

Consolidated Half-Year Financial Report
as at 30 June 2012



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

Board of Directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado*
<u>Managing Director</u>	Tommaso Cartone*
<u>Directors</u>	Egidio Gavazzi* Luigi Gavazzi Paolo Gavazzi Guido Pozzoli* Marina Brogi Gerolamo Pellicanò Pier Antonio Cutellé Lorenzo Rigodanza

** Members of the Executive Committee*

Board of Statutory Auditors

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

General Management

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

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

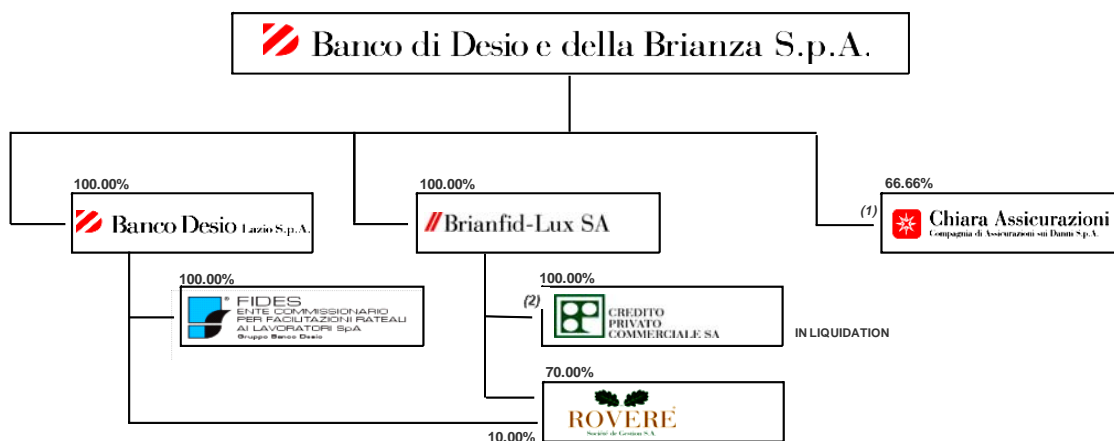
<u>Manager responsible for preparing the Company's financial reports</u>	Piercamillo Secchi
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Independent auditors

Deloitte & Touche S.p.A.

The Banco Desio Group

This consolidated half-year financial report as at 30 June 2012 relates to the following corporate structure of the Banco Desio Group:



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

(2) Company placed into voluntary liquidation; the relative equity investment was acquired directly by the Parent Company;

Foreword

This Banco Desio Group Consolidated Half-Year Financial Report as at 30 June 2012, consisting of the *Interim report on operations* and the *Condensed interim financial statements*, was prepared in accordance with Article 154-ter of Legislative Decree 58/1998, (*TUF, "Testo Unico della Finanza"*, the Italian Consolidated Law on Finance), implementing Legislative Decree 195 of 6 November 2007 (the Transparency Directive) and in compliance with the applicable international accounting standards as adopted in the European Union under Regulation (EC) 1606 of 19 July 2002, and, in particular, with IAS 34, *Interim Financial Reporting*, as well as with the provisions issued by the Bank of Italy by means of Circular Letter no. 262 of 22 December 2005 and subsequent updates.

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 requires the use of estimation procedures, which, however, do not affect their reliability.

The data and ratios reported in this *Interim report on operations*, if applicable, refer to the Balance Sheet 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 basis of the Income Statement of the *Condensed Interim financial statements*.

**Consolidated interim report on operations
as at 30 June 2012**

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

<i>Amounts in thousands of Euros</i>	30.06.2012	31.12.2011	Change	
			Amount	%
Total assets	8.694.441	8.359.795	334.646	4,0%
Financial assets	1.309.023	1.066.594	242.429	22,7%
Amounts due from banks	382.395	288.525	93.870	32,5%
Amounts due from customers	6.588.301	6.580.450	7.851	0,1%
Tangible assets	152.587	154.481	-1.894	-1,2%
Intangible assets	30.676	46.496	-15.820	-34,0%
Amounts due to banks	461.031	267.998	193.033	72,0%
Amounts due to customers	4.873.513	4.347.706	525.807	12,1%
Securities issued and financial liabilities at fair value through profit or loss	2.276.387	2.696.584	-420.197	-15,6%
Shareholders' equity (including net profit for the period) ⁽¹⁾	769.100	770.926	-1.826	-0,2%
Total indirect deposits	10.698.799	10.821.717	-122.918	-1,1%

INCOME STATEMENT DATA ⁽²⁾

<i>Amounts in thousands of Euros</i>	30.06.2012	30.06.2011	Change	
			Amount	%
Operating income	181.625	170.030	11.595	6,8%
<i>of which Net interest income</i>	102.136	98.065	4.071	4,2%
Operating costs	117.926	112.655	5.271	4,7%
Profits/(losses) from continuing operations	63.699	57.375	6.324	11,0%
Profits/(losses) after taxes from continuing operations	15.341	27.979	-12.638	-45,2%
Profits/(losses) after taxes from non-recurring operations ⁽³⁾	-9.868	7.702	-17.570	-228,1%
Net profit/(loss) for the period ⁽¹⁾⁽³⁾	5.110	35.226	-30.116	-85,5%

⁽¹⁾ pertaining to the Parent Company;

⁽²⁾ from reclassified Income Statement;

⁽³⁾ the balance as at 30.06.2012 includes the elimination of the goodwill in the subsidiary CPC S.A. in liquidation for a total of Euro 5.5 million

FINANCIAL RATIOS

	30.06.2012	31.12.2011	Change Amount
Shareholders' equity / Total assets	8,8%	9,2%	-0,4%
Shareholders' equity / Amounts due from customers	11,7%	11,7%	0,0%
Shareholders' equity / Amounts due to customers	15,8%	17,7%	-1,9%
Shareholders' equity / Securities issued and Financial liabilities at fair value	33,8%	28,6%	5,2%
Equity ratio (<i>Tier 1 and Core Tier 1</i>)	11,3%	10,7%	0,6%
Solvency ratio (<i>Tier 2</i>)	12,5%	11,8%	0,7%
Financial assets / Total assets	15,1%	12,8%	2,3%
Amounts due from banks / Total assets	4,4%	3,5%	0,9%
Amounts due from customers / Total assets	75,8%	78,7%	-2,9%
Amounts due from customers / Direct deposits from customers	92,1%	93,4%	-1,3%
Amounts due to banks / Total assets	5,3%	3,2%	2,1%
Amounts due to customers / Total assets	56,1%	52,0%	4,1%
Securities issued and Financial liabilities at fair value through profit or loss / Direct deposits from customers / Total assets	82,2%	84,3%	-2,1%

	30.06.2012	30.06.2011	Change Amount
Operating costs / Operating income (Cost/Income ratio)	64,9%	66,3%	-1,4%
Net interest income / Operating income	56,2%	57,7%	-1,5%
Operating margin / Operating income	35,1%	33,7%	1,4%
Operating profit net of taxes / Shareholders' equity ⁽⁴⁾ - annualised	4,0%	7,2%	-3,2%
Net profit for the period / Shareholders' equity ⁽⁴⁾ (R.O.E.) - annualised	1,3%	9,1%	-7,8%

STRUCTURE AND PRODUCTIVITY DATA

	30.06.2012	31.12.2011	Change	
			Amount	%
Number of employees	1.860	1.875	-15	-0,8%
Number of bank branches	185	185	0	0,0%
<i>Amounts in thousands of Euros</i>				
Amounts due from customers by employee ⁽⁵⁾	3.528	3.537	-9	-0,3%
Direct deposits from customer by employee ⁽⁵⁾	3.829	3.786	43	1,1%

	30.06.2012	30.06.2011	Change Amount	
Operating income by employee ⁽⁵⁾ - annualised	195	183	12	6,6%
Operating margin by employee ⁽⁵⁾ - annualised	68	62	6	9,7%

⁽⁴⁾ as at 30.06.2011 taking into account shareholders' equity for the period

⁽⁵⁾ on the basis of the number of employees determined as the arithmetic mean between the period-end figure and the previous period-end figure

2 - THE MACROECONOMIC SCENARIO

Information on the trend in GDP again confirmed the reduction in the rate of growth in emerging nations and the fragile recovery characterising the United States. The measures adopted by the European Central Bank stabilised the situation in the European countries in crisis, giving the corrective fiscal policies already put in place in 2011 more time. Geopolitical tensions kept oil prices up, raising inflation and putting the brakes on growth. However, the steady performance of domestic demand in the rest of the world reduced the risks of a global recession. The European crisis, the weak cyclical recovery in the United States and uncertainties which still characterise the international financial markets are restricting growth in trade.

The main emerging markets are suffering from the lower contribution from foreign trade and slowdown in investments. In the first quarter of 2012, GDP in China increased by 8.1% on a quarterly YoY basis. The slowdown in the economy is also evident from the SME index, which fell by 3% in the last quarter, standing at 50.4. Inflation also seems to signal lower domestic pressure: the consumer price index fell from 3.4% to 3% between April and May. In the first quarter of 2012, Indian GDP increased by +5.6% YoY, compared to +6.2% in the previous quarter. Despite the slowdown in the economy, prices continue to rise. In Brazil, the deceleration in growth was extremely pronounced: the first quarter of 2012 saw GDP increase by 0.7%, compared to 1.4% in the previous quarter. Consumer prices remained essentially stable. Due to the slowdown in GDP, the Central Bank cut the policy rate by another 50 basis points, bringing it to 8.5%. By contrast, Russia continued to register solid growth rates. In the fourth quarter, GDP rose by 4.8% and consumer prices, after touching double figures, are slowing markedly.

GDP growth in the United States stood at 2.2% in the first quarter of 2012, bringing itself into line with the growth estimates for the next two years (2%). Although positive, the figure disappointed in terms of operator expectations, confirming the difficulties in getting back to levels of growth capable of quickly filling the sizeable output gap caused by the crisis. The unemployment rate still remains high, even though it has fallen over the last three months. Inflation is also down. The speed of the recovery has been hindered by the process of falling household debt and uncertainty over the trend in fiscal policy in the period straddling the presidential elections. Monetary policy should remain extraordinarily expansive, with interest rates still fixed in the long term and with the possibility of new injections of liquidity in the event the economy should weaken again.

The prospects of the economic cycle in the Eurozone continue to be linked to the development of the debt crisis, which is under control but certainly not resolved. The intensity of fiscal restrictions has already forced Greece, Portugal, Italy, Spain and the Netherlands into a recession. Thanks to its domestic demand, aided by accommodating fiscal and monetary conditions, Germany plays a supporting role and limits the contraction in GDP. In the first quarter of 2012, GDP in the Eurozone remained essentially stationary with respect to the previous quarter, with geographical differences in terms of rates of growth: in fact, in Germany and France, GDP recorded growth of +2% and +0.2% respectively. Industrial production in the Eurozone saw a decrease of 1.8% on a trend basis. In May, the business confidence index fell while consumer confidence indexes continued to remain in negative territory. The unemployment rate remained essentially stable in April, even if clearly above the 2011 average of +10.1%. The Euro depreciated against the dollar.

With reference to Italy, GDP fell 1.3% YoY: all components of domestic demand were down, with the exception of public spending which contributed positively to the growth in GDP of +0.3%. More specifically, household consumption recorded a decrease of 2.4%, gross fixed investments were down 2.7% and stocks by 1.8%. Only the contribution from the trade balance was positive, standing at +3.3% YoY. The weak performances of Italy compared to the European average are also shown in the analysis of industrial production: in fact, in April, the de-seasonalised index fell by 9.2% compared to the same period in the previous year. Retail sales fell by 1.9%. In relation to the job market, figures relating to April highlight an increase in the unemployment rate to 10.2%, when compared to the previous month. As at April, the consumer price index fell slightly on a monthly basis (3.7% compared to 3.8% in the previous month).

In the credit sector, the trend in bank loans showed a slight deceleration at the end of May: on the whole, total loans to residents in Italy remained at the levels registered in the previous year (+0.2% YoY). Loans to households and non-financial businesses recorded a decrease of 0.4% YoY: medium- and long-term loans (more

than 1 year) suffered less than short-term loans, recording annual decreases of 0.3% and 0.6% respectively. The growth in loans for the purchase of properties decelerated on a monthly basis, standing at +2.5% compared to +3% in April and +7.6% in the same period in the previous year. The performance of loans to businesses was affected by the sharp fall in investments, down by around 14.5% on an annual basis. The decrease was especially marked in the vehicle (-50%) and construction (-13%) segment. The de-seasonalised index of industrial production fell in May by 1.9% on a monthly basis and 9% YoY, similar to the business confidence index (down 4% on a monthly basis).

Interest rates on loans remained essentially unchanged on a monthly basis, staying at consistently low values: in May, the weighted average interest rate on total loans to households and non-financial companies stood at 4.03%. Interest rates applied to new loans to businesses and households rose slightly, but are still low: in May, the interest rate on loans in Euro to non-financial companies stood at 3.85% (up 0.17 basis points on a monthly basis), while the interest rate on loans in Euro to households for home purchases came to 4.15% (4.14% in the previous month). Fixed rate loans accounted for 30% of total loans.

Deposits recorded a 0.8% decrease in May on an annual basis: within this component, only deposits from resident customers recorded a positive performance (+1.7%). In fact, the other components registered annual decreases: in particular, bonds (- 5.2%) and foreign deposits (-20.4%). Average remuneration on bank deposits stayed at the values recorded at the start of the year: in fact, consistent with the monetary policy stance of the ECB, the average interest rate on bank deposits from customers in May was 2.08%, up 34 basis points YoY and 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

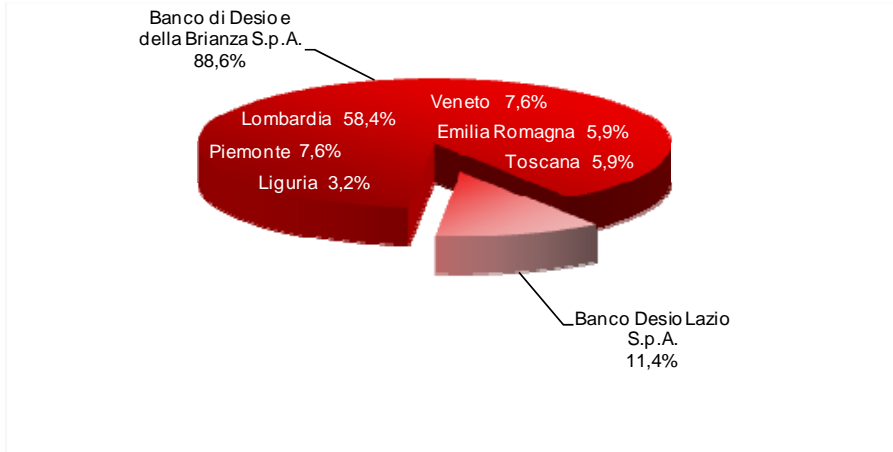
The Group's distribution network, with a presence in Lombardy, Emilia Romagna, Piedmont, Liguria, Tuscany, Veneto and Lazio, included a total of 185 branches at the end of the half year, maintaining the dimensional structure and regional presence as at the end of 2011, in a difficult macroeconomic scenario.

The table below shows the breakdown of the distribution network by individual Group company, while the subsequent chart represents the percentage breakdown by region.

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

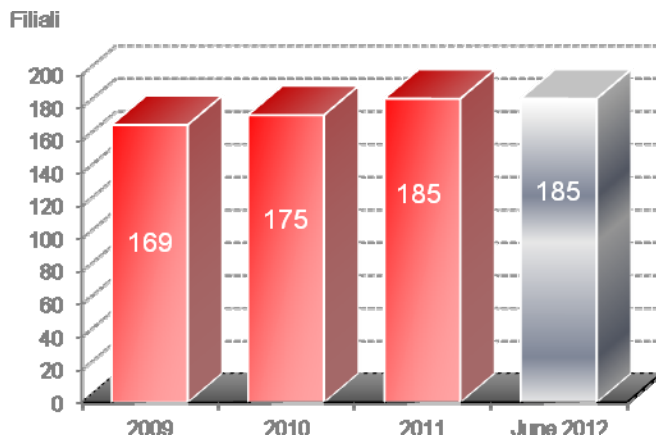
No. of branches	30.06.2012		31.12.2011		Change	
	No. of branches	Percentage breakdown	No. of branches	Percentage breakdown	Value	%
Banco di Desio e della Brianza S.p.A.	164	88,6%	164	88,6%	-	-
Banco Desio Lazio S.p.A.	21	11,4%	21	11,4%	-	-
Group distribution network	185	100,0%	185	100,0%	-	-

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



The bar chart below shows the growth in the size of the Group from 2010, corresponding to a rate of development equal to the average annual composite rate of 3.7%.

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



4 - MAJOR CORPORATE EVENTS

Appointment of a new member of the Parent Company's Board of Directors

On 26 April 2012, the Ordinary Shareholders' Meeting of the Parent Company appointed Marina Brogi as a new director of Banco di Desio e della Brianza S.p.A, replacing the outgoing Luigi Guatri, who resigned.

Appointment of new Managing Director of the Parent Company

The Parent Company's Board of Directors, which met on 19 June 2012, having acknowledged and, therefore, accepted Nereo Dacci's resignation as Director with the office of Managing Director of Banco di Desio e della Brianza S.p.A. and additional roles held in the Group, resolved, on the proposal of the Chairman and with the prior favourable opinion of the Appointments and Remuneration Committee, to co-opt Tommaso Cartone as Director and, therefore, appoint him to the position of Managing Director.

Placement of subsidiary Credito Privato Commerciale S.A. into liquidation

Following the consensual resolution of the contract for the sale of 100% of the shares of Credito Privato Commerciale S.A. between the subsidiary Brianfid-Lux S.A. and the Swiss financial Group "Heliting" (a transaction, that, however, was subject to disclosure also in the consolidated interim report on operations as at 31 March 2012), in line with the strategy of the Parent Company, repeatedly communicated to the markets, of discontinuing the Group's presence and operations on Swiss territory, the decision was taken to place the indirect subsidiary CPC into voluntary liquidation. The associated Board resolution of the Parent Company on 31 May 2012 was confirmed in the resolution of the Extraordinary Shareholders' Meeting of said subsidiary on 8 June 2012.

On 19 July 2012, the Board of Directors, as also communicated to the market, acknowledged the winding up proceedings and the results of an initial balance sheet estimate relating to the opening of said proceedings presented by liquidator Ernst & Young SA, which highlighted forecast future expenses, relating mainly to technical and administrative costs, and contingent liabilities, which presumably will be incurred gradually over a period of 5-7 years, as such to require the Parent Company to make a specific payment of around Euro 41.7 million in order to ensure CPC's continuation of the proceedings in compliance with the equity requirements set forth by Swiss regulatory legislation. At the same time, the Parent Company's Board of Directors resolved, consistent with the timescales set forth by the legal systems, to reallocate the equity investment in CPC in liquidation, bringing it under the direct control of the Parent Company.

It should be noted that, on 26 July 2012, the Parent Company paid around Euro 41.7 million (50 million Swiss francs) to cover said recapitalisation of the subsidiary CPC in liquidation and in order to ensure said entity's continuance of proceedings in compliance with the equity requirements set forth by Swiss regulatory legislation; said payment was made in accordance with the instructions and methods indicated by FINMA (Swiss Financial Market Supervisory Authority), initially structured into a non-interest bearing subordinated loan, to be transformed into a share capital increase following the expected transfer of the equity investment in CPC in liquidation from Brianfid-Lux S.A. to the Parent Company.

Taking into account the fact that estimable expenses take effect in accordance with the estimates of the liquidator from July 2012, application of the international accounting standards (IAS/IFRS) adopted by the Banco Desio Group to draft the consolidated financial statements had a negative impact on the income statement of this consolidated interim financial report as at 30 June 2012 amounting to around Euro 15.5 million (item "Value adjustments of goodwill"), corresponding to the elimination of the value of goodwill in CPC.

At individual Parent Company level however, it should be noted that, in application of the international accounting standards (IAS/IFRS) adopted by the Banco Desio Group, the half-year situation reflects the adverse impact of roughly Euro 31.1 million (item "Profit/(losses) on equity investments"), corresponding to the valuation of the impairment (full) of the equity investment held via the direct subsidiary Brianfid-Lux S.A. and the commitment already assumed for the part of the payment, outlined above, in the assumption that it can no longer be fully recovered.

The table in paragraph 6.4 below - "Shareholders' equity and capital adequacy", which reconciles shareholders' equity and the result for the period pertaining to the Parent Company with the consolidated figures as at 30 June 2012, also highlights the equity and economic effects of the liquidation of Swiss subsidiary on the figures at

individual Parent Company level, and the equity and economic effects of the consolidation of said subsidiary on Group data.

Legal investigations

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

On 3 January 2012, the Public Prosecutor's Office of the Court of Rome served notice of a committal for trial, as part of the criminal proceedings concerning, among others, certain parties who were, at the time of the disputed events, dating back to 2009, representatives of the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A., as well as third parties with respect to said companies.

Given the disputed events would integrate offences-the assumption of administrative liability of legal entities pursuant to Legislative Decree 231/2001, Banco Desio Lazio S.p.A. is involved in the aforementioned proceedings, in relation to the disputed administrative crime set out in article 5 of Legislative Decree 231/2001 and article 10, paragraph 2 of Law 146/2006, for the cases set forth in articles 416 and 648-bis c.p. (Penal Code) contested before the then Managing Director of said company, as a result of the administrative relationship in place at the time; Credito Privato Commerciale S.A. is involved in relation to the disputed administrative crime set out in articles 5 and 25-octies of Legislative Decree 231/2001 and article 10, paragraph 2 of Law 146/2006, for the cases set forth in articles 416 and 648-bis c.p. (Penal Code) contested before the then General Manager of said company, as a result of the management relationship in place at the time.

In light of the above, the Board of Directors of each of the two subsidiaries approved the prudential allocation of a specific amount, of an average between the minimum and maximum of the expected penalty. On the basis of the activities carried out and the checks performed thus far in relation to the conditions for a plea bargain, the defence lawyer for the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. confirmed the exclusion of any risks of any other nature: in particular, it should be noted that the banks adopted and implemented a suitable organisational model, and before the next hearing (put back from 23 March to 5 October 2012), will also meet the remaining conditions to which art. 17 of Legislative Decree 231/01 subjects exclusion of the application of criminal sanctions on the performance of banking activities (which, however, Credito Privato Commerciale S.A. has discontinued in the meantime, following the placement into liquidation of the bank on 8 June 2012).

- Parent Company

In March, the Public Prosecutor's Office of the Court of Monza informed the former Managing Director of the bank, and subsequently the Chairman of the Board of Directors, of the notice of extension of the preliminary investigations, also concerning the former General Manager, with reference to articles 416 and 648 of the Penal Code. The Board of Directors acknowledged said notification on 3 April 2012.

These investigations are most likely the result of a complaint filed by a former employee of the bank (whose presentation, however, the bank only became aware of as a result of news which appeared in the media on 30.09.11).

In the absence of more precise information regarding the events involved in the investigation by the Public Prosecutor's Office of Monza, the economic-equity effects for the bank cannot be quantified at present (also taking into account that said entity has not been notified of any deed relating to the proceedings in question).

Closing of the inspection of the Parent Company by the Bank of Italy

It should be noted that the supervisory inspection launched on 21 November 2011 at Parent Company Banco di Desio S.p.A. e della Brianza S.p.A. regarding the Banco Desio Group, concluded on 6 April 2012.

On 21 June 2012, the findings and objections raised regarding the outcome of the inspection visits were delivered to the Board of Directors and the Board of Statutory Auditors.

On 26 July, the Board of Directors approved the resulting communications and counter-claims regarding the irregularities highlighted in the inspection report which formed the launch pad for starting, or rather speeding up, the processes of modernisation of the Parent Company's structure in terms of Group governance aspects and of the technical-organisational structure for more effective risk governance. The result was an action plan extended over a period which will end in March 2013 and a total estimated investment of no more than Euro 1 million. However, certain measures, with particular regard to some allocations of company functions, were already started and completed in July. The main adjustments in progress also concern the information and regulatory systems.

Capital strengthening of the subsidiary Chiara Assicurazioni S.p.A.

On 20 March 2012, the Parent Company's Board of Directors approved the proposed capital strengthening of subsidiary Chiara Assicurazioni S.p.A., targeted at grasping the market opportunities for developing the company, totalling Euro 3 million (increase from roughly Euro 13 million to Euro 16 million in shareholders' equity as at 31 December 2011), to be carried out via payments on account of capital, non-interest bearing and with no maturity, however without prejudice to the possibility of starting the authorisation and decision-making process for entering into the actual share capital increase. This capital strengthening operation, given it is to be effected for each shareholder in proportion to the amount of share capital held, determined a disbursement of Euro 2 million for the Parent Company as at 30 March 2012.

Investment in the shares of Banca Carim S.p.A by subsidiary Chiara Assicurazioni S.p.A. .

It should be pointed out that, as part of the share capital increase of Banca Carim S.p.A., on 24 April 2012, the subsidiary Chiara Assicurazioni S.p.A. invested in 934,573 shares issued by said bank, for a value of Euro 5 million.

Inspection of subsidiary Chiara Assicurazioni S.p.A by ISVAP

It should be noted that, in June and July 2012, ISVAP (Italian Supervisory Authority for Private Insurance Undertakings and Insurance Undertakings of Public Interest) carried out inspection visits at subsidiary Chiara Assicurazioni S.p.A., concerning, in particular, the investment risk relating to class C assets and partnership agreements with Banca Carim S.p.A..

Appointment of Independent Auditors

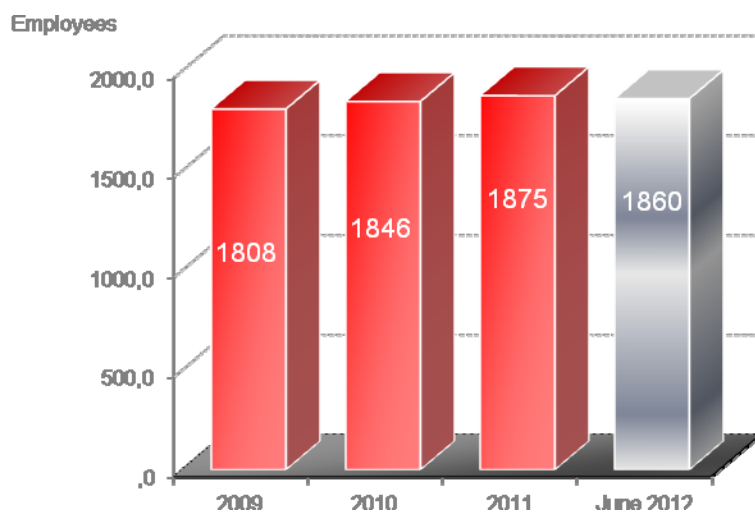
The Ordinary Shareholders' Meeting of the Parent Company of 26 April 2012 appointed the company Deloitte & Touche S.p.A. to carry out the audit of the accounts for the financial years 2012-2020.

5 - HUMAN RESOURCES

As at 30 June 2012, the Group employed 1,860 staff members, 15 employees less (equal to 0.8%) than the final headcount at the end of the previous year.

The trend in the workforce over recent years is shown in the chart below.

Chart no. 3 - CHANGE 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 of the year compared with the final figure in 2011.

Table no. 2 - GROUP STAFF: BREAKDOWN BY GRADE

No. of employees	30.06.2012		31.12.2011		Change	
	No. of employees	Percentage breakdown	No. of employees	Percentage breakdown	Value	%
Executives	36	1,9%	38	2,0%	-2	-5,3%
3rd and 4th level managers	435	23,4%	444	23,7%	-9	-2,0%
1st and 2nd level managers	495	26,6%	500	26,7%	-5	-1,0%
Other personnel	894	48,1%	893	47,6%	1	0,1%
Group Staff	1.860	100,0%	1.875	100,0%	-15	-0,8%

6 - MANAGEMENT PERFORMANCE

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

Total administered customer assets as at 30 June 2012 came to Euro 17.8 million, remaining in line with the balance at the end of 2011, highlighting an increase in direct deposits of 1.5% and a fall in indirect deposits of 1.1%, the latter impacted in particular by the ongoing economic-financial crisis.

The breakdown and aggregate balances of the items, along with the deviations recorded in the period under analysis, are shown in the table below.

Table no. 3 - TOTAL DEPOSITS FROM CUSTOMERS

Amounts in thousands of Euros	30.06.2012	Percentage breakdown	31.12.2011	Percentage breakdown	Change	
					Value	%
Amounts due to customers	4.873.513	27,3%	4.347.706	24,3%	525.807	12,1%
Securities issued and financial liabilities at fair value through profit or loss	2.276.387	12,8%	2.696.584	15,1%	-420.197	-15,6%
Direct deposits	7.149.900	40,1%	7.044.290	39,4%	105.610	1,5%
Deposits from ordinary customers	7.539.337	42,2%	7.717.007	43,2%	-177.670	-2,3%
Deposits from institutional customers	3.159.462	17,7%	3.104.710	17,4%	54.752	1,8%
Indirect deposits	10.698.799	59,9%	10.821.717	60,6%	-122.918	-1,1%
Total deposits from customers	17.848.699	100,0%	17.866.007	100,0%	-17.308	-0,1%

Direct deposits

Direct deposits exceeded Euro 7.1 billion as at 30 June 2012, marking an increase of Euro 0.1 billion (equal to 1.5%) over the end of 2011, due to the boost from amounts due to customers (+12.1%) which, having increased by around Euro 0.5 billion, continue to represent the largest item, accounting for 68.2% of the total, and relate to the 'sight' component of deposits (roughly Euro 4.4 billion), i.e. current accounts and savings deposits, and time deposits (around Euro 0.5 billion), repurchase agreements (liabilities) and other payables.

Securities issued and financial liabilities at fair value through profit and loss, totalling Euro 2.3 billion and down Euro 0.4 billion, relate to bonds issued and placed by the Group amounting to around Euro 2 billion and to certificates of deposit totalling Euro 0.2 billion; the remainder of the item is composed of bonds hedged by derivative financial instruments in application of the fair value option.

Indirect deposits

During the period, indirect deposits reported an overall decrease of Euro 0.1 billion, equal to 1.1% of the previous balance, totalling Euro 10.7 billion.

Deposits from ordinary customers stood at roughly Euro 7.5 billion, marking a decrease of Euro 0.2 billion, equal to 2.3%, which mainly concerned the administered asset segment as opposed to the managed asset one, although the latter registered an increase in "bank insurance" volumes.

On the contrary, deposits from institutional customers saw roughly a Euro 0.1 billion increase compared to the balance in the period under comparison (equal to 1.8%).

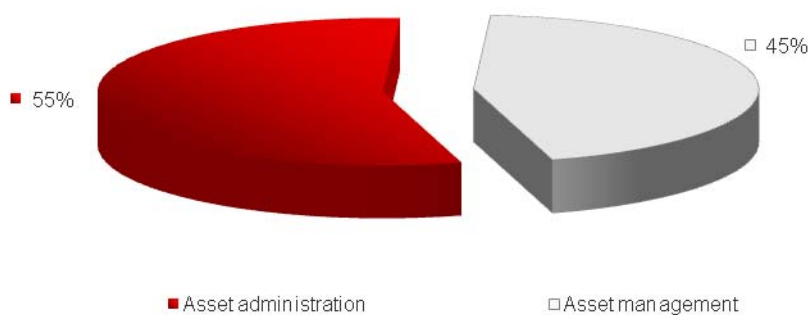
The table below details the items in question, indicating the changes in the balances as at 30 June 2012 compared to those at the end of 2011.

Table no. 4 - INDIRECT DEPOSITS

Amounts in thousands of Euros	30.06.2012		31.12.2011		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Asset administration	4.176.630	39,0%	4.335.692	40,1%	-159.062	-3,7%
Asset management	3.362.707	31,5%	3.381.315	31,2%	-18.608	-0,6%
<i>of which: Mut. Fund and Open-end Inv.</i>	758.089	7,1%	815.585	7,5%	-57.496	-7,0%
<i>Portfolio management</i>	434.191	4,1%	459.571	4,2%	-25.380	-5,5%
<i>Bank Insurance</i>	2.170.427	20,3%	2.106.159	19,5%	64.268	3,1%
Deposits from ordinary customers	7.539.337	70,5%	7.717.007	71,3%	-177.670	-2,3%
Deposits from institutional customers	3.159.462	29,5%	3.104.710	28,7%	54.752	1,8%
Indirect deposits	10.698.799	100,0%	10.821.717	100,0%	-122.918	-1,1%

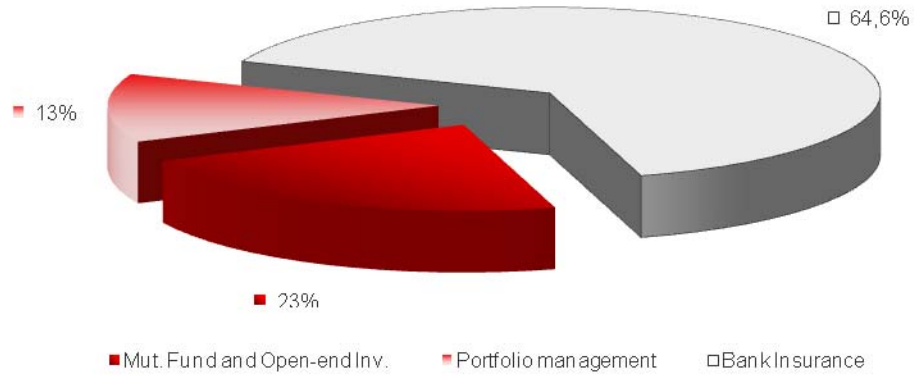
The percentage breakdown by segment of indirect deposits from ordinary customers as at 30 June 2012, represented in the chart below, shows that the portion attributable to managed assets, even if lower, is not greatly different from the portion relating to administered assets.

Chart no. 4 - INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 30.06.2012: BREAKDOWN



The chart below instead focuses on the percentage composition of asset management, highlighting that the life bank insurance element accounts for the main share (64.6%).

Chart no. 5 - INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AS AT 30.06.2012: BREAKDOWN



6.2 - LOANS TO CUSTOMERS

Despite a slowdown in credit applications at banking system level, the total value of loans to customers came to around Euro 6.6 billion as at 30 June 2012, essentially unchanged (+0.1%) with respect to the final figure in December 2011.

The chart below shows the trend in the total volumes of credit activities over recent years, which corresponds to an annual average composite rate of growth of 2.7% from 2010, while the deviations in the half year with respect to the items that make up loans are shown in the subsequent table.

Chart no. 6 - LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS

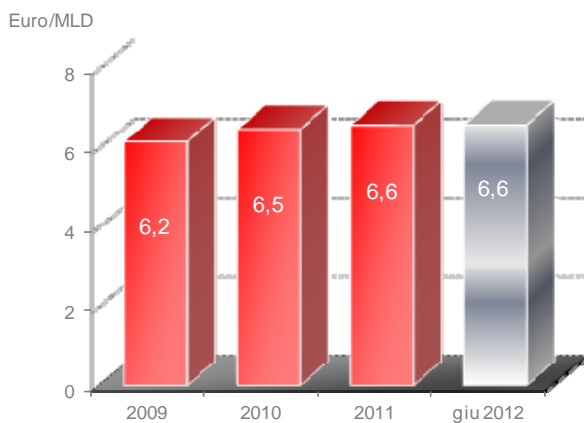


Table no. 5 - AMOUNTS DUE FROM CUSTOMERS

<i>Amounts in thousands of Euros</i>	30.06.2012		31.12.2011		Change	
		Percentage breakdown		Percentage breakdown	Value	%
Current accounts	1.573.292	23,9%	1.536.661	23,4%	36.631	2,4%
Mortgages and other medium/long term loans	4.228.515	64,2%	4.285.266	65,1%	-56.751	-1,3%
Other	786.494	11,9%	758.523	11,5%	27.971	3,7%
Amounts due from customers	6.588.301	100,0%	6.580.450	100,0%	7.851	0,1%

As regards the distribution of gross loans, including endorsement loans, the percentage of uptakes by the largest customers at the end of the half-year continues to express a high degree of risk spreading, however generally improving with respect to the previous figure, as shown in the table below.

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

<i>No. customers ⁽¹⁾</i>	30.06.2012	31.12.2011
10 largest customers	1,8%	2,2%
20 largest customers	2,8%	3,3%
30 largest customers	3,7%	4,2%
50 largest customers	4,9%	5,6%

⁽¹⁾ relating to the Parent Company and to the subsidiary Banco Desio Lazio S.p.A.

At the end of the half year, the total amount of net impaired loans, represented by non-performing loans, problem loans, expired loans, i.e. breaches relating to the persistent failure to comply with credit limits, as well as restructured exposures, amounted to Euro 353.6 million, net of value adjustments of Euro 131.3 million. Specifically, net non-performing loans amounted to Euro 157.65 million, net problem loans to Euro 126.5 million, expired loans to Euro 64.7 million and restructured loans to Euro 4.8 million.

The table below summarises the gross and net ratios relating to loan riskiness, highlighting a general increase in values with respect to those recorded at the end of the previous year, as a natural repercussion of the economic crisis.

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

% Indexes for gross loans	30.06.2012	31.12.2011
Gross impaired loans to customers	7,18%	5,62%
of which:		
- gross non-performing loans	3,68%	3,01%
- gross problem loans	2,42%	2,01%
- gross expired loans	0,99%	0,54%
- gross restructured loans	0,08%	0,06%
<hr/>		
% Indexes for net loans	30.06.2012	31.12.2011
Net impaired loans to customers	5,36%	4,07%
of which:		
- net non-performing loans	2,39%	1,89%
- net problems loans	1,92%	1,59%
- net expired loans	0,98%	0,53%
- gross restructured loans	0,07%	0,06%

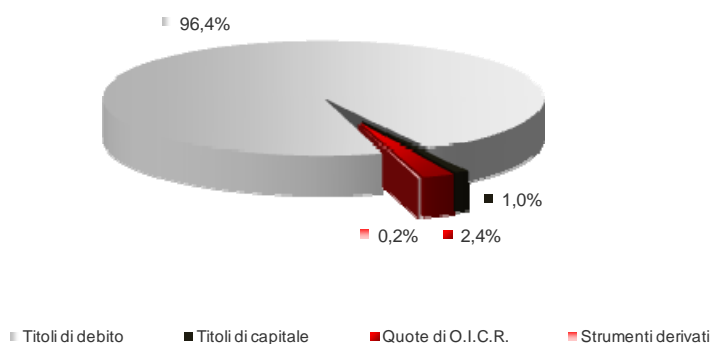
6.3 - THE SECURITIES PORTFOLIO AND INTERBANK POSITION

The securities portfolio

As at 30 June 2012 the Group's total financial assets stood at a value of Euro 1.3 billion, an increase of around Euro 1.1 billion compared to the final figure at the end of the previous year.

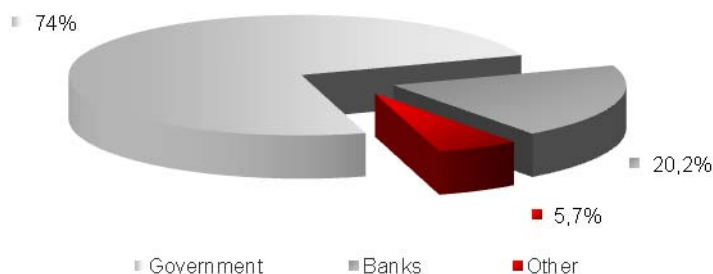
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that the largest proportion is represented by debt securities which, including securities used in repurchase agreements (liabilities) with customers and banks, accounts for 96.4% of total investments.

Chart no. 7 - FINANCIAL ASSETS AS AT 30.06.2012: PERCENTAGE BREAKDOWN 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" (74.1%), "bank securities" (20.2%), and by "other issuers" for the remaining share (5.7%), as evidenced in the chart below.

Chart no. 8 - FINANCIAL ASSETS AS AT 30.06.2012: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER



Exposures held in sovereign debt securities

With reference to Consob communication no. DEM/11070007 of 05/08/2011 “Communication concerning information to be provided in financial reports regarding 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”), the positions as at 30 June 2012 are detailed below.

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

<i>Amounts in thousands of Euros</i>		Italy	Spain	Croatia	Czech Republic	30.06.2012
Financial assets held for trading	Nominal Value	3.292				3.292
	Book value	3.255				3.255
Financial assets held for trading	Nominal Value	880.290	200	300	250	881.040
	Book value	855.096	167	324	275	855.862
Held-to-maturity investments	Nominal Value	110.000				110.000
	Book value	110.796				110.796
Sovereign debt securities	Nominal Value	993.582	200	300	250	994.332
	Book value	969.147	167	324	275	969.913

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

<i>Amounts in thousands of Euros</i>		Italy	Spain	Croatia	Czech Republic	30.06.2012
Financial assets held for trading	up to 1 year	1.531				1.531
	from 1 to 3 years	376				376
	from 3 to 5 years	909				909
	beyond 5 years	476				476
	Total	3.292				3.292
Available-for-sale financial assets	up to 1 year	177.350				177.350
	from 1 to 3 years	423.110		300	250	423.660
	from 3 to 5 years	213.020	200			213.220
	beyond 5 years	66.810				66.810
	Total	880.290	200	300	250	881.040
Held-to-maturity investments	up to 1 year	0				0
	from 1 to 3 years	0				0
	from 3 to 5 years	0				0
	beyond 5 years	110.000				110.000
	Total	110.000				110.000
Sovereign debt securities	up to 1 year	178.881				178.881
	from 1 to 3 years	423.486		300	250	424.036
	from 3 to 5 years	213.929	200			214.129
	beyond 5 years	177.286				177.286
	Total	993.582	200	300	250	994.332

The net interbank position

The Group's net interbank position as at 30 June 2012 was negative for roughly Euro 0.1 billion, remaining close to the position of equilibrium recorded at the end of the previous year.

6.4 - SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

The Shareholders' equity of the Parent Company as at 30 June 2012, including the profit for the period, totalled Euro 769.1 million, compared to Euro 770.9 million at the end of the previous year.

The statement of reconciliation between shareholders' equity and profit for the period pertaining to the Parent Company and the corresponding consolidated figures as at 30 June 2012 is shown below, also outlining the equity and economic effects relating to the liquidation of the Swiss subsidiary CPC SA, referred to in a specific paragraph of previous chapter 4 "Major corporate events", on the Parent Company's individual data, as well as the equity and economic effects of the consolidation of said subsidiary on the Group's figures.

The different negative impact of the placement of C.P.C. SA into liquidation in the separate financial statements of the Parent Company with respect to the consolidated financial statements, is the legitimate result of the application also to the Swiss subsidiary of the international accounting standards (IAS/IFRS) adopted by the

Banco Desio Group, consistent with the going concern assumption, for the preparation of consolidated financial disclosures (please refer to the section "ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION"); in other words, the negative effects of the liquidation of C.P.C. SA are reflected in the individual half-year situation of the Parent Company as at 30 June 2012, amounting to around Euro 31.1 million (item "Profits/(losses) on equity investments"), corresponding to the sustaining of the subsidiary's losses that are currently foreseeable over the course of the liquidation, while these will gradually be reflected in the Group's consolidated financial reports as events occur during the period in which said proceedings take place.

Table no. 10 - RECONCILIATION BETWEEN PARENT COMPANY'S SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE PERIOD AND CONSOLIDATED DATA AS AT 30 JUNE 2012

<i>Amounts in thousands of Euros</i>	Shareholder's equity	<i>of which Profit/(loss) for the period</i>
Balances of Parent Company's accounts as at 30 June 2012 before effect of liquidation of CPC SA	756.994	20.777
<i>Effect of liquidation of CPC SA</i>	-31.051	-31.051
Balances of Parent Company's accounts at 30 June 2012	725.943	-10.274
Effect of consolidation of subsidiaries other than CPC SA	11.916	3.267
Effect of consolidation of subsidiary CPC SA	24.995	12.847
- of which relating to consolidation reserves and the result for the period	9.441	-2.707
- of which relating to the write-off of the effect of the liquidation of CPC SA in the Parent Company's accounts	31.051	31.051
-- of which relating to the cancellation of the value of goodwill in CPC SA	-15.497	-15.497
Effect of valuation of associates at equity	6.246	1.879
Other intercompany variations	-	-2.609
Balances of consolidated accounts at 30 June 2012	769.100	5.110

At the end of the half year, the equity calculated according to the regulatory legislation in force amounted to Euro 772.1 million (Euro 728.9 million as at December 2011) and is comprised of tier 1 capital of Euro 699.7 million and tier 2 capital of Euro 85.9 million for revaluation reserves and subordinated liabilities, both net of elements to be deducted for equity investments in financial and insurance entities. Additional items to be deducted amounted to Euro 13.5 million and these refer to equity investments in insurance bodies.

The tier 1 capital ratio, representing the ratio of core capital to risk-weighted assets, stood at 11.3%, up compared to 10.7% at the end of 2011, and in fact, coincides with the Core Tier 1 ratio, while the Tier 2 solvency ratio, corresponding to the ratio of regulatory capital to risk-weighted assets, increased to 12.5%, compared to 11.8% in the period under comparison.

6.5 - RECLASSIFIED INCOME STATEMENT

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

The criteria for drafting the statement are summarised below.

- 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 available-for-sale financial assets (item 100), other operating income and expenses (item 220) and the balance of other income/charges from insurance activities (item 160);
- “Operating income” also includes the balance of item 220, “Other operating income and expenses”, also net of tax recoveries for stamp duty on customers’ statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 180 (b), “Other administrative expenses” and as an increase of item 210, “Net adjustments to the value of/write-backs to intangible assets” in the “Operating costs” total;
- shares of profits in the period relating to equity investments in associates were reclassified from item 240 “Profits/(losses) on equity investments” to the item “Profits/(losses) on equity investments in associates”;
- the balance of item 100 (a), “Net profits/(losses) on disposal/repurchase of receivables” in “Operating income” was reclassified in special item “Net profits/(losses) on disposal/repurchase 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 of 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”.

As outlined in the table below, which shows the reclassified income statement in comparison with the one for the previous period, the first half of the year closed with a profit for the year pertaining to the Parent Company of Euro 5.1 million, considering the negative impact of roughly Euro 15.5 million due to the elimination of the value of goodwill in Swiss subsidiary CPC SA in liquidation, indeed due to the placement of the latter into liquidation, as previously illustrated in the specific paragraph of chapter 4 - “major corporate events”.

Table no. 11 - RECLASSIFIED INCOME STATEMENT

Items		30.06.2012	30.06.2011	Change	
				Value	%
<i>Amounts in thousands of Euros</i>					
10+20	Amounts in thousands of Euros	102.136	98.065	4.071	4,2%
70	Dividends and similar income	43	32	11	34,4%
	Profits/(losses) on equity investments in associates	1.879	1.272	607	47,7%
40+50	Net fees and commissions	55.475	57.568	-2.093	-3,6%
80+90+100+	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase activities and financial assets/liabilities at fair value through profit or loss	11.736	2.364	9.372	396,4%
150+160	Net income from insurance activities	6.472	6.196	276	4,5%
220	Other operating income and expenses	3.884	4.533	-650	-14,3%
	Operating income	181.625	170.030	11.594	6,8%
180 a	Personnel expenses	-77.710	-76.519	-1.191	1,6%
180 b	Other administrative expenses	-33.939	-30.505	-3.434	11,3%
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-6.277	-5.631	-645	11,5%
	Operating costs	-117.926	-112.655	-5.270	4,7%
	Operating margin	63.699	57.375	6.324	11,0%
130 a	Net impairment losses on loans	-31.411	-8.746	-22.665	259,1%
130 d	Net impairment losses on other financial transactions	-16	-129	113	-87,6%
190	Net provisions for risks and charges	-1.526	-165	-1.361	826,6%
	Profits/(losses) before taxes from continuing operations	30.746	48.335	-17.589	-36,4%
290	Taxes for the period on income from continuing operations	-15.405	-20.356	4.951	-24,3%
	Profits/(losses) after taxes from continuing operations	15.341	27.979	-12.638	-45,2%
240+270	Profits/(losses) on equity investments and on disposal of investments	0	2	-2	-100,0%
260	Value adjustments to goodwill	-15.497	0	-15.497	
	Net provisions for risks and charges on extraordinary transactions	4.900	7.700	-2.800	-36,4%
	Profits/(losses) before taxes from non-recurring operations	-10.597	7.702	-18.299	-237,6%
	Taxes for the period on income from non-recurring operations	729	0	729	
	Profits/(losses) after taxes from non-recurring operations	-9.868	7.702	-17.570	-228,1%
320	Net Profit/(loss) for the period	5.473	35.681	-30.208	-84,7%
330	(Profit)/loss for the period attributable to minority interests	-363	-455	92	-20,2%
340	Parent Bank net profit/ (loss)	5.110	35.226	-30.116	-85,5%

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

Table no. 12 - RECONCILIATION BETWEEN FINANCIAL STATEMENT AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2012

Items	From the financial statement	Reclassifications						Reclassified statement
		Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Uses/provisions for risks and charges	Income taxes	
Amounts in thousands of Euros		30.06.2012						30.06.2012
10+20	Net interest income	102.891	-755					102.136
70	Dividends and similar income	43						43
	Profits/(losses) on equity investments in associates			1.879				1.879
40+50	Net fees and commissions	55.475						55.475
80+90+100	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase activities and financial assets/liabilities at fair value through profit or loss	11.728	8					11.736
+110								
150+160	Net income from insurance activities	5.769	703					6.472
220	Other operating income and expenses	8.456	44	-5.985		1.369		3.884
	Operating income	184.362	0	-5.985	1.879	1.369	0	181.625
180 a	Personnel expenses	-77.710						-77.710
180 b	Other administrative expenses	-39.924		5.985				-33.939
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-4.908				-1.369		-6.277
	Operating costs	-122.542	0	5.985	0	-1.369	0	-117.926
	Operating margin	61.820	0	0	1.879	0	0	63.699
130 a	Net impairment losses on loans	-31.049					-362	-31.411
130 d	Net impairment losses on other financial transactions	-16						-16
190	Net provisions for risks and charges	3.012					-4.538	-1.526
	Profits/(losses) after taxes from continuing operations	33.767	0	0	1.879	0	-4.900	30.746
290	Taxes for the period on income from continuing operations	-14.676					-729	-15.405
	Profits/(losses) after taxes from continuing operations	19.091	0	0	1.879	0	-4.900	15.341
240+270	Profits/(losses) on equity investments and on disposal of investments	1.879			-1.879			0
260	Value adjustments to goodwill	-15.497						-15.497
	Net provisions for risks and charges on extraordinary transactions						4.900	4.900
	Profits/(losses) before taxes from non-recurring operations	-13.618	0	0	-1.879	0	4.900	-10.597
	Taxes for the period on income from non-recurring operations						729	729
	Profits/(losses) after taxes from non-recurring operations	-13.618	0	0	-1.879	0	4.900	-9.868
320	Net profit/(loss) for the period	5.473	0	0	0	0	0	5.473
330	(Profit)/loss for the period attributable to minority interests	-363						-363
340	Parent Bank net profit/(loss)	5.110	0	0	0	0	0	5.110

Table no. 13 - RECONCILIATION BETWEEN FINANCIAL STATEMENT AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2011

Items	From the financial statement 30.06.2011	Reclassifications						Reclassified statement 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	Income taxes	
<i>Amounts in thousands of Euros</i>								
10+20	Net interest income	98.632	-567					98.065
70	Dividends 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	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase activities and financial assets/liabilities at fair value through profit or loss	2.364	0					2.364
+110								
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	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/write-backs to tangible/intangible assets	-4.176				-1.455		-5.631
	Operating costs	-117.377	0	6.177	0	-1.455	0	-112.655
	Operating margin	56.103	0	0	1.272	0	0	57.375
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) after taxes from continuing operations	54.763	0	0	1.272	0	-7.700	48.335
290	Taxes for the period on income from continuing operations	-20.356						-20.356
	Profits/(losses) after taxes from continuing operations	34.407	0	0	1.272	0	-7.700	27.979
240+270	Profits/(losses) on equity investments and on disposal of investments	1.274			-1.272			2
260	Value adjustments to goodwill							0
	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	7.702
	Taxes for the period on income from non-recurring operations							0
	Profits/(losses) after taxes from non-recurring operations	1.274	0	0	-1.272	0	7.700	7.702
320	Net profit/(loss) for the period	35.681	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	35.226

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

Operating income

Ordinary operating revenues recorded an increase of 6.8% compared with the period used for comparison, rising to Euro 181.6 million. The positive performance is attributable to: (i) *net interest income* which, amounting to Euro 102.1 million, accounts for 56.2% of the total and recorded an increase of Euro 4.1 million (+4.2%), (ii) *net profits/(losses) on trading activities, hedging activities and disposal/repurchase of receivables, financial assets and liabilities*, up Euro 9.4 million, (iii) *profit on equity investments in associates* up by a total of Euro 0.6 million, attributable mainly to the higher share of profit for the period relating to the associate Chiara Vita S.p.A., (iv) and the growth of Euro 0.3 million in the *net income from insurance activities*; vice versa, lower contributions were recorded, partially adjusting these increases: (i) *net fees and commissions* totalling Euro 2.1 million (down 3.6%), and (ii) the item *other operating income/expenses* of Euro 0.6 million.

The table below, which shows the breakdown of *net fees and commissions* by type, highlights that the decrease is mainly attributable to net commissions connected with financial instruments, given more heavily impacted by the economic-financial crisis.

Table no. 14 - NET COMMISSIONS BY TYPE OF SERVICE: BREAKDOWN

Amounts in thousands of Euros	30.06.2012		30.06.2011		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Collection and payment services	9.295	16,8%	9.308	16,1%	-13	-0,1%
Securities placement, safekeeping and administration	3.111	5,6%	3.346	5,8%	-235	-7,0%
Trading of financial instruments	753	1,4%	1.479	2,6%	-726	-49,1%
Portfolio management and order receipt/transmission	6.225	11,2%	6.800	11,8%	-575	-8,5%
Distribution of insurance products	2.931	5,3%	3.095	5,4%	-164	-5,3%
Holding and managing current accounts	27.596	49,7%	28.022	48,7%	-426	-1,5%
Other commissions	5.564	10,0%	5.518	9,6%	46	0,8%
Net fees and commissions	55.475	100,0%	57.568	100,0%	-2.093	-3,6%

Operating costs

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments/write-backs to tangible/intangible assets, came to Euro 117.9 million, an increase of 4.7%; the growth is primarily due to other administrative expenses and, in particular, the effects of the increase in the size of the Group's distribution structure at the end of 2011, as well as expenses for professional services provided by third parties.

Operating margin

The operating margin at the end of the first half of the year, as a result, totalled Euro 63.7 million, marking an increase of 11% compared to the first half of the previous year, i.e. Euro 6.3 million.

Profits/(losses) after taxes from continuing operations

The weight of *net impairment losses on loans*, amounting to Euro 31.4 million, with higher adjustments of Euro 22.7 million compared to those in the period under comparison, *net provisions for risks and charges* of Euro 1.5 million, as well as *taxes for the period on income from continuing operations*, totalling Euro 15.4 million, led to *profit after taxes from continuing operations* of Euro 15.3 million, down 45.2% compared to the first half of 2011.

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

Profits/(losses) after taxes from non-recurring operations amounts to Euro 9.9 million, and relates to the negative impact of around Euro 15.5 million deriving from the elimination of the value of goodwill in the Swiss subsidiary CPC S.A. in liquidation, due to the effect of the placement into liquidation highlighted previously, and the additional partial release of Euro 4.9 million of the provision set aside at the end of 2008 to cover the risk of partial revision of the price collected on the sale of 70% of Chiara Vita S.p.A. by the Parent Company, as contractually provided for at the end of the company's business plan (2012), and the positive impact (Euro 0.7 million) of the tax redemption, pursuant to art. 15, paragraph 10 of Decree Law 185/2008, of the goodwill recorded by the Parent Company under Balance sheet assets in respect of the merger by incorporation of Banco Desio Toscana S.p.A..

The total at the end of the first half of the year came to Euro 7.7 million, relating exclusively to the partial release of said provision set aside at the end of 2008 to cover the risk of partial revision of the price collected on the sale of 70% of Chiara Vita S.p.A..

Parent Bank net profit

The *profits/(losses) after taxes from continuing operations* and the *profits/(losses) after taxes from non-recurring operations*, net of the result attributable to minority interests of Euro 0.4 million, make up the *Parent Bank net*

profit for the period of Euro 5.1 million. The result shows a decrease of Euro 30.1 million compared to June 2011 (-85.5%), of which Euro 17.6 million relating to the decrease attributable to non-recurring income after taxes.

7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No particularly significant events occurred after the close of the half year, aside from those illustrated in chapter 4 "Major corporate events", with specific reference to the paragraph "*Placement into liquidation of the subsidiary Credito Privato Commerciale S.A.*".

8 - OTHER INFORMATION

8.1 - RATING

On 28 August 2012, international ratings agency Fitch Ratings, as part of the rating of several banks, revised downward the rating of Parent Company Banco di Desio, as shown below:

- . Long Term Issuer Default Rating: from "A-" to "BBB+"
- . Short Term Issuer Default Rating: confirmed at "F2"
- . Viability rating: from "a-" to "bbb+"
- . Support Rating: confirmed at "4"
- . Support Rating Floor: confirmed at "B+"

The outlook remains negative due to the persistently weak expectations of the banking sector.

Despite this revision, the agency continues to consider the bank healthy, with a high degree of capitalisation, solid deposits and good asset quality.

8.2 - FULFILMENT OF THE REQUIREMENTS LAID DOWN IN ARTICLES 36 AND 37 OF THE CONSOB MARKET REGULATIONS ("*REGOLAMENTO CONSOB MERCATI*")

The conditions specified in Articles 36 and 37 of the Consob Market Regulations (Resolution 16191 of 29 October 2007) are still satisfied; these conditions are referred, in the present case, to the "non-EU" company CPC S.A. in liquidation, which is indirectly owned by the Parent Company – however, in the course of being reallocated under the direct control of said Parent Company, as indicated in previous paragraph 4 - and to the company Brianza Unione di Luigi Gavazzi & C. S.a.p.a., which is the company controlling the Parent Company itself, as reported in the "Annual Report on Corporate Governance and Ownership Structures" of the Group as required by article 123-bis of the TUF (Consolidated Law on Finance) and made available on the website 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, please refer to paragraph 5 of the annual Report on Corporate Governance made available, pursuant to article 123-bis of the TUF, on the Group's website. These procedures, and their updates, which were carried out – as regards the decision-making processes, before 30 June, in compliance with the regulatory provisions governing risk assets and conflicts of interests with so-called “related parties”, issued by the Bank of Italy in accordance with art. 53 of the Consolidated Banking Law (TUB) – are also available in the “Corporate Governance” section of the Group's website and on the website of subsidiary Banco Desio Lazio SpA as regards the provisions specifically applicable to said entity. For further information reference should be made to the specific section in the Condensed Interim Financial Statements.

8.4 - INFORMATION ON STOCK OPTION AND STOCK GRANT PLANS

- *Stock Option*

Stock option plans in place at the end of the half year refer to the one launched in 2008, regarding the shares of indirect subsidiary FIDES S.p.A. (shares already in the possession of Banco Desio Lazio S.p.A.). For further information reference should be made to the specific section in the condensed interim Financial Statements.

- *Stock Grant*

Stock grant plans in place at the end of the half year refer to the one launched in 2011 in compliance with the regulatory provisions governing remuneration and incentive systems, issued by the Bank of Italy on 30 March 2011, involving the ordinary shares of the Parent Company Banco di Desio e della Brianza SpA. For further information reference should be made to the specific section in the condensed interim Financial Statements.

More detailed information is also available in the “Report on Group remuneration policies”, drafted in accordance with art. 123-ter of the TUF.

9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The events which concerned the voluntary liquidation of Credito Privato Commerciale S.A., the impacts considered in the half year and the economic situation which determined the absorption of significant loan adjustments, although partially covered by a positive trend in operations, prudentially show that the result for the year may highlight a certain gap with the forecasts set out in the 2012-2013 strategic plan.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Consolidated Interim Financial Report at 30 June 2012 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 the paragraph “Information on Risks and

the Related Hedging Policies” of the *Condensed Interim Financial* Statements. Additional information regarding the aforementioned controls is contained in the Annual report on Corporate Governance made available, pursuant to article 123-bis of the TUF, on the Group’s website.

Desio, 28 August 2012

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

as at 30 June 2012

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets

Assets	30.06.2012	31.12.2011	Change	
			absolute	%
10 Cash and cash equivalents	28.166	31.983	(3.817)	-11,9%
20 Financial assets held for trading	6.218	17.585	(11.367)	-64,6%
40 Available-for-sale financial assets	1.178.069	924.383	253.686	27,4%
50 Held-to-maturity investments	124.736	124.626	110	0,1%
60 Amounts due from banks	382.395	288.525	93.870	32,5%
70 Amounts due from customers	6.588.301	6.580.450	7.851	0,1%
80 Hedging derivatives	7.420	5.631	1.789	31,8%
100 Equity investments	17.116	13.838	3.278	23,7%
110 Technical reserves arising from reinsurance	7.417	6.931	486	7,0%
120 Tangible assets	152.587	154.481	(1.894)	-1,2%
130 Intangible assets	30.676	46.496	(15.820)	-34,0%
of w hich:				
- <i>goodwill</i>	25.847	41.345	(15.498)	-37,5%
140 Tax assets	62.219	56.134	6.085	10,8%
a) <i>current</i>	5.080	3.897	1.183	30,4%
b) <i>deferred</i>	57.139	52.237	4.902	9,4%
160 Other assets	109.121	108.732	389	0,4%
Total Assets	8.694.441	8.359.795	334.646	4,0%

Liabilities

Liabilities and shareholders' equity	30.06.2012	31.12.2011	Change	
			absolute	%
10 Amounts due to banks	461.031	267.998	193.033	72,0%
20 Amounts due to customers	4.873.513	4.347.706	525.807	12,1%
30 Securities issued	2.239.875	2.607.446	(367.571)	-14,1%
40 Financial liabilities held for trading	3.410	4.342	(932)	-21,5%
50 Financial liabilities at fair value through profit or loss	36.512	89.138	(52.626)	-59,0%
60 Hedging derivatives	12.041	2.684	9.357	348,6%
80 Tax liabilities	17.844	17.358	486	2,8%
a) <i>current</i>	6.968	6.854	114	1,7%
b) <i>deferred</i>	10.876	10.504	372	3,5%
100 Other liabilities	171.011	143.516	27.495	19,2%
110 Provision for employee termination indemnities	24.613	23.720	893	3,8%
120 Provisions for risks and charges:	37.867	41.982	(4.115)	-9,8%
a) <i>pensions and similar commitments</i>	206	185	21	11,4%
b) <i>other provisions</i>	37.661	41.797	(4.136)	-9,9%
130 Technical reserves	41.813	38.539	3.274	8,5%
140 Valuation reserves	(5.689)	(14.576)	8.887	-61,0%
170 Reserves	685.829	656.710	29.119	4,4%
180 Share premium reserve	16.145	16.145	-	-
190 Share capital	67.705	67.705	-	-
210 Minority interests (+/-)	5.811	4.440	1.371	30,9%
220 Net profit/(loss) for the year	5.110	44.942	n.s.	n.s.
Total liabilities and shareholders' equity	8.694.441	8.359.795	334.646	4,0%

Consolidated Income Statement

Items	30.06.2012	30.06.2011	Change	
			absolute	%
10 Interest income and similar revenues	166.536	142.716	23.820	16,7%
20 Interest expense and similar charges	(63.645)	(44.084)	(19.561)	44,4%
30 Net interest income	102.891	98.632	4.259	4,3%
40 Fee and commission income	62.328	68.824	(6.496)	-9,4%
50 Fee and commission expense	(6.853)	(11.256)	4.403	-39,1%
60 Net fees and commissions	55.475	57.568	(2.093)	-3,6%
70 Dividends and similar income	43	32	11	34,4%
80 Net profits/(losses) on trading activities	1.018	1.536	(518)	-33,7%
90 Net profits/(losses) on hedging activities	(644)	(90)	(554)	615,6%
100 Profit/(loss) on disposal or repurchase of:	13.652	1.793	11.859	661,4%
<i>b) available-for-sale financial assets</i>	13.164	1.516	11.648	768,3%
<i>d) financial liabilities</i>	488	277	211	76,2%
110 Net profits/(losses) on financial assets and liabilities at fair value through profit or loss	(2.298)	(875)	(1.423)	162,6%
120 Net interest and other banking income (intermediation margin)	170.137	158.596	11.541	7,3%
130 Net impairment losses on/w rite-backs to:	(31.065)	(8.601)	(22.464)	261,2%
<i>a) loans and receivables</i>	(31.049)	(8.472)	(22.577)	266,5%
<i>d) other financial transactions</i>	(16)	(129)	113	-87,6%
140 Net income from banking activities	139.072	149.995	(10.923)	-7,3%
150 Net insurance premiums	14.402	15.601	(1.199)	-7,7%
160 Balance of other income/charges arising on insurance management activities	(8.633)	(9.959)	1.326	-13,3%
170 Net income from banking and insurance activities	144.841	155.637	(10.796)	-6,9%
180 Administrative expenses:	(117.634)	(113.201)	(4.433)	3,9%
<i>a) personnel expenses</i>	(77.710)	(76.519)	(1.191)	1,6%
<i>b) other administrative expenses</i>	(39.924)	(36.682)	(3.242)	8,8%
190 Net provisions for risks and charges	3.012	7.261	(4.249)	-58,5%
200 Net value adjustments to/w rite-backs of tangible assets	(3.692)	(3.470)	(222)	6,4%
210 Net value adjustments to/w rite-backs of intangible assets	(1.216)	(706)	(510)	-72,2%
220 Other operating (expenses)/income	8.456	9.242	(786)	-8,5%
230 Operating costs	(111.074)	(100.874)	(10.200)	-10,1%
240 Profits/(losses) on equity investments	1.879	1.272	607	47,7%
260 Value adjustments to goodwill	(15.497)		(15.497)	-100,0%
270 Profits/(losses) on disposal of investments		2	(2)	100,0%
280 Profits/(losses) before taxes from continuing operations	20.149	56.037	(20.391)	-36,4%
290 Taxes for the period on income from continuing operations	(14.676)	(20.356)	5.680	27,9%
300 Profits/(losses) after taxes from continuing operations	5.473	35.681	(14.711)	-41,2%
320 Net profit/(loss) for the period	5.473	35.681	(30.208)	-84,7%
330 Profit/(loss) for the period attributable to minority interests	(363)	(455)	92	20,2%
340 Parent Bank net profit/(loss)	5.110	35.226	(30.116)	-85,5%

Statement of consolidated comprehensive income for the period

Items	30.06.2012	30.06.2011
10. Net profit (loss) for the period	5.473	35.681
Other comprehensive income (net of tax)		
20. Available-for-sale financial assets	6.709	1.888
70. Foreign exchange differences:	252	863
90. Actuarial Profit/(loss) on defined benefits plans	(937)	59
100. Share of valuation reserves relating to equity investments recognised under	3.238	6.239
110. Total other comprehensive income (net of tax)	9.262	9.049
120. Total comprehensive income for the period (item 10 + 110)	14.735	44.730
130. Total Consolidated comprehensive income pertaining to minority interests	(738)	(452)
140. Total Consolidated comprehensive income pertaining to the Parent Bank	13.997	44.278

Statement of changes in shareholders' equity at 30 June 2012

	Equity as at 31.12.2011	Change in opening balances	Equity as at 1.01.2012	Allocation of result from previous period		Changes over the period								Shareholders' equity attributable to the Group as at 30.06.2012	Minority interests as at 30.06.2012		
						Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity							Comprehensive income for the period as at 30.06.2012	
									Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares				Stock options
Share capital:																	
a) ordinary shares	64.077		64.077											60.840	3.237		
b) other shares	6.865		6.865											6.865			
Share premium reserve	16.355		16.355											16.145	210		
Reserves:																	
a) retained earnings	648.361		648.361	31.654		(1.117)								676.373	2.525		
b) others	9.292		9.292									164		9.456			
Revaluation reserves:	(15.475)		(15.475)										9.262	(5.688)	(524)		
Equity instruments																	
Treasury shares																	
Net profit/(loss) for the period	45.891		45.891	(31.654)	(14.237)								5.473	5.110	363		
Shareholders' equity attributable to the Group	770.926		770.926		(13.949)	(2.038)						164	13.997	769.100			
Minority interests	4.440		4.440		(288)	921							738		5.811		

Statement of changes in shareholders' equity at 31 December 2011

	Equity as at 31.12.2010	Change in opening balances	Equity as at 1.01.2011	Allocation of result from previous period		Changes over the period								Shareholders' equity attributable to the Group as at 31.12.2011	Minority interests as at 31.12.2011		
						Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity							Comprehensive income for the year at 31.12.2011	
									Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares				Stock options
Share capital:																	
a) ordinary shares	64.278		64.278				(201)							60.840	3.237		
b) other shares	6.865		6.865											6.865			
Share premium reserve	16.303		16.303					52						16.145	210		
Reserves:																	
a) retained earnings	620.461		620.461	39.070		(11.170)								647.418	943		
b) others	9.261		9.261									31		9.292			
Revaluation reserves:	17.389		17.389										(32.864)	(14.576)	(899)		
Equity instruments																	
Treasury shares																	
Net profit/(loss) for the period	53.460		53.460	(39.070)	(14.390)								45.891	44.942	949		
Shareholders' equity attributable to the Group	783.022		783.022		(13.949)	(11.008)						31	12.830	770.926			
Minority interests	4.995		4.995		(441)	(162)	(201)	52					197		4.440		

Consolidated Cash Flow Statement

A . OPERATIONS	Amount	
	30.06.2012	30.06.2011
1. Management activities	63.424	51.132
- interest income earned (+)	166.785	142.690
- interest expenses paid (-)	(63.095)	(43.754)
- dividends and similar revenues (+)	43	32
- net commissions (+/-)	56.232	58.320
- personnel costs (-)	(73.242)	(73.048)
- net premiums earned (+)	14.402	15.601
- other insurance income/charges (+/-)	(8.633)	(9.959)
- other costs (-)	(39.851)	(32.394)
- other revenues (+)	25.459	14.000
- taxes and duties (-)	(14.676)	(20.356)
- costs/revenues relating to non-current assets held for sale and discontinued operations, net of taxes (+/-)	-	-
2. Liquid assets generated (absorbed) by financial assets	(381.023)	(235.359)
- financial assets held for trading	11.879	20.998
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(252.931)	(68.393)
- amounts due from customers	(41.480)	(199.011)
- amounts due from banks: at sight	5.320	21.924
- amounts due from banks: other receivables	(99.190)	6.506
- other assets	(4.621)	(17.383)
3. Liquid assets generated (absorbed) by financial liabilities	331.371	213.302
- amounts due to banks: at sight	13.453	(2.286)
- amounts due to banks: other payables	179.580	165.489
- amounts due to customers	525.807	(150.428)
- securities issued	(372.104)	161.280
- financial liabilities held for trading	(782)	(3.101)
- financial liabilities at fair value through profit or loss	(52.626)	(120.946)
- other liabilities	38.043	163.294
Net liquid assets generated (absorbed) by operations (A)	13.772	29.075
B . INVESTMENTS		
1. Liquid assets generated by	32	47
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale/redemption of held-to-maturity investments	-	1
- sale of tangible assets	32	46
- sale of intangible assets	-	-
- sale of subsidiaries and business divisions	-	-
2. Liquid assets absorbed by	(2.723)	(16.481)
- purchase of equity investments	-	-
- purchase of held-to-maturity investments	-	(188)
- purchase of tangible assets	(1.830)	(7.599)
- purchase of intangible assets	(893)	(8.694)
- purchase of subsidiaries and business divisions	-	-
Net liquid assets generated (absorbed) by investments (B)	(2.691)	(16.434)
C . FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(14.898)	(13.949)
Net liquid assets generated (absorbed) by funding activities (C)	(14.898)	(13.949)
NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE PERIOD (A+B+C)	(3.817)	(1.308)
Financial statement items	2012	2011
Cash and cash equivalents at beginning of period	31.983	28.615
Total liquid assets generated (absorbed) during the period	(3.817)	(1.308)
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of period	28.166	27.307

Consolidated Income Statement - Quarterly trend

Items	2nd quarter 2012	1st quarter 2012	2nd quarter 2011	1st quarter 2011
10 Interest income and similar revenues	82.970	83.566	74.706	68.010
20 Interest expense and similar charges	(32.321)	(31.324)	(23.399)	(20.685)
30 Net interest income	50.649	52.242	51.307	47.325
40 Fee and commission income	32.910	29.418	36.876	31.948
50 Fee and commission expense	(4.104)	(2.749)	(7.166)	(4.090)
60 Net fees and commissions	28.806	26.669	29.710	27.858
70 Dividends and similar income	42	1	31	1
80 Net profits/(losses) on trading activities	(188)	1.206	108	1.428
90 Net profits/(losses) on hedging activities	(471)	(173)	6	(96)
100 Profit/(loss) on disposal or repurchase of:	2.918	10.734	948	845
a) loans and receivables	-	-	-	-
b) available-for-sale financial assets	2.747	10.417	817	699
c) held- to-maturity investments	-	-	-	-
d) financial liabilities	171	317	131	146
110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	275	(2.573)	(61)	(814)
Net interest and other banking income (intermediation margin)	82.031	88.106	82.049	76.547
130 Net impairment losses on/w rite-backs to:	(15.144)	(15.921)	(5.563)	(3.038)
a) loans and receivables	(15.139)	(15.910)	(5.372)	(3.100)
b) available-for-sale financial assets	-	-	-	-
c) financial assets held to maturity	-	-	-	-
d) other financial assets	(5)	(11)	(191)	62
140 Net income from banking activities	66.887	72.185	76.486	73.509
150 Net insurance premiums	6.553	7.849	7.655	7.946
160 Balance of other income/charges arising on insurance management activities	(3.945)	(4.688)	(4.737)	(5.222)
170 Net income from banking and insurance activities	69.495	75.346	79.404	76.233
180 Administrative expenses:	(62.273)	(55.361)	(59.483)	(53.718)
a) personnel expenses	(40.763)	(36.947)	(39.392)	(37.127)
b) other administrative expenses	(21.510)	(18.414)	(20.091)	(16.591)
190 Net provisions for risks and charges	(1.980)	4.992	(212)	7.473
200 Net value adjustments to/w rite-backs of tangible assets	(2.008)	(1.684)	(1.738)	(1.732)
210 Net value adjustments to/w rite-backs of intangible assets	(823)	(393)	(373)	(333)
220 Other operating (expenses)/income	4.054	4.402	4.291	4.951
230 Operating costs	(63.030)	(48.044)	(57.515)	(43.359)
240 Profits/(losses) on equity investments	1.125	754	588	684
220 Net income from the valuation at fair value of tangible and intangible assets	-	-	-	-
230 Value adjustments to goodwill	(15.497)	-	-	-
270 Profits/(losses) on disposal of investments	-	-	-	2
280 Profits/(losses) before taxes from continuing operations	(7.907)	28.056	22.477	33.560
290 Taxes for the period on income from continuing operations	(5.086)	(9.590)	(10.621)	(9.735)
300 Profits/(losses) after taxes from continuing operations	(12.993)	18.466	11.856	23.825
310 Profits/(losses) after taxes from non-current assets held for sale and discontinued operations	368	(368)	-	-
320 Net profit/(loss) for the period	(12.625)	18.098	11.856	23.825
330 Profit/(loss) for the period attributable to minority interests	(52)	(311)	(210)	(245)
340 Parent Bank net profit/(loss)	(12.677)	17.787	11.646	23.580

ACCOUNTING POLICIES AND STANDARDS

ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

GENERAL

Section 1 - Declaration of conformity with international accounting standards

These 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 Shareholders' 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 shareholders' equity, information on risks and the related hedging policies, information on transactions with related parties, information on payment agreements based on the group's equity instruments and segment reporting. The condensed interim consolidated financial statements are also accompanied by the Consolidated Half-Year Financial Report.

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, given that, despite the presence of the voluntary liquidation proceedings of a subsidiary (an event that did not determine the loss of control of the same), for the Banco Desio Group as a whole, the assumption of the company as a going concern certainly continues to apply, therefore, also for the company in voluntary liquidation, the Group accounting standards must be applied (consistent with the going concern assumption) in order to prepare the consolidated financial disclosure.

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 IAS 39, with regard to the valuation of financial instruments the Group also adopted the fair value option, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.

The schedules under the financial statements and notes were prepared 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 offices	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
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. in liquidation	Lugano		1 Brianfid-Lux	100,000	100,000
Rovere Société de Gestion S.A.	Luxembourg		1 Brianfid-Lux	70,000	70,000
			1 Banco Desio Lazio	10,000	10,000
Fides S.p.A.	Rome		1 Banco Desio Lazio	100,000	100,000

Key

(1) Type of relationship: 1 = majority of voting rights in ordinary shareholders' meetings

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.

2. Other information

The consolidation criteria are governed as follows:

- *wholly-owned subsidiaries*: assets, liabilities, shareholders' equity, "off-balance sheet transactions", costs and revenues are integrated in the associated components of the consolidated financial statements, according to the line-by-line consolidation method, as provided for by IAS 27.
Any positive difference emerging from the comparison between the carrying amount of each equity investment and the respective portion of shareholders' equity of the subsidiary, remaining after any allocation to the proper item, is recorded as goodwill and subject to impairment testing.
- *associates*: equity investments in associates are consolidated using the equity method, as per IAS 28.

More specifically, it should be noted that the perimeter of consolidation was not modified with respect to the previous consolidated financial report, given that the placement into voluntary liquidation of the Swiss subsidiary Credito Privato Commerciale S.A. did not lead, for the Banco Desio Group, to the loss of control over said company, which, therefore, continues to be consolidated on a line-by-line 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 events. 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 balance sheet 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 provisions 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.

Option for national tax consolidation

Banco di Desio e della Brianza and the Italian Group companies adopted the “national tax consolidation” system, governed by articles 117-129 of the Consolidated Law on Income Tax (TUIR), introduced to tax legislation by Legislative Decree no. 344/2003. Said legislation makes provision for an optional system, which allows total income or the tax loss of each subsidiary applying tax consolidation – together with withholdings incurred, deductions and tax credits – to be transferred to the Parent Company, in respect of which a single taxable income is calculated or a single tax loss that can be carried forward and, subsequently, one tax credit/payable.

Audit

These condensed interim consolidated financial statements are subject to a limited audit by Deloitte & Touche S.p.A., in execution of the resolution of the shareholders’ meeting on 26 April 2012.

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 standardised 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 instruments, 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 instruments.

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 instruments.

Derecognition criteria

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

Held-to-maturity investments

Classification criteria

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

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

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognised in 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 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 “Available-for-sale financial assets” 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 non-collectability.

Loans and receivables are periodically subject to analysis, and are classified as “performing” and “non-performing” 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 impairment of the receivables at the reference date although the precise size of such impairment 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 promote convergence with the valuation criteria provided by the Basel Accord 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 balance sheet assets only where the sale transfers substantially all risks and rewards connected to the loans and receivables themselves. Conversely, if a significant part of the risks and rewards relating to the loans and receivables transferred is maintained, these continue to be recorded under balance sheet assets, even though legal ownership of the loan/receivable is effectively transferred.

If it is not possible to ascertain the substantial transfer of the risks and rewards, the loans and receivables are derecognised from the financial statements if no type of control is maintained over the same. In the opposite case, even if control is partly retained, loans and receivables are maintained in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the loans and receivables transferred and to changes in the cash flows of the same.

Lastly, loans and receivables are derecognised from the financial statements where the contractual rights to receive the associated cash flows are retained, with the simultaneous assumption of an obligation to pay solely said cash flows to other subjects.

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 its 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 recognised in the income statement.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded no longer exist, and the reversal is recognised in the income statement.

Hedging transactions

Classification criteria

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

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

Recognition criteria

Recognition of hedging transactions in the financial statements entails:

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

- preparation of complete formal documentation of the hedging relationship.

Criteria for the measurement and recognition of income statement components

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

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

This offsetting is recognised through the recognition to item 90 of the income statement "Net income from hedging activities" of changes in value relating to both the hedged element (as regards the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

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

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

If the tests do not confirm the effectiveness of the hedge and taking into account internal policy, as of that moment the accounting of hedging transactions, as per above, is discontinued, the derivative hedging contract is reclassified under trading instruments and the hedged financial instrument reacquires the measurement criteria corresponding to its balance sheet classification.

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

The item includes equity investments in associates, as defined by IAS 28. Other equity investments are booked 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

Equity 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 shareholders' equity of the associate.

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 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 the income statement.

Criteria for the recognition of income statement components

Item 240, profits/losses on equity investments, includes the associates' portion of the result for the year.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the cash flows from the financial assets expire or when they are sold with the substantial transfer of all the related risks and rewards.

Tangible assets*Classification criteria*

Tangible assets comprise buildings, land, plant, vehicles, 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 incurred for the purchase and putting into operation of the asset.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, art. 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 recognised 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 software applications.

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, if 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 incurred, 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 amortised in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

a) Definition of the CGU "cash generating unit"

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

b) Allocation of goodwill

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

c) Criterion to estimate recoverable values (Impairment)

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

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

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

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which expresses the cost of the financing sources of the business under consideration, weighting 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 the impairment procedure again 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 regards:

- 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, i.e. 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.

Provisions for risks and charges

- Provision for employee termination indemnities

Measurement criteria

The provision for employee termination indemnities is measured in the financial statements with the use of 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 Indemnities (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 Indemnities (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 income statement 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

Provisions 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 recognised 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 passing 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, bond securities and certificates of deposit 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, recognised in the income statement. 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 re-placement of own securities that have previously been repurchased is considered as a new issue at sale 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*).

For derivative instruments not traded on active markets, the pricing is effected 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 income statement effects of the measurement of financial assets and liabilities.

Liabilities may be designated at fair value with the effects booked to the income statement 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 transaction 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 recognised in the income statement.

For non-monetary items, where profits and losses are recognised in the income statement, exchange rate differences are also booked to the income statement; if profits and losses are recognised in equity, the exchange rate differences are also booked to equity.

Insurance assets and liabilities

The insurance assets and liabilities entered in the Group's consolidated financial statements arise solely from the consolidation of Chiara Assicurazioni S.p.A. on a line-by-line basis, and represent the contracts that are classified as insurance contracts as prescribed by IFRS 4, as well as the investment contracts classified as DPF (Discretionary Participation Feature).

The technical reserves are the contractual obligations under the insurance contracts that have been entered into. They are recognised on the basis of the taking out and continuation of the policies and are sufficient to allow the prudentially estimated commitments to be met as far as can reasonably be foreseen.

They comprise:

Assets:

- 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;
- 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 valuation reserves on financial assets available for sale, derivative contracts hedging cash flows, the revaluation reserves established in application of special laws in previous years, and the reserves from the actuarial valuation of employee benefits in application of IAS 19. It also includes the effects deriving from the application of fair value as a substitute for the cost of tangible assets carried out during the first-time application of IAS/IFRS.

Costs and revenues recognition

Revenues are recognised in the financial statements at the moment they are achieved or, in any case, when it is likely that future benefits will be received that can be reliably measured. In particular:

- interest payments are recognised on a *pro-rata temporis* basis, based on the contractual interest rate or the effective interest rate in the case of the application of amortised cost. The item interest income (or interest expenses) also includes the differentials or positive margins (or negative) accrued up to the balance sheet date, relating to financial derivative contracts:
 - a) hedging assets or liabilities that generate interest;
 - b) classified in the trading portfolio in the Balance Sheet, but operationally linked to financial assets and/or liabilities at fair value through profit and loss (fair value option);
 - c) operationally linked to assets and liabilities classified in the trading portfolio and which make provision for the settlement of differentials or margins at multiple maturities;
- default interest, provided for in the contract, is recorded in the Income Statement only when actually collected;
- dividends are recognised in the Income Statement at the moment their distribution is resolved;
- commissions for service revenues are recognised on the basis of contractual agreements, in the period in which said services are provided;
- revenues from the intermediation of financial instruments held for trading, determined by the difference between the transaction price and the fair value of the instrument, are booked to the Income Statement during the recognition of the transaction if the fair value is determinable, with reference to parameters or recent transactions which can be observed on the same market in which the instrument is traded. If these values are not easily identifiable or they present reduced liquidity, the financial instrument is recorded for an amount equal to the transaction price, less the sales margin; the difference with respect to the fair value flows to the Income Statement over the duration of the transaction through a gradual reduction, in the valuation model, of the correction factor related to the reduced liquidity of the instrument;
- profits / losses deriving from the trading of financial instruments are recognised in the Income Statement at the moment of completion of the sale, on the basis of the difference between the consideration paid or collected and the book value of the same;
- risks deriving from the sale of non-financial assets are recorded at the time of completion of the sale, unless the majority of the risks and rewards related to the asset have been retained.

Costs are booked to the Income Statement in the periods in which the related revenues are accounted for.

If the association between costs and revenues can be made in a generic and indirect manner, the costs are recorded over several periods using rational procedures and on a systematic basis.

Costs that cannot be associated to income are recognised immediately in the Income Statement.

Finance leases

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

Share-based payments

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has accrued 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	Total 30.06.2012			Total 31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	3.357	77	2.784	13.379	18	4.188
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	944.519	226.918	6.632	672.827	244.913	6.643
4. Hedging derivatives			7.420			5.631
Total	947.876	226.995	16.836	686.206	244.931	16.462
1. Financial liabilities held for trading		49	3.361	15	13	4.314
2. Financial liabilities at fair value through profit or loss		36.512			89.138	
3. Hedging derivatives			12.041			2.684
Total	-	36.561	15.402	15	89.151	6.998

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

	Financial assets			
	held for trading	at fair value	available for sale	hedging
1. Opening balances	4.188	-	6.643	5.631
2. Increases	2.299	-	70	4.772
2.1 Purchases				
2.2 Profits charged to:				
2.2.1 Income Statement	1.036			1.458
- of which Capital Gains	668			1.458
2.2.2 Shareholder's equity				
2.3 Transfers from other levels				
2.4 Other increases	1.263		70	3.314
3. Decreases	3.703	-	81	2.983
3.1 Sales			15	
3.2 Redemptions			66	
3.3 Losses charged to:				
3.3.1 Income Statement	1.225			3
- of which Capital Losses	1.225			3
3.3.2 Shareholder's equity				
3.4 Transfers to other levels				
3.5 Other decreases	2.478			2.980
4. Closing inventories	2.784	-	6.632	7.420

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

	Financial liabilities		
	held for trading	at fair value	hedging
1. Opening balances	4.314	-	2.684
2. Increases	540	-	10.475
2.1 Issues			
2.2 Losses charged to:			
2.2.1 Income Statement	370		269
- of which Capital Losses	370		269
2.2.2 Shareholder's equity			
2.3 Transfers from other levels			
2.4 Other increases	170		10.206
3. Decreases	1.493	-	1.118
3.1 Redemptions			-
3.2 Repurchases			
3.3 Profits charged to:			
3.3.1 Income Statement	747		525
- of which Capital Gains	746		525
3.3.2 Shareholder's equity			
3.4 Transfers to other levels			
3.5 Other decreases	746		593
4. Closing inventories	3.361	-	12.041

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 recognised 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 (item 20)

Breakdown by type

Item/Value	Total 30.06.2012			Total 31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3.254	-	-	13.190	-	-
1.1. Structured securities						
1.2 Other debt securities	3.254			13.190		
2. Equity instruments	83			166		
3. UCITS units						
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements (assets)						
4.2 Other						
Total (A)	3.337	-	-	13.356	-	-
B. Derivative instruments:						
1. Financial derivatives:	20	77	2.784	23	18	4.188
1.1 Trading	20	77	1.541	23	18	2.619
1.2 Connected with the fair value option			1.243			1.569
1.3 Other						
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading						
2.2 Connected with the fair value option						
2.3 Other						
Total (B)	20	77	2.784	23	18	4.188
Total (A+B)	3.357	77	2.784	13.379	18	4.188

Breakdown by debtor/issuer

Item/Value	Total 30.06.2012	Total 31.12.2011
A. CASH ASSETS		
1. Debt securities	3.254	13.190
a) Governments and central banks	3.254	8.594
b) Other public entities		3.734
c) Banks		862
d) Other issuers		
2. Equity instruments	83	166
a) Banks	83	166
b) Other issuers	-	-
- insurance companies		
- financial institutions		
- non-financial companies		
- other		
3. UCITS units		
4. Loans	-	-
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total A	3.337	13.356
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	1.775	1.954
b) customers		
- fair value	1.106	2.275
Total B	2.881	4.229
Total (A + B)	6.218	17.585

Available-for-sale financial assets (item 40)

Breakdown by type

Items/Values	30.06.2012			31.12.2011		
	L 1	L 2	L 3	L 1	L 2	L 3
1. Debt securities	907.449	226.918	103	630.841	244.913	110
1.1. Structured securities	607	3.783	-	561	3.500	
1.2 Other debt securities	906.842	223.135	103	630.280	241.413	110
2. Equity instruments	6.028	-	6.529	1.121	-	6.533
2.1 Measured at fair value	6.028		4.952	1.121		4.952
2.2 Measured at cost			1.577			1.581
3. UCITS units	31.042			40.865		
4. Loans	-					
Total	944.519	226.918	6.632	672.827	244.913	6.643

Breakdown by debtor/issuer

Items/Values	30.06.2012	31.12.2011
1. Debt securities	1.134.470	875.864
a) Governments and central banks	855.860	615.232
b) Other public entities		
c) Banks	246.746	226.390
d) Other issuers	31.864	34.242
2. Equity instruments	12.557	7.654
a) Banks	5.610	612
b) Other issuers:	6.947	7.042
- insurance companies		
- financial institutions	1.535	1.535
- non-financial companies	5.412	5.507
- other		
3. UCITS units	31.042	40.865
4. Loans	-	-
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities	-	
Total	1.178.069	924.383

Held-to-maturity investments (item 50)
Breakdown by type

Transaction type / Amount	30.06.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Debt securities	124.736	102.988	9.440	-	124.626	90.389	9.715	-
1.1. Structured								
1.2 Other debt securities	124.736	102.988	9.440		124.626	90.389	9.715	
2. Loans					-			-
Total	124.736	102.988	9.440	-	124.626	90.389	9.715	-

Breakdown by debtor/issuer

Transaction type / Amount	30.06.2012	31.12.2011
1. Debt securities	124.736	124.626
a) Governments and central banks	110.796	110.774
b) Other public entities		
c) Banks	10.123	10.115
d) Other issuers	3.817	3.737
2. Loans	-	-
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	124.736	124.626
Total fair value	124.804	100.104

Amounts due from banks (item 60)
Breakdown by type

Transaction type / Amount	30.06.2012	31.12.2011
banks	62.163	29.371
1. Time deposits		
2. Compulsory reserve	62.163	29.371
3. Repurchase agreements (assets)		
4. Other		
B. Amounts due from banks	320.232	259.154
1. Current accounts and free deposits	153.569	158.889
2. Time deposits	141.546	74.729
3. Other loans:	112	104
3.1 repurchase agreements (assets)	-	
3.2 finance leases		
3.3 other	112	104
4. Debt securities	25.005	25.432
4.1 Structured securities	25.005	25.432
4.2 Other debt securities	-	
Total (book value)	382.395	288.525
Total (fair value)	382.395	288.089

Amounts due from customers (item 70)
Breakdown by type

Transaction type / Amount	30.06.2012		31.12.2011	
	Performing loans	Impaired loans	Performing loans	Impaired loans
1. Current accounts	1.462.929	110.363	1.451.585	85.076
2. Repurchase agreements (assets)	18.053		3.583	
3. Mortgage loans	3.135.706	203.461	3.229.191	148.056
4. Credit cards, personal loans and salary-backed loans	314.301	8.038	302.172	8.220
5. Financial leases	538.890	28.119	576.355	21.272
6. Factoring	13.601	68	11.180	104
7. Other transactions	729.297	3.405	716.538	5.371
8. Debt securities	22.070		21.747	
8.1 Structured securities				
8.2 Other debt securities	22.070		21.747	
Total (book value)	6.234.847	353.454	6.312.351	268.099
Total (fair value)	6.560.574	353.454	6.615.008	268.099

Breakdown by debtor/issuer

Transaction type / Amount	30.06.2012		31.12.2011	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	22.070		21.747	
a) Governments	-		-	
b) Other public entities				
c) Other issuers	22.070		21.747	
- non-financial companies				
- financial companies				
- insurance companies	22.070		21.747	
- other				
2. Loans to:	6.212.777	353.454	6.290.604	268.099
a) Governments				
b) Other public entities				
c) Other entities	6.212.777	353.454	6.290.604	268.099
- non-financial companies	4.119.768	251.871	3.958.774	164.488
- financial companies	117.730	1.707	101.884	209
- insurance companies	2.205		2.624	
- other	1.973.074	99.876	2.227.322	103.402
Total	6.234.847	353.454	6.312.351	268.099

Hedging derivatives (item 80)

Breakdown by type of hedge and level

	30.06.2012				31.12.2011			
	fair value			NV	fair value			NV
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives			7.420	216.637			5.631	216.637
1) Fair value			7.420	216.637			5.631	216.637
2) Cash flow s								
3) Foreign investments								
B) Credit derivatives								
1) Fair value								
2) Cash flow s								
Total			7.420	216.637			5.631	216.637

Key

NV = notional value

Equity investments (item 100)

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

Company name	Registered offices	Ownership relationship	
		Investing company	% share
Companies subject to significant influence			
Chiara Vita S.p.A.	Milan	Banco Desio	30,000
Istifid S.p.A.	Milan	Banco Desio	28,961

Equity investments in companies subject to significant influence: accounting data

Company name	Total assets	Total revenues	Profit (loss)	Shareholder's equity	Book value	Fair value
Companies subject to significant influence						
Chiara Vita S.p.A.	2.184.817	641.273	2.982	58.860	15.830	
Istifid S.p.A.	6.035	5.267	29	3.663	1.286	
Total	2.190.852	646.540	3.011	62.523	17.116	

(1) data relating to 31.12.2011, the last set of approved financial statements

Technical reserves arising from reinsurance (item 110)
Breakdown

Asset / Value	30.06.2012	31.12.2011
A. Non-Life branch	7.417	6.931
a.1 premiums fund	5.898	5.684
a.2 claims fund	1.519	1.247
a.3 other reserves		
B. Life branch	-	-
b.1 mathematical reserves		
b.2 reserves for amounts to be		
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 indexes		
c.2 reserves from pension fund management		
D. Total technical insurance reserves attributable to reinsurers	7.417	6.931

Tangible assets (item 120)

Breakdown of assets valued at cost

Asset / Value	30.06.2012	31.12.2011
A. Functional assets		
1.1 owned	152.581	154.475
a) land	42.937	42.778
b) buildings	90.795	91.002
c) fixtures and fittings	8.058	9.034
d) electrical equipment	2.538	2.678
e) other	8.253	8.983
1.2 acquired under finance lease	-	-
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
Total A	152.581	154.475
B. Assets held for investment		
2.1 owned	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)	152.587	154.481

Intangible assets (item 130)

Breakdown by type of asset

Asset / Value	30.06.2012		31.12.2011	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill		25.847		41.345
A.2 Other intangible assets	4.829	-	5.151	-
A.2.1 Assets valued at cost:	4.829	-	5.151	-
a) Intangible assets generated internally				
b) Other assets	4.829		5.151	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
Total	4.829	25.847	5.151	41.345

LIABILITIES
Amounts due to banks (item 10)
Breakdown by type

Transaction type/Group	30.06.2012	31.12.2011
1. Amounts due	401.735	200.051
2. Amounts due	59.296	67.947
2.1 Current	17.783	11.227
2.2 Restricted	10.747	26.349
2.3 Loans	29.651	29.271
2.3.1 Reverse	29.651	29.271
2.3.2 Other	-	-
2.4 Commitments	-	-
2.5 Other amounts	1.115	1.100
Total	461.031	267.998
Fair value	461.031	267.998

Amounts due to customers (item 20)
Breakdown by type

Transaction type/Group components	30.06.2012	31.12.2011
1. Current accounts and unrestricted deposits	4.341.127	4.147.184
2. Restricted deposits	471.490	135.685
3. Loans	35.895	35.374
3.1 Reverse repurchase agreements	16.081	11.514
3.2 Other	19.814	23.860
4. Commitments for repurchases of own equity instruments	-	-
5. Other amounts due	25.001	29.463
Total	4.873.513	4.347.706
Fair value	4.873.513	4.347.706

Securities issued (item 30)
Breakdown

Security type / Amount	30.06.2012				31.12.2011			
	book value	fair value			book value	fair value		
		level 1	level 2	level 3		level 1	level 2	level 3
A. Securities								
1. Bonds	2.033.966	1.999.361			2.219.510	2.123.755		
1.1 Structured	51.972	50.291			47.071	42.371		
1.2 Other	1.981.994	1.949.070			2.172.439	2.081.384		
2. Other securities	205.909	205.909			387.936	387.936		
2.1 Structured	-	-			-	-		
2.2 Other	205.909	205.909			387.936	387.936		
Total	2.239.875	-	2.205.270	-	2.607.446	-	2.511.691	-

Financial liabilities held for trading (item 40)
Breakdown by type

Transaction type/Group component	30.06.2012					31.12.2011				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives		49	1.541			15	13	2.409		
1.1 Trading		49	1.541			15	13	2.409		
1.2 Connected with the fair value option				-				0		
1.3 Other										
2. Credit derivatives			1.820					1.905		
2.1 Trading			1.820					1.905		
2.2 Connected with the fair value option										
2.3 Other										
Total B	X	-	49	3.361	X	X	15	13	4.314	X
Total (A+B)	X	-	49	3.361	X	X	15	13	4.314	X

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

Breakdown by type

Transaction type / Amount	30.06.2012				31.12.2011					
	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	-				X	-				X
1.1 Structured					X					X
1.2 Other					X					X
2. Amounts due to customers	-				X	-				X
2.1 Structured					X					X
2.2 Other					X					X
3. Debt securities	37.600		36.512		39.522	92.095		89.138		94.630
3.1 Structured	37.600		36.512		X	37.850		34.306		X
3.2 Other	-		-		X	54.245		54.832		X
Total	37.600		36.512		39.522	92.095		89.138		94.630

Key

FV* - fair value calculated by excluding variations in value due to the change in the issuer's creditworthiness with respect to the issue date

Hedging derivatives (item 60)
Breakdown by type of contract and underlying asset

	30.06.2012				31.12.2011			
	Fair value			NV	Fair value			NV
	L 1	L 2	L 3		L 1	L 2	L 3	
A) Financial derivatives			12.041	- 65.000			2.684	15.000
1) Fair value			12.041	- 65.000			2.684	15.000
2) Cash flow s								
3) Foreign investments								
2) Credit derivatives								
1) Fair value								
2) Cash flow s								
Total			12.041	- 65.000			2.684	15.000

Provisions for risks and charges (item 120)
Breakdown

Items/components	30.06.2012	31.12.2012
1. Company pension funds	206	185
2. Other provisions for risks and charges	37.661	41.797
2.1 legal disputes	11.900	11.903
2.2 personnel charges	14.275	13.412
2.3 other	11.486	16.482
Total	37.867	41.982

Technical reserves (item 130)

Breakdown

	Direct work	Indirect work	30.06.2012	31.12.2011
A. Non-Life branch	41.813		41.813	38.539
A.1. premiums fund	32.477		32.477	30.153
A.2 claims fund	8.803		8.803	7.910
A.3 other reserves	533		533	476
B. Life branch				
B.1 Mathematical reserves				
B.2 Funds 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 funds from pension fund management				
D. Total technical reserves	41.813	-	41.813	38.539

Group Shareholders' Equity (items 140,160,170,180,190, 200 and 220)

Share capital and Treasury shares: breakdown

Items/Value	30.06.2012	31.12.2011
Share capital	67.705	67.705
- ordinary shares	60.840	60.840
- other shares	6.865	6.865
Treasury shares	-	-
- ordinary shares		
- other shares		
Total	67.705	67.705

Revenue reserves: breakdown

Items	30.06.2012	31.12.2011
Legal reserve	79.342	75.019
Statutory reserves	460.784	435.821
Profits/(losses) carried forward (F.T.A.) Reserve	23.571	23.571
Other reserves	99.785	99.785
	22.347	22.514
Total	685.829	656.710

Minority interests (item 210)
Breakdown

Items/Value	Banking group	Insurance company	30.06.2012	31.12.2011
1. Share capital	100	3.137	3.237	3.237
2. Share premium reserve		210	210	210
3. Reserves	25	2.500	2.525	943
4. Treasury shares				-
5. Valuation reserves		(524)	(524)	(899)
6. Equity instruments				-
7. Profit (loss) for the period attributable to minority interests	36	327	363	949
Total	161	5.650	5.811	4.440

INCOME STATEMENT
Interest income (item 10)
Breakdown

Items/Type	Debt securities	Loans	Other transactions	30.06.2012	30.06.2011
1. Financial assets held for trading	334		566	900	3.958
2. Financial assets at fair value through profit or loss					
3. Available-for-sale financial assets	14.742			14.742	9.184
4. Held-to-maturity investments	2.390			2.390	2.373
5. Amounts due from banks	454	1.165	41	1.660	1.767
6. Amounts due from customers	323	145.380		145.703	124.588
7. Hedging derivatives			1.110	1.110	815
8. Other assets			31	31	31
Total	18.243	146.545	1.748	166.536	142.716

Differentials relating to hedging transactions

Items	30.06.2012	30.06.2011
A. Differentials receivable on hedging transactions	3.410	2.355
B. Differentials payable on hedging transactions	(2.300)	(1.540)
C. Balance (A-B)	1.110	815

Interest expense (item 20)
Breakdown

Items/Type	Payables	Securities	Other transactions	30.06.2012	30.06.2011
1. Amounts due to central banks	(1.683)			(1.683)	(303)
2. Amounts due to banks	(513)			(513)	(745)
3. Amounts due to customers	(28.901)			(28.901)	(15.377)
4. Securities issued		(31.438)		(31.438)	(22.163)
5. Financial liabilities held for trading				-	
6. Financial liabilities at fair value through profit or loss		(1.110)		(1.110)	(5.496)
7. Other liabilities and reserves					
8. Hedging derivatives				-	
Total	(31.097)	(32.548)	-	(63.645)	(44.084)

Fee and commission income (item 40)
Breakdown

Type of service / Amount	Total 30.06.2012	Total 30.06.2011
a) guarantees given	1.129	1.121
b) credit derivatives		
c) management, trading and consultancy services:	14.655	23.300
1. trading of financial instruments	897	1.764
2. currency trading	566	567
3. portfolio management	1.849	2.415
3.1. <i>individual</i>	1.492	2.056
3.2. <i>collective</i>	357	359
4. securities safekeeping and administration	1.264	1.454
5. depositary bank		
6. securities placement	2.494	2.596
7. receipt and transmission of orders	4.376	4.385
8. consultancy services	-	-
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	3.209	10.119
9.1 portfolio management	232	248
9.1.1. <i>individual</i>	232	248
9.1.2. <i>collective</i>		
9.2 insurance products	2.931	3.095
9.3 other products	46	6.776
d) collection and payment services	10.676	10.644
e) servicing for securitisation transactions		
f) factoring transaction services	53	47
g) tax collection services		
h) management of multilateral trading systems		
i) holding and managing current accounts	27.596	28.022
j) other services	8.219	5.690
Total	62.328	68.824

Fee and commission expense (item 50)
Breakdown

Type of service / Amount	Total	Total
	30.06.2012	30.06.2011
a) guarantees received	(9)	(8)
b) credit derivatives		
c) management and trading services:	(791)	(7.847)
1. trading of financial instruments	(144)	(285)
2. currency trading		
3. portfolio management	-	-
3.1 own		
3.2 delegated by third parties		
4. securities safekeeping and administration	(647)	(704)
5. placement of financial instruments		
6. off-site offering of financial instruments,		
products and services	-	(6.858)
d) collection and payment services	(1.381)	(1.336)
e) other services	(4.672)	(2.065)
Total	(6.853)	(11.256)

Dividends and similar income (item 70)
Breakdown

Item / Revenues	30.06.2012		30.06.2011	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	-	5	-
B. Available-for-sale financial assets	43	-	24	3
C. Financial assets at fair value through profit or loss				
D. Equity investments	-	-		
Total	43	-	29	3

Net profits/(losses) on trading activities (item 80)
Breakdown

Transaction/Income component	Capital gains	Profits on trading	Capital losses	Losses on trading	Net result	Net result
					30.06.2012	30.06.2011
1. Financial assets held for trading	47	574	(39)	(267)	315	163
1.1 Debt securities	43	472	(25)	(105)	385	246
1.2 Equity instruments	4	43	(14)	(162)	(129)	(157)
1.3 UCITS units						
1.4 Loans						
1.5 Other		59			59	74
2. Financial liabilities held for trading	-	-	-	-	-	-
2.1 Debt securities						
2.2 Debt						
2.3 Other						
3. Financial assets and liabilities: foreign exchange differences	x	x	x	x	602	1.041
4. Derivative instruments	113	220	(50)	(190)	101	332
4.1 Financial derivatives:	113	220	(50)	(190)	101	332
- on debt securities and interest rates	107	220	(50)	(190)	87	190
- on equity securities and stock indexes	6				6	8
- on currencies and gold					8	134
- other						
4.2 Credit derivatives						
Total	160	794	(89)	(457)	1.018	1.536

Net profits/(losses) on hedging activities (item 90)
Breakdown

Income components/Amounts	30.06.2012	30.06.2011
A. Income relating to:		
A.1 Fair value hedging derivatives	1.983	668
A.2 Hedged financial assets (fair value)	-	458
A.3 Hedged financial liabilities (fair value)	5	342
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
Total income from hedging activities (A)	1.988	1.468
B. Charges relating to:		
B.1 Fair value hedging derivatives	(272)	(889)
B.2 Hedged financial assets (fair value)	(818)	(240)
B.3 Hedged financial liabilities (fair value)	(1.542)	(429)
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
Total charges from hedging activities (B)	(2.632)	(1.558)
C. Net profits/(losses) on hedging activities	(644)	(90)

Profit (loss) on disposal/repurchase (item 100)
Breakdown

Item/Income component	30.06.2012			30.06.2011		
	Profit	Loss	Net result	Profit	Loss	Net result
Financial assets						
1. Amounts due from banks			-			-
2. Amounts due from customers			-			-
3. Available-for-sale financial assets	20.875	(7.711)	13.164	3.607	(2.091)	1.516
3.1 Debt securities	20.193	(7.703)	12.490	3.222	(2.082)	1.140
3.2 Equity instruments	11	(8)	3	200	(2)	198
3.3 UCITS units	671	-	671	185	(7)	178
3.4 Loans						
4. Held-to-maturity investments						
Total assets	20.875	(7.711)	13.164	3.607	(2.091)	1.516
Financial liabilities						
1. Amounts due to banks						
2. Amounts due to customers						
3. Securities issued	492	(4)	488	287	(10)	277
Total liabilities	492	(4)	488	287	(10)	277

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss (item 110)

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

Transaction/Income component	Capital gains	Profits from disposal	Capital losses	Losses on disposal	Net result	Net result
					30.06.2012	30.06.2011
1. Financial assets	-	-	-	-	-	-
1.1 Debt securities						
1.2 Equity instruments						
1.3 UCITS units						
1.4 Loans						
2. Financial liabilities	-	36	(2.446)	(39)	(2.449)	2.808
2.1 Debt securities		36	(2.446)	(39)	(2.449)	2.808
2.2 Amounts due to banks						
2.3 Amounts due to customers						
3. Financial currency assets and liabilities: foreign exchange	X	X	X	X	-	-
4. Credit and financial derivatives	668		(517)		151	(3.683)
Total	668	36	(2.963)	(39)	(2.298)	(875)

Net impairments losses (item 130)

Net impairment losses on loans

Transaction/Income component	Impairment losses			Write-backs				30.06.2012	30.06.2011
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other write-backs	From interest	Other write-backs		
A. Amounts due from banks	-	-	-	-	-	-	-	-	(60)
- loans									(60)
- debt securities									
B. Amounts due from customers	(1.831)	(41.380)	(1.660)	3.815	9.932	-	75	(31.049)	(8.412)
- loans	(1.831)	(41.380)	(1.660)	3.815	9.932	-	75	(31.049)	(8.412)
- debt securities									
C. Total	(1.831)	(41.380)	(1.660)	3.815	9.932	-	75	(31.049)	(8.472)

Net impairment losses on other financial transactions

Transaction/Income component	Impairment losses			Write-backs				30.06.2012	30.06.2011
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other write-backs	From interest	Other write-backs		
A. Guarantees given		(67)	(93)		93		51	(16)	(129)
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions									
E. Total		(67)	(93)		93		51	(16)	(129)

Net insurance premiums (item 150)
Breakdown

Net insurance premiums	Direct work	Indirect work	30.06.2012	30.06.2011
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 (+)	16.136		16.136	17.151
B.2 Premiums ceded for reinsurance (-)	(1.734)		(1.734)	(1.550)
B.3 Changes in the gross amount of premium reserve (+/-)				
B.4 Changes in premium reserves arising from reinsurance (-/+)				
B.5 Total	14.402		14.402	15.601
C. Total net insurance premiums	14.402		14.402	15.601

Balance of other income/charges arising on insurance management activities (item 160)

Breakdown

Items	30.06.2012	30.06.2011
1. Net change in technical reserves	(2.361)	(4.321)
2. Claims accrued and paid during the period	(2.325)	(1.960)
3. Other income/charges from insurance activities	(3.947)	(3.678)
Total	(8.633)	(9.959)

Sub-item "Net change in technical reserves"

Breakdown

Net change in technical reserves	30.06.2012	30.06.2011
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 when investment risk is 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	(2.361)	(4.321)

Sub-item "Claims accrued and paid during the period"

Charges associated to claims	30.06.2012	30.06.2011
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	(1.703)	(1.003)
C.1 Gross annual amount	(2.341)	(1.397)
C.2 Amount reassured with third parties (-)	638	394
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund	(622)	(957)
E.1 Gross annual amount	(894)	(1.018)
E.2 Amount reassured with third parties (-)	272	61
Total non-life branch claims	(2.325)	(1.960)

Balance of other income arising insurance management activities

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

Non-Life branch

Items/components	30.06.2012	30.06.2011
Income	1.300	1.389
Other technical income, net of transferred reinsurance	272	253
Fees and shares of profits received from reinsurers	1.028	1.136
Charges	(5.247)	(5.067)
Other technical charges, net of transferred reinsurance	(758)	(626)
Acquisition fees	(4.431)	(4.398)
Other acquisition expenses	(58)	(43)
Total	(3.947)	(3.678)

Administrative expenses (item 180)
Personnel expenses

Expense type / Sector	30.06.2012	30.06.2011
1) Employees	(72.741)	(72.180)
a) wages and salaries	(48.100)	(49.183)
b) social security charges	(12.433)	(12.551)
c) provision for employee termination indemnities		
d) social security costs	(14)	(13)
e) provisions for termination indemnities	(459)	(578)
f) accruals to pension funds and similar funds:		
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social security funds:		
- defined contribution	(4.937)	(5.339)
- defined benefit	(4.937)	(5.339)
h) costs arising from payment agreements based on own financial instruments	(87)	(103)
i) other employee benefits	(6.711)	(4.413)
2) Other personnel in active employment	(1.294)	(1.536)
3) Directors and statutory auditors	(3.675)	(2.804)
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	(77.710)	(76.519)

Average number of employees by category: banking group

	30.06.2012	30.06.2011
Employees	1.859	1.741
a) executives	34	32
b) managers	931	905
c) other employees	894	804
Other personnel	38	38

Other administrative expenses

	30.06.2012	30.06.2011
indirect taxes		
- stamp duty	(5.594)	(4.705)
- other	(1.803)	(1.863)
IT costs	(5.791)	(4.109)
leasing/ property assets	(6.639)	(6.439)
maintenance of properties, fixtures and fittings ar	(1.825)	(1.807)
postal charges	(1.241)	(1.392)
telephone, data transmission charges	(1.179)	(1.602)
electric power, heating, water	(1.983)	(1.674)
cleaning services	(647)	(647)
printing, stationery and consumables expenses	(1.036)	(872)
transport costs	(516)	(433)
surveillance and security	(806)	(966)
advertising	(557)	(501)
information and certificates	(1.213)	(855)
insurance premiums	(576)	(524)
legal expenses	(1.905)	(1.406)
expenses for professional services	(1.901)	(1.988)
sundry contributions and donations	(54)	(90)
other expenses	(4.658)	(4.809)
Total	(39.924)	(36.682)

Net provisions for risks and charges (item 190)

Type of provision / Amount	30.06.2012	30.06.2011
charges for legal disputes	(1.887)	(439)
sundry charges	4.899	7.700
Total	3.012	7.261

Net value adjustments to/write-backs of tangible assets (item 200)

Breakdown

Transaction/Income component	Depreciation	Impairment losses	Write-backs	Net result	Net result
				30.06.2012	30.06.2011
A. Tangible assets					
A.1 owned	(3.692)			(3.692)	(3.470)
- for business use	(3.692)			(3.692)	(3.470)
- for investment					
A.2 acquired under finance lease					
- for business use					
- for investment					
Total	(3.692)			(3.692)	(3.470)

Net value adjustments to/write-backs of intangible assets (item 210)

Breakdown

Asset/Income component	Amortisation	Impairment losses	Write-backs	Net result	Net result
				30.06.2012	30.06.2011
A. Intangible assets					
A.1 owned	(1.216)			(1.216)	(706)
- generated internally					
- other	(1.216)			(1.216)	(706)
A.2 acquired under finance lease					
Total	(1.216)			(1.216)	(706)

Other operating income/expenses (item 220)
Other operating expenses

Income components/Amounts	30.06.2012	30.06.2011
amortisation of costs for leasehold improvements	(1.408)	(1.485)
loss from disposal of tangible assets	(20)	(6)
charges on non-banking services	(599)	(748)
Total	(2.027)	(2.239)

Other operating income

Income components/Amounts	30.06.2012	30.06.2011
recovery of taxes from third parties	6.012	5.683
recovery of deposit and current account charges	1.050	1.150
other cost recoveries	2.554	3.470
profits from disposal of tangible assets	17	12
Other	850	1.166
Total	10.483	11.481

Profits (losses) on equity investments (item 240)

Income component/Amount	Total	Total
	30.06.2012	30.06.2011
A. Income	1.879	1.272
1. Revaluations	1.879	1.272
2 Profits on disposal		
3. Write-backs		
4. Other income		
B. Charges		
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other decreases		
Net result	1.879	1.272

Value adjustments to goodwill (item 260)

Elimination, amounting to Euro 15.5 million, of the goodwill of subsidiary C.P.C. s.a. in liquidation – Lugano.

Profits (losses) on disposal of investments (item 270)

Income component/Amount	30.06.2012	30.06.2011
A. Properties		
- Profits on disposal		
- Losses on disposal		
B. Other assets		2
- Profits on disposal		2
- Losses on disposal		
Net result	-	2

Taxes for the period on income from continuing operations (item 290)

Income component/Sector	30.06.2012	30.06.2011
1. Current taxes (-)	(21.501)	(19.995)
2. Changes in current taxes of previous years (+/-)	23	(107)
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	6.803	(62)
5. Changes in deferred tax liabilities (+/-)	(1)	(192)
6. Taxes for the year (-)	(14.676)	(20.356)

Basic earnings per share

Net profit attributable to each of the	117,000,000 ordinary shares	€ 0.0385
Net profit attributable to each of the	13,202,000 savings shares	€ 0.0461

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 out in the *retail, small business and small-to-medium enterprise* markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (craftsmen, personal businesses, professionals), medium and large companies and customers with financial company characteristics include products essentially relating to: any form of loan or deposit; financial, banking and payment services; documentary credit; leasing and factoring; financial, insurance and asset management products; debit and credit cards.

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 risk*

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 counterparty to which there is exposure generating a corresponding unexpected variation in the market value of the credit position. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counterparty's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Group's organisational structure ensures a satisfactory process for monitoring and managing credit risk, with an approach that involves separating business and control functions.

The Parent Company's Board of Directors retain exclusive rights as regards the assignments and powers concerning the determination of policies which affect the general management of the affairs of the company and of the Group. As regards internal controls, the Board of Directors approves the strategic guidelines and risk management policies, as well as the bank's organisational structure.

In exercising its responsibilities concerning management 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.

2.2 *Management, measurement and control systems*

The credit risk management, measurement and control systems are developed 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 risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated.

The Banco Desio Group adopts, for management purposes with a view to 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 collateral and/or personal securities in order to mitigate risk.

Mortgages have proved to be the prevailing form of collateral, mainly in the form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent company departments. 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.

Overdue positions are monitored constantly by the competent company departments 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: breakdown 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 loans	Others	
1. Financial assets held for trading					6.135			6.135
2. Available-for-sale financial assets	103				1098.798		35.569	1.134.470
3. Held-to-maturity investments					124.736			124.736
4. Amounts due from banks					377.754		4.641	382.395
5. Amounts due from customers	157.488	126.491	4.792	64.683	6.234.827	-	20	6.588.301
6. Financial assets at fair value through profit or loss					-		-	-
7. Financial assets held for sale and discontinued operations							-	-
8. Hedging derivatives					7.420			7.420
Total 30/06/2012	157.591	126.491	4.792	64.683	7.849.670	-	40.230	8.243.457
Total 31/12/2011	124.786	104.553	3.921	34.948	7.584.792	-	39.515	7.892.515

Credit exposures: breakdown by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired loans			Performing loans			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading				6.135		6.135	6.135
2. Available-for-sale financial assets	103		103	1098.798		1098.798	1.098.901
3. Held-to-maturity investments				124.736		124.736	124.736
4. Amounts due from banks				377.754		377.754	377.754
5. Amounts due from customers	484.796	- 131.342	353.454	6.266.253	- 31.426	6.234.827	6.588.281
6. Financial assets at fair value through profit or loss							
7. Financial assets held for sale and discontinued operations							
8. Hedging derivatives				7.420		7.420	7.420
Total A	484.899	- 131.342	353.557	7.881.096	- 31.426	7.849.670	8.203.227
B. Other companies included in the scope of consolidation							
1. Financial assets held for trading							-
2. Available-for-sale financial assets				35.569		35.569	35.569
3. Held-to-maturity investments							-
4. Amounts due from banks				4.641		4.641	4.641
5. Amounts due from customers				20		20	20
6. Financial assets at fair value through profit or loss				X	X	-	-
7. Financial assets held for sale and discontinued operations						-	-
8. Hedging derivatives				X	X	-	-
Total B	-	-	-	40.230	-	40.230	40.230
Total 30/06/2012	484.899	- 131.342	353.557	7.921.326	- 31.426	7.889.900	8.243.457
Total 31/12/2011	377.889	- 109.681	268.208	7.655.196	- 30.889	7.624.307	7.892.515

Breakdown of performing loans

The item "Amounts due from customers" includes net loans arising from renegotiations within collective agreements for Euro 52.4 million and Euro 409.3 million for expired loans whose breakdown by seniority is reported below.

Portfolio / Quality	Gross exposure	Portfolio adjustments	Net exposure
Amounts due from customers	6.267.220	- 32.373	6.234.847
of which: Expired loans	413.788	- 4.444	409.344
- up to 3 months	391.832	- 4.226	387.606
- from 3 to 6 months	18.147	- 147	18.000
- from 6 months to 1 year	3.478	- 53	3.425
- beyond 1 year	331	- 18	313

Breakdown 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.

Breakdown 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 microenterprises) 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 30.06.2012	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	34.2%	45.1%	20.7%	100%
Off-balance sheet loans	61.5%	28.4%	10.1%	100%

Large risks

With reference to the supervisory regulations in force, one position has been recognised for a total nominal amount of Euro 947 million.

More specifically, the position refers to (amounts in millions of Euro):

<i>Description</i>	<i>Nominal amount</i>	<i>Weighted amount</i>
Ministry of the Treasury	947	0

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 the net interest flow and thus in the

interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

The Group adopted, in the period just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile through a low portfolio duration.

B. Interest rate risk and price risk management processes and measurement methods

In exercising its responsibilities of direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific rules for controls at the various levels of all the banking Group companies.

The operational activity of the Parent Company's Finance 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, General Management is informed of the 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 time 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 period, 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 indexes) is provided by the RiskSize product.

To date, derivatives on currencies and interest rates and options on shares and indexes 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 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 of 2012 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 30.06.2012 is Euro 38 thousand with a percentage of 1.08% of the trading portfolio and a duration of 1.89, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assuming variations of +/- 100 basis points only for the positions that are sensitive to interest rates as at 30.06.2012 highlight - considering the positive variation in rates - a negative impact of Euro 61 thousand, equal to a:

- ⇒ 1.74 % of trading portfolio;
- ⇒ 0.02 % of business margin;
- ⇒ 0.20 % 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 - BANK 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's 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 simulation model is also active which permits the monitoring and management of interest rate risk from a dynamic perspective.

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. In the bank portfolio, assets with price risk are represented exclusively by equity investments and shares in mutual investment funds. The latter represent a marginal share and are measured using the V.a.R. techniques described in paragraph 2.1..

B. Fair Value hedge

The Group's primary objective is to manage the risks associated with its operations prudently and actively. The Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect the income statement from the risks deriving from unfavourable variations in Fair Value; the objective of a hedge is to offset the fair value variations of the hedged instrument with the fair value changes 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 making 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 Group's operational and strategic approach is directed at minimising the volatility of interest margins and of total economic value.

The table below shows the results of the effects on the interest margin, from a static perspective and in the absence of the behavioural models of sight items, of the analyses carried out as at 30 June 2012, in the assumption of a parallel variation in the interest rate curve and considering the time effect of repricing of the items.

Risk indexes: parallel shifts of the interest rate curve as of 30 June 2012 (economic margins from operations as per the reclassified income statement)

	+100 bp	-100 bp
<i>% on the expected income</i>	4.77%	-11.40%
<i>% on the business margin</i>	2.85%	-6.80%
<i>% on the result for the period</i>	15.76%	-37.64%
<i>% on shareholders' equity</i>	0.64%	-1.52%

As regards the economic value, the estimated impact of the variation, with the help of measurement models, from a static perspective and in the absence of behavioural models of sight items, showed a risk exposure in the first half of 2012 which stayed at levels that did not involve significant effects on total equity.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indexes: parallel shifts of the rates curve at 30.06.2012

	+100 bp	-100 bp
<i>% on the economic value</i>	-0.70%	0.86%

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, liquidity risk management procedures and measurement methods

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, open market transactions, 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 control of compliance with operating limits is 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.

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, operational risk management procedures and measurement methods

Operational Risk means the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by external 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 is in place to identify, classify and collect detrimental events.

In the first half of 2012, specific activities were carried out which saw the Parent Company initiate the "Loss Data Collection" process at consolidated level, including non-banking subsidiaries in the perimeter. The results of said activities are reported to the Management of the individual companies and to the Parent Company's Risk Management Department.

In relation to the management of risks impact the Group's operational continuity, consistent with its governance model and in line with banking group supervision regulations, the decision was taken to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific framework agreements, the Parent Company provides Italian subsidiary banks 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 Italian banks of the Group have a value of Euro 83.007 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 8.758 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 94.73% of the total amount.

Quantitative information

The number of adverse events recorded by the Group in the first half of 2012 totalled 316 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 law s, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the	1	0,32%	33,92	2,85%	33,92	2,96%	0,00	0,00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of law s, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	54	17,09%	148,27	12,46%	110,09	9,59%	38,18	25,75%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment law s and contracts, health and workplace safety law s, and by any indemnities for accidents or discrimination.	0	0,00%	0,00	0,00%	0,00	0,00%	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).	24	7,59%	143,07	12,02%	143,07	12,47%	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.	13	4,11%	16,11	1,35%	11,62	1,01%	4,49	0,00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	8	2,53%	9,98	0,84%	9,98	0,87%	0,00	0,00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	216	68,35%	838,76	70,48%	838,76	73,10%	0,00	0,00%
GROUP TOTAL Banco Desio e della Brianza	316	100,00%	1.190,10	100,00%	1.147,42	100,00%	42,67	3,59%

The value of the gross operating loss is equal to Euro 1,190 thousand, in relation to which prudential provisions were set aside, during the year, for Euro 584 thousand
The gross losses expensed were recovered for Euro 43 thousand, with a net loss of Euro 1,147 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 non-life segment.

In compliance with ISVAP Regulation no. 20 of 26 March 2008, in order to keep the level of risks to which it is exposed at an acceptable level and in line with available equity, the company is equipped with a suitable risk management model, in proportion to the size, nature and complexity of the business conducted, which permits the identification, valuation and control of the most significant risks.

The main risks subject to qualitative and quantitative analysis by the Parent Company are as follows:

- *underwriting risks*: the risk deriving from the subscription of insurance policies, associated with the events covered, the processes adhered to for setting tariffs and risk selection, and the more unfavourable trend in claims than that estimated;
- *reserve risk*: the risk connected with the measurement of technical reserves that are not adequate to meet commitments to insured and damaged parties;

The risk registration procedure and the associated quantitative results are adequately documented in the following reports.

- reports on operational risks on a half-yearly basis;
- reports for the monitoring of the main Key Risk Indicators on a quarterly basis;
- reports on the market risks of the company's securities portfolio on a quarterly basis;
- valuation of the new capital requirements according to the Solvency II approach, i.e. the Solvency Capital Requirement (SCR) on an annual basis.

Therefore, the analysis process includes both a qualitative valuation (with particular reference to operational risks) and for quantifiable risks (with particular emphasis on technical and financial risks), the adoption of credit exposure measurement methods, including, where appropriate, systems for the calculation of the amount of the maximum potential loss. In the measurement, the company considers both the effect of diversification between risks, assessing them on an individual and aggregate basis, and the effect of the mitigation of risks due to the use of reinsurance.

The risk identification and valuation processes are carried out on a continuous basis, to take account of both changes to the nature and size of business affairs and the market context, and the emergence of new risks or a change of existing risks.

Special attention is focused on the valuation of risks arising from the offer of new products or entry into new markets. In said case, the company's Risk Management Department is directly involved which, on the basis of the technical features of the product, assesses the potential absorption of capital by the company following the issue of a new product.

Once a year, in relation to the closure of the financial statements, the company conducts a prospective quantitative analysis by using a stress test, i.e. the valuation of the Solvency Capital Requirement, which, by definition, is equal to the maximum potential loss with a level of probability equal to 99.5% over a time horizon of one year.

Therefore, the risk management process is carried out through the following phases, which are closely interconnected:

- definition of the company's risk propensity;
- identification, valuation and measurement of risks;
- control and reporting;
- implementation of corrective actions if exposures exceed risk thresholds.

The Board of Directors defines and approves the company's risk propensity, this being the risk level which can be supported over a certain period of time, which makes it possible to achieve equity and economic objectives.

Underwriting risk:

Operating limits relating to premiums, are fully applied consistently with the contractual terms 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 company mission, as defined from the initial phases of company operations, focuses on a business model which makes provision for marketing of non-life insurance policies at the bank branches through a highly standardised offer.

The company distributes its products mainly at bank branches - excluding distribution through insurance agents, multilevel networks, brokers or other atypical distributors.

The distribution performs the sole function of the placement of standardised insurance products, insurance policies are issued at intermediaries through an on-line issue platform which does not permit any kind of customisation of the tariffs set by the company, in order to maintain a level of risk in line with predefined underwriting limits.

The integrated group of controls is targeted at containing risks in compliance with the approved strategy and with the objective of maximising the company's risk/return profile.

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 2012 were equal to Euro 16,305 thousand, down by 5.7% compared to the same period in the previous year.

The analysis of the collection of premiums shows a significant impact of the policies integrated into banking services that represent about 57.0% of the total premiums.

The type of contract term can be attributed to long-term policies with a single advance premium (39.7%) and to policies with an annual term and tacit renewal (60.3%).

Reserve risk:

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 non-life branches before they measured;
- an organisational 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.

Operational risk

Operational risk means both operational risk and the risk of non-compliance with the regulations, such as ISVAP Regulation no. 20:

operational risk: the risk of losses deriving from human inefficiencies, and those relating to processes and systems, including those used for distance selling, or from external events, such as fraud or service supplier activities;

risk of non-compliance with the regulations: the risk of incurring legal or administrative penalties, suffering reputational losses or damages as a result of non-compliance with laws, regulations or provisions of the supervisory authorities or self-regulation rules, such as articles of association, codes of conduct or codes of ethics; risk deriving from unfavourable changes in the legislative picture or legal guidelines;

Therefore, the definition of operational risk incorporates legal risk and does not include reputational risk, i.e. the risk of a deterioration in the company's image and an increase in disputes with insured parties, also due to the low quality of services offered, placement of unsuitable policies or behaviour of the sales network.

In the first half of 2012, specific activities were carried out which saw the company implement the "Loss Data Collection" process for operating losses, targeted at collecting data on the loss amounts and on the frequency of occurrence of adverse events, in order to create a historical series which will form the basis for future valuations of the absorption of capital for operational risk.

2.2 Financial risks

Quantitative information

The asset allocation guidelines and the investment operating limits of the assets are approved by the Board of Directors. The monitoring of financial risks is the responsibility of the Investment Committee which is responsible for the operational asset management through investment and disinvestment decisions relating to transferable securities and through the management of the liquidity deriving from operating and financial cash flow.

Equity investments at 30 June 2012 amounted to Euro 42,677 thousand. Below is the breakdown in thousands of Euro:

Assets Amounts /1000	Book value	Portfolio weight
Government bonds	22,965	53.81%
Corporate bonds	12,903	30.23%
Shares and Equity investments	5,599	13.12%
UCITS	1,208	2.83%
Total	42,677	100.00%

Investments in bonds at the valuation date came to Euro 35,869 thousand and account for 84.05% of the securities portfolio.

Information on consolidated equity

CONSOLIDATED 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 financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be achieved 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.

Quantitative information

Consolidated equity: breakdown by type of company

Items of shareholders' equity	Banking Group	Insurance companies	Other companies	Write-offs and adjustments arising on consolidation	Total 30.06.2012	Of which "pertaining to minority interests"
Share capital	67,805	3,137			70,942	3,237
Share premium reserves	16,145	210			16,355	210
Reserves	685,521	2,500		333	688,354	2,525
Equities (Own shares)						
Valuation reserves						
- available-for-sale financial assets	(31,036)	(525)			(31,561)	(525)
- property, plant and equipment						
- intangible assets						
- foreign investment hedges						
- cash flow hedges						
- exchange differences	5,093				5,093	
- non-current assets held for disposal						
- actuarial gains (losses) relating to defined benefit pension plans	(866)	1			(865)	1
- shares of valuation reserves relating to equity investments valued according to the equity method	(1,776)				(1,776)	
- special revaluation laws	22,896				22,896	
7. Profit (loss) for the year pertaining to the Group and minority interests	5,116	327			5,473	363
Total	774,617	6,174	-	333	774,911	5,811

Valuation reserves of available-for-sale financial assets: breakdown

Assets/amounts	Banking Group		Insurance companies		Other companies		Write-offs and adjustments arising on consolidation		30.06.2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	798	(30,227)		(1,575)					798	(31,802)
2. Equities	158	(254)							158	(254)
3. UCITS units	190	(651)							190	(651)
4. Loans									-	-
Total 30.06.2012	1,146	(31,132)		(1,575)					1,146	(32,707)

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 corresponding 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 financial statements constructed 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 not banking, financial and instrumental companies.

Within the Banking Group, there are no restrictions or impediments to the transfer of financial resources between companies in the banking group.

Bank regulatory capital
Qualitative information

The Banco Desio Group pays great attention to the notion of regulatory capital. 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 ratio, 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 2012 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

description	Amount
Tier 1 capital	699,731
Tier 2 capital	85,919
Items to be deducted	13,513
Regulatory capital	772,137

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 are 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. The deductions envisaged by the application of prudential filters are subtracted from these positive elements.

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

3. Tier 3 capital

It is comprised of the portion of Tier 2 subordinated liabilities not included in Tier 2 since it exceeds 50% of Tier 1 capital, inclusive of the elements to be deducted, and 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

	30/06/2012	31/12/2011
A. Tier 1 capital before the application of prudential filters	743.797	724.414
B. Prudential filters of the Tier 1 capital:	- 32.996	- 41.274
B1- positive las/lfrs prudential filters (+)	-	-
B2- negative las/lfrs prudential filters (-)	32.996	41.274
C. Tier 1 capital including elements to be deducted (A+B)	710.801	683.140
D. Elements to be deducted from the Tier 1 capital	11.070	19.461
E. Total Tier 1 capital (TIER1) (C-D)	699.731	663.679
F. Tier 2 capital before the application of prudential filters	96.989	95.149
G. Prudential filters of the Tier 2 capital:	-	- 106
G1- positive las/lfrs prudential filters (+)	-	-
G2- negative las/lfrs prudential filters (-)	-	106
H. Tier 2 capital including elements to be deducted (F+G)	96.989	95.043
I. Elements to be deducted from the Tier 2 capital	11.070	19.461
L. Total Tier 2 capital (TIER2) (H-J)	85.919	75.582
M. Elements to be deducted from the total of Tier 1 and Tier 2 capital	13.513	10.344
N. Regulatory capital (E + L - M)	772.137	728.917
O. 3rd-level capital	-	-
P. Regulatory capital including TIER3 (N + O)	772.137	728.917

Capital adequacy
Qualitative information

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

- Tier 1 capital / weighted risk assets ⁽¹⁾	11.32%
- Regulatory capital / weighted risk assets ⁽¹⁾	12.49%

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.

Quantitative information

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	8.787.966	8.455.586	5.544.496	5.522.095
1. STANDARDISED METHOD	8.787.413	8.454.865	5.544.219	5.521.734
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Basic				
2.2 Advanced				
3. SECURITISATIONS	553	721	277	361
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			443.560	441.768
B.2 MARKET RISKS			1.759	4.436
1. STANDARDISED METHOD			1.759	4.436
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			49.213	49.213
1. BASIC METHOD			49.213	49.213
2. STANDARDISED METHOD				
3. ADVANCED METHODS				
B.4 OTHER REQUIREMENTS			0	0
B.5 TOTAL PRUDENTIAL REQUIREMENTS			494.532	495.417
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			6.181.646	6.192.708
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11,32%	10,72%
C.3 Regulatory capital including Tier 3 / Risk-weighted assets (Total capital ratio)			12,49%	11,77%

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).

The main equity balances of Chiara Assicurazioni S.p.A., as at 31 December 2011, are shown below:

- the Available Solvency Margin (ASM) stood at €9,780 thousand as at 31/12/2011;
- the Required Solvency Margin (RSM) stood at €4,924 thousand as at 31/12/2011;
- the solvency ratio, defined as the ratio between the ASM and the RSM stood at 1.99 as at 31/12/2011, an improvement over 2010.

Information on transactions with related parties

INFORMATION ON FEES DUE TO DIRECTORS AND EXECUTIVES

For information on fees due to Directors and Executives with strategic responsibilities, please refer to the “Report on Group Remuneration Policies”, drafted in accordance with art. 123-ter of the Consolidated Law on Finance, and the chapter “Information on payment agreements based on the group’s equity instruments” below in these explanatory notes, with reference to stock grant plans and stock option plans in place within the Group.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Internal Procedure adopted pursuant to Consob Regulation n. 17221/2010 for transactions with related parties (including those carried out with Representatives pursuant to article 136 of the Consolidated Banking Law) 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”.

Whereas, pursuant to article 5 of said regulation and article 154-ter of the Consolidated Law 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 Regulation¹;
- 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 transactions 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 2012 no transactions were concluded which were of such a size as to present the features referred to in letters a), b) and c). With reference to the transactions regarding the recapitalisation of subsidiary Credito Privato Commerciale S.A. in liquidation, entered into after the close of the half year, please refer, for the purposes of completeness, to paragraph 4 of the Interim Report on Operations. Transactions with related parties are generally settled on the basis of market conditions and where the market is not a satisfactory reference, based on conditions that are deemed to be appropriate and correct for the Group companies, 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 at 30 June 2012, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.

The following paragraphs summarise the existing relations by categories of related parties (Parent Company, Associates, Representatives and 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, lastly, any supply or other relations.

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 art. 136 of the Consolidated Banking Law (TUB) that however do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, more briefly, art. 2391-bis of the Italian Civil Code by virtue of which this Regulation was enacted (mainly with reference to the following entities: Representatives of subsidiaries of “Banco Desio”; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor in the absence of subsidiary/associate relationships).

¹ as regards the significance index of the value 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), to be reduced proportionally in the event of a decrease in regulatory capital recorded for the purposes of the drafting of accounting documents approved from time to time.

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. SpA with Banco Desio amount to Euro 113.6 million, of which Euro 110.3 million relating to the securities portfolio. The company has no debt exposure.

During the half-year, there were no other transactions with this company (the company also falls within the scope of art. 136 of the Consolidated Banking Law by virtue of the positions held in it by some Representatives, as per paragraph III below).

II - Associated companies

At the end of the half-year there are two shareholdings in associate companies:

- Chiara Vita SpA, in which an interest of 30% is held;
- Istifid S.p.A., in which roughly a 28% share is held (relative majority);

As part of the agreements with the Helvetia Group, the following are still in place with Chiara Vita SpA: i) a contract for the distribution of products in the life insurance branch; 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 206.6 million, Euro 60.9 million of which from the securities portfolio; the company has no debt exposure.

The contractual relations maintained with Istifid SpA by Banco Desio consist essentially in the supply of company services (shareholders registers, assistance at shareholders' meetings, consultancy regarding corporate compliance etc.) which are charged at the usual costs for such services.

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 Euro 52 million, Euro 20.7 million of which from the securities portfolio; the company has no debt exposure.

It should be noted that these debit and credit balances also refer to relationships maintained by Istifid SpA as part of fiduciary mandates conferred by third parties.

III - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved in the half-year pursuant to art. 136 of the Consolidated Banking Law (TUB), it should be noted that most of these were ordinary transactions whereby credit was granted to Representatives of the Group and/or companies referable thereto, regarding which the Representatives (taken to mean directors, statutory auditors and executives with strategic responsibilities in the Bank and in subsidiaries) stated that they had interests of various kinds, by virtue of controlling/significant shareholdings held, offices held 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 credit facilities granted by the Group's Banks in the 35 positions existing as at 30 June 2012 is equal to around Euro 29.2 million. The relative uses totalled about Euro 22.0 million (due from customers).

The calculations above do not include the transactions approved with the associates referred to previous point II (formally resolved in accordance with art. 136 of the Consolidated Banking Law due to the positions held therein by some Representatives of the Bank).

It should be noted that the positions of those working as Representatives of solely Banco Desio's subsidiaries are confined to their respective companies, thus excluding their classification as "Executives with strategic responsibilities within the Group" pursuant to IAS 24 and/or Consob Regulation no. 17221/2010.

As regards borrowing relationships maintained by the Group's Banks directly with the Representatives of Banco Desio, as well as with entities referable thereto, it should also be pointed out that the total balances at 30 June 2012 amounted to roughly Euro 52.7 million, regarding amounts due to customers (including Euro 37.1 million in the securities portfolio). The associated conditions are regulated by a framework resolution adopted annually by the Board of Directors, with the prior judgment of the Committee for Transactions with Related Parties.

Details of the aforementioned credit facility and borrowing relationships referred to the previous paragraph are shown in the table below:

(balances at 30.06.2012 - €/mil.)	Subjects pursuant to "art. 136 of Consolidated Banking Law" which fall within the scope of related parties "art. 2391-bis of the Italian Civil Code" (for example: Representatives of "Banco Desio" or of "Brianza Unione"; their close relatives; associated subsidiary or associate companies) (A)	Subjects pursuant to "art. 136 of Consolidated Banking Law" which do <u>not</u> fall within the scope of related parties pursuant to "art. 2391-bis of the Italian Civil Code" (for example: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor in the absence of subsidiary/associate relationships) (B)	TOTAL (A+B)
<u>Credit line transactions:</u>			
Amount granted	5.5	23.6	29.1
Amount used	4.4	17.5	21.9
<u>Borrowing transactions:</u>			
Amount of current account and savings deposit (a)	9.3	6.3	15.6
Amount of securities portfolio (b)	36.2	0.9	37.1
Total (a+b)	45.5	7.2	52.7

In compliance with Consob Resolution no. 15519 of 27 July 2006, it should be pointed out that the balances indicated in the previous paragraphs essentially account for a marginal share, from an equity, financial and economic standpoint.

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

Stock grant plan for shares of the Parent Company

With reference to the Stock Grant Plan for the 2011-2012-2013 three-year period, concerning the free assignment of a maximum of 1,000,000 ordinary bank shares, in three cycles with a duration of three years each, in favour of the management of the Banco Desio Group, approved by the Ordinary Shareholders' Meeting of 29 November 2011, please refer to the "Report on Group Remuneration Policies" drafted in accordance with art. 123-ter of the Consolidated Law on Finance.

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 well-known, in the salary-backed loan segment. 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 indirectly involved in the development of the corporate business.

As at 30 June 2012, a total of 401,509 options remained (amount unchanged with respect to 31 December 2011).

The final term for exercising the aforementioned options (previously 1-31 October 2011) was extended by Banco Desio Lazio's Board of Directors to 31 October 2012, by means of the resolution adopted on 17 October 2011.

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

Segment reporting

The segment 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 carries out the traditional business of credit broking, asset management and offers life and non-life bank insurance products. The operating segment information therefore takes 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. Products and services concerning the following fall into this operating segment: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; 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 in liquidation and Rovere SA;
- *Corporate Centre*: this segment includes the results of the Group's governance 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 operations and entrusted to the corporate centre to guarantee productive efficiency and organisational consistency. The corporate centre structure can be identified in the centralised functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intra-group adjustments are allocated to the corporate centre, except where the intra-group netting are between companies within the same segment.

The 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;
- *services margin*: 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 organisational 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) are 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	30.06.2012	Commercial Bank	Investment Banking	Asset Management	Corporate Centre
Margin on banking and insurance activities (1)	184.362	154.847	19.778	5.163	4.574
Structure costs (2)	-122.542	-105.699	-1.086	-5.162	-10.595
Provisions and adjustments (3)	-43.550	-30.105	-16	-1.033	-12.396
Profits/(losses) on equity investments	1.879				1.879
Profits/(losses) on disposal of investments					
Profits/(losses) before taxes from continuing operations	20.149	19.043	18.676	-1.032	-16.538

(1) including other operating expenses/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, goodwill

Balance sheet data	30.06.2012	Commercial Bank	Investment Banking	Asset Management	Corporate Centre
Financial assets	1.309.023	42.415	1.261.470	5.192	-54
Amounts due from banks	382.396		257.791	124.604	
Amounts due from customers	6.588.301	6.584.408		3.893	
Amounts due to banks	461.031		461.031		
Amounts due to customers	4.873.513	4.762.684		110.850	-21
Securities issued and financial liabilities at fair value through profit or loss	2.276.387	2.276.387			
Indirect deposits: Administered and managed	10.698.798	10.323.625	0	375.173	0

Income Statement data	30.06.2011	Commercial Bank	Investment Banking	Asset Management	Corporate Centre
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		7.260
Profits/(losses) on equity investments	1.272				1.272
Profits/(losses) on disposal of investments	2			2	
Profits/(losses) before taxes from continuing operations	56.037	48.894	7.925	2.190	-2.972

(1) including other operating expenses/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, goodwill

Balance sheet data	31.12.2011	Commercial Bank	Investment Banking	Asset Management	Corporate Centre
Financial assets	1.066.594	34.994	1.021.489	10.323	-212
Amounts due from banks	288.525		168.134	145.288	-24.898
Amounts due from customers	6.580.450	6.573.677		6.773	
Amounts due to banks	267.998		291.446		-23.448
Amounts due to customers	4.347.706	4.210.068		137.658	-20
Securities issued and financial liabilities at fair value through profit or loss	2.696.584	2.696.584			
Indirect deposits: Administered and managed	10.821.717	9.908.851		912.866	

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

1. The undersigned Tommaso Cartone, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the company's financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:
 - the adequacy in relation to the Company's features and
 - the actual applicationof the administrative and accounting procedures employed to draw up the condensed interim consolidated financial statements for the first half of 2012.
2. Evaluation of the adequacy of the administrative and accounting procedures used to draw up the condensed interim consolidated financial statements as at 30 June 2012 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistent with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organisation 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 view of the equity, economic and financial position of the issuer and the group of 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, 28 August 2012

The Managing Director

Tommaso Cartone

The Manager responsible for preparing
the company's financial reports

Piercamillo Secchi

**FREE TRANSLATION OF THE
INDEPENDENT AUDITOR'S REPORT
ON THE LIMITED AUDIT OF THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**To the Shareholders of
BANCO DI DESIO E DELLA BRIANZA S.p.A.**

1. We performed the limited audit of the condensed interim consolidated financial statements of Banco di Desio e della Brianza S.p.A. and subsidiaries (Banco Desio Group) as at 30 June 2012, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the associated explanatory notes. The Directors of Banco di Desio e della Brianza S.p.A. are responsible for drafting the condensed interim consolidated financial statements, in compliance with international accounting standard IAS 34 – Interim Financial Reporting – adopted by the European Union. We are responsible for drawing up this report based on the limited audit performed.

2. We carried out our work according to the limited audit criteria recommended by Consob by means of Resolution no. 10867 of 31 July 1997. The limited audit consists mainly of the collection of information on the items in the condensed interim consolidated financial statements and on the uniformity of the valuation criteria, through meetings with company management, and the performance of balance sheet analysis of the data contained in the aforementioned consolidated financial statements. The limited audit excluded audit procedures such as compliance surveys and checks or procedures to verify the validity of assets and liabilities, and involved a significantly lower range of work than the full audit conducted in accordance with established auditing principles. Consequently, unlike what we did for the period-end consolidated financial statements, we do not express a professional audit judgment on the condensed interim consolidated financial statements.

As regards data relating to the consolidated financial statements of the previous year and the condensed interim consolidated financial statements for the previous year, presented for comparison purposes, please refer to the reports issued by another auditing company on 4 April 2012 and 26 August 2011 respectively.

3. Based on our audit, no elements came to our attention which lead us to believe that the condensed interim consolidated financial statements of the Banco Desio Group as at 30 June 2012 have not been drafted, as regards all their significant aspects, in compliance with international accounting standard IAS 34 – Interim Financial Reporting – adopted by the European Union.

Milan, 28 August 2012