, thanks to the aggressive policy of investments, the adjustment to stock and the recovery in consumption, France has also shown interesting development dynamics of GDP (+1% on a quarterly basis). The news that comes from the leading OECD indicators leads us to report a lively tone of expansion in the Euro Zone, even if, as already reported, with rather differentiated situations: while Germany and France report expansion prospects, Italy reports weaker growth, with a possible new fall in the economy. In observing trends on an annual basis, industrial production in the Euro Zone grew by 5.7% and new manufacturing orders by 12.3%, while retail sales, notwithstanding the positive annual change (+1%) were penalized by the weak improvement of consumer trust.

The unemployment rate in the Euro Zone continued to remain at very high levels, coming to 9.6% at the end of the first quarter of 2011. The crisis in public accounts of the Euro Zone, which mainly involves Greece, Portugal, Ireland and Spain, continues to represent the main “shadow” of the current macroeconomic scenario. The crisis in sovereign debt and the inflation risk (+2.8% in April on an annual basis) represent the framework for the difficult exit strategy of the ECB, which seems to have chosen to maintain non-conventional measures to limit the impact of the crisis and, conversely, to increase rates to contrast inflation risks.

With reference to Italy, GDP growth (+1%) was limited and lower than the growth in the GDP of the Euro Zone (+2.5%); observing the elements of Italian GDP, the mostly negative contribution came from the stock policy (-1.1 p.p.) while positive contributions were recorded by the trade balance (+0.7 p.p.), by public expenditure and by private consumption (+0.4 p.p.). The contribution of the investments was almost zero (+0.1 p.p.). The weak performances of Italy compared to the European average are also shown in the analysis of industrial production; in fact in May, industrial production in Italy grew by 3.7% on an annual basis, against 5.7% that was the European average. Retail sales fell by 1.2% whereas in Europe they increased by 1%. The percentage of unemployment in Italy remained constant at around 8.5%. Data for April 2011 shows inflation of 2.9%, slightly higher than Germany (+2.7%) and France (+2.2%).

In the credit sector, Italian banks continued to guarantee their support to families and businesses; in fact, in May, loans to families for the purchase of property remained high (+8% on an annual basis), similar to the development dynamics of loans to non-financial businesses (+4.8% on an annual basis). Loans to families and to non-financial companies increased overall by 6.3% (equal to Euro +95 billion on an annual basis). Distinguishing on the basis of loan duration, medium-/long-term loans showed an increase of 5.8% against the 7.6% of the short-term segment. Settling down but still at values close to the historic minimum levels are interest rates on loans (3.82%). As regards deposits, in May, growth of 2.1% is recorded on an annual basis (equal to Euro +40 billion); this amount includes deposits of domestic customers (+1.1%, equal to Euro +150 million), debenture loans (+3.3%, equal to Euro +30 million), repos transactions (+20%) and deposits from abroad (+5.8%) which saw positive performances, although in the case of the repos, the values are steadily slowing down. The average remuneration of the bank deposits is slightly up; consistently with the monetary policy stance of the ECB, the average rate of bank deposits from customers in May was at 1.71%, a value destined to increase further by the end of the year also as a result of increased competition on the retail market.

3 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

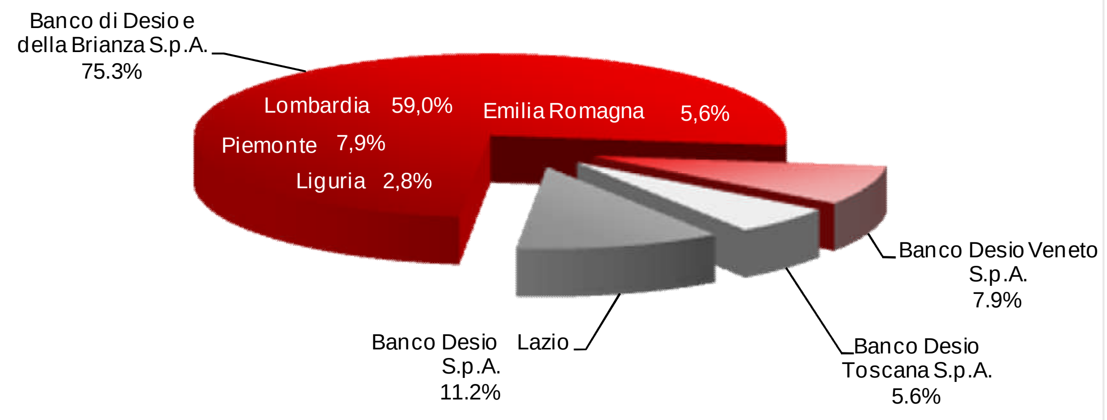
The continuity in the territorial growth of the Group’s distribution network meant that there were 178 branches at the end of the first six months, 6 more than at the end of last June.

The table below shows the breakdown of the distribution network for each Group company, specifying the variations for the periods under comparison, while the diagram that follows shows the percentage proportion at the end of June 2011.

Table no. 1 - **THE GROUP DISTRIBUTION NETWORK: BREAKDOWN BY BANK**

No. of branches	30.06.2011	Percentage breakdown %	30.06.2010	Percentage breakdown %	Change Value	Change %
Banco di Desio e della Brianza S.p.A.	134	75.3%	129	75.0%	5	3.9%
Banco Desio Veneto S.p.A.	14	7.9%	14	8.2%	-	-
Banco Desio Toscana S.p.A.	10	5.6%	9	5.2%	1	11.1%
Banco Desio Lazio S.p.A.	20	11.2%	20	11.6%	-	-
Group distribution network	**178**	**100.0%**	**172**	**100.0%**	**6**	**3.5%**

Chart no. 1 - **THE GROUP DISTRIBUTION NETWORK: PERCENTAGE BREAKDOWN BY BANK**



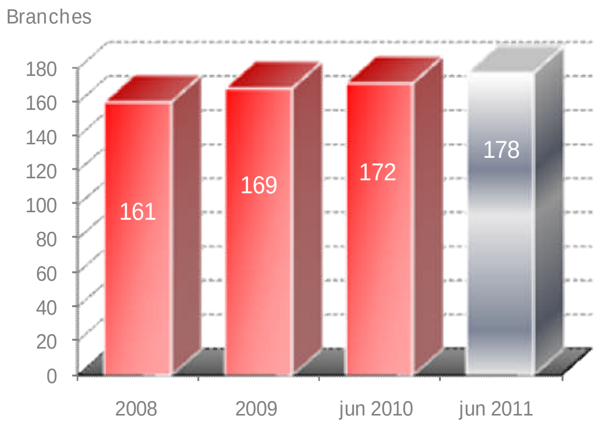
Specifically, with respect to the period under comparison, the Parent Company, during the second half of the previous year, opened two branches, one in Piedmont, in Novi Ligure (Al) and one branch in Liguria, in Chiavari (Ge), while in the first half of the current year it opened other four branches, two branches in Emilia, in Bologna S. Viola (BO) and Imola (BO) (from June the latter is opened temporarily at the branch of Bologna), another one in the capital city of the Lombardy region, and finally one branch in Treviglio (BG).

The distribution network of the subsidiary Banco Desio Toscana S.p.A., following the opening of the fourth branch in the capital city of the Tuscany region in November 2010, includes a total of ten branches, with a base that is also concentrated also in the provinces of Pisa, Prato, Lucca and Livorno.

The subsidiaries Banco Desio Lazio S.p.A. and Banco Desio Veneto S.p.A. have maintained the same organisations as the period under comparison, the first one with twenty branches with a base that is particularly concentrated in the capital (note the recent transfer of one branch from Via della Torretta to Via di Propaganda - Piazza di Spagna, a branch of particular prestige due to its location and size) and in the neighbouring areas and the second one with fourteen branches and a base in the provinces of Vicenza, Verona, Padua and Treviso.

The chart below shows the increase in size achieved by the Group distribution network in the last few years.

Chart no. 2 - **THE GROUP DISTRIBUTION NETWORK: INCREASE IN SIZE IN THE LAST FEW YEARS**



4 - MAJOR CORPORATE EVENTS DURING THE HALF YEAR

Reorganisation of the Group

In view of a more correct streamlining of the banking network in relation to its vocation of retail bank, the Parent Company has submitted a project for the reorganization of the Group. On 22 March 2011 the Board of Directors then approved the project for the merger of the subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. by incorporation into the Parent Company itself.

Following the authorisation issued by the bank of Italy on 28 June 2011 and the consequent statutory formalities, on 25 August 2011 the Board of Directors of Banco di Desio e della Brianza S.p.A. approved, pursuant to article 2505 of the Italian Civil Code and article 19 of the company's by-laws, the aforesaid Merger Plan, as well as the appropriate Directors' Report, as made available to the public on 29 June 2011.

The deed of merger is expected to be entered into as soon as the statutory formalities have been fulfilled, so that the merger transaction may be legally effective starting from 1 October 2011.

Capital increase of subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. and increase in the stake held by the Parent Company in the Company up to 66.66%

On 27 April 2011, within the residual Shareholding plan, the subsidiary Banco Desio Veneto S.p.A. carried out a capital increase of Euro 5.6 million, increasing it up to Euro 40.7 million, and at the same time the Parent Company purchased the related shares subscribed by the beneficiaries, thus maintaining its stake of 100% unchanged.

At the same date, the subsidiary Chiara Assicurazioni S.p.A. carried out the capital increase of Euro 0.6 million, serving the residual Shareholding plan, and brought it up to Euro 9.4 million; at the same time, the Parent Company increased its percentage stake held in the Company up to 66.6%, considering that it had already reached, on 15 February 2011, 62.43% as a result of the purchase of no. 50,000 shares.

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

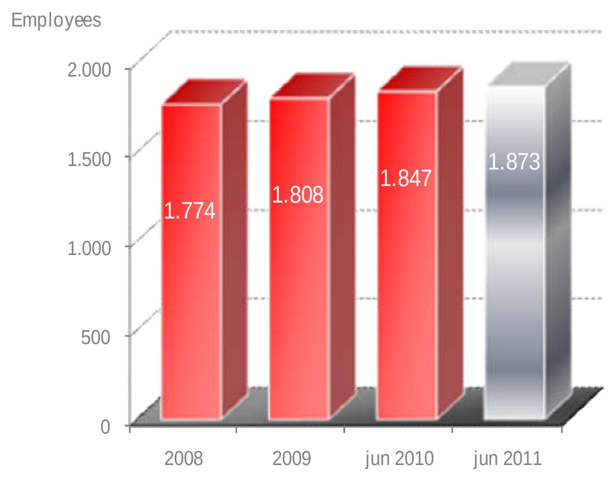
On 20 April 2011, in view of strengthening the capital of the associated company Chiara Vita S.p.A., Banco Desio made a payment on account of capital of Euro 2.7 million.

5 - HUMAN RESOURCES

As at 30 June 2011 the Group counted 1,873 employees, with an increase of 26, corresponding to 1.4%, compared to the final figure of the first half-year of 2010, less than the percentage growth of the distribution network (3.5%).

The chart below represents the development of staff in the last few years.

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



The table below shows details of employees by grade at the end of the first half-year compared with the situation at the end of the previous year.

Table no. 2 - **GROUP STAFF: BREAKDOWN BY GRADE**

No. of employees	30.06.2011	Percentage breakdown	30.06.2010	Percentage breakdown	Change Value	Change %
Executives	39	2.1%	40	2.2%	-1	-2.5%
3rd and 4th level managers	440	23.4%	427	23.1%	13	3.0%
1st and 2nd level managers	492	26.3%	490	26.5%	2	0.4%
Other personnel	902	48.2%	890	48.2%	12	1.3%
Group Staff	**1,873**	**100.0%**	**1,847**	**100.0%**	**26**	**1.4%**

6 - MANAGEMENT PERFORMANCE

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

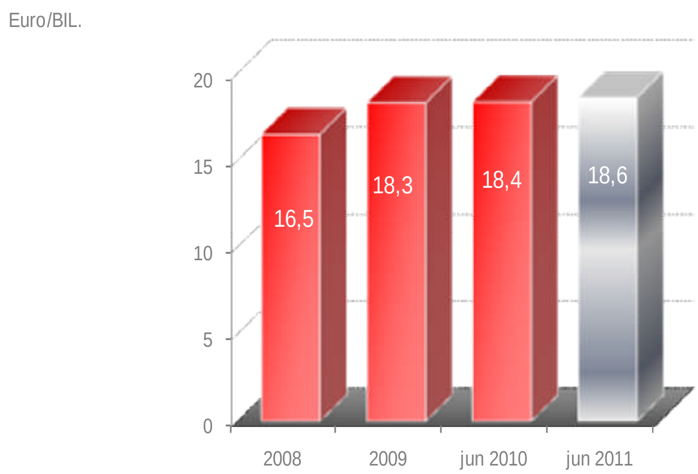
The total administered customer assets increased, at the end of the half-year, up to about Euro 18.6 billion, up by Euro 0.25 billion compared to the period under comparison, i.e. equal to 1.4%, attributable to the performance of indirect deposits as partially adjusted by that of direct deposits.

Balances and changes in the items in the period under analysis are reported in the table below, while the subsequent chart shows the performance of the total aggregate in the last few years.

Table no. 3 - **DEPOSITS FROM CUSTOMERS**

Amounts in thousands of Euro	30.06.2011	Percentage breakdown	30.06.2010	Percentage breakdown	Change Value	Change %
Amounts due to customers	4,309,171	23.1%	4,588,316	25.0%	-279,145	-6.1%
Securities issued and Financial liabilities at fair value through profit or loss	2,487,807	13.4%	2,368,438	12.9%	119,369	5.0%
Direct deposits	**6,796,978**	**36.5%**	**6,956,754**	**37.8%**	**-159,776**	**-2.3%**
Deposits from ordinary customers	8,534,455	45.8%	8,248,645	44.9%	285,809	3.5%
Deposits from institutional customers	3,299,335	17.7%	3,174,862	17.3%	124,473	3.9%
Indirect deposits	**11,833,790**	**63.5%**	**11,423,507**	**62.2%**	**410,282**	**3.6%**
Total deposits from customers	**18,630,768**	**100.0%**	**18,380,261**	**100.0%**	**250,506**	**1.4%**

Chart no. 4 –**TOTAL DEPOSITS FROM CUSTOMERS: THE TREND OVER THE LAST FEW YEARS**



Direct deposits

The direct deposits at 30 June 2011 came to Euro 6.8 billion, down by 2.3% compared to the corresponding period. The most significant item, corresponding to 63.4% of the balance, is represented by the "amounts due to customers", Euro 4.2 billion of which reflects "sight" deposits, i.e. current accounts and savings deposits, and Euro 0.1 billion of which is for reverse repurchase agreements and other payables.

Securities in circulation and liabilities at fair value, amounting to about Euro 2.5 billion, up by about Euro 0.1 billion compared to the balance under comparison, consisted of about Euro 2 billion of bonds issued and placed by the Group and to bonds hedged by financial derivative instruments on the basis of the fair value option for Euro 0.2 million. The residual amount of the item is made up of certificates of deposit.

Indirect deposits

"Ordinary" customer indirect deposits increased by about Euro 0.3 billion, corresponding to 3.5%, compared to the first half-year of the previous year: this was attributable to performance in the administered asset sector, and was partially counter-balanced by a fall in the managed asset sector, while the deposits from "institutional" customers increased by Euro 0.1 billion, equal to 3.9%, compared to the period under comparison. Therefore, even if within a particularly difficult context of the financial markets, at the level of the total aggregate the balance increased by Euro 0.4 billion at the end of the half-year, up to Euro 11.8 billion with a positive change of 3.6%.

The chart below reports the performance of the related assets of indirect deposits in the last few years, while the table below gives the details of the items that comprise it, showing the changes in the balances at June 2011 compared to the first half of the previous year.

Chart no. 5 - **INDIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS**

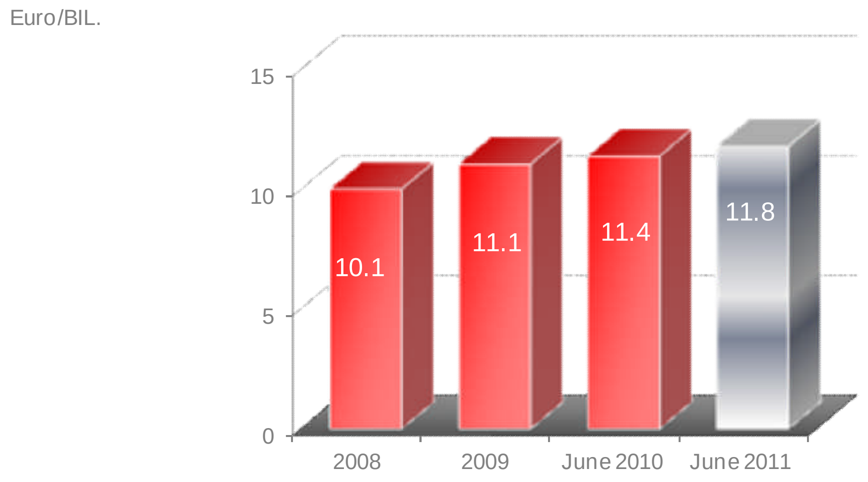
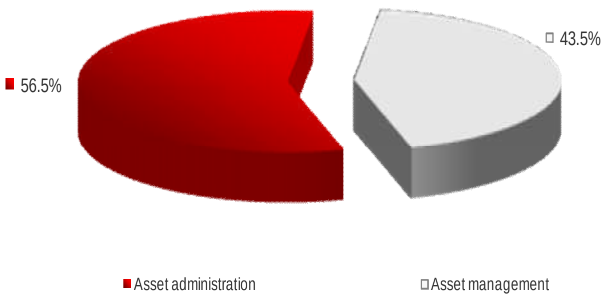


Table no. 4 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	30.06.2011	Percentage breakdown	30.06.2010	Percentage breakdown	Change Value	Change %
Asset administration	**4,822,860**	**40.7%**	**4,505,126**	**39.4%**	**317,734**	**7.1%**
Asset management	**3,711,595**	**31.4%**	**3,743,519**	**32.8%**	**-31,925**	**-0.9%**
of which: Mut.Fund and Open-end Inv.	*1,041,313*	*8.8%*	*1,208,691*	*10.6%*	*-167,378*	*-13.8%*
Portfolio management	*610,029*	*5.2%*	*634,917*	*5.6%*	*-24,889*	*-3.9%*
Bank Insurance	*2,060,253*	*17.4%*	*1,899,911*	*16.6%*	*160,342*	*8.4%*
Deposits from ordinary customers	**8,534,455**	**72.1%**	**8,248,645**	**72.2%**	**285,809**	**3.5%**
Deposits from institutional customers	**3,299,335**	**27.9%**	**3,174,862**	**27.8%**	**124,473**	**3.9%**
Indirect deposits	**11,833,790**	**100.0%**	**11,423,507**	**100.0%**	**410,282**	**3.6%**

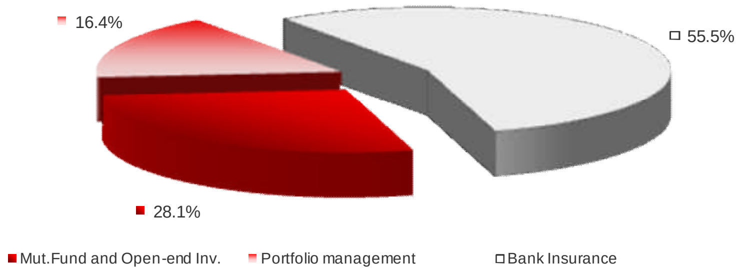
The percentage breakdown by segment of the indirect deposits from ordinary customers at 30 June 2011, represented in the chart below, shows that the portion attributable to managed assets, even if lower, is not very far from that relating to administered assets.

Chart no. 6 **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 30.06.2011: BREAKDOWN**



The percentage composition of assets under management is shown in the graph below: specifically, the life bank insurance element accounts for the main share 55.5%.

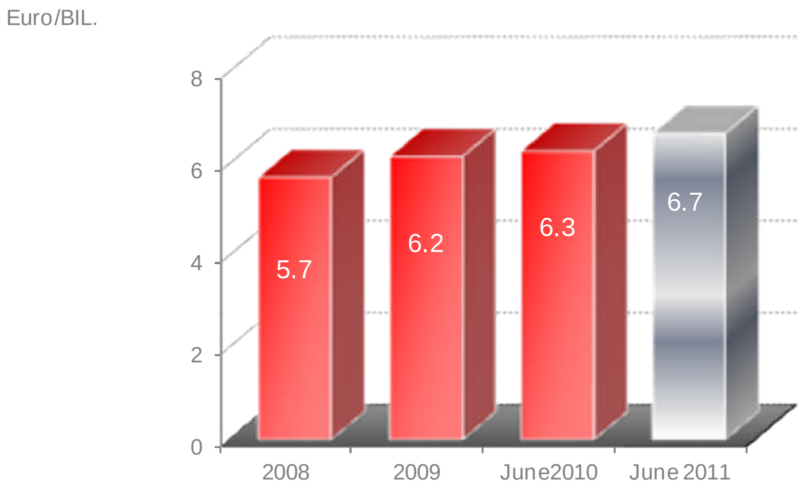
Chart no. 7 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 30.06.2011: BREAKDOWN**



6.2 - LOANS TO CUSTOMERS

The total amount of lending to customers at 30 June 2011 reached Euro 6.7 billion, an increase of 6.1% compared to the same period of 2010, expressing, in the last years, a certain continuity in development of credit activities as inferable from the chart below recorded in the last years.

Chart no. 8 - **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 that the increase was mainly attributable to the medium- and long-term forms of investment, particularly mortgages, as proof of the continuous support by the Group to its customers, within the difficult and prolonged macroeconomic situation.

Table no. 5 - **AMOUNTS DUE FROM CUSTOMERS**

Amounts in thousands of Euros	30.06.2011	Percentage breakdown	30.06.2010	Percentage breakdown	Change Value	Change %
Current accounts	1,590,105	23.9%	1,514,520	24.1%	75,585	5.0%
Mortgages and other medium/long term loans	4,264,310	64.0%	3,965,890	63.2%	298,420	7.5%
Other	809,335	12.1%	798,897	12.7%	10,438	1.3%
Amounts due from customers	**6,663,750**	**100.0%**	**6,279,307**	**100.0%**	**384,443**	**6.1%**

As regards the distribution of gross loans, including endorsement loans, the percentage of uptakes by the largest clients at the end of the half-year, even if it is generally increasing, continues to express a high degree of risk spreading, as shown in the table below.

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

Number of customers (*)	**30.06.2011**	**30.06.2010**
10 largest customers	4.7%	3.2%
20 largest customers	5.7%	4.4%
30 largest customers	6.5%	5.5%
50 largest customers	8.0%	7.2%

(*) *referred to the Parent Company and the Italian subsidiary banks*

At the end of the period the total amount of impaired loans, represented by non-performing loans, problem loans, expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured loans, amounted to Euro 223.4 million, net of value adjustments of Euro 111.6 million. Specifically, net non-performing loans amounted to Euro 99 million, net problem loans to Euro 82.9 million, expired loans to Euro 37.6 million and restructured loans 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 to the first half-year of 2010, as a natural consequence of the economic crisis.

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

% Indexes for gross loans	**30.06.2011**	**30.06.2010**
Gross impaired loans to customers	4.92%	4.51%
of which:		
- gross non performing loans	2.64%	2.18%
- gross problem loans	1.65%	1.89%
- gross expired loans	0.57%	0.43%
- gross restructured loans	0.06%	0.01%

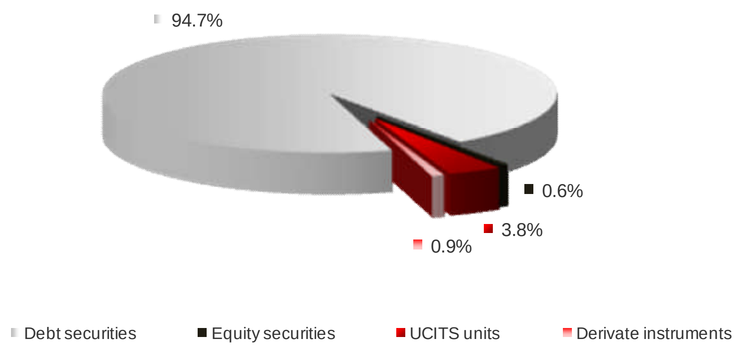
% Indexes for net loans	**30.06.2011**	**30.06.2010**
Net impaired loans to customers	3.35%	3.02%
of which:		
- net non performing loans	1.49%	1.22%
- net problem loans	1.24%	1.37%
- net expired loans	0.56%	0.42%
- gross restructured loans	0.06%	0.01%

6.3 - THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

As at 30 June 2011 the Group’s total financial assets stood at a value of about Euro 1 billion, compared to Euro 1.1 billion of the figure of the same period of 2010.

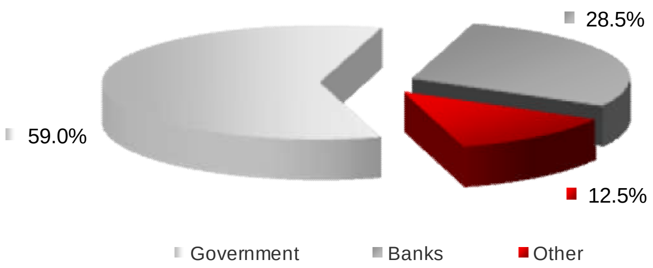
The chart below presents the percentage breakdown of the portfolio based on the types of securities, and shows the largest proportion are debt securities which, including securities used in reverse repurchases agreements with customers and banks, accounts for 94.7% of total investments.

Chart no. 9 - **FINANCIAL ASSETS AT 30.06.2011: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY**



With reference to the issuers of securities, the aggregate portfolio at the end of the half-year is comprised of "Government securities" (59%), "bank securities" (28.5%), and by "other issuers" for the remaining share, as evidenced in the chart below.

Chart no. 10 - **FINANCIAL ASSETS AT 30.06.2011: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER**



Exposures held in sovereign debt securities

Below are broken down the positions as to 30 June 2011 with reference to Consob communication no. DEM/11070007 of 5 August 2011 "Communication concerning information to be provided in financial reports as to 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"*).

Sovereign debt securities: breakdown by portfolio and issuer

		Italy	Spain	Croatia	Czech Republic	Total
Financial assets held for trading	NV	9,970				**9,970**
	Book value	10,025				**10,025**
Available-for-sale financial assets	NV	524,322	200	300	250	**525,072**
	Book value	517,605	191	323	270	**518,389**
Held-to-maturity investments	NV	110,000				**110,000**
	Book value	110,728				**110,728**
Total	**NV**	**644,292**	**200**	**300**	**250**	**645,042**
	Book value	**638,358**	**191**	**323**	**270**	**639,142**

Sovereign debt securities: breakdown by portfolio, issuer and residual term

		Italy	Spain	Croatia	Czech Republic	Total
Financial assets held for trading	- up to 1 year	8,162				**8,162**
	- from 1 to 3 years	1,174				**1,174**
	- from 3 to 5 years	129				**129**
	- beyond 5 years	505				**505**
	Total	**9,970**	**-**	**-**	**-**	**9,970**
Available-for-sale financial assets	- up to 1 year	77,432				**77,432**
	- from 1 to 3 years	169,310				**169,310**
	- from 3 to 5 years	164,020	200	300	250	**164,770**
	- beyond 5 years	113,560				**113,560**
	Total	**524,322**	**200**	**300**	**250**	**525,072**
Held-to-maturity investments	- up to 1 year					**-**
	- from 1 to 3 years					**-**
	- from 3 to 5 years					**-**
	- beyond 5 years	110,000				**110,000**
	Total	**110,000**	**-**	**-**	**-**	**110,000**
Total	- up to 1 year	85,594				**85,594**
	- from 1 to 3 years	170,484				**170,484**
	- from 3 to 5 years	164,149	200	300	250	**164,899**
	- beyond 5 years	224,065				**224,065**
	Total	**644,292**	**200**	**300**	**250**	**645,042**

It should be noted that exposures to issuers other than Italy do not belong to the Parent Company and to Italian subsidiary banks.

Following the events that occurred on financial markets after the closing of the half-year report, it should be noted that controls were further strengthened in relation to risk management, measurement and control systems described in the Notes to the Financial Statements, in the section relating to “Information on risks and related hedging policies”.

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There was a negative inter-bank balance of about Euro 0.1 billion at 30 June 2011, compared with about Euro 0.4 billion euro at the end of the half-year of 2010.

6.4 - SHAREHOLDERS’ EQUITY AND ECONOMIC STABILITY

Shareholders’ equity attributable to the Parent Company as at 30 June 2011, including the profit of the period, amounted to a total of Euro 810.3 million, an increase of Euro 35.6 million (+4.6%) with respect to the figure recorded in the first half-year of 2010.

Below is reported the statement of reconciliation between the Parent Company’s equity and net profit and the corresponding consolidated data as at 30 June 2011.

Table no. 7 - **RECONCILIATION BETWEEN PARENT COMPANY'S EQUITY AND NET PROFIT AND CONSOLIDATED DATA AT 30.06.2011**

Amounts in thousands of Euros	Equity	***of which Net profit***
Balances of Parent Company's accounts at 30 June 2011	**775,464**	***33,113***
Effect of consolidation of subsidiaries	28,551	*5,672*
Effect of valuation of associates at equity	6,254	*-62*
Dividendc collected in the period	-	*-3,511*
Other changes	-	*14*
Balances of consolidated accounts at 30 June 2011	**810,269**	***35,226***

At the end of the half-year the shareholders' equity calculated in accordance with the supervisory regulations in force, amounted to Euro 775.8 million (Euro 767.4 million at June 2010). The figure is made up of Tier 1 capital of Euro 706.6 million and Tier 2 capital of Euro 89 million for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 19.8 million 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, increased to 11.3% compared to 10.9% in June 2010 and actually coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, increased up to 12.4% compared to 12.3% in June 2010.

6.5 - RECLASSIFIED INCOME STATEMENT

A reclassified Income Statement has been prepared (as compared with the layout in the *condensed interim 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 "Profits/(losses) after taxes from non-recurring operations";
- 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;

- the shares of profits for the period relating to the equity investments held in associated companies are reclassified from item 240 "Profit (losses) on equity investments" to the item “Profit (losses) 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 / uses for provisions for risks 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 Profits/(losses) from non-recurring operations 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 first half-year ended with Parent Bank net profit of Euro 35.2 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. 9 - **RECLASSIFIED INCOME STATEMENT**

Items	*in thousands of Euros*	30.06.2011	30.06.2010	Change Value	Change %
10+20	Net interest income	98,065	91,129	6,936	7.6%
70	Dividend and similar income	32	346	-314	-90.8%
	Profits (losses) on equity investments in associates	1,272	1,769	-497	-28.1%
40+50	Net fees and commissions	57,568	61,842	-4,274	-6.9%
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	2,364	6,343	-3,979	-62.7%
150+160	Net income from insurance activities	6,196	5,216	980	18.8%
220	Other operating income and expenses	4,533	2,657	1,877	70.6%
	Operating income	**170,030**	**169,302**	**729**	**0.4%**
180 a	Personnel expenses	-76,519	-74,010	-2,509	3.4%
180 b	Other administrative expenses	-30,505	-34,014	3,509	-10.3%
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-5,631	-5,298	-334	6.3%
	Operating costs	**-112,655**	**-113,322**	**666**	**-0.6%**
	Operating margin	**57,375**	**55,980**	**1,395**	**2.5%**
	Net profits/(losses) on disposal/repurchase of receivables	0	0	0	
130 a	Net impairment losses on loans	-8,746	-16,707	7,961	-47.7%
130 d	Net impairment losses on other financial transactions	-129	7	-136	-1942.9%
190	Net provisions for risks and charges	-165	-341	176	-51.6%
	Profits/(losses) before taxes from continuing operations	**48,335**	**38,939**	**9,396**	**24.1%**
290	Taxes for the period on income from continuing operations	-20,356	-16,279	-4,077	25.0%
	Profits/(losses) after taxes from continuing operations	**27,979**	**22,660**	**5,319**	**23.5%**
240+270	Profits (losses) on equity investments and on disposal of investments	2	0	2	
	Net provisions for risks and charges on extraordinary transactions	7,700	14,636	-6,936	-47.4%
	Profits/(losses) before taxes from non-recurring operations	**7,702**	**14,636**	**-6,934**	**-47.4%**
	Taxes for the period on income from non-recurring operations	0	0	0	
	Profits/(losses) after taxes from non-recurring operations	**7,702**	**14,636**	**-6,934**	**-47.4%**
320	**Net profit/(loss) for the period**	**35,681**	**37,296**	**-1,615**	**-4.3%**
330	(Profit)/loss for the period attributable to minority interests	-455	-347	-108	31.1%
340	**Parent Bank net profit (loss)**	**35,226**	**36,949**	**-1,723**	**-4.7%**

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 period, showing the figures corresponding to the total in the layouts and the reclassification balances.

Table no. 10 - **RECONCILIATION BEETWEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2011**

Items		Financial Statement	Reclassifications						Reclassified Statement
in thousands of Euros		**30.06.2011**	Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Uses / provisions for risks and charges	Taxes on income	**30.06.2011**
10+20	Net interest income	98,632	-567						98,065
70	Dividend and similar income	32							32
	Profits (losses) on equity investments in associates				1,272				1,272
40+50	Net fees and commissions	57,568							57,568
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	2,364	0						2,364
150+160	Net income from insurance activities	5,642	554						6,196
220	Other operating income and expenses	9,242	13	-6,177		1,455			4,533
	Operating income	**173,480**	**0**	**-6,177**	**1,272**	**1,455**	**0**	**0**	**170,030**
180 a	Personnel expenses	-76,519							-76,519
180 b	Other administrative expenses	-36,682		6,177					-30,505
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-4,176				-1,455			-5,631
	Operating costs	**-117,377**	**0**	**6,177**	**0**	**-1,455**	**0**	**0**	**-112,655**
	Operating margin	**56,103**	**0**	**0**	**1,272**	**0**	**0**	**0**	**57,375**
	Net profits/(losses) on disposal/repurchase of receivables								0
130 a	Net impairment losses on loans	-8,472					-274		-8,746
130 d	Net impairment losses on other financial transactions	-129							-129
190	Net provisions for risks and charges	7,261					-7,426		-165
	Profits/(losses) before taxes from continuing operations	**54,763**	**0**	**0**	**1,272**	**0**	**-7,700**	**0**	**48,335**
290	Taxes for the period on income from continuing operations	-20,356						0	-20,356
	Profits/(losses) after taxes from continuing operations	**34,407**	**0**	**0**	**1,272**	**0**	**-7,700**	**0**	**27,979**
240+270	Profits (losses) on equity investments and on disposal of investments	1,274			-1,272				2
	Net provisions for risks and charges on extraordinary transactions						7,700		7,700
	Profits/(losses) before taxes from non-recurring operations	**1,274**	**0**	**0**	**-1,272**	**0**	**7,700**	**0**	**7,702**
	Taxes for the period on income from non-recurring operations							0	0
	Profits/(losses) after taxes from non-recurring operations	**1,274**	**0**	**0**	**-1,272**	**0**	**7,700**	**0**	**7,702**
320	**Net profit/(loss) for the period**	**35,681**	**0**	**0**	**0**	**0**	**0**	**0**	**35,681**
330	(Profit)/loss for the period attributable to minority interests	-455							-455
340	**Parent Bank net profit (loss)**	**35,226**	**0**	**0**	**0**	**0**	**0**	**0**	**35,226**

Table no. 11 - **RECONCILIATION BEETWEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2010**

Captions		Financial Statement	Riclassifiche							Reclassified Statement
Amounts in thousands of Euros		30.06.2010	Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Uses / provisions for risks and charges	Taxes on income		30.06.2010
10+20	Net interest income	91,531	-402							91,129
70	Dividend and similar income	346								346
	Profits (losses) on equity investments in associates				1,769					1,769
40+50	Net fees and commissions	61,842								61,842
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	6,389	-46							6,343
150+160	Net income from insurance activities	4,734	482							5,216
220	Other operating income and expenses	7,355	-34	-5,888		1,224				2,657
	Operating income	**172,197**	**0**	**-5,888**	**1,769**	**1,224**	**0**	**0**		**169,302**
180 a	Personnel expenses	-74,010								-74,010
180 b	Other administrative expenses	-39,902		5,888						-34,014
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-4,074				-1,224				-5,298
	Operating costs	**-117,986**	**0**	**5,888**	**0**	**-1,224**	**0**	**0**		**-113,322**
	Operating margin	**54,211**	**0**	**0**	**1,769**	**0**	**0**	**0**		**55,980**
	Net profits/(losses) on disposal/repurchase of receivables									0
130 a	Net impairment losses on loans	-16,927					220			-16,707
130 d	Net impairment losses on other financial transactions	7								7
190	Net provisions for risks and charges	14,515					-14,856			-341
	Profits/(losses) before taxes from continuing operations	**51,806**	**0**	**0**	**1,769**	**0**	**-14,636**	**0**		**38,939**
290	Taxes for the period on income from continuing operations	-16,279						0		-16,279
	Profits/(losses) after taxes from continuing operations	**35,527**	**0**	**0**	**1,769**	**0**	**-14,636**	**0**		**22,660**
240+270	Profits (losses) on equity investments and on disposal of investments	1,769			-1,769					0
	Net provisions for risks and charges on extraordinary transactions						14,636			14,636
	Profits/(losses) before taxes from non-recurring operations	**1,769**	**0**	**0**	**-1,769**	**0**	**14,636**	**0**		**14,636**
	Taxes for the period on income from non-recurring items							0		0
	Profits/(losses) after taxes from non-recurring operations	**1,769**	**0**	**0**	**-1,769**	**0**	**14,636**	**0**		**14,636**
320	**Net profit/(loss) for the period**	**37,296**	**0**	**0**	**0**	**0**	**0**	**0**		**37,296**
330	(Profit)/loss for the period attributable to minority interests	-347								-347
340	**Parent Bank net profit (loss)**	**36,949**	**0**	**0**	**0**	**0**	**0**	**0**		**36,949**

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

Operating income

The revenue items related to operating income show an increase of 0.4% compared to the period used for comparison, totalling Euro 170 million. Specifically, interest income increased for Euro 6.9 million (+7.6%), the income from insurance activities for Euro 1 million and other operating income and expenses for Euro 1.9 million; vice versa, the decreasing items included net commissions for Euro 4.3 million and the balance that groups together the 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 of Euro 4 million (attributable to the profit from transfer or repurchase of financial assets available for sale).

Operating costs

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to about Euro 112.6 million, down by Euro 0.7 million, equal to 0.6%.

Profits/(losses) after taxes from continuing operations

The operating margin at the end of the half-year was then equal to Euro 57.4 million, up by Euro 1.4 million compared to that of the period under comparison; the *net impairment losses on loans* of Euro 8.7 million, which were less than 47.7% less than the period under comparison, the *net impairment losses on other financial transactions* of Euro 0.1 million, *net provisions for risks and charges* of Euro 0.2 million, as well as *taxes for the period on income from continuing operations* of Euro 20.4 million lead to the *after-tax profit from continuing operations* of Euro 28 million, with an increase of 23.5%.

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

Profits/(losses) after taxes from non-recurring operations amounts to Euro 7.7 million and relates to the additional partial release of the fund totalling Euro 37.8 million, which was set aside at the end of 2008 against the risk of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. on the part of the Parent Company, as envisaged as per contract, at the end of the business plan of the Company (2012). At the end of the previous period, the partial release of the same amounted to Euro 14.6 million.

Parent Bank net profit (loss)

Profits/(losses) after taxes from continuing operations and the *profits/(losses) after taxes from non-recurring operations* make up the *Parent Bank net profit* for the financial year 2011 equal to Euro 35.2 million, net of the result attributable to minority interests of Euro 0.5 million. The result reports an amount of Euro 1.7 million less than that of June 2010 (-4.7%), which however benefitted from an additional amount of Euro 6.9 million referable to the non-recurring profit, net of taxes.

7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Capital increase serving a Stock Grant Plan

On 21 July 2011, within the supervisory provisions of 30 March 2011 concerning remuneration policies, the Board of Directors of the Parent Bank approved a plan for a capital increase, free of charge, pursuant to article 2349 of the Italian Civil Code, in a divisible form, for a maximum nominal amount of Euro 520,000 corresponding to a maximum number of 1,000,000 ordinary shares with a nominal value of Euro 0.52 each, serving a Stock Grant Plan to the benefit of the Management of the Banco Desio Group (as identified in the application of the supervisory provisions) which will be submitted for approval by the Ordinary Shareholders' Meeting. This capital increase, in accordance with the Stock Grant Plan 2011 - 2013, will be implemented in three tranches (2014, 2015, 2016) with an issue of up to a maximum number of 333,333 shares per tranche, through the use of free equity reserves made up of "undivided profit", or according to the different procedures set out in the regulations in force from time to time. Once this capital increase plan is authorised by the Bank of Italy pursuant to law, it will be submitted for approval by the extraordinary Shareholders' Meeting, as will the correlated proposed amendments to article 4 of the company's by-laws.

Opening of branches

25 July 2011 saw the opening of the branch in Leini (Turin), thus bringing the Parent Bank's distribution network to 135 branches, while the Group's overall distribution network currently includes 179 units.

Acquisition of the equity investment in AcomeA SGR S.p.A.

On 25 July 2011 the Parent Company acquired no. 50,000 ordinary shares of AcomeA SGR S.p.A., within the capital increase of the same, at the price of Euro 30.00 per share (including Euro 20.00 as share premium), for a countervalue of Euro 1.5 million. As a result of this transaction, Banco di Desio e della Brianza S.p.A. holds a stake equal to 9.09% of the finance company.

8 -OTHER INFORMATION

8.1 - RATING

On 13 April 2011 the international rating agency, Fitch Ratings confirmed the ratings previously awarded to the Parent Company, specifically pointing out, as strengths, the good competitive positioning that determines the performance's capacity even if in a complex economic context like the current one, the stability of deposits, the sound loan portfolio with performance better than that of its competitors and the adequate capitalisation.

Long-term	Short-term	Forecast
A	F1	**Stable**

8.2 - FULFILMENT OF THE REQUIREMENTS LAID DOWN IN ARTICLES 36 AND 37 OF THE CONSOB MARKET REGULATIONS

The conditions laid down in Articles 36 and 37 of the Consob Market Regulations (16191 of 29 October 2007) persist which are referred, in the present case, to the non-EU company CPC. S.A., owned indirectly by the Parent Company, and to Brianza Unione di Luigi Gavazzi & C. S.a.p.a., the company controlling the Parent Company itself, as reported in the "Annual Report on Corporate Governance and Corporate Structures" of the Group required by article 123-*bis* of the TUF and made available on the website at the address www.bancodesio.it, section Banco Desio – Corporate Governance.

8.3 - TRANSACTIONS WITH RELATED PARTIES

For a description of the procedures governing the transactions referred to above, we would refer to paragraph 5 of the annual Report on Corporate Governance made available, pursuant to article 123-bis of the TUF, on the website. For more information, reference is made to the specific section of the *Condensed Interim Financial Statements.*

8.4 - INFORMATION ON STOCK OPTION PLANS

The stock option Plans in existence at the end of the half-year exclusively refer to that regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession), as the Plans regarding shares of subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. expired in the course of the first half year. For further information reference should be made to specific section in the condensed interim Financial Statements.

9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The continued reinforcement of the local presence, the continuity in the development of loans' volume, the careful management and attentive monitoring of credit ratios, as well as the strict control of operating costs confirm themselves as the drivers for growth in the operating result and the achievement of a final profit for the current year that is not too distant from that of the previous financial year, in any case without prejudice to theunpredictability of development and implications of the current criticality and complexity of the international economic scenario, as well as of the very recent heavy falls in the financial markets.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Half-year Financial Report at 30 June 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 paragraph about the macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the main related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in detail in paragraph "Information on Risks and the Related Hedging Policies" of Consolidated half-year Financial Report. Additional information as to the aforesaid controls is contained in 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 as this Report.

Desio, 25 August 2011

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

CONDENSED INTERIM FINANCIAL STATEMENTS
at 30 June 2011

.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets

Assets	30/06/2011	31/12/2010	Change absolute	%
10. Cash and cash equivalents	27 307	28 615	- 1,308	-5%
20. Financial assets held for trading	19 882	40 759	- 20,877	-51%
40. Available-for-sale financial assets	903 332	833 814	69,518	8%
50. Held-to-maturity investments	124 668	124 480	188	0%
60. Amounts due from banks	274 362	302 852	- 28,490	-9%
70. Amounts due from customers	6 663 750	6 476 720	187,030	3%
80. Hedging derivatives	631		631	100%
100. Equity investments	23 335	16 720	6,615	40%
110. Technical reserves arising from reinsurance	6 688	6 363		
120. Tangible assets	154 904	150 821	4,083	3%
130. Intangible assets	55 580	47 592	7,988	17%
of which:				
- goodwill	51 473	44 345	7,128	*16%*
140. Tax assets	38 292	42 822	- 4,530	-11%
a) current	3 516	7 289	- 3,773	*-52%*
b) deferred	34 776	35 533	- 757	*-2%*
160. Other assets	116 631	91 452	25,179	28%
Total Assets	**8 409 362**	**8 163 010**	**246,352.00**	**3.02%**

Liabilities

Total Liabilities and shareholders' equity	30/06/2011	31/12/2010	Change absolute	%
10. Amounts due to banks	335,121	171,918	163,203	95%
20. Amounts due to customers	4,309,171	4,459,599	- 150,428	-3%
30. Securities issued	2,274,427	2,114,408	160,019	8%
40. Financial liabilities held for trading	7,333	6,657	676	10%
50. Financial liabilities at fair value through profit or loss	213,380	334,326	- 120,946	-36%
60. Hedging derivatives	2,890	2,653	237	9%
80. Tax liabilities	17,935	12,664	5,271	42%
a) current	7,761	2,763	4,998	181%
b) deferred	10,174	9,901	273	3%
100. Other liabilities	339,325	174,893	164,432	94%
110. Reserve for employee termination indemnities	23,656	24,378	- 722	-3%
120. Reserves for risks and charges:	35,838	43,517	- 7,679	-18%
a) pensions and similar commitments	191	186	5	3%
b) other reserves	35,647	43,331	- 7,684	-18%
130. Technical Reserves	35,318	29,980		
140. Valuation reserves	26,588	17,536	9,052	52%
170. Reserves	664,605	629,025	35,580	6%
180. Share premium reserve	16,145	16,145	-	0%
190. Share capital	67,705	67,705	-	0%
210. Minority interests (+/-)	4,699	4,995	- 296	-6%
220. Net profit / (loss) for the period	35,226	52,611	n.s.	n.s.
Total Liabilities and shareholders' equity	**8,409,362**	**8,163,010**	**246,352**	**3%**

CONSOLIDATED BALANCE SHEET

Items	30/06/2011	30/06/2010	Changes absolute	Changes %
10. Interest income and similar revenues	142,716	126,698	16,018	12.64%
20. Interest expense and similar charges	- 44,084	- 35,167	- 8,917	25.36%
30. Net interest income	**98,632**	**91,531**	**7,101**	**7.76%**
40. Fee and commission income	68,824	70,658	- 1,834	-2.60%
50. Fee and commission expense	- 11,256	- 8,816	- 2,440	27.68%
60. Net fees and commissions	**57,568**	**61,842**	**- 4,274**	**-6.91%**
70. Dividends and similar income	32	346	- 314	-90.75%
80. Net profits/(losses) on trading activities	1,536	1,281	255	19.91%
90. Net profits/(losses) on hedging activities	- 90	687	- 777	-113.10%
100. Profit/(loss) on disposal or repurchase of:	1,793	6,188	- 4,395	-71%
b) available-for-sale financial assets	*1,516*	*6,112*	*- 4,596*	*-75.20%*
d) financial liabilities	*277*	*76*	*201*	*264.47%*
110. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	- 875	- 1,767	892	-50.48%
Net interest and other banking income (intermediation margin)	**158,596**	**160,108**	**- 1,512**	**-0.94%**
130. Net impairment losses on/writebacks to:	- 8,601	- 16,920	8,319	49.20%
a) loans and receivables	*- 8,472*	*- 16,927*	*8,455*	*-49.95%*
d) other financial assets	*- 129*	*7*	*- 136*	*-1942.86%*
Net result of financial activities	**149,995**	**143,188**	**6,807**	**4.75%**
150. Administrative expenses:	- 113,201	- 113,912		
a) personnel expenses	*- 76,519*	*- 74,010*	*- 2,509*	*3.39%*
b) other administrative expenses	*- 36,682*	*- 39,902*	*3,220*	*-8.07%*
160. Net provisions for risks and charges	7,261	14,515	- 7,254	-49.98%
170. Net adjustments to the value of tangible assets	- 3,470	- 3,577	107	-2.99%
180. Net adjustments to the value of intangible assets	- 706	- 497	- 209	42.05%
190. Other operating (expenses)/income	9,242	7,355	1,887	25.66%
200. Operating expenses	**- 100,874**	**- 96,116**	**- 4,758**	**4.95%**
210. Profits/(losses) on equity investments	1,272	1,769	- 497	-28.09%
250. Profits/(losses) before taxes from continuing operations	**56,037**	**53,575**	2,462	4.60%
260. Taxes for the period on income from continuing operations	- 20,356	- 16,279	- 4,077	25.04%
270. Net profits (loss) after tax from continuing operations	**35,681**	**37,296**	**- 1,615**	**-4.33%**
290.Net profit/(loss) for the period	**35,681**	**37,296**	**- 1,615**	**-4.33%**
330.Profit (loss) for the period attributable to minority interests	- 455	- 347	- 108	31.12%
340. Profit (loss) for the period attributable to Parent Bank	**35,226**	**36,949**	- 1,723	-4.66%

Statement of consolidated comprehensive income for the period

	Items	30.06.2011	30.06.2010	Change 06.2011 compared to 06.2010	
10.	**Net profit / (loss) for the period**	**35,681**	**37,296**	**-1,615**	**-4.3%**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	1,888	-3,635	5,523	-151.9%
30.	Tangible assets	-	-		
40.	Intangible assets				
50.	Foreign investments hedges				
60.	Cash flow hedges				
70.	Foreign exchange differences	863	2,258	-1,395	-38.2%
80.	Non-current assets held for sale and discontinued operations				
90.	Actuarial Profit(Loss) on defined benefits plans	59	-491	550	-112.0%
100.	Share of revaluation reserves relating to equity investments recognised under equity	6,239	-994	5,245	727.7%
110.	**Total other comprehensive income (net of tax)**	**9,049**	**-2,862**	**11,911**	**416.2%**
120.	**Total comprehensive income for the period (item 10 + 110)**	**44,730**	**34,434**	**10,296**	**29.9%**
130.	Total Consolidated comprehensive income pertaining to minority interests	-452	-281	-171	-60.9%
140.	**Total Consolidated comprehensive income pertaining to the Parent Company**	**44,278**	**34,153**	**10,125**	**29.6%**

Statement of changes in consolidated shareholders' equity at 30.06.2011

	Equity as at 31.12.2010	Change in opening balances	Equity as at 1.01.2011	Allocation of result from previous period: Reserves	Allocation of result from previous period: Dividends and other allocations	Changes over the period: Changes in reserves	Transactions in shareholders' equity: Issue of new shares	Transactions in shareholders' equity: Purchase of treasury shares	Transactions in shareholders' equity: Extraordinary distribution of dividends	Transactions in shareholders' equity: Change in equity instruments	Transactions in shareholders' equity: Derivatives on treasury shares	Transactions in shareholders' equity: Stock options	Comprehensive income for the year at 30.06.2011	Equity attributable to the Group as at 30.06.2011	Minority interests as at 30.06.2011
Shareholders' equity:															
a) ordinary shares	64,278	-	64,278	-	-	-	-200.00		-	-	-	-	-	60,840	3,238
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	-	-3287.00	-	-	-	-	-	-	-	655,298	946
b) others	9,261	-	9,261	-	-	-	-	-	-	-	-	46	-	9,307	
Revaluation reserves:	17,389	-	17,389			-	-						9,049	26,588	-150.00
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net Profit (loss) for the year	53,460	-	53,460	-39070.00	-14390.00	-	-	-	-	-	-	-	35,681	35,226	455
Equity attributable to the Group	**783,022**	**-**	**783,022**		**-13949.00**	**-3128.00**	**-**	**-**	**-**	**-**	**-**	**46**	**44,278**	**810,269**	
Minority interests	**4,995**	**-**	**4,995**		**-441.00**	**-159.00**	**-200.00**	**52**					**452**		**4,699**

Statement of changes in consolidated shareholders' equity at 31.12.2010

	Equity as at 31.12.2009	Change in opening balances	Equity as at 1.01.2010	Allocation of result from previous period: Reserves	Allocation of result from previous period: Dividends and other allocations	Changes over the period: Changes in reserves	Transactions in shareholders' equity: Issue of new shares	Transactions in shareholders' equity: Purchase of treasury shares	Transactions in shareholders' equity: Extraordinary distribution of dividends	Transactions in shareholders' equity: Change in equity instruments	Transactions in shareholders' equity: Derivatives on treasury shares	Transactions in shareholders' equity: Stock options	Comprehensive income for the year at 31.12.2010	Equity attributable to the Group as at 31.12.2010	Minority interests as at 31.12.2010
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	-	-	-	-89.00	-	-	-	-	-	-	16,145	158
Reserves:															
a) retained earnings	582,485	-	582,485	39,733	-	-1757.00	-	-	-	-	-	-	-	619,764	697
b) others	9,119	-	9,119	-	-	-	-	-	-	-	-	142	-	9,261	
Revaluation reserves:	29,074	-	29,074			-	-						-11685.00	17,536	-147.00
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net Profit (loss) for the year	53,682	-	53,682	-39733.00	-13949.00	-	-	-	-	-	-	-	53,460	52,611	849
Equity attributable to the Group	**757,372**	**-**	**757,372**		-13949.00	-1703.00	**-**	**-**	**-**	**-**	**-**	**142**	**41,160**	**783,022**	
Minority interests	**3,947**	**-**	**3,947**			-54.00	**487**	**-**					**615**		**4,995**

Consolidated Cash Flow Statement

A. OPERATIONS	Amount	
	30.06.2011	30.06.2010
1. Management	**51,132**	**54,313**
- interest income earned (+)	142,690	126,685
- interest expenses paid (-)	- 43,754	- 35,092
- dividends and similar revenues (+)	32	346
- net commissions (+/-)	58,320	62,549
- personnel costs (-)	- 73,048	- 71,292
- net premiums earned (+)	15,601	12,844
- other insurance income/charges (+/-)	- 9,959	- 8,110
- other costs (-)	- 32,394	- 37,142
- other revenues (+)	14,000	19,804
- taxes and duties (-)	- 20,356	- 16,279
- costs/revenues relating to non current assets held for sale and discontinued operati	-	-
2. Liquid assets generated (absorbed) by decrease/increase in financial assets	**- 235,359**	**106,687**
- financial assets held for trading	20,998	20,373
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	- 68,393	- 105,232
- amounts due from customers	- 199,011	- 140,404
- amounts due from banks: at sight	- 21,924	- 15,611
- amounts due from banks: others	6,506	322,366
- other assets	- 17,383	25,195
3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities	**213,302**	**- 91,611**
- amounts due to banks: at sight	- 2,286	1,848
- amounts due to banks: others	165,489	56,569
- amounts due to customers	- 150,428	- 279,960
- securities issued	161,280	89,203
- financial liabilities held for trading	- 3,101	- 112
- financial liabilities at fair value through profit or loss	- 120,946	- 84,479
- other liabilities	163,294	125,320
Net liquid assets generated (absorbed) by operations (A)	**29,075**	**69,389**
B. INVESTMENTS		
1. Liquid assets generated by	**47**	**25**
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale/redemption of financial assets held to maturity	1	-
- sale of tangible assets	46	25
- sale of intangible assets	-	-
- sale of subsidiaries and business divisions	-	-
2. Liquid assets absorbed by	**- 16,481**	**- 57,032**
- purchase of equity investments	-	4,537
- purchase of financial assets held to maturity	- 188	- 55,522
- purchase of tangible assets	- 7,599	- 4,968
- purchase of intangible assets	- 8,694	- 1,079
- purchase of subsidiaries and business divisions	-	-
Net liquid assets generated (absorbed) by investments (B)	**- 16,434**	**- 57,007**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	- 13,949	- 13,798
Net liquid assets generated (absorbed) by funding activities (C)	**- 13,949**	**- 13,798**
NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**- 1,308**	**- 1,416**

Financial statements' items	2011	2010
Cash and cash equivalents at beginning of year	28,615	26,315
Total liquid assets generated (absorbed) during the year	(1,308)	(1,416)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of the year	27,307	24,899

Consolidated Income Statement – Quarterly trend

	Items	2nd quarter 2011	1st quarter 2011	2nd quarter 2010	1st quarter 2010
10	Interest income and similar revenues	74,706	68,010	63,531	63,167
20	Interest expense and similar charges	-23,399	-20,685	-17,885	-17,282
30	**Net interest income**	**51,307**	**47,325**	**45,646**	**45,885**
40	Fee and commission income	36,876	31,948	36,961	33,697
50	Fee and commission expense	-7,166	-4,090	-5,495	-3,321
60	**Net fee and commission income**	**29,710**	**27,858**	**31,466**	**30,376**
70	Dividends and similar income	31	1	346	-
80	Net profits/(losses) from trading activities	108	1,428	114	1,167
90	Net profits/(losses) from hedging activities	6	-96	687	-
100	Profit/(loss) from disposal or repurchase of:	948	845	3,523	2,665
	a) loans and receivables	-	-	-	-
	b) available-for-sale financial assets	*817*	*699*	*3,477*	*2,635*
	d) financial liabilities	*131*	*146*	*46*	*30*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-61	-814	-952	-815
120	**(intermediation margin)**	**82,049**	**76,547**	**80,830**	**79,278**
130	Net value adjustments/write-backs for impairment of:	-5,563	-3,038	-10,546	-6,374
	a) loans and receivables	*-5,372*	*-3,100*	*-10,324*	*-6,603*
	d) other financial assets	-191	62	-222	229
140	**Net income from banking activities**	**76,486**	**73,509**	**70,284**	**72,904**
150	Net insurance premiums	7,655	7,946	6,111	6,733
160	Balance of other income/charges arising from insurance management activities	-4,737	-5,222	-3,521	-4,589
170	**Net result of financial and insurance activities**	**79,404**	**76,233**	**72,874**	**75,048**
180	Administrative expenses:	-59,483	-53,718	-58,911	-55,001
	a) staff expenses	*-39,392*	*-37,127*	*-38,129*	*-35,881*
	b) other administrative expenses	*-20,091*	*-16,591*	*-20,782*	*-19,120*
190	Net provisions for risks and charges	-212	7,473	-668	15,183
200	Net value adjustments to/write-backs of tangible	-1,738	-1,732	-1,783	-1,794
210	Net value adjustments to/write-backs of intangible assets	-373	-333	-257	-240
220	Other operating income/(expenses)	4,291	4,951	3,264	4,091
230	**Operating expenses**	**-57,515**	**-43,359**	**-58,355**	**-37,761**
240	Profits/(losses) from equity investments	588	684	978	791
270	Profits (Losses) from disposal of investments	-	2	-	
280	**Profits/(losses) before taxes from continuing operations**	**22,477**	**33,560**	**15,497**	**38,078**
290	Taxes for the period on income from continuing operations	-10,621	-9,735	-7,375	-8,904
300	**Net profits (loss) after tax from continuing operations**	**11,856**	**23,825**	**8,122**	**29,174**
330	Profit (loss) for the period attributable to minority interests	-210	-245	-160	-187
340	**Parent Bank net profit (loss)**	**11,646**	**23,580**	**7,962**	**28,987**

ACCOUNTING POLICIES AND STANDARDS

ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

GENERAL

Section 1 – Declaration of conformity with international accounting standards

This condensed interim consolidated financial statements of the Banco Desio Group are drawn up in accordance with Article 154 of Legislative Decree 58/1998 and prepared in conformity to the applicable International Accounting Standards endorsed by the European Community under Regulation (EC) 1606/2002 of the European Parliament and Council (dated 19 July 2002) and, in particular, in conformity to IAS 34 - *Interim Financial Reporting* - in addition to the regulations issued in implementation of Article 9 of Legislative Decree 38/2005.
The condensed interim financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the income statement - quarterly trend, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements, which provide information on fair value, the details of the main items in the Balance Sheet and Income Statement, information on equity, Operating segments, information on risks and the related hedging policies, information on transactions with related parties and stock option plan transactions. The condensed interim consolidated financial statements is also accompanied by the Consolidated Half-Year Financial Report.

Below are illustrated the main accounting policies adopted in preparing the condensed interim consolidated financial statements, which are the same as those used in preparing the year-end consolidated financial statements.

Section 2 – General accounting policies

The condensed interim 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 period.

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

The document has 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, valued at fair value and by 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 also 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 in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated.

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 relationship (1)	Ownership relationship		Availability of votes %
			Investing company	Share %	
A. Companies					
A.1 Consolidated on a line by line basis					
Banco Desio Lazio S.p.A.	Rome	1	Banco Desio	100.000	100.000
Banco Desio Toscana S.p.A.	Florence	1	Banco Desio	100.000	100.000
Banco Desio Veneto S.p.A.	Vicenza	1	Banco Desio	100.000	100.000
Brianfid-Lux	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 Societé de Gestion S.A.	Luxembourg	1	Brianfid-Lux	50.000	50.000
		1	Banco Desio Lazio	10.000	10.000
		1	Banco Desio Toscana	10.000	10.000
		1	Banco Desio Veneto	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 in ordinary shareholders' meetings

During the half-year the scope of consolidation reported the following changes:
. Banco Desio Veneto S.p.A. – capital increase, serving the shareholding plan, for a total amount of Euro 5.6 million, plus an issue share premium of Euro 0.6 million. At the same time, the Parent Company Banco Desio ha purchased the new shares, while maintaining the 100% stake unchanged;
. Chiara Assicurazioni S.p.A. – capital increase, serving the shareholding plan, for a total amount of Euro 0.6 million, plus an issue share premium of Euro 0.2 million. The concurrent purchase of new shares and additional purchases from other shareholders entailed an increase in the ownership stale up to 66.662%.

Equity investments in companies subject to significant influence - Chiara Vita S.p.A. (shareholding 30.000%) and Istifid (shareholding 28.961%) are consolidated on an equity basis.

Section 4 – Events subsequent to the reporting date

Reference is made to the consolidated interim report on operations.

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.
- definition of the tax burden.

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 condensed interim consolidated financial statements.

MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of this document, are in compliance with the International Accounting Standards (IAS/IFRS) endorsed by the European Commission 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 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 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 existing 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 estimated future cash flows, as discounted at the initial actual interest rate of the relationship, 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 are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been transferred or extinguished.

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.
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.

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 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) <u>Definition of the CGU “cash generating unit”</u>
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) <u>Allocation of goodwill</u>
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) <u>Criterion to estimate recoverable values (Impairment)</u>
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 (earning 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 s 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

Costs and revenues have been recognized in the financial statements on the basis of the economic accruals criterion.

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.

Information on fair value

Transfers between portfolios

There have been no transfers

Fair value hierarchy

Accounting portfolios: breakdown by level of fair value

Financial Assets/Liabilities at fair value through profit or loss	30/06/2011 Level 1	30/06/2011 Level 2	30/06/2011 Level 3	31/12/2010 Level 1	31/12/2010 Level 2	31/12/2010 Level 3
1. Financial assets held for trading	10,530	36	9,316	16,879	1,760	22,120
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Available-for-sale financial assets	678,830	219,359	5,143	554,915	273,754	5,145
4. Hedging derivatives	-	-	631	-	-	-
Total	**689,360**	**219,395**	**15,090**	**571,794**	**275,514**	**27,265**
1. Financial liabilities held for trading	37	24	7,272	65	7	6,585
2. Financial liabilities at fair value through profit or loss	-	213,380	-	-	334,326	-
3. Hedging derivatives	-	-	2,890	-	-	2,653
Total	**37**	**213,404**	**10,162**	**65**	**334,333**	**9,238**

Financial assets at fair value (level 3): annual changes

	FINANCIAL ASSETS			
	Held for trading	At fair value through profit or loss	Available-for-sale	Hedging
1. Opening balance	**22,120**	**-**	**5,145**	**-**
2. Increases	**4,676**	**-**	**-**	**1,343**
2.1 Purchases	-	-	-	-
2.2 Profits charged to:				
2.2.1 Income Statement	1,084	-	-	303
- of which Capital Gains	1,084	-	-	303
2.2.2 Equity			-	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	**3,592**	**-**	**-**	**1,040**
3. Decreases	**17,480**	**-**	**2**	**712**
3.1 Sales	-	-	-	-
3.2 Redemptions	-	-	-	-
3.3 Losses charged to:				
3.3.1 Income Statement	4,588	-	-	3
- of which Capital Losses	4,588	-	-	3
3.3.2 Equity			-	-
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	12,892	-	2	709
4. Closing balance	**9,316**	**-**	**5,143**	**631**

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) include capital gains and losses for the period, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5).

Financial assets held for trading of Level 3 outstanding at the end of the first half of the year generated total profits for Euro 4,760 thousand, and losses for Euro 2,481 thousand.
Profits from capital gains amount to Euro 926 thousand, charged to item 80 of the income statement; profits for accruals and differentials accrued affected item 10 for Euro 3,206 thousand and item 80 for Euro 328 thousand.
On the other hand, capital losses were accounted for Euro 181 thousand under item 80, and for Euro 2,174 thousand under item 110. Losses for accruals and differentials accrued affected item 10 for Euro 981 thousand, and item 80 for Euro 126 thousand.

Financial assets available for sale generated losses of Euro 2 thousand charged to item 100.

Hedging financial assets outstanding at the end of the period generated profits of Euro 1,527 thousand, of which Euro 1,224 thousand charged to item 10 and Euro 303 thousand charged to item 90. On the contrary, recognised losses amounted to Euro 710 thousand, of which Euro 707 thousand charged to item 10 and Euro 3 thousand charged to item 90.

Financial liabilities at fair value (level 3): annual changes

	FINANCIAL LIABILITIES		
	Held for trading	At fair value through profit or loss	Hedging
1. Opening balance	**6,585**	**-**	**2,653**
2. Increases	2,775	-	4,019
2.1 Issues	-	-	-
2.2 Losses charged to:			
2.2.1 Income Statement	1,488	-	885
- of which Capital Losses	1,487	-	885
2.2.2 Equity			-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	1,287	-	3,134
3. Decreases	**2,088**	**-**	**3,782**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits charged to:			
3.3.1 Income Statement	1,336	-	235
- of which Capital Gains	1,335	-	235
3.3.2 Equity			-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	752	-	3,547
4. Closing balance	**7,272**	**-**	**2,890**

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) recognise capital gains and losses for the period, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5)

In relation to the financial liabilities outstanding at the end of the half-year, total losses were generated for Euro 1,519 thousand and profits for Euro 979 thousand.
Capital losses were recorded for Euro 935 thousand under item 80, and for Euro 230 thousand under item 110; losses for accruals and differentials accrued were charged for Euro 226 thousand to item 10 and for Euro 128 thousand to item 80.

Capital gains for Euro 926 thousand were recorded under item 80 and for Euro 113 thousand under item 110; proceeds for accruals and differentials accrued for Euro 400 thousand affected item 10 and for Euro 120 thousand item 80.

Finally, the transactions to cover financial liabilities outstanding at the end of the half-year entailed capital losses for Euro 372 thousand, charged to item 90, losses for differentials accrued for Euro 705 thousand, charged to item 10; proceeds for differentials accrued for Euro 992 thousand charged to item 10 and capital gains for Euro 235 thousand, charged to item 90.

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").

Balance Sheet and Income Statement aggregates

ASSETS

Financial assets held for trading

Break-down by type

Caption/Amount	30/06/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash equivalents						
1. Debt securities	10,232	-	-	16,469	1,748	-
1.1 Structured securities	-	-	-	-	145	-
1.2 Other debt securities	10,232	-	-	16,469	1,603	-
2. Equity securities	259	-	-	314	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**10,491**	**-**	**-**	**16,783**	**1,748**	**-**
B. Derivative instruments:						
1. Financial derivatives:	39	36	9,316	96	12	22,120
1.1 trading	39	36	6,758	96	12	6,093
1.2 connected with the fair value option	-	-	2,558	-	-	16,027
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**39**	**36**	**9,316**	**96**	**12**	**22,120**
Total (A+B)	**10,530**	**36**	**9,316**	**16,879**	**1,760**	**22,120**

Break-down by debtor/issuer

Caption / Amount	30/06/2011	31/12/2010
A. CASH EQUIVALENTS		
1. Debt securities	**10,232**	**18,217**
a) Governments and central banks	10,025	17,557
b) Other public entities	-	-
c) Banks	207	660
d) Other issuers		
2. Equity securities	**259**	**314**
a) Banks	259	314
b) Other issuers		
- insurance companies	-	-
- financial institutions	-	-
- non-financial companies	-	-
- other	-	-
3. UCITS units	-	-
4. Financing	**-**	**-**
a) Governments and central banks	**-**	**-**
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**10,491**	**18,531**
B. DERIVATIVE INSTRUMENTS		
a) Banks	**-**	**-**
- fair value	7,751	19,876
b) Customers:		
- fair value	1,640	2,352
Total B	**9,391**	**22,228**
Total (A + B)	**19,882**	**40,759**

Available for sale financial assets (caption 40)

Break-down by type

Caption/Amount	30/06/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	638,131	219,359	110	523,666	273,754	110
1.1 Structured securities	*904*	*3,699*	-	*899*	*3,662*	-
1.2 Other debt securities	*637,227*	*215,660*	*110*	*522,767*	*270,092*	*110*
2. Equity securities	634	-	5,033	662	-	5,035
2.1 Measured at fair value	*634*	-	*4,952*	*662*	-	*4,952*
2.2 Measured at cost	-	-	*81*	-	-	*83*
3. UCITS units	40,065	-	-	30,587	-	-
4. Loans	-	-	-	-	-	-
Total	**678,830**	**219,359**	**5,143**	**554,915**	**273,754**	**5,145**

Break-down by debtor/issuer

Caption / Amount	30/06/2011	31/12/2010
1. Debt securities	**857,600**	**797,530**
a) Governments and central banks	518,388	432,377
b) Other public entities	-	-
c) Banks	298,421	318,835
d) Other issuers	40,791	46,318
2. Equity securities	**5,667**	**5,697**
a) Banks	-	-
b) Other issuers	5,667	5,697
- insurance companies	-	-
- financial institutions	35	698
- non-financial companies	5,632	4,999
- other	-	-
3. UCITS units	**40,065**	**30,587**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**903,332**	**833,814**

Held-to-maturity investments (caption 50)

Break-down by type

Transaction type / Amount	30/06/2011				31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Livello 1	Livello 2	Livello 3		L1	L2	L3
1. Debt securities	124,668	118,677	-	-	124,480	118,052	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	124,668	118,677	-	-	124,480	118,052	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**124,668**	**118,677**			**124,480**	**118,052**		

Break-down by debtor/issuer

Transaction type / Amount	30/06/2011	31/12/2010
1. Debt securities	**124,668**	**124,480**
a) Governments and central banks	110,728	110,719
b) Other public entities	-	-
c) Banks	10,119	10,112
d) Other issuers	3,821	3,649
2. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**124,668**	**124,480**
Total fair value	**118,677**	**118,052**

Amounts due from banks (caption 60)

Break-down by type

Transaction type / Amount	30/06/2011	31/12/2010
A. Amounts due from Central banks	31,916	69,384
1. Restricted deposits	-	-
2. Compulsory reserve	31,916	69,384
3. Repurchase agreements	-	-
4. Other	-	-
B. Amounts due from banks	**242,446**	**233,468**
1. Current accounts and unrestricted deposits	108,688	130,673
2. Restricted deposits	64,505	77,205
3. Other loans	44,272	232
3.1 repurchase agreements	*44,087*	-
3.2 finance leases	-	-
3.3 other	*185*	*232*
4. Debt securities	24,981	25,358
4.1 structured	*24,981*	*25,358*
4.2 other debt securities	-	-
Total (book value)	**274,362**	**302,852**
Total (fair value)	**274,362**	**302,852**

Amounts due from customers (caption 70)

Break-down by type

Transaction type / Amount	30/06/2011		31/12/2010	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current account	1,513,762	76,343	1,433,110	75,202
2. Repurchase agreements	2,305	-	1,522	-
3. Mortgage loans	3,244,272	114,799	3,170,555	99,874
4. Credit cards, personal loans and loans on salary	285,165	8,717	230,076	5,036
5. Financial leases	591,478	19,879	598,102	17,944
6. Factoring	9,663	67	9,139	167
7. Other transactions	737,238	3,656	777,245	3,118
8. Debt securities	56,406	-	55,630	-
8.1 Structured	-	-	-	-
8.2 Other debt securities	*56,406*	-	*55,630*	-
Total (book value)	**6,440,289**	**223,461**	**6,275,379**	**201,341**
Total (fair value)	**6,758,541**	**223,461**	**6,596,889**	**201,341**

Break-down by debtor/issuer

Transaction type / Amount	30/06/2011		31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**56,406**	**-**	**55,630**	**-**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	56,406	-	55,630	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	56,406	-	55,630	-
- other	-	-	-	-
2. Loans to:	**6,383,883**	**223,461**	**6,219,749**	**201,341**
a) Governments	-	-	-	-
b) Other public entities	25	-	49	-
c) Other entities	6,383,858	223,461	6,219,700	201,341
- non-financial companies	4,114,295	139,925	4,058,788	127,925
- financial companies	49,999	82	62,165	102
- insurance companies	2,304	-	1,877	-
- other	2,217,260	83,454	2,096,870	73,314
Total	**6,440,289**	**223,461**	**6,275,379**	**201,341**

Hedging derivatives (caption 80)

Break-down by type of contract and underlying asset

	FV 30/06/2011			NV	FV 31/12/2010			NV
	L1	L2	L3	30/06/2011	L1	L2	L3	31/12/2010
A) Financial derivatives:			631	142,000				
1) Fair value			631	142,000				
2) Cash flows								
3) Foreign investments								
2) Credit derivatives:								
1) Fair value								
2) Cash flows								
Total			631	142,000				

Equity investments (caption 100)

Equity investments in companies subject to significant influence: information on ownership relationship

Company name	Registered offices	Ownership relationship	
		Investing company	% share
Companies subject to significant influence			
1. Chiara Vita S.p.A.	Milan	Banco Desio	30.000
2. Istifid S.p.A.	Milan	Banco Desio	28.961

Equity investments in companies subject to significant influence: accounting data (1)

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholder's equity	Consolidated book value	Fair Value
Companies subject to significant influence						
Chiara Vita S.p.A.	2,127,179	832,826	6,584	51,321	22,141	
Istfild S.p.A.	6,063	5,165	187	3,635	1,193	
Total	**2,133,242**	**837,991**	**6,771**	**54,956**	**23,335**	

(1) data relating to 31.12.2010, the last approved financial statements

Technical insurance reserves attributable to reinsurers (caption 110)

Breakdown

Asset/Value	30/06/2011	31/12/2010
A. Non-Life branch	**6,688**	**6,363**
a.1 premiums reserves	5,491	5,227
a.2 claims reserves	1,197	1,136
a.3 other reserves	-	-
B. Life branch	**-**	**-**
b.1 mathematical reserves	-	-
b.2 reserves for amounts to be disbursed	-	-
b.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	**-**	**-**
c.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
c.2 reserves from pension fund management	-	-
D. Total technical insurance reserves attributable to reinsurers	**6,688**	**6,363**

Tangible assets (caption 120)

Break-down of assets valued at cost

Assets/Value	30/06/2011	31/12/2010
A. Functional assets		
1.1 owned by the Bank	**154,898**	**150,815**
a) land	42,786	40,756
b) buildings	91,998	88,213
c) fixtures and fittings	9,027	9,570
d) electrical equipment	2,607	3,128
e) other	8,480	9,148
1.2 acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) fixtures and fittings	-	-
d) electrical equipment	-	-
e) other	-	-
Total A	**154,898**	**150,815**
B. Tangible assets held for investment		
2.1 owned by the Bank	**6**	**6**
a) land	6	6
b) buildings	-	-
2.2 acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**6**	**6**
Total (A + B)	**154,904**	**150,821**

Intangible assets (caption 130)

Break-down by type of asset

Caption / Value	30/06/2011		31/12/2010	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		**51,473**		**44,345**
A.2 Other intangible assets	**4,107**	**-**	**3,247**	**-**
A.2.1 Assets valued at cost:	4,107	-	3,247	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	4,107	-	3,247	-
A.2.2 Assets at fair value through profit or l	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**4,107**	**51,473**	**3,247**	**44,345**

LIABILITIES

Amounts due to banks (caption 10)

Break-down by type

Transaction type/Group component	30/06/2011	31/12/2010
1. Amounts due to central banks	**240,009**	**-**
2. Amounts due to banks	**95,112**	**171,918**
2.1 Current accounts and unrestricted deposits	11,045	13,331
2.2 Restricted deposits	13,742	16,602
2.3 Loans	69,104	140,769
2.3.1 Reverse repurchase agreements	69,104	140,769
2.3.2 Other	-	-
2.4 Commitments for repurchases of own equity instruments	-	-
2.5 Other amounts due	1,221	1,216
Total	**335,121**	**171,918**
Fair value	**335,121**	**171,918**

Amounts due to customers (20)

Break-down by type

Transaction type / Group component	30/06/2011	31/12/2010
deposits	4,233,406	4,367,104
2. Restricted deposits	1,641	1,721
3. Loans	46,007	68,009
3.1 Reverse repurchase agreements	15,580	19,618
3.2 Other	30,427	48,391
4. Commitments for repurchases of own equity instruments	-	-
5. Other amounts due	28,117	22,765
Total	**4,309,171**	**4,459,599**
Fair value	**4,309,171**	**4,459,599**

Securities issued (voce 30)

Break-down by type

Security type / Amount	Total 30/06/2011				Total 31/12/2010			
	Book value	*Fair Value*			Book value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1 Bonds	2,045,550	-	2,013,251	-	1,835,097	-	1,816,290	-
1.1 structured	31,519	-	30,555	-	-	-	-	-
1.2 other	2,014,031	-	1,982,696	-	1,835,097	-	1,816,290	-
2. Other securities	228,877	-	228,877	-	279,311	-	279,311	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	228,877	-	228,877	-	279,311	-	279,311	-
Total	**2,274,427**	**-**	**2,242,128**	**-**	**2,114,408**	**-**	**2,095,601**	**-**

Financial liabilities held for trading (caption 40)

Break-down by type

Transaction type/Group component	30/06/2011					31/12/2010				
	NV	Fair value			FV*	NV	Fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
A. Liabilities for cash										
1. Amounts due to banks	37	37	-	-	37	-	-	-	-	-
2. Amounts due to customers		-	-	-	-	-	-	-	-	-
3. Debt securities		-	-	-	-	-	-	-	-	-
3.1 Bonds		-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**37**	**37**	**-**	**-**	**37**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives		-	24	7,206			65	7	6,116	
1.1 Trading	X	-	24	6,353	X	X	65	7	5,464	X
1.2 Connected with the fair value option	X	-	-	853	X	X	-	-	652	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	66			-	-	469	
2.1 Trading	X	-	-	66	X	X	-	-	469	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	**-**	**24**	**7,272**	X	X	**65**	**7**	**6,585**	X
Total (A+B)	X	**37**	**24**	**7,272**	X	X	**65**	**7**	**6,585**	X

Financial liabilities at fair value through profit or loss (caption 50)

Break-down by type

Transaction type / Amount	30/06/2011					31/12/2010				
	NV	fair value			FV*	NV	fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	x	-	-	-	-	x
1.2 Other	-	-	-	-	x	-	-	-	-	x
2. Amounts due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	x	-	-	-	-	x
2.2 Other	-	-	-	-	x	-	-	-	-	x
3. Debt securities	212,455	-	213,380	-	215,280	329,473	-	334,326	-	336,906
3.1 Structured	37,900	-	36,192	-	x	37,900	-	36,259	-	x
3.2 Other	174,555	-	177,188	-	x	291,573	-	298,067	-	x
Total	**212,455**	**-**	**213,380**	**-**	**215,280**	**329,473**	**-**	**334,326**	**-**	**336,906**

Hedging derivatives (caption 60)

Break-down by type of contract and underlying asset

	Fair value 30/06/2011			NV	Fair value 31/12/2010			VN
	L1	L2	L3	30/06/2011	L1	L2	L3	31/12/2010
A) Financial derivatives:	**-**	**-**	**2,890**	**89,617**	**-**	**-**	**2,653**	**79,617**
1) Fair value	-	-	2,890	89,617	-	-	2,653	79,617
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,890**	**89,617**	**-**	**-**	**2,653**	**79,617**

Provisions for risks and charges (caption 120)

Break-down

Caption / Components	30/06/2011	31/12/2010
1. Company pension funds	191	186
2. Other provisions for risks and charges	35,647	43,331
2.1 legal disputes	8,628	9,000
2.2 personnel charges	10,760	9,417
2.3 other	16,259	24,914
Total	**35,838**	**43,517**

Technical reserves (caption 130)

Break-down

	Direct work	Indirect work	30/06/2011	31/12/2010
A. Non-life branch	**35,318**	**-**	**35,318**	**29,980**
A1. premiums fund	27,807	-	27,807	23,565
A2 . claims fund	7,058	-	7,058	6,040
A3. other reserves	453	-	453	375
B. Life branch		-		
B1. Mathematical reserves	-	-	-	-
B2. Funds for amounts to be disbursed	-	-	-	-
B3. Other reserves	-	-	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-	-	-
C.1 funds for contracts with disbursements connected with pension funds and market indices	-	-	-	-
C.2 funds from pension fund management	-	-	-	-
D. Total technical reserves	**35,318**	**-**	**35,318**	**29,980**

Group's Shareholders' Equity (caption 140, 160,170, 180, 190, 200, 220)

Share capital and Treasuty shares: break-down

	30/06/2011	31/12/2010
A.Share capital	**67,705**	**67,705**
- ordinary shares	60,840	60,840
- other shares	6,865	6,865
B. Treasury shares	-	-
- ordinary shares		
- other shares		
Total	**67,705**	**67,705**

Revenue reserves: break-down

Caption	30.06.2011	31.12.2010
Legal reserve	75,019	70,109
Statutory reserves	435,821	405,585
Profits (losses) carried forward	23,571	23,571
(F.T.A.) Reserve	99,785	99,785
Other reserves	30,409	29,975
Total	**664,605**	**629,025**

Minority interest (caption 210)

Shareholders' equity attributable to minority interests: break-down

Caption/Value	Banking group	Insurance company	30.06.2011	31.12.2010
1. Share Capital	100	3,137	3,237	3,438
2. Share premium reserve		210	210	158
3. Reserves	34	913	947	697
4. Treasury shares				-
5. Valuation reserves		(150)	(150)	(147)
6. Equity instruments				-
7. Profit (loss) attributable to minority interests	175	280	455	849
Total	**309**	**4,390**	**4,699**	**4,995**

INCOME STATEMENT

Interest income (caption 10)

Break-down

Caption / Technical forms	Debt securities	Loans	Other transactions	30/06/2011	30/06/2010
1. Financial assets held for trading	131	-	3,827	3,958	7,630
2. Financial assets at fair value through profit or loss					
3. Available-for-sale financial assets	9,184	-	-	9,184	7,509
4. Held-to-maturity investments	2,373	-	-	2,373	190
5. Amounts due from banks	424	1,307	36	1,767	1,537
6. Amounts due from customers	777	123,811	-	124,588	109,795
7. Hedging derivatives	-	-	815	815	-
8. Other assets	-	-	31	31	37
Total	**12,889**	**125,118**	**4,709**	**142,716**	**126,698**

Differentials relating to hedging transactions

Captions	30/06/2011	30/06/2010
A. Differentials receivable on hedging trasnctions:	2,355	73
B. Differentials payable on hedging transactions :	(1,540)	(356)
C. Balance (A-B)	**815**	**(283)**

Interest expense (caption 20)

Break-down

Captions/Technical types	Debts	Securities	Other transactions	30/06/2011	30/06/2010
1. Amounts due to central banks	(303)			(303)	-
2. Amounts due to banks	(745)		-	(745)	(138)
3. Amounts due to customers	(15,377)		-	(15,377)	(10,354)
4. Securities issued		(22,163)	-	(22,163)	(15,054)
5. Financial liabilities held for trading	-	-	-	-	(65)
6. Financial liabilities at fair value through profit or loss	-	(5,496)	-	(5,496)	(9,273)
7. Other liabilities and reserves			-	-	-
8. Hedging derivatives			-	-	(283)
Total	**(16,425)**	**(27,659)**	**-**	**(44,084)**	**(35,167)**

Commission income (caption 40)

Break-down

Type of service / Amount	30/06/2011	30/06/2010
a) Guarantees given	1,121	1,194
b) Credit derivatives	-	-
c) Management, trading and consultancy services:	23,300	26,377
1. trading of financial instruments	1,764	1,817
2. currency trading	567	719
3. portfolio management	2,415	2,532
3.1. individual	2,056	2,202
3.2. collective	359	330
4. securities safekeeping and administration	1,454	1,623
5. depositary bank	-	2,417
6. securities placement	2,596	4,252
7. receipt and transmission of orders	4,385	5,427
8. consultancy services	-	-
8.1 on investments	-	-
8.2 on financial structures	-	-
9. distribution of third party services	10,119	7,590
9.1. portfolio management	248	234
9.1.1. individual	248	234
9.1.2. collective	-	-
9.2. insurance products	3,095	3,128
9.3. other products	6,776	4,228
d) Collection and payment services	10,644	9,830
e) Servicing for securitization transactions	-	-
f) Factoring transaction services	47	23
g) Tax collection services	-	-
h) management of multilateral trading systems	-	-
i) holding and managing current accounts	28,022	28,057
j) Other services	5,690	5,177
Total	**68,824**	**70,658**

Commission expense (caption 50)

Break-down

Type of service / Amount	30/06/2011	30/06/2010
a) Guarantees given	(8)	(21)
b) Credit derivatives	-	-
c) Management and trading services:	(7,847)	(5,337)
1. trading of financial instruments	(285)	(207)
2. currency trading	-	-
3. portfolio management	-	-
3.1 own customers	-	-
3.2 delegated	-	-
4. Securities safekeeping and administration	(704)	(1,082)
5. Placement of financial instruments	-	-
6. Door-to-door sale of financial instruments, products and services	(6,858)	(4,048)
d) Collection and payment services	(1,336)	(1,491)
e) Other services	(2,065)	(1,967)
Total	**(11,256)**	**(8,816)**

Dividends and similar revenues (caption 70)

Break-down

Caption / Revenues	30/06/2011		30/06/2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	5	-	-	-
B. Available-for-sale financial assets	24	3	346	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-		-	
Total	**29**	**3**	**346**	**-**

Profits (losses) on financial trading activities (caption 80)

Break-down

Transactions/Income components	Capital gains	Profit on trading	Capital losses	Losses on trading	Net income 30/06/2011	Net income 30/06/2010
1. Financial assets held for trading	**148**	**349**	**(155)**	**(179)**	**163**	**284**
1.1 Debt securities	132	185	(52)	(19)	246	87
1.2 Equity securities	-	98	(103)	(152)	(157)	110
1.3 UCITS units	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
1.5 Other	16	66	-	(8)	74	87
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debt	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**1,041**	**1,374**
4. Derivative instruments	**499**	**610**	**(489)**	**(422)**	**332**	**(377)**
4.1 Financial derivatives:	499	610	(489)	(422)	332	(377)
- on debt securities and interest rates	434	610	(432)	(422)	190	(222)
- on equity securities and stock indexe	65	-	(57)	-	8	(118)
- on currencies and gold	X	X	X	X	134	(37)
- other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
TOTAL	**647**	**959**	**(644)**	**(601)**	**1,536**	**1,281**

Net hedging income (caption 90)

Break-down

Income component/Value	30/06/2011	30/06/2010
A. Income relating to:		
A.1 Fair value hedging derivatives	668	9,733
A.2 Hedged financial assets (fair value)	458	-
A.3 Hedged financial liabilities (fair value)	342	-
A.4 Cash flow hedge financial derivatives	-	-
A.5 Currency assets and liabilities	-	-
Total income from hedging activities (A)	**1,468**	**9,733**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(889)	(9,046)
B.2 Hedged financial assets (fair value)	(240)	-
B.3 Hedged financial liabilities (fair value)	(429)	-
B.4 Cash flow hedge financial derivatives	-	-
B.5 Currency assets and liabilities	-	-
Total charges from hedging activities (B)	**(1,558)**	**(9,046)**
C. Net hedging income (A-B)	**(90)**	**687**

Profits (losses) from disposals/repurchases (caption 100)

Break-down

Caption/Income component	30/06/2011			30/06/2010		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Amounts due from banks	-	-	-	-	-	-
2. Amounts due from customers	-	-	-	-	-	-
3. Available-for-sale financial assets	3,607	(2,091)	1,516	7,741	(1,629)	6,112
3.1 Debt securities	3,222	(2,082)	1,140	6,821	(554)	6,267
3.2 Equity securities	200	(2)	198	-	-	-
3.3 UCITS units	185	(7)	178	920	(1,075)	(155)
3.4 Loans	-	-	-	-	-	-
4. Held to maturity financial assets	-	-	-	-	-	-
Total assets	**3,607**	**(2,091)**	**1,516**	**7,741**	**(1,629)**	**6,112**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	287	(10)	277	172	(96)	76
Total liabilities	**287**	**(10)**	**277**	**172**	**(96)**	**76**

Profits (losses) on financial assets and liabilities at fair value through profit or loss (caption 110)

Breakdown

Caption/Income component	Capital gains	Profits on disposal	Capital losses	Losses on disposal	Net income 30.06.11	Net income 30.06.10
1. Financial assets					**-**	**-**
1.1 Debt securities	-	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	**1,788**	**1,130**	**(110)**	**-**	**2,808**	**2,578**
2.1 Debt securities	1,788	1,130	(110)	-	2,808	2,578
2.2 Amounts due to banks	-	-	-	-	-	-
2.3 Amounts due to customers	-	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**	
4. Credit and financial derivatives	**118**	**-**	**(3,801)**	**-**	**(3,683)**	**(4,345)**
Total	**1,906**	**1,130**	**(3,911)**	**-**	**(875)**	**(1,767)**

Net losses/recoveries on impairment (caption 130)

Net impairment losses on loans

Transaction/Income component	Impairment losses			Value write-backs				Total 30/06/2011	Total 30/06/2010
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks	-	-	(60)	-	-	-	-	(60)	-
- loans	-	-	(60)	-	-	-	-	(60)	-
- debt securities	-	-	-	-	-	-	-	-	-
B. Amounts due from customers	(197)	(23,652)	(72)	3,269	8,364	-	3,876	(8,412)	(16,927)
- loans	(197)	(23,652)	(72)	3,269	8,364	-	3,876	(8,412)	(16,927)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	(197)	(23,652)	(132)	3,269	8,364	-	3,876	(8,472)	(16,927)

Impairment losses/write-backs to other financial transaction

Transaction/Income component	Impairment losses			Value write-backs				Total 30/06/2011	Total 30/06/2010
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted	(307)	(112)	-	-	75	-	215	(129)	7
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant finance	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**(307)**	**(112)**	**-**	**-**	**75**	**-**	**215**	**(129)**	**7**

Net premiums (caption 150)

Breakdown

Net insurance premiums	Direct work	Indirect work	30/06/2011	30/06/2010
A. Life branch				
A.1 Gross premiums accounted for (+)	-	-	-	-
A.2 Premiums ceded for reinsurance (-)	-		-	-
A.3 Total	**-**	**-**	**-**	**-**
B. Non-life branch				
B.1 Gross premiums accounted for (+)	17,151	-	17,151	14,053
B.2 Premiums ceded for reinsurance (-)	(1,550)		(1,550)	(1,209)
B.3 Changes in the gross amount of premium reserve (+/-)	-	-	-	-
B.4 Changes in premium reserves reassured with third parties (-/+)	-	-	-	-
B.5 Total	**15,601**	**-**	**15,601**	**12,844**
C. Total net insurance premiums	**15,601**	**-**	**15,601**	**12,844**

Other net insurance income/expense (caption 160)

Break-down

Captions	30/06/2011	30/06/2010
1. Net change in technical reserves	(4,321)	(4,373)
2. Claims accrued and paid during the period	(1,960)	(1,308)
3. Other income/charges arising from insurance activities	(3,678)	(2,429)
Total	**(9,959)**	**(8,110)**

Sub-caption "Net change in technical reserves"

Break-down

Net change in technical reserves	30/06/2011	30/06/2010
1. Life branch		
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	-	-
Total "life branch reserves"	**-**	**-**
2. Non-Life branch		
Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	**(4,321)**	**(4,373)**

Sub-caption "Claims accrued and paid during the year"

Charges associated to claims	30/06/2011	30/06/2010
Life branch: charges associated to claims, net of reinsurance ceded		
A. Amounts paid	-	-
A.1 Gross annual amount	-	-
A.2 (-) Amount reassured with third parties	-	-
B. Changes in funds for amounts to be disbursed	-	-
B.1 Gross annual amount	-	-
B.2 (-) Amount reassured with third parties	-	-
Total life branch claims	**-**	**-**
Non-Life branch: charges associated to claims, net of recoveries and reinsurance ceded		
C. Amounts paid:	(1,397)	(886)
C.1 Gross annual amount	394	216
C.2 (-) Amount reassured with third parties	-	-
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund		
E.1 Gross annual amount	(1,018)	(638)
E.2 (-) Amount reassured with third parties	61	
Total non-life branch claims	**(1,960)**	**(1,308)**

Balance of other income from insurance activities

Breakdown of the sub-item "Other income/charges arising from insurance activities "

NON-LIFE BRANCH	30/06/2011	30/06/2010
Income	**1,389**	**988**
Other technical income, net of transferred reinsurance	253	988
- Change in acquisition fees and other expenses to be amortised	-	-
- Fees and shares of profits received from reinsurers	1,136	-
Charges	**(5,067)**	**(3,417)**
- Other technical charges, net of transferred reinsurance	(626)	(297)
- Acquisition fees	(4,398)	(3,120)
- Other acquisition expenses	(43)	-
- Collection fees	-	-
Total non-life branch	**(3,678)**	**(2,429)**

Administrative expenses (caption 180)

Staff expenses

Type of costs / Sectors	30/06/2011	30/06/2010
1) Employees	(72,180)	(69,399)
a) wages and salaries	(49,183)	(47,976)
b) social security charges	(12,551)	(11,907)
c) provision for employee termination indemnities	-	-
d) social security costs	(13)	(8)
e) provisions for termination indemnities	(578)	(514)
f) accruals to pension funds and similar funds:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) amounts paid to external complementary social security funds:	(5,339)	(5,214)
- defined contribution	(5,339)	(5,214)
- defined benefit	-	-
h) costs arising from payment agreements based on own financial instruments	(103)	(100)
i) other benefits in favor of employees	(4,413)	(3,680)
2) Other personnel in active employment	(1,536)	(1,607)
3) Directors and statutory auditors	(2,804)	(3,004)
4) Staff pensioned off	-	-
5) Recoveries of expenses for employees seconded to other companies	1	-
6) Refunds of expenses for third-party employees seconded to the company	-	-
Total	**(76,519)**	**(74,010)**

Average number of employees by category: banking group

	30/06/2011	30/06/2010
Employees	**1,741**	**1,813**
a) executives	32	36
b) managers	905	901
c) other employees	804	843
Other personnel	**38**	**37**

Other administrative costs

	30/06/2011	30/06/2010
indirect taxes		
-stamp taxes	(4,705)	(2,845)
- other	(1,863)	(966)
Other expenses		
- IT costs	(4,109)	(3,190)
- maintenance and rents payable	(6,439)	(2,166)
- maintenance of real and personal properties and plant	(1,807)	(1,669)
- postal charges	(1,392)	(473)
- telephone, data transmission charges	(1,602)	(560)
- electricpow er, heating, w ater	(1,674)	(489)
- cleaning services	(647)	(7,641)
- printing, stationery and consumables expenses	(872)	(7,043)
- transport costs	(433)	-
- surveillance and count of valuables	(966)	(873)
- advertising	(501)	-
- information and certificates	(855)	-
- insurance premiums	(524)	-
- legal expenses	(1,406)	(6,808)
- expenses for professional services	(1,983)	(4,577)
- sundry contributions and donations	(90)	-
- other expenses	(3,123)	-
Total	**(36,682)**	**(39,902)**

Provisions for risks and charges (caption 190)

Type of provision / Amount	**30/06/2011**	**30/06/2010**
charges for legal disputes	(439)	206
sundry charges	7,700	14,309
Total	**7,261**	**14,515**

Net adjustments to/recoveries on tangible assets (caption 200)

Break-down

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 30.06.2011	Net income 30.06.2010
A. Tangible assets					
A.1 owned by the Bank	(3,470)	-	-	(3,470)	(3,577)
- for business use	(3,470)	-	-	(3,470)	(3,577)
- for investment	-	-	-	-	-
A.2 leased	-	-	-	-	-
- for business use	-	-	-	-	-
- for investment	-	-	-	-	-
Total	**(3,470)**	**-**	**-**	**(3,470)**	**(3,577)**

Net adjustments to/recoveries on intangible assets (caption 210)

Break-down

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 30.06.2011	Net income 30.06.2010
A. Tangible assets					
A.1 owned by the Bank	(706)	-	-	(706)	(497)
- generated internally	(20)	-	-	(20)	-
- other	(686)	-	-	(686)	(497)
A.2 leased	-	-	-	-	-
Total	**(706)**	**-**	**-**	**(706)**	**(497)**

Other operating income/expenses (caption 220)

Other operating expenses

Caption	30/06/2011	30/06/2010
amortization of costs for leasehold improvements	(1,485)	(1,256)
loss from disposal of tangible assets	(6)	-
charges on non-banking services	(748)	(788)
Total	**(2,239)**	**(2,044)**

Other operating income

Caption	30/06/2011	30/06/2010
recovery of taxes from third parties	5,683	5,884
cost recoveries	1,150	881
Other	11	10
other cost recoveries	3,470	1,666
profits from disposal of tangible assets	12	55
Other	1,154	903
Total	**11,480**	**9,399**

Profits (losses) on equity investments (caption 240)

Income component/Amount	30/06/2011	30/06/2010
A. Revenues	1,272	1,769
1. Revaluations	1,272	1,769
2. Profits on disposal	-	-
3. Write-backs	-	-
4. Other	-	-
B. Charges		
1. Write-downs	-	-
2. Impaiment losses	-	-
3. Losses on disposal	-	-
4. Other decreases	-	-
Net result	**1,272**	**1,769**

Profits (Loss) from transfer of investments (caption 270)

Income components/Sectors	30/06/2011	30/06/2010
A. Tangible assets	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	2	-
- Profits on disposal	2	-
- Losses on disposal	-	-
Net result	**2**	**-**

Income taxes for the year from continuing operations (caption 290)

Income component/Sector	30/06/2011	30/06/2010
1. Current taxes (-)	(19,995)	(18,127)
2. Changes in current taxes of previous years (+/-)	(107)	82
3. Decrease in current taxes of the year (+)	-	-
4. Changes in deferred tax assets (+/-)	(62)	1,754
5. Changes in deferred tax liabilities (+/-)	(192)	12
6. Taxes for the year (-)	**(20,356)**	**(16,279)**

Earnings per share

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	6,143	832	
Retained earnings	24,883	3,369	
	31,026	4,201	35,226
Average number of ordinary shares in circulation: Categories: Ordinary shares 117,000,000 Savings shares 13,202,000			
Earnings per share - Basic :	**0.265**	**0.318**	

The Parent Company Banco Desio does not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share corresponds to basic earnings per share.

INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 – THE BANKING GROUP RISKS

1. CREDIT RISK

Qualitative information

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, considering that the outsourcing functions of subsidiaries are centralised at the Parent Company.
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 the concrete procedures for the implementation of the control levels envisaged, taking account of the nature and size of the activity carried out by the subsidiaries.
The definition of the structure of internal controls takes account of both the independence of control functions and of the system of proxies envisaged in the By-Laws and detailed in the Internal Regulation. It is a structured system that involves different bodies and functions and, within the operational proxies, confers specific powers concerning disbursement of loans and debt collection. The different functions are therefore responsible for the assessment and assumption of risks, in compliance with the limits of credit autonomy and consistently with the organizational structure of the commercial network.

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.
In the credit information-gathering phases, investigations are carried out, both internal and external with respect to the customer to which the credit line shall be granted, and the final decision for the granting of the loan is made also considering all the information relating to the economic entity, which is the result of a direct knowledge of the customer and of the economic context on which it operates. The disbursement of personal loans or loans for specific purposes is subject to the analysis of all valuation elements gathered through the documentation requested, as well as to a set of controls including scores of a sociological and behavioural scoring system.
In the process of granting of loans, the Group operates according to the guideline of risk spreading among a number of customers operating in different business segments and market segments. Furthermore, the

information-gathering activities concerning the operating process that leads to the disbursement and the periodical review are developed with the objective of disbursing a fair loan at the level of single name on the basis of both the autonomous credit capacity of the latter and the technical form of the credit line itself and of the related collaterals. The fairness of the fiduciary relationship is carefully assessed also on the basis of the financial requirements declared by the customer according to the approach of the most adequate technical form.
The analysis and monitoring of risks connected to credit activities are ensured by functions that operate with the support of specific operating procedures. The purpose of a timely monitoring system is to idenfity, as soon as possible, signs of deterioration of exposures in order to take effective corrective actions. For this purpose, customers are classified by classes through the analysis of the trend of relationships and of the central risk office through dedicated procedures. This examination allows the breakdown of customers that present anomalies in the implementation of the relationship with respect to that with a regular performance.
On the basis of the evidence that presents deterioration factors (mainly referred to the implementation of the relationship, the trend in the evidence of the central risk office, the worsening of the equity and/or financial position, the occurrence of prejudicial events), the loan is classified as loans *under control* or *subject to repayment* or *problem loan* con with the subscription of the related divestment plan.
The first effective risk monitoring system is in any case represented by the Branch structure, both through a constant and continuous dialogue with customers, and by making use of the available information sources.
The Group adopts, for management purposes with a view to 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 value of collaterals is subject to the application of a prudential margin in relation to the riskiness inherent in the object of the pledge; the same are subject to a constant monitoring so as to verify the present value with respect to the initial one and to allow actions (if any) to be taken in the case of an impairment. The acquisition of mortgage liens is subject to the application of margins envisaged in the internal regulations and differentiated according to the type of property, the term of the loan and the segment to which the borrower belongs. Personal securities mainly consist of guarantees issued by natural persons and companies. Their value is always measured on the basis of a valuation of the assets under the responsibility of the guarantor, within the phases of credit information-gathering and/or renewal.
The guarantees received 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 with the aim of containing the so-called legal risks. The management of guarantees, in accordance with the provisions under the new regulations, provides for monitoring activities and specific controls aimed at the check for 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 for more than 90 and/or 180 days are kept under constant review by the Risk and Litigation 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 the information relating to the various court districts.

QUANTITATIVE INFORMATION

Credit quality

Credit exposures: 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	-	-	-	19,623	-	-	-	**19,623**
2. Available-for-sale financial assets	110	-	-	-	823,655	-	33,835	**857,600**
3. Held-to-maturity investments	-	-	-	-	124,668	-	-	**124,668**
4. Amount due from banks	-	-	-	-	269,731	-	4,631	**274,362**
5. Amounts due from customers	98,981	82,890	3,955	37,638	6,440,266	-	20	**6,663,750**
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	**-**
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	631	-	-	**631**
Total 30.06.2011	**99,091**	**82,890**	**3,955**	**37,638**	**7,678,574**	**-**	**38,486**	**7,940,634**
Total 31.12.2010	**89,538**	**78,907**	**4,119**	**31,759**	**7,505,925**	**-**	**31,779**	**7,742,027**

Credit exposures: 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	
A. Banking Group							
1. Financial assets held for trading	-	-	-	19,623	-	19,623	19,623
2. Available-for-sale financial assets	110	-	110	823,655	-	823,655	823,765
3. Held-to-maturity investments	-	-	-	124,668	-	124,668	124,668
4. Amount due from banks	-	-	-	269,802	- 71	269,731	269,731
5. Amounts due from customers	335,054	- 111,590	223,464	6,468,845	- 28,579	6,440,266	6,663,730
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	631	-	631	631
Total A	**335,164**	**- 111,590**	**223,574**	**7,707,224**	**- 28,650**	**7,678,574**	**7,902,148**
B. Other companies included in the scope of consolidation							
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	33,835	-	33,835	33,835
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Amount due from banks	-	-	-	4,631	-	4,631	4,631
5. Amounts due from customers	-	-	-	20	-	20	20
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**38,486**	**-**	**38,486**	**38,486**
Total 30/06/2011	**335,164**	**- 111,590**	**223,574**	**7,745,710**	**- 28,650**	**7,717,060**	**7,940,634**
Total 31/12/2010	**303,559**	**- 99,236**	**204,323**	**7,570,190**	**- 32,486**	**7,537,704**	**7,742,027**

Breakdown of performing loans

The item "Amounts due from customers" includes net loans arising from renegotiations within collective agreements for Euro 158.5 million and Euro 44.8 million for expired loans whose breakdown by seniority is reported below.

Portfolio / Quality	Performing loans		
	Gross Exposure	Portfolio adjustments	Net exposure
Amounts due from customers	**6,468,845**	**-28,579**	**6,440,266**
of which .Overdue Loans	**51,384**	**-1,714**	**49,670**
.Until 3 months	8,624	-607	8,017
.Between 3 and 5 months	32,937	-834	32,103
.Beyond 5 months	9,823	-273	9,550

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.

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 operating purposes, a rating model aimed at assessing retail clients (private consumers and micro-enterprises) and at Corporate customers (companies with a turnover exceeding Euro 1 million).

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate of exposures.

Loans as at 30.06.2011	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	34.06%	46.36%	19.58%	100%
Off-balance sheet loans	62.70%	27.73%	9.57%	100%

Large risks

With reference to the supervisory regulations in force, no. 2 positions have been recognized for a total nominal amount, including guarantees and commitments, of Euro 732 million, for total weighted amount of Euro 19.1 million.

Below is the breakdown of the two positions:

(amounts in millions of Euro)	nominal amounts	weighted amounts
. Treasury	617.7	0
. Bank	114.3	19.1

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 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 this period, 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 Head Office is only directed at the Group's Italian banks: the internal control system monitors 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 in full autonomy 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. The overall V.a.R limits related to the "managed portfolio", if any, were never exceeded in the period of reference.

The internal model is not used in the calculation of the capital requirement on market risks.

Quantitative information

Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring of the Parent Company's "regulatory trading portfolio" and the Italian banks during the first half-year of 2011 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.

The VaR at 30.06.2011 is about Euro 53 thousand with a percentage of less than 0.52% of the trading portfolio and a duration of 0.45, 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 30.06.2011 how - considering the positive variation in rates - there was a negative impact of Euro 43 thousand, equal to a:

- ⇒ 0.43 % of trading portfolio;
- ⇒ 0.01 % of business margin;
- ⇒ 0.08 % 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 Parent Company' risk management unit to measure interest rate risk. This activity is carried out for 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 static analysis, which is currently implemented, allow the impacts of variations in interest rate structure to be measured and expressed in terms of the variation of both 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.

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, the Hedged instruments refer to both assets and liabilities, the latter being exclusively debenture 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 Parent Company has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Parent Company uses to carry out the effectiveness test is the Dollar Offset Method (hedge ratio) on a cumulative basis. All the hedges are specific.
With the purpose of make the fair value of the entire financial instrument more reliable and representative, the Group applies 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

Banking portfolio - internal models and other methods for sensitivity analyses
The assessment that emerges from the overall Group position, which involves the Italian banks, is that of a limited risk profile for the first half-year of 2011. This operational and strategic approach is directed at minimising the volatility of interest margins and of total economic value.
The table below shows the impacts of a change in the interest margin should there be a parallel variation in the interest rate curve and considering the time effect of repricing of the items, from a static perspective and as at 30 June 2011.

Risk indices: parallel shifts of the interest rate curve as of 30 June 2011 (economic margins from operations as per the reclassified income statement)

	+100 bp	*-100 bp*
% on the expected income	*4.59%*	*-11.40%*
% on the business margin	*2.99%*	*-7.43%*
% on the result for the period	*9.81%*	*-24.38%*
% on equity	*0.77%*	*-1.92%*

As regards economic value, in the first half-year of 2011 risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets. In fact, in the event of significant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Group's assets.
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 at 30.06.2011

	+100 bp	*-100 bp*
% on the economic value	*-0.75%*	*0.87%*

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 Head Office.
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
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.

3. LIQUIDITY RISK

Qualitative information

A. General aspects, management procedures and methods of measuring liquidity risk

It is the responsibility of the Parent Company to manage the liquidity risk through the Finance Head Office with the aim of verifying the Group's capacity to meet liquidity requirements avoiding the 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 monitoring and periodical reporting on the liquidity risk is the responsibility of the Risk Management Office of the Parent Company, both for structural and operating liquidity, to be carried out on a monthly basis and daily basis, respectively. The Treasury activity consists of the procurement and allocation of available liquidity through the interbank market, repo and derivative transactions.
The relevant scope of daily reports of operating liquidity refers to the items with a high volatility level and a strong impact on the monetary base. 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 the integration of the report into all those free assets that can be readily used both to be allocated for the refinancing with the ECB and to be converted into cash. Together with the application of the haircuts determined by the ECB for securities for allocation, adequate discount factors are also prepared (broken down by type of security, rating, currency) for all securities that cannot be allocated but that are in any case considered to be appropriately positioned in time buckets.
A further support to the liquidity risk management comes from the monitoring of the structural liquidity with the 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 preset period of time.The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks.
The Risk Management Office of the Parent Company carries out stress testing activity, specifically with reference to operating liquidity, in order to assess the Group's capacity to meet unexpected liquidity requirements in the first period, acting both on the liquidity resources to be maintained and on short-term operating limits.
Special care is taken with the funding policy, coordinated by the Parent Company's Finance Head Office, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

4. OPERATIONAL RISK

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 that approves the definition given by the Bank of Italy in its circular no. 263 of 27 December 2006.
At Group level, a process operates to identify, classify and collect detrimental events. The outcomes of this collection are periodcally illustrated to the Management through structured and consolidated process of internal reporting both at Group level and at the level of any individual subsidiary Bank.
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 subsidiaries Banco Desio Lazio, Banco Desio Toscana and Banco Desio Veneto with operating services, assistance and advice as an outsourcer.
The various Group's 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 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 four Italian banks of the Group have a value of Euro 69.889 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 8.753 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 96.21% of the total amount.

Quantitative information

The number of adverse events detected by the Group in the first half-year of 2011 totalled 256 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	% Events	Gross loss	% on total	Net loss	% on total	Recoveries	% recoveries
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	3	1.13%	28.21	2.88%	16.05	1.92%	12.16	43.10%
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	223	84.15%	319.67	32.67%	196.91	23.54%	122.75	38.40%
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.	1	0.38%	1.50	0.15%	1.50	0.18%	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).	8	3.02%	131.65	13.45%	131.65	15.74%	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.	0	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	3	1.13%	8.22	0.84%	1.07	0.13%	7.15	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	27	10.19%	489.35	50.01%	489.35	58.50%	0.00	0.00%
GROUP TOTAL Banco Desio e della Brianza	265	100.00%	978.59	100.00%	836.53	100.00%	142.06	14.52%

The value of the gross operating loss is equal to Euro 978 thousand, in relation to which prudential provisions were set aside, during the year, for Euro 334. The expenses gross losses were recovered for Euro 142 thousand, with a net loss of Euro 836 thousand.

SECTION 2 – INSURANCE COMPANIES' RISKS

A. General aspects and management policies

2.1 Insurance risks

Insurance risks are analysed in relation to the business conducted by the insurance company Chiara Assicurazioni which is owned by the Parent Company and which operates in the damages branch. The strategies and policies for the reduction of such risks are assumed by the administrative bodies of the Insurance Company.
The Company's Risk Management office, in concert with the other control functions, with the operating functions directly concerned and with the Top Management, determined and listed the main risks to which the Company is exposed; it also defined a risk management system and carried out analyses by type of risk identified.
The significant risks, i.e. the risks whose consequences might weaken the solvency of the Company or seriously hinder the implementation of the corporate objectives, have been classified according to criteria which take account of the peculiarities of the business in which the Company is active, the best practices present in the market and the regulations in force.
Specific attention is paid to the management of technical risks, i.e. the risks peculiar to the insurance business, with reference to the exposure of the Company to the following factors:

- underwriting risk: the risk deriving from the execution of insurance contracts attached to the events covered, the selection of the risks, a more unfavourable claims trend than that estimated;
- reserves risk: the risk attached to having calculated claims reserves that are not adequate to meet commitments to insured and damaged parties;
- technical-reinsurance risk: the risk associated with inefficiencies of the passive reinsurance strategies.

The risk management process is carried out through the following phases, which are closely connected to each other: definition of the propensity to risk; identification, valuation and measurement of risks; control and reporting; implementation of remedial measures (if any).
Specifically, the Board of Directors is responsible for the definition, approval and review of the guidelines concerning risk management.
In this capacity, 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.

<u>Premium risks</u>

Operating limits relating to premiums, such as for example the maximum exposure per claim and the risks excluded, are fully applied consistently with the contractual term and conditions laid down in insurance contracts.
These practices are then applied, in full compliance 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 business model provides for the marketing of insurance policies for damages at the bank branches through a highly standardised offer.
The Company places insurance products on the basis of a range comprising two lines of products:
- a line of products "integrated" into banking services;
- a line of "individual" products.

Total premiums at 30 June 2011 were equal to Euro 17,298 thousand, up by 22.3% compared to the previous half-year report. The analysis of the collection of premiums shows a significant impact of the policies integrated into banking services that represent about 64.6% of the total premiums.
The type of contract term can be attributed for 49.2% to long-term policies with a single advance premium and for 50.8% to policies with an annual term and tacit renewal.

In detail: the Accident line collects 43.95% of the premiums issued, the Health line collects 11.93%, the Fire line collects 14.9%, the line Other Damage to Goods collects 5.4%, the General Liability Insurance line collects 4.53%, the Guarantee Deposits line collects 0.01%, the Pecuniary Losses line collects 17.71%, the Legal Protection line collects 1.25% and the Assistance line collects 0.83%, again in relation to the premiums issued.

Reserve 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 that provides for a constant updating of the assumptions behind the valuation of technical reserves of the damage lines before they measured;
    - an organizational process that provides for the automatic allocation of claims reserves upon filing of any claims;
    - control procedures implemented on an ongoing basis that show variances in claims reserves to be subjected to additional checks.

Quantitative information

a special document, Risk Report, containing risk measurements, points needing attention and proposals for action based on the qualitative and quantitative factors that indicate that action should be taken. The document provides adequate instructions for the calculation of the capital requirements required by the guidelines set out in the quantitative method QIS 4 - Framework Solvency II.

The following are some KPIs (Key Performance Indicators) measured as at 30 June 2011.
The Loss Ratio of direct business (i.e. the ratio between claims generated in the current year and those generated in previous years on the relevant premiums) is equal to 20.4% in all segments, showing a deterioration with respect to 16.91% of 30 June 2010.
The Expense Ratio of direct business (i.e. the ratio between operating expenses and the relevant premiums) on all segments was 66.36%, down compared with 71.57% at 30 June 2010
The Combined Ratio (i.e. the combination of the two indicators referred to above) was therefore 86.76%, showing a light improvement compared to 88.47% at 30 June 2010.

In May 2011 the Company carried out a number of Stress Tests within the Solvency II which have been promoted by the EIOPA and adopted by ISVAP. For the valuation of said Stress Tests, it has been necessary to update the Quantitative Impact Study (QIS) at 31.12.2010. The study has reported a degree of coverage of the Solvency Capital Requirement (so-called Solvency Ratio) equal to 184% and a degree of coverage of the Minimum Capital Requirement equal to 442%. The Stress Tests requested, which have been carried out on the degree of coverage of the Minimum Capital Requirement, have not reported any substantial decrease in the degree of coverage itself.

2.2 Financial risks

Qualitative and 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.
Financial investments at 30 June 2011 amounted to Euro 34,902 thousand (+41.9% compared to the previous period). Below is the breakdown in thousands of Euro:

Assets **Amounts /1,000**		**Book value**
Fixed-income securities	Current assets	23,153
	Fixed assets	10,802
	Total fixed-income securities	**33,954**
UCITS units	Current assets	948
	Fixed assets	-
	Total UCITS	**948**
Total Current assets		24,100
Total Fixed assets		10,802
Total		**34,902**

Assets **Amounts /1,000**	**Book value**
Government bonds	21,660
Corporate bonds	12,294
UCITS	948
TOTAL	**34,902**

The first half-year of 2011 investment policy was consistent with the guidelines defined by the Board of Directors. Assets are made up of about 62.1% of Government Bonds, about 35.2% of Corporate Bonds and about 2.7% of UCITS units.

INFORMATION ON CONSOLIDATED EQUITY

CONSOLIDATED SHAREHOLDERS' EQUITY

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 financers 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 equity used by the Group is given by the algebraic sum of the following Balance Sheet liability items: Capital, Valuation reserves, Reserves, Share premiums and profit for the year.
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.

BANKING REGULATORY CAPITAL AND RATIOS

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.

Banking regulatory capital

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 30 June 2011 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

Description	Amount
Tier 1 capital	706,562
Tier 2 capital	89,041
Items to be deducted	19,824
Regulatory capital	775,779

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.
The Tier 1 capital accounts for about 91% 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.
The Tier 2 capital accounts for about 11% of the Regulatory Capital. The elements to be deducted account for about 3%.

3. Tier 3 capital

It is comprised by 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 risk.

Quantitative information

	30/06/2011	31/12/2010
A. Tier 1 capital before the application of prudential filters	**720,823**	**703,014**
B. Prudential filters of the Tier 1 capital:	- 9,597	- 12,142
B1 - positive Ias/Ifrs prudential filters (+)	-	-
B2 - negative Ias/Ifrs prudential filters (-)	9,597	12,142
C. Tier 1 capital including elements to be deducted (A+B)	711,226	690,872
D. Elemens to be deducted from the Tier 1 capital	4,664	4,362
E. Total Tier 1 capital (TIER1) (C-D)	**706,562**	**686,510**
F. Tier 2 capital before the application of prudential filters	**93,895**	**104,142**
G. Prudential filters of the Tier 2 capital	- 190	- 145
G1- positive Ias/Ifrs prudential filters (+)	-	-
G2- negative Ias/Ifrs prudential filters (-)	190	145
H. Tier 2 capital including elements to be deducted (F+G)	**93,705**	**103,997**
I. Elements to be deducted from the Tier 2 capital	4,664	4,362
L. Total Tier 2 capital (TIER2) (H-J)	**89,041**	**99,635**
M. Elements to be deducted from the total of Tier 1 and Tier 2 capital	19,824	13,497
N. Regulatory capital (E + L - M)	**775,779**	**772,648**
O. 3rd-level capital	**-**	**-**
P. Regulatory capital including TIER3 (N + O)	775,779	772,648

Capital adequacy

Qualitative information

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / weighted risk assets (1) 11.30%
- Regulatory capital / weighted risk assets (1) 12.40%

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.

(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.

Quantitative information

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**9,369,553**	**9,244,889**	**5,649,600**	**5,585,465**
1. STANDARD METHODOLOGY	9,369,553	9,243,582	5,649,417	5,585,204
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS	913	1,307	183	261
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**451,968**	**446,837**
B.2 MARKET RISK			**1,860**	**6,410**
1. STANDARD METHODOLOGY			1,860	6,410
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			**48,109**	**48,109**
1. BASE METHODOLOGY			48,109	48,109
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
B.4 OTHER CAPITAL REQUIREMENTS			-1,608	-1,608
B.5 TOTAL CAPITAL REQUIREMENTS			**500,329**	**499,748**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,254,113**	**6,246,853**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			11.30%	10.99%
C.3 Regulatory capital including Tier 3 / Risk-weighted assets (Total capital ratio)			12.40%	12.37%

Insurance regulatory capital and ratios

The Group's consolidated financial statements report insurance assets/liabilities arising from the consolidation of Chiara Assicurazioni S.p.A., on a line-by-line basis, the sole Group company subject to insurance supervision (ISVAP).
As at 31 December 2010, the regulatory capital (solvency ratio available) was Euro 7,357 thousand, against a required solvency ratio of Euro 3,737 thousand. The result is a solvency ratio of 1.97.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

INFORMATION ON FEES DUE TO DIRECTORS AND EXECUTIVES

For information regarding the remuneration paid to the to the Directors please refer to the statement regarding "Staff costs" in these Notes. The total remuneration of general managers and to managers with strategic responsibilities is Euro 0.9 million. The subsequent specific part I should be referred to for information regarding the stock option plans for these persons.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Internal Procedure adopted pursuant to Consob Regulation n. 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 – section "Banco Desio / Corporate Governance / Transactions with Related Parties".
Having stated that, pursuant to article 5 of the regulation itself and article 154-ter of the Consolidated Act on Finance (TUF) referred to by the same, the following periodical information must be provided:

a) on the "most important" individual transactions concluded in the relevant period, i.e. those transactions that, also on a cumulative basis, exceed the thresholds envisaged in Annex 3 of the abovementioned Regulation[1];

b) on the other individual transactions (if any) with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, concluded in the relevant period, which have significantly affected the Group's financial position or results;

c) on any change or development of trasnactions with related parties described in the last annual report that has had a significant effect on the group's financial position or results in the relevant period.

It should be pointed out that in the 1st half of 2011 no transactions were concluded which were of such a size as to present the features referred to in letters a), b) and c), except for the plan for the merger of the wholly-owned subsidiaries Banco Desio Toscana SpA and Banco Desio Veneto SpA by incorporation into the Parent Company that, as reported in the specific disclosures, was approved by the Board of Directors upon prior favourable binding opinion given by the Committee for Transactions with Related Parties and will be effective once the deed of merger has been entered into, starting from 1 October 2011.

Relations with external related parties are generally settled on market conditions and where the market is not a satisfactory reference, (as, for example, in the instance of the agreements for outsourcing services provided by the Parent Company to subsidiaries), on conditions that are deemed to be appropriate and correct, that are valued in compliance with the procedure above, in any case taking account of the company's interest in completing the transactions.
In this context, as of 30 June 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 counterparties (Parent Company, Associates - Representatives and entities attributable to the same), specifically showing the balances of current account relationships and of the securities portfolio at the end of the half-year and any other transactions that must be mentioned which were implemented in the course of the half year, including those approved pursuant to article 136 of the Consolidated Banking Act.
In this context, also note – according to an approach for the unitary management of potential conflicts of interests – those transactions which were implemented pursuant to article 136 of the Consolidated Banking Act that however do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, more briefly, article 2391-bis of the Italian Civil Code by virtue of which this Regulation was enacted (mainly with reference to the following entities: Representatives of companies owned by Banco Desio; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor in the absence of relationships of control/connection).

I – Parent Company

At the end of the half-year, the debit balances (to customers) towards the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA with Banco Desio amount to Euro 216.1 million, of which Euro 213 million relating to the securities portfolio. The company has no debt exposure.

During the half-year, there were no other relevant 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).

[1] As regards the significance index of the countervalue of the transactions with related parties, the Internal Procedure refers to a significance threshold equal to Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital recognised at the date of adoption of the Procedure itself)

II – Associated companies

As regards Banco Desio, at the end of the half-year there are two shareholdings in associate companies:

- Chiara Vita SpA, in which an interest of 30% is maintained, within the framework of the agreements with the Helvetia Group entered into during 2008;

- Istifid S.p.A., in which about a 28% share is maintained (relative majority);

Within the framework of the agreements entered into by Banco Desio with the Helvetia Group, the following agreements are still in force with Chiara Vita SpA: i) a contract for the distribution of products in the life insurance branch expiring on 31.12.2012 ; ii) a correlated agreement for banking services.
At the end of the half-year, the Chiara Vita SpA balance of payables (to customers) held by Banco Desio amounted to Euro 111.4 million, Euro 42 million of which from the securities portfolio; the company has no exposure to debt.

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 closing of the stock option plans "Banco Desio Veneto" and "Chiara Assicurazioni" described in Part I of these notes, it should be pointed out that the associate was appointed, in the same manner as in similar transactions carried out in previous financial years, to carry out a number of fiduciary activities, against which an outlay of Euro 0.1 million is expected to be incurred by Banco Desio.
As regards the banking services provided by Banco Desio to Istifid SpA, at the end of the half-year, the balance of payables (to customers) was about Euro 33.4 million, about Euro 20.2 million of which from the securities portfolio; the receivables balance was insignificant. It should be noted that these debit and credit balances also refer to relationships maintained by Istifid SpA within fiduciary mandates conferred by third parties.

During the half-year, no other transactions were implemented with said companies which were relevant (also falling within the scope of application of article 136 of the Consolidated Banking Act by virtue of the positions hold within them by some Representatives referred to in paragraph III below).

IV - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved in the half-year pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the 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 concerned stated that they had interests of various kinds by virtue of control/connection equity investments held, appointments and/or other relationships of a financial or personal nature maintained 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 44 positions existing as at 30 June 2011 is equal to Euro 39,3 million. The relative uses totalled about Euro 27.3 million (due from customers).

As regards borrowing relationships maintained by the Group's Banks with the Representatives of Banco Desio and of the companies in a control relationship, as well as with entities referable thereto, it should also be pointed out that the overall balances at 30 June 2011 amounted to Euro 79.7 million (including Euro 56.0 million in the securities portfolio).

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 IAS 24 and/or Consob Regulation no. 17221/2010.

The calculations above do not include the transactions and balances referred to the parent company and the investee companies referred to in paragraphs I and II above (even if falling within the scope of application of article 136 of the Consolidated Banking Act due to the positions held in such companies by some Representatives of the Bank).

Below is the breakdown relating to the credit line and borrowing relationships referred to in this paragraph:

(balances at 30.06.2011 - €/mil.)	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; companies **other than those under paragraphs I and II**, in a control/connection relationship with the aforesaid Representatives and relatives) (A)	Subjects "art. 136 of Consolidated Banking Act" which do not 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, **other than those under paragraphs I and II,** in which the Representatives of the Group hold offices of director/statutory auditor in absence of control/connection relationships)	TOTAL (A+B)
Credit line transactions:			
Amount granted	6.6	32.7	39.3
Amount used	4	23.3	27.3
Borrowing transactions:			
Amount of current account and savings deposit (a)	8.2	15.5	23.7
Amount of securities portfolio (b)	44.5	11.5	56
Total (a+b)	52.7	27	79.7

Information on payment agreements based on the group's equity instruments

Stock Option Plan relating to the subsidiary Banco Desio Veneto SpA' s shares

The "Banco Desio Veneto" Plan, which was completed during the half-year, was already outlined in details in the financial statements of 2006 (year when such plan was activated) and then appropriately updated in the subsequent financial statements and in the half-year financial reports.

To serve the stock options exercised by the beneficiaries by virtue of the Rules of the Plan, on 27 April 2011 the capital increase of Banco Desio Veneto SpA was implemented, in a single tranche – against payment, excluding the shareholders' right of option pursuant to articles 2441 and 2443 of the Italian Civil Code – for a total nominal amount of Euro 5,614,474 (through the issue of no. 5,614,474 ordinary shares, with a nominal value of Euro 1.00 each). The options were exercised at a weighted average price of Euro 1.09 per share and then for a total countervalue of Euro 6.1 million.

The shares issued were subscribed, upon mandate by the beneficiaries, by the trust company appointed (Istifid SpA), which, on 27 April 2011, simultaneously made – upon instructions by the beneficiaries – the transfer of the total shares subscribed to Banco di Desio e della Brianza SpA, at the price of Euro 2.08 per share and then for a total countervalue of Euro 11.7 million. Said price was determined by the Board of Directors on 24 February 2011 on the basis of an appropriate report prepared by an expert in financial issues with reference to the accounting data at 31 December 2010.

Following the transactions described above, the stake held by Banco di Desio e della Brianza SpA in Banco Desio Veneto SpA is still total.

Stock option plan for shares of subsidiary Chiara Assicurazioni SpA

The "Chiara Assicurazioni" Plan, which was also completed in the half-year, was already outlined in details in the financial statements of 2006 (year when such plan was activated) and then properly updated in the following Financial Statements and in the half-year financial reports.

To serve the stock options exercised by the beneficiaries by virtue of the Rules of the Plan, on 27 April 2011 the capital increase of Chiara Assicurazioni S.p.Aa. was implemented, for the third and last time – against payment, excluding the shareholders' right of option pursuant to articles 2441 and 2443 of the Italian Civil Code – for a total nominal amount of Euro 658,000 (through the issue of no. 658,000 ordinary shares, with a nominal value of Euro 1.00 each). The options were exercised at a weighted average price of Euro 1.33 per share and then for a total countervalue of Euro 0.9 million.

The shares issued were subscribed, upon mandate by the beneficiaries, by the trust company appointed (Istifid SpA), which, on 27 April 2011, simultaneously made – upon instructions by the beneficiaries – the transfer of the total shares in question (including no. 151,00 shares subscribed in the first two tranches and maintained in the portfolio) to Banco di Desio e della Brianza SpA, at the price of Euro 4.42 per share and then for a total countervalue of Euro 3.6 million. Said price was determined by the Board of Directors on 24 February 2011 on the basis of an appropriate report prepared by an expert in financial issues with reference to the accounting data at 31 December 2010.

Following the transactions described above, the stake held by Banco di Desio e della Brianza SpA in Chiara Assicurazioni SpA comes to 66.66%.

Stock option plan for shares of subsidiary Fides SpA held by Banco Desio Lazio SpA

Detailed information about the Fides Plan was provided with the financial statements for 2008 (the year in which the plan was started); the Plan has also been appropriately updated in the subsequent financial statements and half-year financial reports. In short, this Plan concerns a maximum amount of shares equal to 20% of the share capital of the subsidiary, a finance company specifically operating, as is known, in the segment of funding secured by salary-based loans (*cessione del quinto dello stipendio*). This maximum share remained substantially unchanged also after the capital increases made by the subsidiary in the financial years 2009 and 2010, as a result of additional allocations acknowledged to the beneficiaries to such an extent as to offset the consequent share dilution charged to them, as required by the Rules of the Plan. The beneficiaries include some representatives and employees of the company and of the Group who are directly and/or directly involved in the development of the corporate business.

As a result of these changes already detailed in the last financial statements, at 30 June 2011 there were n. 401,509 options. These options may be exercised, as is known, in October 2011.

The strike price of 7.64 euro per share takes the normal value of 7.55 euro into account, originally set in a special valuation, and the subsequent additions that raised the book value of Fides shares held by Banco Desio Lazio SpA.

The Black & Scholes method was used to value the options; The unit value of each option lies between a minimum of Euro 0.15356 and a maximum of Euro 1.03901. The value of the existing options totally amounts to Euro 304,752.

In the first half-year of 2011, the pro-rata cost of the above mentioned 401,509 options - as resulting from the distribution of the aggregate cost over the terms of the options – amounts to Euro 53,115.

Segment reporting

The reporting refers to the Group's organisational and management structure and the internal reporting system whereby the management monitors results trends and takes operating decisions with regard to the resources to allocate.

The Group operates conducting the traditional business of credit broking, asset management and offering life and non-life bank insurance products. The operating segment information therefore takes it into consideration that the operational offices of the commercial banks are not separated into segments and/or divisions.
The results of the Group sectors mentioned below are presented in this chapter:

- *commercial bank*: bringing together the traditional lending and deposit collecting activities directed towards retail and corporate customers. Included in this operating segment are products and services related fundamentally 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*: bringing together the activities carried out by the subsidiaries Brianfid Sa, Banca Credito Privato Commerciale Sa and Rovere SA;
- *corporate center*: this segment includes 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 functioning and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center 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 center, except where the intra-group netting are between companies within the same segment.

The information regarding assets and income by sector corresponds to the respective items in the financial statements and the policies for their measurement are as follows:

- *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	**30/06/11**	**Commercial bank**	**Investment Banking**	**Asset mng**	**Corporate center**
Margin on banking and insurance activities (1)	173,480	156,084	8,751	6,684	1,961
Structure costs (2)	-117,377	-98,608	-808	-4,496	-13,465
Provisions and adjustments (3)	-1,340	-8,582	-18	0	7,260
Profits/(losses) on equity investments accounted for under the equity method	1,272	0	0	0	1,272
Profits/(losses) on the disposal of investments	2	0	0	2	0
Profit/(losses) before taxes on continuing operations	**56,037**	**48,894**	**7,925**	**2,190**	**-2,972**

(1) including other operating charges/income

(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	30/06/11	Commercial bank	Investment Banking	Asset mng	Corporate center
Financial assets	1,047,882	34,999	1,003,289	9,934	-340
Amounts due from banks	274,362	0	225,099	127,122	-77,860
Amounts due from customers	6,663,750	6,655,693	0	8,057	0
Amounts due to banks	335,121	0	417,363	0	-82,242
Amounts due to customers	4,309,171	4,194,042	0	115,145	-16
Securities issued and liabilities at fair value through profit or loss	2,487,807	2,487,807	0	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**11,833,790**	**10,684,619**	**0**	**1,149,171**	**0**

Income Statement data	30/06/10	Commercial bank	Investment Banking	Asset mng	Corporate center
Margin on banking and insurance activities (1)	172,197	146,217	10,084	5,919	9,977
Structure costs (2)	-117,986	-96,509	-888	-4,704	-15,885
Provisions and adjustments (3)	-2,405	-16,916	15	-20	14,516
Profits/(losses) on equity investments accounted for under the equity method	1,769	0	0	0	1,769
Profits/(losses) on the disposal of investments	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**53,575**	**32,792**	**9,211**	**1,195**	**10,377**

(1) including other operating charges/income

(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	30/06/10	Commercial bank	Investment Banking	Asset mng	Corporate center
Financial assets	1,083,839	25,142	1,046,924	12,167	-394
Amounts due from banks	486,227	0	429,628	132,923	-76,324
Amounts due from customers	6,279,288	6,270,392	0	8,896	0
Amounts due to banks	95,076	0	173,134	12	-78,070
Amounts due to customers	4,588,315	4,459,946	0	128,622	-253
Securities issued and liabilities at fair value through profit or loss	2,368,438	2,368,438	0	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**11,641,315**	**10,467,770**	**0**	**1,173,545**	**0**

CERTIFICATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999

AS AMENDED AND SUPPLEMENTED

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 condensed interim consolidated financial statements for the first half-year 2011.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the condensed interim consolidated financial statements as at 30 June 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 condensed interim 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 interim report on operations includes a reliable analysis of the references to the important events that occurred in the first six months of the financial year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Desio, 25 August 2011

Managing Director

Nereo Dacci

Manager responsible for preparing
The Company's financial reports

Piercamillo Secchi

pwc

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

To the Shareholders of
Banco di Desio e della Brianza SpA

1 We have reviewed the consolidated condensed interim financial statements of Banco di Desio e della Brianza SpA and subsidiaries (Banco Desio Group) comprising the statement of financial position, the income statement and the statement of comprehensive income, statements of changes in shareholders' equity and cash flows and related selected explanatory notes. Banco di Desio e della Brianza SpA's Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

Regarding the amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 6 April 2011 and dated 27 August 2010, respectively.

PricewaterhouseCoopers SpA

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3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Banco Desio Group as at 30 June 2011 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Milan, 26 August 2011

PricewaterhouseCoopers SpA

Signed by
Lia Lucilla Turri
(Partner)

This report has been translated into the English language solely for the convenience of international readers.