Report on Operations - 2006

This is an English translation of the Italian original "Relazione sulla Gestione" and "Bilancio al 31 dicembre 2006" and has been prepared solely for the convenience of the international reader.
The version in Italian takes precedence and will be made available to interested readers upon written request to Banco di Desio e della Brianza S.p.A..

1. FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

(in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Total assets	5,341,492	4,776,173	565,319	11.8%
Financial assets	835,996	607,499	228,496	37.6%
Amounts due from banks	391,067	665,904	-274,838	-41.3%
Loans and advances to customers	3,510,844	3,076,987	433,857	14.1%
Equity investments	155,800	102,107	53,693	52.6%
Tangible assets	121,822	104,583	17,239	16.5%
Intangible assets	3,103	3,087	16	0.5%
Non-current assets held for sale and discontinuing operations	0	7,258	-7,258	-100.0%
Amounts due to banks	297,709	272,474	25,235	9.3%
Amounts due to customers	2,773,688	2,366,995	406,693	17.2%
Securities issued	1,352,732	1,445,651	-92,919	-6.4%
Liabilities related to discontinuing operations	0	11,372	-11,372	-100.0%
Shareholders' equity	480,889	435,770	45,119	10.4%
of which: Net proft for the period	*52,387*	*101,899*	*-49,512*	*-48.6%*
Total indirect deposits	15,875,110	15,515,401	359,709	2.3%
Indirect deposits from ordinary customers	6,070,141	5,566,655	503,486	9.0%
of which: assets under management	*3,156,610*	*2,991,439*	*165,171*	*5.5%*

INCOME STATEMENT DATA

(in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Net interest income	148,358	131,172	17,186	13.1%
Net interest and other banking income (intermediation margin) (1)	261,997	241,455	20,542	8.5%
Net operating profit	90,101	75,882	14,219	18.7%
Net profit/(loss) for the period (2)	52,387	101,899	-49,512	-48.6%

(1) including other operating income/expenses

(2) the figure at 31 December 2005 includes revenues resulting from the market listing of Anima SGRp.A., which amount to Euro 59,156 thousand. Net of these proceeds, the figure would have been Euro 42,743 thousand, with respect to which the profits as of 31.12.2006 would show an increase of 22.6%

FINANCIAL RATIOS

	31.12.2006	31.12.2005	Change amount
Shareholders' equity / Total assets	9.0%	9.1%	-0.1%
Shareholders' equity / Loans and advances to customers	13.7%	14.2%	-0.5%
Shareholders' equity / Amounts due to customers	17.3%	18.4%	-1.1%
Shareholders' equity / Securities issued	35.5%	30.1%	5.4%
Tier 1 capital	10.5%	10.1%	0.4%
(Tier 2) Solvency ratio	11.6%	11.5%	0.1%
Financial assets / Total assets	15.7%	12.7%	2.9%
Amounts due from banks / Total assets	7.3%	13.9%	-6.6%
Loans and advances to customers / Total assets	65.7%	64.4%	1.3%
Loans and advances to customers / Direct deposits	85.08%	80.70%	4.4%
Amounts due to banks / Total assets	5.6%	5.7%	-0.1%
Amounts due to customers / Total assets	51.9%	49.6%	2.4%
Securities issued / Total assets	25.3%	30.3%	-4.9%
Direct deposits / Total assets	77.3%	79.8%	-2.6%
Administrative expenses / Net interest and other banking income (intermediation margin)	58.3%	57.8%	0.5%
Net operating profit / Net interest and other banking income (intermediation margin)	34.4%	31.4%	3.0%
Net profit for the period ([3]) / Net interest and other banking income (intermediation margin)	20.0%	17.7%	2.3%
Net profit for the period ([3]) / Shareholders' equity (R.O.E.)	12.2%	12.8%	-0.6%

([3]) the figures at 31 December 2005 do not include revenues resulting from the market listing of Anima SGRp.A., which amount to Euro 59,156 thousand

STRUCTURE AND PRODUCTIVITY DATA

Other data	31.12.2006	31.12.2005	Change Amount	%
Number of employees	1,264	1,211	53	4.4%
Number of bank branches ([4])	108	103	5	4.9%
Loans and advances to customers by employee	2,778	2,541	237	9.3%
Direct deposits by employee	3,265	3,148	116	3.7%
Net interest and other banking income (intermediation margin) by employee	207	199	8	4.0%

([4]) the figure at 31.12.2006 is net of the 6 branches contributed to Banco Desio Veneto S.p.A

2. THE BASELINE SCENARIO

2.1 THE MACROECONOMIC FRAMEWORK

In 2006, the world economy consolidated the positive trend underway, reporting growth of the *gross domestic product* of 5.1% (according to the most recent FMI estimates), with respect to the increase of 4.9% recorded in 2005, while also attaining more balance in key industrial areas.

The economy was sustained in particular by Asia, led by Japan which showed growth of 2.8%; the Euro Area and the United Kingdom, which both recorded significant increases, respectively of 2.6% and of 3.0%; and, despite being slightly lower this year due to the net weakening of the real estate market, by the United States marking growth of 3.4%.

The emerging countries, especially China and India, also continued to significantly contribute to development of the world economy, demonstrating considerable strength with growth rates near to, and often higher than, 10%.

As regards *consumer prices*, the continuation of the positive phase, along with the very noticeable rise in energy products in the early part of the year, when the price of crude oil broke records by trading at US $ 78 per barrel in July, as well as rising prices in raw materials, caused most central banks to make hikes to the official interest rates, that varied widely over time according to the severity of the inflation risks and the general trend in the economy.

The appearance of signs that the United States' economy was slowing-down, the corrective measures taken and the gradual decline (albeit with a pervasive high volatility at year-end) in oil prices as a result of lower demand for heating fuel pursuant to the above-average temperatures in the northern hemisphere, have relieved some of the pressure exerted on prices.

In the United States, the rate of inflation settled at 3.2%, down from the 3.4% in 2005, while the inflation rate in Japan registered a slight upward change of 0.1% compared to the 0.5% decrease last year. Inflation in the Euro Area stabilized at 2.2% and Italy was perfectly in line with the figure; France and Germany showed lower inflation rates, respectively of 1.9% and 1.8%, while Spain was set apart by an increase of 3.6%.

The overall trend of the *currency market* demonstrated a 1% appreciation in the average annual exchange rates of the Euro to the US dollar and even higher in the Euro against the Japanese yen, against which the Euro appreciated by 6.8%. Compared to the British pound, however, the European currency lost around 0.3% of its value.

The main *risk factors* in the outlook of the international scene are represented by the heavy global imbalance in the foreign trade accounts, despite the limiting effects arising from the narrowing in the growth gaps between the main industrial areas; fears of an intensification of protectionist attitudes and measures; and the possibility of a reversal of the favourable conditions that currently prevail on the financial markets, markets that have made investments in large part on the income of oil exporting countries, also favoured by the currency exchange trends.

UNITED STATES

On the whole, the increase in the gross domestic product of 3.4%, a percentage slightly lower than the average of the previous three years, is largely attributed to household consumption, sustained by the increase in real disposable income, partly offset by the additional and marked decrease in fixed investments in the residential building industry, in the framework of a weakening in the housing market, although there has also been an increase in imports and a slight correction in the inventories in the manufacturing sector.
Also making positive contributions were the vigorous expansion of fixed investments in many sectors other than the residential building industry and continued high levels of private consumption, attributable to constant increases in income, decreases in the use of energy resources and additional increases in household debt.

The rise in the price of oil and the sizable acceleration in the cost of personnel per product unit in non-farming businesses have contributed in large measure to the pressure on the trend in consumer price, whose rate of growth rose rapidly to 4.3% in the early part of the year to then settle at an average 3.2% at period-end, pursuant to a economic cool down that also suggested a respite in the series of adjustments in federal funds rate, made in the first half year of 2006 and which remained unchanged at 5.25% since June 2006.

Industrial production reported an annual growth rate of 4.1%, which was accompanied by a decrease in the unemployment rate, which amounting to 4.6%.

ASIA

In *Japan*, the strengthening of the economic recovery, that led to an increase in the gross domestic product of 2.8% with respect to the 1.9% reported in the previous period, was vigorously sustained by exports, private consumption, and the stable flow of company investment, gradually bringing the economy past the long phase of deflation that had gripped it in previous years.
Industrial production increased by 4.2% on an annual basis, while the unemployment rate was at 4.1%, a historic low not seen since 1998.

The run of the *Chinese economy* appears to be unstoppable and has shown no signs of reaction to the interest rate hikes and the other tightening measures introduced by the government to drain excess liquidity from the banking system, caused by the high increase in currency reserves, and to keep under control the development of credit and investments on deposits.
Attesting to this is the constant expansion in industrial production (especially in the automobile and microcomputers sectors) and retail sales and the upswing in fixed investments.
The trade surplus stayed at particularly high levels, thanks to the fast acceleration of exports, while the development rate of gross domestic product also remained very high, posting an average value of 11.4% for the twelve months.
The dynamic in consumer prices, still to a large degree government-controlled, was fairly limited, reporting inflation in the twelve months measured on the consumer price index near to 2%.

In the other emerging nations of Asia - among which India, Indonesia and Hong Kong SAR - there was also an intensification in the growth of the gross domestic product, driven by the domestic activities and by international trade.

ITALY AND EURO AREA

Since the end of 2005, the European banking system has also gradually made the currency conditions more tightened, pursuant to the improvements expected in growth of the Euro Area and the higher risks due to the stability of the prices related to energy rises and the increase in inflation expectations in the medium term.
On the whole, gross domestic product posted average growth rate of 2.6% in the twelve months of 2006, against the 1.5% a year earlier.

Concurrent with the fast expansion in world demand, the upswing in margins of competition by businesses in the Area, albeit with certain national specificities, helped along a recovery in exports, which was gradually passed on to investments.

Expansion of the industrial sector was particularly intense, reporting an increase of 4.7%. Investments also increased gradually, promoted by minimal levels of unused capacity with respect to the most recent five years and by advantageous financing conditions.
The acceleration, attributed to net foreign demand, reflects the rise in exports, against a slow down in imports.

In consideration of the risks due to the stability of prices forecast by the European Central Bank in the positive economic phase, ECB decided to raise its key refinance rate by 0.25 percent on 13 December, bringing it to 3.5%. This was the fifth rate hike in 2006.

The rate of inflation settled at 2.2% in the twelve-month period in consideration, equivalent to that of a year earlier.

Against an increase in the interest rate, the rise in household debt showed signs of stabilizing in recent months, albeit at very high levels, but at the same time, the level of indebtedness of non-financial companies continued to show a rising trend. As a result, credit continues to expand rapidly and in a generalized way, thus continuing to be the main determinant of the present-day currency strong dynamics.
The continuing strong expansion of the currency and credit represents upward risks for the stability of prices in the medium- to long-term, especially in light of the improvements in the economic situation and the continued buoying of the real estate markets in many parts of the Area.

Therefore, the year just ended showed an upswing in the *domestic economy* which led to an estimated increase in gross domestic product at around 1.9%, interrupting a cycle of virtual stagnation which has lasted for more than four years.

The driving forces are mainly related to the positive trend in the export market, the improved credit conditions, the rise in the employment rate, and the renewed confidence of the economic community. Italian industrial production rose on average by 2.1% with respect to a year earlier, which reported a decrease of 0.9%.

However, it is necessary to use extreme caution in evaluating the final figures reported since, while growth generally holds many virtuous components - especially the significant rise in exports and investments -, it also has features that bring only partial satisfaction. In fact, the positive trend of last year tended to realign with the longer period (the average growth rate of gross domestic product in 1980-2001 was 1.7%) but it comes on the heels of a four-year period of near-zero growth: as a result, there was actually little growth with respect to levels that had remained unusually low over the long term.

Looking to the future, the medium-term outlook for the economy remained positive and the circumstances would seem to prevail for the Italian economy, and the Euro area in general, to continue to grow at sustained levels, approaching full potential.
On the whole, global expansion should remain strong and continue to sustain exports while domestic demand should continue to be active.
Investments are expected to continue to be dynamic, drawing benefits from an extended period characterized by very positive financial conditions, high past and current profits, and increased efficiency of the companies. Consumption should also strengthen further over time, in line with the trend in real disposable income, while the employment situation is expected to improve.

2.2 THE CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

In 2006, *the international securities markets* showed significant growth in stock prices: in particular, the *Standard & Poor's 500* index of the New York Stock Exchange reported an annual increase of 12.2%, the *Nikkei 225* index of the Tokyo Stock Exchange was up 7.2% and the *Dow Jones Euro Stooxx Large* of the Euro area was up 14.6%.

The indices of the New Economy on an international level have reported the following trends: the *Mib Tech Star* posted a rise of 17%, the *Tech Dax* +22%, *the French technologies index* increased by 5.7% and the *Nasdaq* was up 8.2%.

The *Mibtel,* the general index of the Italian Stock Exchange, ended the year with a positive change of 18.3% compared with the 15.1% in 2005. Total capitalization of the Italian Stock Exchange at period-end was Euro 778.5 billion, Euro 100 billion more than in 2005. In relation to gross domestic product, capitalization of the Milan Stock Exchange increased from 47.7% last year to 52.8%.
Observing the breakdown of the main stock market by macro-sector, we find a certain intensity in the rise in capitalization of the securities belonging to the industrial sector and a good performance in the services and financial sectors (+10.6%), the latter driven largely by the performance registered in the bank sector (15.6%).

With reference to the *banking sector*, at year-end 2006, total deposits (banks, bonds, and subordinated loans) of all financial and monetary institutions in the Euro Area registered growth of 9.3% over the twelve months, while the trend growth rate of loans to residents, including non-performing loans and repos, net of the transactions made between credit and financial institutions, was 9.3%.

In Italy, with reference to the funding activities, ABI updates show a consolidation at year-end 2006 in the trend in deposits denominated in Euro in all Italian banks, represented by saving deposits, bank accounts, certificates of deposit and bonds.

In particular, *bank deposits* (savings accounts and bonds) reported an increase of 8.1% with respect to the 8.6% last year, showing a deceleration in the trends of customer deposits, whose growth rate was equal to 6%, and a slight acceleration in the bank bonds dynamics, which continue to show sustained growth, with 11.4%.

As regards deposits, namely bank deposits including repurchase agreements with customers, there was slowdown in the current accounts trends, estimated at 6.3% with respect to the 7.4% last year, a marked rise in the repurchase agreements trends, equal to 24% with respect to 12% last year, and a substantial contraction in certificates of deposit, in the short-term and long-term, with a contraction of 10%.

Bank loans in Italy showed growth of 11.2%, with respect to the 8.6% a year earlier, highlighting an increase of 11.6% for the medium- to long-term portion while the short-term portion showed an increase of 10.5%.

From an analysis of loans by economic business sector, we find a marked acceleration in the rate of growth of loans to non-financial companies of 12.4% (with respect to the 5.1% in 2005) which translates to a strengthening of the share of loans in this sector, equal to 62.6% on the total, clearly better than the average of 45.9% in the Euro area.
The trend in loans to households registered a slightly lower growth rate with respect to the business sector, standing at 9.9%.

Continuously higher rates of development distinguish the business segment represented by consumer credit, which reported an increase of 12.2%, markedly higher than the Euro Area, which was equal to 6.2%.

The primary risk indicators show additional improvements in the quality of credit: the ratio of net non-performing loans/total loans stands at 1.35% while the ratio of net non-performing loans to regulatory capital stands at 7.44%.

The *securities portfolio* of banks shows growth of 8.1% in the twelve months, mainly due to the component "other securities" whose impact increased from 47.8% to 54%, against a decrease in the weight of short-term securities and CCT for 7.3 %, and a slight increase in the percentage attributed to BTP equal to 1.1%.
The ratio between securities and loans denominated in Euro has decreased to 14.0%, compared to the 14.4% in December 2005.

Finally, as regards key *interest rates*, the average interest rate paid in 2006 to clients on bank deposits, which includes the yield on deposits, bonds, and repurchase agreement for households and non-financial companies, increased gradually and was in line with market trends, rising from 1.72% in December 2005 to 2.23% in December 2006.
Correspondingly, the weighted average rate on all loans to households and non-financial companies gradually rose from 4.65% at December 2005 to 5.38%.

3. THEMES OF STRATEGIC IMPORTANCE AND DEVELOPMENT POLICIES

3.1 ACTIVITIES OF BANCO DI DESIO E DELLA BRIANZA S.p.A.

In a scenario characterized by rising competition and a highly unstable, contradictory and complex economic background, the ability to improve and grow has assumed more and more importance, representing a real competitive advantage and added value for the market, regardless of the size of the company. This is the challenge that Banco di Desio e della Brianza S.p.A., and the Banco Desio Group as a whole, has decided to undertake and continues to face with decision and with the necessary flexibility, dictated by market dynamics.

In performing its activities, Banco di Desio e della Brianza incorporates three roles that reflect its unique and linear style of strategic conduct and operations throughout the Group.

The primary role of Banco Desio is as a commercial bank, with its own distribution network that develops close relationships with households and SMEs, consisting of a total of 108 branches as of 31 December 2006.

Its secondary role is as a Parent Company which, as part of its work of direction, coordination and control, defines strategic orientation and guidelines for development, in line with its nature as an "independent" Group, while also heading up development and integration of the individual companies.

Finally, Banco di Desio e della Brianza also acts as a "services" company for its subsidiaries, with a different degree of involvement depending on the type of business - banking, parabanking, asset management and insurance - undertaking responsibilities of operations and consulting, optimizing costs through economies of scale and facilitating governance of the Group.

3.2 DEVELOPMENT OF THE DISTRIBUTION NETWORK

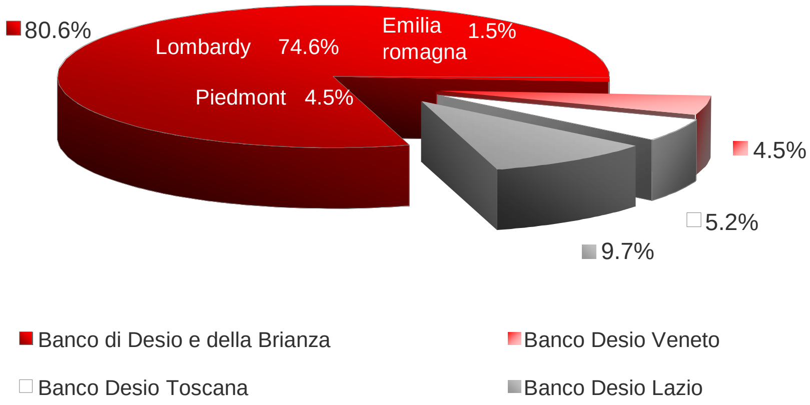
The development pace of the banking business has been intense for several years now, buoyed by rates of growth on average higher than the system and expansion of the distribution network that at the end of 2006 reached a total of 108 branches, with an annual increase of five units, representing a rise of 5%. At year-end 2006, the Group reached a total of 134 branches, adding a further 16 units representing a rise of 14%.

The distribution network is increasingly outspread and complex and continues to be distinguished by the high centrality of the relationship with customers, the capacity for new openings to achieve a return on investment in the shortest possible time and for the considerable potential of expansion of its market shares, thereby "self-financing" development and growth of the network, in agreement with the Business Plan of the Group for the three years 2005-2007.

Continuity in the policy of expansion targeted toward planting deep roots in contiguous and complementary local areas and the governance of other local opportunities has led Banco Desio e della Brianza to be present in three Regions, that is Lombardy, Piedmont, and Emilia Romagna, to which Veneto, Tuscany and Latium are to be added by considering the distribution network at Group level as a whole.

The graph below highlights the percentage allocation of the distribution network on a Group level by company of belonging and reference region.

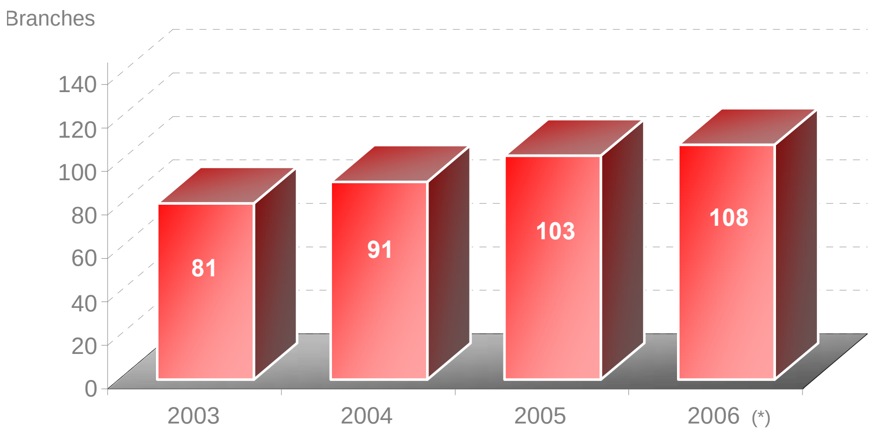
Chart No. 1 - **THE DISTRIBUTION NETWORK: BREAK-DOWN BY GROUP BANKS AND BY REGION**



In completion of the provisions in the strategic three-year Business Plan 2005/2007, for the year in progress, the term of silent consent has already passed from the Bank of Italy for opening a total of seven outlets relating to the Parent Company Banco di Desio e della Brianza alone (at Group's level an opening of a total of fifteen outlets is forecast).

The graph below represents the growth in size reached in the most recent years by Banco di Desio e della Brianza, showing an average rate of growth in the three-year period 2004-2006 of 10.1%.

Chart No. 2 - **THE GROUP DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS**



(*) figure as of 31.12.2006 is net of the 6 branches contributed to Banco Desio Veneto S.p.A

3.3 BUSINESS PLANS

Veneto Plan

As part of the geographical diversification strategies implemented in recent years, the development plan in the Region of Veneto continued in 2006.

The new company, Banco Desio Veneto S.p.A, formed on 9 November 2005 with share capital of Euro 21 million, wholly subscribed and paid in cash by the controlling company and the sole shareholder Banco di Desio e della Brianza, began operations on 1 October 2006, pursuant to the transfer - and the subsequent rise in capital - of the business unit made up of six bank branches operating in the Veneto areas of Vicenza, Verona, Schio, Villafranca, Padova and Arzignano.

The total value of the business unit transferred – calculated on the balance sheet value at 30 June 2006 submitted to a sworn appraisal in accordance with the law and considered congruent by the Board of Directors based on the balance sheet value at 30 September 2006 - was set at Euro 2.1 million; shareholders' equity of Banco Desio Veneto S.p.A. at 1 October 2006 has remained unchanged at Euro 21 million by effect of start up reserve that balanced out the increase in capital pursuant to transfer.

At the date of start up of operations, Banco di Desio e della Brianza provided the subsidiary with Euro 10 million in the form of a 10-year subordinated, interest-bearing term loan, which falls under the heading "supplementary" Regulatory Capital.

As part of the preceding initiatives, in order to guarantee proper managerial skills and facilitate the key staff member involvement in bank business, the Parent Company has launched a specific stock option plan to attain the objectives included in the business plan.

In addition, in order for the new company to focus on commercial and other activities so as to seize opportunities on the reference market, as well as allow the Group to achieve significant economies of scale with the resulting positive economic effects, the new company also made wide use of outsourcing of the technical, administrative and consulting services to the Parent Company. For its part, by providing these services, the Parent Company can have up-to-date information useful for Group governance.

"Non-Life " Bank Assurance Sector

During the year, Banco Desio Group has started up an initiative in the "non-life" bank assurance sector with a view to extending the offer of insurance products, after the positive multiyear experience in the "life" sector through its subsidiary Chiara Vita S.p.A. (formerly Desio Vita S.p.A.): on 20 June 2006, "Chiara Assicurazioni - Compagnia di Assicurazioni sui Danni S.p.A." was formed, with share capital of Euro 7.5 million and an organizational fund of Euro 2.5 million, wholly paid up by Banco di Desio e della Brianza.

After executing the necessary authorization procedures, the Company started up operations within the deadlines envisaged by the plan, namely, as of 1 January 2007, with the ability to operate in the insurance lines 1 (Accident), 2 (Sickness), 8 (Fire and natural events), 9 (Other damage and assets), 13 (General civil liability), 16 (Monetary losses) and 18 (Health).

The business plan shows the importance of the synergies that can be obtained with a multiplicity of distribution and participatory agreements, in terms of expansion of the sales offer and as regards reaching appropriate critical volumes and considerable profitability.
This is the framework in which to interpret the attribution of a "neutral" denomination of the Company; in other words, one that does not denote the belonging to the banking group and the initiatives in progress with a view to involving bank partners in the distribution of its products.

A special stock option plan was prepared for this new company and it will also make wide use of outsourcing of technical, administrative and consulting services to the Parent Company.

Acquisition of DWS Investments Italy SGRp.A business arm by Anima SGRp.A.

Anima SGRp.A. signed a preliminary agreement on 18 December 2006 for acquisition of the business arm of DWS Investments Italy SGRp.A., a company controlled by Deutsche Bank, made up essentially of relationships relating to 34 mutual funds, with a total managed asset base at this time of seven billion euro and related distribution agreements.

For Anima SGRp.A., a company that serves some 200 thousand customers and is characterized by a dynamic operating style, a value/contrarian approach and the absence of a proprietary distribution network, the transaction represents an important opportunity for development that matches strategic objectives and is expected to ensure significant growth, with a long-term agreement for distribution of its funds by Deutsche Bank through the network of more than 1,000 Finanza & Futuro Banca promoters and its 240 branches.

The acquisition includes a payment plan determined based on criteria whose parameter is related only to an eventual decrease in the assets under management in the thirty months subsequent to the closing, with a resulting limited impact on equity.

Execution of the transaction, contingent on obtaining the necessary authorizations from the Bank of Italy and the Antitrust Authorities, should take place by the fall of 2007.

3.4 OTHER TRANSACTIONS RELATED TO SUBSIDIARY/ASSOCIATED COMPANIES

Exercise of Call Options to the Controlling Company on subsidiary companies shares

In execution of the *call/put* agreements signed on 29 December 2006, Banco di Desio e della Brianza acquired from the Controlling Company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. the outstanding minority interests in the subsidiaries Brianfid Lux SA, Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) and Banco Desio Lazio S.p.A., which thus became 100% subsidiaries.

The transaction entailed a total payment of around Euro 0.76 million. Additional details are given in the paragraph of the Explanatory Notes relating to transactions with Related Parties and, in particular, to transactions with the Controlling Company.

Increase in capital of Banco Desio Lazio S.p.A. and Chiara Vita S.p.A.

During the year, Banco Desio Lazio S.p.A. and Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) executed an increase in capital in exchange for payment, at par, each for a total of Euro 10 million, with a view to bolstering the capital to support operations and growth.
For each increase of capital, Banco di Desio e della Brianza subscribed and paid up Euro 9.9 million, as not yet absolute holder of all shares (see the paragraph in the Explanatory Notes relating to transactions with Related Parties and, in particular, transactions with subsidiaries).

The increase of the equity shares indirectly held by the subsidiary Brianfid-Lux SA in the Swiss subsidiary companies

Pursuant to other "put" options exercised by minority shareholders with execution in the early months of 2006, the shares held indirectly by Banco di Desio e della Brianza through the subsidiary Brianfid-Lux SA in the Swiss subsidiaries C.P.C. SA and Valorfin SA increased respectively to 87.44% (80.036% before) and 95.00% (92.60% before). Unlike the previous year, these increases have not required fresh amounts of equity in the Luxembourg-based sub-holding.

The increase of the majority holding in Istifid S.p.A.

The Board of Directors of Banco di Desio e della Brianza resolved in the month of December 2006 to take part in the offer for first-refusal acquisition of the share package of Istifid S.p.A., a 12.035%-owned trust company which performs services in synergy with and/or on behalf of the bank, pursuant to the sale by two reference shareholders of a total share of 40% of the share capital.

Pursuant to the determinations made by the other shareholders, the equity investment of Banco di Desio e della Brianza in the company would rise to at least 21.65%, subject to authorization by the Bank of Italy, as the interest is classified among equity investments in financial companies. At the date of approval of this Report, the authorization procedure is currently being executed.

4. HUMAN RESOURCES

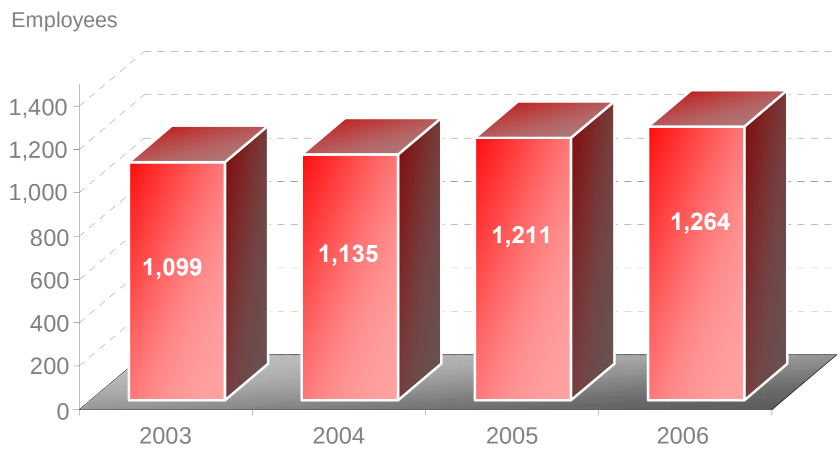
4.1 RESOURCES MANAGEMENT

At year-end 2006, the total staff of the bank amounted to 1,264 staff members, with an increase during the year of 4.4%

An average increase of 4.8% over the last three years, considerably less than the rate of increase of the distribution network in the same period, equal to 10%.

The graph below represents the total numeric development of the staff, as from year end 2003.

Chart No. 3 - **THE GROUP STAFF NUMERIC DEVELOPMENT IN THE LAST FEW YEARS**



The table below provides a detail of personnel by level of employment at year-end 2006, compared with the total in the previous year.

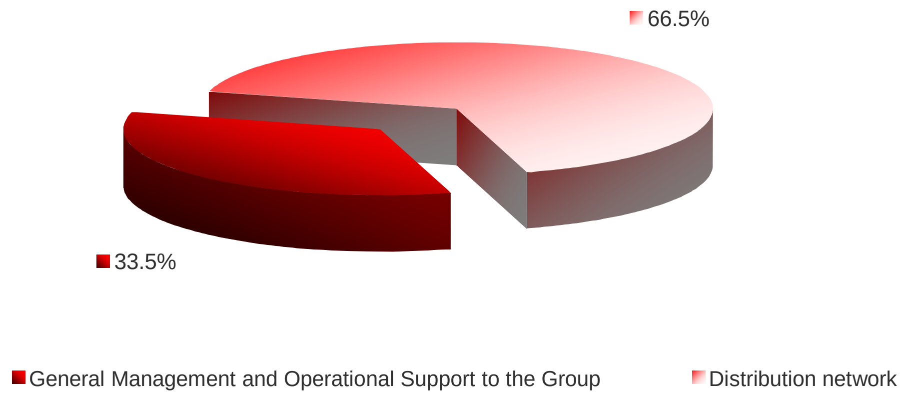
Table No. 1 - **PERSONNEL: BREAK-DOWN BY QUALIFICATION**

	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	%
Executives	21	1.7%	19	1.6%	2	10.5%
3rd and 4th level managers	272	21.5%	264	21.8%	8	3.0%
1st and 2nd level managers	300	23.7%	272	22.5%	28	10.3%
Other personnel	671	53.1%	656	54.2%	15	2.3%
Personnel	**1,264**	**100.0%**	**1,211**	**100.0%**	**53**	**4.4%**

The Bank continues to be successful in maintaining an extremely low turnover of staff. Over 2006, excluding cases of retirement and inter-group mobility, recorded turnover was about 2%, less than that taken as the system average.

The graph below shows the break-down of Banco di Desio e della Brianza's work-force at the end of 2006 based on areas in the business, identifying the distribution network as that with the majority of staff (66.5%).

Chart No. 4 - **PERSONNEL: BREAK-DOWN BY SECTOR TO WHICH IT BELONGS**



At the end of 2006 the average age of staff was 41 while the proportion of women, substantially unchanged with respect to the previous year, amounted to 33%.

4.2 TRAINING AND INTERNAL COMMUNICATIONS

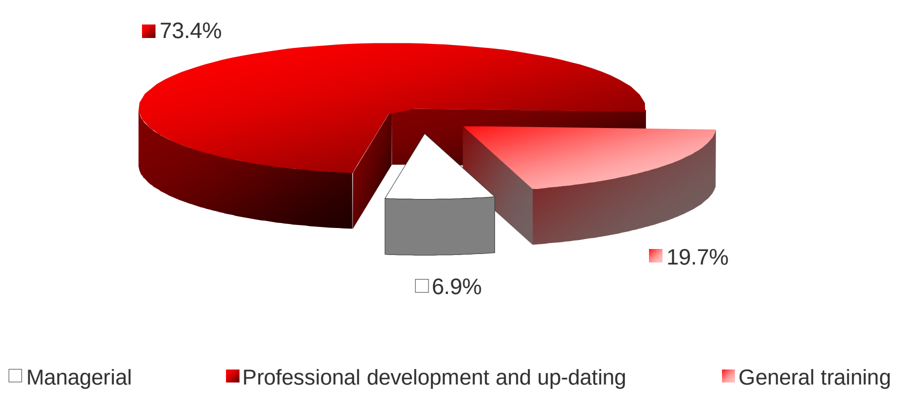
Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread Group culture.
While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the spread of values and ideas and information sharing within the Group.

Over 2006 staff participated in a total of 3,964 days of training, corresponding to an average of 3.1 days per staff member.
Training activities can be divided into three main categories, that is:

- *managerial*, aimed at developing specific management skills and abilities, with particular emphasis on those of a strategic nature,
- *professional development and up-dating,* initiatives aimed at developing, consolidating and maintaining professional skills over time connected to specific roles and contexts;
- *general training*, involving training initiatives not tied to specific roles or contexts such as those seeking to influence behaviour and development of individual attitudes.

The graph set out below shows the percentage division of the training meetings held over 2006 into the three categories described above.

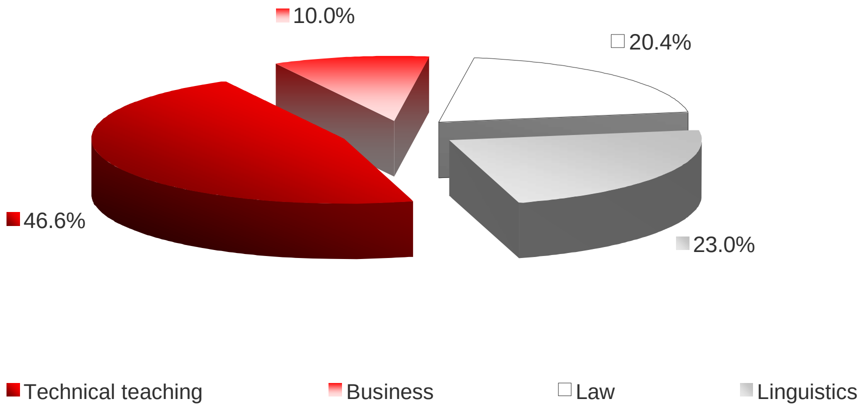
Chart No. 5 - **TRAINING ACTIVITIES: BREAK-DOWN BY CATEGORY**



Managerial training over the year was mostly concerned with the new model for the performance evaluation system while professional development and up-dating touched on a number of different areas, including Market abuse, the Savings Law and Basle II, up-dating on financial markets and products for the "private" customer area, English courses for a number of Head Office employees and training on operational activities and "over-the-counter" marketing designed for new recruits.

The graph shown below demonstrates the division of training days concerned with *professional development and up-dating* based on the classification of the subjects dealt with.

Chart No. 6 - **PROFESSIONAL DEVELOPMENT AND UP-DATING: BREAK-DOWN BY SUBJECT**



4.3 RELATIONS WITH UNION ORGANIZATIONS

Relations with union organizations are always marked by a serene and constructive relationship. In this context are the agreements reached in 2006 on essential themes such as the contribution to the pension fund and health service. In addition, talks began regarding renewal of the Company Supplementary Contract on a Group bank level - discussions are still ongoing.

As regards discussions on a national level, we note that the unions have recently submitted a renewal plan of the National Collective Bargaining Agreement for personnel hired in middle management and in professional areas and that negotiations have recently commenced.

5. SUPPORT AND CONTROL ACTIVITIES

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

In the exercise of its function of direction and co-ordination, Banco di Desio e della Brianza, as Parent Company, effects three levels of control on the subsidiaries in order to implement the specific "co-ordination model" selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location, identifying the competent control functions of the Parent Company.

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

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

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

5.2 INTERNAL CONTROL SYSTEM

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

At a Group level this system takes the form of the following three types as defined in the instructions issued by the Bank of Italy:
- line controls, aimed at ensuring the proper conduct of operations;
- checks on Risk Management to define the methods used for risk measurement, to confirm compliance with the limits assigned to the various operational functions and to monitor the activities of individual operational areas to ensure they are consistent with risk objectives/defined returns. These checks are entrusted to the responsible function within the ambit of the Strategic Planning, Management Control and Risk Management areas of the Parent Company;
- Activities of Internal Audit, with the goal of identifying anomalous trends or breaches of procedure and rules, and of assessing of the functionality of the internal control system as a whole.

The duty of supervising the internal control system in consideration of the chosen "Co-ordination Model" for each subsidiary company, has been allocated to the Group Internal Audit Area whose activities are regularly referred to the Top Management, the Parent Company's Board of Directors, to individual Directors so far as falling within their related area of competence and to the individual Boards of Directors of the subsidiaries. Periodical evaluations of results are carried out by the Board of Statutory Auditors and the Internal Control Committee.

In the conduct of the above duties, the Internal Audit Area:
- examines at "one remove", all the information that each subsidiary is required to provide in relation to the internal controls effected by its own functions together with all other information considered useful in that regard;
- carries out inspection visits to each subsidiary, normally following predefined "audit plans";
- defines and transmits goals and general instructions to those companies in the Group with a dedicated internal function, receiving the periodical reports of the checking activities carried out while itself carrying out checks directly on those Group companies which have centralised the related function to the Parent Company.

5.3 RISK MEASUREMENT AND MANAGEMENT

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

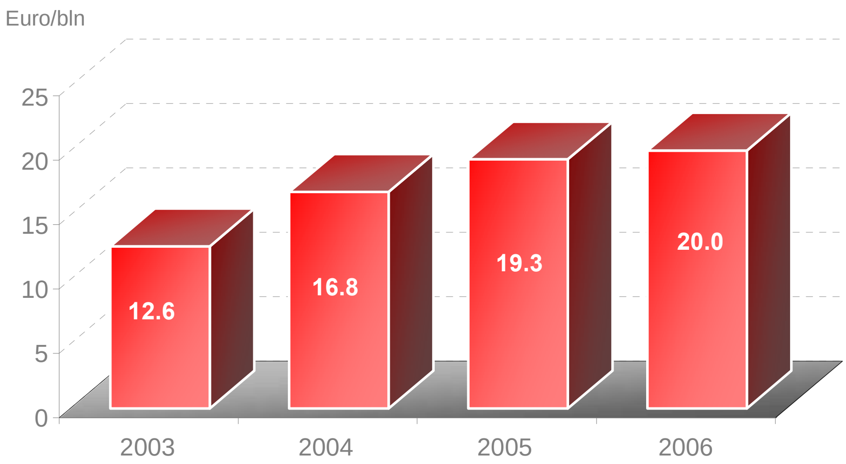
6. MANAGEMENT TREND

6.1 SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of 2006 total administered customer assets exceeded Euro 20 billion representing an annual growth of Euro 673 million, amounting to 3.5%, conditional on the moderate trend of the "institutional deposits".

Trends in overall deposits over the last three year period from 2004 to 2006 are shown in the graph set out below.

Chart No. 7 - **TOTAL DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



With reference to the break-down of the overall figure, the related components, as shown in Table 2, indicate more sustained growth in direct deposits with an annual increase of 8.2% with respect to indirect deposits amounting to Euro 15.9 billion, representing growth of 2.3% with respect to the preceding accounting period.

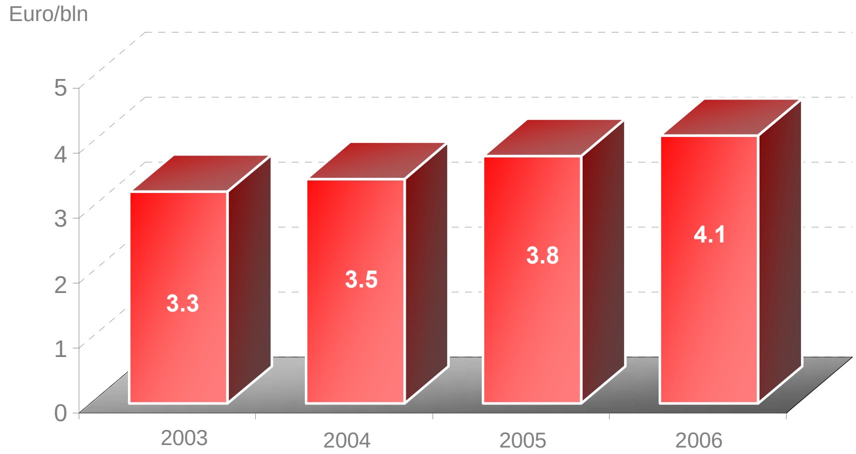
Table No. 2 - **DEPOSITS FROM CUSTOMERS**

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Amounts due to customers	2,773,688	13.9%	2,366,995	12.2%	406,693	17.2%
Securities issued	1,352,732	6.8%	1,445,651	7.5%	-92,919	-6.4%
Direct deposits	**4,126,420**	**20.6%**	**3,812,646**	**19.7%**	**313,774**	**8.2%**
Indirect deposits	**15,875,110**	**79.4%**	**15,515,401**	**80.3%**	**359,709**	**2.3%**
Total deposits from customers	**20,001,530**	**100.0%**	**19,328,047**	**100.0%**	**673,483**	**3.5%**

Direct deposits

The graph shown below illustrates the extent of the development of direct deposits over the last three years, with annual growth rates averaging 8.1%.

Chart No. 8 - **DIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



An analysis of the figure representing amounts due to customers at the end of 2006 has been set out in the next table, using the PUMA2 database. It can be seen that the "on sight" component of direct deposits made up of current accounts and savings deposits and amounting to Euro 2.3 billion, has grown by Euro 0.2 billion or 9.5% with respect to the preceding year.

When changes in the type of customer depositing funds with the bank are examined, it can be seen that there has been a significant increase in family-based deposits. This sector grew by Euro 143 million, reaching a total of nearly Euro 1.3 billion by the end of the year. There has also been an increase in deposits from non-financial companies, reaching a total of Euro 667 million with annual growth of 23%. This was mirrored by other categories except for finance companies where deposits reduced by Euro 90 million.

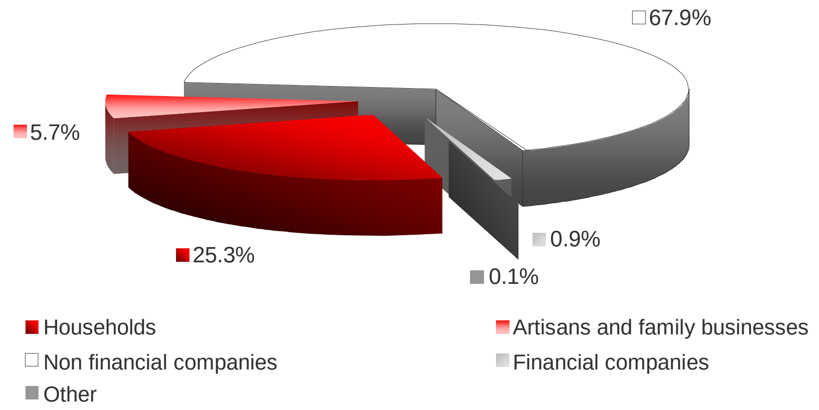
The final balance of reverse repurchase agreement shows a significant increase with respect to the previous accounting period. This is due, above all, to increased customer demand replacing the technical bond form – this latter has been affected by the new provisions introduced by the CONSOB regulations leading to a temporary slow-down in their distribution.

Table No. 3 - **AMOUNTS DUE TO CUSTOMERS**

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Households	1,287,614	46.4%	1,144,873	48.4%	142,741	12.5%
Small businesses and family businesses	91,152	3.3%	73,763	3.1%	17,389	23.6%
Non financial companies	666,853	24.0%	542,061	22.9%	124,792	23.0%
Financial companies	190,786	6.9%	280,533	11.9%	-89,748	-32.0%
Private social institutions and others	28,335	1.0%	23,435	1.0%	4,900	20.9%
Insurance companies	30,303	1.1%	26,585	1.1%	3,718	14.0%
Other	7,792	0.3%	12,693	0.5%	-4,900	-38.6%
Current accounts and savings deposits	**2,302,835**	**83.0%**	**2,103,944**	**88.9%**	**198,891**	**9.5%**
Reverse repurchase agreements	**470,853**	**17.0%**	**263,051**	**11.1%**	**207,802**	**79.0%**
Amounts due to customers	**2,773,688**	**100.0%**	**2,366,995**	**100.0%**	**406,693**	**17.2%**

The graph illustrated below shows a percentage break-down by customer type of the "on sight" component of deposits as at 31 December 2006. It clearly demonstrates that households continue to be the Bank's "core business" representing about 56% of the total. This confirms the "retail" character of the bank's business activities.

Chart No. 9 - **CURRENT ACCOUNTS AND SAVINGS DEPOSITS AS AT 31.12.2006: BREAK-DOWN BY CUSTOMER TYPE**



Source: PUMA2 data processing as proportionally adjusted for alignment on accounting data

Indirect deposits

With regard to indirect deposits, the total figure recorded for the 12 month period grew by Euro 360 million, equal to 2.3%, which can be explained as an effect of the positive trends in deposits from "ordinary" customers which, thanks to the significant contribution from the administered assets sector, (of particular significance, with an increase of 13.1% with respect to the previous year) and managed assets sector. This latter sector has seen an increase of Euro 165 million, corresponding to an annual growth of 5.5% attributable to the increase in the "life" insurance sector.

Indirect deposits by ordinary customers has been partially off-set by a slight downturn in deposits from institutional customers in the order of 1.4% which can be explained by the reduction in volumes relating to depositary bank activities.

The table set out below shows a break-down of the overall balances under consideration, highlighting the differences recorded at the end of the 12 month period.

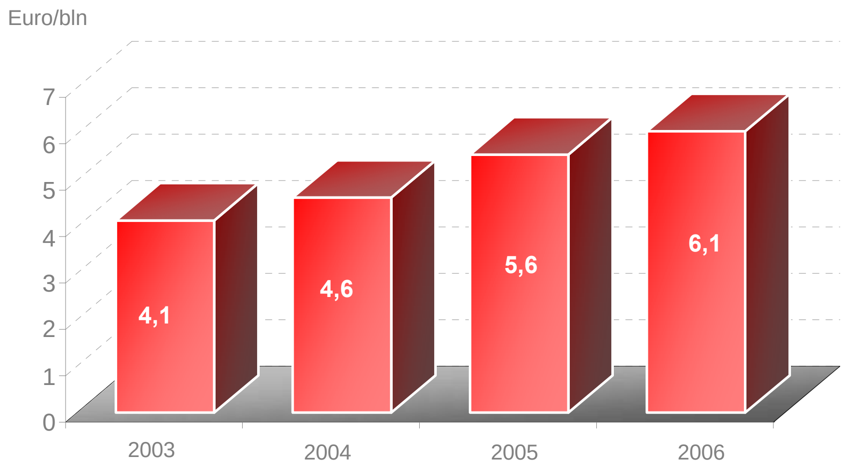
Table No. 4 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Asset administration	**2,913,531**	**18.4%**	**2,575,216**	**16.6%**	**338,315**	**13.1%**
Asset management	**3,156,610**	**19.9%**	**2,991,439**	**19.3%**	**165,171**	**5.5%**
of which: Mut.Fund and Open-end Inv. (1)	*1,138,509*	*7.2%*	*1,209,481*	*7.8%*	*-70,972*	*-5.9%*
Portfolio management (2)	*714,236*	*4.5%*	*720,450*	*4.6%*	*-6,214*	*-0.9%*
Bank Insurance	*1,303,865*	*8.2%*	*1,061,508*	*6.8%*	*242,357*	*22.8%*
Deposits from ordinary customers	**6,070,141**	**38.2%**	**5,566,655**	**35.9%**	**503,486**	**9.0%**
Depositary Bank (3)	7,599,089	47.9%	8,290,590	53.4%	-691,501	-8.3%
Other	2,205,880	13.9%	1,658,156	10.7%	547,724	33.0%
Deposits from institutional customers	**9,804,969**	**61.8%**	**9,948,746**	**64.1%**	**-143,777**	**-1.4%**
Indirect deposits	**15,875,110**	**100.0%**	**15,515,401**	**100.0%**	**359,709**	**2.3%**

(1) net of mutual fund and open-end investments units under portfolio management and fund-based portolio management
(2) net of liquidity in current accounts and of securities issued by the bank
(3) of which Anima Mutual Funds represent about 93% as at 31.12.2006

Graph 10 illustrates the growth trend of indirect deposits from ordinary customers over the last three-year period from 2004 to 2006 of the bank's business activities, thanks to an average annual rate of 13.6%.

Chart No. 10 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS**: **TREND OVER THE LAST FEW YEARS**



The composition of indirect deposits from ordinary customers as at 31 December 2006 has been set out in the graph below. The second graph concentrates rather on the percentage break-down of managed assets, highlighting the position of bank life insurance with the largest share, representing 41.3% of the whole.

Chart No. 11**- INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS AS AT 31.12.2006: BREAK-DOWN**

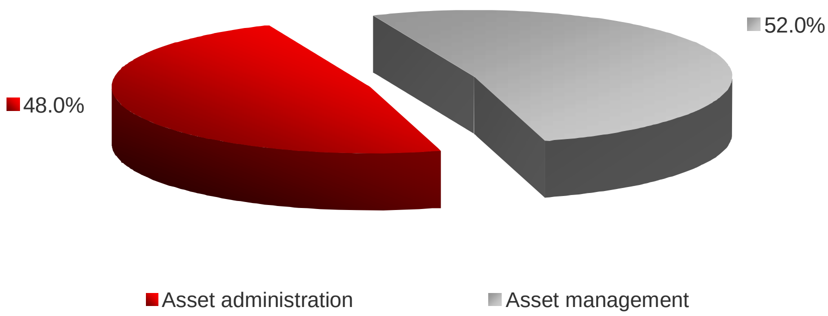
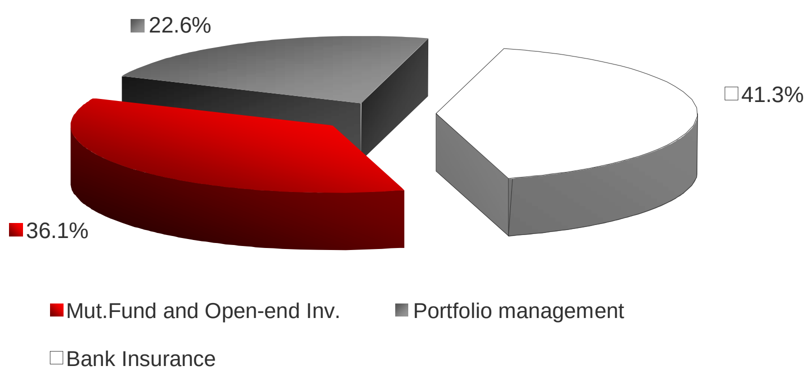


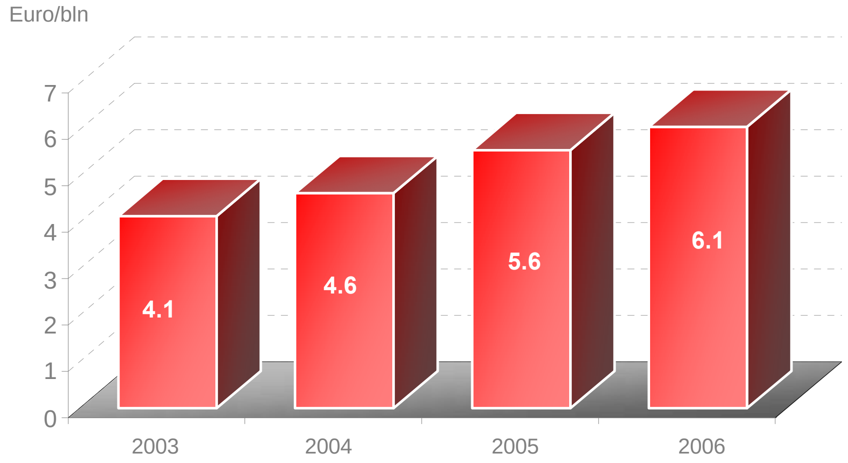
Chart No. 12 **- INDIRECT DEPOSITS FOR ASSET MANAGEMENT AS AT 31.12.2006: BREAK-DOWN**



6.2 CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At the end of 2006 the total value of loans to customers reached Euro 3.5 billion, with an increase of more than 14% with respect to the balance of the previous year. This is better than the average performance of 10.8% over the three-year period from 2004 to 2006 – the related trends have been illustrated in the graph set out below.

Chart No. 13 - **THE TREND OF LOANS TO CUSTOMERS OVER THE LAST FEW YEARS**



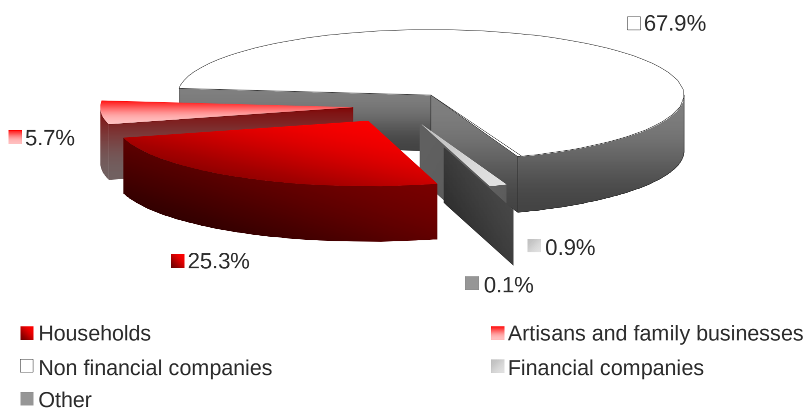
It can be seen from Table 5 that all components of the overall figure have experienced dynamic growth, highlighting in particular, medium and long-term loans, a trend consistent with those of the recent past.

Table No. 5 - **LOANS AND ADVANCES TO CUSTOMERS**

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Current accounts	971,177	27.7%	869,381	28.3%	101,796	11.7%
Mortgages and other medium/long term lo	1,856,515	52.9%	1,591,535	51.7%	264,980	16.6%
Other	683,152	19.5%	616,071	20.0%	67,081	10.9%
Loans and advances to customers	**3,510,844**	**100.0%**	**3,076,987**	**100.0%**	**433,857**	**14.1%**

Using the PUMA2 database we have set out below a summary in graphical form of the percentage break-down of total loans and financing by customer type as at 31 December 2006.

Chart No. 14 - **LOANS AS AT 31.12.2006: BREAK-DOWN BY CUSTOMER TYPE**

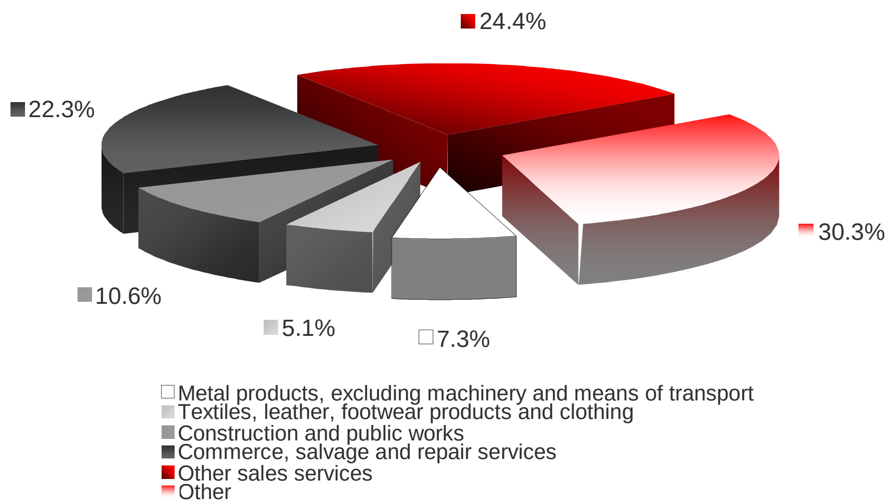


Loans to non-finance companies, at 67.9% of the whole and representing the most important sector, amounted to nearly Euro 2.4 billion and recorded growth of 14.4% over the year. The total value of family loans was around Euro 0.9 billion with an even greater increase when compared with 2005 of 17.4%.

The graph below concentrates on a more detailed analysis of loans to non-finance companies (accounting for 73.7% of the total) including loans for small businesses and family businesses (considered as such when employing no more than 5 employees). The division has been made by reference to the related economic sector.

The above highlights the importance of the tertiary sector generally with particular emphasis on trading, recovery and repair services together with the building and public works sectors.

Chart No. 15 - **LOANS TO NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2006: BREAK-DOWN BY ECONOMIC SECTOR**



The credit quality reflects the guidelines based on the principles of prudence and targeted development characterising the credit policies of the whole Banco Desio Group.
In the context of the distribution of cash loans, at the end of 2006 the amount of loans to the largest customers was down with respect to the previous year, following a greater division of risk as highlighted in the table below.

Table No. 6 - **LOANS TO LARGEST CUSTOMERS CONCENTRATION INDEX**

Number of customers	**31.12.2006**	**31.12.2005**
10 largest customers	2.4%	2.8%
20 largest customers	3.7%	4.2%
30 largest customers	4.7%	5.2%
50 largest customers	6.2%	6.9%

Furthermore, take note that, in accordance with the supervisory regulations in force, no positions were recorded at the end of 2006 that were classifiable as “Significant Risks” within the lending activities.

The total amount of impaired loans, represented by non performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, amounted to Euro 53.5 million, net of value adjustments of Euro 36.6 million.

As at 31 December 2006 net impaired loans were broken down into net non performing loans of Euro 24.8 million, net problem loans of Euro 17.8 million and expired loans of Euro 11.0 million.

The following table summarises the indicators relating to the degree of credit risk, at the same time highlighting a significant reduction in the majority of such indicators.

Table No. 7 - **LOANS AND ADVANCES TO CUSTOMERS: RISK CREDIT INDICATORS**

% Indexes for gross loans	**31.12.2006**	**31.12.2005**
Total gross impaired loans	2.53%	3.08%
of which:		
- gross non performing loans	1.44%	1.70%
- gross problem loans	0.77%	0.74%
- gross expired loans	0.32%	0.64%
% Indexes for net loans	**31.12.2006**	**31.12.2005**
Total net impaired loans	1.52%	1.78%
of which:		
- net non performing loans	0.71%	0.67%
- net problem loans	0.51%	0.46%
- net expired loans	0.31%	0.65%

6.3 FINANCE

The securities portfolio and exchange rate activity

On 31 December 2006 total financial assets stood at a value of Euro 836 million, of which Euro 8 thousand related to held-to-maturity assets, made up for the most part of domestic Government securities and showing an increase of 37.6% with respect to the final figure for the preceding year.

In a context of the flattening out of the yields curve and substantial stability in spreads, investment has been preferred in senior indexed securities of first rank Italian and European banks and the investment in Fund and Open-end investment fund units of important Asset Management Companies, forming part of the Portfolio management activities.

A prudential line was maintained in relation to rate risk, with average portfolio duration of 0.57 years.

Activities on share markets were characterised by daily trading concentrating for the most part on Euro Area markets, with a preference for more “liquid” securities.

Constant activity was also maintained for functional purposes, both in relation to hedges for the Bond Loans issued by the Group Banks and in the implementation of the index-linked insurance products of the Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) insurance company, a company belonging to the Group.

Activities on the exchange markets were mainly concentrated on the requirements of subsidiary companies and Institutional Customers.

We would note in particular the important entry of Banco di Desio e della Brianza as an ABN AMRO third party in CLS Bank, a financial institution set up in accordance with the wishes of the G20 banks, to regulate operations effected on currency exchange rate markets in relation to the main currencies.

Treasury

The Treasury department recorded a net positive inter-bank balance of Euro 93 million, compared to the balance of Euro 393 million on December 2005.

Intermediary activities on the deposit and *Eonia* market were in line with the previous year while inter-bank loans were reduced in favour of own securities to be used for operations involving repo transactions with ordinary customers.

Asset Management

Over 2006, in the managed sector the widening of the range of commercial products continued, with the initiation of a series of products capable of meeting even the most sophisticated demands of the customers. Thus, in particular and consistently with the above, the characteristics and risk profiles of "Personal Units" were defined in the context of informative prospectuses for Chiara Vita S.p.A. (formerly Desio Vita S.p.A.), while special Personal Flexible Lines were created for Banco Desio Toscana S.p.A.
Management products for the Private Banking Area were completely renewed with the offer of new "Private Management" lines with nine risk profiles and renewed benchmarks, implying a substantial revision in the approach to managed assets with regard, in particular, to a number of specialised markets. Additionally, a so-called "Customised" category was set up, allowing customers the possibility of identifying their own benchmark and providing the manager with precise instructions in relation to the weight of the markets in which investments should be directed or maintained.

Further investments were also made in IT support systems in order to continue the improvement of the monitoring of investments.

The Middle Office

Over the 12 months under consideration, the Middle Office was involved in settlement activities on international markets both for set-off operations and the expansion of trading markets.

There were more than 4,300 capital events affecting the foreign securities sector.

On the international tax front, particular attention was concentrated on the renewal of the status of Qualified Intermediary, expiring on 30 June 2006.

An application for TFA membership was made and successfully concluded as a consequence of the legal action initiated on behalf of the bond holders of securities issued by the Argentinean Republic by the completion of the formality of the delivery of the documentation necessary for each individual customer.

Depositary Bank activities

Over the year agreements were concluded for the appointment as Depositary Bank for pension funds promoted by Anima SGR.p.A. and Chiara Vita S.p.A. (formerly Desio Vita S.p.A.).

Still with regard to pension funds, much effort has gone into the organisational work designed to anticipate the analysis and application of the new legislative provisions concerned with

supplementary pensions (Legislative Decree 252 of 5 December 2005, anticipated on 1 January 2007).
Banco di Desio e della Brianza has in any case shown that it is ready to take on and guarantee its commitments to Anima SGRp.A. and Chiara Vita S.p.A., with particular attention to the start up of the so-called "*guaranteed lines"* set up by the "Anima Orizzonti" and "Soluzioni Previdenti" pension funds with the specific objective of being able to guarantee over time the required controls in the field of the transfer of "accruing employee termination indemnity" to workers.

Another development of particular importance was the signing of the agreement for the appointment as Depositary Bank for the "funds of funds" managed by MCGestioni SGR, a company belonging to the Sara Assicurazioni Group, coming into effect from the beginning of 2007, together with the related marketing and sale of the products by the Group network.

6.4 SHAREHOLDERS' EQUITY AND CAPITAL ADEGUACY

Shareholders' Equity as at 31 December 2006, including the net profits of the period, amounted to a total of Euro 480.9 million, an increase of Euro 45.1 million with respect to the figure recorded for 2005.

Shareholders' Equity calculated in accordance with the supervisory regulations in force, amounted to Euro 485.3 million with respect to Euro 438.4 million for the end of 2005. The figure is made up of basic shareholders' equity of Euro 438.8 million (Euro 386.2 million at the end of 2005) with supplementary shareholders' equity of Euro 91.7 million (Euro 77.3 million at the end of 2005) from revaluation reserves, positive reserves on securities and subordinate liabilities. The elements to be deducted amount to Euro 45.2 million and refer to equity investments in financial and insurance bodies.

Weighted risk assets, calculated as the product of total prudential requirements and the reciprocal of the minimum obligatory coefficient for credit risk, amounted to Euro 4.2 billion with respect to Euro 3.8 billion at the end of 2005.

The Tier 1 equity ratio, representing the ratio of basic shareholders' equity to weighted risk assets is 10.5%. The Tier 2 solvency ratio, representing the ratio between the regulatory capital and the weighted risk assets, amounted to 11.6% according to the supervisory regulations in force. This compares with the minimum coefficient required of banks belonging to banking groups by the regulations, of 7%. On 31 December 2005 the same coefficients were 10.1% and 11.5% respectively.

We would draw attention to the fact that the total share equity position at the end of 2006, that is, the part of equity which is "unrestricted" in that not affected by credit risk (solvency coefficient) and market risks (risks on securities available for sale, exchange rate risks, concentration risks) amounts to a value of Euro 192.4 million as compared with Euro 170.6 million of the previous year.

6.5 THE INCOME STATEMENT

The 2006 accounting period ended with net profits of Euro 52.4 million, as shown in the following table setting out the reclassified Income Statement:

Reclassified Income Statement (amounts in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Interest income and similar revenues	235,389	199,678	35,711	17.9%
Interest expense and similar charges	-87,031	-68,506	-18,525	27.0%
Net interest income	**148,358**	**131,172**	**17,186**	**13.1%**
Fee and commission income	77,550	70,258	7,292	10.4%
Fee and commission expense	-7,412	-6,267	-1,145	18.3%
Other operating income and expenses	29,571	29,029	541	1.9%
Primary intermediation margin	**248,066**	**224,193**	**23,873**	**10.6%**
Dividend and similar income	8,810	12,612	-3,802	-30.1%
Net profits/(losses) on trading activities	2,413	3,252	-839	-25.8%
Net profits/(losses) on hedging activities	-98	290	-389	-133.8%
Profit/(loss) on disposal of receivables, financial assets/liabilities	2,361	851	1,510	177.4%
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	445	257	188	73.3%
Net interest and other banking income (intermediation margin)	**261,997**	**241,455**	**20,542**	**8.5%**
Net impairment losses on:	-10,930	-17,491	6,561	-37.5%
Loans and receivables	-11,494	-16,837	*5,343*	*-31.7%*
Financial assets and other financial transactions	564	-654	*1,217*	*-186.2%*
Net income from banking activities	**251,066**	**223,964**	**27,103**	**12.1%**
Administrative expenses	-152,663	-139,563	-13,100	9.4%
of which: personnel expenses	*-99,493*	*-90,619*	*-8,874*	*9.8%*
other administrative expenses	*-53,169*	*-48,944*	*-4,225*	*8.6%*
Net provisions for risks and charges	*-3,342*	*-4,601*	1,259	-27.4%
Net adjustments to the value of /write-backs to tangible assets	*-4,584*	*-3,607*	-977	27.1%
Net adjustments to the value of /write-backs to intangible assets	*-377*	*-312*	-65	0.0%
Net operating profit	**90,101**	**75,882**	**14,219**	**18.7%**
Profits/(losses) on equity investments	0	59,156	-59,156	0.0%
Profits/(losses) before taxes from continuing operations	**90,101**	**135,038**	**-44,937**	**-33.3%**
Taxes for the period on income from continuing operations	-37,714	-33,139	-4,575	13.8%
Profits/(losses) after taxes from continuing operations	**52,387**	**101,899**	**-49,512**	**-48.6%**
Net profit/(loss) for the period	**52,387**	**101,899**	**-49,512**	**-48.6%**

On the basis of the above, it is possible to summarise the trends of the main Income Statement headings as follows:

Net Interest Income

Over the 12 months of business the net interest income reached Euro 148.4 million, representing an overall increase of 13.1% with respect to the previous year. These figures reflect positive trends in volumes traded. The total figure for interest expense and similar charges represented just 37.0% of interest income and similar revenues.

With respect to interest expense, about 48% was interest correlated to securities in circulation.

The net interest income made up 56.7% of the net interest and other banking income (intermediation margin), an increase over the final figures for 2005 where the equivalent percentage was 54.3%.

Net fees and commissions, other operating income and expenses and primary intermediation margin

Net commissions amounted to Euro 70.1 million, representing a growth of 9.6% annually. If reference is made to the table below setting out a percentage break-down of service type, it can be seen that the contributions made by security placement, receipt and payment and the distribution of insurance products were substantially similar.

Table No. 8 - **NET COMMISSIONS: BREAK-DOWN BY SERVICE – TYPE**

Amounts in thousands of Euro	**31.12.2006**	**Percentage break-down**
Securities placement	14,612	20.8%
Port. Mgmt, custody and administration of Securities	4,119	5.9%
Orders collection	7,172	10.2%
Distribution of insurance products	12,923	18.4%
Collection and payment services	12,887	18.4%
Depositary bank	5,412	7.7%
Other services	13,013	18.6%
Net commissions	**70,138**	**100.0%**

Net commissions, when combined with the positive balance of the other operating income and expenses, constituted about 38.1% of the intermediation margin.

Net interest and other banking income (intermediation margin)

The net interest and other banking income (intermediation margin) of Euro 262 million was made up of the total of the primary intermediation margin, the dividends received from subsidiaries of a total of Euro 8.8 million, the net profits/(losses) on trading, hedging activities and financial assets and liabilities totalling Euro 5.1 million. The figure represented an increase of Euro 20.5 million (8.5%) as compared with the preceding year.

Net income from banking activities

Once net value adjustments for receivables, amounting to Euro 11.5 (net of Euro 0.6 million from net write-backs for commitments made and guarantees given) have been made to the above intermediation margin, the net income from banking activities amounted to Euro 251.1 million, recording an annual growth of 12.1%.

Administrative Expenses

Administrative expenses amounted to a total of Euro 152.7 million, a year-on-year growth of 9.4% due to the expansion of the distribution network and operational development. 65.2% of these expenses were staff costs of which about Euro 3.6 million related to charges arising from Chiara Vita S.p.A. (formerly Desio Vita S.p.A.)'s stock option plan, with the remaining 34.8% taken up by other expenses. Of these latter the most significant were the value of indirect duties and taxes amounting to Euro 10.3 million, data processing services of Euro 8.1 million and rent costs of Euro 5.3 million, this latter heading recording an increase of 14.2% with respect to the previous year.

Administrative expenses took up a total of 58.3% of the intermediation margin, a proportion remaining substantially stable when compared with the 2005 figure when it was 57.8%.

Net operating profit

Once administrative expenses, plus net provisions for risks and charges and the amortisation percentages applied to both tangible and intangible fixed assets have been taken into account, the net income from banking activities becomes net operating profit of Euro 90.1 million. This represents a very substantial increase, equal to 18.7% with respect to 2005.

Profits/(losses) before taxes from continuing operations

Profits/(losses) before taxes from continuing operations for 2006 were the same as the net operating profit. The profits figure recorded in 2005 however, benefited from the profits of Euro 59.2 million deriving from the floatation of Anima SGRp.A. on the Stock Exchange. If 2005 profits are considered net of the above proceeds, the figure would have been Euro 75.9 million. This is the basis on which it can now be stated that there has been an annual growth of 18.7%.

Net Profit (Loss) for the period

Tax on income for the accounting period amounted to Euro 37.7 million representing an actual tax-rate of 41.9%. Period results show net profits of Euro 52.4 million. 2005 profits, net of the proceeds deriving from the floatation of Anima SGRp.A. on the Stock Exchange, would have been Euro 42.7 million. This means that there was a 22.6% growth in profits for 2006

7. SIGNIFICANT SUBSEQUENT EVENTS

Subordinate financing to Anima SGRp.A. for the acquisition of the DWS Investment Italy SGRp.A. business arm

On 27 March 2007 Banco di Desio e della Brianza resolved in relation to the planned completion of the purchase of the DWS Investment Italy SGRp.A.'s business arm by Anima SGRp.A., to provide subordinate financing to the latter company of a maximum amount of Euro 16.5 million, of which Euro 11.5 million would be made available immediately and *with a single five-year repayment date*. The financing satisfied the conditions laid down by the supervisory regulations for calculation in the supplementary component of the Asset Management Company's regulatory capital.

Assignment of a total Shareholding of 29,72% in Anima SGRp.A 's share capital

The most recent sector orientation, also supported by the views of the Credit and Markets regulatory Authorities, is that it is increasingly important to separate the production and distribution of investment services. Consistently with this, on 27 March 2007 Banco di Desio e della Brianza, on evaluation of the offer made by Banca Popolare di Milano S.c.a.r.l., resolved, subject to obtaining of the required authorisations from the supervisory bodies, to sell 23,205,000 shares to the latter, amounting to 22.1% of the share capital for the price of Euro 4.63 per share, resulting in a total price of about Euro 107 million.

The Board of Directors also resolved to sell 8 million shares of Anima SGR.p.A., amounting to 7.62% of its share capital, to Koinè s.p.a., a company referring to a number of Anima SGR.p.A. managers, subject the completion of the above operation together with the obtaining of the required authorisations. The price resolved on was Euro 3.83 per share, amounting to a total value of about Euro 31 million.

Total income for the sales is about Euro 138 million of which Euro 135 million represents the pre-tax capital gain.

The sale-purchase agreements have as their condition precedent the completion by Anima SGRp.A. of the purchase of a business arm of DWS Investments Italy SGRp.A.

The operation is consistent with the development strategy of the innovative model of Anima SGR p.A. The company structure of the latter offers itself both as a catalyser in the expected process of the transformation of the asset management sector and as a potential magnet to attract other operators.

Transition from "standard" to "Blue chip" trading segment in Banco di Desio e della Brianza S.p.A.'s share quotation on The Telematic Share Market of the Milan Stock Exchange

Starting from 19 March 2007 the ordinary and savings shares of Banco di Desio e della Brianza S.p.A., previously traded in Class 1 of the Standard segment of the Telematic Share Market, were transferred to the Blue Chip segment, in that the capitalisation of the ordinary shares increased to above the Euro 1 billion threshold as provided for in the Instructions to the Italian Stock Exchange Regulations for the division of financial instruments between Blue chip and other segments.
Furthermore, as before with effect from 19 March 2007, Banco di Desio e della Brianza ordinary shares were included in the basket used by the Midex Index.

New Self-regulating Code for Quoted Companies

The proposals relating to the adoption of the New Self-regulating Code for Quoted Companies are set out in the Annual Report on Corporate Governance approved by the Bank's Board of Directors. In particular, the Board resolved on the generalised adoption of the New Code. The coming into effect of a number of principles and criteria will be deferred for purely technical reasons. This is the case in particular of the appointment and conditions to be satisfied by Directors and Statutory auditors, together with the composition of the Board of Directors and its internal Committees. It was proposed, with reference to these aspects, that they should be applied with effect from the next reappointment of company officers and hence from the General Meeting to be held in April 2008.

In the latter context, a specific internal procedure was also approved dealing with Transactions with Related Parties – reference should be had to Section 8.10 below.

For a more detailed discussion of the above, we would invite you to refer to the Annual Report on the Corporate Governance.

Change of Company Name of the subsidiary Desio Vita S.p.A. to Chiara Vita S.p.A.

Desio Vita S.p.A.'s extraordinary General Meeting of 22 February 2007 resolved to change the Company name to Chiara Vita - Compagnia di Assicurazioni sulla Vita S.p.A., with the abbreviated form Chiara Vita S.p.A.. The new name would come into force from 12 March 2007.

Assignment to Cassa di Risparmio di Ferrara of a shareholding in Chiara Assicurazioni S.p.A.

Over the first few months of the current year Cassa di Risparmio di Ferrara showed serious interest in participating in the development project for Chiara Assicurazioni S.p.A.'s distribution network, a company entirely controlled by Banco di Desio e della Brianza, through the purchase of a shareholding of not less than 10% in the company concerned.

The Banco di Desio e della Brianza's Board of Directors gave their approval to this initiative on 27 March 2007, as being in absolute accord with the strategy of enlarging the distribution networks of its bank assurance companies, and the underlying operation should be completed over the next few months.

This decision is also in line with the most recent guidance given by the Bank of Italy and CONSOB. As already mentioned in the section dealing with asset management, they have emphasised the desirability of a clear separation (including in terms of ownership) between banking strategy and operations and the product companies, making these latter the pivots of an enlarged (and not captive) distribution network in order, *inter alia*, to facilitate market competition and protection of the saving public.

Increases in Share Capital of a number of subsidiaries

Banco Desio Lazio S.p.A.

In order to support the geographical and operational expansion of the subsidiary Banco Desio Lazio S.p.A., the procedures have been initiated in terms of resolutions and authorisations or an increase in share capital by a nominal Euro 10 million (from 27.7 million Euro to 37.7 million Euro) at par to be paid by Banco di Desio e della Brianza, the sole Shareholder, following the approval of the General Meeting planned for April 2007.

Chiara Vita S.p.A. (formerly Desio Vita S.p.A.)

The company's Extraordinary General Meeting of 22 February 2007 resolved on the increase by the payment of new funds at par of the share capital by Euro 10 million (from 24.2 million Euro to 34.2 million Euro), to be subscribed to and fully paid up by Banco di Desio e della Brianza, the sole Shareholder, in order to bring the solvency margin into line with operational requirements, correlated to the high rate of growth currently experienced by the company.

8. OTHER INFORMATION

8.1 EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES IN BANCO DI DESIO E DELLA BRIANZA S.P.A.

Name and surname	Office held in Banco Desio	Ownership / Manner of possession	Ordinary shares at 31.12.2005	Savings shares at 31.12.2005	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2006	Savings shares at 31.12.2006
Agostino Gavazzi	Director	Owned	96,697	0	0	0	0	0	96,697	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	2,900	0	0	0	0	0	2,900	0
Guido Pozzoli	Deputy Chairman	Owned	12,500	0	0	0	0	0	12,500	0
		Registered to spouse	12,500	0	0	0	0	0	12,500	0
		Usufruct	50,000	3,000	0	0	0	0	50,000	3,000
Nereo Dacci	Managind Director		0	0	0	0	0	0	0	0
Luigi Gavazzi	Director	Owned	97,797	0	0	0	0	0	97,797	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	5,000	0	0	0	0	0	5,000	0
Paolo Gavazzi	Director	Owned	1,000,000	0	15,000	0	0	0	1,015,000	0
Luigi Guatri	Director		0	0	0	0	0	0	0	0
Stefano Lado	Director	Owned	132,186	0	30,000	0	0	0	162,186	0
		Registered to spouse	3,000	0	0	0	0	0	3,000	0
Gerolamo Pellicano'	Director		0	0	0	0	0	0	0	0
Vincenzo Sozzani (*)	Director		0	0	0	0	0	0	0	0
Francesco Cesarini (**)	Director			0	0	0	0	0	0	0
Eugenio Mascheroni	Chairman of the Board of Statutory Auditors		0	0	0	0	0	0	0	0
Marco Piazza	Statutory Auditor		0	0	0	0	0	0	0	0
Rodolfo Anghileri	Statutory Auditor		0	0	0	0	0	0	0	0
Clemente Domenici	Alternate Stat. Aud.	Owned	1,000	0	1,000	0	1,000	0	1,000	0
Giovanni Cucchiani	Alternate Stat. Aud.	Owned	7,140	1,000	0	0	0	0	7,140	1,000
		Registered to spouse	2,200		0	0	0	0	2,200	
Alberto Mocchi	General Manager	Owned	0	25,000	0	0	0	0	0	25,000
Claudio Broggi	Deputy General Manager		0	0	0	0	0	0	0	0
Marco Sala	Deputy General Manager		0	0	0	0	0	0	0	0

(*) Mr Sozzani resigned from his office as of 20 December 2006
(**) Mr Cesarini was coopted by the Board of Directors as of 25 January 2007

8.2 EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES IN SUBSIDIARIES

Name and surname	Office held in Banco Desio	Subsidiary owned by Banco Desio	Ownership / Manner of possession	Ordinary shares at 31.12.2005	Ordinary shares purchased	Ordinary shares sold	Ordinary shares at 31.12.2006
Luigi Guatri	Director	Anima SGRp.A.	Owned	10,000	0	10,000	0
Stefano Lado	Director	Anima SGRp.A.	Registered to spouse	10,000	0	0	10,000
Guido Pozzoli	Deputy Chairman	Anima SGRp.A.	Registered to spouse	1,000	0	0	1,000
Nereo Dacci	Managind Director	Banco Desio Lazio S.p.A.	Owned (Stock Option)	0	531,000	531,000	0
Alberto Mocchi	General Manager	Banco Desio Lazio S.p.A.	Owned (Stock Option)	0	442,500	442,500	0
Claudio Broggi	Deputy General Manager	Banco Desio Lazio S.p.A.	Owned (Stock Option)	0	276,000	276,000	0
Marco Sala	Deputy General Manager	Banco Desio Lazio S.p.A.	Owned (Stock Option)	0	265,500	265,500	0

8.3 TREAUSURY SHARES

On 31 December 2006, as well as on 31 December 2005, Banco di Desio e della Brianza S.p.A. held neither its treasury shares nor shares of its controlling company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and has not effected any changes over the year.

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

We have set out below a summary of the relations between Banco di Desio e della Brianza S.p.A. and its controlling company, subsidiaries and companies subject to substantial influence as at 31 December 2006.

Relations with Group companies as of 31.12.2006 *(amounts in thousands of Euro)*	Assets	Liabilities	Guarantees / Commitments	Charges	Revenues
Controlling company					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	2,232	0	14	40
Subsidiaries					
Banco Desio Toscana S.p.A.	4,748	88,736	1,163	1,940	2,171
Banco Desio Lazio S.p.A.	10,495	110,311	177	3,409	3,699
Banco Desio Veneto S.p.A.	18,732	18,536	1,611	217	288
Anima S.G.R.p.A.	2,063	964	0	15,269	130
Brianfid-Lux S.A.	0	4,602	0	113	163
Credito Privato Commerciale S.A.	0	8,643	0	154	156
Valorfin S.A.	0	0	0	0	0
Chiara Vita S.p.A.	32,505	132,355	0	18,133	5,591
Chiara Assicurazioni S.p.A.	3	362	0	2	12
Companies subject to substantial influence	0	0	0	0	0
Total	**68,546**	**366,741**	**2,951**	**39,251**	**12,250**
Break-down of relations by type					
Finance	62,859	366,386	0	14,842	12,217
Business	4,307	110	2,951	21,441	33
Assets Rental / Management	825	245	0	2,009	0
Supply of services	537	0	0	941	0
Fees	0	0	0	0	0
Detachment of staff	18	0	0	18	0
Total	**68,546**	**366,741**	**2,951**	**39,251**	**12,250**

It should be noted that the relations referred to above, both those of an equity and an economic nature, have been conducted with the application of normal market rates and conditions.

Banco di Desio e della Brianza S.p.A. and its subsidiaries Banco Desio Lazio S.p.A., Banco Desio Toscana S.p.A., Chiara Vita S.p.A. (formerly Desio Vita S.p.A) and Anima SGRp.A., have opted for the form of taxation described under Article 117 of the Consolidated Income Tax Law. The consolidation agreement entered into with the various subsidiaries, provides that Banco di Desio e della Brianza S.p.A. will pay back 10% of the tax benefit (in the form of tax saving) provided for under sub-paragraph a) of the first paragraph of Article 122 achieved by effect of the tax consolidation, on distribution of dividends.

8.5 THE RATING

The following rating levels have been assigned to Banco di Desio e della Brianza S.p.A. by the international rating agency Fitch Ratings, up-dated on 25 May 2006 which "reflect the good profitability, good asset quality and satisfying equity level".

Long-term	Short-term	Forecast
A -	F 2	Stable

8.6 SHARES

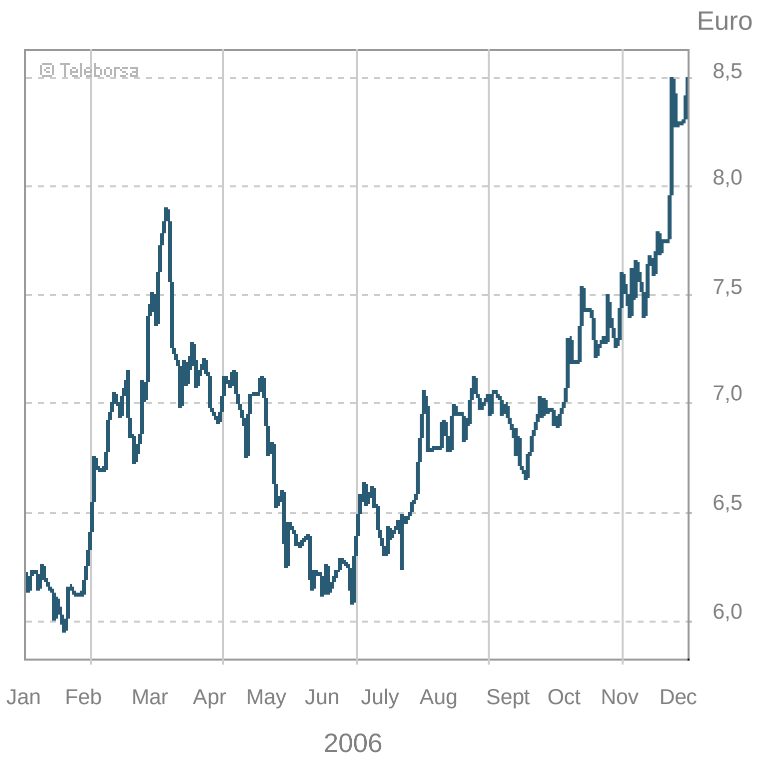
Banco di Desio e della Brianza S.p.A's shares traded on Borsa Italiana's "Mercato Telematico Azionario" (the Online Share Market – MTA), rose in value over the year in terms of share quotation..

Indeed, on 29 December 2006, the official price of the ordinary shares had risen in value by 35.18% with respect to the quotation of 30 December 2005, at Euro 8.415. The Mitel index as a whole recorded an increase of 19.10% over the same period, the index for the banking sector having risen in value by 23.4%.

As a consequence of the quotation increase, the total Stock Exchange capitalisation, including ordinary savings shares, had risen to Euro 1,078 million by the end of 2006 (of which Euro 93.7 million related to savings shares), as compared with total value of Euro 806 million at the end of 2005.

The graph set out below summarises the trends in the share quotation over the 12 month period under consideration.

Chart No. 16 - **TRENDS IN THE SHARE QUOTATION OVER 2006**



8.7 BANKING TRANSPARENCY

The Group is a member of the *Pattichiari* Consortium promoted by the Italian Banking Association in September 2003 to affirm the values of clarity, comprehensibility and transparency in relations between Bank and Customer.
The certifying body working under the above Consortium confirmed over 2006, as a result of the checks conducted by it, that the initiatives signed by the Group banks were in compliance with the Consortium's protocols.

8.8 CODE AND CRITERIA FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Code in the Field of the Protection of Personal Data - the annual up-date of the Security Programme Document was completed within the time limits imposed by the law.
The Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B - to the Code itself.

8.9 LEGISLATIVE DECREE 231/2001

In the context of provisions passed in the field of administrative responsibility, Banco di Desio e della Brianza's Board of Directors originally resolved to set up the collegial body called "231 Committee" as the Supervisory and Surveillance Body provided for under Legislative Decree 231/2001, in 2004.
Pursuant to the related regulations, the 231 Committee has autonomous powers to carry out checks and promote initiatives with the possibility of obtaining the support of the Internal Audit Area in its supervisory activities and sends a copy of the minutes of its meetings to the Chairman of the Board of Statutory Auditors and to the members of the Internal Control Committee, reporting every six months to the Board of Directors on the activities it has carried out.
For further information on the composition and functioning of the 231 Committee together with the activities it has carried out over 2006, we would refer to the contents of the Annual Report on the Corporate Governance.

8.10 TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related parties set out under Article 8 of the Internal Regulations, has been supplemented by a specific "Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group" (Related Parties Procedure). This was approved by the Board of Directors in February 2007. This was made necessary by the widening of the list of Related Parties introduced in the first place by IAS 24 and subsequently with the supplementary provisions to Article 136 of the Consolidated Banking Law (governing the obligations imposed on banking managers) introduced by Law 263/2005 (the so-called "Savings law").

The Board of Directors assesses each specific operation with related parties on a case-by-case basis when falling within the conditions requiring the assistance of independent experts and/or the fulfilment of the information obligations pursuant to Article 71-bis of the CONSOB Issuer Regulations and over 2006 did not consider that any of the transactions approved came within the requirements for the publication of an informative document pursuant to the above-cited Article 71-bis.

For a more detailed description of the procedures governing the transactions referred to above, we would refer to the annual Report on the Corporate Governance, recalling that such transactions are divided into:

a)transactions which come within the subjective and objective scope of application of Article 136 of the Consolidated Banking Law;
b) other transactions falling within the provisions of IAS24 alone.

Transactions referred to under a) above must always be supported by resolutions of the Board of Directors in accordance with the procedures laid down by the supervisory regulations while the transactions under point b) may be effected autonomously including by delegated bodies and persons in accordance with specific thresholds indicated for the related type of transaction and provided that unusual and/or artificial elements are not present with respect to ordinary business activities or that the delegates managing the transaction are not affected by personal situations of conflict of interest.

The new Procedure will come into effect during the current accounting period but we would note in any case that the transactions effected over 2006 were approved in conformity with the Internal Regulations in force.

Details of Transactions with Related Parties approved by the Board of Directors over 2006 have been set out in Part H of the Notes to the Financial Statements.

8.11 INFORMATION ON STOCK OPTION PLANS

We would also note that the options falling due relating to the plan involving 4,425,000 Banco Desio Lazio S.p.A. shares were exercised while the option plan involving 1,418,000 Chiara Vita S.p.A. (formerly Desio Vita S.p.A.), shares will fall due in 2007.

The Notes to the Financial Statements contain the following information:
– in compliance with CONSOB instructions, the statement summarising the assignment of stock options by reference to the names of the Parent Company Directors and General Manager and, by reference to an aggregate group, to managers with strategic responsibilities in the Parent Company;
– in compliance with IFRS2, the detailed information relating to the above plans.

8.12 R&D ACTIVITIES

Basle II

Following the issue of the new prudential supervisory bank regulations by the Bank of Italy under its circular 263 of 26 November 2006, the Parent Company Board of Directors authorised the necessary investments in those functions with responsibility for risk monitoring on 25 January 2007 so that the Group will be able to operate, starting from 1 January 2008, in accordance with the rules laid down by the related instructions, using the standardised calculation methods for market and credit risks and the basic method for operating risk.

MIFID Project

With reference to the implementation procedure of the Directive on Markets in Financial Instruments (MIFID) into Italian law, included in the Community Bill of 2006 and finally approved on 17 January 2007, banks will be required to devote considerable efforts and resources to the review of contracts, procedures, the law and internal checks and controls in this field as well as of Group policies themselves.

The new rules, which will have a significant effect on "the conduct of financial affairs" in the banking system, will become operational from 1 November of the current year.
To this end Banco di Desio e della Brianza has set up an ad hoc working group drawing its members from those functions most affected (Finance, Auditing and Organisation). The co-ordination of the Group has been entrusted to the Finance Area which has also been authorised to obtain consultancy from a first rank international company. This latter company in particular, will be asked to provide support to company structures in the investigation of the issues of greatest importance which will include the following:
- the analysis of non-compliant areas with respect to the new rules;
- conflicts of interest;
- the analysis of the economic impact of the new rules on the products created and/or distributed;
- the manner of performance of investment instructions ("execution policies");
- the appropriateness and precision of the "profiling" of customers.

Business Continuity Management

In relation to the project designed to implement a continuity of operations plan within the Group, there was completed the work designed to identify and map those processes considered to be critical to the business, the preparation of the documentary structure underpinning operational activities (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site, an alternative to the main production site to be used in the event of disaster.
Special test sessions were conducted over the first quarter of 2007 preceded by training for operational staff, involving all responsible organisational and technical structures. This was in order to evaluate the overall effectiveness/efficiency of the arrangements. The results of the tests carried out were positive.

Mapping of business processes

Activities involving the mapping of business processes deriving from the studies carried out in this area by ABI (*Associazione Bancaria Italiana*, Italian Banking Association) were begun over 2006. It is intended that the activities should result in the implementation of a database to be used for a number of different purposes. They are preparatory in particular, to the drawing up of a re-organisation of internal rules, to act as both a compliment and supplement to Business Continuity Management activities and Basle II.

9. BUSINESS OUTLOOK

The continuity of the strategies adopted by Banco di Desio e della Brianza, consistently with the development objectives identified by the Business Plan, combined with the signals of economic recovery, should allow the achievement of economic and equity objectives which have been set, aimed at increasing business volumes and the continuing efforts towards the achievement of ever-higher levels of efficiency.

10. PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE DIVISION OF PERIOD PROFITS

Dear Shareholders,

we submit for your approval the financial statements for 2006, which closed with net profits of Euro 52,387,191.28 as per the income statement.

Pursuant to art. 31 of the Corporate Bylaws, it is proposed that the profits be distributed as follows:

- 10% to be allocated to legal reserve	Euro	5,238,719.00
- 10% to be allocated to statutory reserve	Euro	5,238,719.00
to shareholders:		
- Euro 0.0955 for each of 117,000,000 ordinary shares	Euro	11,173,500.00
- Euro 0.1150 for each of 13,202,000 savings shares	Euro	1,518,230.00
- further allocation to statutory reserve	Euro	29,218,023.28
Total Profits to be distributed	**Euro**	**52,387,191.28**

27 March 2007 The Board of Directors

FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS

(amounts as per units)

	ASSETS	31.12.2006	31.12.2005
10	Cash and cash equivalents	20,418,280	15,529,288
20	Financial assets held for trading	447,681,604	224,164,022
40	Available-for-sale financial assets	380,279,407	353,713,406
50	Held-to-maturity investments	8,034,570	29,621,837
60	Amounts due from banks	391,066,796	665,904,348
70	Loans to and receivables from customers	3,510,844,246	3,076,986,791
80	Hedging derivatives	8,304,741	2,933,423
100	Equity investments	155,799,827	102,107,016
110	Tangible assets	121,821,993	104,583,162
120	Intangible assets	3,102,839	3,086,964
	of which:		
	- *goodwill*	*1,728,505*	*1,728,505*
130	Tax assets	44,783,002	39,359,075
	a) current	*33,577,457*	*28,168,033*
	b) deferred	*11,205,545*	*11,191,042*
140	Non-current assets held for sale and discontinuing operations	-	7,258,321
150	Other assets	249,354,895	150,925,798
	Total Assets	**5,341,492,200**	**4,776,173,451**

LIABILITIES AND SHAREHOLDERS' EQUITY

(amounts as per units)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2006	31.12.2005
10	Amounts due to banks	297,708,702	272,474,100
20	Amounts due to customers	2,773,688,039	2,366,994,983
30	Securities issued	1,352,731,572	1,445,650,861
40	Financial liabilities held for trading	35,515,912	16,101,776
50	Financial liabilities at fair value through profit or loss	34,964,758	7,599,452
60	Hedging derivatives	1,436,589	246,864
80	Tax liabilities	53,347,407	49,682,725
	a) current	*37,592,001*	*34,227,015*
	b) deferred	*15,755,406*	*15,455,710*
90	Liabilities related to discontinuing operations	-	11,371,729
100	Other liabilities	254,800,092	120,048,944
110	Reserve for employee termination indemnities	29,419,581	30,623,517
120	Reserves for risks and charges:	26,990,567	19,608,638
	b) other reserves	*26,990,567*	*19,608,638*
130	Valuation reserves	25,663,247	24,000,119
160	Reserves	318,988,415	226,020,602
170	Share premium reserve	16,145,088	16,145,088
180	Share capital	67,705,040	67,705,040
200	Net profit / (loss) for the period	52,387,191	101,899,013
	Total Liabilities and shareholders' equity	**5,341,492,200**	**4,776,173,451**

INCOME STATEMENT

(amounts as per units)

	INCOME STATEMENT	31.12.2006	31.12.2005
10	Interest income and similar revenues	235,388,545	199,677,775
20	Interest expense and similar charges	(87,030,926)	(68,506,071)
30	**Net interest income**	**148,357,619**	**131,171,704**
40	Fee and commission income	77,550,088	70,258,485
50	Fee and commission expense	(7,412,296)	(6,266,833)
60	**Net fee and commission income**	**70,137,792**	**63,991,652**
70	Dividend and similar income	8,810,285	12,612,374
80	Net profits/(losses) on trading activities	2,412,985	3,251,616
90	Net profits/(losses) on hedging activities	(98,213)	290,463
100	Profit/(loss) on disposal or repurchase of:	2,360,724	850,911
	b) available-for-sale financial assets	*2,018,965*	*909,688*
	c) held-to-maturity investments	-	*955*
	d) financial liabilities	*341,759*	*(59,732)*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	445,117	256,888
120	**Net interest and other banking income (intermediation margin)**	**232,426,309**	**212,425,608**
130	Net impairment losses on:	(10,930,364)	(17,491,001)
	a) loans and receivables	*(11,494,017)*	*(16,837,467)*
	b) available-for-sale financial assets	-	*(40,500)*
	d) other financial assets	*563,653*	*(613,034)*
140	**Net income from banking activities**	**221,495,945**	**194,934,607**
150	Administrative expenses:	(152,662,691)	(139,562,912)
	a) personnel expenses	*(99,493,454)*	*(90,619,033)*
	b) other administrative expenses	*(53,169,237)*	*(48,943,879)*
160	Net provisions for risks and charges	(3,341,931)	(4,600,651)
170	Net adjustments to the value of tangible assets	(4,583,891)	(3,606,591)
180	Net adjustments to the value of intangible assets	(376,896)	(311,580)
190	Other operating (expenses)/income	29,570,552	29,029,382
200	**Operating expenses**	**(131,394,857)**	**(119,052,352)**
210	Profits/(losses) on equity investments	-	59,156,134
250	**Profits/(losses) before taxes from continuing operations**	**90,101,088**	**135,038,389**
260	Taxes for the period on income from continuing operations	(37,713,897)	(33,139,376)
270	**Net profits (loss) after tax from continuing operations**	**52,387,191**	**101,899,013**
290	**Net profit/(loss) for the period**	**52,387,191**	**101,899,013**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – FY2006

	Equity as of 31.12.2005	Change in opening balances	Equity as of 1.01.2006	Allocation of result from previous period		Changes over the period								Equity as of 31.12.2006
							Transactions in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options	Net Profit (Loss) for the year as of 31.12.2006	
Shareholders' equity:														
a) ordinary shares	60,840		60,840	-			-	-						60,840
b) other shares	6,865		6,865	-			-	-						6,865
Share premium reserve	16,145		16,145	-			-	-						16,145
Reserves:														
a) retained earnings	226,021	-	226,021	90,867		2,100	-	-	-					318,988
b) others	-	-	-	-			-		-		-	-		-
Revaluation reserves:														
a) available for sale	2,200	-	2,200			473								2,673
b) cash-flow hedge	-	-	-			-								-
c) others:														
tangible assets	-	-	-			-								-
special revaluation laws	22,896	-	22,896			-								22,896
employee benefits	(1,096)	-	(1,096)			1,190								94
Capital instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net Profit (loss) for the year	101,899		101,899	(90,867)	(11,032)								52,387	52,387
Shareholders' equity	**435,770**	**-**	**435,770**	**-**	**(11,032)**	**3,763**	**-**	**-**	**-**	**-**	**-**	**-**	**52,387**	**480,888**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – FY2005

	Equity as of 31.12.2004	Change in opening balances	Equity as of 1.01.2005	Allocation of result from previous period		Changes over the period								Equity as of 31.12.2005
							Transactions in shareholders' equity						Net Profit (Loss) for the year as of 31.12.2005	
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options		
Shareholders' equity:														
a) ordinary shares	60,840		60,840	-			-	-						60,840
b) other shares	6,865		6,865	-			-	-						6,865
Share premium reserve	16,145		16,145	-			-	-						16,145
Reserves:														
a) retained earnings	207,315	(1,554)	205,761	31,291			-	-	(11,031)					226,021
b) others	-	-	-	-			-		-		-	-		-
Revaluation reserves:														
a) available for sale	-	1,697	1,697			503								2,200
b) cash-flow hedge	-	(473)	(473)			473								-
c) others:														
tangible assets	-	-	-			-								-
special revaluation laws	22,896	-	22,896			-								22,896
employee benefits	(404)	-	(404)			(692)								(1,096)
Capital instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net Profit (loss) for the year	42,322		42,322	(31,291)	(11,031)								101,899	101,899
Shareholders' equity	**355,979**	**(330)**	**355,649**	**-**	**(11,031)**	**284**	**-**	**-**	**(11,031)**	**-**	**-**	**-**	**101,899**	**435,770**

CASH FLOW STATEMENT

OPERATIONS	2006	2005
1. Management activities	**68,652,744**	**49,719,913**
- interest income earned (+)	235,466,030	183,510,965
- interest expenses paid (-)	(86,997,873)	(62,543,252)
- dividends and similar revenues	625,940	168,910
- net commissions (+/-)	70,526,732	64,214,947
- personnel costs	(99,493,454)	(90,619,033)
- other costs (-)	(47,121,790)	(43,994,560)
- other revenues (+)	33,361,056	32,121,312
- taxes and duties (-)	(37,713,897)	(33,139,376)
2. Liquid assets generated/absorbed by decrease/increase in financial assets	**(581,794,294)**	**(532,869,642)**
- financial assets held for trading	223,713,192	(18,385,330)
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	25,402,951	102,231,575
- loans and advances to customers	451,566,566	204,421,310
- amounts due from banks	(274,813,471)	235,600,621
- other assets	155,925,056	9,001,466
3. Liquid assets generated/absorbed by increase/decrease in financial liabilities	**521,552,553**	**461,333,704**
- amounts due to banks	(25,234,602)	(62,850,772)
- amounts due to customers	(406,693,056)	(307,795,598)
- securities issued	88,127,751	(50,379,807)
- financial liabilities held for trading	(18,353,536)	(4,002,691)
- financial liabilities at fair value through profit or loss	(27,358,186)	(7,599,452)
- other liabilities	(132,040,924)	(28,705,384)
Net liquid assets generated/absorbed by operations (A)	**8,411,003**	**(21,816,025)**
INVESTMENTS		
1. Liquid assets generated/absorbed by:	**-**	
- purchase/sale of investments	-	59,156,134
- dividends received from investments	8,184,345	12,443,464
- puchase/sale of financial assets held to maturity	21,540,337	(2,132,001)
- purchase/sale of tangible assets	(21,822,721)	(8,862,481)
- purchase/sale of intangible assets	(392,771)	(374,848)
- purchase of subsidiaries and business divisions	-	
- sale of subsidiaries and business divisions	-	
Net liquid assets generated/absorbed by investments (B)	**7,509,189**	**60,230,268**
FUNDING ACTIVITIES		
2. Liquid assets generated/absorbed by:		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes	(11,031,200)	(40,681,743)
Net liquid assets generated/absorbed by funding activities (C)	**(11,031,200)**	**(40,681,743)**
NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEAR	**4,888,992**	**(2,267,500)**

Financial statements' items	**2006**	**2005**
Cash and cash equivalents at beginning of year	15,529,288	17,796,788
Total liquid assets generated/absorbed during the year	4,888,992	(2,267,500)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	20,418,280	15,529,288

Part A – ACCOUNTING POLICIES

A.1 - GENERAL

SECTION 1 – DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS

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

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

Set out below are the accounting policies adopted in the preparation of the financial statements as of 31 December 2006.

SECTION 2 – GENERAL ACCOUNTING POLICIES

The Financial Statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance rather than form.
The Financial Statements have been drawn up in compliance with the economic accruals basis principle 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 risk hedged.
As provided for under IAS39, the fair value option has been adopted by the Bank with regard to the valuation of financial instruments, permitting the designation of assets and liabilities at their fair value with the related entries in the Income Statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.
The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005.

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

SECTION 3 – EVENTS SUBSEQUENT TO THE REPORTING DATE

Reference is made to the Directors' Report.

SECTION 4 – OTHER ASPECTS

Use of estimates and assumptions when drawing up the period Financial Statements.

The drafting of the Financial Statements requires that recourse be had to estimates which may have a significant effect on the values entered in the Balance Sheet and the Income Statement as well as on the Notes to the Financial Statements. The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the

estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the Financial Statements may change precisely because of changes in the subjective valuations utilised.
The main cases where the use of subjective valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the Notes to the Financial Statements;
- the use of valuation models for the identification of the fair value of financial instruments not quoted in active markets;
- the quantification of staff reserves and the contingencies and charges reserves;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

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

A.2 - MAIN FINANCIAL STATEMENT CAPTIONS

ACCOUNTING POLICIES

The accounting policies described below, used in the preparation of the financial statements as of 31 December 2006, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date.
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

Recognition criteria

"Financial assets held for trading" (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments 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 reclassifications are not permitted for this category of financial assets.

Measurement criteria

Initial recognition is at fair value at the settlement date, without considering transaction costs. Subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.
For listed shares measurement is at the "official" price in the market where they are listed at the date of measurement.
For bonds listed in Italy, measurement is at the "official MOT price" at the measurement date.
For unlisted securities, the valuation at fair value is found on the BLOOMBERG circuit, or in the absence of this, through the discounting of future financial flows at a current rate of return, calculated on the basis of objective elements.
For derivative instruments traded on regulated markets, measurement is at the closing price on the day of measurement.
For derivative instruments not traded on regulated markets for which the providers do not supply meaningful price quotations, pricing is carried out through available IT procedures, or using recognized pricing models.

Derecognition criteria

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

Available-for-sale financial assets

Recognition criteria

"Available-for-sale financial assets" comprise those financial assets – excluding derivatives – not

classified 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), mutual investment fund units and "capitalization certificates".

Measurement criteria
Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date. Subsequent measurement is still 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 mutual investment funds, measurement occurs at the N.A.V. at the measurement date, or at the latest available date.
At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value. If such evidence exists, cumulative losses recorded in the valuation reserve are posted directly to the income statement.

Derecognition criteria
Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.
Available-for sale financial assets may be transferred to the category "Held-to-maturity investments", but only in the following circumstances:
- a change in intention or ability,
- in the rare circumstances that a reliable measure of fair value is not available.

Criteria for the recognition of income statement components
Gains or losses are recorded in the valuation reserve, net of tax effects, until derecognition of the asset. At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount recorded in the valuation reserve is recognised in the income statement.

Held-to-maturity investments

Recognition criteria
"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets 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.
The recording of financial assets in this category is no longer permitted for the current year and the two following years if more than an insignificant amount are sold, 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 to available-for-sale financial assets (tainting provision).

Measurement criteria
Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date. Subsequent measurement is at amortised cost.
At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. If such evidence exists, losses are recognised in the income statement.

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

Loans and receivables

Recognition criteria

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.
Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.
They also include finance lease receivables.

Classification criteria

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

Measurement 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 amount paid. Subsequent measurement is at amortised cost using the effective interest method.
The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
The loans and receivables portfolio is subject to reassessment at least at the close of every annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. This is achieved by considering both the specific solvency situation of customers and local or national economic conditions relative to the customer's sector of activity.
"Performing" loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not known in order to move the valuation model from expected loss to latent loss.
Specific analyses are conducted for exposures of a significant amount.
This method was adopted to advance the gradual convergence with the valuation criteria provided by the New Basel Agreement on capital requirements (Basel 2).
All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the "non-performing" category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.
Receivables for default interest that have accrued on impaired assets (non-performing or problem loans) are accounted for, and then written down, to an extent corresponding to the degree of uncertainty as to their actual collection.
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 cease to exist, and the reversal is recorded in the Income Statement.
The value of the loan 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.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been settled or transferred.

Criteria for the recognition of income statement components

Measurement at amortised cost generates a transfer of the transaction costs and minor revenues in the income statement, which are spread over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.
Interest accruing over time as a result of the discounting-back of impaired loans are recognised in the

income statement under write-backs.

Hedging transactions

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.

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 of 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.

Classification criteria

The following types of hedges are used:

- Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument;
- Cash Flow Hedge: the objective is to hedge the risk of variability in cash flows generated by the hedged instrument, attributable to a specific risk.

Measurement criteria

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

In the case of a Fair Value Hedge, changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

In the case of a Cash Flow Hedge, the effective portion of the gain or loss on the hedging instrument is recognised in equity until the hedged cash flows occur. The ineffective portion of the gain or loss is recognised in the income statement.

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 annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

Derecognition criteria

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

Investments

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

Recognition criteria

Investments are initially entered at cost including any directly attributable additional charges.

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

Criteria for the recognition of income statement components
Dividends are accounted for when the right to receive them matures. Profits/losses from disposals are determined based on the difference between the investment's book value, according to the specific cost method and the consideration paid for the transaction, net of any directly attributable additional charges.

Tangible assets

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

Recognition criteria
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.
Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.
For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.
Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognized directly in the income statement.
In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased to other parties are presented 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.

Derecognition criteria
Tangible assets are derecognised on disposal.

Criteria for the recognition of income statement components
Value adjustments are recognised in the income statement under net adjustments to the value of tangible assets.

Intangible assets

Intangible assets include goodwill, the costs for the abandonment indemnity on leasehold premises, and the costs for the purchase of applications software.
Restructuring costs related to leasehold properties are entered under other assets.

Recognition criteria
Goodwill represents the positive difference between the acquisition cost and the fair value of assets and liabilities 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 net assets acquired.

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

Measurement criteria

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.
Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.
Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.
The costs for the premises abandonment indemnity pertaining to leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

Derecognition criteria

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

Criteria for the recognition of income statement components

Value adjustments 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.

Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.
Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the Balance Sheet under caption 130 “Tax assets”.
Conversely, deferred tax liabilities are recognised as liabilities in the Balance Sheet under caption 80 “Tax liabilities”.
Likewise, current taxes are separately recognised under caption 130 “Tax assets” for advance payments of taxes already paid out over the period and under caption 80 “Tax liabilities” for the presumed tax liability that can be settled in the relevant return.
Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

Non-current assets and discontinuing operations / Liabilities related to discontinuing operations

This caption includes non-current tangible assets, intangible assets and financial assets, and the groups of assets/liabilities being disposed of, according to the provisions under IFRS 5.

Recognition criteria

Entries are made under this item for non-current assets, or groups of assets/liabilities being disposed of, if the book value is to be recovered mainly through a sales transaction rather than through continuing use. Sale is considered highly probable and is to be completed within a year of the day the entry is made.

Measurement criteria

These are valued at the lower of book value and fair value, net of sales costs, with the exclusions under IFRS 5 (deferred tax assets, assets from employee benefits, financial assets falling within the scope of application of IAS 39, real property investments, contractual rights arising from insurance contracts), for which the measurement criteria under the corresponding IAS/IFRS standards apply.

Criteria for the recognition of income statement components

The income statement components referable to non-current assets and discontinuing operations are not recognised separately in the income statement, because they do not fall under the definition of discontinued operation.

Liabilities and securities issued

This caption includes the various types of deposits received by the Bank: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Bank itself.

Recognition criteria

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

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.
Financial liabilities without amortisation plans are measured at cost.
Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement. The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

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.

Financial liabilities held for trading

This caption comprises derivative instruments that are held for trading with negative values.

Recognition criteria

Liabilities held for trading are recognised at fair value.

Measurement criteria

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.
Derivative instruments traded on regulated markets are valued at the closing price on the day of valuation.
Derivative instruments not traded on regulated markets for which providers do not give price quotations that are considered to be significant, are priced on the basis of the IT procedures available or by using recognised pricing models.

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

This caption includes financial liabilities at fair value through profit or loss.
The caption refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities, the purpose of which is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.
Financial liabilities at fair value through profit or loss may be recognised in 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 through profit or loss, which normally corresponds to the consideration collected.

Measurement criteria
These are measured at fair value through profit or loss with recognition in the income statement.
Fair value is determined according to the discounted cash flow method by using the risk free interest rates curve, as increased by a credit spread.

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 replacement of own securities that have previously been repurchased is considered as a new issue at sale value.

Reserve for employee termination indemnities (TFR)

Measurement criteria
The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.
Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of 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 future salary increases and remaining period of employment.
The amounts shown in the financial statements take into account the provision for the period and the utilisation for indemnities paid or advanced during the period.

Criteria for the recognition of income statement components
The reserve for employee termination indemnities arising from actuarial valuations, as allowed under IAS 19, is recorded against an entry under valuation reserves, and also includes the interest accrued due to the elapsing of time (discounting back).

Reserves for risks and charges

Recognition criteria
Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.
The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

Measurement criteria
In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.
The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

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

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

Operations in Foreign Currency

Recognition criteria

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

Measurement criteria

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

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

For monetary elements the effect of the valuation carried out in application of the principles referred to above is assigned to the Income Statement.
For non-monetary elements whose profits and losses are recognized in the Income Statement, even exchange rate differences will be recorded in the Income Statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity as well.

Other information

Treasury shares

Any treasury shares held are recorded as a deduction of equity.
Gains and losses deriving from the trading of treasury shares are recognised directly in equity, without passing through the income statement.

Valuation reserves

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

Share-based payments

Share-based payments to Group employees can be cash-settled, and then accounted for in the Income Statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised.

Costs and revenues recognition

Costs and revenues have been recognized in the Financial Statements according to the economic accruals basis criterion.

Finance leases

Assets under finance leases are shown as receivables to 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.

Part B - INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND LIQUID ASSETS - CAPTION 10

1.1 CASH AND CASH EQUIVALENTS: BREAK-DOWN

Euro/1.000

(Euro/1,000)

	Total 31.12.2006	**Total 31.12.2005**
a) Cash	20,418	15,529
b) Sight deposits at Central Banks		
Total	**20,418**	**15,529**

The value of the foreign currency component amounted to Euro 364 thousand (Euro 398 thousand in 2005).

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAK-DOWN BY TYPE

(Euro/1,000)

Caption/Amount	Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted
A. Cash equivalents				
1. Debt securities	36,631	9,011	16,240	950
1.1 Structured securities				
1.2 Other debt securities	*36,631*	*9,011*	*16,240*	*950*
2. Equity securities	9,253	320	5,060	
3. O.I.C.R. quotas	86			
4. Financing	-	-	-	-
4.1 Repurchase agreements				
4.2 Other				
5. Impaired assets				
6. Assets sold but not written off	185,260	171,428	185,665	
Total (A)	**231,230**	**180,760**	**206,965**	**950**
B. Derivative instruments:				
1. Financial derivatives:	4	35,688	-	16,249
1.1 trading	*4*	*35,620*		*15,985*
1.2 connected with the fair value option		*68*		*264*
1.3 other				
2. Credit derivatives	-	-	-	-
2.1 trading				
2.2 connected with the fair value option				
2.3 other				
Total (B)	**4**	**35,688**	**-**	**16,249**
Total (A+B)	**231,234**	**216,448**	**206,965**	**17,199**

This caption included securities held for trading together with the positive value of derivative contracts created for trading purposes and those connected with the fair value option (the latter being of very low value).

The great majority of debt securities were made up of government securities. The component attributable to non-resident issuers amounted to Euro 5,252 thousand.
So far as equity securities were concerned, the component of non-resident issuers amounted to Euro 1,217 thousand of which Euro 14 thousand relating to securities expressed in foreign currency.

Assets sold but not written off are exclusively represented by the book value of government securities utilised in repo transactions with customers and banks.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAK-DOWN BY DEBTOR/ISSUER

(Euro/1,000)

Caption / Amount	Total **31.12.2006**	Total **31.12.2005**
A. CASH EQUIVALENTS		
1. Debt securities	**45,642**	**17,190**
a) Governments and central banks	35,030	8,864
b) Other public entities		
c) Banks	9,076	7,423
d) Other issuers	1,536	903
2. Equity securities	**9,574**	**5,060**
a) Banks	665	556
b) Other issuers	8,909	4,504
- insurance companies	*2,934*	
- financial insitutions	*434*	*249*
- non-financial companies	*5,540*	*1,598*
- other	-	*2,657*
3. O.I.C.R. quotas	**86**	
4. Financing	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
5. Impaired assets	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
6. Assets sold but not written off	***356,688***	***185,665***
a) Governments and central banks	356,688	185,665
b) Other public entities		
c) Banks		
d) Other issuers		
Total A	**411,990**	**207,915**
B. DERIVATIVE INSTRUMENTS		
a) Banks	28,790	5,426
b) Customers:	6,902	10,823
Total B	**35,692**	**16,249**
Total (A+B)	**447,682**	**224,164**

The Counter-party in derivative instruments referring to Group companies amounted to Euro 7,542 thousand.

2.3 FINANCIAL ASSETS HELD FOR TRADING: DERIVATIVE INSTRUMENTS

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	**Total 31.12.2006**	**Total 31.12.2005**
A. Listed derivatives							
a) Financial derivatives:	**1**	**-**	**3**	**-**	**-**	**4**	**-**
. With exchange of capital	1	-	3	-	-	**4**	-
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	1	-	3	-	-	**4**	
. Without exchange of capital	-	-	-	-	-	**-**	-
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	-	-	-	-	-	**-**	
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital	**-**	**-**	**-**	**-**	-	**-**	
. Without exchange of capital	**-**	**-**	**-**	**-**	-	**-**	
Total A	**1**	**-**	**3**	**-**	**-**	**4**	**-**
B. Unlisted derivatives							
a) Financial derivatives:	**4,158**	**25,915**	**4,917**	**-**	**697**	**35,688**	**16,249**
. With exchange of capital	3	25,915	-	-	-	**25,919**	10,012
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	3	25,915	-	-	-	**25,919**	10,012
. Without exchange of capital	4,155	-	4,917	-	697	**9,769**	6,237
- Purchased options	69	-	4,917	-	697	**5,683**	1,537
- Other derivatives	4,086	-	-	-	-	**4,086**	4,700
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital	-	-	-	-	-	**-**	
. Without exchange of capital	-	-	-	-	-	**-**	
Total B	**4,158**	**25,915**	**4,917**	**-**	**697**	**35,688**	**16,249**
Total (A+B)	***4,159***	***25,915***	***4,920***	**-**	***697***	***35,692***	***16,249***

2.4 CASH FINANCIAL ASSETS HELD FOR TRADING OTHER THAN THOSE SOLD BUT NOT WRITTEN OFF AND OTHER THAN THOSE IMPAIRED: ANNUAL CHANGES

(Euro/1,000)

	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	17,190	5,060	-	-	**22,250**
B. Increases	**1,714,037**	**1,688,058**	**4,518**	**-**	**3,406,613**
B1 Purchases	1,550,863	1,686,398	4,497	-	**3,241,758**
B2 Positive fair value changes	183	21	1	-	**205**
B3 Other changes	162,991	1,639	20	-	**164,650**
C. Decreases	**1,685,585**	**1,683,544**	**4,432**	**-**	**3,373,561**
C1 Sales	999,421	1,682,468	4,419	-	**2,686,308**
C2 Redemptions	357,989	-	-	-	**357,989**
C3 Negative fair value changes	464	330	-	-	**794**
C4 Other changes	327,711	746	13	-	**328,470**
D. Closing balance	**45,642**	**9,574**	**86**	**-**	**55,302**

The captions B3 and C4 include the adjustments for reclassification to the caption “Assets sold but not written off” of securities used in negative buy-back operations of Euro 156,243 thousand and Euro 327,267 thousand.

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS - CAPTION 40

4.1 AVAILABLE-FOR-SALE FINANCIAL ASSETS: BREAK-DOWN BY TYPE

(Euro/1,000)

Caption / Amount	Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	215,935	58,114	193,185	38,993
1.1 Structured securities	-	-		
1.2 Other debt securities	*215,935*	*58,114*	*193,185*	*38,993*
2. Equity securities	-	7,001	-	*6,160*
2.1 Measured at fair value	-	*6,867*		*6,063*
2.2 Measured at cost	-	*134*		*97*
3. O.I.C.R. quotas	56,261	5,223	90,090	
4. Financing	-	-		
5. Impaired assets	-	-		
6. Assets sold but not written off	32,244	5,501	20,291	4,994
Total	**304,440**	**75,839**	**303,566**	**50,147**

The caption “Equity securities measured at cost” includes Shareholdings other than controlling Shareholdings and made up of unquoted securities.

Assets sold but not written off are exclusively represented by the book value of securities utilised in repo transactions.

4.2. AVAILABLE-FOR-SALE FINANCIAL ASSETS: BREAK-DOWN BY DEBTOR/ISSUER

(Euro/1,000)

Caption / Amount	Total 31.12.2006	Total 31.12.2005
1. Debt securities	**274,048**	**232,178**
a) Governments and central banks	189,119	143,878
b) Other public entities	-	
c) Banks	46,853	53,854
d) Other issuers	38,076	34,446
2. Equity securities	**7,001**	**6,160**
a) Banks	-	
b) Other issuers	7,001	6,160
- insurance companies	-	
- financial institutions	*1,490*	*1,007*
- non-financial companies	*5,511*	*5,138*
- other	-	*15*
3. O.I.C.R. quotas	**61,484**	**90,090**
4. Financing	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
5. Impaired assets	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
6. Assets sold but not written off	***37,746***	***25,285***
a) Governments and central banks	497	
b) Other public entities	-	
c) Banks	33,223	23,535
d) Other issuers	4,026	1,750
Total	**380,279**	**353,713**

OICR quotas are broken down in the following categories: bond funds for Euro 17,942 thousand (Euro 55,009 thousand in 2005), liquidity funds of Euro 33,033 thousand (Euro 27,704 thousand in 2005), common stock funds of Euro 10,505 thousand (Euro 5,124 thousand in 2005), hedge funds of Euro 2,716 thousand (Euro 1,624 thousand in 2005) and closed-end funds of Euro 288 thousand
(Euro 629 thousand in 2005).
Of these, the value of the funds issued by Group companies amounted to Euro 39,994 thousand.

4.5 AVAILABLE-FOR-SALE FINANCIAL ASSETS OTHER THAN THOSE SOLD BUT NOT WRITTEN OFF AND OTHER THAN THOSE IMPAIRED: ANNUAL CHANGES

(Euro/1,000)

	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	**232,178**	**6,160**	**90,090**	**-**	**328,428**
B. Increases	**238,703**	**1,426**	**130,969**	**-**	**371,098**
B1. Purchases	214,362	75	129,000	-	343,437
B2. Positive fair value changes	292	797	759	-	1,848
B3. Write-backs	-	-	-	-	-
- charged to statement of income	-		-	-	-
- charged to shareholders' equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other increases	24,049	554	1,210	-	25,813
C. Decreases	**196,833**	**585**	**159,575**	**-**	**356,993**
C1. Sales	104,035	585	159,117	-	263,737
C2. Redemptions	57,430	-	-	-	57,430
C3. Negative fair value changes	611	-	45	-	656
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	34,757	-	413	-	35,170
D. Closing balance	**274,048**	**7,001**	**61,484**	**-**	**342,533**

The captions “B5” and “C6” include adjustments for reclassification to the caption “Other assets sold but not written off” of securities used in negative buy-back operations amounting to Euro 20,805 thousand and Euro 33,266 thousand respectively.

SECTION 5 - HELD-TO-MATURITY INVESTMENTS - CAPTION 50

5.1 HELD-TO-MATURITY INVESTMENTS: BREAK-DOWN BY TYPE

(Euro/1000)

Transaction type / Amount	Total 31.12.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value
1. Debt securities	8,035	8,035	29,622	29,619
1.1 Structured securities	-	-		
1.2 Other debt securities	8,035	8,035	29,622	29,619
2. Financing	-	-		
3. Impaired assets	-	-		
4. Assets sold but not written off	-	-		
Total	**8,035**	**8,035**	**29,622**	**29,619**

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

The remainder of the caption is represented by a sole security with nominal value of Euro 8 million expiring in 2009.

5.2 HELD-TO-MATURITY INVESTMENTS: BREAK-DOWN BY DEBTOR/ISSUER

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Debt securities	**8,035**	**29,622**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	8,035	10,588
d) Other issuers	-	19,034
2. Financing	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
3. Impaired assets	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
4. Assets sold but not written off	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
Total	**8,035**	**29,622**

5.4 HELD-TO-MATURITY INVESTMENTS (OTHER THAN THOSE SOLD BUT NOT WRITTEN OFF AND OTHER THAN THOSE IMPAIRED): ANNUAL CHANGES

(Euro/1,000)

	Debt securities	Financing	**Total**
A. Opening balance	**29,622**		**29,622**
B. Increases	**81**	-	**81**
B1. Purchases	-	-	-
B2. Write-backs	-	-	-
B3. Transfer from other portfolios	-	-	-
B4. Other increases	81	-	**81**
C. Decreases	**21,668**	-	**21,668**
C1. Sales	-	-	-
C2. Redemptions	21,553	-	**21,553**
C3. Value adjustments	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other decreases	115	-	**115**
D. **Closing balance**	**8,035**	-	**8,035**

SECTION 6 - AMOUNTS DUE FROM BANKS - CAPTION 60

6.1 AMOUNTS DUE FROM BANKS: BREAK-DOWN BY TYPE

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
A. Amounts due from Central banks	**34,499**	**49,492**
1. Restricted deposits	-	
2. Compulsory reserve	34,499	49,492
3. Repurchase agreements	-	
4. Other	-	
B. Amounts due from banks	**356,568**	**616,412**
1. Current accounts and unrestricted deposits	53,491	125,704
2. Restricted deposits	174,523	400,052
3. Other financing	128,554	90,656
3.1 repurchase agreements	*107,753*	*80,556*
3.2 finance leases	-	
3.3 other	*20,801*	*10,100*
4. Debt securities	-	-
4.1 structured	-	
4.2 other debt securities	-	
5. Impaired assets	-	
6. Assets sold but not written off	-	
Total (book value)	**391,067**	**665,904**
Total (fair value)	**391,067**	**665,904**

Relations with Italian banks in the Group amounted to a total of Euro 29,944 thousand (Euro 10,895 thousand as of 31.12.2005), including subordinate current account financing of Euro 20,100 thousand (Euro 10,100 thousand at the end of 2005).
All relations are regulated by market conditions.

The value of receivables expressed in foreign currency had a value of Euro 29,250 thousand (Euro 22.952 thousand at the end of 2005).

SECTION 7 - AMOUNTS DUE FROM CUSTOMERS - CAPTION 70

7.1 AMOUNTS DUE FROM CUSTOMERS: BREAK-DOWN BY TYPE

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Current account	971,177	869,381
2. Repurchase agreements	-	
3. Mortgage loans	1,233,472	1,007,955
4. Credit cards, personal loans and loans on salary	116,014	102,001
5. Financial leases	507,029	481,579
6. Factoring	15,367	15,551
7. Other transactions	605,276	545,296
8. Debt securities	8,978	516
8.1 Structured	-	
8.2 Other debt securities	*8,978*	*516*
9. Impaired assets	53,531	54,708
10. Assets sold but not written off	-	
Total (book value)	**3,510,844**	**3,076,987**
Total (fair value)	**3,582,070**	**3,143,295**

Receivables shown are due almost entirely from resident customers. The value of receivables due from non-resident counter-parties only amounted to Euro 59 thousand.
The value in Euros of debt exposure amounted to Euro 20,327 thousand (Euro 35,023 thousand at the end of 2005).

Receivables due from Group companies amounted to Euro 7,845 thousand.

The figure representing impaired assets reduced by Euro 1,177 thousand (-2.15% compared to the previous accounting period); the reserves that had been set up (Euro 42,632 thousand against Euro 42,015 thousand in 2005) brought the percentage to 44.33% (compared to 43.44% in 2005).
Reference should also be made to “Section E” of these Notes for a more detailed examination of developments with respect to impaired assets.

7.2 AMOUNTS DUE FROM CUSTOMERS: BREAK-DOWN BY DEBTOR/ISSUER

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Debt securities issued by:	**8,978**	**516**
a) Governments	-	
b) Other public entities	-	
c) Other issuers	8,978	516
- non-financial companies	516	
- financial companies	8,462	
- insurance companies	-	
- other	-	*516*
2. Loans to:	**3,448,335**	**3,021,763**
a) Governments	-	
b) Other public entities	227	454
c) Other entities	3,448,108	3,021,309
- non-financial companies	*2,532,438*	*2,241,697*
- financial companies	*31,388*	*25,156*
- insurance companies	*0*	*8*
- other	*884,281*	*754,448*
3. Impaired assets:	**53,531**	**54,708**
a) Governments	-	
b) Other public entities	-	
c) Other entities	53,531	54,708
- non-financial companies	*35,187*	*38,448*
- financial companies	*0*	119
- insurance companies	-	
- other	*18,344*	16,141
4. Assets sold but not written off:	**-**	**-**
a) Governments	-	
b) Other public entities	-	
c) Other entities		
- non-financial companies	-	
- financial companies	-	
- insurance companies	-	
- other	-	
Total	**3,510,844**	**3,076,987**

7.4 FINANCE LEASE

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

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	13.621	268	13.353
- Between 1 and 5 years	277.250	21.850	255.400
- Beyond than 5 years	288.038	55.231	232.807
Total	**578.909**	**77.349**	**501.560**

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	13,621	268	13,353
- Between 1 and 5 years	277,250	21,850	255,400
- Beyond than 5 years	288,038	55,231	232,807
Total	**578,909**	**77,349**	**501,560**

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

SECTION 8 - HEDGING DERIVATIVES - CAPTION 80

8.1 HEDGING DERIVATIVES: BREAK-DOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET

(Euro/1,000)

Derivative type / Underlying asset		Interest rate	Currency and gold	Equity securities	Amounts receivable	Other	**Total**
A) Listed derivatives							
1) Financial derivatives:		**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital		-	-	-	-	-	-
- Options purchased		-	-	-	-	-	-
- Other derivatives		-	-	-	-	-	-
. Without exchange of capital		-	-	-	-	-	-
- Options purchased		-	-	-	-	-	-
- Other derivatives		-	-	-	-	-	-
2) Credit derivatives:		**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital		-	-	-	-	-	-
. Without exchange of capital		-	-	-	-	-	-
Total A		**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							-
1) Financial derivatives:		***8,305***	**-**	**-**	**-**	**-**	***8,305***
. With exchange of capital		-	-	-	-	-	-
- Options purchased		-	-	-	-	-	-
- Other derivatives		-	-	-	-	-	-
. Without exchange of capital		8,305	-	-	-	-	8,305
- Options purchased		66	-	-	-	-	66
- Other derivatives		8,239	-	-	-	-	8,239
2) Credit derivatives:		-	-	-	-	-	-
. With exchange of capital		-	-	-	-	-	-
. Without exchange of capital		-	-	-	-	-	-
Total B		**8,305**	**-**	**-**	**-**	**-**	**8,305**
Total (A + B)	**31.12.2006**	**8,305**	**-**	**-**	**-**	**-**	**8,305**
Total (A + B)	**31.12.2005**	**2,933**	**-**	**-**	**-**	**-**	**2,933**

8.2 HEDGING DERIVATIVES: BREAK-DOWN BY HEDGED PORTFOLIO AND TYPE OF HEDGING

(Euro/1,000)

Transaction/Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other			
1. Available-for-sale financial assets	-	-	-	-	-		-	
2. Loans	-	-	-		-		-	
3. Held-to-maturity investments		-	-		-		-	
4. Portfolio						-		-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	8,305	-	-		-		-	
2. Portfolio						-		-
Total liabilities	**8,305**	**-**	**-**		**-**	**-**	**-**	**-**

SECTION 10 – INVESTMENTS – CAPTION 100

10.1 INVESTMENTS IN SUBSIDIARIES, IN COMPANIES SUBJECT TO JOINT CONTROL OR SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON OWNERSHIP RELATIONSHIP

Company name	Registered offices	% Ownership share	% Availability of votes
A. Wholly-owned subsidiary companies			
1. Anima S.G.R.p.A.	*Milan*	*50.911*	*50.911*
2. Brianfid-Lux S.A.	*Luxemburg*	*100.000*	*99.000*
3. Banco Desio Toscana S.p.A.	*Florence*	*100.000*	*100.000*
4. Banco Desio Lazio S.p.A.	*Rome*	*100.000*	*100.000*
5. Banco Desio Veneto S.p.A.	*Vicenza*	*100.000*	*100.000*
6. Chiara Vita S.p.A. (1)	*Desio*	*100.000*	*100.000*
7. Chiara Assicurazioni S.p.A.	*Desio*	*100.000*	*100.000*

(1) The new company name of Desio Vita S.p.A.

10.2 INVESTMENTS IN SUBSIDIARIES, IN COMPANIES SUBJECT TO JOINT CONTROL OR SUBJECT TO SIGNIFICANT INFLUENCE: ACCOUNTING DATA

(Euro/1,000)

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders' equity	Book value	Fair value
A. Wholly-owned subsidiary companies						
1. Anima S.G.R.p.A.	79,251	124,188	25,786	50,359	5,716	x
2. Brianfid-Lux S.A.	57,541	3,664	1,988	27,095	23,427	x
3. Banco Desio Toscana S.p.A.	237,724	13,632	484	19,778	22,577	x
4. Banco Desio Lazio S.p.A.	637,991	32,804	2,757	33,121	35,992	x
5. Banco Desio Veneto S.p.A.	147,017	2,433	- 409	20,590	23,100	x
6. Chiara Vita S.p.A.	1,487,237	202,088	4,296	30,087	34,988	x
7. Chiara Assicurazioni S.p.A.	10,428	94	- 130	9,870	10,000	x
Total	**2,657,189**	**378,903**	**34,772**	**190,900**	**155,800**	

10.3 INVESTMENTS: ANNUAL CHANGE

(Euro/1000)

	Total 2006	Total 2005
A. Opening balance	**102,107**	**90,795**
B. Increases	**53,693**	**72,529**
B.1 Purchases	53,693	13,373
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	-	59,156
C. Decreases	**-**	**61,217**
C.1 Sales	-	61,217
C.2 Value adjustments	-	
C.4 Other decreases	-	
D. Closing balance	**155,800**	**102,107**
E. Total revaluations		
F. Total adjustments		

The caption has been affected over the accounting period by the formation of two new companies, increases in share capital and the purchase by the Controlling Company Brianza Unione of minority Shareholdings in the subsidiaries Banco Desio Lazio S.p.A., Desio Vita S.p.A. (now Chiara Vita S.p.A.) and Brianfid Lux S.A., bringing total Shareholdings in these companies to 100%.

Changes over the accounting period can be summarised as follows:

(Euro/1000)

	countervalue
Banco Desio Lazio S.p.A.	
- subscription of 9,915,254 shares with a nominal value of Euro 1, representing its share of the Euro 10,000,000 share capital increase	9,915
- purchase of 234,746 shares by the controlling company	252
Brianfid Lux S.A.	
- purchase of 23,400 shares by the controlling company	261
Chiara Vita S.p.A. (formerly Desio Vita S.p.A.)	
- subscription of 9,915,559 shares with a nominal value of Euro 1, representing its share of the Euro 10,000,000 share capital increase	9,915
- purchase of 204,162 shares by the controlling company	250
Desio Veneto S.p.A.	
- subscription of the whole share capital of 21,000,000 shares with nominal value of Euro 1 on the formation of the company	21,000
- the attribution of 2,100,000 shares with nominal value of Euro 1 by way of transfer of a branch of the business	2,100
Chiara Assicurazioni S.p.A.	
- subscription of the whole share capital (and the organisation reserve) of 7,500,000 shares with nominal value of Euro 1 on the formation of the company	10,000
	53,693

10.4 COMMITMENTS RELATING TO INVESTMENTS IN SUBSIDIARIES

Take note that the subsidiary Brianfid-Lux S.A. holds options to purchase the residual stake in the share capital of Credito Privato Commerciale S.A. – Lugano and Valorfin S.A. – Lugano.
These options may be exercised within 2007.

LIST OF INVESTMENTS

(*amounts as per Euro units*)

Investments	Number of shares or stakes	% ownership share	Nominal value	Book value
Subsidiaries				
ANIMA S.G.R.p.A.	53,456,550	50.910	2,672,828	5,715,574
BRIANFID-LUX S.A.	2,340,000	100.000	23,400,000	23,426,510
BANCO DESIO TOSCANA S.p.A.	13,774,017	100.000	13,774,017	22,577,213
BANCO DESIO LAZIO S.p.A.	27,700,000	100.000	27,700,000	35,992,079
BANCO DESIO VENETO S.p.A.	23,100,000	100.000	23,100,000	23,100,000
CHIARA VITA S.p.A.	24,178,000	100.000	24,178,000	34,988,450
CHIARA ASSICURAZIONI S.p.A	7,500,000	100.000	7,500,000	10,000,000
			122,324,845	**155,799,826**

(amounts as per Euro units)

Investments	Number of shares or stakes	% ownership share	Nominal value	Book value
Others (*)				
Cedacri S.p.A.	504	3.997	504,000	5,411,337
Be.Ve.Re.Co. S.r.l.	3,000	5.825	15,000	15,494
Zenit S.G.R. S.p.A.	25,000	10.000	250,000	490,000
Zenit Alternative Investments S.G.R.	16,000	10.000	160,000	-
Leonardo S.G.R. S.p.A.	40,000	10.000	200,000	600,800
CILME - MULTITEL S.p.A.	38,033	1.729	114,099	18,791
Istifid S.p.A.	174,503	12.035	174,503	364,711
Euros Spa Cefor & Istinform Cunsulting	4,882	0.200	2,539	2,539
Servizi Interbancari S.p.A.	60,826	0.135	36,496	34,174
S.I.A. Soc. Interb. per l'Automazione S.p.A.	4,562	0.013	2,372	2,792
S.S.B. Società Servizi Bancari S.p.A.	40,086	0.048	5,211	848
Consorzio Bancario S.I.R. S.p.A.	882,939	0.001	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Si.Te.Ba.	7,264	0.145	3,777	3,752
AsteImmobili.it	50,000	1.412	50,000	50,000
Total			**1,520,014**	**7,001,083**

(*) Investments allocated under caption 40 "Available-for-sale financial assets"

LIST OF SIGNIFICANT INVESTMENTS (ARTICLE 126 OF CONSOB RESOLUTION NO. 11971/1999)

Company name	Number of voting shares or stakes	% ownership with voting rights	Possessory title	Holding type
ANIMA S.G.R.p.A.	53,456,550	50.911	ownership	direct
BANCO DESIO LAZIO S.p.A.	27,700,000	100.000	ownership	direct
BANCO DESIO TOSCANA S.p.A.	13,774,017	100.000	ownership	direct
BANCO DESIO VENETO S.p.A.	23,100,000	100.000	ownership	direct
CHIARA VITA S.p.A.	24,178,000	100.000	ownership	direct
CHIARA ASSICURAZIONI S.p.A.	7,500,000	100.000	ownership	direct
BRIANFID-LUX S.A.	2,340,000	100.000	ownership	direct
CREDITO PRIVATO COMMERCIALE	9,618	87.440	ownership	indirect
VALORFIN S.A.	1,900	95.000	ownership	indirect
ISTIFID S.p.A.	174,503	12.035	ownership	direct

SECTION 11 – TANGIBLE ASSETS – CAPTION 110

11.1 TANGIBLE ASSETS: BREAK-DOWN OF ASSETS VALUED AT COST

(Euro/1,000)

Asset/Value	Total 31.12.2006	Total 31.12.2005
A. Functional assets		
1.1 owned by the Bank	**119,499**	**102,234**
a) land	32,573	27,388
b) buildings	69,685	59,872
c) fixtures and fittings	5,732	5,310
d) electrical equipment	4,506	4,049
e) other	7,003	5,615
1.2 acquired under finance lease	-	-
a) land	-	-
b) buildings	-	-
c) fixtures and fittings	-	-
d) electrical equipment	-	-
e) other	-	-
Total A	**119,499**	**102,234**
B. Tangible assets held for investment		
2.1 owned by the Bank	**2,323**	**2,349**
a) land	1,103	1,103
b) buildings	1,220	1,246
2.2 acquired under finance lease	-	-
a) land	-	-
b) buildings	-	-
Total B	**2,323**	**2,349**
Total (A + B)	**121,822**	**104,583**

Assets held for investment are made up of the real property units leased to the companies in the Brianfid-Lux S.A. and Chiara Vita S.p.A. group.

Depreciation has been calculated on a straight-line basis for all classes of tangible assets.

Properties, both for functional use and held for investment, are depreciated considering an estimated useful life of 50 years.

For other tangible assets, the estimated useful life for the main categories of assets is defined as follows: furniture for office use, fittings, office machines and miscellaneous equipment, 10 years; PC terminals, 4 years; motor vehicles for dual purpose, 4 years. Some types of assets with further specified useful lives have been identified, where necessary, within the individual categories.

11.3 TANGIBLE ASSETS FOR BUSINESS USE: ANNUAL CHANGES

(Euro/1,000)

	Land	Buildings	Fixtures and fittings	Electrical equipment	Other	Total
A. Gross opening balance	**27,388**	**62,201**	**21,424**	**14,870**	**30,408**	**156,291**
A.1 Total net decreases in value		2,329	16,114	10,821	24,793	54,057
A.2 Net opening balance	**27,388**	**59,872**	**5,310**	**4,049**	**5,615**	**102,234**
B. Increases:	**5,184**	**11,149**	**1,790**	**1,826**	**2,982**	**22,931**
B.1 Purchases	5,184	7,672	1,790	1,826	2,982	19,454
B.2 Capitalized improvement expenses	-	1,562	-	-	-	1,562
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from assets held for investment	-	-	-	-	-	-
B.7 Other changes	-	1,915	-	-	-	1,915
C. Decreases:	**-**	**1,336**	**1,368**	**1,369**	**1,593**	**5,666**
C.1 Sales	-	21	569	2	516	1,108
C.2 Amortization/depreciation	-	1,315	799	1,367	1,077	4,558
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment						-
b) assets being disposed of						-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**32,572**	**69,685**	**5,732**	**4,506**	**7,004**	**119,499**
D.1 Total net decreases in value		3,643	16,728	12,014	23,825	56,210
D.2 Gross closing balance	**32,572**	**73,328**	**22,460**	**16,520**	**30,829**	**175,709**

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

The caption 7 “Other changes” includes the advance paid for the purchase of a building in Monza together with the costs sustained for the improvements to be capitalised.

Losses on the disposal of tangible assets totalled Euro 32 thousand and income from realisation amounted to Euro 59 thousand.

11.4 TANGIBLE ASSETS HELD FOR INVESTMENT: ANNUAL CHANGES

(Euro/1,000)

	Land	Buildings	Total
A. **Gross opening balance**	**1,103**	**1,300**	**2,403**
A.1 Total net decreases in value	-	54	54
A.2 **Net opening balance**	**1,103**	**1,246**	**2,349**
B. **Increases:**	-	-	-
B.1 Purchases	-	-	-
B.2 Capitalized improvement expenses	-	-	-
B.3 Net positive fair value changes	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from functional assets	-	-	-
B.7 Other changes	-	-	-
C. **Decreases:**	**-**	**26**	**26**
C.1 Sales	-	-	-
C.2 Amortization/depreciation	-	26	26
C.3 Net negative fair value changes			
C.4 Adjustments for impairment			
C.5 Negative exchange differences			
C.6 Transfers to other asset portfolios:	-	-	-
a) assets for business use	-	-	-
b) assets being disposed of	-	-	-
C.7 Other changes			
D. **Closing balance**	**1,103**	**1,220**	**2,323**
D.1 Total net decreases in value		80	80
D.2 **Gross closing balance**	**1,103**	**1,300**	**2,403**

Land and buildings have been valued based on the value revalued as of 1 January 2004 upon first time application of IASs. Once in operation, they have been valued at cost.

11.5 COMMITMENTS TO PURCHASE TANGIBLE ASSETS

The additional commitment for the purchase of the Monza property referred to under point 11.3 above, amounted to Euro 1,660 thousand.

STATEMENT OF REVALUATIONS MADE ON ASSETS ENTERED IN THE ACCOUNTS (pursuant to Article 10 of Law No. 72 of 19/3/1983)

(amounts as per Euro units)

Properties	Monetary revaluations			Economic revaluations		
	L. 576/75	L.72/83	L. 413/91	Merger deficit	Voluntary revaluations	TOTAL
DESIO, via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO P.zza Gramsci			1,173			1,173
CUSANO M.NO Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU' Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE Via XX Settembre			355		4,132	4,487
MILANO Via della Posta			189,958		51,645	241,603
NOVATE M.SE Via Matteotti			22,022	170,257		192,279
GIUSSANO Via dell'Addolorata			26,067			26,067
MEDA Via Indipendenza			51,616			51,616
MONZA Corso Milano			227,521			227,521
BOVISIO Via Garibaldi			26,357			26,357
PADERNO DUGNANO Via Casati			24,339			24,339
LEGNANO Corso Garibaldi			176,676			176,676
SOVICO Via G. da Sovico			62,703			62,703
Total	**10,170**	**985,736**	**7,858,976**	**1,491,970**	**68,702**	**10,415,554**

PROPERTY OWNED BY THE BANK AS AT 31.12.2006
Properties for instrumental use

Euro/1.000

Location		Surface area for offices (sqm)	Net book value
ALBINO	Viale Libertà 23/25	332	792
ARCORE	Via Casati, 7	362	646
BAREGGIO	Via Falcone, 14	200	315
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	951
BOVISIO MASCIAGO	Via Garibaldi, 8	382	492
BRESCIA	Via Verdi, 1	530	1,994
BRESCIA 1° piano	Via Verdi, 1	190	1,220
BRIOSCO	Via Trieste, 14	430	456
BRUGHERIO	Viale Lombardia, 216/218	425	1,474
BUSTO ARSIZIO	Via Volta, 1	456	1,119
CADORAGO	Via Mameli, 5	187	334
CANTU'	Via Manzoni, 41	1,749	2,538
CARATE BRIANZA	Via Azimonti, 2	773	1,066
CARUGATE	Via XX Settembre, 8	574	711
CARUGO	Via Cavour, 2	252	429
CASTELLANZA	Corso Matteotti, 18	337	484
CESANO MADERNO	Corso Roma, 15	692	1,001
CINISELLO BALSAMO	Via Frova, 1	729	1,046
CINISELLO BALSAMO	Piazza Gramsci	26	18
COLOGNO MONZESE	Via Cavallotti, 10	128	50
CUSANO MILANINO	Viale Matteotti, 39	522	788
DESIO	Piazza Conciliazione, 1	1,694	2,414
DESIO	Via Rovagnati, 1	17,125	22,897
DESIO	Via Volta	238	663
GARBAGNATE	Via Varese, 1	400	1,416
GIUSSANO	Via Addolorata, 5	728	1,076
LECCO	Via Volta	615	1,891
LEGNANO	Corso Italia, 8	1,545	3,092
LISSONE	Via San Carlo, 23	583	1,047
MEDA	Via Indipendenza, 60	678	937
MILANO	Via della Posta, 8	1,912	8,052
MILANO	Via Foppa	223	882
MILANO	Via Menotti	825	3,300
MILANO	Via Moscova	668	5,495
MILANO	Via Trau'	627	2,887
MISINTO	Piazza Mosca, 3	330	413
MODENA	Via Saragozza, 130	720	3,905
MONZA	Via Manzoni, 37	397	820
MONZA	Corso Milano, 47	2,143	4,471
MONZA	Via Rota, 66	330	639
NOVA MILANESE	Piazza Marconi, 5	526	788
NOVATE MILANESE	Via Matteotti, 7	462	749
ORIGGIO	Largo Croce, 6	574	778
PIACENZA	Via Vittorio Veneto,67/a	486	1,646
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	679
RENATE	Piazza don Zanzi, 2	429	752
RHO	Via Martiri Libertà, 3	410	825
SARONNO	Via Rimembranze, 42	530	846
SEGRATE	Via Cassanese, 200	170	331
SEREGNO	Via Trabattoni, 40	1,233	2,353
SESTO SAN GIOVANNI	Piazza Oldrini	377	913
SEVESO	Via Manzoni	382	1,266
SOVICO	Via Frette, 10	673	1,237
VAREDO	Via Umberto I°, 123	501	604
VEDUGGIO	Via Vittorio Veneto, 51	257	280
VERANO BRIANZA	Via Preda, 17	322	451
VIGEVANO	Via Decembrio, 21	300	1,623
Sub-total		**49,919**	**100,342**

PROPERTIES FOR INVESTMENT PURPOSES

Euro/1.000

Location		Surface area for offices (sqm)	Net book value
LUSSEMBURGO	Bd Joseph II, 6	612	1,932
DESIO VITA	Via Rovagnati, 1	205	385
MEDA posto auto	Via Indipendenza, 60	15	6
Sub-total		**832**	**2,323**
Total		**50,751**	**102,665**

SECTION 12 – INTANGIBLE ASSETS - CAPTION 120

12.1 INTANGIBLE ASSETS: BREAK-DOWN BY TYPE OF ASSET

(Euro/1,000)

Caption/Value	Total 31.12.2006		Total 31.12.2005	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		1,729		1,729
A.2 Other intangible assets	1,374	-	1,358	-
A.2.1 Assets valued at cost:	1,374	-	1,358	-
a) Intangible assets generated internally				
b) Other assets	1,374		1,358	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
Total	**1,374**	**1,729**	**1,358**	**1,729**

No impairment losses were recorded compared to the previous period for goodwill relating to the acquisition of bank branches made in 1999, and, given the indefinite useful life, no amortization was calculated.

Other intangible assets have been amortized on a straight-line basis according to their useful life.

Useful life for indemnities for abandonment of premises is estimated to be equal to the lease term, being equal to 4 years for software associated with machines and to 5 years for application software.

12.2 INTANGIBLE ASSETS: ANNUAL CHANGES

(Euro/1,000)

		Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
			Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A.	**Opening balance**	**1,729**	**-**	**-**	**2,372**		**4,101**
A.1	Total net decreases in value				1,014		1,014
A.2	**Net opening balance**	**1,729**	**-**	**-**	**1,358**	**-**	**3,087**
B.	**Increases**	**-**	**-**	**-**	**393**	**-**	**393**
B.1	Purchases	-	-	-	393	-	393
B.2	Increases in internal intangible assets	X	-	-	-	-	-
B.3	Write-backs	X	-	-	-	-	-
B.4	Increases in fair value charged to:		-	-	-	-	-
	- shareholders' equity						-
	- statement of income						-
B.5	Positive exchange differences						-
B.6	Other changes	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**377**	**-**	**377**
C.1	Sales	-	-	-	-	-	-
C.2	Adjustments	-	-	-	377	-	377
	- Amortization	X	-	-	377	-	377
	- Write-downs	-	-	-	-	-	-
	+ shareholders' equity						-
	+ statement of income						-
C.3	Decreases in fair value charged to:		-	-	-	-	-
	- shareholders' equity						-
	- statement of income						-
C.4	Tranfers to assets being disposed of						-
C.5	Negative exchange differences						-
C.6	Other changes	-	-	-	-	-	-
D.	**Closing balance**	**1,729**	**-**	**-**	**1,374**	**-**	**3,103**
D.1	Total net adjustments	-	-	-	1,391	-	1,391
E.	**Gross closing balance**	**1,729**	**-**	**-**	**2,765**	**-**	**4,494**

All classes of intangible assets have been valued at cost.

SECTION 13 - TAX ASSETS AND LIABILITIES - CAPTION 130 UNDER ASSETS AND CAPTION 80 UNDER LIABILITIES

13.1 DEFERRED TAX ASSETS: BREAK-DOWN

(Euro/1,000)

Temporary differences	nominal value	tax rate applied	Total
writedowns of loans to customers deductible on a straight-line basis	8,294	33.00%	2,737
writedowns of loans to customers outstanding as at 12.31.2004	700	33.00%	231
write-down of loans due to revenues from transition	454	5.25%	24
writedown of FVTPL classified shares	313	38.25%	120
writedown of securities classified AFS, not deductible	161	33.00%	53
entertainment expenses, within the limit of one third deductible in the following four years	231	38.25%	88
other general expenses deductible in the following accounting period	84	38.25%	32
provisions for personnel charges	8,435	33.00%	2,784
remuneration of directors to be paid out	1,294	33.00%	427
provisions for guarantees and commitments/country risk	588	33.00%	194
provisions for risks from implicit loan losses	47	33.00%	15
provisions for legal disputes	8,641	33.00%	2,852
provisions for revocatory actions	4,755	33.00%	1,569
provision for sundry charges	241	33.00%	80
Total			**11,206**

13.2 DEFERRED TAX LIABILITIES: BREAK-DOWN

(Euro/1,000)

Temporary differences	nominal value	tax rate applied	Total
gains on disposal of tangible assets	68	38.25%	26
default interest accrued fiscally irrelevant	138	38.25%	53
tax amortization of properties	23,004	38.25%	8,799
tax amortization of intangible assets	8,355	38.25%	3,196
tax amortization of goodwill	730	38.25%	279
tax amortization on long-term charges (software)	619	38.25%	236
tax amortization on long-term charges (others)	4,155	38.25%	1,589
off balance sheet provisions for write-down of tax loans	2,614	33.00%	863
untaxed revaluation of AFS securities	1,174	33.00%	387
untaxed revaluation of investments	421	33.00%	139
tax provision for employee termination indemnities	455	33.00%	150
revaluation on loans due to transiction costs	718	5.25%	38
Total			**15,755**

13.3 CHANGE IN DEFERRED TAX ASSETS (WITH CORRESPONDING CAPTION IN STATEMENT OF INCOME)

(Euro/1,000)

	Total 2006	Total 2005
1. Initial amount	**10,755**	**9,283**
2. Increases	**4,433**	**8,115**
2.1 Deferred tax assets recognized during the year	4,433	6,704
a) from previous years	-	
b) due to adoption of different accounting standards	-	
c) write-backs	-	
d) other	*4,433*	*6,704*
2.2 New taxes or increases in fiscal rates	-	
2.3 Other increases	-	1,411
3. Decreases	**4,036**	**6,643**
3.1 Deferred tax assets cancelled during the year	3,506	6,643
a) reallocation	*3,506*	*6,643*
b) write-downs due to irrecoverability	-	
c) different accounting standards	-	
3.2 Decreases in fiscal rates	-	
3.3 Other decreases	530	
4. Final amount	**11,152**	**10,755**

Euro 367 thousand of the caption "3.3 Other decreases" refers to elimination of deferred tax assets following the transfer operation to Banco Desio Veneto S.p.A. while the sum of Euro 163 thousand in the form of deferred IRAP tax was offset following the ministerial interpretation regarding the non-deductibility of previous taxed write-downs of customer receivables.

13.4 CHANGE IN DEFERRED TAX LIABILITIES (WITH CORRESPONDING CAPTION IN STATEMENT OF INCOME)

(Euro/1000)

	Total 2006	Total 2005
1. Initial amount	**15,136**	**15,330**
2. Increases	**2,277**	**2,729**
2.1 Deferred tax liabilities recognized during the year	2,277	1,878
a) from previous years	-	
b) due to adoption of different accounting standards	-	
c) other	*2,277*	*1,878*
2.2 New taxes or increases in tax rates	-	
2.3 Other increases	-	851
3. Decreases	**2,334**	**2,923**
3.1 Deferred tax liabilities cancelled during the year	2,243	2,923
a) reallocation	*2,243*	*2,923*
b) due to adoption of different accounting standards	-	
c) other	-	
3.2 Decreases in fiscal rates	-	
3.3 Other decreases	91	
4. Final amount	**15,079**	**15,136**

The caption "3.3. Other decreases" refers to the cancellation of deferred tax liabilities following the transfer operation to Banco Desio Veneto S.p.A..

13.5 CHANGE IN DEFERRED TAX ASSETS (WITH CORRESPONDING CAPTION IN NET SHAREHOLDERS' EQUITY)

(Euro/1,000)

	Total 2006	Total 2005
1. Initial amount	**436**	**95**
2. Increases	152	341
2.1 Deferred tax assets recognized during the year	152	341
a) from previous years	-	
b) due to adoption of different accounting standards	-	
c) other	152	341
2.2 New taxes or increases in tax rates	-	
2.3 Other increases	-	
3. Decreases	534	-
3.1 Deferred tax assets cancelled during the year	524	-
a) reallocation	524	
b) write-downs due to irrecoverability	-	
c) due to adoption of different accounting standards	-	
3.2 Decreases in tax rates	-	
3.3 Other decreases	10	
4. Final amount	**54**	**436**

The caption "3.3. Other decreases" refers to the cancellation of deferred tax assets following the transfer operation to Banco Desio Veneto S.p.A..

13.6 CHANGE IN DEFERRED TAX LIABILITIES (WITH CORRESPONDING CAPTION IN NET SHAREHOLDERS' EQUITY)

(Euro/1,000)

	Total 2006	Total 2005
1. Initial amount	**320**	
2. Increases	565	508
2.1 Deferred tax liabilities recognized during the year	565	263
a) from previous years	-	
b) due to adoption of different accounting standards	-	
c) other	565	263
2.2 New taxes or increases in tax rates	-	
2.3 Other increases	-	245
3. Decreases	209	188
3.1 Deferred tax liabilities cancelled during the year	209	188
a) reallocation	209	188
b) due to adoption of different accounting standards	-	
c) other	-	
3.2 Decreases in tax rates	-	
3.3 Other decreases	-	
4. Final amount	**676**	**320**

SECTION 14 - NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES - CAPTION 140 UNDER ASSETS AND CAPTION 90 UNDER LIABILITIES

14.1 NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS: BREAK-DOWN BY TYPE OF ASSET

Euro/1.000

	Total 31.12.2006	Total 31.12.2005
A. Individual assets		
A.1 Investments		
A.2 Tangible assets		
A.3 Intangible assets		
A.4 Other non-current assets		
Total A	-	-
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading		
B.2 Financial assets designated as at fair value		
B.3 Available-for-sale investments		
B.4 Held-to-maturity investments		
B.5 Amounts due from banks		
B.6 Loans and advances to customers		6,391
B.7 Investments		
B.8 Tangible assets		455
B.9 Intangible assets		
B.10 Other assets		412
Total B	**-**	**7,258**
C Liabilities on non-current discontinued operations		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
Total C	-	-
D Liabilities on discontinued operations		
D.1 Amounts due to banks		
D.2 Amounts due to customers		11,212
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Reserves		160
D.7 Other liabilities		
Total D	**-**	**11,372**

Stock in hand at the end of the previous accounting period included assets and liabilities existing at that date with branch offices and the related employed staff, forming the subject matter of the transfer to the subsidiary Desio Veneto S.p.A.

SECTION 15 – OTHER ASSETS - CAPTION 150

15.1 OTHER ASSETS: BREAK-DOWN

(Euro/1,000)

	Total 31.12.2006	Total 31.12.2005
Tax credits		
. principal	4,319	8,272
. interests	1,181	2,302
Amounts due from tax authorities	4,466	4,200
Taxes withheld	562	488
Tax credits on capital gain on investment funds	4	2
Traded cheques to be settled	6,062	7,582
Guarantee deposits	-	53
Invoices issued to be collected	4,118	579
coupons to be collected	5,709	8
Print-outs and stationery stock	237	206
Unprocessed transactions and amounts in transit with Bank Branches	18,652	14,327
Currency spreads on portfolio transactions	265	-
Payments on accounts of the incorporation of a new company		21,000
Investments in supplementary termination indemnities for personnel	1,114	1,162
Leasehold improvements	13,318	12,802
Accrued income and prepaid expenses	2,430	16,154
Other items	186,918	61,790
Total	**249,355**	**150,927**

The reduction in tax receivables is mainly attributable to a refund of VAT amounting to Euro 6 million plus Euro 470 thousand in interest.

The residual caption “Other Items” includes receivables, for invoices to be settled or issued to other companies in the Group, for a total amount of Euro 4,052 thousand (from Euro 4,958 thousand over 2005).

LIABILITIES

SECTION 1 - AMOUNTS DUE TO BANKS - CAPTION 10

1.1 AMOUNTS DUE TO BANKS: BREAK-DOWN BY TYPE

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Amounts due to central banks		
2. Amounts due to banks	**297,709**	**272,474**
2.1 Current accounts and unrestricted deposits	125,939	141,916
2.2 Restricted deposits	114,517	105,254
2.3 Financing	-	-
2.3.1 Finance lease	-	
2.3.2 Other	-	
2.4 Commitments for repurchases of own equity instruments	-	
2.5 Liabilities corresponding to assets sold but not written off	49,179	25,304
2.5.1 Reverse repurchase agreements	*49,179*	*25,304*
2.5.2 Other	-	
2.6 Other amounts due	8,074	
Total	**297,709**	**272,474**
Fair value	**297,709**	**272,474**

Payables expressed in foreign currency have been valued at Euro 29,124 thousand (Euro 4,298 thousand as of 31.12.2005).

Relations with Group banks amounted to Euro 212,829 thousand (Euro 240,141 thousand at the end of 2005).
All relations were regulated by market conditions.

SECTION 2 - AMOUNTS DUE TO CUSTOMERS - CAPTION 20

2.1 AMOUNTS DUE TO CUSTOMERS: BREAK-DOWN BY TYPE

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Current accounts and unrestricted deposits	2,302,504	2,103,579
2. Restricted deposits	331	365
3. Third-party funds under administration	-	
4. Financing	-	-
4.1 Finance lease		
4.2 Other		
5. Commitments for repurchases of own equity instruments		
6. Liabilities corresponding to assets sold but not written off	345,096	183,444
6.1 Reverse repurchase agreements	*345,096*	*183,444*
6.2 Other	-	
7. Other amounts due	125,757	79,607
Total	**2,773,688**	**2,366,995**
Fair value	**2,773,688**	**2,366,995**

Payables due to resident customers amounted to a total of Euro 2,766,237 thousand (Euro 2,366,195 thousand at the end of 2005).

The total amount of relations in foreign currency was valued at Euro 29,934 thousand (compared to Euro 25,126 thousand at the end of 2005).

All payables due to group companies were serviced at market conditions and totalled Euro 27,931 thousand (Euro 25,827 thousand at the end of 2005).

SECTION 3 - SECURITIES ISSUED - CAPTION 30

3.1 SECURITIES ISSUED: BREAK-DOWN BY TYPE

(Euro/1,000)

Security type / Amount	Total 31.12.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value
A. Listed securities	**351,547**	**350,401**	**350,664**	**350,680**
1. Bonds	351,547	350,401	350,664	350,680
1.1 structured	-	-		
1.2 other	*351,547*	*350,401*	*350,664*	*350,680*
2. Other securities	-	-	-	-
2.1 structured	-	-		
2.2 other	-	-		
B. Unlisted securities	**1,001,185**	**980,208**	**1,094,987**	**1,079,803**
1. Bonds	922,885	901,908	1,021,608	1,006,424
1.1 structured	*19,962*	*19,696*	*30,368*	*29,859*
1.2 other	*902,923*	*882,212*	*991,240*	*976,565*
2. Other securities	78,300	78,300	73,379	73,379
2.1 structured	-	-		
2.2 other	*78,300*	*78,300*	*73,379*	*73,379*
Total	**1,352,732**	**1,330,609**	**1,445,651**	**1,430,483**

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

The caption “Unlisted Securities – Other securities” was made up exclusively of deposit certificates.

3.2 BREAK-DOWN OF CAPTION 30 "SECURITIES ISSUED": SUBORDINATED SECURITIES

(Euro/1,000)

Bonds	31.12.2006	31.12.2005
due 01.08.2006		13,113
due 01.03.2007	13,148	13,091
due 03.06.2008	13,032	13,020
due 03.05.2009	30,157	30,097
due 15.12.2009	30,032	30,025
due 01.12.2010	13,053	13,027
due 29.12.2011	13,000	
Total	**112,422**	**112,373**

During the year, the Bank issued a subordinated debenture loan with a nominal value of Euro 13,000 million, divided in bonds with a nominal value of Euro 1,000 each, having the following characteristics:

- duration: 5 years, due 29.12.2011;
- interest rate: 6-month Euribor, taken on the fifth last working day prior to the start of coupon entitlement;
- payment frequency and payment date of interest coupons: six-monthly, deferred, on June 29 and December 29 of each year;
- redemption: in one single solution upon maturity;
- early redemption clause: not provided;
- possession: the Bank may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been satisfied.

Debenture loans entered into in the previous years show characteristics similar to those of the loan issued in the last accounting period.

3.3 SECURITIES ISSUED: SECURITIES SUBJECT TO SPECIFIC HEDGING

(Euro/1000)

	Total 31.12.2006	Total 31.12.2005
1. Debt securities subject to fair value hedging	96,607	146,097
a) interest rate risk	96,607	146,097
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING - CAPTION 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAK-DOWN BY TYPE

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006				Total 31.12.2005			
	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted	
A. Liabilities for cash								
1. Amounts due to banks								
2. Amounts due to customers								
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-		-	-	-	
3.1.1 Structured								*x*
3.1.2 Other bonds								*x*
3.2 Other securities	-	-	-		-	-	-	
3.2.1 Structured								*x*
3.2.2 Other								*x*
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments								
1. Financial derivatives		4	35,512				16,102	
1.1 trading		*4*	*34,733*				*15,840*	*x*
1.2 connected with the fair value option			*779*				*262*	*x*
1.3 other			-					*x*
2. Credit derivatives		-	-					
2.1 trading			-					x
2.2 connected with the fair value option			-					x
2.3 other			-					x
Total B	**x**	**4**	**35,512**	**x**	**x**		**16,102**	**x**
Total (A + B)	**-**	**4**	**35,512**	**-**	**-**	**-**	**16,102**	**-**

4.4 FINANCIAL LIABILITIES HELD FOR TRADING: DERIVATIVE INSTRUMENTS

(Euro/1,000)

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2006	Total 31.12.2005
a) Listed derivatives							
1) Financial derivatives:	-	-	4	-	-	4	-
. With exchange of capital	-	-	4	-	-	4	-
- issued options						-	
- other derivatives			4			4	
. Without exchange of capital	-	-	-	-	-	-	-
- issued options						-	
- other derivatives						-	
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	**-**	**-**	**4**	**-**	**-**	**4**	**-**
b) Unlisted derivatives						-	
1) Financial derivatives:	3,962	25,920	4,917	-	713	35,512	16,102
. With exchange of capital	-	25,920	-	-	-	25,920	9,990
- issued options						-	
- other derivatives	-	25,920	-	-	-	25,920	9,990
. Without exchange of capital	3,962	-	4,917	-	713	9,592	6,112
- issued options	2	-	4,917	-	-	4,919	1,537
- other derivatives	3,960	-	-	-	713	4,673	4,575
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	**3,962**	**25,920**	**4,917**	**-**	**713**	**35,512**	**16,102**
Total (A + B)	**3,962**	**25,920**	**4,921**	**-**	**713**	**35,516**	**16,102**

4.5 CASH FINANCIAL LIABILITIES (EXCLUDING "TECHNICAL OVERDRAFTS") HELD FOR TRADING: ANNUAL CHANGES

Financial liabilities exclusively include derivative transactions for which it is not necessary to provide the relevant breakdown.

SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 50

5.1 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAK-DOWN BY TYPE

(Euro/1000)

Transaction type / Amount	Total 31.12.2006				Total 31.12.2005			
	nominal or notional value	fair value		fair value	nominal or notional value	fair value		fair value
		Listed	Unlisted			Listed	Unlisted	
1. Amounts due to banks	-	-	-		-	-	-	
1.1 Structured				x				x
1.2 Other				x				x
2. Amounts due to customers	-	-	-		-	-	-	
2.1 Structured				x				x
2.2 Other				x				x
3. Debt securities	36,140	-	34,965		7,854	-	7,599	
3.1 Structured	*15,000*	-	*14,199*	x	*7,854*		*7,599*	x
3.2 Other	*21,140*		*20,766*	x				x
Total	**36,140**	**-**	**34,965**	**-**	**7,854**	**-**	**7,599**	

The application of the fair value option relates to structured financial liabilities issued by the Bank and its aim is to reduce valuation inconsistencies, if any, between derivative financial instruments and financial liabilities connected by a relation of "natural hedge".

5.3 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: ANNUAL CHANGES

(Euro/1000)

	Debiti verso banche	Debiti verso clientela	Titoli in circolazione	Totale 2006
A. **Esistenze iniziali**			7.599	7.599
B. **Aumenti**	-	-	29.011	**29.011**
B1. Emissioni			28.286	**28.286**
B2. Vendite			141	**141**
B3. Variazioni positive al fair value				
B4. Altre variazioni			584	**584**
C. **Diminuzioni**	-	-	1.645	**1.645**
C1. Acquisti			140	**140**
C2. Rimborsi				**-**
C3. Variazioni negative di fair value			1.503	**1.503**
C4. Altre variazioni			2	**2**
D. **Rimanenze finali**	**-**	**-**	**34.965**	**34.965**

SECTION 6 – HEDGING DERIVATIVES - CAPTION 60

6.1 HEDGING DERIVATIVES: BREAK-DOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET

(Euro/1,000)

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total
A) Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
. Without exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						
1) Financial derivatives:	1,437	-	-	-	-	1,437
. With exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
. Without exchange of capital	1,437	-	-	-	-	1,437
- issued options						-
- other derivatives	1,437	-	-	-	-	1,437
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total B	**1,437**	**-**	**-**	**-**	**-**	**1,437**
Total (A + B) 31.12.2006	**1,437**	**-**	**-**	**-**	**-**	**1,437**
Total (A + B) 31.12.2005	**247**					**247**

6.2 HEDGING DERIVATIVES: BREAK-DOWN BY HEDGED PORTFOLIO AND TYPE OF HEDGING

(Euro/1000)

Transaction / Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	interest rate risk	interest exchange risk	credit risk	price risk	other			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolios								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1,437	-	-	-	-		-	
2. Portfolios								
Total liabilities	**1,437**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 8 - TAX LIABILITIES

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

SECTION 10 - OTHER LIABILITIES - CAPTION 100

10.1 OTHER LIABILITIES: BREAK-DOWN

(Euro/1000)

	Total 31.12.2006	Total 31.12.2005
Due to Tax Authorities	963	1,084
Amounts due to Tax Authorities on account of third parties	10,177	7,366
Social security contributions to be reversed	3,077	2,308
Due to shareholders on account of dividends	10	9
Suppliers	15,569	13,192
Amounts available for customers	157,384	21,406
Interest and fees to be credited	2,061	1,826
Payments against disposals on bills	160	153
Advance payments on expiring loans	235	156
Unprocessed transactions and amounts in transit with Branches	34,054	30,451
Currency spreads on portfolio transactions	11,858	11,422
Collected premiums on options		7,083
Other accounts payable	17,628	15,482
Provisions for guarantees and commitments	548	1,112
Accrued liabilities and deferred income	1,076	6,999
Total	**254,800**	**120,049**

This caption included payables due from Group companies amounting to a total of Euro 356 thousand (Euro 283 thousand at the end of 2005).

SECTION 11 - PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES - CAPTION 110

11.1 PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES: ANNUAL CHANGES

(Euro/1,000)

	Total 2006	Total 2005
A. Opening balance	**30,624**	**27,814**
B. Increases	**2,249**	**6,708**
B.1 Provisions during the year	2,249	5,578
B.2 Other increases	-	1,130
C. Decreases	**3,453**	**3,898**
C.1 Amounts paid	2,263	2,802
C.2 Other decreases	1,190	1,096
D. Closing balance	**29,420**	**30,624**

The caption Provisions has been decreased with respect to accrued civil rights as a result of actuarial valuation, by Euro 3,080 thousand.

The figure of Euro 1,065 thousand was included under “Other decreases” relating to the seniority bonus which was reclassified to caption 120, “Provisions for risks and charges”.

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

Demographic assumptions

For the probabilities of death, inability and retirement, reference has been made to the last available ISTAT valuations, the INPS models and the requirements for retirement valid for the Compulsory General Insurance. For the probabilities of stopping working, internal statistics have been considered.

Economic-financial assumptions

Technical valuations have been carried out based on the following assumptions:
- annual technical discount rate 4%
- annual inflation rate 2%
- total annual rate of increase in remuneration 3%

The reference discount rate is the Iboxx Eurozone Corporates AA index, with a duration exceeding 10 years.

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - CAPTION 120

12.1 PROVISIONS FOR RISKS AND CHARGES: BREAK-DOWN

(Euro/1,000)

Caption / Components	Total 31.12.2006	Total 31.12.2005
1. Company pension funds		
2. Other provisions for risks and charges	26,991	19,609
2.1 legal disputes	13,397	11,889
2.2 personnel charges	12,059	7,720
2.3 other	1,535	
Total	**26,991**	**19,609**

12.2. PROVISIONS FOR RISKS AND CHARGES: ANNUAL CHANGES

(Euro/1,000)

	Pension funds	Other funds	Total 2006
A. Opening balance		**19,609**	**19,609**
B. Increases	**-**	**13,519**	**13,519**
B.1 Provisions during the year	-	12,219	12,219
B.2 Changes due to the elapsing of time	-	235	235
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases	-	1,065	1,065
C. Decreases	**-**	**6,137**	**6,137**
C.1 Use during the year	-	5,967	5,967
C.2 Changes due to discount rate adjustments	-		-
C.3 Other decreases	-	170	170
D. Closing balance	**-**	**26,991**	**26,991**

The caption "B.2 Changes due to the elapsing of time" includes interests from discounting-back activity accrued over the year.

The caption "B.4 Other increases" refers to the seniority bonus which had been assimilated to the Provisions for employee termination indemnities.

12.4 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

(Euro/1,000)

	31.12.2006	31.12.2005
Provision for legal disputes	13,397	11,889
Holidays and festivities untaken	1,206	1,099
Seniority premium	1,304	
Sundry personnel provisions	9,549	6,621
Other	1,535	
Total	**26,991**	**19,609**

Provisions for risks and charges for legal disputes include the analytical discounted estimate of the expected liabilities which may arise for the Bank following claw-back actions and legal actions pending with customers.
Discharge of liabilities is expected over an average period of 12 months.
The rate utilized for discounting-back purposes is 2.5%.
The effect of discounting-back has entailed a lower charge of Euro 328 thousand charged to the income statement.
The caption "Sundry personnel provisions" includes:

Euro 1,114 supplementary fund for employee termination indemnities, entered against the entry under assets of a credit of the same amount for investments in insurance policies shown under "Other assets".

Euro 8,435 representing the estimate of potential future liabilities concerning sundry provisions.

SECTION 14 – BANK'S SHAREHOLDERS' EQUITY - CAPTIONS 140, 160, 170, 180, 190, 200 E 220

14.1 BANK'S SHAREHOLDERS' EQUITY: BREAK-DOWN

(Euro/1000)

Caption / Amount	Amount 31.12.2006	Amount 31.12.2005
1. Share capital	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	318,988	226,021
4. (Treasury shares)		
5. Valuation reserves	25,663	24,000
6. Capital instruments	-	
7. Profit (loss) for the period	52,387	101,899
Total	**480,888**	**435,770**

The breakdown of captions "Reserves" and "Valuation reserve" is provided under paragraphs 14.5 and 14.7 below.

14.2 "SHARE CAPITAL" AND "TREASURY SHARES": BREAK-DOWN

The share capital, fully subscribed and paid up, is made up of:
- no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- no. 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

The Bank does not hold, and has never held, treasury shares over the period.

14.3 Capital - Number of shares: annual changes

(Euro/1,000)

Caption/Type	Ordinary	Other
A. Number of shares at the beginning of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
B.2 Shares in circulation: opening balance	117,000,000	13,202,000
B. Increases	-	-
B.1 New issues		
- on a payment basis:	-	-
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:	-	-
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases	-	-
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	117,000,000	13,202,000
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

14.5 PROFIT RESERVES: OTHER INFORMATION

(Euro/1000)

Caption	31.12.2006	31.12.2005
Legal reserve	33,932	23,622
Statutory reserves	145,568	69,011
Profits (losses) carried forward	23,477	23,477
First time application reserves (F.T.A.)	99,785	99,785
Other reserves	16,226	10,126
Total	**318,988**	**226,021**

With reference to the individual items, take note of the following:

- Legal reserve.
  The caption shows an increase for the allocation of 2005 year profits resolved upon by the Ordinary Shareholders' Meeting, while approving the financial statements.
- Statutory reserve.
- The caption shows an increase for the allocation of 2005 year profits resolved upon by the Ordinary Shareholders' Meeting, while approving the financial statements.
- Other reserves
  The change refers to the increase in the Reserve through the purchase of own shares and has been increased by Euro 4 million and by Euro 2.1 million from the setting up of the transfer Reserve.

14.7 VALUATION RESERVES: BREAK-DOWN

(Euro/1,000)

Caption / Components	Total 31.12.2006	Total 31.12.2005
1. Available-for-sale financial assets	2,673	2,200
2. Tangible assets	-	
3. Intangible assets	-	
4. Foreign investment hedge	-	
5. Cashflow hedge		
6. Exchange differences	-	
7. Discontinuing operations	-	
8. Special revaluation laws	22,896	22,896
9. Actuarial valuation of termination indemnities	94	- 1,096
Total	**25,663**	**24,000**

14.8 VALUATION RESERVES: ANNUAL CHANGES

(Euro/1,000)

	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**2,200**							**22,896**	**- 1,096**
B. Increases	**1,521**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,190**
B1. Increases in fair value	1,496	-	-	-	-	-	-		
B2. Other changes	25	-	-	-		-	-	-	1,190
C. Decreases	**1,048**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C1. Decreases in fair value	642	-	-	-	-	-	-		
C2. Other changes	406	-	-	-	-	-	-	-	
D. Closing balance	**2,673**	**-**	**-**	**-**	**-**	**-**	**-**	**22,896**	**94**

14.9 VALUATION RESERVES OF AVAILABLE FOR SALE FINANCIAL ASSETS: BREAK-DOWN

(Euro/1,000)

Asset / Amount	Total 31.12.2006		Total 31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	67	- 658	148	- 240
2. Equity securities	2,690	- 160	2,504	- 739
3. OICR quotas	801	- 67	574	- 47
4. Financing	-	-		
Total	**3,558**	**- 885**	3,226	- 1,026

14.10 VALUATION RESERVES OF AVAILABLE FOR SALE FINANCIAL ASSETS: ANNUAL CHANGES

(Euro/1,000)

	Debt securities	Equity securities	OICR quotas	Financing
1. Opening balance	**- 92**	**1,765**	**527**	
2. Increases	**199**	**765**	**557**	**-**
2.1 Increases in fair value	196	765	535	-
2.2 Reallocation of negative reserves to statement of income:				
- due to impairment	-	-	-	-
- due to realization	3	-	22	-
2.3 Other changes	-	-	-	-
3. Decreases	**698**	**-**	**350**	**-**
3.1 Decreases in fair value	598	-	44	-
3.2 Reallocation to statement of income from positive reserves: due to realization	100	-	306	-
3.3 Other changes	-	-	-	-
4. Closing balance	**- 591**	**2,530**	**734**	**-**

OTHER INFORMATION

1. GUARANTEES GRANTED AND COMMITMENTS

(Euro/1,000)

Transactions	Amount 31.12.2006	Amount 31.12.2005
1) Financial guarantees granted	2,578	3,655
a) Banks	-	2,059
b) Customers	2,578	1,596
2) Commercial guarantees granted	132,336	129,618
a) Banks	5,949	4,383
b) Customers	126,387	125,235
3) Irrevocable commitments to grant finance	195,497	170,719
a) Banks	31,939	70,445
i) certain to be called on	26,309	70,445
ii) not certain to be called on	5,630	
b) Customers	163,558	100,274
i) certain to be called on	108,932	96,758
ii) not certain to be called on	54,626	3,516
4) Underlying commitments to credit derivatives: hedging sales	-	
5) Assets lodged to guarantee minority interest	-	
6) Other commitments	-	
Total	**330,411**	**303,992**

2. ASSETS LODGED TO GUARANTEE OWN LIABILITIES AND COMMITMENTS

(Euro/1,000)

Portfolios	31.12.2006	31.12.2005
1. Financial assets held for trading		
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	82,170	78,890
4. Held-to-maturity investments		
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

4. ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

(Euro/1,000)

Type of services	Amounts
1. Financial instruments dealing on behalf of third parties	**3,698,840**
a) purchase	1,529,837
1. settled	1,520,609
2. not settled	9,228
b) sale	2,169,003
1. settled	2,148,413
2. not settled	20,590
2. Portfolio management	**841,276**
a) individual	841,276
b) collective	-
3. Custody and administration of securities	
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	5,189,546
1. securities issued by the bank preparing the accounts	16
2. other securities	5,189,531
b) other third-party securities held on deposit (excluding asset management): other	9,893,659
1. securities issued by the bank preparing the accounts	982,630
2. other securities	8,911,028
c) third-party securities deposited with third parties	10,498,857
d) own securities deposited with third parties	765,819
4. Other transactions	

Part C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - CAPTIONS 10 AND 20

1.1 INTEREST INCOME AND SIMILAR REVENUES: BREAK-DOWN

(Euro/1000)

Caption / Technical forms	Performing investments		Impaired investments	Other assets	Total	Total
	Debt securities	Loans			31.12.2006	31.12.2005
1. Financial assets held for trading	9,785	-	-	581	**10,366**	1,095
2. Available-for-sale financial assets	9,635				**9,635**	5,379
3. Held-to-maturity investments	724				**724**	1,063
4. Amounts due from banks	-	13,212	-	-	**13,212**	12,615
5. Amounts due from customers	112	196,241	3,227	288	**199,868**	168,722
6. Financial assets at fair value through profit or loss						-
7. Hedging derivatives				1,584	**1,584**	6,084
8. Financial assets sold but not written off					**-**	4,720
9. Other financial assets					**-**	-
Total	20,256	209,453	3,227	2,453	**235,389**	**199,678**

Interest on amounts due from customers has been shown in the Financial Statements net of arrears interest accrued during the year which has been devalued to the extent that it is considered uncollectible when relating to non performing loans of Euro 1,126 thousand, problem loans of Euro 48 thousand and persistent default of Euro 22 thousand.
Interest on “Impaired Investments” represents that part of arrears interest accruing over the accounting period which was actually collected or considered collectable, Euro 58 thousand on non performing loans, Euro 2,167 thousand on problem loans and Euro 1,002 thousand for persistent default.

Interests on “Financial assets sold but not written off“ refer to owned securities engaged in reverse repos.

Total interest received from Group companies amounted to Euro 2,083 thousand.

1.2 INTEREST INCOME AND SIMILAR REVENUES: DIFFERENTIALS ON HEDGING TRANSACTIONS

(Euro/1,000)

Caption / Amount	31.12.2006	31.12.2005
A. Positive differentials on transactions:		
A.1 for specific hedge of financial assets fair value	-	
A.2 for specific hedge of financial liabilities fair value	6,488	12,142
A.3 for portfolio hedge of interest rate risk	-	
A.4 for specific cash-flow hedge of financial assets	-	
A.5 for specific cash-flow hedge of financial liabilities	-	
A.6 for portfolio cash-flow hedge	-	
Total positive differentials (A)	**6,488**	**12,142**
B. Negative differentials on transactions:		
B.1 for specific hedge of financial assets fair value	-	
B.2 for specific hedge of financial liabilities fair value	(4,904)	(6,058)
B.3 for portfolio hedge of interest rate risk	-	
B.4 for specific cash-flow hedge of financial assets	-	
B.5 for specific cash-flow hedge of financial liabilities	-	
B.6 for portfolio cash-flow hedge	-	
Total negative differentials (B)	**(4,904)**	**(6,058)**
C. Balance (A-B)	**1,584**	**6,084**

1.3 INTEREST INCOME AND SIMILAR REVENUES: OTHER INFORMATION

1.3.1 Interest income on currency financial assets

(Euro/1000)

	31.12.2006	31.12.2005
Interest income on:		
Financial assets held for trading	-	5
Amounts due from banks	348	454
Amounts due from customers	1,383	951
Total	**1,731**	**1,410**

1.3.2 Interest income on finance lease transactions

Within finance lease activities, the (potential) rentals which are recognised as revenues for the period and which are entered under “Amounts due from customers - Loans”, amount to Euro 21,286 thousand, of which Euro 972 thousand relating to leaseback agreements.
Financial profits pertaining to subsequent years amount to Euro 77,349 thousand, of which Euro 3,917 thousand relating to leaseback agreements.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAK-DOWN

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other liabilities	Total 31.12.2006	Total 31.12.2005
1. Amounts due to banks	(7,892)			**(7,892)**	(3,939)
2. Amounts due to customers	(27,397)			**(27,397)**	(17,559)
3. Securities issued		(41,323)		**(41,323)**	(41,046)
4. Financial liabilities held for trading			(234)	**(234)**	(12)
5. Liabilities at fair value through profit or loss		(969)		**(969)**	(6)
6. Financial liabilities associated with assets sold but not written off	(9,216)			**(9,216)**	(5,944)
7. Other liabilities and reserves					-
8. Hedging derivatives	X	X	-	**-**	-
Total	**(44,505)**	**(42,292)**	**(234)**	**(87,031)**	**(68,506)**

Debit interest paid to Group companies amounted to a total of Euro 10,781 thousand.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: DIFFERENTIALS RELATED TO HEDGING TRANSACTIONS

Hedging transactions differentials show a positive balance and therefore are reported in table *"1.2 Interest income and similar revenues: hedging transactions differentials".*

1.5 INTEREST EXPENSE AND SIMILAR CHARGES: OTHER INFORMATION

1.5.1 Interest expense on currency liabilities

(Euro/1,000)

Caption / Technical type	31.12.2006	31.12.2005
1. Amounts due to banks	(1,137)	(688)
2. Amounts due to customers	(221)	(150)
3. Securities issued	(1)	(1)
Total	**(1,359)**	**(839)**

SECTION 2 - COMMISSIONS - CAPTIONS 40 AND 50

2.1 COMMISSION INCOME: BREAK-DOWN

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees given	1,339	1,350
b) Credit derivatives	-	-
c) Management, trading and consultancy services:	47,344	41,415
1. trading of financial instruments	96	174
2. currency trading	1,029	1,069
3. portfolio management	3,996	3,492
3.1. individuals	*3,996*	*3,492*
3.2. collective	-	-
4. securities safekeeping and administration	2,098	1,792
5. depositary bank	5,412	5,451
6. securities placement	14,612	14,182
7. order acceptance	7,172	4,955
8. consultancy services	-	-
9. distribution of third party services	12,929	10,300
9.1. portfolio management	3	2
9.1.1. individual	*3*	*2*
9.1.2. collective	-	
9.2. insurance products	12,923	10,298
9.3. other products	3	-
d) Collection and payment services	16,227	15,408
e) Servicing for securitization operations	50	61
f) Factoring transaction services	43	44
g) Tax collection services		
h) Other services	12,547	11,980
Total	**77,550**	**70,258**

Commission paid by Group Companies amounted to a total of Euro 21,442 thousand.

2.2 COMMISSION INCOME: PRODUCTS AND SERVICES DISTRIBUTION CHANNELS

(Euro/1,000)

Channel / Amount	Total 31.12.2006	Total 31.12.2005
a) With own operating points:	**31,533**	**27,972**
1. Portfolio management	3,996	3,492
2. Placement of securities	14,612	14,182
3. Third party services and products	12,925	10,298
b) Door-to-door sale:	**3**	**9**
1. Portfolio management		2
2. Placement of securities		
3. Third party services and products	3	7
c) Other distribution channels:	**-**	**-**
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		

2.3 COMMISSION EXPENSE: BREAK-DOWN

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees received	(61)	(85)
b) Credit derivatives		
c) Management and trading services:	(1,980)	(1,923)
1. Trading of financial instruments	-	
2. Currency trading	-	
3. Portfolio management:	-	-
3.1 own portfolio	-	
3.2 third parties' portfolio	-	
4. Securities safekeeping and administration	(1,978)	(1,922)
5. Placement of financial instruments	-	
6. Door-to-door sale of securities, financial products and services	(2)	(1)
d) Collection and payment services	(3,340)	(3,181)
e) Other services	(2,031)	(1,078)
Total	**(7,412)**	**(6,267)**

The figure for debit commission paid to Group companies amounted to Euro 19 thousand.

SECTION 3 - DIVIDENDS AND OTHER REVENUES - CAPTION 70

3.1 DIVIDENDS AND OTHER REVENUES: BREAK-DOWN

(Euro/1,000)

Caption / Income	31.12.2006		31.12.2005	
	Dividends	Income from OICR quotas	Dividends	Income from OICR quotas
A. Financial assets held for trading	242	-	169	
B. Available-for-sale financial assets	384	-	279	
C. Financial assets at fair value through profit or loss	-	-	-	
D. Equity investments	8,184		12,164	
Total	**8,810**	**-**	**12,612**	**-**

Dividends collected from subsidiaries, included under point D, relate to:

Anima S.G.R.p.A.	Euro 6,682 thousand	(previously Euro 10,939 thousand)
Banco Desio Lazio	Euro 965 thousand	(previously Euro 877 thousand)
Desio Vita S.p.A.	Euro 537 thousand	(previously Euro 348 thousand)

SECTION 4 - PROFITS (LOSSES) ON FINANCIAL TRADING ACTIVITIES - CAPTION 80

4.1 PROFIT (LOSSES) ON FINANCIAL TRADING ACTIVITIES: BREAK-DOWN

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets held for trading	205	3,094	(794)	(1,195)	**1,310**	**2,424**
1.1 Debt securities	183	1,317	(464)	(444)	**592**	**1,924**
1.2 Equity securities	22	1,639	(330)	(738)	**593**	**500**
1.3 OICR quotas	-	20	-	(13)	**7**	
1.4 Financing	-	-	-	-	**-**	
1.5 Other	-	118	-	-	**118**	
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities	-	-	-	-	**-**	**-**
2.2 Other	-	-	-	-	**-**	**-**
3. Other financial assets and liabilities: exchange differences					**704**	**2**
4. Derivative instruments	4,183	24,688	(4,144)	(24,718)	**399**	**826**
4.1 Derivatives held for trading:					**-**	**826**
- on debt securities and interest rates	4,183	22,449	(4,144)	(22,350)	***138***	***(11)***
- on equity securities and equity indices	-	2,239	-	(2,368)	**(129)**	**(12)**
- on currencies and gold					***390***	***1,017***
- others	-	-	-	-	**-**	***(168)***
4.2 Credit derivatives	-	-	-	-	**-**	**-**
Total	**4,388**	**27,782**	**(4,938)**	**(25,913)**	**2,413**	**3,252**

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING: BREAK-DOWN

(Euro/1,000)

Income component/Value	31.12.2006	31.12.2005
A. Income relating to:		
A.1 Fair value hedging derivatives		
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)	3,319	5,348
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
Total income from hedging activities (A)	**3,319**	**5,348**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(3,417)	(5,058)
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
Total charges from hedging activities (B)	**(3,417)**	**(5,058)**
C. Fair value adjustments in hedge accounting (A – B)	**(98)**	**290**

Proceeds from hedging assets included Euro 1,317 thousand referable to operations with Group companies.

SECTION 6 – PROFITS (LOSSES) FROM DISPOSALS/REPURCHASES - CAPTION 100

6.1 PROFITS (LOSSES) FROM DISPOSALS/REPURCHASES: BREAK-DOWN

(Euro/1,000)

Transaction/Income component	31.12.2006			31.12.2005		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Amounts due from banks	-	-	-			
2. Amounts due from customers	-	-	-			
3. Available-for-sale financial assets	**2,970**	**(951)**	**2,019**	**1,293**	**(383)**	**910**
3.1 Debt securities	745	(504)	241	604	(172)	432
3.2 Equity securities	554	-	554	165	(165)	-
3.3 OICR quotas	1,671	(447)	1,224	524	(46)	478
3.4 Financing	-	-	-			
4. Held-to-maturity investments	0	- **0**	**0**	1		1
Total assets	**2,970**	**(951)**	**2,019**	**1,294**	**(383)**	**911**
Financial liabilities						
1. Amounts due to banks	-	-				
2. Amounts due to customers	-	-				
3. Securities issued	372	(30)	**342**	237	(297)	- 60
Total liabilities	**372**	**(30)**	**342**	**237**	**- 297**	**- 60**

Losses from financial liabilities included Euro 23 thousand relating to operations with Group companies.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – CAPTION 110

7.1 PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAK-DOWN

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets	-	-	-	-	**-**	**-**
1.1 Debt securities						
1.2 Equity securities						
1.3 OICR quotas						
1.4 Financing						
2. Financial liabilities	**1,503**	**3**	**-**	**-**	**1,506**	**255**
2.1 Securities issued	1,503	3			1,506	**255**
2.2 Amounts due to banks						
2.3 Amount due to customers						
3. Other financial assets and liabilities: exchange differences					**-**	**-**
4. Derivative instruments			**(1,061)**		**- 1,061**	**2**
4.1 Financial derivatives			(1,061)		- 1,061	**2**
- on debt securities and interest rates			(1,061)		- 1,061	**2**
- on equity securities and equity indices						
- on currencies and gold						
- other						
4.2 Credit derivatives						
Total	**1,503**	**3**	**(1,061)**	**-**	**445**	**257**

SECTION 8 – IMPAIRMENT LOSSES/WRITE-BACKS - CAPTION 130

8.1 IMPAIRMENT LOSSES/WRITE-BACKS TO LOANS: BREAK-DOWN

(Euro/1000)

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2006	31.12.2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Amounts due from banks			(36)				12	(24)	(13)
B. Amounts due from customers	(4,899)	(17,159)	(1,118)	1,403	9,232	-	1,071	(11,470)	(16,824)
C. Total	**(4,899)**	**(17,159)**	**(1,154)**	**1,403**	**9,232**	**-**	**1,083**	**(11,494)**	**(16,837)**

Adjustments referable to “cancellations” relate, with regard to Euro 4,738 thousand, to the closure of non performing loans cases while the residual cost of Euro 161 thousand refers to the extinction of live receivables.

“Other” adjustments relate, with regard to Euro 16,013 thousand, to the analytical valuation of impaired loans including non performing loans of Euro 8,873 thousand, Euro 6,642 thousand of problem loans, Euro 299 thousand attributable to persistent default and implied leasing receivables of Euro 199 thousand. The remaining Euro 1,146 thousand are referable to expected cash flow on the same types of receivables.

“Portfolio” adjustments of amounts due from banks refer to positions subject to country risk.

With regard to specific write-backs, “Other write-backs” refer, with regard to Euro 5,852 thousand, to the receipt of previously devalued receivables; with regard to Euro 2,716 thousand to write-backs due to improvements in the receipt estimate and, with regard to Euro 664 thousand, to the effect of the actualisation of expected cash flows.

8.2 IMPAIRMENT LOSSES/WRITE-BACKS TO AVAILABLE-FOR-SALE FINANCIAL ASSETS: BREAK-DOWN

(Euro/1,000)

Transaction/Income component	Adjustments		Write-backs		Total	Total
	Specific		Specific			
	Cancellations	Other	Due to interests	Other write-backs	31.12.2006	31.12.2005
A. Debt securities					-	
B. Equity securities					-	(40)
C. O.I.C.R. quotas					-	
D. Loans to banks					-	
E. Loans to customers					-	
F. Total	**-**	**-**	**-**	**-**	**-**	**(40)**

8.4 IMPAIRMENT LOSSES/WRITE-BACKS TO OTHER FINANCIAL TRANSACTIONS: BREAK-DOWN

(Euro/1,000)

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2006	31.12.2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Guarantees granted		(29)	(1)		105		489	564	(613)
B. Credit derivatives									
C. Commitments to grant									
D. Other transactions									
E. Total	**-**	**(29)**	**(1)**	**-**	**105**	**-**	**489**	**564**	**(613)**

All refer to the valuation of forecast losses on commitments made and guarantees granted.

SECTION 9 – ADMINISTRATIVE COSTS - CAPTION 150

9.1 PERSONNEL COSTS: BREAK-DOWN

(Euro/1,000)

Type of costs / Sector	Total 31.12.2006	Total 31.12.2005
1) Employees	(94,515)	(86,526)
a) Wages and salaries	(58,139)	(53,306)
b) Social security charges	(14,997)	(13,779)
indemnities		
d) Welfare expenses		
e) Accruals to provisions for termination indemnities	(5,295)	(5,261)
f) Accruals to pension funds and similar funds:	-	-
- defined contribution		
- defined benefit		
g) Amounts paid to external complementary social security funds:	(2,949)	(2,828)
- defined contribution	(2,949)	(2,828)
- defined benefit		
h) Costs arising on payment agreements based on own financial instruments	(3,579)	(5,269)
i) Other benefits in favor of employees	(9,556)	(6,083)
2) Other personnel	(1,402)	(866)
3) Directors	(3,576)	(3,227)
Total	**(99,493)**	**(90,619)**

"Costs arising on payment agreements based on own financial instruments" (point 1-h) relate to the estimated cost attributable to the period for existing stock option plans reserved for directors and employees.

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	31.12.2006	31.12.2005
a) executives	20	18
b) managers	554	506
third and fourth level managers	*267*	*248*
c) remaining employees	663	616
d) other personnel	28	28
Total	**1,265**	**1,140**

9.5 OTHER ADMINISTRATIVE COSTS: BREAK-DOWN

(Euro/1,000)

	31.12.2006	31.12.2005
indirect taxes and duties		
- stamp duties	(7,199)	(6,787)
- local properties taxes	(312)	(305)
- other	(2,786)	(1,842)
other costs		
- data processing costs	(8,092)	(7,561)
- rents paid on properties	(5,240)	(4,587)
- equipment and software lease	(418)	(328)
- real and personal estate maintenance	(4,155)	(4,035)
- telephone, postal, data transmission charges	(5,868)	(5,189)
- electric power, heating, water	(2,211)	(1,896)
- cleaning of premises	(757)	(662)
- printed forms and stationery	(783)	(871)
- travel and transport costs	(649)	(590)
- professional services	(5,779)	(5,352)
- surveillance and security	(1,391)	(1,297)
- advertising and entertainment	(1,246)	(1,218)
- information and certificates	(961)	(996)
- insurance	(1,386)	(1,391)
- contributions and donations	(162)	(175)
- other expenses	(3,774)	(3,862)
Total	**(53,169)**	**(48,944)**

SECTION 10 – NET PROVISIONS FOR RISKS AND CHARGES – CAPTION 160

10.1 NET PROVISIONS FOR RISKS AND CHARGES: BREAK-DOWN

(Euro/1,000)

Type of provision / Amount	31.12.2006	31.12.2005
charges for legal disputes and claw-back actions	(3,101)	(4,601)
other	(241)	
Total	**(3,342)**	**(4,601)**

Adjustment to provisions relating to personnel charges is included under "Administrative expenses - Personnel costs".

SECTION 11 – NET ADJUSTMENTS/WRITE-BACKS TO TANGIBLE ASSETS – CAPTION 170

11.1 NET ADJUSTMENTS/WRITE-BACKS TO TANGIBLE ASSETS: BREAK-DOWN

(Euro/1,000)

Asset / Income component	Depreciation	Impairment adjustments	Write-backs	Net income 31.12.2006	Net income 31.12.2005
A. Tangible assets					
A.1 owned by the Bank	(4,584)	-	-	(4,584)	(3,607)
- for business use	(4,558)	-	-	(4,558)	(3,581)
- for investment	(26)	-	-	(26)	(26)
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(4,584)**	**-**	**-**	**(4,584)**	**(3,607)**

Value adjustments exclusively refer to depreciation calculated on the basis of the useful life of assets.

Euro 1,341 thousand of the depreciation refer to the properties used directly for banking business. The residual amount represents depreciation of movable property, in particular of technical equipment of Euro 1,367 thousand, plant of Euro 827 thousand, furniture and fittings of Euro 799 million and cars of Euro 250 thousand.

SECTION 12 – NET ADJUSTMENTS/WRITE-BACKS TO INTANGIBLE ASSETS - CAPTION 180

12.1 NET ADJUSTMENTS/WRITE-BACKS TO INTANGIBLE ASSETS: BREAK-DOWN

(Euro/1000)

Attività/Componente reddituale	Ammorta-mento (a)	Rettifiche di valore per deteriora-mento (b)	Riprese di valore (c)	**Risultato netto 31.12.2006**	**Risultato netto 31.12.2005**
A. Attività immateriali				-	
A.1 Di proprietà	(377)	-	-	(377)	(312)
- generate internamente dall'azienda				-	
- altre	(377)		-	(377)	(312)
A.2 Acquisite in locazione finanziaria				-	
Totale	**(377)**	**-**	**-**	**(377)**	**(312)**

Value adjustments exclusively refer to amortization calculated on the basis of the useful life of intangible assets.

SECTION 13 – OTHER OPERATING INCOME (EXPENSES) - CAPTION 190

13.1 OTHER OPERATING EXPENSES: BREAK-DOWN

(Euro/1,000)

Income component / Amount	31.12.2006	31.12.2005
charges on non-banking services	(2,013)	(1,456)
amortization of costs for leasehold improvements	(1,435)	(1,240)
Total	**(3,448)**	**(2,696)**

13.2 OTHER OPERATING INCOME: BREAK-DOWN

(Euro/1,000)

Income component / Amount	31.12.2006	31.12.2005
recovery of taxes from third parties	8,673	7,470
recovery of costs on deposits and current accounts	11,226	10,884
recovery of costs for information-gathering stage on loans	6,472	6,157
recovery of insurance premiums from customers	1,289	1,043
rental income	166	162
other recoveries on non-banking services	3,258	2,767
others	1,935	3,242
Total	**33,019**	**31,725**

SECTION 14 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAK-DOWN – CAPTION 210

14.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAK-DOWN

(Euro/1,000)

Income component / Value	Total 31.12.2006	Total 31.12.2005
A. Income	-	61,541
1. Revaluations		
2. Profit on disposal		61,541
3. Write-backs		
4. Other positive changes		
B. Charges	-	(2,385)
1. Write-downs		
2. Adjustments for impairment		
3. Losses on disposal		
4. Other negative changes		(2,385)
Net income	**-**	**59,156**

SECTION 18 – INCOME TAXES FOR THE YEAR – CAPTION 260

18.1 INCOME TAXES FOR THE YEAR: BREAK-DOWN

(Euro/1,000)

Income component / Sector	Total 31.12.2006	Total 31.12.2005
1. Current taxes (-)	(39,260)	(34,227)
2. Changes in current taxes of previous years (+/-)	816	(18)
3. Decrease in current taxes for the year (+)	-	
4. Changes in deferred tax assets (+/-)	765	61
5. Changes in deferred tax liabilities (+/-)	(35)	1,045
6. Taxes for the year (-)	**(37,714)**	**(33,139)**

18.2 RECONCILIATION OF THEORETICAL AND EFFECTIVE TAX CHARGES IN THE FINANCIAL STATEMENTS

(Euro/1,000)

	IRES		IRAP	
Profit before taxes	90,101		90,101	
Non-deductible costs for IRAP purposes			121,723	
Untaxable revenues for IRAP purposes			(21,999)	
Sub -Total	90,101		189,825	
Theoretical tax changes 33% Ires - 5.25% Irap		**29,733**		**9,966**
Temporary taxable differences over subsequent years	(5,998)		(3,335)	
Temporary deductible differences over subsequent years	12,244		482	
Reallocation of temporary differences from previous financial years	(9,316)		(90)	
Differences not to be reserved in subsequent years	(2,684)		(1,027)	
Taxable income	84,347		185,855	
Current taxes for the period 33% Ires - 5.25% Irap		**27,835**		**9,757**

SECTION 21 – EARNINGS PER SHARE

21.1 AVERAGE NUMBER OF SHARES WITH DILUTED CAPITAL
21.2 OTHER INFORMATION

Earnings per share - basic

(amounts as per units)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	11,173,500	1,518,230	
Proposal for retained earnings	34,946,947	4,748,514	
	46,120,447	6,266,744	52,387,191
Average number of ordinary shares in circulation:			
Categories:			
Ordinary shares 117.000.000			
Savings shares 13.202.000			
Earnings per share - Basic:	**0.39**	**0.47**	

As of 31 December 2006, the Bank did not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share correspond to basic earnings per share.

PART D – SEGMENT REPORTING

RESULTS BY BUSINESS SEGMENT AND GEOGRAPHIC SEGMENT

This section reports the individual results divided among the various business segments. Given the guidelines of IAS 14, Banco Desio has recognized as its primary format, as provided by the accounting standard, segment reporting by "business segment" in that this constitutes the most effective description of profitability. Accordingly, segment reporting by geographic segment represents the secondary format, as provided by the accounting standard.
In relation to Banco Desio's organizational structure, at a Segment Reporting level information by business segment is structured on the basis of the following principles:

- customer business units were defined, adopting a basis of segmentation centred on the customers' characteristics, considering the following variables:
  - type of customer (sector of economic activity);
  - legal form (joint-stock company, or not);
  - size (sales).

Those principles led to the establishment of the following business units:

- retail customers: bringing together the activities directed towards private customers and small businesses (artisans, family-owned businesses and professionals). Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; and debit and credit cards.
- corporate customers: bringing together the activities directed towards both customers of medium and large enterprises and customers with financial institution characteristics. Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; documentary credit; and leasing and factoring.
- investment banking: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- corporate center*:* this segment includes the direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross segment activities performed to support the functioning of several business segments, entrusted to the corporate center to guarantee productive efficiency and organizational consistency.

The construction of Income Statement data by segment is carried out on the basis of the following principles:

- net interest income: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- net income from services: is obtained by direct allocation of each actual asset and liability commission component;
- operating costs: are allocated to each segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full-costing method;
- provisions and adjustments: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.

With regard to the disclosure of results by geographic segment, both the Income Statement data and the balance sheet data in the related tables refer to the residence of the individual operating units of the Bank, whose strength is in the local market of northern Italy.

A. PRIMARY SCHEME

A.1 BREAK-DOWN BY BUSINESS SEGMENT: INCOME STATEMENT DATA

(Euro/1000)

Income Statement data	31/12/2006	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	261,997	163,723	63,951	5,233	0	29,090
Structure costs (2)	-157,623	-99,033	-28,868	-1,768	0	-27,954
Provisions and adjustments (3)	-14,272	-6,101	-4,829	0	0	-3,342
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**90,102**	**58,589**	**30,254**	**3,465**	**0**	**-2,206**

(1) from the Income Statement, reclassified

(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

(Euro/1000)

Income Statement data	31/12/2005	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	241,455	145,283	63,466	6,015	0	26,691
Structure costs (2)	-143,481	-91,330	-25,456	-2,097	0	-24,598
Provisions and adjustments (3)	-22,092	-9,960	-7,531	0	0	-4,601
Profits/(losses) on equity investments accounted for under the equity method	59,156	0	0	0	0	59,156
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**135,038**	**43,993**	**30,479**	**3,918**	**0**	**56,648**

(1) from the Income Statement, reclassified

(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

A.2 BREAK-DOWN BY BUSINESS SEGMENT: BALANCE SHEET DATA

(Euro/1000)

Balance sheet data	31/12/2006	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	835,996	0	0	835,996	0	0
Equity investments	155,800	0	0	0	0	155,800
Amounts due from banks	391,067	0	0	391,067	0	0
Loans to and receivables from customers	3,510,844	2,019,108	1,491,736	0	0	0
Amounts due to banks	297,709	0	0	297,709	0	0
Amounts due to customers	2,773,688	2,043,851	729,837	0	0	0
Securities issued	1,352,732	1,189,900	153,916	8,916	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,875,110**	**5,492,335**	**2,783,686**	**0**	**0**	**7,599,089**

(Euro/1000)

Balance sheet data	31/12/2006	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	607,499	0	0	607,499	0	0
Equity investments	102,107	0	0	0	0	102,107
Amounts due from banks	665,904	0	0	665,904	0	0
Loans to and receivables from customers	3,076,987	1,752,148	1,324,839	0	0	0
Amounts due to banks	272,474	0	0	272,474	0	0
Amounts due to customers	2,366,995	1,674,559	692,436	0	0	0
Securities issued	1,445,651	1,283,381	162,270	0	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,515,401**	**5,121,064**	**2,103,747**	**0**	**0**	**8,290,590**

B. SECONDARY SCHEME

B.1 BREAK-DOWN BY GEOGRAPHIC SEGMENT: INCOME STATEMENT DATA

(Euro/1000)

Income Statement data	31/12/06	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Margin on banking and insurance activities (1)	261,997	261,997	0	0
Structure costs (2)	-157,623	-157,623	0	0
Provisions and adjustments (3)	-14,272	-14,272	0	0
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**90,101**	**90,101**	**0**	**0**

(1) from the Income Statement, reclassified

(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

(Euro/1000)

Income Statement data	31/12/2006	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Margin on banking and insurance activities (1)	241,455	241,455	0	0
Structure costs (2)	-143,481	-143,481	0	0
Provisions and adjustments (3)	-22,092	-22,092	0	0
Profits/(losses) on equity investments accounted for under the equity method	59,156	59,156	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**135,038**	**135,038**	**0**	**0**

(1) from the Income Statement

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

B.2 BREAK-DOWN BY GEOGRAPHIC SEGMENT: BALANCE SHEET DATA

(Euro/1000)

Balance sheet data	31/12/2006	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	835,996	835,996	0	0
Equity investments	155,800	155,800	0	0
Amounts due from banks	391,067	391,067	0	0
Loans to and receivables from customers	3,510,844	3,510,844	0	0
Amounts due to banks	297,709	297,709	0	0
Amounts due to customers	2,773,688	2,773,688	0	0
Securities issued	1,352,732	1,352,732	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,875,110**	**15,875,110**	**0**	**0**

(Euro/1000)

Balance sheet data	31/12/2006	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	607,499	607,499	0	0
Equity investments	102,107	102,107		
Amounts due from banks	665,904	665,904	0	0
Loans to and receivables from customers	3,076,987	3,076,987	0	0
Amounts due to banks	272,474	272,474	0	0
Amounts due to customers	2,366,995	2,366,995	0	0
Securities issued	1,445,651	1,445,651	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,515,401**	**15,515,401**	**0**	**0**

Part E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 - CREDIT RISK

Qualitative information

1. *General aspects*

The Bank's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.
The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.
The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.
Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Bank has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.
In relation to policies of risk assumption, one of the main principles underlying the management and formulation of strategic decisions has historically been represented by the effective and precise monitoring of exposure quality. As a consequence, all policies are aimed at maintaining the high level of receivable quality while also keeping business objectives in mind.
For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

2. *Policies for the management of credit risks*

2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.
The Bank's organisational structure ensures a satisfactory risk management process to watch over and manage credit risk, adopting a policy of separating business and control functions. The Board of Directors retains the sole responsibility and powers involved in the determination of the policies affecting the general conduct of business. As far as internal controls are concerned, the Board of Directors approves lines of strategy and risk management policies, as well as the Bank's organizational structure.
The Board also ensures that the Managing Director, with the assistance of the General Manager, defines the structure of internal controls and that control functions are autonomous within this structure, in which particular importance is assumed by the system of delegated powers envisaged in the By-Laws and specified in detail in Internal Regulations. This is a comprehensive system involving various bodies and functions, from the Executive Committee to Middle Managers, which also grants specific powers with regard to disbursing and recovering loans within operating powers.
The various functions are therefore given responsibility for the assessment and assumption of risks in compliance with the lending autonomy ceilings under Internal Regulations and consistently with the organisational system of the sales network.
In this context:

- the Credit (for ordinary credit) and Special Credit (for medium-to-long term, para-banking and consumer credit) Departments standardise the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality;

- the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;
- the Internal Audit Department assesses the efficiency and reliability of the entire internal control system and checks, *inter alia*, that lending is carried out in accordance with the rules.

2.2. Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.
During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower' structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.
The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to the consultation of databases and a series of controls, among which points awarded on the basis of a sociological and behavioural scoring system.
In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information-gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of collaterals. Creditworthiness is assessed with care including on the basis of the customer's explanation of his or her financial requirements in the identification of the most appropriate technical form.
The risk involved in lending is analysed and monitored by the Risk Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are separated into classes by analysis of the performance of the relationship and of information from the automated Interbank Risk Service through a specific procedure, which separates customers whose conduct in the course of the relationship is anomalous from those with whom the relationship proceeds smoothly.
When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified *under control* or *loans to reverse or problem loans* with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk Performance Control Department, problem loans are directly managed by the Litigation Department while resolutions on loan disbursement are the sole responsibility of Head Office bodies. The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to internal and external sources of information. From this point of view it is of fundamental importance to maintain an active presence in the market in order to have access to any information with an unfavourable bearing on the financial position of the grantee.
With reference to the process of adaptation to the new provisions governing prudential supervision (Bank of Italy's Circular Letter no. 263 of 27 December 2006), the Bank has decided to take advantage of the possibility of applying the previous prudential rules on a transitional basis over the 2007 accounting period. With effect from 1 January 2008, the calculation of required assets as against credit risks will follow the rules laid down by the new legislation for the standardised method. Notwithstanding this, and in view of a possible development towards more advanced methods for the calculation of the required assets, an internal rating model (C.R.S. - Credit Rating System) is currently being tested capable of classifying each counterparty in risk classes, each of such classes having the same probability of insolvency. The system consists of an analytical model for the measurement of the risk of insolvency that uses statistical inference methods founded on the subjectivist theory (or theory of conditioned probability). It develops two aspects: the first quantitative, involving univariate analysis of the main economic and financial indicators, the second qualitative, involving cognitive evaluations of the borrower and its environment. The application of this model gives a rating on the base of the sources of information used and of the segment (retail/corporate); specifically, the segmentation of the counterparties are built up in consideration of business sector, legal status and turnover size (if any) of the counterparty.

2.3. Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk. Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash, however significant, are also to be found, but to a lesser extent.
A prudential spread is applied to collaterals that varies according to the degree of risk inherent in the assets pledged, which are constantly monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by internal Regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal security consist for the most part in performance bonds granted by both natural individuals and companies. The related evaluation is always effected on a valuation of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.
The necessary implementation procedures are currently on-going for all the above-mentioned forms of guarantee in order to comply with the specific requirements laid down by the new supervisory instructions.

The guarantees received by the Bank are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. Furthermore, contract valuation activities have been carried out in the context of adaptation to the new prudential rules, intended to ensure compliance with the general requirements laid down in terms of Credit Risk Mitigation.
To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4. Impaired financial assets

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 timely take legal actions in order to safeguard the credit effectively.
In any event, once it has been ascertained that it is not possible to obtain an amicable settlement of the debt, the following are transferred to the *problem loan* category:

- positions involving mortgages or leasing credit involving a number of unpaid instalments that varies according to the frequency of payment;
- consumer credit that is over 75 days in arrears.

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.
Accordingly, the following were classified as non-performing loans:
- leasing loans, when the termination of the contracts has been declared due to insolvency, without success;
- consumer credit, when all amicable attempts have been made to recover the loan and credit recovery agencies have intervened unsuccessfully, with the consequent decision to send a letter indicating the forfeiture of the benefit of the term;
- problem mortgage loans, when amicable settlement attempts are to no avail and, consequently, the decision is taken to withdraw the benefit of the term from the customer;
- loans to customers who have entered into receivership procedures, except where it concerns temporary receivership in which it can be reasonably expected that the loan will once again become performing;
- loans to customers who are already placed in non-performing status by other Banks and who, in any event, demonstrate to be unable to meet their commitments undertaken with Bank;
- loans to customers against whom the Bank has initiated an action for execution.

Positions which are overdue for more than 90 and/or 180 days, are kept under constant review by the Risk Performance Control Department 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 by outside legal counsels operating in various court districts.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area.

A.1.1 Financial assets analysed by portfolio and credit quality (book values)

(Euro/1000)

Portfolio / Quality	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading						447,682	**447,682**
2. Available-for-sale financial assets						380,279	**380,279**
3. Held-to-maturity investments						8,035	**8,035**
4. Amount due from banks					93	390,974	**391,067**
5. Amounts due from customers	24,778	17,782	-	10,972	12	3,457,301	**3,510,844**
6. Financial assets at fair value through profit or loss							**-**
7. Financial assets under disposal							**-**
8. Hedging derivatives						8,305	**8,305**
Total 31.12.2006	**24,778**	**17,782**	**-**	**10,972**	**105**	**4,692,575**	**4,746,212**
Total 31.12.2005	**20,652**	**14,178**		**19,878**	**36**	**4,304,970**	**4,359,714**

A.1.2 Financial assets analysed by portfolio and credit quality (gross and net values)

(Euro/1000)

Portfolio / Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				-			447,682	**447,682**
2. Available-for-sale financial assets				-	380,279		380,279	**380,279**
3. Held-to-maturity investments				-	8,035		8,035	**8,035**
4. Amount due from banks				-	391,107	40	391,067	**391,067**
5. Amounts due from customers	90,143	36,612		53,531	3,476,282	18,969	3,457,313	**3,510,844**
6. Financial assets at fair value through profit or loss				-				**-**
7. Financial assets under disposal				-			-	**-**
8. Hedging derivatives				-			8,305	**8,305**
Total 31.12.2006	**90,143**	**36,612**	**-**	**53,531**	**4,255,703**	**19,009**	**4,692,681**	**4,746,212**
Total 31.12.2005	**96,723**	**42,015**		**54,708**	**4,097,959**	**20,050**	**4,077,909**	**4,132,617**

A.1.3 Cash and off-balance sheet loans due from banks: gross and net values

(Euro/1000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a) Non-performing loans				-
b) Problem loans				-
c) Restructured loans				-
d) Expired loans				-
e) Country risk	133		40	93
f) Other assets	488,826			488,826
Total A	**488,959**	**-**	**40**	**488,919**
B. OFF-BALANCE SHEET LOANS				
a) Impaired				-
b) Other	74,959		1	74,958
Total B	**74,959**	**-**	**1**	**74,958**

A.1.4 Cash loans to banks: changes in impaired loans subject to "country risk" - gross

(Euro/1000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure					52
of which: loans sold but not written off					
B. Increases	**-**				**119**
b.1 from performing loans					119
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**39**
c.1 to performing loans					39
c.2 cancellations					
c.3 collections					
c.4 arising from sales					
c.5 transfer to other categories of impaired loans					
c.6 other decreases					
D. Closing gross exposure	**-**	**-**	**-**	**-**	**132**
of which: loans sold but not written off					

A.1.5 Cash loans to banks: changes in total value adjustments
(Euro/1000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments					16
of which: loans sold but not written off					
B. Increases	**-**				**36**
b.1 adjustments					36
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**12**
c.1 write-backs due to valuation					12
c.2 write-backs due to collection					
c.3 cancellations					
c.4 transfer to other categories of impaired loans					
c.5 other decreases					
D. Total closing adjustments	**-**	**-**	**-**	**-**	**40**
of which: loans sold but not written off					

A.1.6 Cash and off-balance sheet loans to customers: gross and net values
(Euro/1000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a) Non-performing loans	51,484	26,706		24,778
b) Problem loans	27,379	9,597		17,782
c) Restructured loans				-
d) Expired loans	11,281	309		10,972
e) Country risk	17		5	12
f) Other assets	4,178,717		18,964	4,159,753
Total A	**4,268,878**	**36,612**	**18,969**	**4,213,297**
B. OFF-BALANCE SHEET LOANS				
a) Impaired	724		34	690
b) Other	298,635		513	298,122
Total B	**299,359**	**-**	**547**	**298,812**

A.1.7 Cash loans to customers: changes in impaired loans subject to "country risk" – gross
(Euro/1000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure	**53,412**	**23,231**		**20,080**	
of which: loans sold but not written off					
B. Increases	**30,423**	**21,131**	**-**	**10,317**	**18**
b.1 from performing loans	17,935	17,174		9,157	18
b.2 transfer from other categories of impaired loans	10,098	976		119	
b.3 other increases	2,390	2,981		1,041	
C. Decreases	**32,351**	**16,983**	**-**	**19,116**	**-**
c.1 to performing loans		1,638		7,894	
c.2 cancellations	12,452				
c.3 collections	13,284	6,963		8,361	
c.4 arising from sales					
c.5 transfer to other categories of impaired loans		8,332		2,861	
c.6 other decreases	6,615	50			
D. Closing gross exposure	**51,484**	**27,379**	**-**	**11,281**	**18**
of which: loans sold but not written off					

A.1.8 Cash loans to customers: changes in total value adjustments

(Euro/1000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments	**32,760**	**9,053**		**202**	
of which: loans sold but not written off					
B. Increases	**17,646**	**7,585**	**-**	**296**	**5**
b.1 adjustments	13,463	7,576		294	5
b.2 transfer from other categories of impaired loans	4,183	9		2	
b.3 other increases					
C. Decreases	**23,700**	**7,041**	**-**	**189**	**-**
c.1 write-backs due to valuation	2,408	1,422			
c.2 write-backs due to collection	3,250	1,405		162	
c.3 cancellations	12,452				
c.4 transfer to other categories of impaired loans		4,166		27	
c.5 other decreases	5,590	48			
D. Total closing adjustments	**26,706**	**9,597**	**-**	**309**	**5**
of which: loans sold but not written off					

A.2 Break-down of exposures based on external and internal ratings

A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is small.

A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings

This table has not been filled in because to date the Bank has not used internal models completely and systematically to measure exposure to credit risk; these models, however, are in the process of being developed and refined in relation to the Basel 2 project.

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Secured cash loans to banks and customers
(Euro/1000)

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured		-	-	-					-	-	-	-	-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	1,972,365	1,055,604	121,466	44,810							2,079	748,406	1,972,365
2.2 partially secured	220,491		26,027	10,614							874	91,850	129,365

A.3.2 Secured off-balance sheet loans to banks and customers

(Euro/1000)

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured		-	-	-					-	-	-	-	-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	58,639	11	22,194	8,653								27,781	58,639
2.2 partially secured	10,031		2,666	2,521							55	1,413	6,655

A.3.3 Impaired secured cash loans to banks and customers

(Euro/1000)

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	20,317	20,317	17,985	261	10														2,061	20,317	
2.2 between 100% and 150%	1,856	1,856	652	94	158														952	1,856	
2.3 between 50% and 100%	6,158	6,083	529	538	13														4,735	5,815	343
1.4 under 50%	7,251	6,754		202															853	1,055	6,196

A.3.4 Impaired secured off-balance sheet loans to banks and customers

(Euro/1000)

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	394	394		4	390															394	
2.2 between 100% and 150%	24	24		24																24	
2.3 between 50% and 100%	207	188		124	62														2	188	19
2.4 under 50%	44	44																	2	2	42

B. Break-down and concentration of loans

B.1 Cash and off-balance sheet loans to customers: break-down by sector

(Euro/1000)

Loan/Counterparty	Governments and central banks				Other public entities				Financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans												0
A.2 Problem loans												0
A.3 Restructured loans												0
A.4 Expired loans												-
A.5 Other loans	581,334			581,334	228			228	106,911		- 175	106,736
Total A	**581,334**	**-**	**-**	**581,334**	**228**	**-**	**-**	**228**	**106,911**	**-**	**- 175**	**106,736**
B. Off-balance sheet loans												
B.1 Non-performing loans												-
B.2 Problem loans												-
B.3 Other impaired assets												-
B.4 Other loans									32,148		- 27	32,121
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,148**	**-**	**- 27**	**32,121**
Total (A+B) 2006	**581,334**	**-**	**-**	**581,334**	**228**	**-**	**-**	**228**	**139,059**	**-**	**- 202**	**138,857**
Total 2005	**338,407**			**338,407**	**470**		**- 3**	**467**	**142,068**	**- 91**	**- 220**	**141,757**

(Euro/1000)

Loan/Counterparty	Insurance companies				Non financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans					38,313	- 21,626		16,687	13,171	- 5,080		8,091
A.2 Problem loans					18,127	- 7,406		10,721	9,252	- 2,191		7,061
A.3 Restructured loans								-				-
A.4 Expired loans					7,985	- 205		7,780	3,296	- 104		3,192
A.5 Other loans	33,171			33,171	2,579,539		- 17,090	2,562,449	877,552		- 1,704	875,848
Total A	**33,171**	**-**	**-**	**33,171**	**2,643,964**	**- 29,237**	**- 17,090**	**2,597,637**	**903,271**	**- 7,375**	**- 1,704**	**894,192**
B. Off-balance sheet loans												
B.1 Non-performing loans					427		- 21	406				-
B.2 Problem loans					30		- 11	19	3		- 2	1
B.3 Other impaired assets					103			103	161			161
B.4 Other loans					173,032		- 461	172,571	93,454		- 25	93,429
Total B	**-**	**-**	**-**	**-**	**173,592**	**-**	**- 493**	**173,099**	**93,618**	**-**	**- 27**	**93,591**
Total (A+B) 2006	**33,171**	**-**	**-**	**33,171**	**2,817,556**	**- 29,237**	**- 17,583**	**2,770,736**	**996,889**	**- 7,375**	**- 1,731**	**987,783**
Total 2005	**10,121**			**10,121**	**2,457,475**	**- 29,638**	**- 15,687**	**2,412,150**	**923,684**	**- 12,396**	**- 5,093**	**906,195**

With reference to values for 2005 financial year, posted as net exposures, it should be noted that these values refer to cash loans only.

B.2 Distribution of loans to resident, non-financial institutions

(Euro/1000)

Sector	31.12.2006	31.12.2005
- other services relating to sales	630,390	523,309
- commercial, recovery and repair services	570,176	526,151
- public works	270,120	221,947
- metal products, excluding motor and transport vehicles	187,518	179,924
- textile products, leather and shoes, clothing	131,823	120,935
- other sectors	775,150	707,879
Total	**2,565,177**	**2,280,145**

B.3 Cash and off-balance sheet loans to customers: break-down by geographical area

(Euro/1000)

Loans / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans	51,484	24,778								
A.2 Problem loans	27,379	17,782								
A.3 Restructured loans										
A.4 Expired loans	11,280	10,971								
A.5 Other loans	4,115,873	4,096,905	59,275	59,274	3,586	3,586				
Total A	**4,206,016**	**4,150,436**	**59,275**	**59,274**	**3,586**	**3,586**	**-**	**-**	**-**	**-**
B. Off-balance sheet loans										
B.1 Non-performing loans	427	406								
B.2 Problem loans	33	20								
B.3 Other impaired assets	264	264								
B.4 Other loans	298,635	298,123								
Total B	**299,359**	**298,813**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2006	**4,505,376**	**4,449,248**	**59,275**	**59,274**	**3,586**	**3,586**	**-**	**-**	**-**	**-**
Total 2005	**3,779,814**	**3,716,694**	**90,622**	**90,620**	**1,789**	**1,783**				

B.4 Cash and off-balance sheet loans to banks : break-down by geographical area

(Euro/1000)

Loans / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	410,429	410,429	77,626	77,626	507	507	199	193	197	163
Total A	410,429	410,429	77,626	77,626	507	507	199	193	197	163
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	52,761	52,761	22,165	22,165	2	2	32	30		
Total B	52,761	52,761	22,165	22,165	2	2	32	30	-	-
Total (A+B) 2006	**463,190**	**463,190**	**99,791**	**99,791**	**509**	**509**	**230**	**223**	**197**	**163**
Total 2005	**734,534**	**734,521**	**110,680**	**110,677**	**504**	**504**	**997**	**997**	**407**	**407**

B.5 Large risks

No item reported under "Large risks".

C. SECURITIZATIONS AND ASSET DISPOSALS

C.1 Securitization transactions

C.1.1 Loans arising from securitization transactions divided by quality of the underlying asset

(Euro/1000)

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired																		
b) other																		
B. With third party underlying assets																		
a) impaired																		
b) other	13,843	13,843																

C.1.3 Loans arising from main "third party" securitization transactions divided by type of securitized asset and of loan

(Euro/1000)

Underlying asset / Loan	Cash Loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs
A1 S.C.C. 19/09/08																		
- loans	8,462																	
A2 S.C.I.P. 26/04/25																		
- property	2,330	- 11																
A3 F.I.P.F. 10/01/23																		
- property	3,051	- 6																

C.1.4 Loans to securitizations divided by financial asset portfolio and by type

(Euro/1000)

Exposure/portfolio	Trading	Valued at fair value	Available for sale	Held to maturity	Loans	Total 31.12.2006	Total 31.12.2005
1. Cash loans			**5,381**		**8,462**	**13,843**	**27,601**
- senior			5,381		8,462	13,843	27,601
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

C.1.7 Servicing activity – collection of securitized loans and repayment of securities issued by special purpose vehicle

(Euro/1000)

Servicer	Special purpose vehicle	Securitized assets (end of period)		Loans collected for the year		As a percentage of repaid securities (end of period)					
						senior		mezzanine		junior	
		impaired	performing	impaired	performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
Banco di Desio e della Brianza S.p.A.	S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROMA		19,295		25,916		100				

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

(Euro/1000)

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																			
1. Debt securities	356,688						37,746												**394,434**
2. Equity securities																			
3. O.I.C.R.																			
4. Financing																			
5. Impaired assets																			
B. Derivative instruments																			
Total 31.12.2006	**356,688**						**37,746**												**394,434**
Total 31.12.2005	185,665						25,285												**210,950**

Legend:
A = fully recorded financial assets sold (book value)
B = partially recorded financial assets sold (book value)
C = partially recorded financial assets sold (full value)

C.2.2 Financial liabilities against assets sold but not written off

(Euro/1000)

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
1. Due to customers							
a) corresponding to fully recorded assets	345,096						**345,096**
b) corresponding to partially recorded assets							
2. Due to banks							
a) corresponding to fully recorded assets	11,416		37,763				**49,179**
b) corresponding to partially recorded assets							
Total 31.12.2006	**356,512**	**-**	**37,763**	**-**	**-**	**-**	**394,275**
Total 31.12.2005	**183,444**		**25,304**				**208,748**

D. Credit risk measurement models

The internal credit risk measurement model has not yet been actively inserted in the credit process. Notwithstanding this, the valuations of the Credit Rating System have been made available to the network of outlying offices following the provision of targeted training in an experimental initiative regarding enquiries and credit renewal.

SECTION 2 - MARKET RISKS

2.1 INTEREST RATE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
Foreseeing a potential rise in interest rates in the Euro-zone in the first half of this year, in the financial year that has just closed the Bank adopted a strategy aiming at consolidating returns in line with the budget while keeping a low risk profile. Specifically, it was decided to maintain a short portfolio duration and at the same time to give priority to investments in fixed-rate instruments with a short-term residual life.

B. Interest rate risk management processes and measurement methods

The operational activity of the Finance Department is monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as if operating limits have been reached.

Together with the abovementioned controls, the Bank has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk to the risk management unit, which operates completely independently with respect to operational offices.
In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
The model is a parametric Variance - Co-Variance / Delta – Gamma type, using a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. The model covers the assets, in the form of financial instruments, included both in the management and trading portfolios as defined in the rules relating to Supervisory reports and subject to asset requirements for market risks. Derivatives on foreign currency, interest rates and options on shares and indices agreed for trading purposes or assets used in any way for broking now have to be excluded from the related analysis.
The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

The impact of extreme movements of the interest rate risk factor are periodically verified by stress tests, while an upgrade of the application now being carried out will allow a back testing to be carried out.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each actor in the process. The results of the monitoring are in any event given daily to the Head Office Finance Department Manager and periodically to the Finance Committee, as well as to the Board of Directors. There was no occasion throughout the 2006 accounting period when overall V.a.R. limits were exceeded for the “management portfolio”.

The internal model is not used in calculating market risks capital requirements.

Quantitative information

1. Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives.

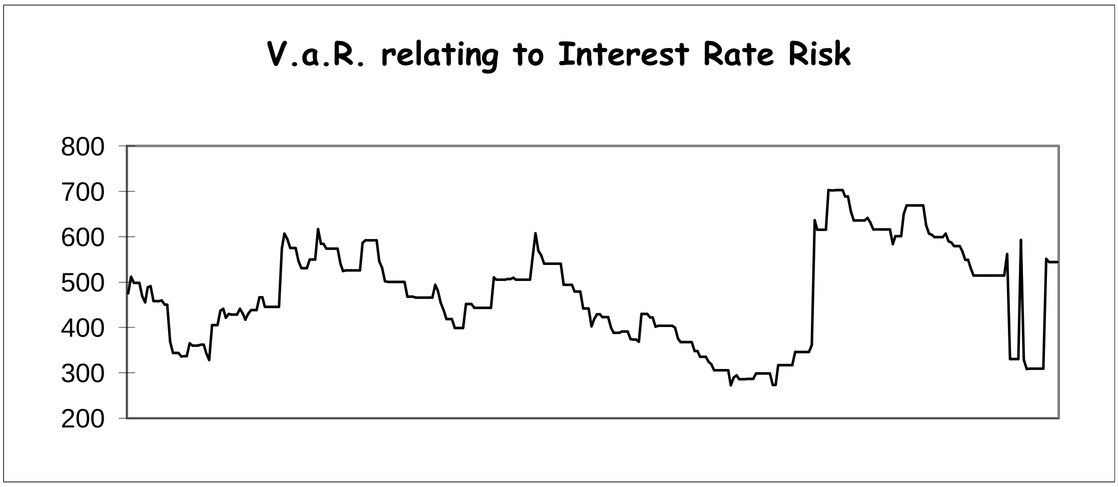
2. Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring effected on the "regulatory trading portfolio" during the 2006 financial year showed a structure with limited market risk. VaR at 31 December 2006 is Euro 0.544 million, with a percentage of less than 0.1% of the portfolio and a duration of 0.54, evidence of the low-risk profile.
The following table highlights V.a.R. relating to interest rate risk applied to the "supervisory trading" portfolio while the following graph illustrates V.a.R. trends over 2006.

Correlated V.a.R. for the 2006 trading portfolio in millions of Euros.

	Value 31.12.06	Average Value	Maximun Value	Minimum Value	Value 31.12.05
V.a.R. Interest Rate Risk	0.544	0.472	0.703	0.272	0.475

Correlated V.a.R. for the 2006 trading portfolio in thousands of Euros.



Over the year average V.a.R. absorption was Euro 0.472 million. There was a higher degree of volatility in October as a consequence of the re-positioning of the portfolio towards instruments with higher risk components. This meant V.a.R. fluctuations reached a maximum of Euro 0.702 million.
As of 31 December 2006, the scenario analysis 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 and considering the positive variation in rates, gave a negative impact of Euro 3.56 million, fluctuating around an average value of about –0.49% compared to the portfolio equal to:

- ⇒ 0.47% of trading portfolio;
- ⇒ 1.53% of intermediation margin;
- ⇒ 6.81% of net result for the period
- ⇒ 0.83% of shareholders' equity, net of the result for the period.

2.2 INTEREST RATE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management procedures and measurement methods of interest rate risk

It is the responsibility of the risk management unit, which is autonomous with respect to operating areas, to measure interest rate risk. The system of the bank's commercial activities consisting of balance sheet asset and liability maturity transformation, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an upgrade of the application now being carried out will allow a dynamic assessment to be made.

The studies that can be carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. Decision-making aims at minimising the volatility of the expected interest margin and of economic value, directing the bank's strategy so that it takes up the opportunities the market offers as the interest rate structure varies.

The model covers both assets and liabilities exposed to interest rate risk both in the bank portfolio used for management purposes and for those shown in the Financial Statements. In this context the bank portfolio results have been presented for the purposes of the Financial Statements, excluding the financial instruments in the supervisory trading portfolio from the 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 with parallel shifts of interest rate curve.

B. Fair Value hedge

The Bank's primary objective is to manage the risks associated with its operations prudently and actively, namely on the basis of a determinate risk profile that allows it to take up any opportunities deriving from risk factor variations.

To date, the Bank only takes out Fair Value type hedges in order to protect profit and loss from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Up to now, only liabilities are hedged, and these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly including Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Bank has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the Dollar Off Set (hedge ratio) on a cumulative basis, namely the comparison between changes in Fair Value of the hedging instrument and of the hedged instrument. All the hedges are specific.

In line with the previous year, the Bank decided to apply the Fair Value Option to all hedging transactions started in 2006.

C. Cash flow hedge

No cash flow hedge transactions has been effected by the Bank.

Quantitative information

1. Banking portfolio: break-down by outstanding maturity (repricing date) for financial assets and liabilities

2. Banking portfolio - internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Bank position is that of a limited risk profile throughout 2006. This operational and strategic approach, directed at minimising the volatility of interest margins and of total economic value, has led to the Group's benefiting from the expected rise in market rates by strengthening the positive gap on the short-term maturities and maintaining a liability sensitive structure, essentially through fixed-rate bond deposits.
The table below shows the results of the impact on the interest margin should there be a parallel variation in the interest rate curve by consideration of the effect of item pricing time.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2006

	+100 bp	-100 bp	+200 bp	- 200 bp
Risk interest margin / Expected margin	2.62%	-6.41%	5.24%	-14.48%

As regards economic value, in the 2006 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee. In fact, should shifts in the interest rate curve occur, also significant, these would cause irrelevant changes in the market value compared to the Bank's capitalisation.
The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve:

Risk indices: parallel shifts of the interest rate curve as of 31 December 2006

	+100 bp	-100 bp	+200 bp	- 200 bp
Risk economic value / Economic value	0.94%	-0.96%	1.86%	-1.94%
Risk economic value / Regulatory capital	0.77%	-0.78%	1.52%	-1.58%

2.3 PRICE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

There is a particularly substantial risk on high-volatility financial instruments such as derivatives and equity. The Bank carries out both hedging and trading transactions on these specific activities, and has established stop-loss limits.
In the financial year that has just closed, the Bank has traded briskly in the field of O.I.C.R. quotas, essentially with bonds, with the support of careful quantitative and qualitative analysis carried out with suitable IT tools.

B. Management processes and measurement methods of price risk

For the management process, the organisational model and the internal model used, reference is made to Section 2.1. It is to be emphasised that 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 O.I.C.R. quotas).
The internal model is not used in calculating capital requirements on market risks.

Quantitative information

1. Regulatory trading portfolio: cash exposure in equity securities and O.I.C.R. quotas

(Euro/1000)

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	9,253	320
A.2 innovative equity securities		
A.3 other equities		
B. O.I.C.R.		
B.1 Italian:		
- harmonized open-end		
- non-harmonized open-end		
- closed-end		
- reserved		
- speculative		
B.2 From other EU countries		
- harmonized	86	
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total	**9,339**	**320**

2. Regulatory trading portfolio: break-down of exposures in equity securities and equity indices by main countries of the listing market

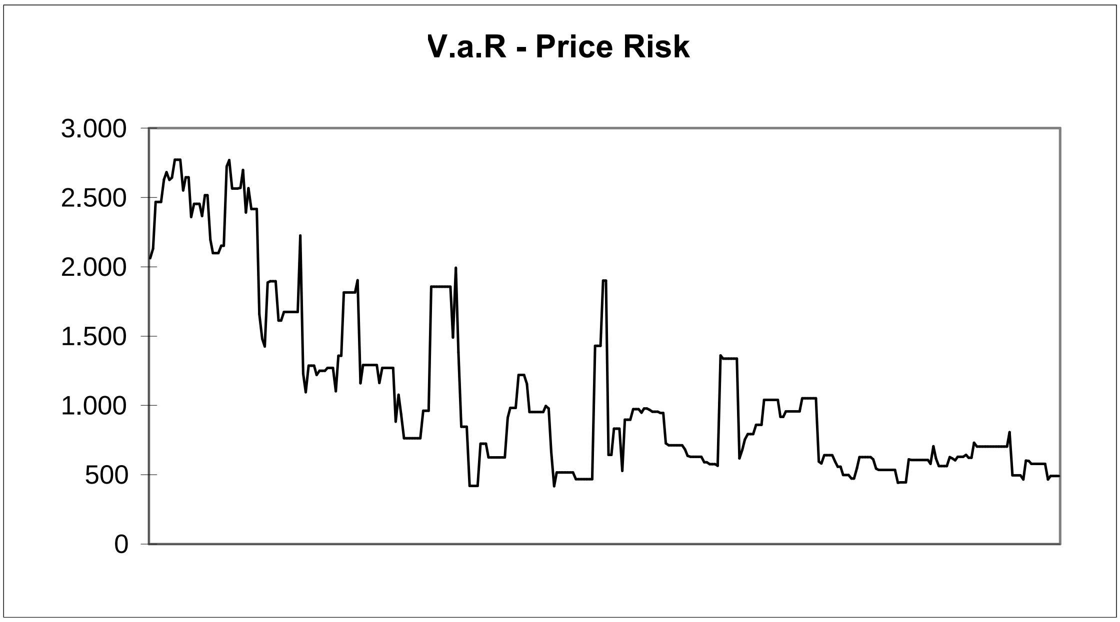
3. Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Considering the composition of the securities portfolio in question and the hedging carried out by means of derivatives, the price risk profile of the Bank and the Italian banks is, overall, a moderate one. As of 31.12.2006, the VaR relating to price risk amounted to about Euro 0.491 million, equal to 0.7% with respect to the trading portfolio.
The following table highlights V.a.R. relating to price risk applied to the "supervisory trading" portfolio while the following graph illustrates V.a.R. trends over 2006.

Correlated V.a.R. for the 2006 trading portfolio in millions of Euros.

	Value 31.12.06	Average Value	Maximun Value	Minimum Value	Value 31.12.05
V.a.R. Price Risk	**0,491**	**1,099**	**2,771**	**0,416**	**2,062**

Correlated V.a.R. for the 2006 trading portfolio in thousands of Euros.



Tests are being concluded relating to the application of the potential outcomes used as a basis for the scenario analyses for the various price risk factors to be applied with effect from the 2007 accounting period.

2.4 PRICE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management procedures and measurement methods of price risk

The supervision of the price risk in the banking portfolio is one of the activities described in the notes to the trading portfolio.

Quantitative information

1. Banking portfolio: cash exposure in equity securities and O.I.C.R. quotas

(Euro/1000)

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	5,716	157,085
A.2 innovative equity securities		
A.3 other equities		
B. O.I.C.R.		
B.1 Italian:		
- harmonized open-end		
- non-harmonized open-end		4,211
- closed-end	288	
- reserved		
- speculative	2,717	
B.2 From other EU countries		
- harmonized	53,256	1,012
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total	**61,977**	**162,308**

2.5 EXCHANGE RISK

Qualitative information

A. General aspects, management procedures and measurement methods of exchange risk

The Bank is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.
The Bank is exposed to exchange risks to a marginal extent. The Finance Department's Operations Room handles currency operations, namely:

- transactions on the domestic and foreign currency, exchange rate and currency deposits markets;
- trading spot and forward contracts on its own behalf and for customers;
- forward and deposit transactions in foreign currencies with resident and non-resident counter-parties.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. Daily and annual stop-loss operating limits are also laid down.

B. Exchange rate hedge

The Bank's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

Quantitative information

1. Break-down of assets, liabilities and derivatives by currency of denomination

(Euro/1000)

Captions	Currency					
	US Dollar	**Japanese Yen**	**Swiss Franc**	**Pound Sterling**	**Canadian Dollar**	**Other currencies**
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities	100					
A.3 Financing to banks	5,604	3,143	1196	4572	813	13921
A.4 Financing to customers	11,106	3,526	5581	79		34
A.5 Other financial assets						
B. Other assets	**139**	**5**	**99**	**102**	**8**	**11**
C. Financial assets						
C.1 Due to banks	15,301	5,865	6027	1039	822	70
C.2 Due to customers	12,204	271	605	3546	9	13298
C.3 Debt securities	189					
C.4 Other financial liabilities						
D. Other liabilities	**922**	**18**	**50**	**12**		**13**
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other						
+ long positions	1,026,580	345,842	410	955	1296	1199
+ short positions	1,014,796	346,351	429	997	1262	1432
Total assets	**1,043,529**	**352,516**	**7,286**	**5,708**	**2,117**	**15,165**
Total liabilities	**1,043,412**	**352,505**	**7,111**	**5,594**	**2,093**	**14,813**
Imbalance (+/-)	**117**	**11**	**175**	**114**	**24**	**352**

2. Internal models and other methods for sensitivity analyses

The bank’s exchange rate risk is of little significance as a consequence of the composition of the trading portfolio concerned and related hedges effected by means of derivative financial instruments.
During the period the upgrades that have been carried out on the internal model that is already used for interest rate risk and trading and banking portfolio price risk are being verified for the quantification of exchange risk and sensitivity analyses.

2.6 FINANCIAL DERIVATIVE INSTRUMENTS

A. Financial Derivatives

A.1 Regulatory trading portfolio: average and period-end notional values

(Euro/1000)

Type of transaction/Underlying instrument	Debt securities and interest rates		Equity securities and equity indices		Exchange rate and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		636,912							-	636,912		477,192
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		39,000							-	39,000		24,000
6. Equity index swaps									-	-		
7. Real index swaps									-	-		
8. Futures			150						150	-	179	
9. Cap options	-	8,018	-	-	-	-	-	-	-	8,018	-	20,454
- Purchased		4,009							-	4,009		1,227
- Issued		4,009							-	4,009		19,227
10. Floor options	-	52,018	-	-	-	-	-	-	-	52,018	-	35,454
- Purchased		16,009							-	16,009		4,227
- Issued		36,009							-	36,009		31,227
11. Other options	-	-	-	80,316	-	-	-	-	-	80,316	-	85,596
- Purchased	-	-	-	40,158	-	-	-	-	-	40,158	-	42,540
- Plain vanilla				33,732					-	33,732		42,540
- Exotic				6,426					-	6,426		
- Issued	-	-	-	40,158	-	-	-	-	-	40,158	-	43,056
- Plain vanilla				33,732					-	33,732		43,056
- Exotic				6,426					-	6,426		
12. Forward agreements	1,192	26,668	2,039	-	-	2,777,223	-	-	3,231	2,803,891	38,864	45,547
- Purchase	607	25,304	512			1,394,117			1,118	1,419,421	35,461	23,163
- Sales	585	1,364	1,528			1,383,107			2,113	1,384,470	3,403	22,215
- Currency against currency									-	-		169
13. Other derivative contracts									-	-		295,000
Total	**1,192**	**762,616**	**2,189**	**80,316**	**-**	**2,777,223**	**-**	**-**	**3,381**	**3,620,155**	**39,043**	**983,243**
Average values	**1,132**	**581,760**	**635**	**80,316**		**1,151,956**			**1,768**	**1,814,031**	**37,536**	**677,370**

A.2 Banking portfolio: average and period-end notional values

A.2.1 Hedging instruments

(Euro/1000)

Type of derivaties / Underlying instruments	Debt securities and interest rates		Equity securities and equity indices		Exchange rate and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		49,498							-	49,498		160,498
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		40,000							-	40,000		55,000
6. Equity index swaps									-	-		
7. Real index swaps									-	-		
8. Futures									-	-		
9. Cap options	-	20,000	-	-	-	-	-	-	-	20,000	-	15,000
- Purchased		20,000							-	20,000		15,000
- Issued									-	-		
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	30,000
- Purchased									-	-		30,000
- Issued									-	-		
11. Other options	-	-	-	-	-	-	-	-	-	-	-	516
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
- Issued	-	-	-	-	-	-	-	-	-	-	-	516
- Plain vanilla									-	-		516
- Exotic									-	-		
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	1,854,488
- Purchase									-	-		928,414
- Sales									-	-		926,074
- Currency against currency									-	-		
13. Other derivative contracts									-	-		
Total	**-**	**109,498**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109,498**	**-**	**2,115,502**
Average values		**109,498**								**109,498**		**485,891**

A.3 Financial derivatives: purchase and sale of underlying instruments

(Euro/1000)

Type of transaction / Underlying instrument	Debt securities and interest rates		Equity securities and equity indices		Exchange rate and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**1,192**	**723,615**	**2,189**	**80,316**	**-**	**2,758,986**	**-**	**-**	**3,381**	**3,562,917**	**39,043**	**959,242**
1. Transactions with exchange of capital	1,192	26,667	2,039	-	-	2,758,986	-	-	3,231	2,785,653	38,864	45,547
- Purchase	607	25,304	511			1,384,596			1,118	1,409,900	35,461	23,163
- Sale	585	1,363	1,528			1,374,390			2,113	1,375,753	3,403	22,215
- Currency against currency									-	-		169
2. Transactions without exchange of capital	-	696,948	150	80,316	-	-	-	-	150	777,264	179	913,695
- Purchase		271,544		40,158					-	311,702	179	304,589
- Sale		425,404	150	40,158					150	465,562		609,106
- Currency against currency									-	-		
B. Banking portfolio:	**-**	**69,498**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**69,498**	**-**	**2,060,502**
B.1 Hedging instruments	-	69,498	-	-	-	-	-	-	-	69,498	-	2,060,502
1. Transactions with exchange of capital	-	-	-	-	-	-	-	-	-	-	-	1,854,488
- Purchase									-	-		928,414
- Sale									-	-		926,074
- Currency against currency									-	-		
2. Transactions without exchange of capital	-	69,498	-	-	-	-	-	-	-	69,498	-	206,014
- Purchase		69,498							-	69,498		155,498
- Sale									-	-		50,516
- Currency against currency												
B.2 Other derivatives	-											
1. Transactions with exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												
2. Transactions without exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

(Euro/1000)

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and equity indices			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	3,965		1,026	4,917		3,213	19,908		9,382					
A.4 Financial institutions							5,938		4,156					
A.5 Insurance companies														
A.6 Non-financial companies	888		411				67		25					
A.7 Other entities	2						2		5					
Total A 31.12.2006	**4,856**	**-**	**1,437**	**4,917**	**-**	**3,213**	**25,915**	**-**	**13,567**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2005	**4,814**			**7,182**			**224**							
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	8,305		197											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2006	**8,305**	**-**	**197**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2005	**11,288**						**2,214**							

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

(Euro/1000)

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and equity indices			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	2,937		775				5,924		4,113					
A.4 Financial institutions	780		205				19,880		9,409					
A.5 Insurance companies	824		32	4,917										
A.6 Non-financial companies	134		93				4		9					
A.7 Other entities							112		46					
Total A 31.12.2006	**4,675**	**-**	**1,105**	**4,917**	**-**	**-**	**25,920**	**-**	**13,577**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2005	**4,669**		**2,325**	**7,182**		**3,403**	**257**		**259**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	1,437		100											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2006	**1,437**	**-**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2005	**848**		**696**				**7,388**		**9,307**					

A.6 Residual maturity of over the counter financial derivatives: notional values

(Euro/1000)

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	266,860	476,948	20,000	**763,808**
A.2 Financial derivatives on equity securities and equity indices	2,189	80,316		**82,505**
A.3 Financial derivatives on exchange rates and gold	2,777,223			**2,777,223**
A.4 Financial derivatives on other instruments				
B. Banking portofolio				
B.1 Financial derivatives on debt securities and interest rates	20,000	79,498	10,000	**109,498**
B.2 Financial derivatives on equity securities and equity indices				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
Total 31.12.2006	**3,066,272**	**636,762**	**30,000**	**3,733,034**
Total 31.12.2005	**2,645,525**	**431,452**	**60,710**	**3,137,687**

SECTION 3 - LIQUIDITY RISK

Qualitative information

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

Liquidity risk is managed through the Finance Department and risk management units, with the aim of verifying the Bank's capacity to meet liquidity requirements and avoid being found in 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.
Short-term liquidity is supervised by the Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.
Treasury activities consist in procurement and allocation of liquidity available through the interbank market, repos and derivatives. Monitoring and compliance with operating limits resolved by the Board of Directors are controlled 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.
Further support to liquidity risk management is provided by the monitoring carried out by the risk management unit through an internal model. The objective is to set up medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.
Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.
The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks. Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

Quantative information

1. Break-down by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**1,239,816**	**41,083**		**349,727**	**557,185**	**285,968**	**239,876**	**1,118,746**	**804,827**
A.1 Government securities				101,618	75,218	145,642	76,000	180,648	2,207
A.2 Listed debt securities								33,604	52,982
A.3 Other debt securities						516	3,279	46,603	12,819
A.4 O.I.C.R. quotas	61,484								
A.5 Financing									
- banks	233,925			45,942	61,811			2,600	17,500
- customers	944,407	41,083		202,167	420,156	139,810	160,597	855,291	719,319
Cash liabilities	**2,391,345**	**5,137**		**297,151**	**388,833**	**241,250**	**107,596**	**908,711**	**30,375**
B.1 Deposits									
- banks	117,652			28,126	65,555				
- customers	2,272,525			72	133	53	64		
B.2 Debt securities	926	4,434		26,000	98,169	212,146	107,532	908,711	30,375
B.3 Other liabilities	242	703		242,953	224,976	29,051			
Off-balance sheet transactions	**314,383**	**43,420**				**24,876**	**1,013**	**596**	**1,375**
C.1 Financial derivatives with exchange of capital									
- long positions	511	3,477				24,554	506	348	503
- short positions	1,528	26,423				322	507	248	872
C.2 Deposits and financing to be received									
- long positions		6,760							
- short positions		6,760							
C.3 Irrevocable commitments to grant finance									
- long positions	156,172								
- short positions	156,172								

Currency of denomination: US Dollar

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**5,124**	**-**		**7,092**	**2,916**	**1,652**	**12**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas	86								
A.5 Financing									
- banks	5,032			572					
- customers	6			6,520	2916	1652	12		
Cash liabilities	**16,247**	**-**		**9,625**	**1,823**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	4,043			9,587	1671				
- customers	12,204			38	152				
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**18,302**	**100,435**	**2,618,964**	**1,342,785**	**3,523**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital									
- long positions		8,982	50,215	1,309,471	671,392	1,764			
- short positions		9,000	50,220	1,309,493	671,393	1,759			
C.2 Deposits and financing to be received									
- long positions		147							
- short positions		147							
C.3 Irrevocable commitments to grant finance									
- long positions		13							
- short positions		13							

Currency of denomination: Japanese Yen

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**3,144**	**-**		**1,648**	**1,750**	**31**	**96**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	3,143								
- customers	1			1,648	1750	31	96		
Cash liabilities	**2,921**	**-**		**3,187**	**29**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	2,650			3,187	29				
- customers	271								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**-**		**1,048,315**	**350,280**	**39**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital									
- long positions				524,177	175,142	20			
- short positions				524,138	175,138	19			
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Swiss Franc

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**1,196**	**-**		**2,310**	**2,888**	**-**	**383**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	1,196								
- customers				2,310	2,888		383		
Cash liabilities	**898**	**-**		**2,929**	**2,805**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	293			2,929	2,805				
- customers	605								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**700**				**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and financing to be									
- long positions		350							
- short positions		350							
C.3 Irrevocable commitments to grant									
- long positions									
- short positions									

Currency of denomination: Pound Sterling

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**4,443**	**-**		**182**	**25**	**-**	**-**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	4,443			129					
- customers				53	25				
Cash liabilities	**3,989**	**-**		**596**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	443			596					
- customers	3,546								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**-**				**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and financing to be									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant									
- long positions									
- short positions									

Currency of denomination: Canadian Dollar

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**814**	-		-	-	-	-	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	814								
- customers									
Cash liabilities	**832**	-		-	-	-	-	-	-
B.1 Deposits									
- banks	822								
- customers	10								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	-	-				-	-	-	-
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Other currencies

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**13,963**	-		-	**32**	-	-	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	13,960								
- customers	3				32				
Cash liabilities	**13,335**	-		-	**33**	-	-	-	-
B.1 Deposits									
- banks	37				33				
- customers	13,298								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	-	-				-	-	-	-
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

2. Break-down of financial liabilities by sector

(Euro/1000)

Loan / Counterparty	Governments and central banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other entities
1. Due to customers	16	1,985	233,977	30,978	810,224	1,696,507
2. Securities issued		1,209	17,241	117,156	49,538	1,167,588
3. Financial liabilities held for trading			20,668	5,630	164	9,054
4. Financial liabilities at fair value through profit and loss			48	20,766	334	13,817
Total 31.12.2006	**16**	**3,194**	**271,934**	**174,530**	**860,260**	**2,886,966**
Total 31.12.2005	**41**	**4,282**	**352,668**	**161,177**	**676,082**	**2,642,097**

3. Break-down of financial liabilities by region

(Euro/1000)

Loan / Counterparty	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	2,766,237	6,544	885	6	17
2. Due to banks	284,256	13,332	121		
2. Securities issued	1,322,492	30,239			
3. Financial liabilities held for trading	28,374	7,142			
4. Financial liabilities at fair value through profit and loss	34,965				
Total 31.12.2006	**4,436,324**	**57,257**	**1,006**	**6**	**17**
Total 31.12.2005	**4,073,625**	**34,273**	**674**	**8**	**241**

SECTION 4 – OPERATING RISK

Qualitative information

A. General aspects, management procedures and measurement methods of operating risk

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.

The Bank, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, defines operational risk within its Methodological Framework of Operational Risks Management, as a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).

Starting from September 2006 Banco Desio began a project aimed at achieving effective operational risk management. A project plan has been drawn up providing for the implementation by the end of 2007 of an operational risk management process starting with the definition of the activities designed to identify, measure, monitor and mitigate such risks.

The operational risk identification process is based on the development of methodologies and their application designed to bring together operational losses in a structured way and the identification and

valuation of risks within business processes, both in compliance with the requirements of the Supervisory Bodies.
The result of this first stage of the project has been that of indicating those positions involved in the identification and mitigation of operational risks in order to share out duties and responsibilities throughout the whole business organisation structure and the subsidiaries in the areas of the management and oversight of operational risk. Over 2007 the operational plan envisages the implementation of monitoring and reporting tools together with the activation of a risk valuation and mitigation procedure applying to those operational risks identified.
As from January 2007 the bank has become a member of the ABI DIPO Observatory (through the membership of the Group) which will allow it to supplement its own historical data relating to losses with those from the other banks involved in the scheme. This will allow more realistic estimates to be made in relation to the Bank's exposure to operational risk.

For the monitoring of risks of the commission of offences pursuant to Article 9 of Law no. 62 of 18 April 2005 "Provisions for the fulfilment of obligations deriving from Italy's membership of the European Community - the 2004 Community Law", and their impact on potential company liabilities pursuant to Legislative Decree no. 231/2001 "Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality", the Parent Company and all Italian subsidiaries, in compliance with the preventative organisational model adopted (entailing first and second level checks by branch and/or head office staff combined with daily monitoring by the Internal Audit Area) are in the process of producing the following:

- a Code of conduct for Group staff;
- the identification of the so-called "relevant persons" and the adoption of procedures for the processing of sensitive information;
- tools and procedures, with the involvement of the IT Outsourcer, for the identification of potentially suspect operations effected in the context of activities on financial markets;
- staff training and up-dating activities;
- adaptation of supply contracts.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Group's operational continuity. The related activities are designed to achieve the following: the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Bank operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.

The various corporate Departments 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 actions brought against the Group at the end of the financial year consist in claw-back actions in bankruptcy, financial instruments and other disputes.
Overall, the lawsuits pending have a value of Euro 21.072 million. These risks are appropriately hedged by prudential allocations to provisions of Euro 13,663 million. The most important lawsuits account for about 40% of the total, and involve disputes regarding financial instruments and claw-back actions in bankruptcy, the possible loss being about Euro 9,933 million, equal to about 70% of total provisions. It should be noted that there has been a rise in lawsuits involving financial instruments as a result of an increase in the cases of default by bond issuers.

PART F – INFORMATION ON EQUITY

SECTION 1 - SHAREHOLDERS' EQUITY

Qualitative information

The Board of Directors has always paid most attention to the shareholders' equity of the bank, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.
In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the bank's stability.
The policy of the Board of Directors is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the bank, and to optimise returns for the shareholders, keeping to a prudent risk profile. As far as this is concerned, it should be remembered that the main risk is involved in lending, but the Bank tries to limit its exposure to credit risk by running a very widely spread loan portfolio, concentrating on its core market of local enterprises and families.

The following elements are considered to compose the bank's equity, fully available to hedge any corporate risks or losses:

(*amounts as per Euro units*)

Description	Figures as of 31 December 2006
Share capital fully paid-up	€ 67,705,040
Valuation reserves	€ 25,663,247
Reserves	€ 318,988,415
Share premiums	€ 16,145,088
Net profit for the period	€ 52,387,191
Shareholders' equità	€ 480,888,981

The table shows that the most important component consists of the reserves, which account for about 66%, confirming the constant policy of capital expansion that is carried out by reinvesting profits. The weight of the share capital is more limited (14%), representing the part for which fees must be paid out to shareholders.

The Board of Directors also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banks. The relevant regulations, in fact, state that "….the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size". In compliance with Community Directives, the regulations specify the method for the calculation of regulatory capital. This is made up of the sum of Tier 1 capital - which is allowed into the calculation without any limitation- and the Tier 2 capital, which is allowed within the maximum limit of Tier 1 capital. The following are deducted from this sum: equity investments, hybrid equity instruments and subordinated assets, held in other banks and finance companies.

As of 31 December 2006, the bank's regulatory capital is made up as follows:

(*amounts as per Euro units*)

description	amount
Tier 1 capital	€ 438.840.230
Tier 2 capital	€ 91.728.098
Items to be deducted	€ 45.224.115
Regulatory capital	€ 485.344.213

Tier 1 capital accounts for 90% and is mainly made up of the shareholders' equity of the bank; Tier 2 capital is mostly made up of subordinated liabilities and accounts for 19%. Items to be deducted account for 9.32%.

The equity structure indicated contains the following ratios:
- Tier 1 capital / weighted risk assets (1) 10.49%
- Regulatory capital / weighted risk assets (1) 11.60%

Every six months, the Board of Directors examines and approves the components of regulatory capital in order to verify that they are consistent with the risk profile assumed and that they are appropriate to the bank's growth plans.

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

Quantitative information

Banco Desio's Regulatory Capital

(Euro/1000)

	31/12/2006	31/12/2005
A. Tier 1 capital before application of prudential filters	**439,431**	**386,151**
Prudential filters for tier 1 capital:	- 591	-
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	- 591	-
B. Tier 1 capital after application of prudential filters	**438,840**	**386,151**
C. Tier 2 capital before application of prudential filters	**93,360**	**77,297**
Prudential filters for tier 2 capital:	- 1,632	-
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	- 1,632	-
D. Tier 2 capital after application of prudential filters	**91,728**	**77,297**
E. Total tier 1 and tier 2 capital after application of the filters	**530,568**	**463,448**
Items to be deducted from tier 1 and tier 2 capital	45,224	25,053
F. Regulatory capital	**485,344**	**438,395**

Banco Desio Prudential Ratios

(Euro/1000)

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
A. RISK ASSETS	**4,917,915**	**4,314,455**	**4,124,252**	**3,496,813**
A.1 CREDIT RISK				
STANDARD METHOD				
ON-BALANCE SHEET ASSETS	**4,717,133**	**4,075,337**	**3,945,238**	**3,321,758**
1. Loans (other than equities and other subordinated assets) to (or secured by):	3,980,254	3,528,836	3,427,681	2,952,213
1.1 Governments and central banks	322,679	131,483	-	-
1.2 Public entities	923	809	185	162
1.3 Banks	286,386	555,616	57,277	111,123
1.4 Other entities (other than residential and non-residential mortgage loans)	3,307,266	2,840,928	3,370,220	2,840,928
2. Mortgage loans - residential property	338,998	263,170	169,499	131,585
3. Mortgage loans - non-residential property	-	-	-	-
4. Shares, investments and subordinated assets	183,446	101,964	183,446	101,964
5. Other assets	214,435	181,367	164,612	135,996
OFF-BALANCE SHEET ASSETS	**200,782**	**239,118**	**179,014**	**175,055**
1. Guarantees and commitments to (or secured by):	192,180	198,446	177,293	161,914
1.1 Governments and central banks	4,703	3,564	-	-
1.2 Public entities	44	40	9	7
1.3 Banks	11,016	39,747	867	6,812
1.4 Other entities	176,417	155,095	176,417	155,095
2. Derivative contracts to (or secured by):	8,602	40,672	1,720	13,141
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	8,602	23,983	1,720	4,797
2.4 Other entities	-	16,689	-	8,344
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**		**288,698**	**244,777**
B.2 MARKET RISK	**-**		**4,173**	**23,001**
1. STANDARD METHOD	x		4,173	23,001
of which:				
- position risk on debt securities	x		1,063	3,607
- position risk on equities	x		3,109	19,394
- exchange rate risk	x		-	-
- other risks	x		-	-
2. INTERNAL MODELS	x		-	-
of which:				
- position risk on debt securities	x		-	-
- position risk on equities	x		-	-
- exchange rate risk	x		-	-
B.3 OTHER REGULATORY REQUIREMENTS	**x**		**-**	**-**
B.4 TOTAL REGULATORY REQUIREMENTS (B1+B2+B3)	**x**		**292,870**	**267,778**
C. RISK ASSETS AND REGULATORY RATIOS	**x**			
C.1 Risk-weighted assets	x		**4,183,863**	**3,825,400**
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	x		10.49	10.09
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	x		11.60	11.46

PART H - TRANSACTIONS WITH RELATED PARTIES

1 – INFORMATION ON REMUNERATION PAID TO DIRECTORS AND MANAGERS

Remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities *(amounts as per units)*.

Name and surname	Office	Duration of office (1)	Emoluments for office in company that draws up financial statements	Non-monetary benefits	Bonuses and other incentives	Other fees
BANCO di DESIO e DELLA BRIANZA						
Directors						
Agostino Gavazzi	Chairman	2005-2007	€ 696,000			
Guido Pozzoli	Deputy Chairman	2005-2007	€ 275,700			
Nereo Dacci	Managing Director	2005-2007	€ 519,456	€ 4,028	€ 1,311,330	
Luigi Gavazzi	Director	2005-2007	€ 173,600			
Paolo Gavazzi	Director	2005-2007	€ 123,300			
Luigi Guatri	Director	2005-2007	€ 122,100			
Stefano Lado	Director	2005-2007	€ 225,700			
Vincenzo Sozzani	Director	2005-2006	€ 140,600			
Gerolamo Pellicanò	Director	2005-2007	€ 84,200			
Statutory Auditors						
Eugenio Mascheroni	Chairman	2005-2007	€ 72,420			
Marco Piazza	Statutory Auditor	2005-2007	€ 48,050			
Rodolfo Anghileri	Statutory Auditor	2005-2007	€ 51,040			
Giovanni Cucchiani	Alternate Stat. Aud.	2005-2007	-			
General Manager						
Alberto Mocchi	General Manager	indefinite		€ 4,092	€ 670,585	€ 362,246
Managers with strategic responsibilities				€ 351	€ 685,559	€ 476,662
ANIMA						
Directors						
Stefano Lado	Chairman	2005-2007				€ 250,000
Nereo Dacci	Deputy Chairman	2005-2007				€ 80,000
Alberto Mocchi	Director	2005-2007				€ 20,000
Guido Pozzoli	Director	2005-2007				€ 50,000
Statutory Auditors						
Giovanni Cucchiani	Chairman	2005-2007				€ 18,000
Marco Piazza	Statutory Auditor	2005-2007				€ 12,000
BANCO DESIO TOSCANA						
Directors						
Guido Pozzoli	Chairman	2005-2007				€ 50,000
Nereo Dacci	Deputy Chairman	2005-2007				€ 25,000
Stefano Lado	Director	2005-2007				€ 5,000
Managers with strategic responsibilities in the Parent Company	Director	2005-2007				€ 5,000
Statutory Auditors						
Eugenio Mascheroni	Chairman	2006-2008				€ 18,000
BANCO DESIO VENETO						
Directors						
Stefano Lado	Chairman	2006-2008				€ 12,500
Nereo Dacci	Deputy Chairman	2006-2008				€ 6,250
Luigi Gavazzi	Director	2006-2008				€ 2,500
Alberto Mocchi	Director	2006-2008				€ 2,500
Statutory Auditors						
Eugenio Mascheroni	Chairman	2006-2008				€ 9,038
Marco Piazza	Statutory Auditor	2006-2008				€ 6,383
BRIANFID - LUX - S.A.						
Directors						
Stefano Lado	Chairman	2004-2006				€ 25,000
Nereo Dacci	Deputy Chairman	2004-2006				€ 10,000
Managers with strategic responsibilities in the Parent Company	Directors	2004-2006				€ 10,000
CPC – LUGANO						
Directors						
Agostino Gavazzi	Chairman	to Dec. 14, 2007				€ 47,566
Nereo Dacci	Deputy Chairman	to Dec. 14, 2007				€ 23,783
DESIO VITA						
Directors						
Stefano Lado	Chairman	2004-2006				€ 60,000
Nereo Dacci	Deputy Chairman	2004-2006				€ 30,000
Managers with strategic responsibilities in the Parent Company	Director	2004-2006				€ 5,000

BANCO DESIO LAZIO			
Directors			
Stefano Lado	Chairman	2005-2007	€ 100,000
Nereo Dacci	Deputy Chairman	2005-2007	€ 50,000
Guido Bozzoli	Director	2005-2007	€ 20,000
Alberto Mocchi	Director	2005-2007	€ 20,000
Statutory Auditors			
Eugenio Mascheroni	Chairman	2005-2007	€ 19,000
CHIARA ASSICURAZIONI			
Stefano Lado	Chairman	2006-2008	€ 10,630
Dacci Nereo	Deputy Chairman	2006-2008	€ 7,973

(1) The members both of the Board of Directors and of the Board of Statutory Auditors of the Group Holding Company have held office from 1 January 2006 to 31 December 2006, their related terms of office being due to expire on the approval of the Financial Statements for 31 December 2007. The above is with the exception of Dr Sozzani who resigned from his position on 20 December 2006. The meeting of the Board of Directors of 25 January 2007 co-opted Prof. Francesco Cesarini.

2 – Information on transactions with related parties

Procedures adopted for transactions with related parties are summarised in the Report on Operations, which also reports a summary of balances relating to the existing inter-group relations (included those with the controlling company Brianza Unione di Luigi Gavazzi & C. S.a.p.a.).
Take note that the Bank acts as Depositary Bank for funds managed by the listed subsidiary Anima Sgr, and carries out activities for the placement of such funds.
Relations with related parties are settled on market conditions and, where the market is not a satisfactory reference (as in the case of the Agreements for outsourcing services rendered to subsidiaries), on conditions that are fair and that are valued according to the procedures set forth by the Board.
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.
This paragraph summarises the transactions approved by the Board of Directors in 2006, as broken down by categories of related counter-parties.

I – PARENT COMPANY

The Board of Directors approved the exercise of the Call options as against the controlling company Brianza Unione di Luigi Gavazzi & C. S.a.p.a. for the purchase of the minority Shareholdings held by the latter in Brianfid Lux S.A., Chiara Vita S.p.A. (formerly Desio Vita) and Banco Desio Lazio S.p.A., the related companies becoming 100% controlled subsidiaries as a result.
The share purchase operations were completed on 29 December 2006 with full ownership from 1 January 2007 at a price equal to the nominal value of the transfers effected by the Controlling company including in the form of increase in share capital, increased by interest based on 3 months' EURIBOR as provided for by the contracts entered into at the time when each company was formed. The above has been summarised in the following statement:

Equity Investment	Maturity	No. Shares in option	No. Total shares	%	Nominal Value	Unit Cost (*)	Total Cost
Brianfid Lux Sa	12/09/2007	23,400	2,340,000	1.000%	10.00	11.13	260,442.00
Desio Vita SpA (**)	12/09/2007	204,162	24,178,000	0.844%	1.13	1.22	249,077.64
BDLazio SpA	16/12/2008	234,746	27,700,000	0.847%	1.00	1.07	251,178.22
Total							**760,697.86**

(*) accrued as at 31 December 2006 on the basis of the contractual criterion
(**) nominal value calculated taking account of the Organisation Fund as well

II - SUBSIDIARIES

Below is the table reporting transactions with subsidiaries approved by the Board of Directors in chronological order; these include extraordinary transactions, such as contributions for formation or increase in the share capital of subsidiaries.

Type of Transaction	Amount /Economic terms and conditions (Euro)	Counterparty
Periodic renewal Framework Agreement for the provision of goods and services to Desio Vita	Annual fees to the Bank 92,510.97	CHIARA VITA (formerly Desio Vita)
Periodic renewal Framework Agreement for the provision of services to Anima Sgr	Annual fees to the Bank 34,800.00	ANIMA SGR
Appointment as Depository Bank for the "Anima Orizzonti" Fund	Monthly fee in favour of the Bank equal to 0.04 per thousand with a minimum of Euro 3,000.00 for all the investment lines	ANIMA SGR
Paid increase in the share capital of Banco Desio Lazio for a total nominal value of Euro 10,000,000.00 at face value	Shareholding subscribed to and paid by the Bank 9,915,254.24	BANCO DESIO LAZIO
Paid increase in the share capital of Desio Vita for a total nominal value of Euro 10,000,000.00 at face value	Shareholding subscribed to and paid by the Bank 9,915,558.61	CHIARA VITA (formerly Desio Vita)
The formation of a wholly owned Insurance Company in the Damages sector with nominal company Share Capital of Euro 7,500,000.00 and Organisation Fund of Euro 2,500,000.00	Shareholding subscribed to and paid by the Bank 10,000,000.00	CHIARA ASS. DANNI
Increase of current account overdraft facility granted to Anima Sgr	from Euro 10,000 to Euro 100,000	ANIMA SGR
Securitisation transaction channelled by BDLazio by virtue of the existing agreement	70,750.00 Fee in favour of BDLazio equal to 0.85% on the nominal value of securities under transaction	BANCO DESIO LAZIO
Periodic renewal: . the Framework Agreement for the supply by the Bank of technical-administrative services . lease and management of properties and capital good	Annual fee/charge payable to the Bank 346,076.00 94,696.00	BANCO DESIO TOSCANA
Periodic renewal: . the Framework Agreement for the supply by the Bank of technical-administrative services . lease and management of properties and capital good	Annual fee/charge payable to the Bank 417,031.00 185,896.00	BANCO DESIO LAZIO
Transfer of part of business to BDVeneto made up of “Veneto” branch offices and consequential increase in share capital.	Value of transfer 2,100,000.00	BANCO DESIO VENETO
. The Framework Agreement for the supply by the Bank of technical-administrative services . Lease and management of properties and capital good	Annual fee/charge payable to the Bank 315,120.00 79,232.00	BANCO DESIO VENETO
Agreement relating to the conduct of leasing activities.	BDVeneto to be entitled to commission of no more than 2% for each individual operation	BANCO DESIO VENETO
Agreement relating to the conduct of factoring activities.	BDVeneto entitled to 100% commission on actual receipts with recourse	BANCO DESIO VENETO
Management service placement agreement for investment portfolios on an individual basis (for the GPM and GPF lines)	BDVeneto entitled to 60% and 90% of commission on GPM and GPF lines	BANCO DESIO VENETO
Agreement governing reciprocal current account relations with BDVeneto	market rates	BANCO DESIO VENETO
The provision of subordinate interest-bearing financing to BDVeneto	10,000,000.00 (three-month Euribor rate)	BANCO DESIO VENETO
Investment in the property account in Desio Vita under separate management	30,000,000.00	CHIARA VITA (formerly Desio Vita)
Contract for the distribution of Chiara Ass. Danni products	market conditions	CHIARA ASS. DANNI
The Framework Agreement for the supply by the Bank of technical-administrative services Contract for the lease of premises	Annual fee/charge payable to the Bank 54,748.00 57,920.00	CHIARA ASS. DANNI

III - TRANSACTIONS WITH EXPONENTS AND SUBJECTS REFERABLE THERETO

III.1 - Transactions subject to credit limits pursuant to Article 136 of the Consolidated Law on Banking (T.U.B., Testo Unico Bancario)

As regards the transactions approved by the Board in 2006 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the transactions with a value higher than Euro 100 thousand (the significance threshold that is deemed acceptable, considering the Bank's global investments) were ordinary transactions whereby credit facilities were confirmed to Exponents of the Group or companies referable thereto, with regard to which the Exponents concerned stated that they had interests of various kinds by virtue of shareholdings, appointments and/or other relations with the beneficiary companies. These relations, mainly of a professional nature, did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted in the 18 positions above is equal to about Euro 31 million. Most of the credit facilities are secured by mortgages. Uses on these positions as of 31 December 2006 totalled about Euro 25 million.
The other transactions of this kind, to the value of Euro 100 thousand or less, have no noteworthy characteristics for the purposes of IAS 24, either as regards their nature, their number or their total amount.
We would finally also note the framework resolution passed in compliance with Group guidelines, regulating conditions (in terms of rates, value date, commission, charges and accessory conditions) applied in the conduct of banking relationships with directors and Statutory auditors as well as natural and legal individuals connected to them.

III.2 – Balance of existing relations with Group Exponents

As regards the relations with the Exponents (directors, auditors and managers with strategic responsibilities in the Bank and in the companies in a control relationship with it), it is also to be reported that the total balances as of 31 December 2006 amounted to Euro 79 thousand (under loans to customers) and Euro 4.802 million (under amounts due to customers, including Euro 1.128 million under deposit of securities).

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2006, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

PART I - INFORMATION ON SHARE PAYMENT INCENTIVE PLANS

A. QUALITATIVE INFORMATION

Stock Option plan on shares of the subsidiary BANCO DESIO LAZIO SpA

Following the approval of the 31 December 2005 Financial Statements by the General Meeting, the closure of the “Banco Desio Lazio” plan was effected on 31 May 2006.

Stock Option plan on shares of the subsidiary DESIO VITA SpA (now “CHIARA VITA SpA”)

At the end of the 2006 accounting period, the incentive plan on “Desio Vita SpA” (now “Chiara Vita SpA”) shares, approved during 2005 and already described in the Notes to the related Financial Statements, was still on-going.

B. Quantitative information

Stock Option plan on shares of the subsidiary BANCO DESIO LAZIO SpA

All purchase options with contemporaneous re-sale of the same shares to the Bank forming the subject matter of the “Banco Desio Lazio” plan, were exercised over the 2006 accounting period.

Stock Option plan on shares of the subsidiary DESIO VITA SpA (now “CHIARA VITA SpA”)

The amount of options forming the subject matter of the “Chiara Vita” incentive plan reduced to 1,376,000 over the 2006 accounting period as compared with the figure of 1,413,000 in existence at the end of the previous accounting period. This was a result of a number of staff leaving over the accounting period in question.

The total intrinsic value as at 31 December 2006 of total liabilities relating to the “Chiara Vita” plan where the other party’s right to receive funds has accrued at the end of the accounting period, amounted to Euro 7,141,440.

Stock options assigned to Directors and to the General Manager

Beneficiaries and option object				Options held at the beginning of the year			Options granted during the year			Options granted during the year			Options falling due during the year	Options held at year end		
Name and Surname	Office in Banco Desio	Companies whose shares are the object of options assigned: Company	Office	Number of Option	Average excercise price (Euro)	Average Maturity of options	Number of Option	Average excercise price (Euro)	Average Maturity of options	Number of Option	Average excercise price	Average Maturity of options	Number of Option	Number of Option	Average excercise price (Euro)	Average Maturity of options
Nereo Dacci	Managing Director	Chiara Vita	Deputy Chairman	276,000 (1)	6.75 (2)	2006/2007 (3)								276,000 (1)	6.75 (2)	2006/2007 (3)
		Banco Desio Lazio	Deputy Chairman	531,000 (4)	2.87 (5)	2006 (6)				531,000 (4)	2.87 (5)	2006 (6)	531,000			
		Banco Desio Veneto	Deputy Chairman				525,000 (7)	1.00 (8)	2009/2011 (9)					525,000 (7)	1.00 (8)	2009/2011 (9)
		Chiara Assicuraz.	Deputy Chairman				276,000 (10)	1.33 (11)	2009/2011 (12)					276,000 (10)	1.33 (11)	2009/2011 (12)
Alberto Mocchi	General Manager	Chiara Vita		50,000 (1)	6,75 (2)	2006/2007 (3)								50,000 (1)	6.75 (2)	2006/2007 (3)
		Banco Desio Lazio	Director	442,500 (4)	2.87 (5)	2006 (6)				442,500 (4)	2.87 (5)	2006 (6)	442,500			
		Banco Desio Veneto	Director				280,000 (7)	1.00 (8)	2009/2011 (9)					280,000 (7)	1.00 (8)	2009/2011 (9)
		Chiara Assicuraz.					50,000 (10)	1.33 (11)	2009/2011 (12)					50,000 (10)	1.33 (11)	2009/2011 (12)

(1) Ordinary shares of the subsidiary Desio Vita S.p.A., with a nominal value of Euro 1.00
(2) Price determined based on the normal value of the share upon assignment
(3) Options for subscription may be exercised at choice, but on a lump-sum basis for the entire quota assigned, during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on: a) 31.12.2005; b) 31.12.2006, provided that the relevant accounts show an amount of Actuarial Reserves exceeding Euro 516,450,000.
(4) Ordinary shares, with a nominal value of Euro 1.00 of the subsidiary Banco Desio Lazio S.p.A.
(5) Price determined based on the normal value of the shares
(6) Options for subscription may be exercised on a lump-sum basis during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on 31.12.2005
(7) Ordinary shares of the subsidiary Banco Desio Veneto, with a nominal value of Euro 1.00
(8) Price determined based on the normal value of the share upon assignment (coinciding with the nominal value because the Company was not yet operational)
(9) The option can be exercised in relation to one half of the assigned part between 20 March 2009 and 20 May 2009 and with respect to the other half between 20 March 2011 and 20 May 2011. Alternatively the whole option can be exercised between 20 March 2011 and 20 May 2011.
(10) Ordinary shares of the subsidiary Chiara Assicurazioni, with a nominal value of Euro 1.00
(11) Price determined based on the normal value of the shares
(12) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.3.2009 - 20.5.2009; 20.3.2010 - 20.5.2010; 20.3.2011 - 20.5.2011

Stock options assigned to Directors with strategic responsibilities

Option object	Options held at the beginning of the year			Options granted during the year			Options granted during the year			Options falling due during the year	Options held at year end		
Companies whose shares are the object of options assigned	Number of Options	Average excercise price	Average Maturity of options	Number of Options	Average excercise price	Average Maturity of options	Number of Options	Average excercise price	Average Maturity of options	Number of Options	Number of Options	Average excercise price	Average Maturity of options
Chiara Vita	60,000 (1)	6.75 (2)	2006/2007 (3)								60,000 (1)	6.75 (2)	2006/2007 (3)
Banco Desio Lazio	619,500 (4)	2.87 (5)	2006 (6)				619,500 (4)	2.87 (5)	2006 (6)	619,500			
Banco Desio Veneto				315,000 (7)	Euro 1.00 (8)	2009/2011 (9)					315,000 (7)	Euro 1.00 (8)	2009/2011 (9)
Chiara Assicurazioni				60,000 (10)	Euro 1.33 (11)	2009/2011 (12)					60,000 (10)	Euro 1.33 (11)	2009/2011 (12)

(1) Ordinary shares of the subsidiary Desio Vita S.p.A., with a nominal value of Euro 1.00
(2) Price determined based on the normal value of the share upon assignment
(3) Options for subscription may be exercised at choice, but on a lump-sum basis for the entire quota assigned, during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on: a) 31.12.2005; b) 31.12.2006, provided that the relevant accounts show an amount of Actuarial Reserves exceeding Euro 516,450,000.
(4) Ordinary shares, with a nominal value of Euro 1.00 of the subsidiary Banco Desio Lazio S.p.A.
(5) Price determined based on the normal value of the shares
(6) Options for subscription may be exercised on a lump-sum basis during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on 31.12.2005
(7) Ordinary shares of the subsidiary Banco Desio Veneto, with a nominal value of Euro 1.00
(8) Price determined based on the normal value of the share upon assignment (coinciding with the nominal value because the Company was not yet operational)
(9) The option can be exercised in relation to one half of the assigned part between 20 March 2009 and 20 May 2009 and with respect to the other half between 20 March 2011 and 20 May 2011. Alternatively the whole option can be exercised between 20 March 2011 and 20 May 2011.
(10) Ordinary shares of the subsidiary Chiara Assicurazioni, with a nominal value of Euro 1.00
(11) Price determined based on the normal value of the shares
(12) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.3.2009 - 20.5.2009; 20.3.2010 - 20.5.2010; 20.3.2011 - 20.5.2011

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Banco di Desio e della Brianza SpA

1. We have audited the financial statements of Banco di Desio e della Brianza Spa, which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explenary notes as of 31 December 2006. These financial statements are the responsibility of Banco di Desio e della Brianza SpA's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report issued on 12 April 2006.

3. In our opinion, the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2006 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the Rules issued in compliance with art. 9 of Law Decree n. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Banco Desio e della Brianza SpA for the year then ended.

Milan, 11 April 2007

PricewaterhouseCoopers SpA

Signed by

Fabrizio Piva
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

Consolidated Report on Operations - 2006

This is an English translation of the Italian original “Relazione sulla Gestione” and “Bilancio Consolidato al 31 dicembre 2006” and has been prepared solely for the convenience of the international reader. The version in Italian takes precedence and will be made available to interested readers upon written request to Banco di Desio e della Brianza S.p.A..

1. FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

(in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Total assets	7.473.957	6.358.876	1.115.081	17,5%
Financial assets	2.303.297	1.728.083	575.214	33,3%
Amounts due from banks	446.003	718.737	-272.734	-37,9%
Loans and advances to customers	4.155.849	3.511.643	644.206	18,3%
Tangible assets	150.970	124.354	26.616	21,4%
Intangible assets	43.107	40.965	2.142	5,2%
Amounts due to banks	104.138	48.648	55.490	114,1%
Amounts due to customers	3.513.797	2.940.493	573.304	19,5%
Securities issued	1.390.103	1.493.241	-103.138	-6,9%
Shareholders' equity (1)	514.912	458.475	56.437	12,3%
of which: net proft for the period (1) (2)	*69.373*	*103.715*	*-34.342*	*-33,1%*
Total indirect deposits	15.479.873	15.187.112	292.760	1,9%
Indirect deposits from customers	13.937.847	13.584.297	353.549	2,6%
of which: assets under management	*9.927.334*	*10.114.170*	*-186.836*	*-1,8%*

INCOME STATEMENT DATA

(in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Net interest income	197.974	166.913	31.061	18,6%
Margin on banking and insurance activities (3)	364.630	302.892	61.738	20,4%
Net operating profit	143.106	99.828	43.278	43,4%
Net profit/(loss) for the period (2)	69.373	103.715	-34.342	-33,1%

(1) at Group level

(2) the figures at 31 December 2005 include revenues resulting from the market listing of Anima SGRp.A., which amount to Euro 58,760 thousand. Net of these proceeds, the figure would have been Euro 44,955 thousand, with respect to which the profits would show an increase of 54.3%

(3) including other operating income/expenses

FINANCIAL RATIOS

	31.12.2006	31.12.2005	Change Amount
Shareholders' equity / Total assets	6,9%	7,2%	-0,3%
Shareholders' equity / Loans and advances to customers	12,4%	13,1%	-0,7%
Shareholders' equity / Amounts due to customers	14,7%	15,6%	-0,9%
Shareholders' equity / Securities issued	37,0%	30,7%	6,3%
Tier 1 capital	9,4%	9,5%	-0,1%
(Tier 2) Solvency ratio	10,5%	11,5%	-1,0%
Financial assets / Total assets	30,8%	27,2%	3,6%
Amounts due from banks / Total assets	6,0%	11,3%	-5,3%
Loans and advances to customers / Total assets	55,6%	55,2%	0,4%
Loans and advances to customers / Direct deposits	84,7%	79,2%	5,5%
Amounts due to banks / Total assets	1,4%	0,8%	0,6%
Amounts due to customers / Total assets	47,0%	46,2%	0,8%
Securities issued / Total assets	18,6%	23,5%	-4,9%
Direct deposits / Total assets	65,6%	69,7%	-4,1%
Administrative expenses / Margin on banking and insurance activities	54,6%	57,4%	-2,8%
Net operating profit / Margin on banking and insurance activities	39,2%	33,0%	6,3%
Net profit for the period ([4]) / Margin on banking and insurance activities	19,0%	14,8%	4,2%
Net profit for the period ([4]) / Shareholders' equity (R.O.E.)	15,6%	12,7%	2,9%

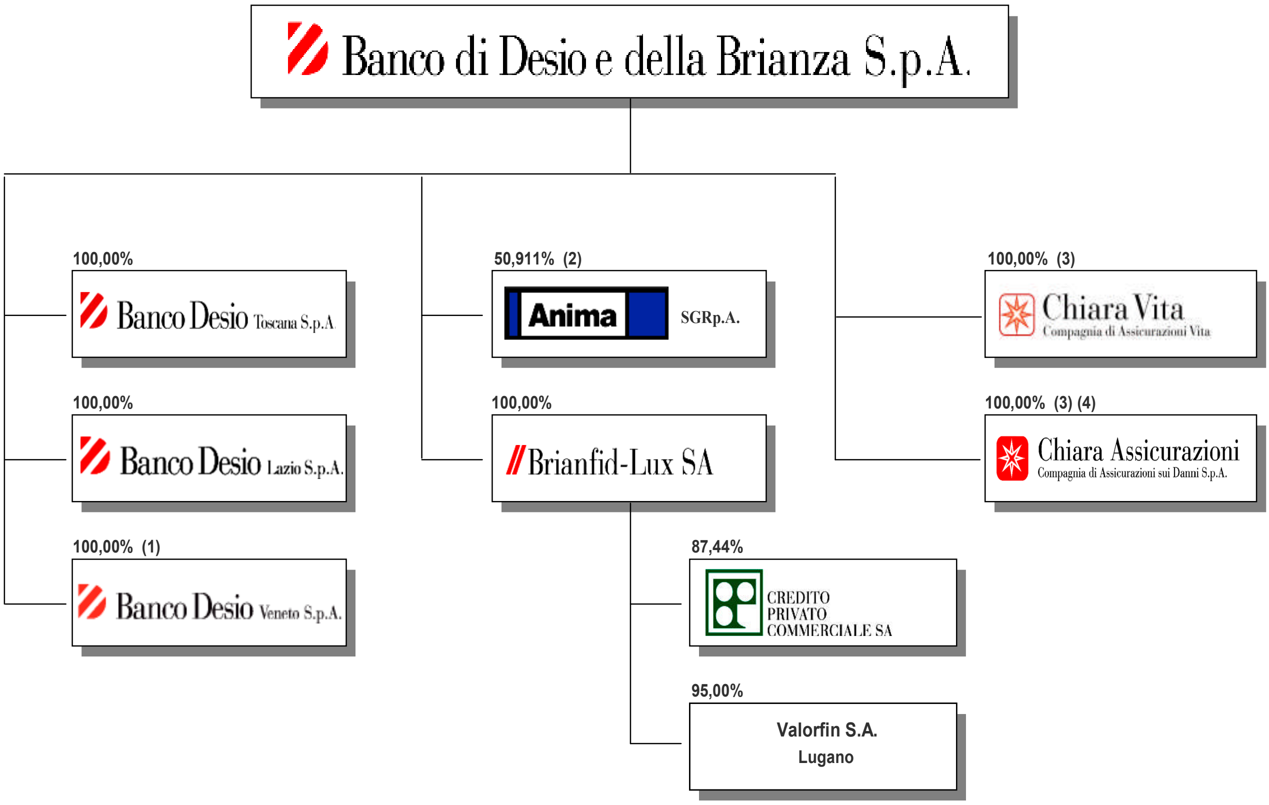
([4]) il dato al 31.12.2005 è al netto dei proventi e relativi oneri derivanti dalla quotazione di Anima SGRp.A., pari a 58.760 migliaia di euro

STRUCTURE AND PRODUCTIVITY DATA

Other data	31.12.2006	31.12.2005	Change Amount	%
Number of employees	1.594	1.439	155	10,8%
Number of bank branches	134	118	16	13,6%
Loans and advances to customers by employee	2.607	2.440	167	6,8%
Direct deposits by employee	3.076	3.081	-5	-0,2%
Margin on banking and insurance activities by employee	229	210	18	8,7%

2. THE BANCO DESIO GROUP

The consolidated financial statements as of December, 31 2006 relate to the following corporate structure:



(1) Operational since 1 October 2006
(2) The share is expected to decrease to 21.191% pursuant to disposal of 29.72%, contingent on obtaining the necessary legal authorizations
(3) Company excluded from the perimeter of the Banking Group
(4) Operational since 1 January 2007. Disposal of a 10% share is in the process of execution

3. THE BASELINE SCENARIO

3.1 THE MACROECONOMIC FRAMEWORK

In 2006, the world economy consolidated the positive trend underway, reporting growth of the *gross domestic product* of 5.1% (according to the most recent FMI estimates), with respect to the increase of 4.9% recorded in 2005, while also attaining more balance in key industrial areas.

The economy was sustained in particular by Asia, led by Japan which showed growth of 2.8%; the Euro Area and the United Kingdom, which both recorded significant increases, respectively of 2.6% and of 3.0%; and, despite being slightly lower this year due to the net weakening of the real estate market, by the United States marking growth of 3.4%.

The emerging countries, especially China and India, also continued to significantly contribute to development of the world economy, demonstrating considerable strength with growth rates near to, and often higher than, 10%.

As regards *consumer prices*, the continuation of the positive phase, along with the very noticeable rise in energy products in the early part of the year, when the price of crude oil broke records by trading at US $ 78 per barrel in July, as well as rising prices in raw materials, caused most central banks to make hikes to the official interest rates, that varied widely over time according to the severity of the inflation risks and the general trend in the economy.

The appearance of signs that the United States' economy was slowing-down, the corrective measures taken and the gradual decline (albeit with a pervasive high volatility at year-end) in oil prices as a result of lower demand for heating fuel pursuant to the above-average temperatures in the northern hemisphere, have relieved some of the pressure exerted on prices.

In the United States, the rate of inflation settled at 3.2%, down from the 3.4% in 2005, while the inflation rate in Japan registered a slight upward change of 0.1% compared to the 0.5% decrease last year. Inflation in the Euro Area stabilized at 2.2% and Italy was perfectly in line with the figure; France and Germany showed lower inflation rates, respectively of 1.9% and 1.8%, while Spain was set apart by an increase of 3.6%.

The overall trend of the *currency market* demonstrated a 1% appreciation in the average annual exchange rates of the Euro to the US dollar and even higher in the Euro against the Japanese yen, against which the Euro appreciated by 6.8%. Compared to the British pound, however, the European currency lost around 0.3% of its value.

The main *risk factors* in the outlook of the international scene are represented by the heavy global imbalance in the foreign trade accounts, despite the limiting effects arising from the narrowing in the growth gaps between the main industrial areas; fears of an intensification of protectionist attitudes and measures; and the possibility of a reversal of the favourable conditions that currently prevail on the financial markets, markets that have made investments in large part on the income of oil exporting countries, also favoured by the currency exchange trends.

UNITED STATES

On the whole, the increase in the gross domestic product of 3.4%, a percentage slightly lower than the average of the previous three years, is largely attributed to household consumption, sustained by the increase in real disposable income, partly offset by the additional and marked decrease in fixed investments in the residential building industry, in the framework of a weakening in the housing market, although there has also been an increase in imports and a slight correction in the inventories in the manufacturing sector.
Also making positive contributions were the vigorous expansion of fixed investments in many sectors other than the residential building industry and continued high levels of private consumption, attributable to constant increases in income, decreases in the use of energy resources and additional increases in household debt.

The rise in the price of oil and the sizable acceleration in the cost of personnel per product unit in non-farming businesses have contributed in large measure to the pressure on the trend in consumer price, whose rate of growth rose rapidly to 4.3% in the early part of the year to then settle at an average 3.2% at period-end, pursuant to a economic cool down that also suggested a respite in the series of adjustments in federal funds rate, made in the first half year of 2006 and which remained unchanged at 5.25% since June 2006.

Industrial production reported an annual growth rate of 4.1%, which was accompanied by a decrease in the unemployment rate, which amounting to 4.6%.

ASIA

In *Japan*, the strengthening of the economic recovery, that led to an increase in the gross domestic product of 2.8% with respect to the 1.9% reported in the previous period, was vigorously sustained by exports, private consumption, and the stable flow of company investment, gradually bringing the economy past the long phase of deflation that had gripped it in previous years.
Industrial production increased by 4.2% on an annual basis, while the unemployment rate was at 4.1%, a historic low not seen since 1998.

The run of the *Chinese economy* appears to be unstoppable and has shown no signs of reaction to the interest rate hikes and the other tightening measures introduced by the government to drain excess liquidity from the banking system, caused by the high increase in currency reserves, and to keep under control the development of credit and investments on deposits.
Attesting to this is the constant expansion in industrial production (especially in the automobile and microcomputers sectors) and retail sales and the upswing in fixed investments.
The trade surplus stayed at particularly high levels, thanks to the fast acceleration of exports, while the development rate of gross domestic product also remained very high, posting an average value of 11.4% for the twelve months.
The dynamic in consumer prices, still to a large degree government-controlled, was fairly limited, reporting inflation in the twelve months measured on the consumer price index near to 2%.

In the other emerging nations of Asia - among which India, Indonesia and Hong Kong SAR - there was also an intensification in the growth of the gross domestic product, driven by the domestic activities and by international trade.

ITALY AND EURO AREA

Since the end of 2005, the European banking system has also gradually made the currency conditions more tightened, pursuant to the improvements expected in growth of the Euro Area and the higher risks due to the stability of the prices related to energy rises and the increase in inflation expectations in the medium term.
On the whole, gross domestic product posted average growth rate of 2.6% in the twelve months of 2006, against the 1.5% a year earlier.

Concurrent with the fast expansion in world demand, the upswing in margins of competition by businesses in the Area, albeit with certain national specificities, helped along a recovery in exports, which was gradually passed on to investments.

Expansion of the industrial sector was particularly intense, reporting an increase of 4.7%. Investments also increased gradually, promoted by minimal levels of unused capacity with respect to the most recent five years and by advantageous financing conditions.
The acceleration, attributed to net foreign demand, reflects the rise in exports, against a slow down in imports.

In consideration of the risks due to the stability of prices forecast by the European Central Bank in the positive economic phase, ECB decided to raise its key refinance rate by 0.25 percent on 13 December, bringing it to 3.5%. This was the fifth rate hike in 2006.
The rate of inflation settled at 2.2% in the twelve-month period in consideration, equivalent to that of a year earlier.

Against an increase in the interest rate, the rise in household debt showed signs of stabilizing in recent months, albeit at very high levels, but at the same time, the level of indebtedness of non-financial companies continued to show a rising trend. As a result, credit continues to expand rapidly and in a generalized way, thus continuing to be the main determinant of the present-day currency strong dynamics.
The continuing strong expansion of the currency and credit represents upward risks for the stability of prices in the medium- to long-term, especially in light of the improvements in the economic situation and the continued buoying of the real estate markets in many parts of the Area.

Therefore, the year just ended showed an upswing in the *domestic economy* which led to an estimated increase in gross domestic product at around 1.9%, interrupting a cycle of virtual stagnation which has lasted for more than four years.

The driving forces are mainly related to the positive trend in the export market, the improved credit conditions, the rise in the employment rate, and the renewed confidence of the economic community. Italian industrial production rose on average by 2.1% with respect to a year earlier, which reported a decrease of 0.9%.

However, it is necessary to use extreme caution in evaluating the final figures reported since, while growth generally holds many virtuous components - especially the significant rise in exports and investments -, it also has features that bring only partial satisfaction. In fact, the positive trend of last year tended to realign with the longer period (the average growth rate of gross domestic product in 1980-2001 was 1.7%) but it comes on the heels of a four-year period of near-zero growth: as a result, there was actually little growth with respect to levels that had remained unusually low over the long term.

Looking to the future, the medium-term outlook for the economy remained positive and the circumstances would seem to prevail for the Italian economy, and the Euro area in general, to continue to grow at sustained levels, approaching full potential.
On the whole, global expansion should remain strong and continue to sustain exports while domestic demand should continue to be active.
Investments are expected to continue to be dynamic, drawing benefits from an extended period characterized by very positive financial conditions, high past and current profits, and increased efficiency of the companies. Consumption should also strengthen further over time, in line with the trend in real disposable income, while the employment situation is expected to improve.

3.2 THE CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

In 2006, *the international securities markets* showed significant growth in stock prices: in particular, the *Standard & Poor's 500* index of the New York Stock Exchange reported an annual increase of 12.2%, the *Nikkei 225* index of the Tokyo Stock Exchange was up 7.2% and the *Dow Jones Euro Stooxx Large* of the Euro area was up 14.6%.

The indices of the New Economy on an international level have reported the following trends: the *Mib Tech Star* posted a rise of 17%, the *Tech Dax* +22%, *the French technologies index* increased by 5.7% and the *Nasdaq* was up 8.2%.

The *Mibtel,* the general index of the Italian Stock Exchange, ended the year with a positive change of 18.3% compared with the 15.1% in 2005. Total capitalization of the Italian Stock Exchange at period-end was Euro 778.5 billion, Euro 100 billion more than in 2005. In relation to gross domestic product, capitalization of the Milan Stock Exchange increased from 47.7% last year to 52.8%.
Observing the breakdown of the main stock market by macro-sector, we find a certain intensity in the rise in capitalization of the securities belonging to the industrial sector and a good performance in the services and financial sectors (+10.6%), the latter driven largely by the performance registered in the bank sector (15.6%).

With reference to the *banking sector*, at year-end 2006, total deposits (banks, bonds, and subordinated loans) of all financial and monetary institutions in the Euro Area registered growth of 9.3% over the twelve months, while the trend growth rate of loans to residents, including non-performing loans and repos, net of the transactions made between credit and financial institutions, was 9.3%.

In Italy, with reference to the funding activities, ABI updates show a consolidation at year-end 2006 in the trend in deposits denominated in Euro in all Italian banks, represented by saving deposits, bank accounts, CDs and bonds.

In particular, *bank deposits* (savings accounts and bonds) reported an increase of 8.1% with respect to the 8.6% last year, showing a deceleration in the trends of customer deposits, whose growth rate was equal to 6%, and a slight acceleration in the bank bonds dynamics, which continue to show sustained growth, with 11.4%.

As regards deposits, namely bank deposits including repurchase agreements with customers, there was slowdown in the current accounts trends, estimated at 6.3% with respect to the 7.4% last year, a marked rise in the repurchase agreements trends, equal to 24% with respect to 12% last year, and a substantial contraction in certificates of deposit, in the short-term and long-term, with a contraction of 10%.

Bank loans in Italy showed growth of 11.2%, with respect to the 8.6% a year earlier, highlighting an increase of 11.6% for the medium- to long-term portion while the short-term portion showed an increase of 10.5%.

From an analysis of loans by economic business sector, we find a marked acceleration in the rate of growth of loans to non-financial companies of 12.4% (with respect to the 5.1% in 2005) which translates to a strengthening of the share of loans in this sector, equal to 62.6% on the total, clearly better than the average of 45.9% in the Euro area.
The trend in loans to households registered a slightly lower growth rate with respect to the business sector, standing at 9.9%.

Continuously higher rates of development distinguish the business segment represented by consumer credit, which reported an increase of 12.2%, markedly higher than the Euro Area, which was equal to 6.2%.

The primary risk indicators show additional improvements in the quality of credit: the ratio of net non-performing loans/total loans stands at 1.35% while the ratio of net non-performing loans to regulatory capital stands at 7.44%.

The *securities portfolio* of banks shows growth of 8.1% in the twelve months, mainly due to the component "other securities" whose impact increased from 47.8% to 54%, against a decrease in the weight of short-term securities and CCT for 7.3 %, and a slight increase in the percentage attributed to BTP equal to 1.1%.
The ratio between securities and loans denominated in Euro has decreased to 14.0%, compared to the 14.4% in December 2005.

Finally, as regards key *interest rates*, the average interest rate paid in 2006 to clients on bank deposits, which includes the yield on deposits, bonds, and repurchase agreement for households and non-financial companies, increased gradually and was in line with market trends, rising from 1.72% in December 2005 to 2.23% in December 2006.
Correspondingly, the weighted average rate on all loans to households and non-financial companies gradually rose from 4.65% at December 2005 to 5.38%.

4. THEMES OF STRATEGIC IMPORTANCE AND DEVELOPMENT POLICIES

4.1 ACTIVITIES OF THE PARENT COMPANY BANCO DI DESIO E DELLA BRIANZA S.p.A.

In a scenario characterized by rising competition and a highly unstable, contradictory and complex economic background, the ability to improve and grow has assumed more and more importance, representing a real competitive advantage and added value for the market, regardless of the size of the company.
This is the challenge that the Banco Desio Group has decided to undertake and continues to face with decision and with the necessary flexibility, dictated by market dynamics.

In performing its activities, the Parent Company Banco di Desio e della Brianza incorporates three roles that reflect its unique and linear style of strategic conduct and operations throughout the Group.

The primary role of Banco Desio is as a commercial bank, with its own distribution network that develops close relationships with households and SMEs, consisting of a total of 108 branches as of 31 December 2006.

Its secondary role is as a Parent Company which, as part of its work of direction, coordination and control, defines strategic orientation and guidelines for development, in line with its nature as an "independent" Group, while also heading up development and integration of the individual companies.

Finally, the Parent Company also acts as a "services" company for its subsidiaries, with a different degree of involvement depending on the type of business - banking, parabanking, asset management and insurance - undertaking responsibilities of operations and consulting, optimizing costs through economies of scale and facilitating governance of the Group.

4.2 DEVELOPMENT OF THE DISTRIBUTION NETWORK

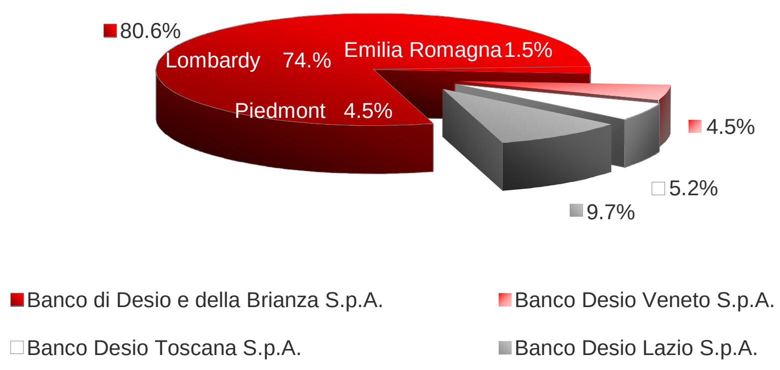
The development pace of the banking business has been intense for several years now, buoyed by rates of growth on average higher than the system and expansion of the distribution network on a Group level. At year-end 2006, the Group reached a total of 134 branches, adding a further 16 units representing a rise of 14%.

The distribution network is increasingly outspread and complex and continues to be distinguished by the high centrality of the relationship with customers, the capacity for new openings to achieve a return on investment in the shortest possible time and for the considerable potential of expansion of its market shares, thereby "self-financing" development and growth of the network, in agreement with the Business Plan of the Group for the three years 2005-2007.

Continuity in the policy of expansion targeted toward planting deep roots in contiguous and complementary local areas and the governance of other local opportunities has led the Group to be present in six regions: Lombardy, Piedmont, Veneto, Emilia Romagna, Tuscany and Latium.

The graph below highlights the percentage allocation of the distribution network on a Group level by company of belonging and reference region.

Chart No. 1 - THE DISTRIBUTION NETWORK: BREAK-DOWN BY GROUP BANKS AND BY REGION

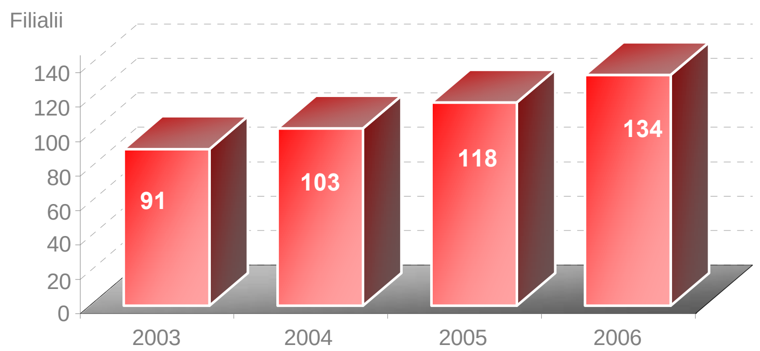


In completion of the provisions in the strategic three-year Business Plan 2005/2007, for the year in progress, the term of silent consent has already passed and, where applicable, necessary authorizations and permits have been obtained from the Bank of Italy for opening a total of 15 new outlets that will increase the Group to nearly 150 total branches.

The graph below represents the growth in size reached in the most recent years by the banking Group, showing an average rate of growth in the three-year period 2004-2006 of 13.8%.

Chart No. 2 – THE GROUP DISTRIBUTION NETWORK: GROWTH IN SIZE N THE LAST FEW YEARS

Branches



4.3 BUSINESS PLANS

Veneto Plan

As part of the geographical diversification strategies implemented in recent years, the development plan in the Region of Veneto continued in 2006.
The new company, Banco Desio Veneto S.p.A, formed on 9 November 2005 with share capital of Euro 21 million, wholly subscribed and paid in cash by the Parent Company and the sole shareholder Banco di Desio e della Brianza, began operations on 1 October 2006, pursuant to the

transfer - and the subsequent rise in capital - of the business unit made up of six bank branches operating in the Veneto areas of Vicenza, Verona, Schio, Villafranca, Padova and Arzignano.

The total value of the business unit transferred – calculated on the balance sheet value at 30 June 2006 submitted to a sworn appraisal in accordance with the law and considered congruent by the Board of Directors based on the balance sheet value at 30 September 2006 - was set at Euro 2.1 million; shareholders' equity of Banco Desio Veneto S.p.A. at 1 October 2006 has remained unchanged at Euro 21 million by effect of start up reserve that balanced out the increase in capital pursuant to transfer.

At the date of start up of operations, the Parent Company provided the subsidiary with Euro 10 million in the form of a 10-year subordinated, interest-bearing term loan, which falls under the heading “supplementary” Regulatory Capital.

As part of the preceding initiatives, in order to guarantee proper managerial skills and facilitate the key staff member involvement in bank business, the Parent Company has launched a specific stock option plan to attain the objectives included in the business plan.

In addition, in order for the new company to focus on commercial and other activities so as to seize opportunities on the reference market, as well as allow the Group to achieve significant economies of scale with the resulting positive economic effects, the new company also made wide use of outsourcing of the technical, administrative and consulting services to the Parent Company. For its part, by providing these services, the Parent Company can have up-to-date information useful for Group governance.

"Non-Life " Bank Assurance Sector

During the year, Banco Desio Group has started up an initiative in the "non-life" bank assurance sector with a view to extending the offer of insurance products, after the positive multiyear experience in the "life" sector through its subsidiary Chiara Vita S.p.A. (formerly Desio Vita S.p.A.): on 20 June 2006 , “Chiara Assicurazioni - Compagnia di Assicurazioni sui Danni S.p.A.” was formed, with share capital of Euro 7.5 million and an organizational fund of Euro 2.5 million, wholly paid up by the Parent Company, Banco di Desio e della Brianza.

After executing the necessary authorization procedures, the Company started up operations within the deadlines envisaged by the plan, namely, as of 1 January 2007, with the ability to operate in the insurance lines 1 (Accident), 2 (Sickness), 8 (Fire and natural events), 9 (Other damage and assets), 13 (General civil liability), 16 (Monetary losses) and 18 (Health).

The business plan shows the importance of the synergies that can be obtained with a multiplicity of distribution and participatory agreements, in terms of expansion of the sales offer and as regards reaching appropriate critical volumes and considerable profitability.
This is the framework in which to interpret the attribution of a "neutral" denomination of the Company; in other words, one that does not denote the belonging to the banking group and the initiatives in progress with a view to involving bank partners in the distribution of its products.

A special stock option plan was prepared for this new company and it will also make wide use of outsourcing of technical, administrative and consulting services to the Parent Company.

Acquisition of DWS Investments Italy SGRp.A business arm by Anima SGRp.A.

Anima SGRp.A. signed a preliminary agreement on 18 December 2006 for acquisition of the business arm of DWS Investments Italy SGRp.A., a company controlled by Deutsche Bank, made up essentially of relationships relating to 34 mutual funds, with a total managed asset base at this time of seven billion euro and related distribution agreements.

For Anima SGRp.A., a company that serves some 200 thousand customers and is characterized by a dynamic operating style, a value/contrarian approach and the absence of a proprietary distribution network, the transaction represents an important opportunity for development that matches strategic objectives and is expected to ensure significant growth, with a long-term agreement for distribution of its funds by Deutsche Bank through the network of more than 1,000 Finanza & Futuro Banca promoters and its 240 branches.

The acquisition includes a payment plan determined based on criteria whose parameter is related only to an eventual decrease in the assets under management in the thirty months subsequent to the closing, with a resulting limited impact on equity.

Execution of the transaction, contingent on obtaining the necessary authorizations from the Bank of Italy and the Antitrust Authorities, should take place by the fall of 2007.

4.4 OTHER GROUP COMPANIES TRANSACTIONS

Exercise of call options by the Parent Company to the Holding Company on Group companies shares

In execution of the *call/put* agreements signed on 29 December 2006, the parent company Banco di Desio e della Brianza acquired from the Holding Company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. the outstanding minority interests in the subsidiaries Brianfid Lux SA, Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) and Banco Desio Lazio S.p.A., which thus became 100% subsidiaries.

The transaction entailed a total payment of around Euro 0.76 million. Additional details are given in the paragraph of the Explanatory Notes relating to transactions with Related Parties and, in particular, to transactions with the Parent Company.

Increase in capital of the subsidiaries Banco Desio Lazio S.p.A. and Chiara Vita S.p.A.

During the year, Banco Desio Lazio S.p.A. and Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) executed an increase in capital in exchange for payment, each for a total of Euro 10 million, with a view to bolstering the capital to support operations and growth.
For each increase of capital, the Parent company Banco di Desio e della Brianza subscribed and paid up Euro 9.9 million, as not yet absolute holder of all shares (see the paragraph in the Explanatory Notes relating to transactions with Related Parties and, in particular, transactions with subsidiaries).

The increase by the subsidiary Brianfid-Lux SA of the equity shares in Swiss subsidiary companies

Pursuant to other "put" options exercised by minority shareholders with execution in the early months of 2006, the shares held by Brianfid-Lux SA in the Swiss subsidiaries C.P.C. SA and Valorfin SA increased respectively to 87.44% (80.036% before) and 95.00% (92.60% before). Unlike the previous year, these increases have not required fresh amounts of equity in the Luxembourg-based sub-holding.

The increase by the Parent Company of the majority holding in Istifid S.p.A.

The Board of Directors of the Parent Company Banco di Desio e della Brianza resolved in the month of December 2006 to take part in the offer for first-refusal acquisition of the share package of Istifid S.p.A., a 12.035%-owned trust company which performs services in synergy with and/or on behalf of the bank, pursuant to the sale by two reference shareholders of a total share of 40% of the share capital.

Pursuant to the determinations made by the other shareholders, the equity investment of the Parent Company in the company would rise to at least 21.65%, subject to authorization by the Bank of Italy, as the interest is classified among equity investments in financial companies. At the date of approval of this Report, the authorization procedure is currently being executed.

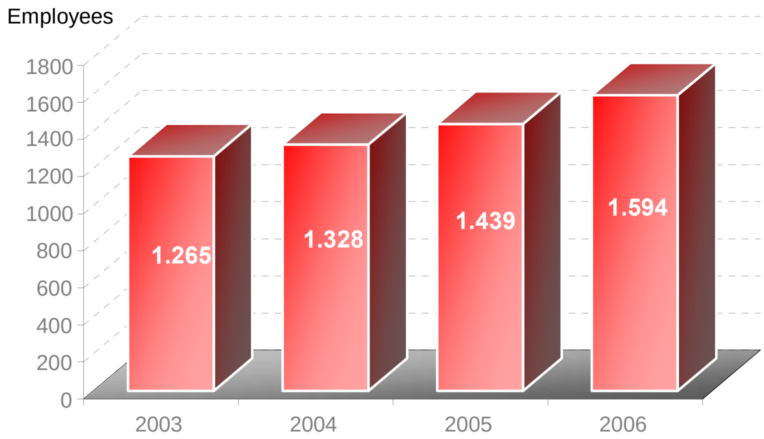
5. HUMAN RESOURCES

5.1 RESOURCES MANAGEMENT

At year-end 2006, the total staff of the Group amounted to 1,594 staff members, with an increase during the year of 10.8% and an average increase of 8% over the last three years, considerably less than the rate of increase of the distribution network in the same period, equal to 13.8% and coupled with a markedly lower turnover.

The graph below represents the total numeric development of the staff, as from year end 2003.

Chart No. 3 – THE GROUP STAFF NUMERIC DEVELOPMENT IN THE LAST FEW YEARS



The table below provides a detail of personnel by level of employment at year-end 2006, compared with the total in the previous year.

Table No. 1 – PERSONNEL: BREAK-DOWN BY LEVEL OF EMPLOYMENT

	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Executives	39	2,4%	34	2,4%	5	14,7%
3rd and 4th level managers	358	22,5%	315	21,9%	43	13,7%
1st and 2nd level managers	365	22,9%	311	21,6%	54	17,4%
Other personnel	832	52,2%	779	54,1%	53	6,8%
Personnel	**1.594**	**100,0%**	**1.439**	**100,0%**	**155**	**10,8%**

5.2 TRAINING AND INTERNAL COMMUNICATIONS

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread Group culture.
While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the spread of values and ideas and information sharing within the Group.

5.3 RELATIONS WITH UNION ORGANIZATIONS

Relations with union organizations are always marked by a serene and constructive relationship. In this context are the agreements reached in 2006 on essential themes such as the contribution to the pension fund and health service. In addition, talks began regarding renewal of the Company Supplementary Contract on a Group bank level - discussions are still ongoing.

As regards discussions on a national level, we note that the unions have recently submitted a renewal plan of the National Collective Bargaining Agreement for personnel hired in middle management and in professional areas and that negotiations have recently commenced.

6. SUPPORT AND CONTROL ACTIVITIES

6.1 LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, the Parent Company Banco di Desio e della Brianza effects three levels of control at Group level in order to implement the specific "co-ordination model" selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location, identifying the competent control functions internally.

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

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

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

6.2 INTERNAL CONTROL SYSTEM

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

At a Group level this system takes the form of the following three types as defined in the instructions issued by the Bank of Italy:
- line controls, aimed at ensuring the proper conduct of operations;
- checks on Risk Management to define the methods used for risk measurement, to confirm compliance with the limits assigned to the various operational functions and to monitor the activities of individual operational areas to ensure they are consistent with risk objectives/defined returns. These checks are entrusted to the responsible function within the ambit of the Strategic Planning, Management Control and Risk Management areas of the Parent Company;
- Activities of Internal Audit, with the goal of identifying anomalous trends or breaches of procedure and rules, and of assessing of the functionality of the internal control system as a whole.

The duty of supervising the internal control system in consideration of the chosen "Co-ordination Model" for each subsidiary company, has been allocated to the Group Internal Audit Area whose activities are regularly referred to the Top Management, the Parent Company's Board of Directors, to individual Directors so far as falling within their related area of competence and to the individual Boards of Directors of the subsidiaries. Periodical evaluations of results are carried out by the Board of Statutory Auditors and the Internal Control Committee.

In the conduct of the above duties, the Internal Audit Area:
- examines at "one remove", all the information that each subsidiary is required to provide in relation to the internal controls effected by its own functions together with all other information considered useful in that regard;
- carries out inspection visits to each subsidiary, normally following predefined "audit plans";
- defines and transmits goals and general instructions to those companies in the Group with a dedicated internal function, receiving the periodical reports of the checking activities carried out while itself carrying out checks directly on those Group companies which have centralised the related function to the Parent Company.

6.3 RISK MEASUREMENT AND MANAGEMENT

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

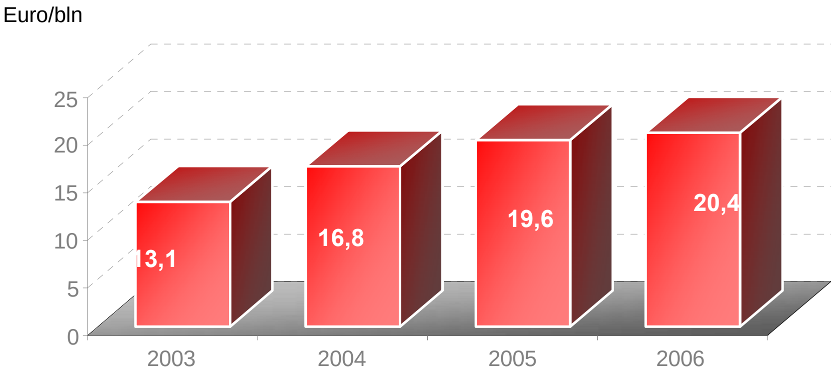
7. MANAGEMENT TREND

7.1 SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of 2006 total administered customer assets amounted to Euro 20.4 billion representing an annual growth of Euro 763 million, amounting to 3.9%.

Trends in overall deposits over the last three year period from 2004 to 2006 are shown in the graph set out below.

Chart No. 4 – TOTAL DEPOSITS: THE TREND OVER THE LAST FEW YEARS



With reference to the break-down of the overall figure, the related components, as shown in Table 2, indicate more sustained growth in direct deposits with an annual increase of 10.6% with respect to indirect deposits amounting to Euro 15.5 billion, representing growth of 1.9% with respect to the preceding accounting period.

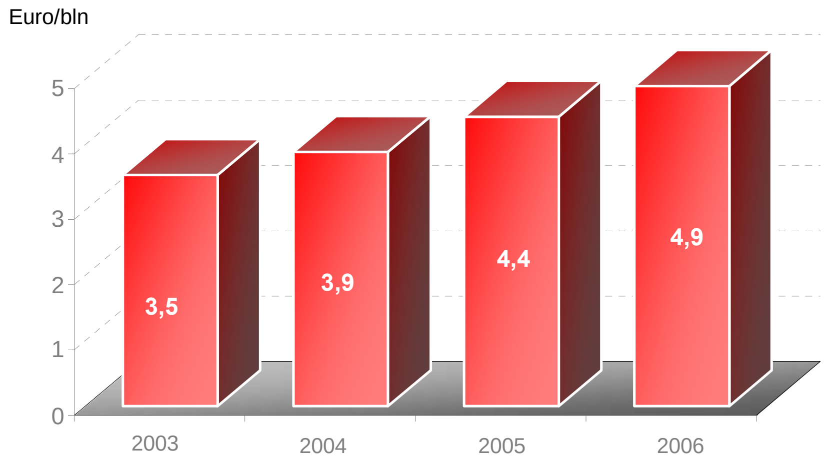
Table No. 2 – DEPOSITS FROM CUSTOMERS

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Amounts due to customers	3.513.797	17,2%	2.940.493	15,0%	573.304	19,5%
Securities issued	1.390.103	6,8%	1.493.241	7,6%	-103.138	-6,9%
Direct deposits	**4.903.900**	**24,1%**	**4.433.734**	**22,6%**	**470.166**	**10,6%**
Indirect deposits	**15.479.873**	**75,9%**	**15.187.112**	**77,4%**	**292.760**	**1,9%**
Total deposits from customers	**20.383.773**	**100,0%**	**19.620.846**	**100,0%**	**762.926**	**3,9%**

Direct deposits

The graph shown below illustrates the extent of the development of direct deposits over the last three years, with annual growth rates averaging 11.5%.

Chart No. 5 – DIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS



An analysis of the figure representing amounts due to customers at the end of 2006 has been set out in the next table. It can be seen that the “on sight” component of direct deposits made up of current accounts and savings deposits and amounting to Euro 2.9 billion, has grown by Euro 272 million or 10.4% with respect to the preceding year.

The final balance of reverse repurchase agreement shows a significant increase with respect to the previous accounting period. This is due, above all, to increased customer demand replacing the technical bond form – this latter has been affected by the new provisions introduced by the CONSOB regulations leading to a temporary slow-down in their distribution.

Table No. 3 – AMOUNTS DUE TO CUSTOMERS

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Current accounts and savings deposits	2.898.699	82,5%	2.626.698	89,3%	272.001	10,4%
Reverse repurchase agreements	615.098	17,5%	313.795	10,7%	301.303	96,0%
Amounts due to customers	**3.513.797**	**100,0%**	**2.940.493**	**100,0%**	**573.304**	**19,5%**

Indirect deposits

With regard to indirect deposits, the total figure recorded for the 12 month period grew by more than Euro 290 million which can be explained as an effect of the positive trends in deposits from “ordinary” customers which, thanks to the significant contribution from the asset administration sector, recorded an increase of 15.6% with respect to the previous year, only partially set off by the slight decrease in asset management and deposits from institutional customers, showing decreases of 1.8% and 3.8% respectively.

With particular reference to asset management, this shows the significant effect of life insurance, with an increase of more than a quarter with respect to the values at the end of 2005.

The table set out below shows a break-down of the overall balances under consideration, highlighting the differences recorded at the end of the 12 month period.

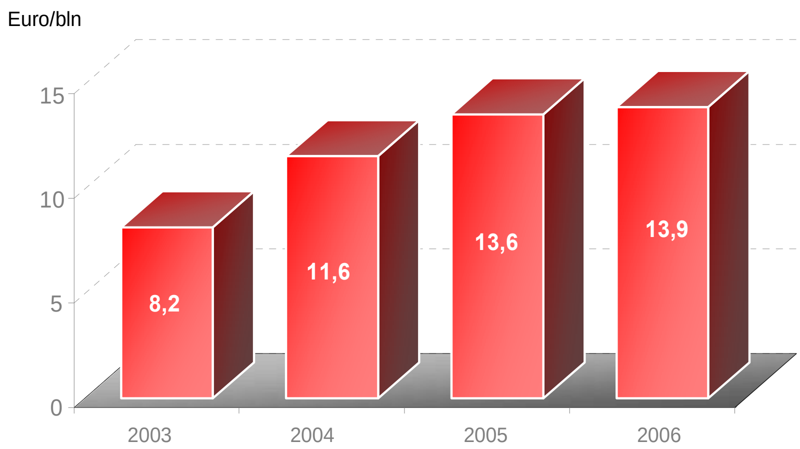
Table No. 4 – INDIRECT DEPOSITS

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	%
Asset administration	**4.010.513**	**25,9%**	**3.470.127**	**22,8%**	**540.386**	**15,6%**
Asset management	**9.927.334**	**64,1%**	**10.114.170**	**66,6%**	**-186.836**	**-1,8%**
of which: Mut.Fund and Open-end Inv. (*)	*7.275.514*	*47,0%*	*7.732.111*	*50,9%*	*-456.597*	*-5,9%*
Portfolio management (**)	*1.187.205*	*7,7%*	*1.213.605*	*8,0%*	*-26.401*	*-2,2%*
Bank-insurance	*1.464.616*	*9,5%*	*1.168.454*	*7,7%*	*296.162*	*25,3%*
Deposits from ordinary customers	**13.937.847**	**90,0%**	**13.584.297**	**89,4%**	**353.549**	**2,6%**
Deposits from institutional customers	**1.542.026**	**10,0%**	**1.602.815**	**10,6%**	**-60.789**	**-3,8%**
Direct deposits	**15.479.873**	**100,0%**	**15.187.112**	**100,0%**	**292.760**	**1,9%**

(*) net of mutual fund and open-end investments units under portfolio management and fund-based portolio management
(**) net of liquidity in current accounts and of securities issued by Group banks

Graph 6 illustrates the growth trend of indirect deposits from “ordinary” customers over the last three-year period from 2004 to 2006 of the Group’s business activities.

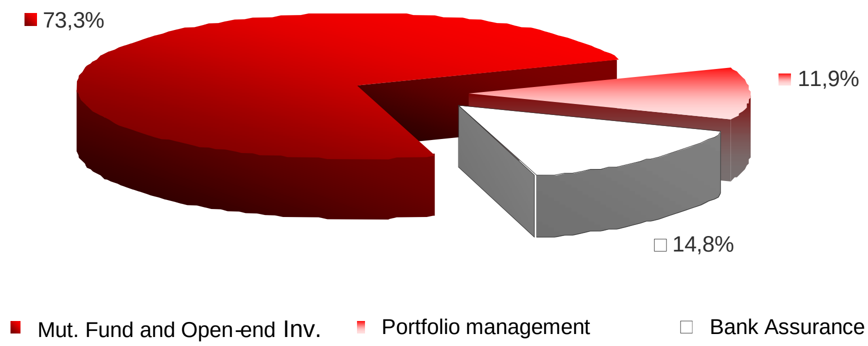
Chart No. 6 – INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS: TREND OVER THE LAST FEW YEARS



The composition of indirect deposits from ordinary customers as at 31 December 2006, as illustrated in the following graph, highlights a clear predominance of that part attributable to asset management, greater by two-thirds than asset administration.

The graph set out below concentrates rather, on the percentage break-down of asset management, indicating how Mutual Funds and Open-end investment fund units represent the most important component, 73.3% of the total.

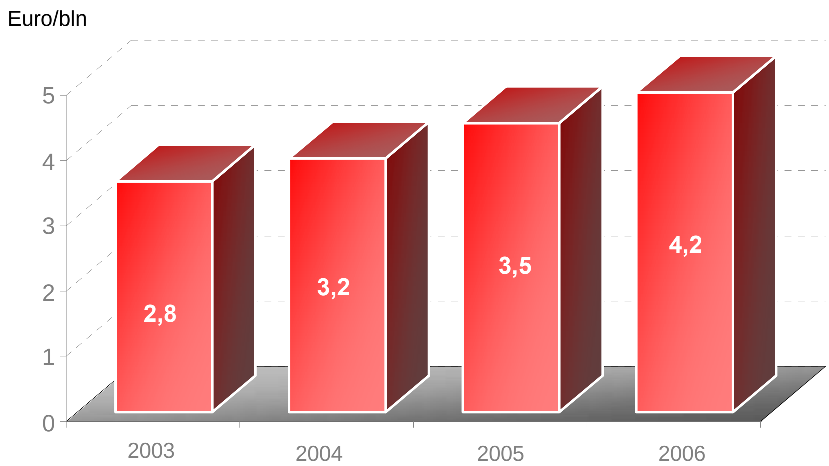
Chart No. 8 – INDIRECT DEPOSITS FOR ASSET MANAGEMENT AS AT 31.12.2006: BREAK-DOWN



7.2 CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At the end of 2006 the total value of loans to customers reached Euro 4.16 billion, with an increase of more than 18% with respect to the balance of the previous year. This is better than the average performance of 13.8% over the three-year period from 2004 to 2006 – the related trends have been illustrated in the graph set out below.

Chart No. 9 – THE TREND OF LOANS TO CUSTOMERS OVER THE LAST FEW YEARS



It can be seen from Table 5 that all components of the overall figure have experienced dynamic growth, highlighting in particular, medium and long-term loans, a trend consistent with those of the recent past.

Table No. 5 – LOANS AND ADVANCES TO CUSTOMERS

Amounts in thousands of Euro	31.12.2006	Percentage break-down	31.12.2005	Percentage break-down	Change Value	Change %
Current accounts	1.227.037	29,5%	1.053.813	30,0%	173.224	16,4%
Mortgages and other medium/long term loans	2.144.878	51,6%	1.783.251	50,8%	361.627	20,3%
Other	783.934	18,9%	674.579	19,2%	109.355	16,2%
Loans and advances to customers	**4.155.849**	**100,0%**	**3.511.643**	**100,0%**	**644.206**	**18,3%**

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

In the context of the distribution of cash loans, at the end of 2006 the amount of loans to the largest customers was down with respect to the previous year following a greater division of risk as highlighted in the table below.

Table No. 6 – LOANS TO LARGEST CUSTOMERS CONCENTRATION INDEX

Number of customers	31.12.2006	31.12.2005
10 largest customers	2,2%	2,5%
20 largest customers	3,3%	3,8%
30 largest customers	4,3%	4,9%
50 largest customers	5,7%	6,6%

Furthermore, take note that, in accordance with the supervisory regulations in force, no positions were recorded at the end of 2006 that were classifiable as "Significant Risks" within the lending activities.

The total amount of impaired loans, represented by non performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, amounted to Euro 61.8 million following value adjustments of Euro 39.3 million.

As at 31 December 2006 net impaired loans were broken down into net non performing loans of Euro 24.9 million, net problem loans of Euro 22.2 million and expired loans of Euro 14.7 million.

The following table summarises the indicators relating to the degree of credit risk, at the same time highlighting a significant reduction in the majority of such indicators.

Table No. 7 – LOANS AND ADVANCES TO CUSTOMERS: RISK CREDIT INDICATORS

% Indexes for gross loans	31.12.2006	31.12.2005
Total gross impaired loans	2,40%	2,85%
of which:		
- gross non performing loans	1,25%	1,55%
- gross problem loans	0,79%	0,67%
- gross expired loans	0,36%	0,64%

% Indexes for net loans	31.12.2006	31.12.2005
Total net impaired loans	1,49%	1,66%
of which:		
- net non performing loans	0,60%	0,60%
- net problem loans	0,54%	0,41%
- net expired loans	0,35%	0,64%

7.3 FINANCE

The securities portfolio and exchange rate activity

On 31 December 2006 total financial assets stood at a value of Euro 2.3 million, made up for the most part of domestic Government securities and showing an increase of 33.3% with respect to the final figure for the preceding year.

In a context of the flattening out of the yields curve and substantial stability in spreads, investment has been preferred in senior indexed securities of first rank Italian and European banks and the investment in Fund and Open-end investment fund units of important Asset Management Companies, forming part of the portfolio management activities.

The most important part of insurance company assets is intended to back commitments taken on as against the insured.

A prudential line was maintained in relation to rate risk, with average portfolio duration of 0.57 years for banking companies.

Activities on share markets were characterised by daily trading concentrating for the most part on Euro Area markets, with a preference for more “liquid” securities with respect to banking companies while, for insurance companies, operations were mainly concentrated on active management of the share portfolio within contractual limits, with the objective of out-performing the reference benchmark.

Constant activity was also maintained for functional purposes, both in relation to hedges for the Bond Loans issued by the Group Banks and in the implementation of the index-linked insurance products of the Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) insurance company.

Activities on the exchange markets were mainly concentrated on the requirements of subsidiary companies and Institutional Customers.

We would note in particular the important entry of the Parent Company Banco di Desio e della Brianza as an ABN AMRO third party in CLS Bank, a financial institution set up in accordance with the wishes of the G20 banks, to regulate operations effected on currency exchange rate markets in relation to the main currencies.

Treasury

The Treasury department recorded a net positive inter-bank balance of Euro 342 million, compared to the balance of Euro 670 million on December 2005.

Intermediary activities on the deposit and *Eonia* market were in line with the previous year while inter-bank loans were reduced in favour of Group-owned securities to be used for operations involving repo transactions with ordinary customers.

Asset Management

Over 2006, the widening of the range of commercial products continued of the managed sector, with the initiation of a series of products capable of meeting even the most sophisticated demands of the customers.
Thus, in particular and consistently with the above, the characteristics and risk profiles of “Personal Units” were defined in the context of informative prospectuses for Chiara Vita S.p.A. (formerly Desio Vita S.p.A.), while special Personal Flexible Lines were created for Banco Desio Toscana S.p.A.
Management products for the Private Banking Area were completely renewed with the offer of new “Private Management” lines with nine risk profiles and renewed benchmarks, implying a substantial revision in the approach to managed assets with regard, in particular, to a number of specialised markets. Additionally, a so-called “Customised” category was set up, allowing customers the possibility of identifying their own benchmark and providing the manager with precise instructions in relation to the weight of the markets in which investments should be maintained.

Further investments were also made in IT support systems in order to continue the improvement of the monitoring of investments.

The Middle Office

Over the 12 months under consideration, the Parent Company’s Middle Office was involved in settlement activities on international markets both for set-off operations and the expansion of trading markets.

There were more than 4,300 capital events affecting the foreign securities sector.

On the international tax front, particular attention was concentrated on the renewal of the status of qualified intermediary, expiring on 30 June 2006.

An application for TFA membership was made and successfully concluded as a consequence of the legal action initiated on behalf of the bond holders of securities issued by the Argentinean Republic by the completion of the formality of the delivery of the documentation necessary for each individual customer.

Depositary Bank activities

Over the year agreements were concluded under which the Parent Company Banco di Desio e della Brianza accepted the appointment as Depositary Bank for pension funds promoted by Anima SGR.p.A. and Chiara Vita S.p.A. (formerly Desio Vita S.p.A.).

Still with regard to pension funds, much effort has gone into the organisational work designed to anticipate the analysis and application of the new legislative provisions concerned with

supplementary pensions (Legislative Decree 252 of 5 December 2005, anticipated on 1 January 2007).
The Parent Company has in any case shown that it is ready to take on and guarantee its commitments to Anima SGRp.A. and Chiara Vita S.p.A., with particular attention to the start up of the so-called *guaranteed lines* set up by the "Anima Orizzonti" and "Soluzioni Previdenti" pension funds with the specific objective of being able to guarantee over time the required controls in the field of the transfer of "accruing employee termination indemnity" of workers.

Another development of particular importance was the signing of the agreement for the appointment as Depositary Bank for the "Funds of Funds" managed by MCGestioni SGR, a company belonging to the Sara Assicurazioni Group, coming into effect from the beginning of 2007, together with the related marketing and sale of the products by the Group network.

7.4 SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Consolidated Shareholders' Equity as at 31 December 2006, including the net profits of the period, amounted to a total of Euro 514.9 million, an increase of Euro 56.4 million with respect to the figure recorded for 2005.

Shareholders' Equity calculated in accordance with the supervisory regulations in force, amounted to Euro 496.5 million with respect to Euro 479.4 million for the end of 2005. The figure is made up of basic shareholders' equity of Euro 445.2 million (Euro 396.7 million at the end of 2005) with supplementary shareholders' equity of Euro 94.8 million (Euro 102.6 million at the end of 2005) from revaluation reserves, positive reserves on securities and subordinate liabilities. The elements to be deducted amount to Euro 43.5 million and refer to equity investments in financial and insurance bodies. At the end of the year total prudential requirements amounted to Euro 378.4 million.

Weighted risk assets, calculated as the product of total prudential requirements and the reciprocal of the minimum obligatory coefficient for credit risk, amounted to Euro 4.7 billion with respect to Euro 4.2 billion at the end of 2005.

The Tier 1 equity ratio, representing the ratio of basic shareholders' equity to weighted risk assets is 9.4%. The Tier 2 solvency ratio, representing the ratio between the regulatory capital and the weighted risk assets, amounted to 10.5% according to the supervisory regulations in force. This compares with the minimum coefficient required of banks belonging to banking groups by the regulations, of 8%.
On 31 December 2005 the same coefficients were 9.5% and 11.5% respectively.

We would draw attention to the fact that the total share equity position at the end of 2006, that is, the part of equity which is "unrestricted" in that not affected by credit risk (solvency coefficient) and market risks (risks on securities available for sale, exchange rate risks, concentration risks) amounts to a value of Euro 118.2 million as compared with Euro 146.2 million of the previous year.

7.5 THE INCOME STATEMENT

The 2006 accounting period ended with net profits for the Group of Euro 69.4 million, as shown in the following table setting out the reclassified Income Statement:

Reclassified Income Statement (amounts in thousands of Euro)	31.12.2006	31.12.2005	Change Amount	%
Interest income and similar revenues	291.471	237.602	53.869	22,7%
Interest expense and similar charges	-93.497	-70.689	-22.808	32,3%
Net interest income	**197.974**	**166.913**	**31.061**	**18,6%**
Fee and commission income	212.897	174.395	38.502	22,1%
Fee and commission expense	-75.026	-67.101	-7.925	11,8%
Net profit on insurance activities	-2.949	-2.799	-150	5,4%
Other operating income and expenses	29.704	28.578	1.126	3,9%
Primary intermediation margin	**362.600**	**299.986**	**62.614**	**20,9%**
Dividend and similar income	725	639	86	13,5%
Net profits/(losses) on trading activities	1.001	2.375	-1.374	-57,9%
Net profits/(losses) on hedging activities	-1.461	-141	-1.320	936,2%
Profit/(loss) on disposal of receivables, financial assets/liabilities	3.413	2.567	846	33,0%
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	-1.648	-2.534	886	-35,0%
Margin on banking and insurance activities	**364.630**	**302.892**	**61.738**	**20,4%**
Net impairment losses on:	-12.768	-19.288	6.520	-33,8%
Loans and receivables	*-13.246*	*-18.573*	*5.327*	*-28,7%*
Financial assets and other financial transactions	*478*	*-715*	*1.193*	*-166,9%*
Net income from banking and insurance activities	**351.862**	**283.604**	**68.258**	**24,1%**
Administrative expenses	-199.032	-173.858	-25.174	14,5%
of which: personnel expenses	*-125.831*	*-109.668*	*-16.163*	*14,7%*
other administrative expenses	*-73.201*	*-64.190*	*-9.011*	*14,0%*
Net provisions for risks and charges	-3.496	-5.067	1.571	-31,0%
Net adjustments to the value of /write-backs to tangible assets	-5.401	-4.139	-1.262	30,5%
Net adjustments to the value of /write-backs to intangible assets	-827	-712	-115	16,2%
Net operating profit	**143.106**	**99.828**	**43.278**	**43,4%**
Profits/(losses) on equity investments	0	58.760	-58.760	-100,0%
Profits/(losses) before taxes from continuing operations	**143.106**	**158.588**	**-15.482**	**-9,8%**
Taxes for the period on income from continuing operations	-60.761	-47.321	-13.440	28,4%
Profits/(losses) after taxes from continuing operations	**82.345**	**111.267**	**-28.922**	**-26,0%**
Net profit/(loss) for the period	**82.345**	**111.267**	**-28.922**	**-26,0%**
(Profit)/loss for the period attributable to minority interests	-12.972	-7.552	-5.420	71,8%
Parent Bank net profit (loss)	**69.373**	**103.715**	**-34.342**	**-33,1%**

On the basis of the above, it is possible to summarise the trends of the main Income Statement headings as follows:

Net Interest Income

Over the 12 months of activity the *net interest income* amounted to Euro 198 million, representing an annual increase of Euro 31.1 million, 18.6% with respect to December 2005. The significant increase in the income is the result of careful and targeted development of intermediary activities on capital. The contribution of the net interest income to the *margin on banking and insurance activities* (including *other operating income and expenses*) amounted to 54.3%.

Net fees and commissions, other operating income and expenses, net income from insurance activities

The contribution to the headings considered as a whole amounted to Euro 164.6 million, showing an increase of Euro 31.6 million, that is of 23.1% as compared to the previous year, reflecting the positive development of customer relations activities in all customer services sectors. The economic contribution represents 45.1% of the *margin on banking and insurance activities* (including *other operating income and expenses*).

The table set out below shows a break-down into service-type for net commission, amounting to Euro 137.9 million, representing a year-on-year increase of 28.5%. It can be seen from the table that the largest heading is that of Portfolio Management and custody and administration of Securities.

Net commissions: break-down by service-type

(amounts in thousands of Euro)	31.12.2006	Percentage break-down
Securities placement	6.751	4,9%
Port. Mgmt, custody and administration of Securities	86.048	62,4%
Orders collection	8.144	5,9%
Collection and payment services	14.000	10,2%
Depositary bank	5.406	3,9%
Other services	17.522	12,7%
Net commissions	**137.871**	**100,0%**

Primary Intermediary Margin

Adding together the two composite figures provides the *primary intermediary margin* (including *other operating income and expenses*) amounting to Euro 362.6 million, representing an annual increase of 20.9%.

Margin on banking and insurance activities

Including *dividends and similar income* and the *net profits (losses) on trading, hedging, available for sale and valued at fair value through profit and loss assets and liabilities together,* with a total value of Euro 2 million, the *margin on banking and insurance activities* amounted to a total of Euro 364.6 million, growing by Euro 61.7 million, equal to 20.4%.

Net income from banking and insurance activities

Once *net value adjustments* of Euro 12.8 million have been made to the above margin (Euro 13.2 million representing loans and advances to customers and representing 0.32% of net loans), the *net income from banking and insurance activities* amounts to Euro 351.9 million, recording an annual growth of 24.1%.

Net operating profit and income from banking and insurance activities

Net operating profit and profits before taxes from continuing operations, in the absence of *profits/(losses) on equity investments and disposal of investments*, are the same, amounting to

Euro 143.1 million having taken account of *administrative expenses* of a total of Euro 199 million, *provisions for risks and charges* of Euro 3.5 million and *assets value adjustments* of Euro 6.2

million. *Administrative Expenses* increased over the year by Euro 25.2 million or 14.5%, substantially attributable to the further stage of development of the Banking Group both in relation to the growth in directly employed staff numbers (155 staff members) and in the distribution network (16 branch offices). They also include Euro 3.6 million for costs arising from stock option plans. Total *operating costs* took up 55.5% of the *net income from banking and insurance activities* with respect to the 60.9% at the end of 2005.

Parent Bank Net Profit (Loss)

Tax on income for the accounting period amounted to Euro 60.8 million representing an actual tax-rate of 42.5%. *Parent Bank Net Profit* for 2006 were thus Euro 69.4 million, with a clear increase of 54.3% over the 2005 profits if considered net of extraordinary income of Euro 58.8 million deriving from the sale of shares in Anima SGRp.A. on the market following its quotation on the Stock Exchange.

8. SIGNIFICANT SUBSEQUENT EVENTS

Parent Company Subordinate Financing to Anima SGRp.A. for the acquisition of the DWS Investment Italy SGRp.A. business arm

On 27 March 2007 Banco di Desio e della Brianza, the Parent Company, resolved in relation to the planned completion of the purchase of the DWS Investment Italy SGRp.A.'s business arm by Anima SGRp.A., to provide subordinate financing to the latter company of a maximum amount of Euro 16,5 million, of which Euro 11.5 million would be made available immediately and *with a single five-year repayment date*. The financing satisfied the conditions laid down by the supervisory regulations for calculation in the supplementary component of the Asset Management Company's regulatory capital.

Assignment of a total Shareholding of 29,72% in Anima SGRp.A 's share capital

The most recent sector orientation, also supported by the views of the Credit and Markets regulatory Authorities, is that it is increasingly important to separate the production and distribution of investment services. Consistently with this, on 27 March 2007 the Parent Company Banco di Desio e della Brianza, on evaluation of the offer made by Banca Popolare di Milano S.c.a.r.l., resolved, subject to obtaining of the required authorisations from the supervisory bodies, to sell 23,205,000 shares to the latter, amounting to 22.1% of the share capital for the price of Euro 4.63 per share, resulting in a total price of about Euro 107 million.

The Board of Directors also resolved to sell 8 million shares of Anima SGR.p.A., amounting to 7.62% of its share capital, to Koinè s.p.a.,, a company referring to a number of Anima SGR.p.A. managers, subject the completion of the above operation together with the obtaining of the required authorisations.The price resolved on was Euro 3.83 per share, amounting to a total value of about Euro 31 million.

Total income for the sales is about Euro 138 million of which Euro 135 million represents the pre-tax capital gain.

The sale-purchase agreements have as their condition precedent the completion by Anima SGRp.A. of the purchase of a business arm of DWS Investments Italy SGRp.A.'s business referred to under the previous point.

The operation is consistent with the development strategy of the innovative model of Anima SGR p.A. The company structure of the latter offers itself both as a catalyser in the expected process of the transformation of the asset management sector and as a potential magnet to attract other operators.

Transition from "standard" to "Blue chip" trading segment in the Parent Company Banco di Desio e della Brianza S.p.A.'s share quotation on The Telematic Share Market of the Milan Stock Exchange

Starting from 19 March 2007 the ordinary and savings shares of the Parent Company Banco di Desio e della Brianza S.p.A., previously traded in Class 1 of the Standard segment of the Telematic Share Market, were transferred to the Blue Chip segment, in that the capitalisation of the ordinary shares increased to above the Euro 1 billion threshold as provided for in the Instructions to the Italian Stock Exchange Regulations for the division of financial instruments between Blue chip and other segments.
Furthermore, as before with effect from 19 March 2007, Banco di Desio e della Brianza ordinary shares were included in the basket used by the Midex Index.

New Self-regulating Code for Quoted Companies

The proposals relating to the adoption of the new self-regulating Code for Quoted Companies are set out in the Annual Report on Corporate Governance approved by the Parent Company's Board of Directors.
In particular, the Board resolved on the generalised adoption of the New Code. The coming into effect of a number of principles and criteria will be deferred for purely technical reasons. This is the case in particular of the appointment and conditions to be satisfied by Directors and Statutory auditors together with the composition of the Board of Directors and its internal Committees. It was proposed, with reference to these aspects, that they should be applied with effect from the next reappointment of company officers and hence from the General Meeting to be held in April 2008.

In the latter context, a specific internal procedure was also approved dealing with Transactions with Related Parties – reference should be had to Section 9.6 below.

For a more detailed discussion of the above, we would invite you to refer to the Annual Report on the Corporate Governance of the Parent Company.

Change of Company Name of the subsidiary Desio Vita S.p.A. to Chiara Vita S.p.A.

Desio Vita S.p.A.'s extraordinary General Meeting of 22 February 2007 resolved to change the Company name to Chiara Vita - Compagnia di Assicurazioni sulla Vita S.p.A.with the abbreviated form Chiara Vita S.p.A.. The new name would come into force from 12 March 2007.

Assignment to Cassa di Risparmio di Ferrara of a shareholding in Chiara Assicurazioni S.p.A. by the Parent Company

Over the first few months of the current year Cassa di Risparmio di Ferrara showed serious interest in participating in the development project for Chiara Assicurazioni S.p.A.'s distribution network, a company entirely controlled by the Parent Company Banco di Desio e della Brianza, through the purchase of a shareholding of not less than 10% in the company concerned.

The Parent Company Board of Directors gave their approval to this initiative on 27 March 2007, as being in absolute accord with the strategy of enlarging the distribution networks of its bank assurance companies, and the underlying operation should be completed over the next few months.

This decision is also in line with the most recent guidance given by the Bank of Italy and CONSOB. As already mentioned in the section dealing with asset management, they have emphasised the desirability of a clear separation (including in terms of ownership) between banking strategy and operations and the product companies, making these latter the pivots of an enlarged (and not captive) distribution network in order, *inter alia*, to facilitate market competition and protection of the saving public.

Increases in Share Capital of a number of Group Companies

Banco Desio Lazio S.p.A.

In order to support the geographical and operational expansion of the subsidiary Banco Desio Lazio S.p.A., the procedures have been initiated in terms of resolutions and authorisations or an increase in share capital by a nominal Euro 10 million (from 27.7 million Euro to 37.7 million Euro) at par to be paid by Banco di Desio e della Brianza, the sole Shareholder, following the approval of the General Meeting planned for April 2007.

Chiara Vita S.p.A. (formerly Desio Vita S.p.A.)

The company's Extraordinary General Meeting of 22 February 2007 resolved on the increase by the payment of new funds at par of the share capital by Euro 10 million (from 24.2 million Euro to 34.2 million Euro), to be subscribed to and fully paid up by Banco di Desio e della Brianza, the sole Shareholder, in order to bring the solvency margin into line with operational requirements, correlated to the high rate of growth currently experienced by the company.

9. OTHER INFORMATION

9.1 TREAUSURY SHARES

On 31 December 2006 the Parent Company Banco di Desio e della Brianza S.p.A held neither its treasury shares nor shares of its controlling company. Equally, its subsidiaries did not hold their treasury shares or of the controlling company except for Chiara Vita S.p.A. (formerly Desio Vita S.p.A.) which, at the end of the accounting period, held 13,000 shares of Banco di Desio e della Brianza S.p.A. as part of its Class D investments.

9.2 THE RATING

The following rating levels have been assigned to the Parent Company Banco di Desio e della Brianza S.p.A. by the international rating agency Fitch Ratings, up-dated on 25 May 2006 which "reflect the good profitability, good asset quality and satisfying equity level"

Long-term	Short-term	Forecast
A -	F 2	Stable

9.3 BANKING TRANSPARENCY

The Group is a member of the *Pattichiari* Consortium promoted by the Italian Banking Association in September 2003 to affirm the values of clarity, comprehensibility and transparency in relations between bank and customer.
The certifying body working under the above Consortium confirmed over 2006, as a result of the checks conducted by it, that the initiatives signed by the Group banks were in compliance with the Consortium's protocols.
Once the certification had been renewed Banco Desio Veneto S.p.A. also renewed its membership.

9.4 CODE AND CRITERIA FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Code in the Field of the Protection of Personal Data - the annual up-date of the Security Programme Document was completed by the institutions of the Banking Group within the time limits imposed by the law (for Banco Desio Veneto S.p.A. the text of the document was drawn up for the first time).
The Document sets out a description of aspects laid down by the code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code.

9.5 LEGISLATIVE DECREE 231/2001

In the context of provisions passed in the field of administrative responsibility, the Parent Company Banco di Desio e della Brianza's Board of Directors originally resolved to set up the "231 Committee" as the Supervisory and Surveillance Body provided for under Legislative Decree 231/2001, in 2004.
Pursuant to the related regulations, the 231 Committee has autonomous powers to carry out checks and promote initiatives with the possibility of obtaining the support of the Internal Audit Area in its supervisory activities and sends a copy of the minutes of its meetings to the Chairman of the Board of Statutory Auditors and to the members of the Internal Control Committee, reporting every six months to the Board of Directors on the activities it has carried out.
For further information on the composition and functioning of the 231 Committee together with the activities it has carried out over 2006, we would refer to the contents of the Annual Report on the Corporate Governance of the Parent Company.

9.6 TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related parties set out under Article 8 of the Internal Regulations, has been supplemented by a specific "Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group" (Related Parties Procedure). This was approved by the Parent Company Board of Directors in February 2007. This was made necessary by the widening of the list of Related Parties introduced in the first place by IAS 24 and subsequently with the supplementary provisions to Article 136 of the Consolidated Banking Law (governing the obligations imposed on banking managers) introduced by Law 263/2005 (the so-called "Savings law").

The Board of Directors assesses each specific operation with related parties on a case-by-case basis when falling within the conditions requiring the assistance of independent experts and/or the fulfilment of the information obligations pursuant to Article 71-bis of the CONSOB Issuer Regulations and over 2006 did not consider that any of the transactions approved came within the requirements for the publication of an informative document pursuant to the above-cited Article 71-bis.

For a more detailed description of the procedures governing the transactions referred to above, we would refer to the annual Report on the Corporate Governance of the Parent Company, recalling that such transactions are divided into:
a) transactions which come within the subjective and objective scope of application of Article 136 of the Consolidated Banking Law;
b) other transactions falling within the provisions of IAS24 alone.

Transactions referred to under a) above must always be supported by resolutions of the Board of Directors in accordance with the procedures laid down by the supervisory regulations while the transactions under point b) may be effected autonomously including by delegated bodies and persons in accordance with specific thresholds indicated for the related type of transaction and provided that unusual and/or artificial elements are not present with respect to ordinary business activities or that the delegates managing the transaction are not affected by personal situations of conflict of interest.

The new Procedure will come into effect during the current accounting period but we would note in any case that the transactions effected over 2006 were approved in conformity with the Internal Regulations in force.

Details of Transactions with Related Parties approved by the Board of Directors over 2006 have been set out in Part H of the Notes to the Financial Statements.

9.7 INFORMATION ON STOCK OPTION PLANS

In compliance with the CONSOB instructions and recommendations in that regard, we have set out below a summary of the details of the stock option plans which were approved and rendered operational within the Group.

The following plans relating to shares of subsidiary companies listed below were issued during the accounting period and put into effect by the Parent Company Banco di Desio e della Brianza S.p.A.. The companies concerned were the following:
- Banco Desio Veneto S.p.A. (No. 4,400,000 shares);
- Chiara Assicurazioni S.p.A. (No. 2,075,000 shares).

The Notes to the Financial Statements of the Parent Company's own Financial Statements contain the following information:
- in compliance with CONSOB instructions, the statement summarising the assignment of stock options by reference to the names of the Parent Company Directors and General Manager and, by reference to an aggregate group, to managers with strategic responsibilities in the Parent Company;
- in compliance with IFRS2, the detailed information relating to the above plans.

9.8 R&D ACTIVITIES

Basle II

Following the issue of the new prudential supervisory bank regulations by the Bank of Italy under its circular 263 of 26 November 2006, the Parent Company Board of Directors authorised the necessary investments in those functions with responsibility for risk monitoring on 25 January 2007 so that the Group will be able to operate, starting from 1 January 2008, in accordance with the rules laid down by the related instructions, using the standardised calculation methods for market and credit risks and the basic method for operating risk.

MIFID Project

With reference to the implementation procedure of the Directive on Markets in Financial Instruments (MIFID) into Italian law, included in the Community Bill of 2006 and finally approved on 17 January 2007, banks will be required to devote considerable efforts and resources to the review of contracts, procedures, the law and internal checks and controls in this field as well as of Group policies themselves.

The new rules, which will have a significant effect on "the conduct of financial affairs" in the banking system, will become operational from 1 November of the current year.
To this end the Parent Company Banco di Desio e della Brianza has set up an ad hoc working group drawing its members from those functions most affected (Finance, Auditing and Organisation). The co-ordination of the Group has been entrusted to the Finance Area which has also been authorised to obtain consultancy from a first rank international company.
This latter company in particular, will be asked to provide support to company structures in the investigation of the issues of greatest importance which will include the following:
- the analysis of non-compliant areas with respect to the new rules;
- conflicts of interest;
- the analysis of the economic impact of the new rules on the products created and/or distributed;

- the manner of performance of investment instructions (“execution policies”);
- the appropriateness and precision of the “profiling” of customers.

Business Continuity Management

In relation to the project designed to implement a continuity of operations plan within the Group, the Parent Company completed the work designed to identify and map those processes considered to be critical to the business, the preparation of the documentary structure underpinning operational activities (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site, an alternative to the main production site to be used in the event of disaster.
Special test sessions were conducted over the first quarter of 2007 preceded by training for operational staff, involving all responsible organisational and technical structures. This was in order to evaluate the overall effectiveness/efficiency of the arrangements. The results of the tests carried out were positive.

Mapping of business processes

Activities involving the mapping of business processes deriving from the studies carried out in this area by ABI (*Associazione Bancaria Italiana*, Italian Banking Association) were begun at the Parent Company over 2006. It is intended that the activities should result in the implementation of a database to be used for a number of different purposes. They are preparatory in particular, to the drawing up of a re-organisation of internal rules, to act as both a compliment and supplement to Business Continuity Management activities and Basle II.

10. BUSINESS OUTLOOK

The continuity of the strategies adopted by Banco di Desio Group, consistently with the development objectives identified by the Business Plan, combined with the signals of economic recovery, should allow the achievement of economic and equity objectives which have been set, aimed at increasing business volumes and the continuing efforts towards the achievement of ever-higher levels of efficiency.

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

Assets

(Euro/1,000)			
	ASSETS	**31.12.2006**	**31.12.2005**
10	Cash and cash equivalents	25,934	19,056
20	Financial assets held for trading	487,229	248,276
30	Financial assets at fair value through profit or loss	903,681	751,023
40	Available-for-sale financial assets	904,352	699,162
50	Held-to-maturity investments	8,035	29,622
60	Amounts due from banks	446,003	718,737
70	Loans to and receivables from customers	4,155,849	3,511,643
80	Hedging derivatives	8,305	3,066
110	Technical reserves arising from reinsurance	1,877	1,720
120	Tangible assets	150,970	124,354
130	Intangible assets	43,107	40,965
	of which:		
	- *goodwill*	*40,400*	*38,458*
140	Tax assets	59,189	54,266
	a) current	*43,090*	*41,963*
	b) deferred	*16,099*	*12,303*
160	Other assets	279,426	156,986
	Total Assets	**7,473,957**	**6,358,876**

Liabilities and shareholders' equity

(Euro/1,000)			
	LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2006	31.12.2005
10	Amounts due to banks	104,138	48,648
20	Amounts due to customers	3,513,797	2,940,493
30	Securities issued	1,390,103	1,493,241
40	Financial liabilities held for trading	28,481	13,937
50	Financial liabilities at fair value through profit or loss	1,075,879	859,766
60	Hedging derivatives	2,959	741
80	Tax liabilities	74,718	69,093
	a) current	*56,297*	*52,086*
	b) deferred	*18,421*	*17,007*
100	Other liabilities	303,516	134,845
110	Reserve for employee termination indemnities	31,560	32,547
120	Reserves for risks and charges:	29,199	20,717
	a) pensions and similar commitments	*89*	97
	b) other reserves	*29,110*	*20,620*
130	Technical Reserves	378,004	264,611
140	Valuation reserves	22,324	23,980
170	Reserves	339,474	246,930
180	Share premium reserve	16,145	16,145
190	Share capital	67,705	67,705
200	Treasury shares (-)	- 109	
210	Minority interest (+/-)	26,691	21,762
220	Net profit / (loss) for the period	69,373	103,715
	Total Liabilities and shareholders' equity	**7,473,957**	**6,358,876**

Income Statement

(Euro/1,000)			
	INCOME STATEMENT	**31.12.2006**	**31.12.2005**
10	Interest income and similar revenues	291,471	237,602
20	Interest expense and similar charges	(93,497)	(70,689)
30	**Net interest income**	**197,974**	**166,913**
40	Fee and commission income	212,897	174,395
50	Fee and commission expense	(75,026)	(67,101)
60	**Net fee and commission income**	**137,871**	**107,294**
70	Dividend and similar income	725	639
80	Net profits/(losses) on trading activities	1,001	2,375
90	Net profits/(losses) on hedging activities	(1,461)	(141)
100	Profit/(loss) on disposal or repurchase of:	3,413	2,567
	b) available-for-sale financial assets	*2,969*	*2,418*
	c) held-to-maturity investments	-	*1*
	d) financial liabilities	*444*	*148*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(1,648)	(2,534)
120	**Net interest and other banking income (intermediation margin)**	**337,875**	**277,113**
130	Net impairment losses on/writebacks to:	(12,768)	(19,288)
	a) loans and receivables	*(13,246)*	*(18,573)*
	b) available-for-sale financial assets	-	*(41)*
	d) other financial assets	*478*	*(674)*
140	**Net income from banking activities**	**325,107**	**257,825**
150	Net insurance premiums	141,822	170,171
160	Balance of other income/charges arising on insurance management activities	(144,771)	(172,970)
170	**Net result of financial and insurance activities**	**322,158**	**255,026**
180	Administrative expenses:	(199,032)	(173,858)
	a) personnel expenses	*(125,831)*	*(109,668)*
	b) other administrative expenses	*(73,201)*	*(64,190)*
190	Net provisions for risks and charges	(3,496)	(5,067)
200	Net adjustments to the value of tangible assets	(5,401)	(4,139)
210	Net adjustments to the value of intangible assets	(827)	(712)
220	Other operating (expenses)/income	29,704	28,578
230	**Operating expenses**	**(179,052)**	**(155,198)**
240	Profits/(losses) on equity investments	-	58,760
270	Profits/(losses) on the disposal of investments	-	
280	**Profits/(losses) before taxes from continuing operations**	**143,106**	**158,588**
290	Taxes for the period on income from continuing operations	(60,761)	(47,321)
300	**Net profits (loss) after tax from continuing operations**	**82,345**	**111,267**
320	**Net profit/(loss) for the period**	**82,345**	**111,267**
330	Profit (loss) for the period attributable to minority interests	(12,972)	(7,552)
340	**Parent Bank net profit (loss)**	**69,373**	**103,715**

Statement of changes in consolidated shareholders' equity – FY2006

	Equity as of 31.12.2005		Change in opening balances	Equity as of 1.01.2006		Allocation of result from previous period			Changes over the period												Equity as of 31.12.2006	
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity								Net Profit (Loss) for the year as of 31.12.2006			
											Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options				
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
Shareholders' equity:																						
a) ordinary shares	60,840	4,512	-	60,840	4,512	-								(1,068)							60,840	3,444
b) other shares	6,865	-	-	6,865		-							-								6,865	-
Share premium reserve	16,145	7,482		16,145	7,482	-							-	(43)							16,145	7,439
Reserves:																						
a) retained earnings	236,251	2,245	-	236,251	2,245	92,684	985						(266)	(451)							328,669	2,779
b) others	10,679	-	-	10,679	-	-												126			10,805	-
Revaluation reserves:																						
a) available for sale	2,190	(31)	-	2,190	(31)				(3,364)	33											(1,174)	2
b) cash-flow hedge	-	-	-	-																	-	-
c) others:																					-	-
tangible assets	-	-	-	-																	-	-
special revaluation laws	22,896	-	-	22,896																	22,896	-
discounting back of termination indemnities	(1,106)	2	-	(1,106)	2				1,708	53											602	55
Capital instruments	-	-	-	-																	-	-
Treasury shares	-	-	-	-									(109)								(109)	-
Net Profit (loss) for the year	103,715	7,552	-	103,715	7,552	(92,684)	(985)	(17,598)											69,373	12,972	69,373	12,972
Shareholders' equity	**458,475**	**21,762**	-	**458,475**	**21,762**	-	-	**(17,598)**	**(1,656)**	**86**	-	-	**(375)**	**(1,562)**	-	-	-	**126**	**69,373**	**12,972**	**514,912**	**26,691**

Statement of changes in consolidated shareholders' equity – FY2005

	Equity as of 31.12.2004		Change in opening balances	Equity as of 1.01.2005		Allocation of result from previous period: Reserves		Allocation of result from previous period: Dividends and other allocations	Changes over the period: Changes in reserves		Changes over the period – Transactions in shareholders' equity: Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options	Net Profit (Loss) for the year as of 31.12.2005		Equity as of 31.12.2005	
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
Shareholders' equity:																						
a) ordinary shares	60,840	2,247		60,840	2,247	-					-		-								60,840	4,512
b) other shares	6,865			6,865		-					-		-								6,865	-
Share premium reserve	16,145	4		16,145	4	-				7,478	-		-								16,145	7,482
Reserves:																						
a) retained earnings	206,200	3,491	(1,713)	204,487	3,491	42,795				(1,246)	-		-		(11,031)						236,251	2,245
b) others	-		-	-		-			10,679						-		-	-			10,679	-
Revaluation reserves:																						
a) available for sale	22	8	1,717	1,739	8				451	(39)											2,190	(31)
b) cash-flow hedge	-		(474)	(474)					474													-
c) others:																						
tangible assets	-			-																	-	
special revaluation laws	22,896			22,896																	22,896	-
discounting back of termination indemnities	(388)		-	(388)					(718)	2											(1,106)	2
Capital instruments	-			-												-						
Treasury shares	-			-							-		-									
Net Profit (loss) for the year	53,826	5,498		53,826	5,498	(42,795)		(11,031)		(5,498)									103,715	7,552	103,715	7,552
Shareholders' equity	**366,406**	**11,248**	**(470)**	**365,936**	**11,248**	**-**		**(11,031)**	**10,886**	**697**					**(11,031)**				**103,715**	**7,552**	**458,475**	**21,762**

Consolidated Cash Flow Statement

CASH FLOW STATEMENT		
		(Euro /1,000)
OPERATIONS	**2006**	**2005**
1. Management activities	**110,438**	**74,660**
- interest income earned (+)	291,509	221,211
- interest expenses paid (-)	(93,375)	(64,708)
- dividends and similar revenues	725	639
- net commissions (+/-)	138,344	107,583
- personnel costs	(125,831)	(109,668)
- net premiums earned (+)	141,822	170,171
- other insurance income/charges (+/-)	(144,771)	(172,970)
- other costs (-)	(70,439)	(62,115)
- other revenues (+)	33,215	31,838
- taxes and duties (-)	(60,761)	(47,321)
2. Liquid assets generated/absorbed by decrease/increase in financial assets	**(1,120,101)**	**(927,855)**
- financial assets held for trading	239,595	(23,073)
- financial assets at fair value through profit or loss	152,658	125,982
- available-for-sale financial assets	204,026	259,355
- loans and advances to customers	664,179	305,701
- amounts due from banks	(272,710)	250,383
- other assets	132,353	9,507
3. Liquid assets generated/absorbed by increase/decrease in financial liabilities	**1,107,330**	**876,514**
- amounts due to banks	(55,490)	40,476
- amounts due to customers	(573,304)	(461,258)
- securities issued	96,943	(86,586)
- financial liabilities held for trading	(13,178)	(1,838)
- financial liabilities at fair value through profit or loss	(216,113)	(131,806)
- other liabilities	(346,188)	(235,502)
Net liquid assets generated/absorbed by operations (A)	**97,667**	**23,319**
INVESTMENTS		
1. Liquid assets generated/absorbed by:	-	
- purchase/sale of investments	(58,760)	58,760
- dividends received from investments	-	-
- puchase/sale of financial assets held to maturity	21,540	(2,132)
- purchase/sale of tangible assets	(32,017)	(10,784)
- purchase/sale of intangible assets	(2,969)	(9,046)
- purchase of subsidiaries and business divisions	-	-
- sale of subsidiaries and business divisions	-	(3,065)
Net liquid assets generated/absorbed by investments (B)	**(72,206)**	**33,733**
FUNDING ACTIVITIES		
2. Liquid assets generated/absorbed by:		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes	(18,583)	(58,313)
Net liquid assets generated/absorbed by funding activities (C)	**(18,583)**	**(58,313)**
NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEAR	**6,878**	**(1,261)**

Financial statements' items	**2006**	**2005**
Cash and cash equivalents at beginning of year	19,056	20,317
Total liquid assets generated/absorbed during the year	6,878	(1,261)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	25,934	19,056

Part A – ACCOUNTING POLICIES

A.1 - General

Section 1 – Declaration of conformity with international accounting standards

These consolidated financial statements were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the notes on operations.
In application of Legislative Decree no. 38 of 28 Feb 2005, incorporating Community Regulation 1606/2002 of 19 July 2002 and of Legislative Decree no 38 of 28 February 2005, the Banco Desio Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such Financial Statements.

Set out below are the accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2006.

Section 2 – General accounting policies

The Consolidated Financial Statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance rather than form.
The Consolidated Financial Statements have been drawn up in compliance with the economic accruals basis principle 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 risk hedged.
As provided for under IAS39, the fair value option has been adopted with regard to the valuation of financial instruments, permitting the designation of 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 consolidated financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005.

Amounts are expressed in thousands of Euro.

Section 3 – Scope and methods of consolidation

1. Investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Registered office	Type of relationship (1)	Ownership relationship		Availability of votes (2)
			Investing companies	Share %	
A. Companies					
A.1 Wholly-owned subsidiary companies					
1. Anima S.G.R.p.A.	Milan	1	Banco Desio	50.911	50.911
2. Banco Desio Lazio S.p.A	Rome	1	Banco Desio	100.000	100.000
3. Banco Desio Toscana S.p.A	Florence	1	Banco Desio	100.000	100.000
4. Banco Desio Veneto S.p.A.	Vicenza	1	Banco Desio	100.000	100.000
5. Brianfid-Lux S.a.	Luxemburg	1	Banco Desio	100.000	100.000
6. Chiara Vita S.p.A	Desio	1	Banco Desio	100.000	100.000
7. Chiara Assicurazioni S.p.A.	Desio	1	Banco Desio	100.000	100.000
8. Credito Privato Commerciale s.a.	Lugano	1	Brianfid-Lux	87.440	87.440
9. Valorfin s.a.	Lugano	1	Brianfid-Lux	95.000	95.000

Key
(1) Type of relationship: 1 = majority of voting rights in ordinary shareholders' meetings
(2) Availability of votes in ordinary shareholders' meetings, distinguishing between effective and potential

Section 4 – Events subsequent to the reporting date

Reference is made to the Directors' Report.

Section 5 – Other aspects

Use of estimates and assumptions when drawing up the period Financial Statements.

The drafting of the Consolidated Financial Statements requires that recourse be had to estimates which may have a significant effect on the values entered in the Balance Sheet and the Income Statement as well as on the Notes to the Financial Statements. The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the Financial Statements may change precisely because of changes in the subjective valuations utilised.
The main cases where the use of subjective valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the Notes to the Financial Statements;
- the use of valuation models for the identification of the fair value of financial instruments not quoted in active markets;
- the quantification of staff reserves and the contingencies and charges reserves;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

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

A.2 - MAIN FINANCIAL STATEMENT CAPTIONS

ACCOUNTING POLICIES

The accounting policies described below, used in the preparation of the consolidated financial statements as of 31 December 2006, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date.

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

Recognition criteria

"Financial assets held for trading" (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments 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 reclassifications are not permitted for this category of financial assets.

Measurement criteria

Initial recognition is at fair value at the settlement date, without considering transaction costs. Subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For listed shares measurement is at the "official" price in the market where they are listed at the date of measurement.

For bonds listed in Italy, measurement is at the "official MOT price" at the measurement date.

For unlisted securities, the valuation at fair value is found on the BLOOMBERG circuit, or in the absence of this, through the discounting of future financial flows at a current rate of return, calculated on the basis of objective elements.

For derivative instruments traded on regulated markets, measurement is at the closing price on the day of measurement.

For derivative instruments not traded on regulated markets for which the providers do not supply meaningful price quotations, pricing is carried out through available IT procedures, or using recognized pricing models.

Derecognition criteria

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

Available-for-sale financial assets

Recognition criteria

"Available-for-sale financial assets" comprise those financial assets – excluding derivatives – not classified 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), mutual investment fund units and "capitalization certificates".

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date. Subsequent measurement is still 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 mutual investment funds, measurement occurs at the N.A.V. at the measurement date, or at the latest available date.

At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value. If such evidence exists, cumulative losses recorded in the valuation reserve are posted directly to the income statement.

Derecognition criteria

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

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

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

Criteria for the recognition of income statement components

Gains or losses are recorded in the valuation reserve, net of tax effects, until derecognition of the asset. At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount recorded in the valuation reserve is recognised in the income statement.

Held-to-maturity investments

Recognition criteria

"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets 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.

The recording of financial assets in this category is no longer permitted for the current year and the two following years if more than an insignificant amount are sold, except in the case of investments close to maturity and isolated events that are beyond the Group's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified to available-for-sale financial assets (tainting provision).

Measurement criteria

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

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

Derecognition criteria

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

Loans and receivables

Recognition criteria

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

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

They also include finance lease receivables.

Classification criteria

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.

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

Measurement 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 amount paid. Subsequent measurement is at amortised cost using the effective interest method.

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

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

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

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance the gradual convergence with the valuation criteria provided by the New Basel Agreement on capital requirements (Basel 2).

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

Receivables for default interest that have accrued on impaired assets (non-performing or problem loans) are accounted for, and then written down, to an extent corresponding to the degree of uncertainty as to their actual collection.

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 cease to exist, and the reversal is recorded in the income statement.

The value of the loan 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.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been transferred.

Criteria for the recognition of income statement components

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

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

Financial assets and liabilities accounted for at fair value through profit or loss

Among the insurance sector's balances in the balance sheet there are financial assets and liabilities, generated by investment contracts, that are discretionally designated at fair value with gains or losses recognised in the income statement. These balances represent investments and contractual obligations correlated to investment contracts relative to "unit-linked" or "index-linked" policies.

Recognition at fair value permits the true representation of the economic relationships that are subject to these contracts, through the consistent recognition of the related balance sheet captions

Hedging transactions

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.

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 of 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.

Classification criteria

The following types of hedges are used:

- Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument;
- Cash Flow Hedge: the objective is to hedge the risk of variability in cash flows generated by the hedged instrument, attributable to a specific risk.

Measurement criteria

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

In the case of a Fair Value Hedge, changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

In the case of a Cash Flow Hedge, the effective portion of the gain or loss on the hedging instrument is recognised in equity until the hedged cash flows occur. The ineffective portion of the gain or loss is recognised in the income statement.

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 annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

Derecognition criteria

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

Tangible assets

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

Recognition criteria

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

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

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

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased to other parties are presented 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.

Derecognition criteria

Tangible assets are derecognised on disposal.

Criteria for the recognition of income statement components

Value adjustments are recognised in the income statement under net adjustments to the value of tangible assets.

Intangible assets

Intangible assets include the costs for the abandonment indemnity on leasehold premises, and the costs for the purchase of applications software.

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

Recognition criteria

Goodwill represents the positive difference between the acquisition cost and the fair value of assets and liabilities 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 net assets acquired.

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

Measurement criteria

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

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

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

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

Derecognition criteria

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

Criteria for the recognition of income statement components

Value adjustments 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.

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 comprise the fiscal positions of the individual Group companies.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under caption 140 “Tax assets”.

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under caption 80 “Tax liabilities”.

Likewise, current taxes are separately recognised under caption 140 “Tax assets” for advance payments of taxes already paid out over the period and under caption 80 “Tax liabilities” for the presumed tax liability that can be settled in the relevant return.

Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

Liabilities and securities issued

This caption includes the various types of deposits received by the Group: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Group itself.

Recognition criteria

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

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

Measurement criteria

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

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement.

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

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.

Financial liabilities held for trading

This caption comprises derivative instruments that are held for trading with negative values.

Recognition criteria

Liabilities held for trading are recognised at fair value.

Measurement criteria

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

Derivative instruments traded on regulated markets are valued at the closing price on the day of valuation.

Derivative instruments not traded on regulated markets for which providers do not give price quotations that are considered to be significant, are priced on the basis of the IT procedures available or by using recognised pricing models.

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

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

The caption refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities, and for financial liabilities deriving from investment contract in the insurance sector. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.

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

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

Bond issues including an embedded derivative or that are financially hedged, and financial liabilities in the insurance sector for contractual obligations correlated to investment contracts relative to “unit-linked” or “index-linked” policies have been classified under this category.

Recognition criteria

These are recognised at fair value, which normally corresponds to the consideration collected.

Measurement criteria

These are measured at fair value through profit or loss.

Fair value is determined according to the discounted cash flow method by using the risk free interest rates curve, as increased by a credit spread.

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 replacement of own securities that have previously been repurchased is considered as a new issue at sale value.

Reserve for employee termination indemnities

Measurement criteria

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

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of 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 future salary increases and remaining period of employment.

The amounts shown in the financial statements take into account the provision for the period and the utilisation for indemnities paid or advanced during the period.

Criteria for the recognition of income statement components

The reserve for employee termination indemnities arising from actuarial valuations, as allowed under IAS 19, is recorded against an entry under valuation reserves, and also includes the interest accrued due to the elapsing of time (discounting back).

Reserves for risks and charges

Recognition criteria

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

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

Measurement criteria

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

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

Criteria for the recognition of income statement components

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

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

Insurance assets and liabilities

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

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

Assets:

- Actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used to make provision for the risks assumed by the Company (the so-called "direct labour").

Liabilities

- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked (such as the social security and pension fund);
- 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.

Operations in Foreign Currency

Recognition criteria

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

Measurement criteria

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

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

For monetary elements the effect of the valuation carried out in application of the principles referred to above is assigned to the Income Statement.

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

Other information

Costs and revenues recognition

Costs and revenues have been recognized in the Financial Statements according to the economic accruals basis criterion.

Treasury shares

Any treasury shares held are recorded as a deduction of equity.

Gains and losses deriving from the trading of treasury shares are recognised directly in equity, without passing through the income statement.

Valuation reserves

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

Share-based payments

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised.
- equity-settled, and then valued with the Black and Scholes model and recorded in the Income Statement on the basis of the accrued amount at the end of the accounting period and recorded in a specific reserve under equity.

Finance leases

Assets under finance leases are shown as receivables to 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.

Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

Section 1 - Cash and liquid assets - Caption 10

1.1 Cash and cash equivalents: break-down

(Euro/1,000)

	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
a) Cash	25,623	-	25,623	19,056
b) Sight deposits at Central Banks	311	-	311	
Total	**25,934**	-	**25,934**	**19,056**

Section 2 - Financial assets held for trading - Caption 20

2.1 Financial assets held for trading: break-down by type

(Euro/1,000)

Caption/Amount	Banking Group		Insurance Company		Total	Total
	Listed	Unlisted	Listed	Unlisted	31.12.2006	31.12.2005
A. Cash equivalents						
1. Debt securities	38,909	9,011	-	-	**47,920**	**21,993**
1.1 Structured securities					**-**	
1.2 Other debt securities	*38,909*	*9,011*			**47,920**	**21,993**
2. Equity securities	9,254	320			**9,574**	**5,060**
3. O.I.C.R. quotas	86	1			**87**	
4. Financing	-	-	-	-	-	
4.1 Repurchase agreements					**-**	
4.2 Other					**-**	
5. Impaired assets					-	
6. Assets sold but not written off	206,549	171,428			**377,977**	**190,634**
Total (A)	**254,798**	**180,760**	-	-	**435,558**	**217,687**
B. Derivative instruments:						
1. Financial derivatives:	4	28,298	-	23,369	**51,671**	**30,589**
1.1 trading	*4*	*26,078*		*23,369*	**49,451**	**30,325**
1.2 connected with the fair value option		*68*			**68**	***264***
1.3 other		*2,152*			**2,152**	
2. Credit derivatives	-	-	-	-	-	
2.1 trading					-	
2.2 connected with the fair value option					-	
2.3 other					-	
Total (B)	**4**	**28,298**	-	**23,369**	**51,671**	**30,589**
Total (A+B)	**254,802**	**209,058**	-	**23,369**	**487,229**	**248,276**

Assets sold but not written off are exclusively represented by the book value of securities utilised in reverse repo transactions.

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

(Euro/1,000)				
Caption / Amount	Banking Group	Insurance Company	**Total 31.12.2006**	Total **31.12.2005**
A. CASH EQUIVALENTS				
1. Debt securities	**47,920**	-	**47,920**	**21,993**
a) Governments and central banks	37,308		37,308	11,356
b) Other public entities				
c) Banks	9,075		9,075	7,423
d) Other issuers	1,537		1,537	3,214
2. Equity securities	**9,574**	-	**9,574**	**5,060**
a) Banks	665		665	556
b) Other issuers	8,909	-	8,909	4,504
- insurance companies	*2,934*		*2,934*	*-*
- financial insitutions	*434*		*434*	*249*
- non-financial companies	*5,541*		*5,541*	*1,598*
- other			*-*	*2,657*
3. O.I.C.R. quotas	**87**		**87**	
4. Financing	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	***377,977***	**-**	***377,977***	***190,634***
a) Governments and central banks	377,977		377,977	190,634
b) Other public entities				
c) Banks				-
d) Other issuers				
Total A	**435,558**	-	**435,558**	**217,687**
B. DERIVATIVE INSTRUMENTS				
a) Banks	26,806	23,369	50,175	19,766
b) Customers:	1,496		1,496	10,823
Total B	**28,302**	**23,369**	**51,671**	**30,589**
Total (A+B)	**463,860**	**23,369**	**487,229**	**248,276**

2.3 Financial assets held for trading: derivative instruments

2.3.1 attributable to the banking group

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2006	Total 31.12.2005
A. Listed derivatives							
a) Financial derivatives:	**1**	-	**3**	-	-	**4**	-
. With exchange of capital	1	-	3	-	-	**4**	-
- Purchased options							
- Other derivatives	1		3			4	
. Without exchange of capital							-
- Purchased options							
- Other derivatives							
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital							
Total A	**1**	-	**3**	-	-	**4**	-
B. Unlisted derivatives							
a) Financial derivatives:	**231**	**25,915**	-	-	**2,152**	**28,298**	**14,011**
. With exchange of capital	3	25,915	-	-	-	**25,918**	10,012
- Purchased options						-	
- Other derivatives	3	25,915				**25,918**	10,012
. Without exchange of capital	228	-	-	-	2,152	**2,380**	3,999
- Purchased options	70		-			**70**	
- Other derivatives	158				2,152	**2,310**	3,999
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	**231**	**25,915**	-	-	**2,152**	**28,298**	**14,011**
Total (A+B)	**232**	**25,915**	**3**	**-**	**2,152**	**28,302**	**14,011**

2.3.2 attributable to the insurance company

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2006	Total 31.12.2005
A. Listed derivatives							
a) Financial derivatives:	-	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-	-
- Purchased options						-	
- Other derivatives						-	
. Without exchange of capital	-	-	-	-	-	-	-
- Purchased options						-	
- Other derivatives						-	
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	-	-	-	-	-	-	-
B. Unlisted derivatives							
a) Financial derivatives:	-	-	**23,369**	-	-	**23,369**	**16,578**
. With exchange of capital	-	-	-	-	-	-	16,578
- Purchased options						-	16,578
- Other derivatives						-	
. Without exchange of capital	-	-	23,369	-	-	**23,369**	-
- Purchased options			23,369			**23,369**	
- Other derivatives						-	
b) Other derivatives	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	-	-	**23,369**	-	-	**23,369**	**16,578**
Total (A+B)	**-**	**-**	**23,369**	**-**	**-**	**23,369**	**16,578**

2.4 Cash financial assets held for trading other than those sold but not written off and other than those impaired: annual changes

2.4.1 attributable to the banking group

(Euro/1,000)	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	19,681	5,060			**24,741**
B. Increases	**1,560,700**	**1,688,687**	**4,520**	-	**3,253,907**
B1 Purchases	1,401,776	1,687,014	4,498		3,093,288
B2 Positive fair value changes	44	21	1		66
B3 Other changes	158,880	1,652	21		160,553
C. Decreases	**1,532,461**	**1,684,173**	**4,433**	-	**3,221,067**
C1 Sales	1,162,852	1,683,079	4,419		**2,850,350**
C2 Redemptions	368,021				**368,021**
C3 Negative fair value changes	396	330			**726**
C4 Other changes	1,192	764	14		**1,970**
D. Closing balance	**47,920**	**9,574**	**87**	-	**57,581**

Section 3 - Financial assets at fair value through profit or loss - Caption 30

3.1 Financial assets at fair value through profit or loss: break-down by type

(Euro / 1,000)

Caption / Amount	Banking Group		Insurance Company		Total	Total
	Listed	Unlisted	Listed	Unlisted	31.12.2006	31.12.2005
1.Debt securities	-	-	248,997	128,552	377,549	270,272
1.1 Structured securities			*100,157*	*72,903*	*173,060*	*133,960*
1.2 Subordinated securities						
1.3 Other debt securities			*148,840*	*55,649*	*204,489*	*136,312*
2.Equity securities			11,136		11,136	
3.O.I.C.R. quotas			307,496	207,500	514,996	480,751
4.Financing	-	-	-	-	-	-
4.1 Structured						
4.2 Subordinated						
4.3 Other						
5.Impaired assets						
Total	-	-	**567,629**	**336,052**	**903,681**	**751,023**

3.2. Financial assets at fair value through profit or loss: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Debt securities	-	**377,549**	**377,549**	**270,272**
a) Governments and central banks		49,629	49,629	
b) Other public entities			-	
c) Banks		276,284	276,284	224,294
d) Other issuers		51,636	51,636	45,978
2. Equity securities	-	**11,136**	**11,136**	-
a) Banks		2,654	2,654	
b) Other issuers	-	8,482	8,482	-
- insurance companies		*3,396*	*3,396*	
- financial institutions		*222*	*222*	
- non-financial companies		*4,864*	*4,864*	
- other				
3. O.I.C.R. quotas		**514,996**	**514,996**	**480,751**
4. Financing	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	-	-	-	-
a) Governments and central banks			-	
b) Other public entities				
c) Banks				
d) Other issuers				
Total	-	**903,681**	**903,681**	**751,023**

3.3 Financial assets at fair value through profit or loss (other than those sold but not written off and other than those impaired): annual changes

3.3.2 attributable to the insurance company

(Euro/1,000)

Changes / Underlying asset	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	**270,272**		**480,751**		**751,023**
B. Increases	**200,127**	**12,588**	**184,873**	-	**397,588**
B1 Purchases	194,637	12,588	184,873		392,098
B2 Positive fair value changes	5,490				5,490
B3 Other increases					-
C. Decreases	**92,850**	**1,452**	**150,628**	-	**244,930**
C1 Sales	27,129	1,452	150,628		**179,209**
C2 Redemptions	64,244				**64,244**
C3 Negative fair value changes	1,477				**1,477**
C4 Other decreases					-
D. Closing balance	**377,549**	**11,136**	**514,996**	-	**903,681**

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Available-for-sale financial assets: break-down by type

(Euro / 1,000)

Caption/Fair value	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	265,451	28,191	353,931	4,554	619,382	32,745	468,819	44,682
1.1 Structured securities				*4,554*		*4,554*		*5,169*
1.2 Other debt securities	*265,451*	*28,191*	*353,931*		*619,382*	*28,191*	*468,819*	*39,513*
2. Equity securities	-	7,002	3,309	-	3,309	7,002	5,215	6,160
2.1 Measured at fair value		*6,867*	*3,309*		*3,309*	*6,867*	*5,215*	*6,063*
2.2 Measured at cost		*135*			-	*135*		*97*
3. O.I.C.R. quotas	57,373	14,139		60,644	57,373	74,783	91,178	*34,107*
4. Financing								
5. Impaired assets								
6. Assets sold but not written off	102,525	7,233			102,525	7,233	42,543	6,458
Total	**425,349**	**56,565**	**357,240**	**65,198**	**782,589**	**121,763**	**607,755**	**91,407**

Assets sold but not written off are exclusively represented by the book value of securities utilised in repo transactions.

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

(Euro/1,000)

Caption / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Debt securities	**293,642**	**358,485**	**652,127**	**513,502**
a) Governments and central banks	229,843	334,970	564,813	385,528
b) Other public entities				
c) Banks	55,910	20,692	76,602	90,471
d) Other issuers	7,889	2,823	10,712	37,503
2. Equity securities	**7,002**	**3,309**	**10,311**	**11,375**
a) Banks	-	525	525	
b) Other issuers	7,002	2,784	9,786	11,375
- insurance companies		*169*	*169*	*295*
- financial institutions	*1,490*		*1,490*	*1,007*
- non-financial companies	*5,512*	*2,615*	*8,127*	*10,058*
- other			-	*15*
3. O.I.C.R. quotas	**71,512**	**60,644**	**132,156**	**125,284**
4. Financing	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	***109,758***	**-**	***109,758***	***49,001***
a) Governments and central banks	36,858		36,858	
b) Other public entities				
c) Banks	68,874		68,874	45,251
d) Other issuers	4,026		4,026	3,750
Total	**481,914**	**422,438**	**904,352**	**699,162**

4.5 Available-for-sale financial assets other than those sold but not written off and other than those impaired: annual changes

4.5.1 attributable to the banking group

(Euro/1,000)

	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	**291,927**	**6,160**	**91,178**		**389,265**
B. Increases	**246,231**	**1,427**	**139,909**	-	**387,567**
B1. Purchases	208,594	75	137,900		346,569
B2. Positive fair value changes	284	797	783		1,864
B3. Write-backs	22	-	16	-	38
- charged to statement of income					-
- charged to shareholders' equity	*22*		*16*		*38*
B4. Transfer from other portfolios					-
B5. Other increases	37,331	555	1,210		39,096
C. Decreases	**244,516**	**585**	**159,575**	-	**404,676**
C1. Sales	117,502	585	159,117		277,204
C2. Redemptions	108,263				108,263
C3. Negative fair value changes	583		44		627
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
C5. Transfers to other portfolios					-
C6. Other decreases	18,168		414		18,582
D. Closing balance	**293,642**	**7,002**	**71,512**	-	**372,156**

4.5.2 attributable to the insurance company

(Euro/1,000)

	Debt securities	Equity securities	O.I.C.R. Quotas	Financing	**Total**
A. Opening balance	**221.575**	**5.215**	**34.106**		**260.896**
B. Increases	**350.200**	**11.880**	**247.922**	**-**	**610.002**
B1. Purchases	345.877	11.853	247.770		605.500
B2. Positive fair value changes	4.323	27	152		4.502
B3. Write-backs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
B4. Transfer from other portfolios					-
B5. Other increases					-
C. Decreases	**213.289**	**13.787**	**221.384**	**-**	**448.460**
C1. Sales	161.152	13.704	221.373		396.229
C2. Redemptions	43.238				43.238
C3. Negative fair value changes	8.899	83	11		8.993
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
C5. Transfers to other portfolios					-
C6. Other decreases					-
D. Closing balance	**358.486**	**3.308**	**60.644**	**-**	**422.438**

Section 5 - Held-to-maturity investments - Caption 50

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

(Euro/1,000)

Transaction type / Group components	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	8.035	8.035			8.035	8.035	29.622	29.619
1.1 Structured securities								
1.2 Other debt securities	*8.035*	*8.035*			*8.035*	*8.035*	*29.622*	*29.619*
2. Financing								
3. Impaired assets								
4. Assets sold but not written off								
Total	**8.035**	**8.035**			**8.035**	**8.035**	**29.622**	**29.619**

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

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Debt securities	**8.035**	**-**	**8.035**	**29.622**
a) Governments and central banks				
b) Other public entities				
c) Banks	*8.035*		*8.035*	*10.588*
d) Other issuers			-	*19.034*
2. Financing	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
3. Impaired assets	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
4. Assets sold but not written off	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
Total	**8.035**	**-**	**8.035**	**29.622**

5.4 Held-to-maturity investments (other than those sold but not written off and other than those impaired): annual changes

(Euro/1,000)

	Debt securities	Financing	**Total**
A. Opening balance	**29.622**		**29.622**
B. Increases	**98**	-	**98**
B1. Purchases			**-**
B2. Write-backs			**-**
B3. Transfer from other portfolios			**-**
B4. Other increases	98		**98**
C. Decreases	**21.685**	-	**21.685**
C1. Sales			**-**
C2. Redemptions	*21.554*		**21.554**
C3. Value adjustments			**-**
C4. Transfers to other portfolios			**-**
C5. Other decreases	131		**131**
D. **Closing balance**	**8.035**	-	**8.035**

Section 6 - Amounts due from banks - Caption 60

6.1 Amounts due from banks: break-down by type

6.1.1 attributable to the banking group

(Euro / 1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
A. Amounts due from Central banks	**45.262**	**57.212**
1. Restricted deposits		
2. Compulsory reserve	45.262	57.212
3. Repurchase agreements		
4. Other	-	
B. Amounts due from banks	**400.741**	**661.525**
1. Current accounts and unrestricted deposits	108.405	153.112
2. Restricted deposits	183.882	427.857
3. Other financing	108.454	80.556
3.1 repurchase agreements	*107.753*	*80.556*
3.2 finance leases		
3.3 other	*701*	-
4. Debt securities	-	-
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets sold but not written off		
Total (book value)	**446.003**	**718.737**
Total (fair value)	**447.719**	**718.737**

Section 7 - Amounts due from customers - Caption 70

7.1 Amounts due from customers: break-down by type

7.1.1 attributable to the banking group

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Current account	1.227.037	1.053.813
2. Repurchase agreements		
3. Mortgage loans	1.521.548	1.199.652
4. Credit cards, personal loans and loans on salary	116.301	102.020
5. Financial leases	507.029	481.579
6. Factoring	15.367	15.551
7. Other transactions	697.756	600.228
8. Debt securities	8.978	516
8.1 Structured		
8.2 Other debt securities	*8.978*	*516*
9. Impaired assets	61.833	58.284
10. Assets sold but not written off		
Total (book value)	**4.155.849**	**3.511.643**
Total (fair value)	**4.225.839**	**3.581.975**

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

7.2.1 attributable to the banking group

(Euro/1,000)

Transaction type / Amount	Total 31.12.2006	Total 31.12.2005
1. Debt securities issued by:	**8.978**	**516**
a) Governments		
b) Other public entities		
c) Other issuers	8.978	516
- non-financial companies	*516*	
- financial companies	*8.462*	
- insurance companies		
- other	-	*516*
2. Loans to:	**4.085.038**	**3.452.843**
a) Governments		
b) Other public entities	227	454
c) Other entities	4.084.811	3.452.389
- non-financial companies	*2.990.648*	*2.547.143*
- financial companies	*62.963*	*37.896*
- insurance companies		*8*
- other	*1.031.200*	*867.342*
3. Impaired assets:	**61.833**	**58.284**
a) Governments		
b) Other public entities		
c) Other entities	61.833	58.284
- non-financial companies	*41.292*	*40.797*
- financial companies	*36*	*120*
- insurance companies		
- other	*20.505*	*17.367*
4. Assets sold but not written off:	**-**	**-**
a) Governments		
b) Other public entities		
c) Other entities	-	
- non-financial companies		
- financial companies		
- insurance companies		
- other		
Total	**4.155.849**	**3.511.643**

7.4 Finance lease

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

(Euro/1,000)

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	578.909	77.349	501.560	80.461
- of which leaseback agreements	*26.015*	*3.917*	*22.098*	*4.301*
Total	**578.909**	**77.349**	**501.560**	**80.461**

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	13.621	268	13.353
- Between 1 and 5 years	277.250	21.850	255.400
- Beyond than 5 years	288.038	55.231	232.807
Total	**578.909**	**77.349**	**501.560**

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

Section 8 - Hedging derivatives - Caption 80

8.1 Hedging derivatives: break-down by type of contract and underlying asset

8.1.1 attributable to the banking group

(Euro/1,000)

Derivative type / Underlying asset	Interest rate	Currency and gold	Equity securities	Amounts receivable	Other	Total
A) Listed derivatives						
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
. Without exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital						-
. Without exchange of capital						-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						-
1) Financial derivatives:	***8.305***	**-**	**-**	**-**	**-**	***8.305***
. With exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
. Without exchange of capital	8.305	-	-	-	-	8.305
- Options purchased	66					66
- Other derivatives	8.239					8.239
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total B	**8.305**	**-**	**-**	**-**	**-**	**8.305**
Total (A + B) 31.12.2006	**8.305**	**-**	**-**	**-**	**-**	**8.305**
Total (A + B) 31.12.2005	**3.066**	**-**	**-**	**-**	**-**	**3.066**

8.2 Hedging derivatives: break-down by hedged portfolios and type of hedging: book value

8.2.1 attributable to the banking group

(Euro/1,000)

Transaction/Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolio								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	8.305							
2. Portfolio								
Total liabilities	**8.305**	**-**	**-**		**-**	**-**	**-**	**-**

Section 11 - Technical insurance reserves carried by reinsurers – Caption 110

11.1 Technical insurance reserves attributable to reinsurers: break-down

(Euro/1000)

	TOTAL 31.12.2006	TOTAL 31.12.2005
A. Casualty branch	**-**	**-**
A1. premiums reserves		
A2 . claims reserves		
A3. other reserves		
B. Life branch	**1.877**	**1.720**
B1. mathematical reserves	1.864	1.720
B2. reserves for amounts to be disbursed		
B3. other reserves	*13*	
C. Technical reserves for investment risks to be borne by the insured	**-**	**-**
C1: reserves for contracts with disbursements connected with investment funds and market indices		
C2: reserves from pension fund management		
D. Total technical insurance reserves carried by reinsurers	**1.877**	**1.720**

11.2 Change in caption 110 "Technical insurance reserves attributable to reinsurers"

This item shows an increase of Euro 157 thousand.

Section 12 – Tangible assets - Caption 120

12.1 Tangible assets: break-down of assets valued at cost

(Euro/1,000)

Asset/Value	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
A. Functional assets				
1.1 owned by the Bank	**150.896**	**74**	**150.970**	**124.354**
a) land	45.394		45.394	38.761
b) buildings	81.336		81.336	68.443
c) fixtures and fittings	8.765		8.765	6.140
d) electrical equipment	5.823		5.823	4.201
e) other	9.578	74	9.652	6.809
1.2 acquired under finance lease	-	-	-	-
a) land				-
b) buildings				-
c) fixtures and fittings	-		-	-
d) electrical equipment	-		-	-
e) other				-
Total A	**150.896**	**74**	**150.970**	**124.354**
B. Tangible assets held for investment				
2.1 owned by the Bank	**-**		**-**	**-**
a) land	-		-	
b) buildings	-		-	
2.2 acquired under finance lease	-			-
a) land				-
b) buildings				-
Total B	**-**	**-**	**-**	**-**
Total (A + B)	**150.896**	**74**	**150.970**	**124.354**

Land and buildings have been valued based on the value revalued as of 1 January 2004 upon first-time application of IASs. Subsequently, they have been valued at cost.
The other tangible assets have been valued at cost.

Depreciation has been calculated on a straight-line basis for all classes of tangible assets.
Properties are depreciated considering an estimated useful life of 50 years.

For other tangible assets, the estimated useful life for the main categories of assets is defined as follows:
- furniture for office use, fittings, office machines and miscellaneous equipment: 10 years;
- PC terminals, 4 years;
- motor vehicles for dual purpose, 4 years.

12.3 Tangible assets for business use: annual changes

12.3.1 attributable to the banking group

(Euro/1,000)

	Land	Buildings	Fixtures and fittings	Electrical equipment	Other	Total
A. Gross opening balance	**38.761**	**70.942**	**22.480**	**15.040**	**32.273**	**179.496**
A.1 Total net decreases in value		2.499	16.340	10.839	25.520	55.198
A.2 Net opening balance	**38.761**	**68.443**	**6.140**	**4.201**	**6.753**	**124.298**
B. Increases:	**6.660**	**14.487**	**4.572**	**3.067**	**5.080**	**33.866**
B.1 Purchases	6.660	10.065	3.698	3.067	4.324	27.814
B.2 Capitalized improvement expenses		2.507				2.507
B.3 Write-backs						-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
B.5 Positive exchange differences						-
B.6 Transfers from assets held for investment						-
B.7 Other changes		1.915	874		756	3.545
C. Decreases:	**27**	**1.594**	**1.947**	**1.445**	**2.255**	**7.268**
C.1 Sales		21	843	1	735	1.600
C.2 Amortization/depreciation		1.505	1.024	1.444	1.405	5.378
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.5 Negative exchange differences	-	-				-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment						-
b) assets being disposed of						-
C.7 Other changes	27	68	80		115	290
D. Net closing balance	**45.394**	**81.336**	**8.765**	**5.823**	**9.578**	**150.896**
D.1 Total net decreases in value		4.167	17.221	12.134	24.210	57.732
D.2 Gross closing balance	**45.394**	**85.503**	**25.986**	**17.957**	**33.788**	**208.628**

12.3.2 attributable to the insurance company

(Euro/1,000)

	Land	Buildings	Fixtures and fittings	Electrical equipment	Other	Total
A. Gross opening balance					**71**	**71**
A.1 Total net decreases in value					15	15
A.2 Net opening balance	**-**	**-**	**-**	**-**	**56**	**56**
B. Increases:	**-**	**-**	**-**	**-**	**37**	**37**
B.1 Purchases					37	37
B.2 Capitalized improvement expenses						-
B.3 Write-backs						-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
B.5 Positive exchange differences						-
B.6 Transfers from assets held for investment						-
B.7 Other changes						-
C. Decreases:	**-**	**-**	**-**	**-**	**19**	**19**
C.1 Sales						-
C.2 Amortization/depreciation					19	19
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment						-
b) assets being disposed of						-
C.7 Other changes						-
D. Net closing balance	**-**	**-**	**-**	**-**	**74**	**74**
D.1 Total net decreases in value					34	34
D.2 Gross closing balance	**-**	**-**	**-**	**-**	**108**	**108**

12.5 Commitments to purchase tangible assets

The Banco Desio Parent Company holds commitments for the acquisition of real property units for a total of Euro 2,380 thousand.

Section 13 - Intangible assets - Caption 130

13.1 Intangible assets: break-down by type of asset

(Euro/1,000)

Caption/Value	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		**40.400**				**40.400**		**38.458**
A.2 Other intangible assets	**2.406**	**-**	**287**	**14**	**2.693**	**14**	**2.507**	**-**
A.2.1 Assets valued at cost:	2.406	-	287	14	2.693	14	2.507	-
a) Intangible assets generated internally								
b) Other assets	*2.406*		*287*	*14*	*2.693*	*14*	*2.507*	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-	-	-	-	-
a) Intangible assets generated internally								
b) Other assets	-							
Total	**2.406**	**40.400**	**287**	**14**	**2.693**	**40.414**	**2.507**	**38.458**

No impairment losses were recorded for goodwill entered in the accounts (including positive consolidation differences) compared to the previous year and, given the indefinite useful life, no amortization was calculated.

Other intangible assets have been amortized on a straight-line basis according to their useful life, which has been defined as follows:
- for indemnities for abandonment of premises: lease term;
- software associated with machines: 4 years;
- application software: 5 years.

13.2 Intangible assets: annual changes

13.2.1 attributable to the banking group

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Opening balance	**38.458**			**4.133**		**42.591**
A.1 Total net decreases in value				1.665		1.665
A.2 Net opening balance	**38.458**	**-**	**-**	**2.468**	**-**	**40.926**
B. Increases	**1.942**	**-**	**-**	**729**	**-**	**2.671**
B.1 Purchases				729		729
B.2 Increases in internal intangible assets						-
B.3 Write-backs						-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
B.5 Positive exchange differences						-
B.6 Other changes	1.942					1.942
C. Decreases	**-**	**-**	**-**	**791**	**-**	**791**
C.1 Sales						-
C.2 Adjustments	-	-	-	773	-	773
- Amortization				773		773
- Write-downs	-	-	-	-	-	-
+ shareholders' equity						-
+ statement of income						-
C.3 Decreases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
C.4 Tranfers to assets being disposed of						-
C.5 Negative exchange differences						-
C.6 Other changes				18		18
D. Closing balance	**40.400**	**-**	**-**	**2.406**	**-**	**42.806**
D.1 Total net adjustments				2.438		2.438
E. Gross closing balance	**40.400**	**-**	**-**	**4.844**	**-**	**45.244**
F. Valued at cost						

13.2.2 attributable to the insurance company

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Opening balance					**153**	**153**
A.1 Total net decreases in value					114	114
A.2 Net opening balance	**-**	**-**	**-**	**-**	**39**	**39**
B. Increases	**-**	**-**	**-**	**312**	**-**	**312**
B.1 Purchases				312		312
B.2 Increases in internal intangible assets						-
B.3 Write-backs						-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
B.5 Positive exchange differences						-
B.6 Other changes						-
C. Decreases	**-**	**-**	**-**	**25**	**25**	**50**
C.1 Sales						-
C.2 Adjustments	-	-	-	25	25	50
- Amortization				25	25	50
- Write-downs	-	-	-	-	-	-
+ shareholders' equity						-
+ statement of income						-
C.3 Decreases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
C.4 Tranfers to assets being disposed of						-
C.5 Negative exchange differences						-
C.6 Other changes						-
D. Closing balance	**-**	**-**	**-**	**287**	**14**	**301**
D.1 Total net adjustments				25	139	164
E. Gross closing balance	**-**	**-**	**-**	**312**	**153**	**465**
F. Valued at cost						

Section 14 - Tax assets and liabilities - Caption 130 under assets and Caption 80 under liabilities

14.1 Deferred tax assets: break-down

(Euro/1,000)

	Nominal Value			Total tax		
Temporary Differences	**Banking Group**	**Insurance Companies**	**Total**	**Banking Group**	**Insurance Companies**	**Total**
provisions and write-downs on loans to customers	11.567		11.567	3.817		3.817
tax losses	672		672	222		222
provisions for legal disputes and claw-back actions	13.784		13.784	4.549		4.549
provisions for personnel charges	9.299		9.299	3.069		3.069
provision for sundry charges	241		241	79		79
fees to be paid out to directors	2.192	58	2.250	723	19	742
costs deductible in more than one financial period	1.024		1.024	392		392
write-down of securities	574	5.776	6.350	206	2.210	2.416
write-down of loans due to revenues from transition	473		473	25		25
other captions	1.175	1.028	2.203	410	378	788
Total	**41.001**	**6.862**	**47.863**	**13.492**	**2.607**	**16.099**

14.2 Deferred tax liabilities: break-down

	Nominal Value			Total tax		
Temporary Differences	**Banking Group**	**Insurance Companies**	**Total**	**Banking Group**	**Insurance Companies**	**Total**
tax amortization of properties	23.655		23.655	9.048		9.048
tax amortization of intangible assets and tangible assets	15.855		15.855	6.061		6.061
off balance sheet write-down of tax loans	5.251		5.251	1.733		1.733
tax provision for employee termination indemnities	719		719	237		237
revaluation of securities	1.790		1.790	591		591
default interest accrued fiscally irrelevant	145		145	55		55
revaluation on loans due to transiction costs	718		718	38		38
other captions	68	1.652	1.720	26	632	658
Total	**48.201**	**1.652**	**49.853**	**17.789**	**632**	**18.421**

14.3 Change in deferred tax assets (with corresponding caption under statement of income)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
1. Initial amount	**11.171**		**11.171**	**9.543**
2. Increases	**5.963**	**296**	**6.259**	**8.712**
2.1 Deferred tax assets recognized during the year	5.963	296	6.259	7.199
a) from previous years				
b) due to adoption of different accounting standards				
c) write-backs				
d) other	5.963	296	6.259	7.199
2.2 New taxes or increases in fiscal rates				
2.3 Other increases			-	1.513
3. Decreases	**4.395**	**86**	**4.481**	**7.084**
3.1 Deferred tax assets cancelled during the year	3.865	86	3.951	7.084
a) reallocation	3.865	86	3.951	7.084
b) write-downs due to irrecoverability				
c) different accounting standards				
3.2 Decreases in fiscal rates				
3.3 Other decreases	530		530	
4. Final amount	**12.739**	**210**	**12.949**	**11.171**

14.4 Change in deferred tax liabilities (with corresponding caption under statement of income)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
1. Initial amount	**16.519**	**120**	**16.639**	**16.364**
2. Increases	**3.008**	**239**	**3.247**	**3.263**
2.1 Deferred tax liabilities recognized during the year	3.008	239	3.247	2.396
a) from previous years				
b) due to adoption of different accounting standards				
c) other	3.008	239	3.247	2.396
2.2 New taxes or increases in fiscal rates				
2.3 Other increases			-	867
3. Decreases	**2.575**	**-**	**2.575**	**2.988**
3.1 Deferred tax liabilities cancelled during the year	2.474	-	2.474	2.965
a) reallocation	2.474		2.474	2.965
b) due to adoption of different accounting standards				
c) other				
3.2 Decreases in fiscal rates				
3.3 Other decreases	101		101	23
4. Final amount	**16.952**	**359**	**17.311**	**16.639**

14.5 Change in deferred tax assets (with corresponding caption in shareholders' equity)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
1. Initial amount	**1.132**		**1.132**	**106**
2. Increases	**184**	**2.397**	**2.581**	**1.029**
2.1 Deferred tax assets recognized during the year	184	2.397	2.581	376
a) from previous years				
b) due to adoption of different accounting standards				
c) other	184	2.397	2.581	376
2.2 New taxes or increases in fiscal rates				
2.3 Other increases			-	653
3. Decreases	**563**	**-**	**563**	**3**
3.1 Deferred tax assets cancelled during the year	552	-	552	3
a) reallocation	552		552	3
b) write-downs due to irrecoverability				
c) different accounting standards				
3.2 Decreases in fiscal rates				
3.3 Other decreases	11		11	
4. Final amount	**753**	**2.397**	**3.150**	**1.132**

14.6 Change in deferred tax liabilities (with corresponding caption in shareholders' equity)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
1. Initial amount	**360**	**8**	**368**	**52**
2. Increases	**696**	**269**	**965**	**550**
2.1 Deferred tax liabilities recognized during the year	696	269	965	270
a) from previous years				
b) due to adoption of different accounting standards				
c) other	696	269	965	270
2.2 New taxes or increases in fiscal rates				
2.3 Other increases			-	280
3. Decreases	**219**	**4**	**223**	**234**
3.1 Deferred tax liabilities cancelled during the year	219	4	223	234
a) reallocation	219	4	223	234
b) due to adoption of different accounting standards				
c) other				
3.2 Decreases in fiscal rates				
3.3 Other decreases				
4. Final amount	**837**	**273**	**1.110**	**368**

Section 16 - Other assets - Caption 160

16.1 Other assets: break-down

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
Tax credits				
- principal	4.400		4.400	8.294
- interests	1.181		1.181	2.302
Amounts due from tax authorities	4.967	2	4.969	4.511
Taxes withheld	755		755	542
Tax credits on capital gain on investment funds	4		4	2
Tax credits on reserves			-	7.023
Traded cheques to be settled	8.629		8.629	8.911
Guarantee deposits	10		10	60
Invoices issued to be collected	4.236		4.236	597
Accounts receivable for third-party securities and coupons to be collected	5.709		5.709	8
Print-outs and stationery stock	384		384	312
Unprocessed transactions and amounts in transit with bank branches	23.515		23.515	18.512
Currency spreads on portfolio transactions	465		465	
Payments on account of capital increase	-		-	21.000
Investments in supplementary termination indemnities for personnel	1.114		1.114	1.162
Leasehold improvements	17.833		17.833	13.503
Accrued income and prepaid expenses	3.677		3.677	16.436
Other items	199.196	3.349	202.545	53.811
Total	**276.075**	**3.351**	**279.426**	**156.986**

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

2.1 Amounts due to banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Amounts due to central banks				
2. Amounts due to banks	104.138		104.138	48.648
2.1 Current accounts and unrestricted deposits	74.144		74.144	10.964
2.2 Restricted deposits	20.808		20.808	28.674
2.3 Financing	-		-	-
2.3.1 Finance leases				
2.3.2 Other				
2.4 Commitments for repurchases of own equity instruments				
2.5 Liabilities corresponding to assets sold but not written off	-		-	-
2.5.1 Reverse repurchase agreements	-		-	
2.5.2 Other			-	
2.6 Other amounts due	9.186		9.186	9.010
Total	**104.138**		**104.138**	**48.648**
Fair value	**106.293**		**106.293**	**48.648**

Section 2 - Amounts due to customers - Caption 20

2.1 Amounts due to customers: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Current accounts and unrestricted deposits	2.889.712		2.889.712	2.616.646
2. Restricted deposits	8.987		8.987	10.052
3. Third-party funds under administration				
4. Financing	-			-
4.1 Finance leases				
4.2 Other				
5. Commitments for repurchases of own equity instruments				
6. Liabilities corresponding to assets sold but not written off	438.980		438.980	214.968
6.1 Reverse repurchase agreements	438.980		438.980	214.968
6.2 Other				
7. Other amounts due	176.118		176.118	98.827
Total	**3.513.797**	**-**	**3.513.797**	**2.940.493**
Fair value	**3.541.052**		**3.541.052**	**2.940.493**

The caption "Other amounts due" represents the value of reverse repos effected against repos.

Section 3 - Securities Issued - Caption 30

3.1 Securities issued: break-down by type

(Euro/1,000)

Security type / Amount	Banking Group		Insurance Companies		Total 31.12.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Listed securities	351.547	350.401			351.547	350.401	338.603	338.672
1. Bonds	351.547	350.401			351.547	350.401	338.603	338.672
1.1 structured								
1.2 other	351.547	350.401			351.547	350.401	338.603	338.672
2. Other securities	-	-			-	-	-	-
2.1 structured								
2.2 other								
B. Unlisted securities	1.038.556	1.014.560			1.038.556	1.014.560	1.154.638	1.135.293
1. Bonds	958.936	934.940			958.936	934.940	1.079.563	1.060.218
1.1 structured	19.962	19.696			19.962	19.696	30.368	29.859
1.2 other	938.974	915.244			938.974	915.244	1.049.195	1.030.359
2. Other securities	79.620	79.620			79.620	79.620	75.075	75.075
2.1 structured								
2.2 other	79.620	79.620			79.620	79.620	75.075	75.075
Total	**1.390.103**	**1.364.961**			**1.390.103**	**1.364.961**	**1.493.241**	**1.473.965**

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

(Euro/1,000)

	31.12.2006	31.12.2005
BDB TV due 01.08.2006		13.113
BDB TV due 01.03.2007	13.148	13.091
BDB TV due 03.06.2008	13.032	13.020
BDB TV due 03.05.2009	30.157	30.097
BDB TV due 15.12.2009	30.032	30.025
BDT TV due 01.11.2009	5.031	5.019
BDB TV due 01.12.2010	13.053	13.027
BDT TV due 29.12.2011	13.000	
Total	**117.453**	**117.392**

The year-end stock refers to Euro 112,422 thousand of bond loans issued by the Parent Company Banco Desio and to Euro 5,031 thousand of a bond loan issued by the subsidiary Banco Desio Toscana.

All securities issued have similar characteristics:
- *duration*: 5 years;
- *interest rate*: variable rate with coupons payable every six months on a deferred basis;
- *redemption*: in one single solution upon maturity;
- *early redemption clause*: not provided;
- *possession*: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- *subordination*: the subordination clauses provide that in the event that the issuer is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been satisfied.

3.3 Break-down of caption 30 "securities issued": securities subject to specific hedging

(Euro/1,000)

	Total 31.12.2006	Total 31.12.2005
1. Debt securities subject to fair value hedging	171.757	220.347
a) interest rate risk	171.757	220.347
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		
Total	**171.757**	**220.347**

Section 4 – Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group				Insurance Companies				Total 31.12.2005				Total 31.12.2005			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
A. Liabilities for cash																
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. Derivatives instruments																
1. Financial derivatives		2.128	26.353			-	-			2.128	26.353				13.937	
1.1 trading		*4*	*25.206*							*4*	*25.206*				*13.638*	
1.2 connected with the fair value option			*1.147*							*-*	*1.147*				*299*	
1.3 other		*2.124*								*2.124*	*-*					
2. Credit derivatives		-				-	-									
2.1 trading							-									
2.2 connected with the fair value option																
2.3 other																
Total B	**-**	**2.128**	**26.353**	**-**	**-**	**-**	**-**	**-**	**-**	**2.128**	**26.353**	**-**	**-**	**-**	**13.937**	**-**
Total (A + B)	**-**	**2.128**	**26.353**	**-**	**-**	**-**	**-**	**-**	**-**	**2.128**	**26.353**	**-**	**-**	**-**	**13.937**	**-**

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

4.4 Financial liabilities held for trading: derivative instruments

4.4.1 attributable to the banking group

(Euro/1,000)

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2006	Total 31.12.2005
A) Listed derivatives							
1) Financial derivatives:	**-**	**-**	**4**	**-**	**2.124**	**2.128**	-
. With exchange of capital	-	-	4	-	2.124	2.128	-
- issued options						-	
- other derivatives			4		2.124	2.128	
. Without exchange of capital	-	-	-	-	-	-	-
- issued options						-	
- other derivatives						-	
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	**-**	**-**	**4**	**-**	**2.124**	**2.128**	**-**
B) Unlisted derivatives						-	
1) Financial derivatives:	**418**	**25.919**	**-**	**-**	**16**	**26.353**	**13.937**
. With exchange of capital	-	25.919	-	-	-	25.919	9.990
- issued options						-	
- other derivatives		25.919				25.919	9.990
. Without exchange of capital	418	-	-	-	16	434	3.947
- issued options	2		-			2	
- other derivatives	416				16	432	3.947
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	**418**	**25.919**	**-**	**-**	**16**	***26.353***	**13.937**
Total (A + B)	**418**	**25.919**	**4**	**-**	**2.140**	**28.481**	**13.937**

4.5 Cash financial liabilities (excluding "technical overdrafts") held for trading: annual changes

Financial liabilities exclusively include derivative transactions for which it is not necessary to provide the relevant breakdown.

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Financial liabilities at fair value through profit or loss: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group				Insurance Companies				Total 31.12.2006				Total 31.12.2005			
	NV	FV		FV (*)	NV	FV		FV (*)	NV	FV		FV (*)	NV	FV		FV (*)
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
1. Amounts due to banks	-	-	-	-				-				-	-	-	-	
1.1 Structured																
1.2 Other																
2. Amounts due to customers	-	-	-	-	1.032.512	-	1.032.512	-	1.032.512	-	1.032.512	-	844.550	-	844.550	
2.1 Structured					1.032.512		1.032.512		1.032.512		1.032.512					
2.2 Other									-		-		844.550		844.550	
3. Debt securities	44.580	-	43.367	-	-	-	-	-	44.580	-	43.367	-	15.600	-	15.216	
3.1 Structured	15.000		14.199						15.000		14.199		7.854		7.599	
3.2 Other	29.580		29.168						29.580		29.168		7.746		7.617	
Total	**44.580**	**-**	**43.367**	**-**	**1.032.512**	**-**	**1.032.512**	**-**	**1.077.092**	**-**	**1.075.879**	**-**	**860.150**	**-**	**859.766**	**-**

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

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

(Euro/1,000)

	Amounts due to banks	Amounts due to customers	Securities issued	Total 2006
A. Opening balance		**844.550**	**15.216**	**859.766**
B. Increases	-	**349.455**	**29.815**	**379.270**
B1. Issues		336.834	28.980	**365.814**
B2. Sales			684	**684**
B3. Increases in fair value		12.621		**12.621**
B4. Other changes			151	**151**
C. Decreases	-	**161.493**	**1.664**	**163.157**
C1. Purchases		161.493	684	**162.177**
C2. Redemptions				**-**
C3. Decreases in fair value			970	**970**
C4. Other changes			10	**10**
D. Closing balance	**-**	**1.032.512**	**43.367**	**1.075.879**

Section 6 – Hedging derivatives - Caption 60

6.1 Hedging derivatives: break-down by type of contract and underlying asset

6.1.1 attributable to the banking group

(Euro/1,000)

Derivative type / Underlying asset		Interest rates	Currencies and gold	Equity securities	Loans	Other	Total
A) Listed derivatives							
1) Financial derivatives:		-	-	-	-	-	**-**
. With exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
. Without exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
2) Credit derivatives:		-	-	-	-	-	**-**
. With exchange of capital							**-**
. Without exchange of capital							**-**
Total A		**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1) Financial derivatives:		2.959	-	-	-	-	**2.959**
. With exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
. Without exchange of capital		2.959	-	-	-	-	**2.959**
- issued options							**-**
- other derivatives		2.959					**2.959**
2) Credit derivatives:		-	-	-	-	-	**-**
. With exchange of capital							**-**
. Without exchange of capital							**-**
Total B		**2.959**	**-**	**-**	**-**	**-**	**2.959**
Total (A + B)	**31.12.2006**	**2.959**	**-**	**-**	**-**	**-**	**2.959**
Total (A + B)	**31.12.2005**	**741**	**-**	**-**	**-**	**-**	**741**

6.2 Hedging derivatives: break-down by hedged portfolio and type of hedging

6.2.1 attributable to the banking group

(Euro/1,000)

Transaction / Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	interest rate risk	interest exchange risk	credit risk	price risk	other			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolios								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	2.959							
2. Portfolios								
Total liabilities	**2.959**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 - Tax liabilities - Caption 80

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

Section 10 - Other liabilities - Caption 100

10.1 Other liabilities: break-down

(Euro/1,000)

	Total 31.12.2006	Total 31.12.2005
Due to tax authorities	1.410	1.609
Amounts due to tax authorities on account of third parties	13.385	9.179
Social security contributions to be reversed	3.582	2.635
Due to shareholders on account of dividends	10	9
Suppliers	19.412	15.756
Amounts available for customers	173.557	22.233
Interest and fees to be credited	2.122	1.826
Payments against disposals on bills	160	175
Advance payments on expiring loans	235	156
Unprocessed transactions and amounts in transit with branches	44.681	35.947
Currency spreads on portfolio transactions	13.111	12.597
Other accounts payable	21.121	17.425
Provisions for guarantees and commitments	722	1.200
Technical losses	-	
Accrued liabilities and deferred income	2.117	4.734
Other items	29	469
Other items from foreign operations	1.224	2.621
Other items of the insurance companies	6.638	6.274
Total	**303.516**	**134.845**

Section 11 - Provisions for employee termination indemnities - Caption 110

11.1 Provisions for employee termination indemnities: annual changes

(Euro/1,000)

	Banking Group	Insurance Company	Total 2006	Total 2005
A. Opening balance	**32.469**	**78**	**32.547**	**29.307**
B. Increases	**3.151**	**59**	**3.210**	**7.485**
B.1 Provisions during the year	3.070	59	3.129	6.330
B.2 Other increases	81		81	1.155
C. Decreases	**4.159**	**38**	**4.197**	**4.245**
C.1 Amounts paid	2.543	1	2.544	3.019
C.2 Other decreases	1.616	37	1.653	1.226
D. Closing balance	**31.461**	**99**	**31.560**	**32.547**

Section 12 - Provisions for risks and charges - Caption 120

12.1 Provisions for risks and charges: break-down

(Euro/1,000)

Caption / Components	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Company pension funds	89		**89**	97
2. Other provisions for risks and charges	29.010	100	**29.110**	20.620
2.1 legal disputes	*13.783*		***13.783***	*12.323*
2.2 personnel charges	*13.428*		***13.428***	*8.227*
2.3 other	*1.799*	*100*	***1.899***	*70*
Total	**29.099**	**100**	**29.199**	**20.717**

12.2. Provisions for risks and charges: annual changes

(Euro/1,000)

	Banking Group		Insurance Company		Total	
	Pension funds	Other funds	Pension funds	Other funds	Pension funds	Other funds
A. Opening balance	**97**	**20.620**			**97**	**20.620**
B. Increases	**1**	**14.990**		**100**	**1**	**15.090**
B.1 Provisions during the year	1	13.380		100	1	13.480
B.2 Changes due to the elapsing of time		237				237
B.3 Changes due to discount rate adjustments					-	
B.4 Other increases		1.373				1.373
C. Decreases	**9**	**6.600**			**9**	**6.600**
C.1 Use during the year	5	6.422			5	6.422
C.2 Changes due to discount rate adjustments					-	
C.3 Other decreases	4	178			4	178
D. Closing balance	**89**	**29.010**		**100**	**89**	**29.110**

12.3 Defined benefit company pension funds

The amount of Euro 89 thousand entered in the accounts refers to the subsidiary C.P.C. S.A. - Lugano.

12.4 Provisions for risks and charges - Other provisions

(Euro/1,000)

Caption / Components	**Banking Group**	**Insurance Companies**	**Total 31.12.006**	**Total 31.12.2005**
1 legal disputes	13.783		**13.783**	**12.323**
2 personnel charges	13.428		**13.428**	**8.227**
3 other	1.799	100	**1.899**	**70**
Total	**29.010**	**100**	**29.110**	**20.620**

Section 13 - Technical reserves - Caption 130

13.1 Technical reserves: break-down

(Euro/1,000)

	Direct work	Indirect work	Total 31.12.2006	Total 31.12.2005
A. Casualty branch	-	-	**-**	-
A1. premiums fund			**-**	
A2 . claims fund			**-**	
A3. other reserves			**-**	
B. Life branch	**371.905**	-	**371.905**	259.827
B1. Mathematical reserves	370.449		**370.449**	258.954
B2. Funds for amounts to be disbursed	*124*		**124**	92
B3. Other reserves	*1.332*		**1.332**	781
C. Technical reserves for investment risks to be borne by the insured	**6.099**	-	***6.099***	*4.784*
C1: funds for contracts with disbursements connected with pension funds and market indices	6.099		**6.099**	4.784
C2: funds from pension fund management			**-**	
D. Total technical reserves	**378.004**	-	**378.004**	**264.611**

13.2 Technical reserves: annual changes

(Euro/1,000)

Caption / Components	Direct work	Indirect work	Total 2006
A. Opening balance	**264.611**	**-**	**264.611**
B. Increases	**113.393**	**-**	**113.393**
B.1 Provisions during the year	113.393		113.393
B.2 Other increases			-
C. Decreases	**-**	**-**	**-**
C.1 Use during the year			-
C.2 Other increases			-
D. Closing balance	**378.004**	**-**	**378.004**

Section 15 - Group’s shareholders’ equity - Captions 140, 160, 170, 180, 190, 200 and 220

15.1 Group's shareholders' equity: break-down

(Euro/1,000)

Caption / Amount	31.12.2006	31.12.2005
1. Share capital	67.705	67.705
2. Share premium reserve	16.145	16.145
3. Reserves	339.474	246.930
4. (Treasury shares)		
a) parent company	(109)	
b) subsidiaries		
5. Valuation reserves	22.324	23.980
6. Capital instruments	-	
7. Profit (loss) for the period attributable to the Group	69.373	103.715
Total	**514.912**	**458.475**

15.2 Share capital and treasury shares: break-down

The share capital of the Parent Company Banco Desio, fully subscribed and paid up, is made up of:
- no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- no. 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

No Group company, with the exception of Chiara Vita s.p.a., has been in possession of its own shares at any time during the accounting period.
At the closure of the accounting period Chiara Vita s.p.a. managed 13,000 Banco Desio shares with a total value of Euro 109 thousand in a portfolio of financial instruments organised in an internal insurance fund.

15.3 Capital - number of parent company shares: annual changes

Caption/Type	Ordinary	Other
A. Number of shares at the beginning of the year	**117.000.000**	**13.202.000**
- fully paid-up shares	117.000.000	13.202.000
- shares not fully paid up	-	-
A.1 Treasury shares (-)	-	-
B.2 Shares in circulation: opening balance	**117.000.000**	**13.202.000**
B. Increases	-	-
B.1 New issues	-	-
- on a payment basis:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- on a free basis:	-	-
- in favor of employees	-	-
- in favor of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**13.000**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	13.000	-
C.3 Sale of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**116.987.000**	**13.202.000**
D.1 Treasury shares (+)	13.000	-
D.2 Number of shares at the end of the year	117.000.000	13.202.000
- fully paid-up shares	117.000.000	13.202.000
- shares not fully paid up	-	-

15.5 Revenue reserves: other information

(Euro/1,000)

Caption	31.12.2006	31.12.2005
Legal reserve	35.882	23.622
Statutory reserves	145.568	69.011
Profits (losses) carried forward	23.477	23.477
Reserve (F.T.A.)	99.785	99.785
Other reserves	34.762	31.035
Total	**339.474**	**246.930**

15.6 Valuation reserves: break-down

Euro/1000

Caption / Components	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Available-for-sale financial assets	2.705	(3.441)	(736)	2.190
2. Tangible assets			-	
3. Intangible assets				
4. Foreign investment hedge				
5. Cashflow hedge			-	
6. Exchange differences				
7. Discontinuing operations				
8. Special revaluation laws	22.896		22.896	22.896
9. Other	152	12	164	(1.106)
Total	**25.753**	**(3.429)**	**22.324**	**23.980**

15.7 Valuation reserves: annual changes

15.7.1 attributable to the banking group

Euro/1000

	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**2.184**							**22.896**	**(1.115)**
B. Increases	**1.609**	-	-	-	-	-	-	-	**1.292**
B1. Increases in fair value	1.555								
B2. Other changes	54								**1.292**
C. Decreases	**1.088**	-	-	-	-	-	-	-	**25**
C1. Decreases in fair value	661								
C2. Other changes	427								**25**
D. Closing balance	**2.705**	-	-	-	-	-	-	**22.896**	**152**

15.7.2 attributable to the insurance company

Euro/1000

	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**6**								**9**
B. Increases	**1.299**	-	-	-	-	-	-	-	**4**
B1. Increases in fair value	992								
B2. Other changes	307								**4**
C. Decreases	**4.746**	-	-	-	-	-	-	-	-
C1. Decreases in fair value	4.156								
C2. Other changes	590								
D. Closing balance	**(3.441)**	-	-	-	-	-	-	-	**13**

15.8 Valuation reserves of available for sale investments: break-down

Euro/1000

Asset / Amount	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	107	(723)		(3.056)	107	(3.779)	184	(318)
2. Equity securities	2.690	(160)		(472)	2.690	(632)	2.504	(739)
3. OICR quotas	855	(64)	87		942	(64)	606	(47)
Total	**3.652**	**(947)**	**87**	**(3.528)**	**3.739**	**(4.475)**	**3.294**	**(1.104)**

15.9 Valuation reserves of available for sale investments: annual changes

15.9.1 attributable to the banking group

Euro/1000

	Debt securities	Equity securities	OICR quotas	Financing	Total 2006
1. Opening balance	**(140)**	**1.766**	**559**		**2.185**
2. Increases	**262**	**764**	**582**	**-**	**1.608**
2.1 Increases in fair value	232	764	560		1.556
2.2 Reallocation of negative reserves to statement of income:					
- due to impairment					
- due to realization	30		22		52
2.3 Other changes					
3. Decreases	**738**	**-**	**350**	**-**	**1.088**
3.1 Decreases in fair value	617		44		661
3.2 Reallocation to statement of income from positive reserves: due to realization	121		306		427
3.3 Other changes					
4. Closing balance	**(616)**	**2.530**	**791**	**-**	**2.705**

15.9.2 attributable to the insurance company

(Euro/1,000)

	Debt securities	Equity securities	OICR quotas	Financing	Total 2006
1. Opening balance	**90**	**(133)**	**49**		**6**
2. Increases	**1.003**	**202**	**94**	**-**	**1.299**
2.1 Increases in fair value	881	17	94		992
2.2 Reallocation of negative reserves to statement of income:					
- due to impairment	122	185			307
- due to realization					-
2.3 Other changes					
3. Decreases	**4.149**	**540**	**56**	**-**	**4.745**
3.1 Decreases in fair value	4.097	51	7		4.155
3.2 Reallocation to statement of income from positive reserves: due to realization	52	*489*	*49*		590
3.3 Other changes					
4. Closing balance	**(3.056)**	**(471)**	**87**	**-**	**(3.440)**

Section 16 - Minority interest - Caption 210

16.1 Shareholders' equity attributable to minority interests: break-down

(Euro/1,000)

Caption/Value	Banking Group	Insurance Company	31.12.2006	31.12.2005
1. Share Capital	3.444		3.444	4.512
2. Share premium reserve	7.439		7.439	7.482
3. Reserves	2.779		2.779	2.245
4. (Treasury shares)			-	
5. Valuation reserves	57		57	(29)
6. Capital instruments				
7. Profit (loss) attributable to minority interests	12.955	17	12.972	7.552
Total	**26.674**	**17**	**26.691**	**21.762**

16.2 Valuation reserves: break-down

(Euro/1,000)

Caption / Components	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1. Available for sale investments	2		2	(31)
2. Tangible assets			-	
3. Intangible assets				
4. Foreign investment hedge				
5. Cashflow hedge				
6. Exchange differences				
7. Discontinuing operations				
8. Special revaluation laws			-	
9. Actuarial valuation of employee termination indemnities	55		55	2
Total	**57**	**-**	**57**	**(29)**

16.4 Valuations reserves of available for sale investments: break-down

(Euro/1,000)

Asset / Amount	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(3)		-	-	(3)		31
2. Equity securities					-	-		
3. OICR quotas	5				5	-		
4. Financing					-	-		
Total	**5**	**(3)**	**-**	**-**	**5**	**(3)**	**-**	**31**

16.5 Valuation reserves: annual changes

16.5.1 attributable to the banking group

(Euro/1,000)

	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**(31)**								**2**
B. Increases	**33**								**53**
B1. Increases in fair value	12								
B2. Other changes	21								53
C. Decreases									
C1. Decreases in fair value									
C2. Other changes									
D. Closing balance	**2**	**-**	**-**	**-**	**-**	**-**	**-**		**55**

OTHER INFORMATION

1. Guarantees granted and commitments

(Euro/1,000)

Transactions	Banking Group	Insurance companies	Total 31.12.2006	Total 31.12.2005
1) Financial guarantees granted	5.169		5.169	20.301
a) Banks				*2.059*
b) Customers	*5.169*		*5.169*	*18.242*
2) Commercial guarantees granted	175.357		175.357	151.450
a) Banks	*3.040*		*3.040*	*3.016*
b) Customers	*172.317*		*172.317*	*148.434*
3) Irrevocable commitments to grant finance	232.882		232.882	159.559
a) Banks	32.180		32.180	61.060
i) certain to be called on	*25.812*		*25.812*	*61.060*
ii) not certain to be called on	*6.368*		*6.368*	
b) Customers	200.702		200.702	98.499
i) certain to be called on	*121.983*		*121.983*	*94.794*
ii) not certain to be called on	*78.719*		*78.719*	*3.705*
4) Underlying commitments to credit derivatives: hedging sales				
5) Assets lodged to guarantee minority interest				
6) Other commitments				
Total	**413.408**		**413.408**	**331.310**

2. Assets lodged to guarantee own liabilities and commitments

(Euro/1,000)

Portfolios	31.12.2006	31.12.2005
1. Financial assets held for trading		
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	82.170	78.780
4. Held-to-maturity investments		
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

4. Break-down of investments against unit-linked and index-linked policies

Assets underlying the insurance company's financial products are broken down as follows:

(Euro/1,000)

	31.12.2006	31.12.2005
Unit - linked		
shares and mutual fund units	526.132	172.695
bonds and other fixed interest securities	60.333	308.056
cash and cash equivalents	6.282	
other assets	-	
Total	**592.747**	**480.751**
Index - linked		
shares and mutual fund units	-	
bonds and other fixed interest securities	421.965	217.904
cash and cash equivalents	13	128.677
other assets	23.351	16.566
Total	**445.329**	**363.147**

5 Administration and dealing on behalf of third parties: banking group

(Euro/1,000)

Type of services	Amounts
1. Financial instruments dealing on behalf of third parties	**3.698.840**
a) Purchase	1.529.837
1. Settled	1.520.609
2. not settled	9.228
b) Sale	2.169.003
1. Settled	2.148.413
2. not settled	20.590
2. Portfolio management	***931.191***
a) individual	929.364
b) collective	1.827
3. Custody and administration of securities	**15.996.518**
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	5.189.547
1. securities issued by the bank preparing the accounts	16
2. Other	5.189.531
b) other third-party securities held on deposit (excluding asset management): other	10.806.971
1. securities issued by the bank preparing the accounts	1.142.708
2. Other	9.664.263
c) third-party securities deposited with third parties	11.386.730
d) own securities deposited with third parties	886.873
4. Other transaction	

Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Interest income and similar revenues: break-down

1.1.1 attributable to the banking group

(Euro/1,000)

Caption / Technical forms	Performing investments		Impaired investments	Other assets	Total	Total
	Debt securities	Loans			31.12.2006	31.12.2005
1. Financial assets held for trading	10.482			593	**11.075**	**1.167**
2. Financial assets at fair value through profit or loss					**-**	
3. Available-for-sale financial assets	13.299				**13.299**	**6.213**
4. Held-to-maturity investments	724				**724**	**1.063**
5. Amounts due from banks		14.156		651	**14.807**	**13.071**
6. Amounts due from customers	112	223.508	3.830	312	**227.762**	**188.279**
7. Hedging derivatives				1.494	**1.494**	**6.409**
8. Financial assets sold but not written off					**-**	**5.887**
9. Other financial assets					**-**	
Total	**24.617**	**237.664**	**3.830**	**3.050**	**269.161**	**222.089**

Interests on “Impaired investments”, which have been almost entirely accounted for by the Parent Company, represent the share of interests collectable for the sole non-performing positions of amounts due from customers.
Interests on “Financial assets sold but not written off“ refer to owned securities engaged in reverse repos.

1.1.2 attributable to the insurance company

(Euro/1,000)

Caption / Technical forms	Performing investments		Impaired investments	Other assets	Total	Total
	Debt securities	Loans			31.12.2006	31.12.2005
1. Financial assets held for trading				5.902	**5.902**	**11.355**
2. Financial assets at fair value through profit or loss	6.970			6	**6.976**	
3. Available-for-sale financial assets	9.432				**9.432**	**4.050**
4. Held-to-maturity investments					**-**	-
5. Amounts due from banks					**-**	**-**
6. Amounts due from customers					**-**	-
7. Hedging derivatives					**-**	-
8. Financial assets sold but not written off					**-**	-
9. Other financial assets					**-**	**108**
Total	**16.402**	**-**	**-**	**5.908**	**22.310**	**15.513**

1.2 Interest income and similar revenues: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	Banking Group	Insurance company	Total 31.12.2006	Total 31.12.2005
A. Positive differentials on transactions:				
A.1 for specific hedge of financial assets fair value				
A.2 for specific hedge of financial liabilities fair value	6.558		6.558	12.468
A.3 for portfolio hedge of interest rate risk				
A.4 for specific cash-flow hedge of financial assets				
A.5 for specific cash-flow hedge of financial liabilities				
A.6 for portfolio cash-flow hedge				
Total positive differentials (A)	**6.558**		**6.558**	**12.468**
B. Negative differentials on transactions:				
B.1 for specific hedge of financial assets fair value				
B.2 for specific hedge of financial liabilities fair value	(5.064)		(5.064)	(6.059)
B.3 for portfolio hedge of interest rate risk				
B.4 for specific cash-flow hedge of financial assets				
B.5 for specific cash-flow hedge of financial liabilities				
B.6 for portfolio cash-flow hedge				
Total negative differentials (B)	**(5.064)**		**(5.064)**	**(6.059)**
C. Balance (A-B)	**1.494**		**1.494**	**6.409**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on currency financial assets

Interest income on currency financial assets accounted for under “Interest income and similar revenues” as of 31.12.2006 amount to Euro 1,811 thousand.

1.3.2 Interest income on finance lease transactions

Within finance lease activities, the (potential) rentals which are recognised as revenues for the period and which are entered under “Amounts due from customers - Loans”, amount to Euro 21,286 thousand (Euro 16,673 thousand in 2005), of which Euro 972 thousand relating to leaseback agreements (Euro 640 thousand in 2005).

Financial profits pertaining to subsequent years amount to Euro 77,349 thousand (Euro 60,372 thousand in 2005), of which Euro 3,917 thousand relating to leaseback agreements (Euro 3,194 thousand in 2005).

1.4 Interest expense and similar charges: break-down

1.4.1 attributable to the banking group

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other liabilities	Total 31.12.2006	Total 31.12.2005
1. Amounts due to banks	(3.463)		(3)	**(3.466)**	(474)
2. Amounts due to customers	(36.581)		(466)	**(37.047)**	(22.880)
3. Securities issued		(41.664)		**(41.664)**	(40.423)
4. Financial liabilities held for trading			(265)	**(265)**	(12)
5. Liabilities at fair value through profit or loss		(1.066)		**(1.066)**	(20)
6. Financial liabilities associated with assets sold but not written off	(9.988)			**(9.988)**	(6.880)
7. Other liabilities and reserves			(1)	**(1)**	
8. Hedging derivatives			-	**-**	
Total	**(50.032)**	**(42.730)**	**(735)**	**(93.497)**	**(70.689)**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on currency liabilities

As of 31.12.2006, interest expense on currency liabilities accounted for under “Interest expense and similar costs” amounted to Euro 1,472 thousand.

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Section 2 - Commissions - Captions 40 and 50

2.1 Commission income: break-down

2.1.1 attributable to the banking group

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees given	1.639	1.616
b) Credit derivatives		-
c) Management, trading and consultancy services:	160.458	128.259
1. trading of financial instruments	2.953	2.310
2. currency trading	1.175	1.219
3. portfolio management	131.818	105.832
3.1. individuals	*6.831*	*6.036*
3.2. collective	*124.987*	*99.796*
4. securities safekeeping and administration	3.893	3.002
5. depositary bank	5.406	5.451
6. securities placement	6.751	4.177
7. order acceptance	8.144	5.711
8. consultancy services		-
9. distribution of third party services	318	557
9.1. portfolio management	3	2
9.1.1. Individual	3	*2*
9.1.2. collective		-
9.2. insurance products	269	536
9.3. other products	46	19
d) Collection and payment services	17.641	16.550
e) Servicing for securitization operations	121	193
f) Factoring transaction services	43	44
g) Tax collection services		-
h) Other services	15.655	14.460
Total	**195.557**	**161.122**

2.1.2 attributable to the insurance company

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees given		-
b) Credit derivatives		-
c) Management, trading and consultancy services:	17.340	13.273
1. trading of financial instruments		-
2. currency trading		-
3. portfolio management	17.340	13.273
3.1. individuals		-
3.2. collective	17.340	13.273
4. securities safekeeping and administration		-
5. depositary bank		-
6. securities placement		-
7. order acceptance		-
8. consultancy services		-
9. distribution of third party services		-
9.1. portfolio management	-	-
9.1.1. Individual		-
9.1.2. collective		-
9.2. insurance products		-
9.3. other products		-
d) Collection and payment services		-
e) Servicing for securitization operations		-
f) Factoring transaction services		-
g) Tax collection services		-
h) Other services		-
Total	**17.340**	**13.273**

2.2 Commission income: products and services distribution channels: banking group

(Euro/1,000)

Channel / Amount	Total 31.12.2006	Total 31.12.2005
a) With own operating points:	**34.714**	**110.566**
1. Portfolio management	14.157	105.832
2. Placement of securities	6.751	4.177
3. Third party services and products	13.806	557
b) Door-to-door sale:	**3**	**-**
1. Portfolio management		
2. Placement of securities		
3. Third party services and products	3	
c) Other distribution channels:	**123.160**	**-**
1. Portfolio management	123.160	
2. Placement of securities		
3. Third party services and products		

2.3 Commission expense: break-down

2.3.1 attributable to the banking group

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees received	(61)	(46)
b) Credit derivatives		-
c) Management and trading services:	(57.907)	(53.134)
1. Trading of financial instruments	(268)	
2. Currency trading		-
3. Portfolio management:	(55.596)	(51.110)
3.1 own portfolio		(51.025)
3.2 third parties' portfolio	(55.596)	(85)
4. Securities safekeeping and administration	(2.037)	(1.991)
5. Placement of financial instruments	(4)	(32)
6. Door-to-door sale of securities, financial products and services	(2)	(1)
d) Collection and payment services	(3.641)	(3.426)
e) Other services	(4.043)	(2.155)
Total	**(65.652)**	**(58.761)**

2.3.2 attributable to the insurance company

(Euro/1,000)

Type of service / Amount	Total 31.12.2006	Total 31.12.2005
a) Guarantees received		-
b) Credit derivatives		-
c) Management and trading services:	(9.374)	(8.340)
1. Trading of financial instruments	(3)	(2)
2. Currency trading		-
3. Portfolio management:	(9.370)	(6.673)
3.1 own portfolio	(9.370)	(6.673)
3.2 third parties' portfolio		-
4. Securities safekeeping and administration		-
5. Placement of financial instruments	(1)	(1.665)
6. Door-to-door sale of securities, financial products and services		-
d) Collection and payment services		-
e) Other services		-
Total	**(9.374)**	**(8.340)**

Section 3 - Dividends and other revenues - Caption 70

3.1 Dividends and other revenues: break-down

(Euro/1,000)

Caption / Income	Banking Group		Insurance Company		Total 31.12.2006		Total 31.12.2005	
	Dividends	Income from OICR quotas	Dividends	Income from OICR quotas	Dividends	Income from OICR quotas	Dividends	Income from OICR quotas
A. Financial assets held for trading	242				242		*169*	
B. Available-for-sale financial assets	384		31		415		*470*	
C. Financial assets at fair value through profit or loss			68		68			
D. Equity investments	-				-			
Total	**626**	**-**	**99**	**-**	**725**	**-**	**639**	**-**

Section 4 - Profits (losses) on financial trading activities - Caption 80

4.1 Profit (losses) on financial trading activities: break-down

4.1.1 attributable to the banking group

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets held for trading	**205**	**5.511**	**(876)**	**(1.299)**	**3.541**	**3.742**
1.1 Debt securities	183	1.518	(546)	(542)	**613**	**2.267**
1.2 Equity securities	22	1.683	(330)	(744)	**631**	**547**
1.3 OICR quotas		21		(13)	**8**	**-**
1.4 Financing		2.108			**2.108**	**928**
1.5 Other		181			**181**	
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities					**-**	
2.2 Other					**-**	
3. Other financial assets and liabilities: exchange differences					**757**	**82**
4. Derivative instruments	4.205	24.689	(4.144)	(24.718)	***425***	**791**
4.1 Derivatives held for trading:	4.205	24.689	(4.144)	(24.718)	***425***	**791**
- on debt securities and interest rates	*4.205*	*22.449*	*(4.144)*	*(22.350)*	***160***	**(46)**
- on equity securities and equity indices	-	*2.240*		*(2.368)*	***(128)***	**(12)**
- on currencies and gold					***393***	**1.017**
- others					**-**	**(168)**
4.2 Credit derivatives					**-**	
Total	**4.410**	**30.200**	**(5.020)**	**(26.017)**	**4.723**	**4.615**

4.1.2 attributable to the insurance company

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets held for trading	-	-	-	-	**-**	**-**
1.1 Debt securities					**-**	
1.2 Equity securities					**-**	
1.3 OICR quotas					**-**	
1.4 Financing					**-**	
1.5 Other					**-**	
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities					**-**	
2.2 Other					**-**	
3. Other financial assets and liabilities: exchange differences					**-**	
4. Derivative instruments	1.714	759	(6.111)	(84)	**(3.722)**	**(2.240)**
4.1 Derivatives held for trading:	1.714	759	(6.111)	(84)	**(3.722)**	**(2.240)**
- on debt securities and interest rates					**-**	
- on equity securities and equity indices	1.714	759	(6.111)	(84)	**(3.722)**	**(2.240)**
- on currencies and gold					**-**	
- others					**-**	
4.2 Credit derivatives					**-**	
Total	**1.714**	**759**	**(6.111)**	**(84)**	**(3.722)**	**(2.240)**

Section 5 – Fair value adjustments in hedge accounting - Caption 90

5.1 Fair value adjustments in hedge accounting: break-down

(Euro/1,000)

Income component/Value	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
A. Income relating to:				
A.1 Fair value hedging derivatives				7
A.2 Hedged financial assets (fair value)			-	
A.3 Hedged financial liabilities (fair value)	3.029		3.029	5.844
A.4 Cash flow hedge financial derivatives				
A.5 Currency assets and liabilities				
Total income from hedging activities (A)	**3.029**	-	**3.029**	5.851
B. Charges relating to:				
B.1 Fair value hedging derivatives	(4.490)		(4.490)	(5.992)
B.2 Hedged financial assets (fair value)				
B.3 Hedged financial liabilities (fair value)				
B.4 Cash flow hedge financial derivatives				
B.5 Currency assets and liabilities				
Total charges from hedging activities (B)	**(4.490)**	**-**	**(4.490)**	**(5.992)**
C. Net hedging income (A – B)	**(1.461)**	**-**	**(1.461)**	**(141)**

Section 6 – Profits (losses) from disposals/repurchases - Caption 100

6.1 Profits (losses) from disposals/repurchases: break-down

(Euro/1,000)

Caption/Income component	Banking Group			Insurance Company			Total 31.12.2006			Total 31.12.2005		
	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets												
1. Amounts due from banks												
2. Amounts due from customers												
3. Available-for-sale financial assets	2.999	(1.044)	**1.955**	2.545	(1.531)	**1.014**	5.544	(2.575)	**2.969**	2.969	(551)	**2.418**
3.1 Debt securities	*775*	*(597)*	***178***	*350*	*(1.216)*	***(866)***	*1.125*	*(1.813)*	***(688)***	*1.171*	*(340)*	***831***
3.2 Equity securities	*554*		***554***	*785*	*(205)*	***580***	*1.339*	*(205)*	***1.134***	*934*	*(165)*	***769***
3.3 OICR quotas	*1.670*	*(447)*	***1.223***	*1.410*	*(110)*	***1.300***	*3.080*	*(557)*	***2.523***	*864*	*(46)*	***818***
3.4 Financing												
4. Held-to-maturity investments			**-**			**-**	-	-	**-**	1	(5)	**(4)**
Total assets	**2.999**	**(1.044)**	**1.955**	**2.545**	**(1.531)**	**1.014**	**5.544**	**(2.575)**	**2.969**	**2.970**	**(556)**	**2.414**
Financial liabilities												
1. Amounts due to banks												
2. Amounts due to customers												
3. Securities issued	480	(36)	**444**			**-**	480	(36)	**444**	272	**(119)**	**153**
Total liabilities	**480**	**(36)**	**444**	**-**	**-**	**-**	**480**	**(36)**	**444**	**272**	**(119)**	**153**

Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss – Caption 110

7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down

7.1.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					**-**	
1.2 Equity securities					**-**	
1.3 OICR quotas					**-**	
1.4 Financing					**-**	
2. Financial liabilities	**969**	**10**	**-**	**-**	**979**	**384**
2.1 Securities issued	969	10			**979**	**384**
2.2 Amounts due to banks					**-**	
2.3 Amount due to customers					**-**	
3. Other financial assets and liabilities: exchange differences					**-**	
4. Derivative instruments	**-**	**-**	**(1.367)**	**-**	**(1.367)**	**(35)**
4.1 Financial derivatives	-	-	(1.367)	-	**(1.367)**	**(35)**
- on debt securities and interest rates			(1.367)		**(1.367)**	**(35)**
- on equity securities and equity indices					**-**	
- on currencies and gold					**-**	
- other					**-**	
4.2 Credit derivatives					**-**	
Total	**969**	**10**	**(1.367)**	**-**	**(388)**	**349**

7.1.2 attributable to the insurance company

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2006	Net income 31.12.2005
1. Financial assets	**19.084**	**2.531**	**(8.447)**	**(1.807)**	**11.361**	**37.769**
1.1 Debt securities	4.197	129	(5.241)	(294)	**(1.209)**	**(1.168)**
1.2 Equity securities	631	135	(79)	(8)	**679**	
1.3 OICR quotas	14.256	2.267	(3.127)	(1.505)	**11.891**	**38.937**
1.4 Financing					**-**	**-**
2. Financial liabilities	**-**	**-**	**(12.621)**	**-**	**(12.621)**	**(40.652)**
2.1 Securities issued					**-**	**-**
2.2 Amounts due to banks			(12.621)		**(12.621)**	
2.3 Amount due to customers					**-**	**(40.652)**
3. Other financial assets and liabilities: exchange differences					**-**	**-**
4. Derivative instruments	-	-	-	-	**-**	**-**
4.1 Financial derivatives	-	-	-	-	**-**	**-**
- on debt securities and interest rates					**-**	
- on equity securities and equity indices					**-**	
- on currencies and gold					**-**	
- other					**-**	
4.2 Credit derivatives					**-**	**-**
Total	**19.084**	**2.531**	**(21.068)**	**(1.807)**	**(1.260)**	**(2.883)**

Section 8 – Impairment losses/write-backs - Caption 130

8.1 Impairment losses/write-backs: break-down

8.1.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		2006	2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Amounts due from banks			(36)				12	(24)	(13)
B. Amounts due from customers	(5.256)	(18.936)	(1.426)	1.438	9.649		1.071	(13.460)	(18.560)
C. Total	**(5.256)**	**(18.936)**	**(1.462)**	**1.438**	**9.649**	**-**	**1.083**	**(13.484)**	**(18.573)**

8.1.2 attributable to the insurance company

(Euro/1,000)

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		2006	2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Amounts due from banks								-	
B. Amounts due from customers		(48)				286		238	
C. Total	**-**	**(48)**	**-**	**-**	**-**	**286**	**-**	**238**	**-**

8.4 Impairment losses/write-backs to other financial transaction: break-down
8.4.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		2006	2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Guarantees granted		(29)	(87)		105		489	478	(674)
B. Credit derivatives								-	
C. Commitments to grant finance								-	
D. Other transactions								-	
E. Total	**-**	**(29)**	**(87)**	**-**	**105**	**-**	**489**	**478**	**(674)**

Section 9 - Net insurance premiums – Caption 150

9.1 Net insurance premiums: break-down

(Euro/1,000)

Premiums from insurance activities	Direct work	Indirect work	Total 31.12.2006	Total 31.12.2005
A. Life branch				
A.1 Gross premiums accounted for (+)	142.269		142.269	171.364
A.2 Premiums ceded for reinsurance (-)	-447		-447	-1.193
A.3 Total	141.822	0	141.822	170.171
B. Casualty branch			*0*	*0*
B.1 Gross premiums accounted for (+)				
B.2 Premiums ceded for reinsurance (-)				
B.3 Changes of the gross amount of premium reserve (+/-)				
B.4 Changes in premium reserves reassured with third parties (-/+)				
B.5 Total	0	0		
C. Total net insurance premiums	**141.822**		**141.822**	**170.171**

Section 10 - Balance of other income/charges arising on insurance activities - Caption 160

10.1 Balance of other income/charges arising on insurance activities: break-down

(Euro/1,000)

Captions	Total 31.12.2006	Total 31.12.2005
1. Net change in technical reserves	(111.718)	(165.571)
2. Claims accrued and paid during the year	(30.475)	(7.414)
3. Other income/charges arising on insurance activities	(2.578)	15
Total	**(144.771)**	**(172.970)**

10.2 Break-down of sub-caption "Net change in technical reserves"

(Euro/1,000)

Net change in technical reserves	Total 31.12.2006	Total 31.12.2005
1. Life branch		
A. Mathematical reserves		
A.1 Gross annual amount	(110.277)	(164.744)
A.2 (-) Amount reassured with third parties	156	1.026
B. Other technical reserves		
B.1 Gross annual amount	(551)	(531)
B.2 (-) Amount reassured with third parties		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount	(1.046)	(1.322)
C.2 (-) Amount reassured with third parties		
Total "life branch reserves"	**(111.718)**	**(165.571)**
2. Casualty branch		
Changes in other technical reserves of casualty branch other than claims fund net of ceded insurance		

10.3 Break-down of sub-caption "Claims accrued during the year"

(Euro/1,000)

Charges associated to claims	Total 31.12.2006	Total 31.12.2005
Life branch: charges associated to claims, net of reinsurance ceded		
A. Amounts paid		
A.1 Gross annual amount	(30.590)	(7.322)
A.2 (-) Amount reassured with third parties	115	
B. Changes in funds for amounts to be disbursed		
B.1 Gross annual amount		
B.2 (-) Amount reassured with third parties		(92)
Total life branch claims	**(30.475)**	**(7.414)**
Casualty branch: charges associated to claims, net of recoveries and reinsurance ceded		
C. Amounts paid:		
C.1 Gross annual amount		
C.2 (-) Amount reassured with third parties		
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund		
E.1 Gross annual amount		
E.2 (-) Amount reassured with third parties		
Total casualty branch claims	**-**	**-**

Section 11 - Administrative costs - Caption 180

11.1 Personnel costs: break-down

(Euro/1,000)

Type of costs / Sectors	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
1) Employees	(115.904)	(1.404)	(117.308)	(103.346)
a) Wages and salaries	(73.316)	(1.041)	(74.357)	(65.519)
b) Social security charges	(18.340)	(272)	(18.612)	(16.713)
c) Provision for employee termination indemnities	(2)	-	(2)	(2)
d) Social security costs	(476)	(25)	(501)	(38)
e) Accruals to provisions for termination indemnities	(6.131)	(59)	(6.190)	(5.991)
f) Accruals to pension funds and similar funds:	-	-	-	-
- defined contribution			-	
- defined benefit			-	-
g) Amounts paid to external complementary social security funds:	(3.249)	-	(3.249)	(3.321)
- defined contribution	(3.249)	-	(3.249)	(3.321)
- defined benefit	-	-	-	
h) Costs arising on payment agreements based on own financial instruments	(3.596)	(7)	(3.603)	(5.308)
i) Other benefits in favor of employees	(10.794)	-	(10.794)	(6.454)
2) Other personnel	(1.954)	(5)	(1.959)	(1.238)
3) Directors	(6.384)	(180)	(6.564)	(5.084)
Total	**(124.242)**	**(1.589)**	**(125.831)**	**(109.668)**

11.2 Average number of employees by category: banking group

	31.12.2006	31.12.2005
Employees		
a) executives	36	32
b) managers	683	585
third and fourth level managers	*337*	*300*
c) remaining employees	809	726
Total employees	1.528	1.343
Other personnel	44	28

11.5 Other administrative costs: break-down

(Euro/1,000)

	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
indirect taxes and duties	(11.573)		(11.573)	(9.945)
data processing costs	(9.152)	(1.339)	(10.491)	(9.281)
rents paid on properties	(6.973)	(10)	(6.983)	(5.808)
equipment and software lease	(565)	-	(565)	(530)
real and personal estate maintenance	(4.924)	-	(4.924)	(4.627)
telephone, postal, data transmission charges	(7.578)	(8)	(7.586)	(5.912)
electric power, heating, water	(2.461)	-	(2.461)	(2.077)
cleaning of premises	(944)	-	(944)	(810)
printed forms and stationery	(2.277)	(9)	(2.286)	(1.185)
travel and transport costs	(916)	-	(916)	
professional services	(8.160)	(374)	(8.534)	(6.569)
surveillance and security	(1.965)	-	(1.965)	(2.304)
advertising and entertainment	(3.618)	-	(3.618)	(2.979)
information and certificates	(1.182)	-	(1.182)	(1.196)
insurance	(1.692)	-	(1.692)	(1.661)
contributions and donations	(543)	-	(543)	(213)
other expenses	(5.501)	(1.437)	(6.938)	(9.093)
		-		
Total	**(70.024)**	**(3.177)**	**(73.201)**	**(64.190)**

Section 12 - Net provisions for risks and charges – Caption 190

12.1 Net provisions for risks and charges – Caption 190

(Euro/1,000)

Type of provision / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
charges for legal disputes and claw-back actions	(3.101)		**(3.101)**	**(5.035)**
other	(295)	(100)	**(395)**	**(32)**
Total	**(3.396)**	**(100)**	**(3.496)**	**(5.067)**

Section 13 – Net adjustments/write-backs to tangible assets – Caption 200

13.1 Net adjustments/write-backs to tangible assets: break-down

13.1.1 attributable to the banking group

(Euro/1,000)

Asset / Income component	Depreciation	Impairment adjustments	Write-backs	Net income 31.12.2006	Net income 31.12.2005
A. Tangible assets					
A.1 owned by the Bank	(5.382)	-	-	(5.382)	(4.124)
- for business use	(5.382)			(5.382)	(4.124)
- for investment				-	-
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(5.382)**	**-**	**-**	**(5.382)**	**(4.124)**

13.1.2 attributable to the insurance company

(Euro/1,000)

Asset / Income component	Depreciation	Impairment adjustments	Write-backs	Net income 31.12.2006	Net income 31.12.2005
A. Tangible assets					
A.1 owned by the Bank	(19)	-	-	(19)	(15)
- for business use	(19)			(19)	(15)
- for investment				-	-
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(19)**	**-**	**-**	**(19)**	**(15)**

Section 14 – Net adjustments/write-backs to intangible assets - Caption 210

14.1 Net adjustments/write-backs to intangible assets: break-down

14.1.1 attributable to the banking group

(Euro/1,000)

Asset/Income component	Amortization	Impairment adjustments	Write-backs	Net income 31.12.2006	Net income 31.12.2005
A. Intangible assets				-	
A.1 owned by the Bank	(777)	-	-	(777)	(688)
- generated internally				-	
- other	(777)			(777)	(688)
A.2 leased				-	
Total	**(777)**	**-**	**-**	**(777)**	**(688)**

14.1.2 attributable to the insurance company

(Euro/1,000)

Asset/Income component	Amortization	Impairment adjustments	Write-backs	Net income 31.12.2006	Net income 31.12.2005
A. Intangible assets				-	
A.1 owned by the Bank	(50)	-	-	(50)	(24)
- generated internally				-	
- other	(50)			(50)	(24)
A.2 leased				-	
Total	**(50)**	**-**	**-**	**(50)**	**(24)**

Section 15 – Other operating income (expenses) - Caption 220

15.1 Other operating expenses: break-down

(Euro/1,000)

Income component / Amount	Banking Group	Insurance Company	Total 31.12.2006	Total 31.12.2005
amortization of costs for leasehold improvements	(1.650)		**(1.650)**	(1.295)
charges on non-banking services	(2.516)	(416)	**(2.932)**	(2.020)
Total	**(4.166)**	**(416)**	**(4.582)**	**(3.315)**

15.2 Other operating income: break-down

(Euro/1,000)

Income component / Amount	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
recovery of taxes from third parties	9.853	-	**9.853**	8.408
recovery of insurance premiums from customers	1.395	-	**1.395**	1.102
cost recoveries	20.092	-	**20.092**	18.559
other income	2.773	173	**2.946**	3.824
Total	**34.113**	**173**	**34.286**	**31.893**

Section 20 - Income taxes for the period: break-down – Caption 290

20.1 Income taxes for the period: break-down

(Euro/1,000)

Income component/Sector	Banking Group	Insurance Companies	Total 31.12.2006	Total 31.12.2005
1. Current taxes (-)	(60.140)	(2.553)	(62.693)	(47.955)
2. Changes in current taxes of previous periods (+/-)	827		827	(51)
3. Decrease in current taxes of the period (+)			-	
4. Changes in deferred tax assets (+/-)	1.568	(20)	1.548	116
5. Changes in deferred tax liabilities (+/-)	(433)	(10)	(443)	569
6. Taxes for the year (-)	**(58.178)**	**(2.583)**	**(60.761)**	**(47.321)**

20.2 Reconciliation of theoretical and effective tax changes in the financial statements

(Euro/1000)

	IRES		IRAP	
Profit before taxes	145.120		145.120	
Non-deductible costs for IRAP purposes			145.923	
Non-taxable revenues for IRAP purposes			(24.397)	
Sub-Total	145.120		266.646	
Theoretical tax charge 33% Ires - 5.25% Irap		**47.890**		**13.948**
Temporary taxable differences over subsequent years	(8.189)		(4.769)	
Temporary deductible differences over subsequent years	15.326		736	
Reallocation of temporary differences from previous financial years	(9.946)		(517)	
Differences not to be reversed in subsequent years	(2.123)		(520)	
Taxable income	140.188		261.576	
Current taxes for the period 33% Ires - 5.25%/4.40% Irap		**46.262**		**13.682**

Reconciliation is made for the sole consolidated companies which are resident in Italy, since no substantial differences between the theoretical tax charge and the actual charge shown in the accounts are recognised for foreign companies.

Section 22 - Profit (loss) for the period attributable to minority interests – Caption 330

22.1 Break-down of caption 330 "Profit for the period attributable to minority interests"

(Euro/1000)

	31.12.2006	31.12.2005
ANIMA S.G.R.p.A.	(12.649)	(7.230)
Banco Desio Lazio S.p.A.	(12)	(19)
Chiara Vita S.p.A.	(17)	(16)
Brianfid S.A.	(294)	(287)
Total	**(12.972)**	**(7.552)**

Section 24 - Earnings per share

24.2 Other information

(amounts as per units)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	11.173.500	1.518.230	
Proposal for retained earnings	34.946.947	4.748.514	
	46.120.447	6.266.744	52.387.191
Average number of ordinary shares in circulation:			
Categories:			
Ordinary shares 117.000.000			
Savings shares 13.202.000			
Earnings per share - Basic :	**0,39**	**0,47**	

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

PART D – SEGMENT REPORTING

Consolidated results by business segment and geographic segment

This section reports the consolidated results divided among the various business segments. Given the guidelines of IAS 14, Banco Desio Group has recognized as its primary format, as provided by the accounting standard, segment reporting by “business segment” in that this constitutes the most effective description of the Group’s profitability. Accordingly, segment reporting by geographic segment represents the secondary format, as provided by the accounting standard. In relation to Banco Desio Group’s organizational structure, at a Segment Reporting level information by business segment is structured on the basis of the following principles:

- for the commercial banks (Banco Desio SpA, Banco Desio Lazio SpA, Banco Desio Toscana SpA and Banco Desio Veneto SpA), customer business units were defined, adopting a basis of segmentation centred on the customers’ characteristics, considering the following variables:
  - type of customer (sector of economic activity);
  - legal form (joint-stock company, or not);
  - size (sales).

Those principles led to the establishment of the following business units:

- *retail customers*: bringing together the activities directed towards private customers and small businesses (artisans, family-owned businesses and professionals). Included in this segment are products related fundamentally to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- *corporate customers:* bringing together the activities directed towards both customers of medium and large enterprises and customers with financial institution characteristics. Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; documentary credit; and leasing and factoring.
- *investment banking:* bringing together the activities related to the Bank’s own securities portfolio and the Interbank market;
- *corporate center:* this segment includes the Group’s direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the functioning of several business segments, entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intragroup adjustments are allocated to the corporate center, except where the intragroup balances are between companies within the same segment.

The results of the subsidiaries (Anima Sgr, Brianfid Sa, Banca Credito Privato Commerciale Sa, Valorfin Sa, Desio Vita SpA now Chiara Vita Spa, Chiara Assicurazioni SpA), considering the specificity of the activity performed by them, are allocated to the “asset management” segment. For the commercial banks, the construction of Income Statement data by segment is carried out on the basis of the following principles:

- *net interest income*: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- *net income from services*: is obtained by direct allocation of each actual asset and liability commission component;
- *operating costs*: are allocated to each segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full-costing method.
- *provisions and adjustments*: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.
The data by business segment is shown before intragroup balances, except where the intragroup balances are between companies within the same segment.
With regard to the disclosure of results by geographic segment, both the Income Statement data and the balance sheet data in the related tables refer to the residence of the individual operating units of the Group, whose strength is in the local market of northern Italy.

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Income Statement data (amounts in Euro/1,000)	**31/12/06**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Margin on banking and insurance activities (1)	364.630	183.898	70.903	5.951	81.591	22.487
Structure costs (2)	-205.260	-115.169	-33.845	-1.806	-27.549	-26.901
Provisions and adjustments (3)	-16.264	-7.379	-5.570	0	27	-3.342
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**143.106**	**61.160**	**31.488**	**4.145**	**54.069**	**-7.756**

Income Statement data (amounts in Euro/1,000)	31/12/05	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	302.990	161.284	69.784	6.261	50.935	14.726
Structure costs (2)	-178.807	-104.439	-29.205	-2.107	-20.536	-22.520
Provisions and adjustments (3)	-24.355	-11.089	-8.200	0	-282	-4.784
Profits/(losses) on equity investments accounted for under the equity method	58.760	0	0	0	0	58.760
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**158.588**	**45.756**	**32.379**	**4.154**	**30.117**	**46.182**

(1) from the Income Statement, reclassified
(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

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Balance sheet data (amounts in Euro/1,000)	**31/12/06**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Financial assets	2.303.297	0	0	954.482	1.510.807	-161.992
Amounts due from banks	446.003	0	0	386.019	97.309	-37.325
Loans to and receivables from customers	4.155.849	2.385.989	1.750.491	0	19.369	0
Amounts due to banks	104.138	0	0	103.596	11.704	-11.162
Amounts due to customers	3.513.797	2.500.126	971.601	0	70.002	-27.932
Securities issued	1.390.103	1.299.283	181.813	8.916	0	-99.909
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15.479.873**	**6.591.938**	**2.874.879**	**0**	**5.405.661**	**607.395**

Balance sheet data (amounts in Euro/1,000)	31/12/05	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	1.728.083	0	0	684.758	1.139.934	-96.069
Amounts due from banks	718.737	0	0	671.215	75.277	-27.755
Loans to and receivables from customers	3.505.252	2.029.277	1.459.607	0	16.369	-1
Amounts due to banks	48.648	0	0	41.905	11.856	-5.113
Amounts due to customers	2.929.281	1.996.859	907.816	0	50.428	-25.822
Securities issued	1.493.241	1.401.988	182.454	0	0	-91.201
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15.187.112**	**6.096.278**	**2.220.955**	**0**	**5.963.951**	**905.928**

(1) from the Income Statement, reclassified on a management basis
(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

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	**31/12/06**	**NORTHERN ITALY**	**REST OF ITALY**	**REST OF THE WORLD**
Margin on banking and insurance activities (1)	364.630	323.679	29.261	11.690
Structure costs (2)	-205.260	-177.245	-21.143	-6.872
Provisions and adjustments (3)	-16.264	-14.214	-1.939	-111
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**143.106**	**132.220**	**6.179**	**4.707**

Income Statement data (amounts in Euro/1,000)	31/12/05	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Margin on banking and insurance activities (1)	302.990	269.474	24.682	8.834
Structure costs (2)	-178.807	-155.280	-17.376	-6.151
Provisions and adjustments (3)	-24.355	-22.341	-1.982	-32
Profits/(losses) on equity investments accounted for under the equity method	58.760	58.760	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**158.588**	**150.613**	**5.324**	**2.651**

(1) from the Income Statement, reclassified
(2) administrative expenses, net adjustments to tangible and intangible assets
(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	TOTAL	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	2.303.297	2.182.659	118.485	2.153
Amounts due from banks	446.003	162.771	209.157	74.075
Loans to and receivables from customers	4.155.849	3.635.300	510.108	10.441
Amounts due to banks	104.138	85.400	18.738	0
Amounts due to customers	3.513.797	2.844.366	601.780	67.651
Securities issued	1.390.103	1.253.214	136.889	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15.479.873**	**13.661.814**	**1.023.737**	**794.322**

Balance sheet data (amounts in Euro/1,000)	31/12/05	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	1.728.083	1.648.513	77.259	2.311
Amounts due from banks	718.737	411.038	254.080	53.619
Loans to and receivables from customers	3.505.252	3.085.528	411.897	7.827
Amounts due to banks	48.648	30.449	18.199	0
Amounts due to customers	2.929.281	2.343.255	537.680	48.346
Securities issued	1.493.241	1.354.450	138.791	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15.187.112**	**13.461.293**	**1.029.329**	**696.490**

Part E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 - BANKING GROUP'S RISKS

1. CREDIT RISK
Qualitative information

1. General aspects

The Group's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.
The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.
The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.
Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.
For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

2. Policies for the management of credit risks

2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.
The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.
In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific control regulations for the different levels in banking Group companies.
The individual activities are described in greater detail in the Notes to the Financial Statements - Part E - of the Parent Company to which reference is made for more details.

2.2. Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.
The organisational structure and the risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated. For these aspects, reference is made to the Notes to the Financial Statements - Part E - of the Parent Company.

With reference to the process of adaptation to the new provisions governing prudential supervision (Bank of Italy's Circular Letter no. 263 of 27 December 2006), the Parent Company and the other subsidiary Italian banks have decided to take advantage of the possibility of applying the previous prudential rules on a transitional basis over the 2007 accounting period. With effect from 1 January 2008, the calculation of required assets as against credit risks will follow the rules laid down by the new legislation for the standardised method. Notwithstanding this, and in view of a possible development towards more advanced methods for the calculation of the required assets, an internal rating model is currently being tested (C.R.S. - Credit Rating System) capable of classifying each counterparty in risk classes, each of such classes having the same probability of insolvency.

2.3 Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Group obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash, however significant, are also to be found, but to a lesser extent.
The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. Furthermore, contract valuation activities have been carried out in the context of adaptation to the new prudential rules, intended to ensure compliance with the general requirements laid down in terms of Credit Risk Mitigation.
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

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 timely take legal actions in order to safeguard the credit effectively.

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.

Positions which are overdue for more than 90 and/or 180 days, are kept under constant review 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 by outside legal counsels operating in various court districts.

Quantitative information

A. Credit quality

A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area

A.1.1 Financial assets analysed by portfolio and credit quality (book values)

Euro/1000

Portfolio / Quality	Banking Group						Other Companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading						463.860		23.369	**487.229**
2. Available-for-sale financial assets					-	481.914		422.438	**904.352**
3. Held-to-maturity investments						8.035			**8.035**
4. Amount due from banks					93	445.910			**446.003**
5. Amounts due from customers	24.927	22.236	-	14.670	12	4.094.004	-	-	**4.155.849**
6. Financial assets at fair value through profit or loss						-		903.681	**903.681**
7. Financial assets under disposal									**-**
8. Hedging derivatives						8.305			**8.305**
Total 31.12.2006	**24.927**	**22.236**	**-**	**14.670**	**105**	**5.502.028**	**-**	**1.349.488**	**6.913.454**
Total 31.12.2005	**21.233**	**14.446**	**-**	**22.605**	**37**	**4.876.953**	**-**		**4.935.274**

A.1.2 Financial assets analysed by portfolio and credit quality (gross and net values)

Euro/1000

Portfolio / Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group								
1. Financial assets held for trading				-	X	X	463.860	**463.860**
2. Available-for-sale financial assets				-	481.914		481.914	**481.914**
3. Held-to-maturity investments				-	8.035		8.035	**8.035**
4. Amount due from banks				-	446.043	40	446.003	**446.003**
5. Amounts due from customers	101.150	39.316	-	61.834	4.116.603	22.588	4.094.015	**4.155.849**
6. Financial assets at fair value through profit or loss				-	X	X	-	**-**
7. Financial assets under disposal				-			-	**-**
8. Hedging derivatives				-	X	X	8.305	**8.305**
Total A	**101.150**	**39.316**	**-**	**61.834**	**5.052.595**	**22.628**	**5.502.132**	**5.563.966**
B. Other companies included in the scope of consolidation								
1. Financial assets held for trading					X	X	23.369	**23.369**
2. Available-for-sale financial assets					422.438		422.438	**422.438**
3. Held-to-maturity investments								**-**
4. Amount due from banks								**-**
5. Amounts due from customers								**-**
6. Financial assets at fair value through profit or loss					X	X	903.681	**903.681**
7. Financial assets under disposal								**-**
8. Hedging derivatives					X	X		**-**
Total B	**-**	**-**	**-**	**-**	**422.438**	**-**	**1.349.488**	**1.349.488**
Total 31.12.2006	**101.150**	**39.316**	**-**	**61.834**	**5.475.033**	**22.628**	**6.851.620**	**6.913.454**
Total 31.12.2005	**101.979**	**43.696**	**-**	**58.283**	**4.899.261**	**22.272**	**4.876.989**	**4.935.272**

A.1.3 Cash and off-balance sheet loans to banks: gross and net values

Euro/1000

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a.1 Banking Group				
a) Non-performing loans				-
b) Problem loans				-
c) Restructured loans				-
d) Expired loans				-
e) Country risk	132		40	92
f) Other assets	588.471			588.471
TOTAL A.1	**588.603**	**-**	**40**	**588.563**
A.2 Other Companies				
a) Impaired				-
b) Other	410.297			410.297
TOTAL A.2	**410.297**	**-**	**-**	**410.297**
TOTAL A	**998.900**		**40**	**998.860**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking Group				
a) Impaired				-
b) Other	65.904		1	65.903
TOTAL B.1	**65.904**	**-**	**1**	**65.903**
B.2 Other Companies				
a) Impaired				-
b) Other	23.369			23.369
TOTAL B.2	**23.369**	**-**	**-**	**23.369**
TOTAL B	**89.273**		**1**	**89.272**

A.1.4 Cash loans to banks: changes in impaired loans subject to "country risk" - gross

Euro/1000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure					52
of which: loans sold but not written off					
B. Increases	**-**				**119**
b.1 from performing loans					119
b.2 transfer from other categories of impaired loans					
b.3 other increases					-
C. Decreases	**-**				**39**
c.1 to performing loans					39
c.2 cancellations					
c.3 collections					
c.4 arising from sales					-
c.5 transfer to other categories of impaired loans					
c.6 other decreases					
D. Closing gross exposure	**-**	**-**	**-**	**-**	**132**
of which: loans sold but not written off					

A.1.5 Cash loans to banks: changes in total value adjustments

Euro/1000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments					16
of which: loans sold but not written off					
B. Increases	**-**				**36**
b.1 adjustments					36
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**12**
c.1 write-backs due to valuation					12
c.2 write-backs due to collection					
c.3 cancellations					
c.4 transfer to other categories of impaired loans					
c.5 other decreases					
D. Total closing adjustments	**-**	**-**	**-**	**-**	**40**
of which: loans sold but not written off					

A.1.6 Cash and off-balance sheet loans to customers: gross and net values

Euro/1000

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
A.1 Banking Group				
a) Non-performing loans	52.642	27.715		24.927
b) Problem loans	33.490	11.253		22.237
c) Restructured loans				-
d) Expired loans	15.017	347		14.670
e) Country risk	18		5	13
f) Other assets	4.899.533		22.583	4.876.950
Total A.1	**5.000.700**	**39.315**	**22.588**	**4.938.797**
A.2 Other Companies				
a) Impaired				
b) Other	1.025.962			1.025.962
Total A.2	**1.025.962**	**-**	**-**	**1.025.962**
TOTAL A	**6.026.662**	**39.315**	**22.588**	**5.964.759**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking Group				
a) Impaired	724		34	690
b) Other	384.730		687	384.043
Total B.1	**385.454**	**-**	**721**	**384.733**
B.2 Other Companies				
a) Impaired				-
b) Other				-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**385.454**	**-**	**721**	**384.733**

A.1.7 Cash loans to customers: changes in impaired loans subject to "country risk" – gross

Euro/1000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure	**55.330**	**23.812**		**22.838**	
of which: loans sold but not written off					
B. Increases	**31.346**	**27.803**	**-**	**16.947**	**18**
b.1 from performing loans	18.253	23.056		15.228	18
b.2 transfer from other categories of impaired loans	10.703	1.154		119	
b.3 other increases	2.390	3.593		1.600	
C. Decreases	**34.033**	**18.124**	**-**	**24.768**	**-**
c.1 to performing loans		1.654		8.481	
c.2 cancellations	13.089				
c.3 collections	14.274	7.619		13.113	
c.4 arising from sales					
c.5 transfer to other categories of impaired loans		8.802		3.174	
c.6 other decreases	6.670	49			
D. Closing gross exposure	**52.643**	**33.491**	**-**	**15.017**	**18**
of which: loans sold but not written off					

A.1.8 Cash loans to customers: changes in total value adjustments

Euro/1000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments	**34.097**	**9.366**		**233**	
of which: loans sold but not written off					
B. Increases	**18.358**	**9.223**	**-**	**331**	**5**
b.1 adjustments	13.927	9.212		329	5
b.2 transfer from other categories of impaired loans	4.431	11		2	
b.3 other increases					
C. Decreases	**24.740**	**7.334**	**-**	**215**	**-**
c.1 write-backs due to valuation	2.472	1.433		3	
c.2 write-backs due to collection	3.534	1.441		182	
c.3 cancellations	13.089				
c.4 transfer to other categories of impaired loans		4.412		30	
c.5 other decreases	5.645	48			
D. Total closing adjustments	**27.715**	**11.255**	**-**	**349**	**5**
of which: loans sold but not written off					

A.2 Break-down of exposures based on external and internal ratings

A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is small.

A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings

This table has not been filled in because to date the Group has not used internal models completely and systematically to measure exposure to credit risk; these models, however, are in the process of being developed and refined in relation to the Basel 2 project within the Parent Company.

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Secured cash loans to banks and customers

Euro/1000

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured													-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	2.386.300	1.263.659	149.520	71.912							4.857	896.350	2.386.298
2.2 partially secured	258.776		30.124	25.327							2.549	101.530	159.530

A.3.2 Secured off-balance sheet loans to banks and customers

Euro/1000

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured													-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	86.160	11	28.201	17.143								40.804	86.159
2.2 partially secured	14.623		3.428	2.826							55	2.613	8.922

A.3.3 Impaired secured cash loans to banks and customers

Euro/1000

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	23.314	23.314	20.937	277	10														2.090	**23.314**	
2.2 between 100% and 150%	1.976	1.976	652	121	157														1.045	**1.975**	1
2.3 between 50% and 100%	7.220	7.096	529	788	362														5.134	**6.813**	407
1.4 under 50%	7.873	7.338		222															897	**1.119**	6.754

A.3.4 Impaired secured off-balance sheet loans to banks and customers

Euro/1000

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	394	394		4	390															**394**	
2.2 between 100% and 150%	24	24		24																**24**	
2.3 between 50% and 100%	207	188		124	62														2	**188**	19
1.4 under 50%	44	44																	2	**2**	42

B. Break-down and concentration of loans

B.1 Cash and off-balance sheet loans to customers: break-down by sector

Euro/1000

Loan/Counterparty	Governments and central banks				Other public entities				Financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans												0
A.2 Problem loans									180	-144		36
A.3 Restructured loans												0
A.4 Expired loans												-
A.5 Other loans	1.066.584			1.066.584	228			228	718.400		- 365	718.035
Total A	**1.066.584**	**-**	**-**	**1.066.584**	**228**	**-**	**-**	**228**	**718.580**	**- 144**	**- 365**	**718.071**
B. Off-balance sheet loans												
B.1 Non-performing loans												-
B.2 Problem loans												-
B.3 Other impaired assets												-
B.4 Other loans									52.954		- 31	52.923
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52.954**	**-**	**- 31**	**52.923**
Total (A+B) 2006	**1.066.584**	**-**	**-**	**1.066.584**	**228**	**-**	**-**	**228**	**771.534**	**- 144**	**- 396**	**770.994**
Total 2005	**597.518**			**597.518**	**470**		**- 3**	**467**	**688.333**	**- 91**	**- 260**	**687.982**

Euro/1000

Loan/Counterparty	Insurance companies				Non financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans					39.293	- 22.549		16.744	13.351	- 5.166		8.185
A.2 Problem loans					23.144	- 8.682		14.462	10.167	- 2.429		7.738
A.3 Restructured loans								-				-
A.4 Expired loans					10.316	- 229		10.087	4.701	- 118		4.583
A.5 Other loans	6.549			6.549	3.100.801		- 19.914	3.080.887	1.032.949		- 2.302	1.030.647
Total A	**6.549**	**-**	**-**	**6.549**	**3.173.554**	**- 31.460**	**- 19.914**	**3.122.180**	**1.061.168**	**- 7.713**	**- 2.302**	**1.051.153**
B. Off-balance sheet loans												
B.1 Non-performing loans					427		- 22	405				-
B.2 Problem loans					30		- 11	19	3		- 2	1
B.3 Other impaired assets					103			103	161			161
B.4 Other loans					210.227		- 561	209.666	121.549		- 95	121.454
Total B	**-**	**-**	**-**	**-**	**210.787**	**-**	**- 594**	**210.193**	**121.713**	**-**	**- 97**	**121.616**
Total (A+B) 2006	**6.549**	**-**	**-**	**6.549**	**3.384.341**	**- 31.460**	**- 20.508**	**3.332.373**	**1.182.881**	**- 7.713**	**- 2.399**	**1.172.769**
Total 2005	**500**			**500**	**2.796.264**	**- 30.721**	**- 18.398**	**2.747.145**	**1.100.431**	**- 12.925**	**- 5.677**	**1.081.829**

With reference to values for 2005 financial year, posted as net exposures, it should be noted that these values refer to cash loans only.

B.2 Distribution of loans to resident, non-financial institutions

Euro/1000

Sector	31.12.2006	31.12.2005
other services relating to sales	817.819	669.899
commercial, recovery and repair services	661.979	585.542
public works	325.959	258.458
metal products, excluding motor and transport vehicles	193.138	179.924
textile products, leather and shoes, clothing	153.715	131.967
other sectors	862.188	755.769
Total	**3.014.798**	**2.581.559**

B.3 Cash and off-balance sheet loans to customers: break-down by geographical area

Euro/1000

Loans/ Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans	52.642	24.927								
A.2 Problem loans	33.490	22.236								
A.3 Restructured loans										
A.4 Expired loans	15.017	14.670								
A.5 Other loans	5.127.128	5.104.774	787.708	787.593	5.130	5.130			5.550	5.429
Total A	**5.228.277**	**5.166.607**	**787.708**	**787.593**	**5.130**	**5.130**	**-**	**-**	**5.550**	**5.429**
B. Off-balance sheet loans										
B.1 Non-performing loans	427	406								
B.2 Problem loans	33	20								
B.3 Other impaired assets	264	264								
B.4 Other loans	384.561	383.874							169	169
Total B	**385.285**	**384.564**	**-**	**-**	**-**	**-**	**-**	**-**	**169**	**169**
Total (A+B) 2006	**5.613.562**	**5.551.171**	**787.708**	**787.593**	**5.130**	**5.130**	**-**	**-**	**5.719**	**5.598**
Total 2005	**4.600.597**	**4.532.550**	**532.148**	**532.107**	**40.839**	**40.784**				

B.4 Cash and off-balance sheet loans to banks : break-down by geographical area

Euro/1000

Loans / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	702.745	724.949	271.714	271.714	520	520	199	193	23.720	23.686
Total A	**702.745**	**724.949**	**271.714**	**271.714**	**520**	**520**	**199**	**193**	**23.720**	**23.686**
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	65.259	41.976	22.186	22.186	15	15	31	30	1.785	1.785
Total B	**65.259**	**41.976**	**22.186**	**22.186**	**15**	**15**	**31**	**30**	**1.785**	**1.785**
Total (A+B) 2006	**768.004**	**766.925**	**293.900**	**293.900**	**535**	**535**	**230**	**223**	**25.505**	**25.471**
Total 2005	**832.195**	**832.182**	**341.138**	**341.138**	**11.562**	**11.562**	**997**	**997**	**407**	**407**

B.5 Large risks

No item reported under “Large risks”.

C. Securitizations and asset disposals

C.1 Securitization transactions

C.1.1 Loans arising from securitization transactions divided by quality of the underlying asset

Euro/1000

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired																		
b) other																		
B. With third party underlying assets																		
a) impaired																		
b) other	13.843	13.843																

C.1.3 Loans arising from main "third party" securitization transactions divided by type of securitized asset and of loan

Euro/1000

Underlying asset / Loan	Cash Loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs
A.1 S.C.C. 19/09/08																		
- loans	8.462																	
A.2 S.C.I.P. 26/04/25																		
- property	2.330	- 11																
A.3 F.I.P.F. 10/01/23																		
- property	3.051	- 6																

C.1.4 Loans to securitizations divided by financial asset portfolio and by type

Euro/1000

Exposure/portfolio	Trading	Valued at fair value	Available for sale	Held to maturity	Loans	Total 31.12.2006	Total 31.12.2005
1. Cash loans			**5.381**		**8.462**	**13.843**	**27.601**
- senior			5.381		8.462	13.843	27.601
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

C.1.7 Servicing activity – collection of securitized loans and repayment of securities issued by special purpose vehicle

Euro/1000

Servicer	Special purpose vehicle	Securitized assets (end of period)		Loans collected for the year		As a percentage of repaid securities (end of period)					
						senior		mezzanine		junior	
		impaired	performing	impaired	performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
Banco di Desio e della Brianza S.p.A.	S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROMA		19.295		25.916		100				

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

Euro/1000

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																			
1. Debt securities	377.977						109.758												**487.735**
2. Equity securities																			
3. O.I.C.R.																			
4. Financing																			
5. Impaired assets																			
B. Derivative instruments																			
Total 31.12.2006	**377.977**						**109.758**												**487.735**
Total 31.12.2005	**190.634**						**49.001**												**239.635**

Legend:

A = fully recorded financial assets sold (book value)

B = partially recorded financial assets sold (book value)

C = fully recorded financial assets sold (full value)

C.2.2 Financial liabilities against assets sold but not written off

Euro/1000

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
1. Due to customers							
a) corresponding to fully recorded assets	366.392		72.588				**438.980**
b) corresponding to partially recorded assets							
2. Due to banks							
a) corresponding to fully recorded assets							**-**
b) corresponding to partially recorded assets							
Total 31.12.2006	**366.392**	**-**	**72.588**	**-**	**-**	**-**	**438.980**
Total 31.12.2005	**214.968**						**214.968**

D. Credit risk measurement models

The internal credit risk measurement model has not yet been actively inserted in the credit process. Notwithstanding this, the valuations of the Credit Rating System have been made available to the network of outlying offices following the provision of targeted training in an experimental initiative regarding enquiries and credit renewal.

SECTION 2 - MARKET RISKS

2.1 INTEREST RATE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

B. Interest rate risk management processes and measurement methods

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

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors operating limits (in terms of amount and composition by type of securities) and interest rate risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as if 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 to the Parent Company's risk management unit, which operates completely independently with respect to operational offices and the subsidiaries.

This activity only involves the Group's Italian banks, which account for nearly all the trading portfolio and the calculation perimeter is confined to financial instruments subjected to asset requirements for market risks included both in the management portfolio and in the trading portfolio as defined in the regulations governing the reports to supervisory bodies. For greater detail, reference is made to the Notes to the Financial Statements - Part E - of the Parent Company.

In order to quantify risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

The model is a parametric Variance - Co-Variance / Delta – Gamma type, using a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee.
The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

The impact of extreme movements of the interest rate risk factor are periodically verified by stress tests, while an upgrade of the application now being carried out will allow a back testing to be carried out.
Trading activity is subject to operating limits laid down by the Board of Directors 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 tool that has the purpose of giving the organisational units concerned sufficient information. The content and the frequency of reports depend on the objectives assigned to each actor in the process.
The internal model is not used in the calculation of the capital requirement on market risks.

Quantitative information

1. Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives.

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

Monitoring of the Parent Company's portfolio and the Italian banks during the 2006 financial year showed a structure with limited interest rate risk. The Parent Company takes on almost the whole interest rate risk, the Italian subsidiaries making a completely marginal contribution. VaR at 31 December 2006 is Euro 0.625 million, with a percentage of less than 0.1% of the portfolio and a duration of 0.50, evidence of the low-risk profile. During the year mean absorption of VaR risk was kept at levels that were in line with the previous year; there was greater volatility during the month of October as a result of a re-positioning of the portfolio towards instruments with a higher risk component.
For more details, reference is made to the Notes to the Financial Statements - Part E - of the Parent Company.

2.2 INTEREST RATE RISK - BANKING PORTFOLIO

Qualitative information

A. <u>General aspects, management procedures and measurement methods of interest rate risk</u>

It is the responsibility of the Parent Company's risk management unit to measure interest rate risk.
This activity is only directed at the Group's Italian banks, which account for almost the entire banking portfolio. The system of the bank'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; an upgrade of the application now being carried out will allow a dynamic assessment to be made.

The studies that can be carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin, with the assistance of a large number of approaches in order to achieve increasingly more accurate estimates.
For more details, reference is made to the Notes to the Financial Statements - Part E - of the Parent Company.

B. <u>Fair Value hedge</u>

With a view to prudent and active management of operating risks, the Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect profit and loss from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Up to now, only liabilities are hedged, and these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly including 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 Bank uses to carry out the effectiveness test is the Dollar Off Set (hedge ratio) on a cumulative basis. All the hedges are specific.
In line with the previous year, the Group decided to apply the Fair Value Option to all hedging transactions started in 2006.

C. <u>Cash flow hedge</u>

No cash flow hedge transactions has been effected by the Group.

Quantitative information

1. Banking portfolio: break-down by outstanding maturity (repricing date) for financial assets and liabilities

2. Banking portfolio - internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Group position, which again only involves the Italian banks, is that of a limited risk profile throughout 2006. This operational and strategic approach, directed at minimising the volatility of interest margins and of total economic value, has led to the Group's benefiting from the expected rise in market rates.
The table below shows the results of the studies carried out on 31 December 2006 of the impact on the interest margin should there be a parallel variation in the interest rate curve:

Risk indices as of 31 December 2006: parallel shifts of the interest rate curve

	+100 bp	-100 bp	+200 bp	- 200 bp
Risk interest margin / Expected margin	2.68%	-6.20%	5.36%	-14.02%

As regards economic value, in the 2006 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets.
The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices as of 31 December 2006: parallel shifts of the curve

	+100 bp	-100 bp	+200 bp	- 200 bp
Risk economic value / Economic value	0.78%	-0.77%	1.50%	-1.56%
Risk economic value / Regulatory capital	0.73%	-0.75%	1.45%	1.51%

2.3 PRICE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

There is a particularly substantial risk on high-volatility financial instruments such as derivatives and equity. The Group carries out both hedging and trading transactions on these specific activities, and has established stop-loss limits.
In the financial year that has just closed, the Parent Company has traded briskly in the field of O.I.C.R. quotas, essentially with bonds, with the support of careful quantitative and qualitative analysis carried out with suitable IT tools.

B. Management processes and measurement methods of price risk

For the management process, the organisational model and the internal model used, reference is made to Section 2.1. It is to be emphasised that 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 O.I.C.R. quotas).
The internal model is not used in calculating capital requirements on market risks.

Quantitative information

1. Regulatory trading portfolio: cash exposure in equity securities and O.I.C.R. quotas

Euro/1000

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	9.254	320
A.2 innovative equity securities		
A.3 other equities		
B. O.I.C.R.		
B.1 Italian:		
- harmonized open-end		
- non-harmonized open-end		
- closed-end		
- reserved		
- speculative		
B.2 From other EU countries		
- harmonized	86	
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total	**9.340**	**320**

2. Regulatory trading portfolio: break-down of exposures in equity securities and equity indices by main countries of the listing market

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

Considering the composition of the securities portfolio in question and the hedging carried out by means of derivatives, the price risk profile of the Parent Company and the Italian banks is, overall, a moderate one. The Parent Company takes on almost the entire price risk, the Italian banking subsidiaries' contribution being completely marginal. Therefore, as of 31.12.2006, the related VaR amounted to about Euro 0.811 million, equal to 1.03% with respect to the trading portfolio. During the year, the average absorption of VaR risk remained stable and in line with the previous year. During 2007, the application of assumptions and the necessary implementation of the studies of the scenarios of the various price risk factors will be completed.

2.4 PRICE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management procedures and measurement methods of price risk

The supervision of the price risk in the banking portfolio is one of the activities described in the notes to the trading portfolio.

Quantitative information

1. Banking portfolio: cash exposure in equity securities and O.I.C.R. quotas

Euro/1000

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	20.161	157.085
A.2 innovative equity securities		
A.3 other equities		
B. O.I.C.R.		
B.1 Italian:		
- harmonized open-end	308.608	277.060
- non-harmonized open-end		4.211
- closed-end	288	
- reserved		
- speculative	2.717	
B.2 From other EU countries		
- harmonized	53.256	1.012
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total	**385.030**	**439.368**

2.5 EXCHANGE RISK

Qualitative information

A. <u>General aspects, management procedures and measurement methods of exchange risk</u>

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.
This risk is marginal; as regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

B. <u>Exchange rate hedge</u>

The Group's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

Quantitative information

1. Break-down of assets, liabilities and derivatives by currency of denomination

Euro/1000

Captions	Currency					
	US Dollar	**Japanese Yen**	**Swiss Franc**	**Pound Sterling**	**Canadian Dollar**	**Other currencies**
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities	100					
A.3 Financing to banks	4.363	2.477	573	4.107	814	13.920
A.4 Financing to customers	12.497	4.164	6.554	543	0	33
A.5 Other financial assets						
B. Other assets	**161**	**12**	**112**	**126**	**10**	**14**
C. Financial assets						
C.1 Due to banks	11.378	3.186	5.734	596		33
C.2 Due to customers	14.052	2.895	790	3.605	832	158
C.3 Debt securities	190					
C.4 Other financial liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other						
+ long positions	1.026.754	345.842	409	957	1.298	1.422
+ short positions	1.015.001	346.351	429	1.015	1.264	1.573
Total assets	**17.121**	**6.653**	**7.239**	**4.776**	**824**	**13.967**
Total liabilities	**2.067.375**	**698.274**	**7.362**	**6.173**	**3.394**	**3.186**
Imbalance (+/-)	**- 2.050.254**	**- 691.621**	**- 123**	**- 1.397**	**- 2.570**	**10.781**

2. Internal models and other methods for sensitivity analyses

The upgrades that have been carried out on the internal model that is already used for interest rate risk and trading and banking portfolio price risk are being verified for the quantification of exchange risk and sensitivity analyses.

2.6 FINANCIAL DERIVATIVE INSTRUMENTS

A. <u>Financial Derivatives</u>

A.1 Regulatory trading portfolio: average and period-end notional values

Euro/1000

Type of transaction/Underlying instrument	Debt securities and interest rates		Equity securities and equity indices		Exchange rate and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		469.386							-	469.386		325.592
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		17.000							-	17.000		
6. Equity index swaps									-	-		
7. Real index swaps									-	-		
8. Futures			150						150	-	179	
9. Cap options	-	8.018	-	-	-	-	-	-	-	8.018	-	20.454
- Purchased		4.009							-	4.009		1.227
- Issued		4.009							-	4.009		19.227
10. Floor options	-	52.018	-	-	-	-	-	-	-	52.018	-	35.454
- Purchased		16.009							-	16.009		4.227
- Issued		36.009							-	36.009		31.227
11. Other options	-	-	-	40.158	-	-	-	-	-	40.158	-	85.596
- Purchased	-	-	-	40.158	-	-	-	-	-	40.158		42.540
- Plain vanilla				33.732					-	33.732		42.540
- Exotic				6.426					-	6.426		
- Issued	-	-	-	-	-	-	-	-	-	-	-	43.056
- Plain vanilla									-	-		43.056
- Exotic									-	-		
12. Forward agreements	1.191	26.565	2.040	-	-	2.776.492	-	-	3.231	2.803.057	38.762	45.578
- Purchase	606	25.376	512			1.393.538			1.118	1.418.914	35.459	23.238
- Sales	585	1.189	1.528			1.382.954			2.113	1.384.143	3.303	22.170
- Currency against currency									-	-		170
13. Other derivative contracts									-	-		295.000
Total	**1.191**	**572.987**	**2.190**	**40.158**	**-**	**2.776.492**	**-**	**-**	**3.381**	**3.389.637**	**38.941**	**807.674**
Average values	**1.132**	**396.905**	**635**	**40.158**		**1.151.924**			**1.767**	**1.588.987**	**11.714**	**518.954**

A.2 Banking portfolio: average and period-end notional values

A.2.1 Hedging instruments

Euro/1000

Type of derivaties / Underlying instruments	**Debt securities and interest rates**		**Equity securities and equity indices**		**Exchange rate and gold**		**Other values**		**31.12.2006**		**31.12.2005**	
	Listed	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**
1. Forward rate agreement									-	-		
2. Interest rate swap		115.298							-	115.298		236.298
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		50.000							-	50.000		67.000
6. Equity index swaps									-	-		
7. Real index swaps									-	-		
8. Futures									-	-		
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	15.000
- Purchased									-	-		15.000
- Issued									-	-		
10. Floor options	-	20.000	-	-	-	-	-	-	-	20.000	-	30.516
- Purchased		20.000							-	20.000		30.000
- Issued									-	-		516
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	1.854.580
- Purchase									-	-		928.249
- Sales									-	-		925.991
- Currency against currency									-	-		340
13. Other derivative contracts									-	-		
Total	**-**	**185.298**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185.298**	**-**	**2.203.394**
Average values		**185.298**								**185.298**		**553.653**

A.3 Financial derivatives: purchase and sale of underlying instruments

Euro/1000

Type of transaction / Underlying instrument	Debt securities and interest rates		Equity securities and equity indices		Exchange rate and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**1.191**	**555.987**	**2.190**	**40.158**	**-**	**2.758.255**	**-**	**-**	**3.381**	**3.354.400**	**39.011**	**807.675**
1. Transactions with exchange of capital	1.191	26.565	2.040	-	-	2.758.255	-	-	3.231	2.784.820	38.832	45.579
- Purchase	606	25.376	512			1.384.018			1.118	1.409.394	35.494	23.239
- Sale	585	1.189	1.528			1.374.237			2.113	1.375.426	3.338	22.170
- Currency against currency									-	-		170
2. Transactions without exchange of capital	-	529.422	150	40.158	-	-	-	-	150	569.580	179	762.096
- Purchase		205.744	-	40.158					-	245.902	179	228.790
- Sale		323.678	150						150	323.678		533.306
- Currency against currency									-	-		
B. Banking portfolio:	**-**	**135.298**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**135.298**	**-**	**2.136.051**
B.1 Hedging instruments	-	135.298	-	-	-	-	-	-	-	135.298	-	2.136.051
1. Transactions with exchange of capital	-	-	-	-	-	-	-	-	-	-	-	1.854.237
- Purchase									-	-		928.249
- Sale									-	-		925.988
- Currency against currency									-	-		
2. Transactions without exchange of capital	-	135.298	-	-	-	-	-	-	-	135.298	-	281.814
- Purchase		135.298							-	135.298		187.598
- Sale									-	-		94.216
- Currency against currency												
B.2 Other derivatives	-											
1. Transactions with exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												
2. Transactions without exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

Euro/1000

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and equity indices			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	2.060		560	4.917		3.213	19.907		9.381					
A.4 Financial institutions							309		280					
A.5 Insurance companies														
A.6 Non-financial companies	888		411				67		25					
A.7 Other entities	2						2		5					
Totale A 31.12.2006	**2.950**	**-**	**971**	**4.917**	**-**	**3.213**	**20.285**	**-**	**9.691**	**-**	**-**	**-**	**-**	**-**
Totale A 31.12.2005	**4.058**	**4.058**		**7.182**	**7.182**		**232**	**232**						
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	8.305		198											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Totale B 31.12.2006	**8.305**	**-**	**198**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Totale B 31.12.2005	**11.782**	**11.782**	**290**				**2.210**	**2.210**						

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

Euro/1000

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and equity indices			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	1.416		406				5.923		4.111					
A.4 Financial institutions	780		205				19.880		9.409					
A.5 Insurance companies														
A.6 Non-financial companies	134		93				5		11					
A.7 Other entities							112		46					
Totale A 31.12.2006	**2.330**	**-**	**704**	**-**	**-**	**-**	**25.920**	**-**	**13.577**	**-**	**-**	**-**	**-**	**-**
Totale A 31.12.2005	**4.176**	**4.176**	**2.035**	**7.182**	**7.182**	**3.403**	**260**	**260**	**270**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	2.960		468											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Totale B 31.12.2006	**2.960**	**-**	**468**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Totale B 31.12.2005	**1.111**	**1.111**	**884**				**7.386**	**7.386**	**9.307**					

A.6 Residual maturity of over the counter financial derivatives: notional values

Euro/1000

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	218.556	353.622		**572.178**
A.2 Financial derivatives on equity securities and equity indices	2.189	40.158		**42.347**
A.3 Financial derivatives on exchange rates and gold	1.430.584			**1.430.584**
A.4 Financial derivatives on other instruments				
B. Banking portofolio				
B.1 Financial derivatives on debt securities and interest rates	42.100	123.198	20.000	**185.298**
B.2 Financial derivatives on equity securities and equity indices				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
Total 31.12.2006	**1.693.429**	**516.978**	**20.000**	**2.230.407**
Total 31.12.2005	**2.645.647**	**353.652**	**50.710**	**3.050.009**

3 - LIQUIDITY RISK

Qualitative information

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

It is the responsibility of the Parent Company to manage the liquidity risk for the Italian banks through the Finance Department and risk management units, with the aim of verifying the Group's capacity to meet liquidity requirements and avoid being found in 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.
Short-term liquidity is supervised by the Parent Company's Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.

Monitoring and compliance with operating limits are controlled 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.

Further support to liquidity risk management is provided by the monitoring carried out by the Parent Company's risk management unit through an internal model. The objective is to set up medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.
Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time. The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks. Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

Quantitative information

1. *Break-down by contractual residual maturity of financial assets and liabilities*

Currency of denomination: Euro

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**2.067.565**	**42.110**	**9.111**	**406.628**	**641.487**	**350.388**	**330.147**	**1.785.029**	**1.060.677**
A.1 Government securities	1.117		9.111	122.481	90.147	174.312	76.000	207.728	2.207
A.2 Listed debt securities				2.177	20.827	15.110	34.229	471.175	186.629
A.3 Other debt securities						9.649	42.191	96.922	17.374
A.4 O.I.C.R. quotas	624.784								
A.5 Financing									
- banks	275.464			46.112	61.811	19			
- customers	1.166.200	42.110		235.858	468.702	151.298	177.727	1.009.204	854.467
Cash liabilities	**2.852.094**	**27.409**	**9**	**306.654**	**367.956**	**260.718**	**129.597**	**896.818**	**40.674**
B.1 Deposits									
- banks	79.041								
- customers	2.760.361	13.671	9	72	133	53	64		
B.2 Debt securities	1.091	4.514		29.693	99.335	233.032	129.533	896.818	40.674
B.3 Other liabilities	11.601	9.224		276.889	268.488	27.633			
Off-balance sheet transactions	**387.235**	**43.422**				**26.317**	**1.012**	**597**	**1.375**
C.1 Financial derivatives with underlying asset exchange									
- long positions	583	3.477				24.554	506	349	503
- short positions	1.600	26.423				323	506	248	872
C.2 Deposits and financing to be received									
- long positions		6.761				-			
- short positions		6.761							
C.3 Irrevocable commitments to grant finance									
- long positions	192.526	-				720			
- short positions	192.526	-				720			

Currency of denomination: US Dollar

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**5.501**	**-**		**7.367**	**3.288**	**1.821**	**12**	**307**	**89**
A.1 Government securities	443								
A.2 Listed debt securities								307	89
A.3 Other debt securities									
A.4 O.I.C.R. quotas	686								
A.5 Financing									
- banks	4.363								
- customers	9	-	-	7.367	3.288	1.821	12		
Cash liabilities	**16.590**	**2.485**		**9.625**	**1.823**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	1.685			9.587	1.671				
- customers	14.901	2.485							
B.2 Debt securities				38	152				
B.3 Other liabilities	4								
Off-balance sheet transactions	**-**	**18.628**	**100.434**	**2.618.964**	**1.342.785**	**3.524**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		9.116	50.215	1.309.471	671.391	1.765			
- short positions		9.192	50.219	1.309.493	671.394	1.759			
C.2 Deposits and financing to be received									
- long positions		147							
- short positions		147							
C.3 Irrevocable commitments to grant finance									
- long positions		13							
- short positions		13							

Currency of denomination: Japanese Yen

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**2.512**	**-**		**1.648**	**1.991**	**92**	**432**	**-**	**-**
A.1 Government securities	34								
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	2.477								
- customers	1			1.648	1991	92	432		
Cash liabilities	**3.313**	**-**		**3.187**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	111			3.187					
- customers	3.202								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**336**	**-**	**1.048.316**	**350.281**	**39**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions				524.177	175.143	20			
- short positions		336		524.139	175.138	19			
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Swiss Franc

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**1.155**	**-**		**2.364**	**3.457**	**-**	**733**	**-**	**-**
A.1 Government securities	559								
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	596								
- customers				2.364	3457		733		
Cash liabilities	**2.083**	**-**		**2.929**	**2.805**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	1.121			2.929	2805				
- customers	877								
B.2 Debt securities									
B.3 Other liabilities	85								
Off-balance sheet transactions	**-**	**1.050**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		350							
- short positions									
C.2 Deposits and financing to be received									
- long positions		350							
- short positions		350							
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Pound Sterling

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**4.106**	**-**		**316**	**529**	**-**	**-**	**1.381**	**-**
A.1 Government securities									
A.2 Listed debt securities					302			1381	
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	4.106								
- customers				316	227				
Cash liabilities	**3.816**	**-**		**596**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	194			596					
- customers	3.616								
B.2 Debt securities									
B.3 Other liabilities	6								
Off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions									
- short positions									
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Canadian Dollar

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**814**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas									
A.5 Financing									
- banks	814								
- customers									
Cash liabilities	**840**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	11								
- customers	829								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions									
- short positions		2							
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

Currency of denomination: Other currencies

Caption / Time interval	Sight	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**22.878**	**-**		**-**	**32**	**-**	**-**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 O.I.C.R. quotas	8.916								
A.5 Financing									
- banks	13.960								
- customers	2				32				
Cash liabilities	**21.080**	**-**		**-**	**33**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	20.919				33				
- customers	161								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**134**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		134							
- short positions									
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

2. Break-down of financial liabilities by sector

Euro/1000

Loan / Counterparty	Governments and central banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other entities
1. Due to customers	16	2.941	355.097	8.601	1.063.141	2.083.998
2. Securities issued		1.209	40.975	121.812	60.713	1.265.303
3. Financial liabilities held for trading			22.501	5.630	165	9.726
4. Financial liabilities at fair value through profit and loss			47	20.766	1.906	1.073.846
Total 31.12.2006	**16**	**4.150**	**418.620**	**156.809**	**1.125.925**	**4.432.873**
Total 31.12.2005	**41**	**4.283**	**583.083**	**146.684**	**848.985**	**3.769.361**

3. Break-down of financial liabilities by region

Euro/1000

Loan / Counterparty	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	3.468.123	20.393	23.954	965	363
2. Due to banks	91.830	12.188	121		
2. Securities issued	1.459.636	30.255			121
3. Financial liabilities held for trading	28.582	8.722	335		
4. Financial liabilities at fair value through profit and loss	1.096.566				
Total 31.12.2006	**6.144.737**	**71.558**	**24.410**	**965**	**484**
Total 31.12.2005	**5.268.184**	**71.678**	**14.812**	**972**	**439**

4 - OPERATING RISK

Qualitative information

A. General aspects, management procedures and measurement methods of operating risk

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.

The Banco Desio Group, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, defines operational risk within its Methodological Framework of Operational Risks Management, as a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).

Starting from September 2006 the Banco Desio Group began a project aimed at achieving effective operational risk management. A project plan has been drawn up providing for the implementation by the end of 2007 of an operational risk management process starting with the definition of the activities designed to identify, measure, monitor and mitigate such risks, extended to all subsidiary banks. The

Bank has planned the issue of guidelines for the alignment of operational risk management processes at a Group level for the other Italian subsidiaries. In its capacity as a member of ABI's DIPO Observatory, the Group will be able to report operating losses and receive return flows from the Observatory in order to set up a more extensive database for analysis of risk exposure.
The operational risk identification process is based on the development of methodologies and their application designed to bring together operational losses in a structured way and the identification and valuation of risks within business processes, both in compliance with the requirements of the Supervisory Bodies.
The result of this first stage of the project has been that of indicating those positions involved in the identification and mitigation of operational risks in order to share out duties and responsibilities throughout the whole business organisation structure and the subsidiaries in the areas of the management and oversight of operational risk. Over 2007 the operational plan envisages the implementation of monitoring and reporting tools together with the activation of a risk valuation and mitigation procedure applying to those operational risks identified.

For the monitoring of risks of the commission of offences pursuant to Article 9 of Law no. 62 of 18 April 2005 "Provisions for the fulfilment of obligations deriving from Italy's membership of the European Community - the 2004 Community Law", and their impact on potential company liabilities pursuant to Legislative Decree no. 231/2001 "Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality", the Parent Company and all Italian subsidiaries, in compliance with the preventative organisational model adopted (entailing first and second level checks by branch and/or head office staff combined with daily monitoring by the Internal Audit Area) are in the process of producing the following:

- a Code of conduct for Group staff;
- the identification of the so-called "relevant persons" and the adoption of procedures for the processing of sensitive information;
- tools and procedures, with the involvement of the IT Outsourcer, for the identification of potentially suspect operations effected in the context of activities on financial markets;
- staff training and up-dating activities;
- adaptation of supply contracts.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Group's operational continuity. The related activities are designed to achieve the following: the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Group operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.
Consistently with its governance model and in line with banking group supervision regulations, it was decided to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific master agreements, the Parent Company provides the subsidiaries Banco Desio Lazio, Banco Desio Toscana and Banco Desio Veneto with operating services, assistance and advice as an outsourcer. The same approach was adopted for subsidiary Anima S.g.r.. Subsidiary Desio Vita (operating in the insurance sector) finds solutions that are consistent with Group guidelines in compliance with timing laid down by ISVAP (the Italian insurance supervisory authority).

The various Group's corporate Departments 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 actions brought against the Group at the end of the financial year consist in claw-back actions in bankruptcy, financial instruments and other disputes.
Overall, the lawsuits pending with regard to the Italian banks alone have a value of Euro 22.187 million. These risks are appropriately hedged by prudential allocations to provisions of Euro 13.804 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 42% of the total, and involve disputes regarding financial instruments and claw-back actions in bankruptcy, the possible loss being about Euro 9,933 million, equal to about 72% of total provisions. It should be noted that there has been a rise in lawsuits involving financial instruments as a result of an increase in the cases of default by bond issuers.

PART F - INFORMATION ON EQUITY

SECTION 1 - CONSOLIDATED SHAREHOLDERS’ EQUITY

Qualitative information

The Banco Desio Group has always paid most attention to shareholders’ equity, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.
In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group’s stability.
The 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.

The following elements are considered to compose the Group’s equity, fully available to hedge any corporate risks or losses:

Description	Figures as of 31 December 2006 (/1,000)
Share Capital	€ 67,705
Treasury shares	€ -109
Valuation reserves	€ 22,324
Reserves	€ 339,474
Share premiums	€ 16,145
Net profit for the period	€ 69,373
Shareholders’ equity	€ 514,912

The table shows that the most important component consists of the reserves, which account for about 66%, confirming the constant policy of capital expansion that is carried out by reinvesting profits.

The Banco Desio Group also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banking Groups. The relevant regulations, in fact, state that “….the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size”.

As of 31 December 2006 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

Description	Amount (/ 1.000)
Tier 1 capital before application of prudential filters	€ 452,253
Negative prudential filters	€ 7,012
Tier 1 capital after application of prudential filters	€ 445,241
Tier 2 capital before application of prudential filters	€ 96,417
Negative prudential filters	€ 1,661
Tier 2 capital after application of prudential filters	€ 94,756
Tier 1 and tier 2 capital after application of prudential filters	€ 539,997
Items to be deducted	€ 43,455
Regulatory capital	€ 496,542

Tier 1 capital accounts for about 90% and is mainly made up of shareholders’ equity and reserves; Tier 2 capital is made up almost entirely of subordinated liabilities, accounting for 19%. The elements to be deducted account for about 8.75%.

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

- Tier 1 capital / weighted risk assets (1) 9.41%
- Regulatory capital / weighted risk assets (1) 10.50%

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

Quantitative information

Banco Desio Group's Regulatory Capital

	31/12/2006	31/12/2005
A. Tier 1 capital before application of prudential filters	**452.253**	**399.615**
Prudential filters for tier 1 capital:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	7.012	2.968
B. Tier 1 capital after application of prudential filters	**445.241**	**396.647**
C. Tier 2 capital before application of prudential filters	**96.417**	**105.820**
Prudential filters for tier 2 capital:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	1.661	3.234
D. Tier 2 capital after application of prudential filters	**94.756**	**102.586**
E. Total tier 1 and tier 2 capital after application of the filters	**539.997**	**499.233**
Items to be deducted from tier 1 and tier 2 capital	43.455	19.793
F. Regulatory capital	**496.542**	**479.440**

Banco Desio Group Prudential Ratios

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
A. RISK ASSETS				
A.1 CREDIT RISK	**8.636.548**	**6.877.644**	**4.673.753**	**3.862.847**
STANDARD METHOD				
ON-BALANCE SHEET ASSETS	**5.612.924**	**4.533.305**	**4.449.567**	**3.656.203**
1. Loans (other than equities and other subordinated assets) to (or secured by):	4.930.000	3.993.824	4.044.662	3.328.482
1.1 Governments and central banks	433.613	176.507	-	-
1.2 Public entities	956	930	192	186
1.3 Banks	566.664	610.114	113.333	122.023
1.4 Other entities (other than residential and non-residential mortgage loans)	3.928.767	3.206.273	3.931.137	3.206.273
2. Mortgage loans - residential property	388.197	300.623	194.099	150.311
3. Mortgage loans - non-residential property	-	-	-	-
4. Shares, investments and subordinated assets	5.497	15.170	5.497	15.170
5. Other assets	289.230	223.688	205.309	162.240
OFF-BALANCE SHEET ASSETS	**3.023.624**	**2.344.339**	**224.186**	**206.644**
1. Guarantees and commitments to (or secured by):	2.836.826	2.302.630	222.362	193.296
1.1 Governments and central banks	24.265	10.123	-	-
1.2 Public entities	203	81	9	8
1.3 Banks	58.263	78.645	3.028	9.529
1.4 Other entities	2.754.095	2.213.781	219.325	183.759
2. Derivative contracts to (or secured by):	186.798	41.709	1.824	13.348
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	186.798	25.020	1.824	5.004
2.4 Other entities	-	16.689	-	8.344
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**373.900**	**309.028**
B.2 MARKET RISK	**-**	**-**	**4.506**	**24.189**
1. STANDARD METHOD			4.506	24.189
of which:				
- position risk on debt securities	x	x	1.097	4.699
- position risk on equities	x	x	3.409	19.490
- exchange rate risk	x	x	-	-
- other risks	x	x	-	-
2. INTERNAL MODELS			-	-
of which:				
- position risk on debt securities	x	x	-	-
- position risk on equities	x	x	-	-
- exchange rate risk	x	x	-	-
B.3 OTHER REGULATORY REQUIREMENTS	x	x	**-**	**-**
B.4 TOTAL REGULATORY REQUIREMENTS (B1+B2+B3)	x	x	**378.406**	**333.217**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets	x	x	**4.730.078**	**4.165.210**
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	x	x	**9,41**	**9,52**
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	x	x	**10,50**	**11,51**

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on fees due to Directors and managers

For information on remuneration and Stock Option plans, reference is made to the tables under the CONSOB regulations.

2. Information on transactions with related parties

The procedures adopted for transactions with related parties are summarily described in the Parent Company's Report on Operations. The other Group companies follow practices that substantially comply with these procedures.
Relations with related parties are settled on market conditions and, where the market is not a satisfactory reference, on conditions that are fair and that are valued in compliance with the procedures above.
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.

I - Parent Company

The balance of banking relations with the controlling company Brianza Unione di Luigi Gavazzi e C. S.a.p.a. can be found in the report on operations prepared by the Parent Company Banco Desio.

II - Transactions with Exponents and subjects referable thereto

II.1 - Transactions subject to credit limits pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.)

As regards the transactions approved by the Boards of Directors of the Parent Company and of the subsidiaries in 2006, pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the transactions with a value higher than Euro 100 thousand (the significance threshold that is deemed acceptable, considering the Bank's global investments) were ordinary transactions whereby credit facilities were issued or confirmed to Exponents of the Group and/or companies referable thereto, with regard to which the Exponents concerned stated that they had interests of various kinds by virtue of shareholdings, appointments and/or other relations with the beneficiary companies. These relations, mainly of a professional nature, did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted in the 18 positions above is equal to Euro 31 million for the Parent Company, while the subsidiaries have not approved operations in excess of the above threshold. Most of the credit facilities are secured by mortgages. Uses on these positions as of 31 December 2006 totalled Euro 26 million. The other transactions of this kind, to the value of Euro 100 thousand or less, have no noteworthy characteristics for the purposes of IAS 24, either as regards their nature, their number or their total amount.
It should be noted finally, that all the Boards of Directors of the Italian banks in the Group have passed an appropriate framework resolution for the adaptation of conditions (rates, currency, commission, expenses and accessory conditions) applied to Directors and Statutory Auditors in the conduct of banking relations as well as with the natural and legal persons connected to them.

III.2 - Balance of existing relations with Group Exponents

As regards the relations between the Parent Company, as well as the subsidiaries Banco Desio Toscana, Banco Desio Lazio and Banco Desio Veneto with the Exponents (Directors, Auditors and Managers with strategic responsibilities in the Parent Company and in the companies in a control relationship with it), it is also to be reported that the total balances as of 31 December 2006 amounted to Euro 463 thousand (under loans to customers) and Euro 5,419 thousand (under amounts due to customers, including Euro 1,229 million under deposit of securities).
In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2006, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

PART I - INFORMATION ON STOCK OPTION PLANS WITH SHARE-BASED PAYMENTS EXISTING WITHIN THE GROUP

Stock Option Plan relating to subsidiary DESIO VITA SpA (now "CHIARA VITA SpA") shares

The stock option plan effected by the Parent Company relating to "Desio Vita SpA" (now "Chiara Vita SpA") shares, approved during the 2005 accounting period and already described in the related Notes to the Financial Statements, was still in existence at the end of the 2006 accounting period.
Over the 2006 accounting period, the number of options forming the subject matter of the "Chiara Vita" stock option plan decreased to 1,376,000 as compared with the 1,413,000 existing at the end of the preceding accounting period. This was due to the leaving of a number of staff members over the accounting period.

The total intrinsic value of the liabilities relating to the "Chiara Vita" Plan at 31 December 2006 with the accrual of the counterparties' rights to receive cash at the end of the accounting period, amounted to Euro 7,141,440.

Stock Option Plan relating to subsidiary ANIMA SGRpA shares

In the context of its listing plan, the SGR (Asset Management Company) Shareholders' Meeting of 30 June 2005 gave the Board of Directors the power to increase the Company's share capital for a consideration on one or more than one occasion during a period of 5 years from that date, for a maximum nominal amount of Euro 85,000, through the issue of a maximum number of 1,700,000 ordinary shares, with a par value of Euro 0.05 each, to be reserved for a stock option for the employees of the Company.

In August 2005, some Company's employees were granted 1,695,000 options, which may be exercised at the terms and conditions and in the manner prescribed under the plan, and, specifically, at the following times: after listing on the Electronic Stock Market on 26 October 2005, at the placement price of Euro 3.30, the strike price was set at this amount; the option rights that have matured may be exercised on each business day in each of the twenty-four calendar months after 1 July 2008.

As described in the Notes to the Consolidated Financial Statements at 31 December 2005, the Black and Scholes model has been adopted for option valuation; contractual terms under which the result is an option unit value of Euro 0.58869 for a total value of Euro 997,830. The share of such cost entered in the Income Statement of the 2006 accounting period amounted to Euro 213,236.
Over 2006 the following new stock option plans were set up within the Group.

Stock Option Plan relating to subsidiary Banco Desio Veneto SpA shares

In accordance with subsidiary Banco Desio Veneto SpA's Articles of Association of 9 November 2005, a shareholding plan has been put in hand which envisages the gratuitous granting of stock options for a total of initial 4,000,000 ordinary shares in the new bank (to be issued in future pursuant to Article 2443 of the Italian Civil Code, with a par value of Euro 1.00 each), subsequently increased to 4,400,000 shares to safeguard beneficiaries from "share dilution" deriving from the increase in share capital from Euro 21,000,000 to Euro 23,100,000, following the transfer of part of the business pursuant to the resolution of 4 August 2006 on the basis of the specific expert valuation required by law in compliance with the Plan Regulations. The granting has been delegated to the Parent Company in compliance with the Plan Regulations.

The Shareholding plan, aimed at a large number of human resources operating within the ambit of the Group (Executives and Middle Managers at the head office and in the field, some external collaborators of the Company and/or the Parent Company and the Managing Director of the Parent Company) was set up in consideration of the overall commitment which, at their different levels, Group structures have been called upon to make in the context of the new situation, starting with the most delicate stage, the start-up, and takes concrete form in the granting of call options on "BDV" shares structured as follows:

- a call option effective in March 2009 for 50% of "BDV" shares for managers at the normal value on the date on which the option is vested;
- a further call option effective in March 2011 for the remaining 50% of "BDV" shares for managers (or 100% of the shares, if the call option has not been exercised on the first 50%), also at the normal value on the date on which the option is vested.

No put options on the part of the managers and/or call options on the part of the Parent Company at maturity are therefore planned. For this reason, the implementation of the Plan is not subject to the achievement of set financial or market results, but it is subject to the condition that the grantees are still working with the Group when they exercise their call options (unless they have resigned to enjoy retirement pay), are not carrying out activities that compete with those performed by Group companies and that no disciplinary measures have been taken against them: in other words, nothing must have intervened to impair the relationship of trust that is the basic requisite for the loyalty objective behind the scheme. The Parent Company will have an exclusive right of pre-emption over the shares granted for 5 years starting from the exercise of the purchase option by each Beneficiary. Throughout the period of validity of these pre-emption rights, the shares will be lodged with a trust company.

Taking account of the fact that Banco Desio Veneto (authorised to carry out banking activities pursuant to the Bank of Italy authorisation of 3 April 2006), commenced business on 1 October 2006, the options granted overall amounted to 3,708,000 which may be exercised at the times and according to the procedures set out in the Plan Regulations whose salient provisions have been described above. The strike price was set at Euro 1.00 per share for the 3,374,000 grants effected prior to the date of commencement of business. For the 334,000 grants effected after the commencement of business and no later than 31 December 2006 however, the exercise price was calculated on the basis of the Balance Sheet of 30 September 2006 approved by the Board of Directors, at Euro 1.05 per share. These grants are generally corroborated in the Notarial resolutions increasing the Company's share capital passed by the Board of Directors of Banco Desio Veneto on 12 September and 20 December 2006, pursuant to Article 2443 of the Italian Civil Code and noted in the Company's Articles of Association.

The Black & Scholes model has been used for the valuation of the options; apart from the vesting period and the strike price, which have already been specified, the basic assumptions adopted for valuation are:

- initial calculation date: for 3,374,000 options, date coinciding with that envisaged for the start-up of Banco Desio Veneto operations, as at 1 October 2006, for 334,000 options date coinciding with the grant date, as at 19 December 2006;
- last period of exercise: as from 20 March 2011 to 20 May 2011. The exercise of the option is subject to the condition that the person concerned is an employee of the Bank, of the Parent Company or in any event of a Banco Desio Group company. 20 May 2011 is also taken as the final expiration date for the option;
- risk-free rate of interest: a margin of 3.74% is considered for the rate of return on the BTP (Long-term Treasury Bonds) maturing in 2011;
- expected volatility has been calculated taking it into account that the BDV stock is not listed, nor is it expected to be listed during the next 3-4 years; consequently securities issued by listed Banks were sought that were to some extent comparable with the BDV stock at least in that low numbers are traded every day and in that they belong to a bank with marked regional characteristics. The average volatility of a basket of securities of 4 inter-regional banks listed in the first market and in the "Expandi" market over the last six-month period was 12.79. Having taken account of the fact that the Bank is smaller than the above-mentioned listed banks, the figure of 6.4% was adopted for the volatility of the Bank's shares.
- the so-called dividend yield considered is 2.3%.

Now, the result is a unit value of 3,374,000 options of Euro 0.08918, with a total value of Euro 300,898, and a unit value of 334,000 options of Euro 0.09043, with a total value of Euro 30,203. The costs accruing over the periods involved for 3,708,000 options totally granted during the year 2006 are set out in the table below.

Number of Options	YEARS	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	20/05/2011	TOTAL
3.374.000	**Days**	92	365	365	365	365	140	1.692
	Cost for the period	16.361	64.910	64.910	64.910	64.910	24.897	300.898
334.000	**Days**	13	365	365	365	365	140	1.613
	Cost for the period	243	6.835	6.835	6.835	6.835	2.621	30.203
3.708.000	**Total cost for the period**	**16.604**	**71.745**	**71.745**	**71.745**	**71.745**	**27.518**	**331.101**

Stock Option Plan relating to subsidiary Chiara Assicurazioni SpA shares

In accordance with subsidiary Chiara Assicurazioni SpA's Articles of Association of 20 June 2006 and following the Parent Company Board resolution of 12 April 2006, a shareholding plan has been put in hand which envisages the gratuitous granting of stock options for a total of at most 2,075,000 ordinary shares in the new bank, to be issued in future pursuant to Article 2443 of the Italian Civil Code, with a par value of Euro 1.00 each.

The plan is aimed at a group at present identified as consisting of about 250 resources working in the Group and involved in various ways in the start-up of the new bank (Executives and Middle Managers at the head office and in the field, some external collaborators of the Company, of other Group's companies and/or of the Parent Company and the Managing Director of the Parent Company). The above extension takes account of the global effort that the Group units, at their different levels, are called upon to put into the new structure, with the aim of achieving the project's basic target, which is to assist the company's growth and success in the start-up phase. The initiative is motivated by a desire to provide a powerful loyalty incentive in that it will allow the beneficiary to become a company Shareholder. The Plan provides that managers will be granted a simple "Stock Option" (Equity settled for IFRS2 purposes) in the form of a call option on "Chiara" shares with the power to exercise it between April and May 2009, 2010 or 2011.

The Plan does not impose time limits on the managers' put options and/or the Parent Company's call options. For this reason the implementation of the plan is not subject to the achievement of economic results or specific markets although, at the moment when the purchase option is exercised, it is subject to the conditions that the grantees are still connected to the Group by a collaboration relationship (unless they have resigned to enjoy retirement pay), that they do not carry out activities in competition with those conducted by Group companies, disciplinary measures have not been applied to them (that is, they have not broken the relationship of trust and confidence - a fundamental pre-requisite of the fidelity goals underlying the project). The Parent Company will have an exclusive right of pre-emption over the shares granted for 5 years starting from the exercise of the purchase option by each Beneficiary. Throughout the period of validity of these pre-emption rights, the shares will be lodged with a trust company. All the 2,075,000 options had been granted as at 31 December 2006. Since these grants were effected within the period when the Company was in the process of formation and obtaining the necessary authorisations, and in any case, prior to the Company's commencement of business (1 January 2007) the strike price was set at Euro 1.33 per share (Euro 1 representing share capital and Euro 0.33 by reason of the organisation fund) consistently with the normal value criterion at the date of grant, also applicable for tax purposes.

The Black and Scholes model has been adopted for option valuation; apart from the vesting period and the strike price, which have already been specified, contractual terms and conditions and basic assumptions taken for valuation are:

- initial calculation date coinciding with that envisaged for grant notice, as at 1 December 2006.
- last period of exercise: as from 20 March 2011 to 20 May 2011. The exercise of the option is subject to the condition that the person concerned is an employee or a collaborator of the Bank, of the Parent Company or in any event of a Banco Desio Group company. 20 May 2011 is also taken as the final expiration date for the option;
- risk-free rate of interest: **3.54**% in line with government securities market;
- expected volatility: it was estimated at **15.35**%, taking account of the average volatility, during the last six-month period, of a basket of securities of **4** leading insurance companies listed in the Stock

Exchange of Milan, without any adjustment as the Company, while originating as “captive”, could theoretically develop with the enlargement of its distribution ambit and/or of its ownership structure.

- the dividend yield considered is **2.59**%.

Now, the result is a unit value of the options of Euro 0.1809, with a total value of Euro 375,382. The costs accruing over the periods involved are set out in the table below.

Years	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	20/05/2011	Total
Days	39.082	365	365	365	365	140	40.682
Cost for the period	7.135	84.006	84.006	84.006	84.006	32.222	375.382

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Banco di Desio e della Brianza SpA

1. We have audited the consolidated financial statements of Banco di Desio e della Brianza Spa and its subsidiaries (hereafter "Banco Desio Group"), which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explenary notes as of 31 December 2006. These consolidated financial statements are the responsibility of Banco di Desio e della Brianza SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report issued on 12 April 2006.

3. In our opinion, the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2006 comply with International Financial Reporting Standards as adopted by the European Union, as well

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as with the Rules issued in compliance with art. 9 of Law Decree n. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Banco Desio Group for the year then ended.

Milan, 11 April 2007

PricewaterhouseCoopers SpA

Signed by

Fabrizio Piva
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.