Consolidated Half-Year Financial Report
at 30 June 2010

Gruppo Banco Desio

Table of contents

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

Board of Directors

Chairman	Agostino Gavazzi*
Deputy Chairman	Stefano Lado* Guido Pozzoli*
Managing Director	Nereo Dacci*
Directors	Francesco Cesarini Pier Antonio Cutellé Egidio Gavazzi Luigi Gavazzi Paolo Gavazzi Luigi Guatri Gerolamo Pellicanò

* *Members of Executive Committee*

Board of Statutory Auditors

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

General Management

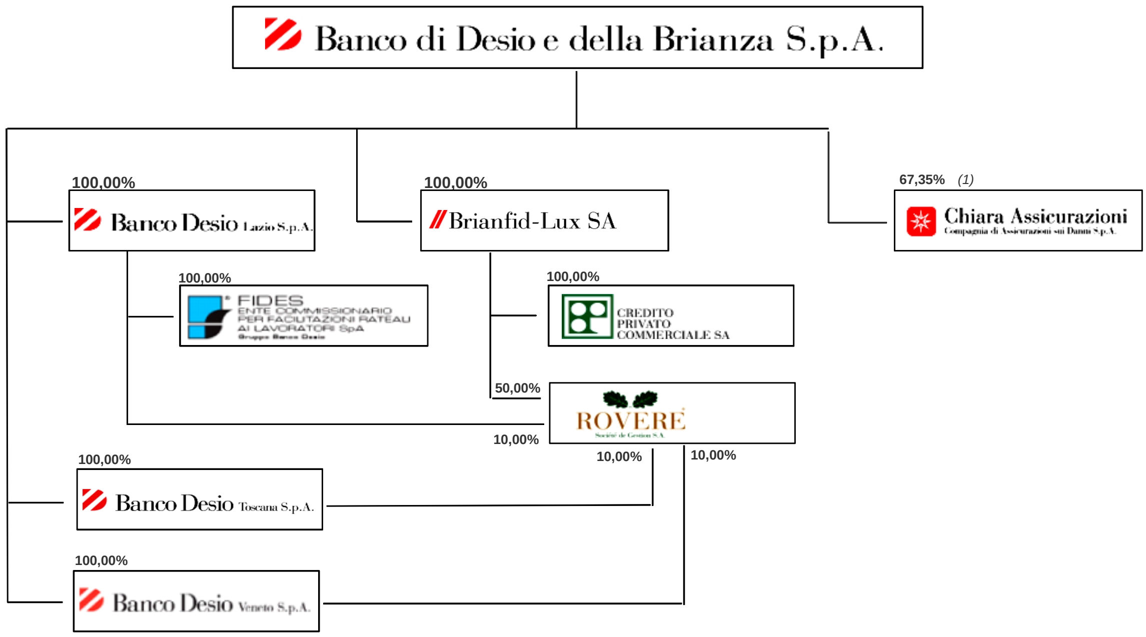
General Director	Alberto Mocchi
Vice General Director	Claudio Broggi

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

Nominated Official in charge of drawing up Company Accounts	Piercamillo Secchi

The Banco Desio Group

This half-year consolidated financial report as at 30 June 2010 relates to the following corporate structure of the Banco Desio Group.



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

Foreword

This Banco Desio Group Consolidated Half-Year Financial Report at 30 June 2010, consisting of the *Interim Report on Operations at 30 June 2010* and the *Condensed interim financial statements at 30 June 2010*, was prepared in accordance with Article 154 (iii) of Legislative Decree 58/1998, the Consolidated Law on Finance, implementing Legislative Decree 195 of 6 November 2007 (the Transparency Directive) and in compliance with the applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) 1606 of 19 July 2002, and, particularly with IAS 34, *Interim Reporting*, as well as to the provisions issued by the Bank of Italy by Circular Letter no. 262 of 22 December 2005, as updated.

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

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

It should be noted that, following the update of Circular Letter no. 262, it was necessary to make some reclassifications of comparative data as of the end of June 2009.

Interim Report on Operations at 30 June 2010

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

in thousands of Euros	30.06.2010	30.06.2009	Change Amount	%
Total assets	8,245,231	7,914,023	331,208	4.2%
Financial assets	1,083,819	881,965	201,854	22.9%
Amounts due from banks	486,228	856,113	-369,885	-43.2%
Amounts due from customers	6,279,307	5,778,308	500,999	8.7%
Tangible assets	149,576	145,019	4,557	3.1%
Intangible assets	45,959	43,872	2,087	4.8%
Amounts due to banks	95,075	57,152	37,923	66.4%
Amounts due to customers	4,588,316	4,200,359	387,957	9.2%
Securities issued	1,895,765	2,032,694	-136,929	-6.7%
Financial liabilities at fair value through profit or loss	472,673	569,496	-96,823	-17.0%
Shareholders' equity (including net proft for the period) (1)	774,691	730,222	44,469	6.1%
Total indirect deposits (2)	11,424	10,468	956	9.1%

INCOME STATEMENT DATA (3)

in thousands of Euros	30.06.2010	30.06.2009	Change Amount	%
Operating income	169,302	168,614	688	0.4%
of which *Net interest income*	*91,129*	*98,589*	*-7,460*	*-7.6%*
Operating costs	113,322	111,962	1,360	1.2%
Operating margin	55,980	56,652	-672	-1.2%
Profits/(losses) after taxes from continuing operations	22,660	10,049	12,611	125.5%
Profits/(losses) after taxes from non-recurring operations	14,636	24,620	-9,984	n.s.
Net profit/(loss) for the period (1)	36,949	34,733	2,216	6.4%
Comprehensive Income (1) (4)	34,153	45,004	-10,851	-24.1%

(1) *pertaining to the Parent Company;*

(2) *due to Parent Company's decision to cease activity as a custodian bank, the amounts above are shown net of 'assets held by the custodian'*

(3) *from reclassified Income Statement.*

(4) *consistent with the updated version of the Circolare nr. 262/2005 of Banca d'Italia*

FINANCIAL RATIOS

	30.06.2010	30.06.2009	Change Amount
Shareholders' equity / Total assets	9.4%	9.2%	0.2%
Shareholders' equity / Amounts due from customers	12.3%	12.6%	-0.3%
Shareholders' equity / Amounts due to customers	16.9%	17.4%	-0.5%
Shareholders' equity / Securities issued	40.9%	35.9%	5.0%
(Tier 1 and Core Tier 1) Equity ratio	10.9%	10.4%	0.5%
(Tier 2) Solvency ratio	12.3%	11.6%	0.7%
Financial assets / Total assets	13.1%	11.1%	2.0%
Amounts due from banks / Total assets	5.9%	10.8%	-4.9%
Amounts due from customers / Total assets	76.2%	73.0%	3.2%
Amounts due from customers / Direct deposits from customers	90.3%	84.9%	5.4%
Amounts due to banks / Total assets	1.2%	0.7%	0.5%
Amounts due to customers / Total assets	55.6%	53.1%	2.5%
Securities issued / Total assets	23.0%	25.7%	-2.7%
Financial liabilities at fair value through profit or loss / Total assets	5.7%	7.2%	-1.5%
Direct deposits from customers / Total assets	84.4%	86.0%	-1.6%
Operating costs / Operating income (Cost/Income ratio)	66.9%	66.4%	0.5%
Net interest income / Operating income	53.8%	58.5%	-4.7%
Operating margin / Operating income	33.1%	33.6%	-0.5%
Operating profit net of taxes / Shareholders' equity - annualized	6.1%	2.9%	3.2%
Net profit/(loss) for the period/ R.O.E. - annualized	10.0%	10.0%	0.0%

STRUCTURE AND PRODUCTIVITY DATA

	30.06.2010	30.06.2009	Change Amount	Change %
Number of employees	1,847	1,813	34	1.9%
Number of bank branches	172	164	8	4.9%
in thousands of Euros				
Amounts due from customers by employee [5]	3,436	3,222	214	6.6%
Direct deposits from ordinary customer by employee [5]	3,807	3,793	14	0.4%
Operating income by employee [5] - *annualized*	185	188	-3	-1.6%

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

2 - THE BASELINE SCENARIO

The world economic cycle has embarked upon a path of recovery and expansion should be consolidated in the next quarters. The recovery is still supported by the effects of the stimulus actions of economic and monetary policies, which are for the most part accommodating, and by the prolonged stock cycle. The most significant event of the last few months was the Government Bonds crisis breaking out in the European market, see the case of Greece, which requested the assistance of the International Monetary Fund and of the Eurogroup, introducing a series of extraordinary measures to block the contagion which was spreading in other countries. Fortunately, the negative consequences of this phenomenon have been contained by the timeliness of the actions of the central banks on the financial system and due to the fact that the world economy was already in a steadily strengthening phase of economic recovery. Recent checks in the last few months, based on some high-frequency indicators, continue to show a further improvement in the global economic conditions. The growth in internal demand in the Emerging Countries and in the United States and the positive trend of the stock cycle have permitted a sharp increase in international trade flows which have now recovered to pre-crisis levels. Inflation at international level has mainly increased because of the rise in raw material prices. The leading inflation pressures remain however quite limited as a whole, above all in the main Advanced Economies.

In the *United States* the economy continues to recover with the first official data showing a more significant economic recovery if compared to that of the Euro zone; in the first three months of 2010, GDP showed a change of +0.8% qoq (+2.5% per year) against a change of +0.2% (+0.6% per year) in the Euro zone. The growth in the first months of 2010 reflected the fact that consumption expenditure remained stable, the recovery in investments in equipment and software and the important contribution of stock in the private sector. On the contrary, with a negative effect on the ongoing recovery, a slowdown in the fall in expenditure was reported for the central and local administrations, as well as a reduction in investments in residential and commercial building. With reference to inflation, the increase reported in the first months of 2010 was largely attributable to the increase in raw materials prices; if we exclude the energy and food components, the trend appears to be decreasing, because of the increased supply in the market for goods and services and labour. Rather strong growth is expected for the future of the United States, which will be supported, in the short term, by the stimulus actions of tax and monetary policies, as well as by the contribution of the stock cycle. If these supports cease to apply, the pace of expansion could result more moderate, even if a recovery in the labour market and a normalisation of the confidence climate and of the financial conditions remain however fundamental factors on which the future economic recovery will be based.

For *Japan*, 2010 will be a year of record growth, after the unprecedented fall reported in 2009. The growth in foreign trade and the net recovery of the emerging countries, accompanied by expansive tax policies, will allow the Japanese GDP to remain at a level of expansion above the average of the last decade. In China, growth, which however remains at high levels, could be affected by a slowdown in the growth of the real estate market, together with a change in the monetary and tax policy in the second half of the year. In India, thanks to an acceleration in consumption and investments, growth will remain high and will continue in the course of 2011.

After the stagnation of 2009, growth is expected for the *Euro Zone*; the effects of the expansive economic policies will continue to produce favourable effects for the next two-year period. The restrictive tax policies announced by a number of countries in the Euro Zone will be countered by the positive effects arising from the depreciation of exchange rates and of the situation of official and market rates, which will continue to remain at low levels, and, accordingly, the recovery should continue with no uncertainties, even if at moderate levels. The Euro Zone will also partially benefit from the recovery in world growth. In real terms, GDP should be situated, on annual average, between 0.6 and 1.3 in 2010 and between 0.2 and 2.2 in 2011. The expansion in private consumption should record a moderate increase in 2010 and should then show a gradual recovery in 2011. The real income should be limited by the weak growth expected in employment. As a result of the delayed adjustment to the sharp fall in GDP observed up to the middle of 2009 and of the rigid decline in salaries, the unemployment rate should increase until the beginning of 2011 and then should stabilise. Exports in the Euro Zone grew again vigorously in 2010 and their recovery will continue to be driven by foreign demand and by increased competition. Inflation should remain moderate and the monetary policies should maintain expansive, at least up to the second half of 2011. However, the rise in interest rates could be further deferred if the financial system were to remain fragile.

In *Italy*, GDP grew by 1.2% in the second quarter of the year, thus recording the best performance within the Euro Zone, thanks to the positive contributions of the following segments: gross fixed investments (+0.5%), exports (+1.7%), change in stocks (+0.5%) and industrial production (+2.8%). Nevertheless, some shadows over the recovery remain within the economic system: the increase in the unemployment rate (9% against the 8.5% previously observed) has partially damaged household consumption, which is more oriented towards savings, with a consequent weakening of internal demand. Likewise, the growing deficit in public finance (5% of GDP) has restricted public expenditure (-0.2%), thus making it necessary to take restrictive measures towards local entities and adopt a tax policy aimed at curbing evasion: most of the proposals are however temporary and non-structural, in addition to having an uncertain outcome. The weak growth in consumption prices (+0.1%) compared to the previous quarter maintained Italian inflation at 1.4% in June 2010, a value that is aligned to the EU average. After the significant collapse in 2009, production activity in Italy was resumed because it was driven by foreign demand rather than by the growth in internal demand; however, there are signs that allow one to assume that production activity, which has appeared vigorous in the last few months, may trigger a favourable cycle of investments which should support the growth in GDP in the next two-year period. On the contrary, consumption will continue to show a certain weakness and we cannot expect public expenditure to lend any support to the cycle either. The trend expected for investments in the real estate sector is still negative. In this framework, inflationary pressures will not represent a problem, essentially because downward trends will persist with regard to labour costs, arising from a further deterioration of the employment framework.

In the credit sector, Italian banks continue to ensure their support to families and businesses, notwithstanding the heavy repercussions arising from the recent international economic crisis, the growth in non-performing loans and the further fall in profits. In June, credit granted to businesses continued to fall (-2.2%) in view of both a higher perception of the risk on the supply side and a recent study from the ECB showing the tendency of non-finance businesses to support investments in the first phases of economic recovery through retained earnings. Analysing the supply side, the higher perception of risk developed by major banks has led Small- and Medium-sized Enterprises to look to local banks to a growing extent and, likewise, has led large-sized enterprises to resort to the bond market. On the contrary, loans to families show a total increase equal to 4.4% on an annual basis, which is mostly linked to the good development dynamics of the short-term component. With reference to interest rates, the cost of short-term loans for businesses was equal to 3.8% against 4.1% for families, while the interest rate on loans was equal to 2.6% (while 3.5% is the European average). In the second half of 2010, the first signs of increase are expected in bank rates applied to loans to families, above all for short-term loans. Expectations of a rise also affect interbank rates: confirming the theory, the interest rate curve based on the 3-month Euribor rose by 7 bps (0.73% in June) for all the 2010 expiries.

3 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

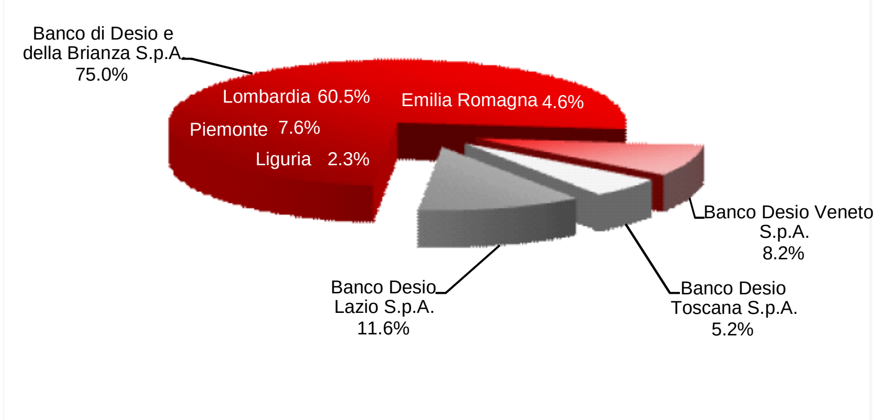
The continuity in the territorial growth of the Group's distribution network meant that there were 172 branches at the end of the first six months, 8 more than at the end of last June.

The table below shows the breakdown of the distribution network for each Group company, specifying the variations for the periods under comparison, while the diagram that follows shows the percentage proportion at the end of June 2010.

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

No. of branches	30.06.2010	Percentage breakdown	30.06.2009	Percentage breakdown	Change Value	Change %
Banco di Desio e della Brianza S.p.A.	129	75.0%	123	75.0%	6	4.9%
Banco Desio Veneto S.p.A.	14	8.2%	14	8.5%	-	-
Banco Desio Toscana S.p.A.	9	5.2%	9	5.5%	-	-
Banco Desio Lazio S.p.A.	20	11.6%	18	11.0%	2	11.1%
Group distribution network	**172**	**100.0%**	**164**	**100.0%**	**8**	**4.9%**

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



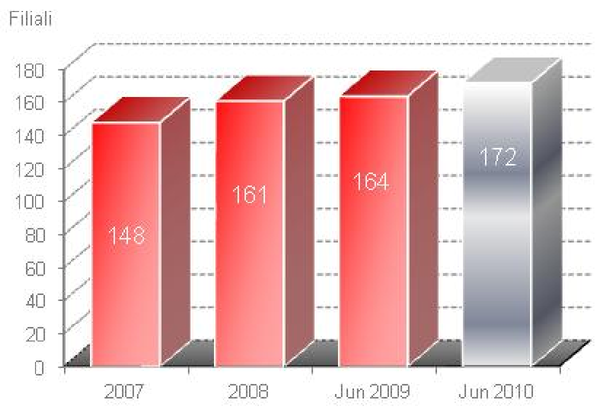
Specifically, with respect to the period under comparison, the Parent Company opened three branches in Emilia Romagna, in Rubiera (RE), Bologna and Correggio (RE) (the first two branches in the second half of 2009 and the third one at the beginning of the current year), one branch in Piedmont, in Moncalieri (TO), at the end of 2009, one branch in Liguria, in Imperia, in the second half of 2009 and another one in the capital city of the Lombardy region.

The distribution network of the subsidiary Banco Desio Lazio S.p.A., following the opening of the branch in Villanova di Guidonia (RM) in July 2009 and the branch in Civitavecchia (RM) at the beginning of March, includes a total of twenty branches, with a base that is particularly concentrated in the capital and the surrounding areas.

The subsidiaries Banco Desio Veneto S.p.A. and Banco Desio Toscana S.p.A. have maintained the same organisations as the period under comparison, the first one with fourteen branches and a distribution of the local base in the provinces of Vicenza, Verona, Padua and Treviso, and the second one with nine branches and a local base distributed in the provinces of Pisa, Prato, Lucca and Leghorn, in addition to that of the Tuscan capital city, respectively.

The chart below shows the increase in size achieved by the Group distribution network in the past years: the annual compound growth rate is 6.2% from 2008.

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



4 - MAJOR CORPORATE EVENTS DURING THE HALF YEAR

Rovere SICAV

On 25 January 2010, within the partial reallocation of the indirect stake held by the Parent Company in Rovere Societé de Gestion SA, through Brianfid-Lux SA, each of the subsidiaries Banco Desio Lazio S.p.A., Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A. acquired a stake equal to 10% of the said company, for a counter-value of Euro 0.05 million, in relation to the agreements in place for the commercial distribution of the related financial products. The company, which forms part of the Group, is also owned by Brianfid-Lux SA with a 50% stake.

FIDES S.p.A.

On 18 February 2010 the subsidiary Banco Desio Lazio S.p.A. further increased its own stake in the capital of FIDES S.p.A. from 95% to 100%, with an outlay of about Euro 0.6 million. This transaction has anticipated the capital increase of the finance company, consistently with the 2010-2011 Business Plan of the Group, for a total amount of Euro 5 million fully subscribed by the subsidiary bank, on the occasion of the Shareholders' Meeting of the company which was held on 20 April.

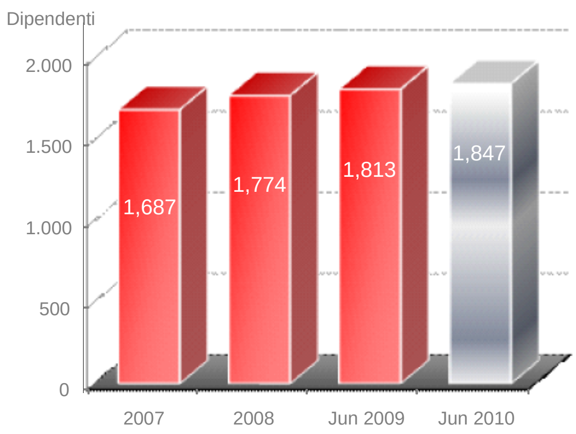
Furthermore, starting from 30 June, the finance company, which is currently operating pursuant to article 106 of the T.U.B. (*Testo Unico Bancario*, Consolidated Act on Banking Laws), exceeded the threshold above which the obligation arises for the registration on the Special List under article 107 of the T.U.B.. Therefore, the related transformation procedure was started in accordance with the current supervision provisions.

5 - HUMAN RESOURCES

As at 30 June 2010, the Group counted 1,847 employees, with an increase of 34, corresponding to 1.9%, compared to the final figure of the first half-year of 2009.

From 2008 the average compound annual growth rate registered in the headcount was equal to 3.7%, as evidenced by the numeric data represented in the chart below, lower than that registered in the distribution network, equal to 6.2%.

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



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

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

No. of employees	30.06.2010	Percentage breakdown	30.06.2009	Percentage breakdown	Change Value	Change %
Executives	40	2.2%	38	2.1%	2	5.3%
3rd and 4th level managers	427	23.1%	424	23.4%	3	0.7%
1st and 2nd level managers	490	26.5%	479	26.4%	11	2.3%
Other personnel	890	48.2%	872	48.1%	18	2.1%
Group Staff	**1,847**	**100.0%**	**1,813**	**100.0%**	**34**	**1.9%**

6 - MANAGEMENT PERFORMANCE

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

The total administered customer assets increased, at the end of the half-year, up to about Euro 18.4 billion, up by Euro 1.1 billion compared to the period under comparison, i.e. equal to 6.4%, attributable both to direct and indirect deposits.

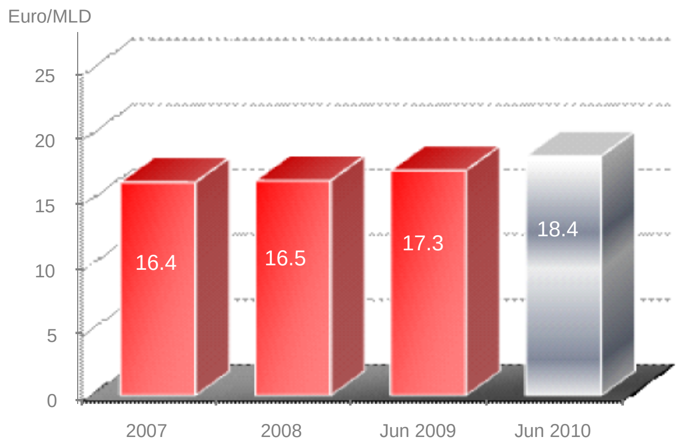
The changes in the balances of the items in the period under analysis are reported in the table below, while the subsequent chart shows the performance of the total aggregate starting from 2008, which corresponds to an average compound annual growth rate of 4.7%.

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

Amounts in thousands of Euro	30.06.2010	Percentage breakdown	30.06.2009	Percentage breakdown	Change Value	Change %
Amounts due to customers	4,588,316	25.0%	4,200,359	24.3%	387,957	9.2%
Securities issued	1,895,765	10.3%	2,032,694	11.8%	-136,929	-6.7%
Financial liabilities at fair value through profit or loss	472,673	2.6%	569,496	3.3%	-96,823	-17.0%
Direct deposits	6,956,754	**37.8%**	6,802,549	**39.4%**	154,205	**2.3%**
Deposits from ordinary customers	8,248,645	44.9%	8,098,521	46.9%	150,125	1.9%
Deposits from institutional customers (1)	3,174,862	17.3%	2,369,869	13.7%	804,993	34.0%
Indirect deposits (1)	11,423,507	**62.2%**	10,468,390	**60.6%**	955,117	**9.1%**
Total deposits from customers	**18,380,261**	**100.0%**	**17,270,939**	**100.0%**	**1,109,322**	**6.4%**

(1) Following the transfer of the stake held in ANIMA S.G.R.p.A. made to Banca Popolare di Milano in the last year, starting from 30 June of the current year, the custodian service of the ANIMA funds, rendered by the Bank, was transferred, on request of ANIMA S.G.R.p.A. itself, to another company; accordingly, Banco Desio has decided to completely cease this activity by the end of the financial year, also towards the other S.G.R. (asset management companies) which had appointed the Bank to carry out a similar assignment. Following this decision, and in order to make the comparison data homogenous, the related assets have been deducted from inventories, for amounts of Euro 208 million as at 30.06.2010 and Euro 6,800 million (of which Euro 6,532 million related to ANIMA) as at 30.06.2009, respectively.

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



Direct deposits

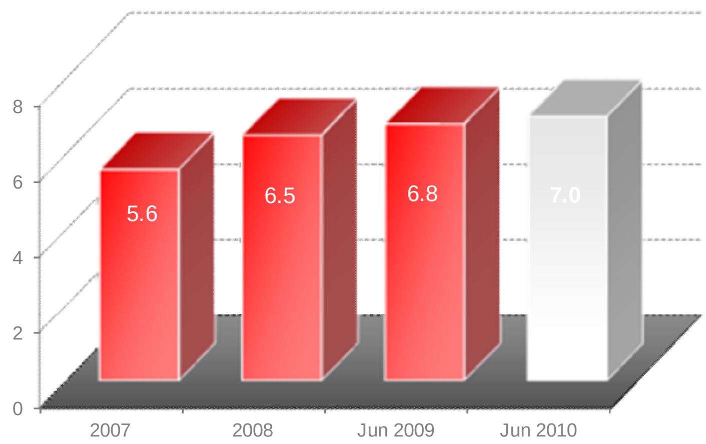
The most substantial item of direct deposits as at the end of the first half-year, corresponding to 66% of the balance, is represented by the “amounts due to customers”, Euro 4.5 billion of which reflects “sight” deposits, i.e. current accounts and savings deposits, and Euro 0.1 billion of which is for reverse repurchase agreements and other payables.

Securities in circulation, amounting to about Euro 1.9 billion, down by about Euro 0.1 billion compared to the balance under comparison, consisted of Euro 1.7 billion of bonds issued and placed by the Group, mainly with a variable yield. The remainder consisted of deposit certificates.

The end-of-year balance of financial liabilities reported on the basis of the fair value option refers to bond loans, mainly with a fixed yield, issued by the Group and hedged with financial derivative instruments.

The growth trend in deposits recorded in the last years is showed in the chart below.

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

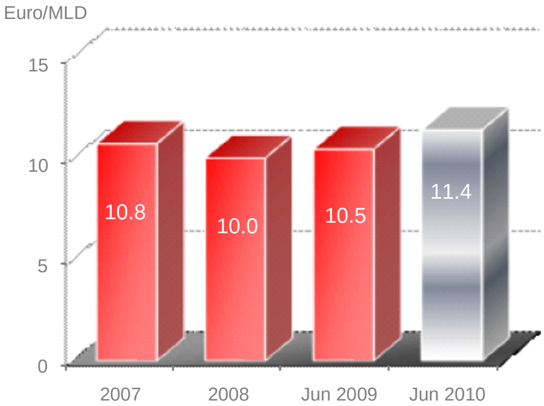


Indirect deposits

“Ordinary” customer indirect deposits increased in the period by about 0.2 billion euro, corresponding to 1.9%: this was attributable to performance in the managed asset sector and was partially counter-balanced by a fall in the administered asset sector.

There was an increase of 0.8 billion euro in deposits from “institutional” customers, compared to the period under comparison, net of the volumes related to custodian services. At the level of the total aggregate the balance increased up to 11.4 billion at the end of the half-year, with an increase of about 1 billion euro, equal to 9.1%, and higher than the average annual compound growth rate of 2.5% recorded starting from 2008 and corresponding to the trend represented by the chart below.

Chart no. 6 - **INDIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



The table below gives the details of the items of indirect deposits, showing the changes in the balances recorded in the period under analysis.

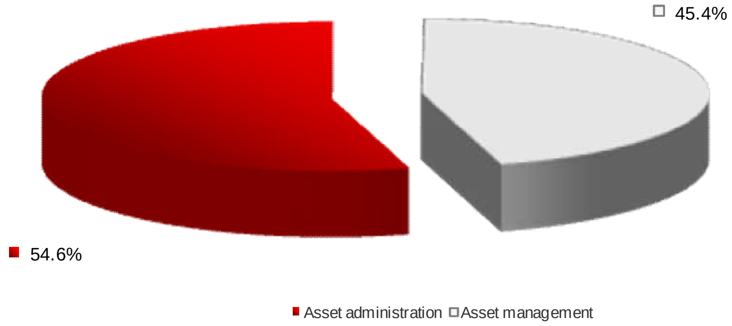
Table no. 4 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	30.06.2010	Percentage breakdown	30.06.2009	Percentage breakdown	Change: Value	Change: %
Asset administration	4,505,126	**39.4%**	4,673,411	**44.6%**	-168,285	**-3.6%**
Asset management	3,743,519	**32.8%**	3,425,110	**32.7%**	318,410	**9.3%**
of which: Mut.Fund and Open-end Inv.	*1,208,691*	*10.6%*	*985,781*	*9.4%*	*222,910*	*22.6%*
Portfolio management	*634,917*	*5.6%*	*810,620*	*7.7%*	*-175,703*	*-21.7%*
Bank Insurance	*1,899,911*	*16.6%*	*1,628,708*	*15.6%*	*271,203*	*16.7%*
Deposits from ordinary customers	**8,248,645**	**72.2%**	**8,098,521**	**77.4%**	**150,125**	**1.9%**
Deposits from institutional customers [(1)]	**3,174,862**	**27.8%**	**2,369,869**	**22.6%**	**804,993**	**34.0%**
Indirect deposits [(1)]	**11,423,507**	**100.0%**	**10,468,390**	**100.0%**	**955,117**	**9.1%**

[(1)] following the decision by the Parent Company to cease the custodian service, the balances are already net of the related assets

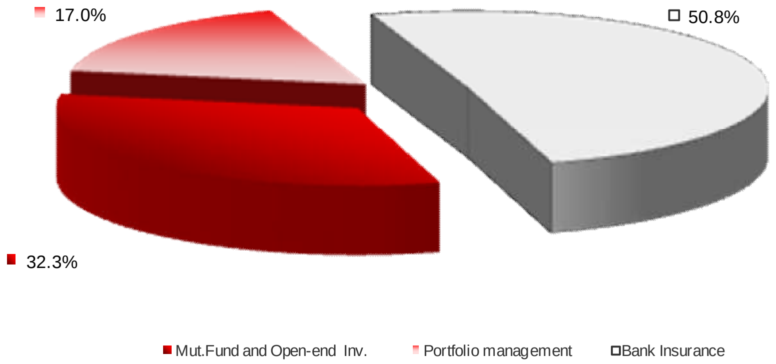
The percentage breakdown by segment of the indirect deposits from ordinary customers at 30 June 2010, represented in the chart below, shows that the portion attributable to managed assets, even if lower, is not very far from that relating to administered assets.

Chart no. 7 **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 30.06.2010: BREAKDOWN**



The percentage composition of assets under management is shown in the graph below: specifically, the life bank insurance element accounts for the main share (50.7%).

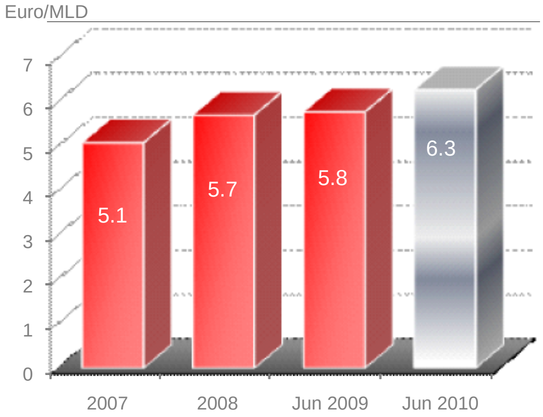
Chart no. 8 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 30.06.2010: BREAKDOWN**



6.2 - LOANS TO CUSTOMERS

The total amount of lending to customers at 30 June 2010 reached 6.3 billion euro, an increase of 8.7 % compared to the same period of 2009, in line with the average compound annual growth rate recorded by the loans starting from 2008, as shown in the chart below.

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



The differences in the balances of the items making up lending, as shown in the table below, indicate that the overall increase was attributable to the medium- and long-term forms of investment, particularly mortgages.

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

Amounts in thousands of Euros	**30.06.2010**	Percentage breakdown	**30.06.2009**	Percentage breakdown	Change Value	Change %
Current accounts	1,514,520	24.1%	1,526,528	26.4%	-12,008	-0.8%
Mortgages and other medium/long term l	3,965,890	63.2%	3,264,456	56.5%	701,434	21.5%
Other	798,897	12.7%	987,324	17.1%	-188,427	-19.1%
Amounts due from customers	**6,279,307**	**100.0%**	**5,778,308**	**100.0%**	**500,999**	**8.7%**

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

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

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

Number of customers	**30.06.2010**	**30.06.2009**
10 largest customers	3.2%	2.2%
20 largest customers	4.4%	3.4%
30 largest customers	5.5%	4.4%
50 largest customers	7.2%	6.1%

At the end of the period the total amount of impaired loans, represented by non performing loans, problem loans, expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured loans, amounted to Euro 189.8 million, net of value adjustments of Euro 99.6 million. Specifically, net non performing loans amounted to Euro 76.6 million, net problem loans to Euro 86.1 million, expired loans to Euro 26.2 million and restructured loans to Euro 0.7 million.

The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase, compared to 2009, as a natural consequence of the economic crisis.

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

% Indexes for gross loans	**30.06.2010**	**30.06.2009**
Gross impaired loans to customers	4.51%	4.07%
of which:		
- gross non performing loans	2.18%	2.16%
- gross problem loans	1.89%	1.36%
- gross expired loans	0.43%	0.54%
- gross restructured loans	0.01%	-

% Indexes for net loans	**30.06.2010**	**30.06.2009**
Net impaired loans to customers	3.02%	2.56%
of which:		
- net non performing loans	1.22%	1.07%
- net problem loans	1.37%	0.94%
- net expired loans	0.42%	0.54%
- gross restructured loans	0.01%	-

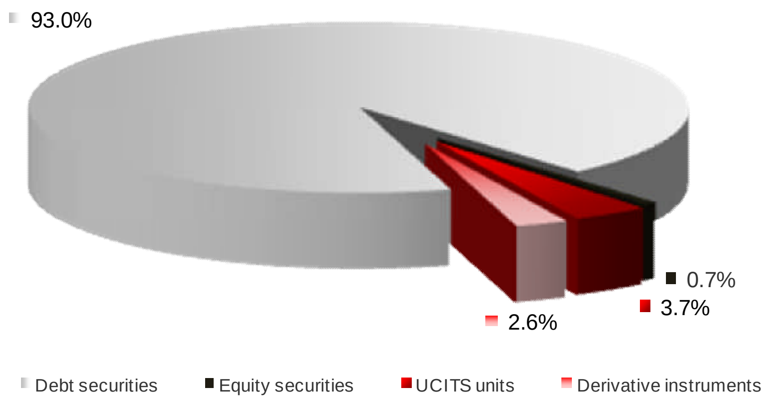
6.3 - THE SECURITIES PORTFOLIO AND INTER-BANK ACTIVITIES

The securities portfolio

As at 30 June 2010 the Group's total financial assets stood at a value of Euro 1.1 billion, with an increase of Euro 0.2 billion compared to the figure of the same period of 2009.

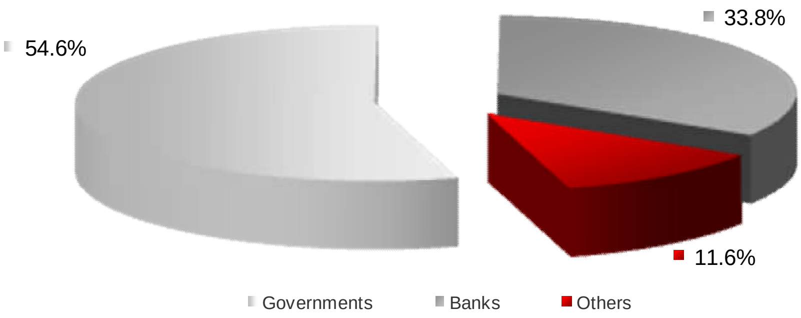
The chart below presents the percentage breakdown of the portfolio based on the types of securities, and shows the largest proportion are debt securities which, including securities used in reverse repurchases agreements with customers and banks, accounts for 93% of total investments.

Chart no. 10 - **FINANCIAL ASSETS AT 30.06.2010: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY**



With reference to the issuers of securities, the aggregate portfolio at the end of the half-year is comprised of "Government securities" (54.6%), "bank securities" (33.8%), and by "other issuers" for the remaining share, as evidenced in the chart below.

Chart no. 11 - **FINANCIAL ASSETS AT 30.06.2010: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER**



Inter-bank activities

There was a positive inter-bank balance of 0.4 billion euro at 30 June 2010, compared with about 0.8 billion euro at the end of the half-year of 2009.

In order to allocate the liquidity that prudently was maintained at high levels and as part of the daily objective of achieving the highest possible yields, the Parent Company continued its activity in the Collateralised Interbank Market (MIC) and that on the repo market.

6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Shareholders' equity attributable to the Parent Company as at 30 June 2010, including the profit of the period, amounted to a total of Euro 774.7 million, an increase of Euro 44.5 million with respect to the figure recorded in the first half-year of 2009.

Shareholders' equity calculated in accordance with the supervisory regulations in force, amounted to Euro 767.4 million (with respect to Euro 720.3 million in June 2009). The figure is made up of Tier 1 capital of Euro 682.8 million and Tier 2 capital of Euro 97.6 million for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 13 million and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets, increased to 10.9% (compared to 10.4% in June 2009) and actually coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, reached 12.3% (compared to 11.6% in June 2009).

6.5 - RECLASSIFIED INCOME STATEMENT

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

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

- two accounting item totals were stated, defined as "Operating income" and "Operating costs", the algebraic balance of which constitutes the "Operating margin";
- "Net profit/(loss) for the period" was divided into "Profits/(losses) after taxes from continuing operations" and "Profits/(losses) after taxes from non-recurring operations";
- Net income from insurance activities includes the following income from Chiara Assicurazioni S.p.A.: net interest income (items 10 and 20), net insurance premiums (item 150), profits/(losses) on disposal/repurchase of financial assets available for sale (item 100), Other operating income and expenses (item 220) and the balance of other income/charges from insurance activities management (item 160);
- "Operating income" also includes the balance of item 220, "Other operating income and expenses", also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 180 (b), "Other administrative expenses" and as an increase of item 210, "Net adjustments to the value of /write-backs to intangible assets" in the "Operating costs" total;
- the balance of item 100 (a), "Profit/(loss) on disposal/purchase of receivables" in "Operating income" was reclassified in special item "Profit/(loss) on disposal/purchase of receivables" after "Operating margin";
- provisions for clawback actions in debt litigation were reclassified from item 190, "Net provisions for risks and charges", to item 130 (a), "Net impairment losses on loans", both items following "Operating margin";
- any provisions / uses for provisions for risks for extraordinary transactions are reclassified from item 190, "Net provisions for risks and charges", to item "Provisions for risks and charges on extraordinary transactions";

- the balance of "Overdraft limit fees" ("CMS") and of "Recovery of applications expenses for credit facilities" at 30 June 2009 are reclassified from item 10 "Interest income and similar revenues" and from item 220 "Other operating income and expenses", respectively, to item 40 "Fee and commission income";
- the tax effect on Profits/(losses) from non recurring operations is reclassified from item 290, "Taxes for the period on income from continuing operations" to the item "Taxes for the period on income from non recurring operations".

The first half-year ended with Parent Bank net profit of 36.9 million euro, as shown in the table below, which states the reclassified Income Statement in comparison with the Income Statement of the previous year.

Table no. 8 - **RECLASSIFIED INCOME STATEMENT**

Captions				Change	
	Amounts in thousands of Euros	**30.06.2010**	**30.06.2009**	**Value**	**%**
10+20	Net interest income	91,129	98,589	-7,460	-7.6%
70	Dividend and similar income	346	404	-58	-14.4%
	Profits (losses) on equity investments in associates	1,769	1,669	100	6.0%
40+50	Net fees and commissions	61,842	56,525	5,317	9.4%
80+90+100+ 110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	6,343	5,079	1,264	24.9%
150+160	Net income from insurance activities	5,216	3,433	1,783	51.9%
220	Other operating income and expenses	2,657	2,915	-258	-8.9%
	Operating income	**169,302**	**168,614**	**687**	**0.4%**
180 a	Personnel expenses	-74,010	-72,301	-1,709	2.4%
180 b	Other administrative expenses	-34,014	-34,278	264	-0.8%
200+210	Net adjustments/w rite-backs to tangible/intangible assets	-5,298	-5,384	86	-1.6%
	Operating costs	**-113,322**	**-111,962**	**-1,359**	**1.2%**
	Operating margin	**55,980**	**56,652**	**-672**	**-1.2%**
	Net profits/(losses) on disposal/repurchase of receivables	0	-293	293	-100.0%
130 a	Net impairment losses on loans	-16,707	-33,738	17,031	-50.5%
130 d	Net impairment losses on other financial transactions	7	-53	60	-113.2%
190	Net provisions for risks and charges	-341	-941	600	-63.8%
	Profits/(losses) before taxes from continuing operations	**38,939**	**21,627**	**17,312**	**80.0%**
290	Taxes for the period on income from continuing operations	-16,279	-11,578	-4,701	40.6%
	Profits/(losses) after taxes from continuing operations	**22,660**	**10,049**	**12,611**	**125.5%**
240+270	Profits (losses) on equity investments and on disposal of investments	0	21,871	-21,871	n.s.
	Provisions for risks and charges on extraordinary transactions	14,636	0	14,636	
	Profits/(losses) before taxes from non-recurring operations	**14,636**	**21,871**	**-7,235**	**n.s.**
	Taxes for the period on income from non-recurring items	0	2,749	-2,749	n.s.
	Profits/(losses) after taxes from non-recurring operations	**14,636**	**24,620**	**-9,984**	**n.s.**
320	**Net profit/(loss) for the period**	**37,296**	**34,669**	**2,627**	**7.6%**
330	(Profit)/loss for the period attributable to minority interests	-347	64	-411	-642.2%
340	**Parent Bank net profit (loss)**	**36,949**	**34,733**	**2,216**	**6.4%**

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

Table no. 9 - **RECONCILIATION BEETWEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2010**

Captions		Financial Statements	Reclassifications								Reclassified Statements
	Amounts in thousands of Euros	30.06.2010	Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	Taxes on income	30.06.2010
10+20	Net interest income	91,531	-402								91,129
70	Dividend and similar income	346									346
	Profits (losses) on equity investments in associates				1,769						1769
40+50	Net fees and commissions	61,842									61,842
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	6,389	-46				0				6,343
150+160	Net income from insurance activities	4,734	482								5,216
220	Other operating income and expenses	7,355	-34	-5,888		1,224					2,657
	Operating income	**172,197**	**0**	**-5,888**	**1,769**	**1,224**	**0**	**0**	**0**	**0**	**169,302**
180 a	Personnel expenses	-74,010									-74,010
180 b	Other administrative expenses	-39,902		5,888							-34,014
200+210	Net adjustments/write-backs to tangible/intangible assets	-4,074				-1,224					-5,298
	Operating costs	**-117,986**	**0**	**5,888**	**0**	**-1,224**	**0**	**0**	**0**	**0**	**-113,322**
	Operating margin	**54,211**	**0**	**0**	**1,769**	**0**	**0**	**0**	**0**	**0**	**55,980**
	Net profits/(losses) on disposal/repurchase of receivables						0				0
130 a	Net impairment losses on loans	-16,927						220			-16,707
130 d	Net impairment losses on other financial transactions	7									7
190	Net provisions for risks and charges	14,515						-14,856			-341
	Profits/(losses) before taxes from continuing operations	**51,806**	**0**	**0**	**1,769**	**0**	**0**	**-14,636**	**0**	**0**	**38,939**
290	Taxes for the period on income from continuing operations	-16,279									-16,279
	Profits/(losses) after taxes from continuing operations	**35,527**	**0**	**0**	**1,769**	**0**	**0**	**-14,636**	**0**	**0**	**22,660**
240+270	Profits (losses) on equity investments and on disposal of investments	1,769			-1,769						0
	Provisions for risks and charges on extraordinary transactions							14,636			14,636
	Profits/(losses) before taxes from non-recurring operations	**1,769**	**0**	**0**	**-1,769**	**0**	**0**	**14,636**	**0**	**0**	**14,636**
	Taxes for the period on income from non-recurring items									0	0
	Profits/(losses) after taxes from non-recurring operations	**1,769**	**0**	**0**	**-1,769**	**0**	**0**	**14,636**	**0**	**0**	**14,636**
320	**Net profit/(loss) for the period**	**37,296**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**37,296**
330	(Profit)/loss for the period attributable to minority interests	-347									-347
340	**Parent Bank net profit (loss)**	**36,949**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**36,949**

Table no. 10 - **RECONCILIATION BEETWEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2009**

Captions		Financial Statements	Reclassifications								Reclassified Statements
	Amounts in thousands of Euros	30.06.2009	Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	Taxes on income	30.06.2009
10+20	Net interest income	109,285	-292						-10,404		98,589
70	Dividend and similar income	404									404
	Profits (losses) on equity investments in associates				1,669						1669
40+50	Net fees and commissions	42,533							13,992		56,525
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	4,722	64				293				5,079
150+160	Net income from insurance activities	3,204	229								3,433
220	Other operating income and expenses	10,995	-1	-5,657		1,167			-3,589		2,915
	Operating income	**171,143**	**0**	**-5,657**	**1,669**	**1,167**	**293**	**0**	**0**	**0**	**168,614**
180 a	Personnel expenses	-72,301									-72,301
180 b	Other administrative expenses	-39,935		5,657							-34,278
200+210	Net adjustments/write-backs to tangible/intangible assets	-4,217				-1,167					-5,384
	Operating costs	**-116,453**	**0**	**5,657**	**0**	**-1,167**	**0**	**0**	**0**	**0**	**-111,962**
	Operating margin	**54,690**	**0**	**0**	**1,669**	**0**	**293**	**0**	**0**	**0**	**56,652**
	Net profits/(losses) on disposal/repurchase of receivables						-293				-293
130 a	Net impairment losses on loans	-33,233						-505			-33,738
130 d	Net impairment losses on other financial transactions	-53									-53
190	Net provisions for risks and charges	-1,446						505			-941
	Profits/(losses) before taxes from continuing operations	**19,958**	**0**	**0**	**1,669**	**0**	**0**	**0**	**0**	**0**	**21,627**
290	Taxes for the period on income from continuing operations	-8,829								-2,749	-11,578
	Profits/(losses) after taxes from continuing operations	**11,129**	**0**	**0**	**1,669**	**0**	**0**	**0**	**0**	**-2,749**	**10,049**
240+270	Profits (losses) on equity investments and on disposal of investments	23,540			-1,669						21,871
	Provisions for risks and charges on extraordinary transactions										0
	Profits/(losses) before taxes from extraordinary operations	**23,540**	**0**	**0**	**-1,669**	**0**	**0**	**0**	**0**	**0**	**21,871**
	Taxes for the period on income from extraordinary items									2,749	2,749
	Profits/(losses) after taxes from extraordinary operations	**23,540**	**0**	**0**	**-1,669**	**0**	**0**	**0**	**0**	**2,749**	**24,620**
320	**Net profit/(loss) for the period**	**34,669**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**34,669**
330	(Profit)/loss for the period attributable to minority interests	64									64
340	**Parent Bank net profit (loss)**	**34,733**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**34,733**

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

Operating income

The revenue items related to operating income show an increase of 0.4% compared to the period used for comparison, totalling 169.3 million euro. Specifically, there was the increase of net fees and commissions of 5.3 million euro, the income from insurance activities of 1.8 million euro and in the item that groups together the net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss of 1.3 million euro, mainly due to the profit from transfer or repurchase of financial assets available for sale; on the contrary there was a fall in net interest income of 7.5 million euro, which is in fact linked to the sharp fall in market rates, and of other operating income and expenses of 0.3 million euro.

Operating costs

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to 113.3 million euro, an increase of 1.2%.

Profits/(losses) after taxes from continuing operations

The operating margin at the end of the half-year, equal to 56 million euro, is substantially in line with that of the period under comparison; the *net impairment losses on loans* of 16.7 million euro, which were more than 50% less than the period under comparison, and *net provisions for risks and charges* of 0.3 million euro, as well as *taxes for the period on income from continuing operations* of 16.3 million euro lead to the *after-tax profit from continuing operations* of 22.7 million euro, with an increase of 125.5%.

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

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

At the end of the previous period, the result was mainly attributable (21.9 million Euro) to the capital gain arising from the transfer by the Parent Company of 21.191% of the share capital of Anima S.G.R.p.A.. The additional positive effect (about 2.8 million Euro) derived from the tax release of surpluses deducted on an informal basis, as well as to the realignment of the variances between statutory values and tax values arising upon first-time adoption of the international accounting standards.

Parent Bank net profit (loss)

Profits/(losses) after taxes from continuing operations and the *profits/(losses) after taxes from non-recurring operations* make up the *Parent Bank net profit* for the first six months 2010 equal to 36.9 million euro, net of the result attributable to minority interests of 0.4 million euro. The result obtained is up by 2.2 million euro, i.e. 6.4% of that of the first six months of the previous year, which had benefited from a higher non-recurring profit, net of taxes for 10 million euro.

7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events of particular importance are reported which occurred after the closing of the first half of the current year.

8 - OTHER INFORMATION

8.1 - RATING

On 28 April 2010 the international rating agency, Fitch Ratings confirmed the ratings previously awarded to the Parent Company, as they reflect the performance's capacity for recovery in an economic context experiencing difficulties and the adequate level of impaired loans if compared to the relevant sample, notwithstanding the deterioration in the quality of the assets in 2009. Ratings also depend on the high retail bank deposits and the adequate capitalisation of the Parent Company.

Long-term	Short-term	Forecast
A	F 1	Stable

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

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

8.3 - TRANSACTIONS WITH RELATED PARTIES

For a more detailed description of the procedures governing the transactions referred to above, we would refer to paragraph 5 of the annual Report on Corporate Governance made available, pursuant to article 123-bis of the TUF, on the website.

8.4 - INFORMATION ON STOCK OPTION PLANS

The stock option Plans in existence at the end of the half-year are those started during 2006, regarding shares of subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. (shares to be issued in the future against capital increases resolved as per Article 2443 of the Civil Code) and the Plan started during 2008, regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession). The specific section in the condensed interim Financial Statements should be referred to for information regarding these Plans.

9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The continued reinforcement of the local presence, the dynamic impulse in the development of deposit volumes and of loans, the careful management and attentive monitoring of credit ratios, as well as the strict control of operating costs confirm themselves as the drivers for growth in the operating result and the maintenance of a final profit for the current year that is not too distant from that of the previous financial year.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Half-year Financial Report at 30 June 2010 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. Indeed, no symptoms were seen in the equity and financial structure and in the operating performance which could lead to uncertainty about the continuity of the company.

The paragraph about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in detail in paragraph "Information on Risks and the Related Hedging Policies" of Consolidated half-year Financial Report.

Moreover, this Report contains reference for additional information to the Annual report on Corporate Governance made available, pursuant to article *123-bis* of the Consolidated Law on Finance, on the Group's website at the same as this Report.

August 26, 2010

The Board of Directors

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

CONDENSED INTERIM FINANCIAL STATEMENTS

at 30 June 2010

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets

(Euro/1,000)

	Assets	30.06.2010	31.12.2009	Change 06.2010 over 12.2009	
10	Cash and cash equivalents	24,899	26,315	(1,416)	-5.4%
20	Financial assets held for trading	54,903	74,778	(19,875)	-26.6%
40	Available-for-sale financial assets	970,301	865,713	104,588	12.1%
50	Held-to-maturity investments	58,615	3,089	55,526	1797.5%
60	Amounts due from banks	486,228	792,983	(306,755)	-38.7%
70	Amounts due from customers	6,279,307	6,160,151	119,156	1.9%
100	Equity investments	16,427	20,964	(4,537)	-21.6%
110	Technical reserves arising from reinsurance	5,823	5,529	294	5.3%
120	Tangible assets	149,576	148,210	1,366	0.9%
130	Intangible assets	45,959	45,377	582	1.3%
	of which:				
	- *goodwill*	*43,513*	*43,186*	*327*	*0.8%*
140	Tax assets	35,687	43,074	(7,387)	-17.1%
	a) current	*3,278*	*13,561*	*(10,283)*	*-75.8%*
	b) deferred	*32,409*	*29,513*	*2,896*	*9.8%*
160	Other assets	117,506	*122,597*	(5,091)	-4.2%
	Total Assets	**8,245,231**	**8,308,780**	**-63,549**	**-0.8%**

Liabilities and shareholders' equity

(Euro/1,000)

	Total Liabilities and shareholders' equity	30.06.2010	31.12.2009	Change 06.2010 over 12.2009	
10	Amounts due to banks	95,075	36,658	58,417	159.4%
20	Amounts due to customers	4,588,316	4,868,276	(279,960)	-5.8%
30	Securities issued	1,895,765	1,808,570	87,195	4.8%
40	Financial liabilities held for trading	6,752	2,519	4,233	168.0%
50	Financial liabilities at fair value through profit or loss	472,673	557,152	(84,479)	-15.2%
60	Hedging derivatives	9,330	-	9,330	
80	Tax liabilities	15,315	13,571	1,744	12.9%
	a) current	*4,604*	*1,808*	2,796	154.6%
	b) deferred	*10,711*	*11,763*	(1,052)	-8.9%
100	Other liabilities	286,952	153,408	133,544	87.1%
110	Reserve for employee termination indemnities	25,358	25,696	(338)	-1.3%
120	Reserves for risks and charges:	45,626	61,099	(15,473)	-25.3%
	a) pensions and similar commitments	*164*	*164*	-	0.0%
	b) other reserves	*45,462*	*60,935*	(15,473)	-25.4%
130	Technical Reserves	25,456	20,512	4,944	24.1%
140	Valuation reserves	25,089	28,987	(3,898)	-13.4%
170	Reserves	628,803	591,003	37,800	6.4%
180	Share premium reserve	16,145	16,145	-	-
190	Share capital	67,705	67,705	-	-
210	Minority interest (+/-)	3,922	3,947	(25)	-0.6%
220	Net profit / (loss) for the period	36,949	53,532	n.s	n.s
	Total Liabilities and shareholders' equity	**8,245,231**	**8,308,780**	**-63,549**	**-0.8%**

Consolidated Income Statement

(Euro/1,000)

	INCOME STATEMENT	30.06.2010	30.06.2009	Change 06.2010 over 06.2009	
10	Interest income and similar revenues	126,698	168,874	(42,176)	-25.0%
20	Interest expense and similar charges	(35,167)	(59,589)	24,422	-41.0%
30	**Net interest income**	**91,531**	**109,285**	**(17,754)**	**-16.2%**
40	Fee and commission income	70,658	48,423	22,235	45.9%
50	Fee and commission expense	(8,816)	(5,890)	(2,926)	49.7%
60	**Net fees and commissions**	**61,842**	**42,533**	**19,309**	**45.4%**
70	Dividends and similar income	346	404	(58)	-14.4%
80	Net profits/(losses) on trading activities	1,281	2,980	(1,699)	-57.0%
90	Net profits/(losses) on hedging activities	687	(13)	700	-5384.6%
100	Profit/(loss) on disposal or repurchase of:	6,188	2,382	3,806	159.8%
	a) loans and receivables	*-*	*(293)*	293	-100.0%
	b) available-for-sale financial assets	*6,112*	*1,628*	4,484	275.4%
	d) financial liabilities	*76*	*1,047*	(971)	-92.7%
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(1,767)	(627)	(1,140)	181.8%
120	**Net interest and other banking income (intermediation margin)**	**160,108**	**156,944**	**3,164**	**2.0%**
130	Net impairment losses on/writebacks to:	(16,920)	(33,286)	16,366	-49.2%
	a) loans and receivables	*(16,927)*	*(33,233)*	16,306	-49.1%
	d) other financial assets	*7*	*(53)*	60	-113.2%
140	**Net income from banking activities**	**143,188**	**123,658**	**19,530**	**15.8%**
150	Net insurance premiums	12,844	9,842	3,002	30.5%
160	Balance of other income/charges arising on insurance management activities	(8,110)	(6,638)	(1,472)	22.2%
170	**Net result of financial and insurance activities**	**147,922**	**126,862**	**21,060**	**16.6%**
180	Administrative expenses:	(113,912)	(112,236)	(1,676)	1.5%
	a) personnel expenses	*(74,010)*	*(72,301)*	(1,709)	2.4%
	b) other administrative expenses	*(39,902)*	*(39,935)*	33	-0.1%
190	Net provisions for risks and charges	14,515	(1,446)	15,961	-1103.8%
200	Net adjustments to the value of tangible assets	(3,577)	(3,791)	214	-5.6%
210	Net adjustments to the value of intangible assets	(497)	(426)	(71)	16.7%
220	Other operating (expenses)/income	7,355	10,995	(3,640)	-33.1%
230	**Operating expenses**	**(96,116)**	**(106,904)**	**10,788**	**-10.1%**
240	Profits/(losses) on equity investments	1,769	23,540	(21,771)	-92.5%
280	**Profits/(losses) before taxes from continuing operations**	**53,575**	**43,498**	**10,077**	**23.2%**
290	Taxes for the period on income from continuing operations	(16,279)	(8,829)	(7,450)	84.4%
300	**Net profits (loss) after tax from continuing operations**	**37,296**	**34,669**	**2,627**	**7.6%**
320	**Net profit/(loss) for the period**	**37,296**	**34,669**	**2,627**	**7.6%**
330	Profit (loss) for the period attributable to minority interests	(347)	64	(411)	-642.2%
340	**Parent Bank net profit (loss)**	**36,949**	**34,733**	**2,216**	**6.4%**

Statement of consolidated comprehensive income for the period

(Euro/1,000)

	Items	30.06.2010	30.06.2009	
10.	**Net profit/(loss) for the period**	**37,296**	**34,669**	**(*)**
	Other comprehensive income (net of tax)			
20.	Financial assets available for sale	(3,635)	10,810	
30.	Tangible assets	-	-	
40.	Intangible assets	-	-	
50.	Foreign investments hedges	-	-	
60.	Cash flow hedges	-	-	
70.	Foreign exchange differences	2,258	(713)	
80.	Non-current assets held for sale and discontinued operations	-	-	
90.	Actuarial Profit(Loss) on defined benefits plans	(491)	(230)	
100.	Share of revaluation reserves relating to equity investments recognised under equity	(994)	491	
110.	**Total other comprehensive income (net of tax)**	**(2,862)**	**10,358**	
120.	**Total comprehensive income for the period (item 10 + 110)**	**34,434**	**45,027**	
130.	Total Consolidated comprehensive income pertaining to minority interests	(281)	(23)	
140.	**Total Consolidated comprehensive income pertaining to the Parent Company**	**34,153**	**45,004**	

(*) of which 21.9 million euro relating to the capital gain arising from the transfer by the Parent Company of 21.191% of the share capital of Anima SGRpA.

Statement of changes in consolidated shareholders' equity at 30.06.2010

(Euro/1,000)

	Equity at 31.12.2009	Change in opening balances	Equity at 1.01.2010	Allocation of result from previous period		Changes over the period								Equity attributable to the Group as at 30.06.2010	Minority interests as at 30.06.2010
						Changes in reserves	Transactions in shareholders' equity						Net Profit (Loss) for the year at 30.06.2010		
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	63,702	-	63,702	-	-	-	(81)	-	-	-	-	-	-	60,840	2,781
b) other shares	6,865	-	6,865	-				-						6,865	
Share premium reserve	16,392	-	16,392	-	-	-	(170)	-	-	-	-	-	-	16,145	77
Reserves:															
a) retained earnings	582,485	-	582,485	39,733	-	(3,017)	-	-	-	-	-	-	-	618,505	696
b) others	9,119	-	9,119	-	-	1,102	-	-	-	-	-	77	-	10,298	
Revaluation reserves:	29,074	-	29,074			(1,102)	-						(2,862)	25,089	21
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net Profit (loss) for the year	53,682	-	53,682	(39,733)	(13,949)	-	-	-	-	-	-	-	37,296	36,949	347
Equity attributable to the Group	**757,372**	**-**	**757,372**		**(13,949)**	**(2,962)**	**-**	**-**	**-**	**-**	**-**	**77**	**34,153**	**774,691**	
Minority interests	**3,947**	**-**	**3,947**			**(55)**	**(251)**	**-**					**281**		**3,922**

Statement of changes in consolidated shareholders' equity at 31.12.2009

(Euro/1,000)

	Equity at 31.12.2008	Change in opening balances	Equity at 1.01.2009	Allocation of result from previous period		Changes over the period								Equity attributable to the Group as at 31.12.2009	Minority interests as at 31.12.2009
						Changes in reserves	Transactions in shareholders' equity						Net Profit (Loss) for the year at 31.12.2009		
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	63,707	-	63,707	-	-	-	-	(5)	-	-	-	-	-	60,840	2,862
b) other shares	6,865	-	6,865	-				-						6,865	
Share premium reserve	16,145	-	16,145	-	-	-	247	-	-	-	-	-	-	16,145	247
Reserves:															
a) retained earnings	532,105	-	532,105	48,956	-	1,425	-	-	-	-	-	-	-	581,884	601
b) others	10,971	-	10,971	-	-	(2,005)	-	-	-	-	-	153	-	9,119	
Revaluation reserves:	8,624	-	8,624			2,005							18,445	28,987	87
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net Profit (loss) for the year	62,904	-	62,904	(48,956)	(13,948)	-	-	-	-	-	-	-	53,682	53,532	150
Equity attributable to the Group	**697,600**	**-**	**697,600**		**(13,948)**	**1,735**	**-**	**-**	**-**	**-**	**-**	**153**	**71,832**	**757,372**	
Minority interests	**3,721**	**-**	**3,721**			**(311)**	**247**	**(5)**					**295**		**3,947**

Consolidated Cash Flow Statement

(Euro/1,000)

A. OPERATIONS	Amount	
	30.06.2010	30.06.2009
1. Management activities	**39,677**	**81,367**
- interest income earned (+)	126,685	176,329
- interest expenses paid (-)	(35,092)	(67,101)
- dividends and similar revenues (+)	346	404
- net commissions (+/-)	62,549	37,858
- personnel costs (-)	(71,292)	(69,480)
- net premiums earned (+)	12,844	9,842
- other insurance income/charges (+/-)	(8,110)	(6,638)
- other costs (-)	(37,142)	(35,481)
- other revenues (+)	5,168	44,463
- taxes and duties (-)	(16,279)	(8,829)
- costs/revenues relating to non current assets held for sale and discontinued	-	-
2. Liquid assets generated (absorbed) by decrease/increase in financial assets	**106,687**	**(414,905)**
- financial assets held for trading	20,373	97,176
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(105,232)	(160,222)
- amounts due from customers	(140,404)	(105,717)
- amounts due from banks: at sight	(15,611)	(185,317)
- amounts due from banks: others	322,366	(83,813)
- other assets	25,195	22,988
3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities	**(76,975)**	**345,900**
- amounts due to banks: at sight	1,848	25,935
- amounts due to banks: others	56,569	(6,419)
- amounts due to customers	(279,960)	138,677
- securities issued	89,203	161,897
- financial liabilities held for trading	(112)	(66)
- financial liabilities at fair value through profit or loss	(84,479)	28,008
- other liabilities	139,956	(2,132)
Net liquid assets generated (absorbed) by operations (A)	**69,389**	**12,362**
B. INVESTMENTS		
1. Liquid assets generated by	**25,160**	**-**
- sale of investments	-	-
- dividends received from investments	-	-
- sale/redemption of financial assets held to maturity	-	-
- sale of tangible assets	25,160	-
- sale of intangible assets	-	-
- sale of subsidiaries and business divisions	-	-
2. Liquid assets absorbed by	**(82,167)**	**(7,285)**
- purchase of investments	4,537	(1,657)
- purchase of financial assets held to maturity	(55,522)	(3,047)
- purchase of tangible assets	(30,103)	(1,265)
- purchase of intangible assets	(1,079)	(1,316)
- purchase of subsidiaries and business divisions	-	-
Net liquid assets generated (absorbed) by investments (B)	**(57,007)**	**(7,285)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,798)	(13,792)
Net liquid assets generated (absorbed) by funding activities (C)	**(13,798)**	**(13,792)**
NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**(1,416)**	**(8,715)**

Financial statements' items	1° half 2010	1° half 2009
Cash and cash equivalents at beginning of year	26,315	32,573
Total liquid assets generated (absorbed) during the year	(1,416)	(8,715)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	24,899	23,858

Consolidated Income Statement – Quarterly trend (*)

(Euro/1,000)

	INCOME STATEMENT	2nd quarter 2010	1st quarter 2010	2nd quarter 2009	1st quarter 2009
10	Interest income and similar revenues	63,531	63,167	72,756	96,118
20	Interest expense and similar charges	(17,885)	(17,282)	(19,473)	(40,116)
30	**Net interest income**	**45,646**	**45,885**	**53,283**	**56,002**
40	Fee and commission income	36,961	33,697	26,770	21,653
50	Fee and commission expense	(5,495)	(3,321)	(3,753)	(2,137)
60	**Net fee and commission income**	**31,466**	**30,376**	**23,017**	**19,516**
70	Dividends and similar income	346	-	402	2
80	Net profits/(losses) from trading activities	114	1,167	1,485	1,495
90	Net profits/(losses) from hedging activities	687	-	42	(55)
100	Profit/(loss) from disposal or repurchase of:	3,523	2,665	497	1,885
	a) loans and receivables	-	-	*(293)*	-
	b) available-for-sale financial assets	*3,477*	*2,635*	*615*	*1,013*
	d) financial liabilities	*46*	*30*	*175*	*872*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(952)	(815)	695	(1,322)
120	**Net interest and other banking income (intermediation margin)**	**80,830**	**79,278**	**79,421**	**77,523**
130	Net value adjustments/write-backs for impairment of:	(10,546)	(6,374)	(16,435)	(16,851)
	a) loans and receivables	*(10,324)*	*(6,603)*	*(16,306)*	*(16,927)*
	d) other financial assets	(222)	229	(129)	76
140	**Net income from banking activities**	**70,284**	**72,904**	**62,986**	**60,672**
150	Net insurance premiums	6,111	6,733	4,629	5,213
160	Balance of other income/charges arising from insurance	(3,521)	(4,589)	(2,685)	(3,953)
170	**Net result of financial and insurance activities**	**72,874**	**75,048**	**64,930**	**61,932**
180	Administrative expenses:	(58,911)	(55,001)	(59,902)	(52,334)
	a) staff expenses	*(38,129)*	*(35,881)*	*(37,175)*	*(35,126)*
	b) other administrative expenses	*(20,782)*	*(19,120)*	*(22,727)*	*(17,208)*
190	Net provisions for risks and charges	(668)	15,183	(481)	(965)
200	Net value adjustments to/write-backs of tangible assets	(1,783)	(1,794)	(1,908)	(1,883)
210	Net value adjustments to/write-backs of intangible assets	(257)	(240)	(233)	(193)
220	Other operating income/(expenses)	3,264	4,091	5,184	5,811
230	**Operating expenses**	**(58,355)**	**(37,761)**	**(57,340)**	**(49,564)**
240	Profits/(losses) from equity investments	978	791	981	22,559
280	**Profits/(losses) before taxes from continuing operations**	**15,497**	**38,078**	**8,571**	**34,927**
290	Taxes for the period on income from continuing operations	(7,375)	(8,904)	(2,550)	(6,279)
300	**Net profits (loss) after tax from continuing operations**	**8,122**	**29,174**	**6,021**	**28,648**
330	Profit (loss) for the period attributable to minority interests	(160)	(187)	(39)	103
340	**Parent Bank net profit (loss)**	**7,962**	**28,987**	**5,982**	**28,751**

(*) unaudited

ACCOUNTING POLICIES AND STANDARDS

ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

GENERAL

Section 1 – Declaration of conformity with international accounting standards

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

Section 2 – General accounting policies

The condensed interim consolidated financial statements at 30 June 2009 have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the period.

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

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

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

As provided for under IAS39, with regard to the valuation of financial instruments the Group adopted the fair value option, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.

The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

By the abovementioned update, Circular Letter no. 262 adopted the amendments made, since its first issue, to the international accounting standards IAS/IFRS and entailed the review of some tables and information in the notes to the financial statements.

The measure mainly concerned the introduction of the “Statement of comprehensive Income”, the classification of measurements at fair value into levels, the different reporting of “impaired assets” and “assets sold but not written off” and the reorganisation of disclosure on derivatives.

Therefore, for a better comparison of the data, the necessary reclassifications were made in reporting data from the previous period, which on the other hand are not significant.

Amounts are expressed in thousands of Euro.

Section 3 – Scope and methods of consolidation

1. Investments in wholly-owned subsidiary companies and companies subject to joint control (consolidated proportionately)

Company name	Registered	Type of relations	Ownership relationship		Availability of votes
			Investing company	Share %	
A. Companies					
A.1 Consolidated on a line by line basis					
Banco Desio Lazio S.p.A.	Rome	1	Banco Desio	100,000	100,000
Banco Desio Toscana S.p.A.	Florence	1	Banco Desio	100,000	100,000
Banco Desio Veneto S.p.A.	Vicenza	1	Banco Desio	100,000	100,000
Brianfid-Lux S.A.	Luxembourg	1	Banco Desio	100,000	100,000
Chiara Assicurazioni S.p.A.	Desio	1	Banco Desio	67,353	67,353
Credito Privato Commerciale S.A.	Lugano	1	Brianfid-Lux	100,000	100,000
Rovere S.A.	Luxembourg	1	Brianfid-Lux	50,000	50,000
		1	Banco Desio Lazio	10,000	10,000
		1	Banco Desio Toscana	10,000	10,000
		1	Banco Desio Veneto	10,000	10,000
Fides S.p.A.	Rome	1	Banco Desio Lazio	100,000	100,000

Legenda

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

During the half-year the scope of consolidation reported the following change:
. Fides S.p.A. – increase in the shareholding from 95.000% to 100%.

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

Section 4 – Events subsequent to the reporting date

Reference is made to the consolidated financial Report.

Section 5 – Other aspects

Use of estimates and assumptions when drawing up the consolidated financial statements.

The drafting of the consolidated financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements.
The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently recognised may change precisely because of changes in the subjective valuations utilised.
The main cases where the use of subjective estimations and valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of disclosures;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of staff reserves and the reserves for risks and charges;

- the estimates and assumptions made in relation to the ability to recover deferred tax assets.
- definition of the tax burden.

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

MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of this document, are in compliance with the International Accounting Standards (IAS/IFRS) endorsed by the European Commission and in force at the reporting date and have been applied on a going concern basis.

The policies adopted in the preparation are unchanged with respect to those used for the consolidated 2009 financial statements.

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

Financial assets held for trading

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

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

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

Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).

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

Derecognition criteria

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

Available-for-sale financial assets

Classification criteria

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

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

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

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

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

Recognition criteria

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

Measurement criteria

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

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

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

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

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

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

Criteria for the recognition of income statement components

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

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

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

Derecognition criteria

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

Held-to-maturity investments

Classification criteria

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

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

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.
At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognized in profit and loss.

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

Derecognition criteria

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

Loans and receivables

Classification criteria

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

They also include finance lease receivables.

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

Recognition criteria

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

Measurement Criteria

After initial recognition, subsequent measurement is at amortised cost using the effective interest method.
The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, as determined using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction following impairment or uncollectibility.
Loans and receivables are periodically subject to analysis, and are classified as “performing” and “nonperforming” based on the state of impairment of the loan or receivable.
Non performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem, restructured exposures and expired loans.
Where objective evidence of impairment exists, loans pass from performing to non-performing.
The loans and receivables portfolio is subject to reassessment at least at the close of every set of annual or interim financial statements, for the purpose of identifying and determining any objective impairment. This is carried out considering both the specific solvency situation of debtors and the local or national economic conditions relative to the debtor’s sector of activity.
“Performing” loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not yet known at the time of measurement, in order to move the valuation model from expected loss to latent loss.
Specific analyses are conducted for exposures of a significant amount.
This method was adopted to advance a convergence with the valuation criteria provided by the Basel Agreement on capital requirements (Basel 2).
All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of future cash flows, were classified in the “non-performing” category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.
Receivables for default interest accrued on impaired assets are reported in the accounts only at the time of their actual collection.
The value of loans to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.
As regards “performing loans” beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non-performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value.
The fair value is determined through the contractual development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model (level 3).

Derecognition criteria

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

Criteria for the recognition of income statement components

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

Accrued default interest is charged to the income statement only at the time of their actual collection.

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

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

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

Hedging transactions

Classification criteria

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

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

Recognition criteria

Recognition of hedging transactions in the financial statements entails:

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

Criteria for the measurement and recognition of income statement components

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

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

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

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

Derecognition criteria

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

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

Equity investments

Classification criteria

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

Recognition criteria

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

Measurement criteria

The equity method is applied in measuring after first recognition: according to this method, the initial carrying amount is adjusted to recognise the Parent Company's portion in the associate's balance sheet.
If there are indications of impairment after the value of the investment has been adjusted in accordance with the equity method, its recoverable value is estimated in the light of the present value of the future cash flows that it may generate, including the cost of its final disposal. If recoverable value is lower than carrying amount, the difference is recognised in profit and loss.

Criteria for the recognition of income statement components

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

Derecognition criteria

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

Tangible assets

Classification criteria

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.
Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

Recognition criteria

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

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

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables.

Measurement criteria

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

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

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets.

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

Criteria for the recognition of income statement components

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

Derecognition criteria

Tangible assets are derecognised on disposal.

Intangible assets

Classification criteria

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software.

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

Recognition criteria

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

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

Measurement criteria

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

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

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

a) <u>Definition of the CGU “cash generating unit”</u>
It is identified as the group of branches which are or have been purchased or contributed on the part of the purchasing bank or the contributing bank.

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

c) Criterion to estimate recoverable values (Impairment)
For the criterion to estimate the recoverable value of the CGUs, reference is made to the so-called "value in use" obtained by estimating the following factors:
- future incoming and outgoing cash flows which will derive from the continuing use of the CGU and from its "theoretical" future disposal;
- an appropriate discount rate (WACC – Weighted Average Cost Of Capital) for future incoming and outgoing flows cash flows;
- the time horizon considered is only that attributable to the last business plan or budget approved by the Directors.

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

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

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

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

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

d) Sensitivity analysis
To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.
Given the nature of the object of the impairment test (groups of branches), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Directors.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:
- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

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

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

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

Criteria for the recognition of income statement components

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

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

Derecognition criteria

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

Non current assets held for sale and discontinued operations / Liabilities related to discontinued operations

Classification criteria

This item 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 held for sale and discontinued operations are not recognised separately in the income statement, because they do not fall under the definition of discontinued operations.

Current and deferred taxes

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

Tax assets and liabilities include the fiscal positions of every single company within the Group. Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 140 “Deferred tax assets”.

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 “Deferred tax liabilities”.

Current taxes that have not yet been paid are separately recognised under item “Current tax liabilities” in the Balance Sheet. In the event of excess payments on account for current taxes, the receivable to be recovered is recognized under item “Current tax assets” in the Balance Sheet.

Tax assets and liabilities are recognised in equity if connected to transactions recognised directly in equity.

Reserves for risks and charges

Reserve for employee termination indemnities

Measurement criteria

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

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

Criteria for the recognition of income statement components

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

Other provisions

Classification criteria

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

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

Measurement criteria

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

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

Criteria for the recognition of income statement components

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

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

Liabilities and securities issued

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

Financial liabilities without amortisation plans are measured at cost.

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

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

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

Derecognition criteria

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale.

For securities issued, the part subject to repurchase is, in essence, settled. The reinvestment of the Group's securities previously repurchased is considered as a new issue at the selling value.

Financial liabilities held for trading

Classification criteria

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

Recognition criteria

Liabilities held for trading are recognised at fair value.

Criteria for the measurement and recognition of income statement components

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.
Derivative instruments traded on active markets are valued at the closing price on the day of valuation (Level 1).
Derivative instruments, not traded on active markets, the pricing is made by employing valuation techniques (Level 3).

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

Classification criteria

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

Specifically, the item refers to the application of the so-called fair value option for "naturally hedged" financial liabilities, aimed at improving the balance of the profit and loss effects of the measurement of financial assets and liabilities.

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

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

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

These are measured at fair value through profit or loss.

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

Derecognition criteria

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

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

Transactions in foreign currency

Recognition criteria

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

Measurement criteria

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

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

Criteria for the recognition of income statement components

For monetary elements the effect of the valuation carried out is recognized in profit and loss.

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

Insurance assets and liabilities

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

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

They comprise:

Assets:

- actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used to make provision for the risks assumed by the Company (the so-called "direct labour").

Liabilities:

- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked, such as the Supplementary Pension Fund (FIP);
- other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

Other information

Revaluation reserves

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

Costs and revenues recognition

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

Finance leases

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

Share-based payments

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised;
- equity-settled, and then valued with the Black and Scholes model and recorded in the Income Statement on the basis of the accrued amount at the end of the accounting period and recorded in a specific reserve under equity.

Information on fair value

Transfers between portfolios

There have been no transfers

Fair value hierarchy

Accounting portfolios: breakdown by level of fair value

(Euro/1,000)

Financial Assets/Liabilities at fair value through profit or loss	Total 30.06.2010			Total 31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	24,995	2,457	27,451	44,069	3,145	27,564
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	653,953	308,759	7,589	510,479	347,077	8,157
4. Hedging derivatives						
Total	**678,948**	**311,216**	**35,040**	**554,548**	**350,222**	**35,721**
1. Financial liabilities held for trading	502	21	6,229		13	2,506
2. Financial liabilities at fair value through profit or loss		472,673			557,152	
3. Hedging derivatives			9,330			
Total	**502**	**472,694**	**15,559**	**-**	**557,165**	**2,506**

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

(Euro/1,000)

	Financial assets			
	Held for trading	At fair value through profit or loss	Available-for-sale	Hedging
1. Opening balance	**27,564**	-	**8,157**	-
2. Increases	**17,597**	**-**	**176**	**-**
2.1 Purchases			176	
2.2 Profits charged to:				
2.2.1 Income Statement	840			
- of which Capital Gains	*840*			
2.2.2 Equity				
2.3 Transfers from other levels				
2.4 Other increases	16,757			
3. Decreases	**17,710**	**-**	**744**	**-**
3.1 Sales				
3.2 Redemptions				
3.3 Losses charged to:				
3.3.1 Income Statement	5,170			
- of which Capital Losses	*5,164*			
3.3.2 Equity			744	
3.4 Transfers to other levels				
3.5 Other decreases	12,540			
4. Closing balance	**27,451**	**-**	**7,589**	**-**

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

Financial assets held for trading of Level 3 outstanding at the end of the first half of 2010, generated total profits for Euro 17,261 thousand, and losses for Euro 15,542 thousand.
Profits from capital gains include Euro 764 thousand for item 80 of the income statement, and Euro 76 thousand for item 110. Profits for accruals and differentials accrued affected item 10 for Euro 12,359 thousand and item 80 for Euro 4,062 thousand.
On the other hand, capital losses were accounted for Euro 229 thousand under item 80, and for Euro 4,035 thousand under item 110. Losses for accruals and differentials accrued affected item 10 for Euro 10,699 thousand, and item 80 for Euro 579 thousand.
Financial assets available for sale outstanding at the end of the financial year determined a decrease in valuation reserves for Euro 744 thousand.

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

(Euro/1,000)

	Financial liabilities		
	Held for trading	At fair value through profit or loss	Hedging
1. Opening balance	**2,506**	-	-
2. Increases	**4,828**	**-**	**9,403**
2.1 Issues			
2.2 Losses charged to:			
2.2.1 Income Statement	1,081		9,047
- of which Capital Losses			9,046
2.2.2 Equity			
2.3 Transfers from other levels			
2.4 Other increases	3,747		356
3. Decreases	**1,105**	**-**	**73**
3.1 Redemptions			-
3.2 Repurchases			
3.3 Profits charged to:			
3.3.1 Income Statement	808		
- of which Capital Gains			
3.3.2 Equity			
3.4 Transfers to other levels			
3.5 Other decreases	297		73
4. Closing balance	**6,229**	**-**	**9,330**

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

In relation to the financial liabilities outstanding at the end of the half-year, total losses were generated for Euro 4,823 thousand and profits for Euro 720 thousand.
Capital losses were recorded for Euro 780 thousand under item 80, and for Euro 301 thousand under item 110; losses for accruals and differentials accrued were charged for Euro 150 thousand to item 10 and for Euro 3,592 thousand to item 80.
Capital gains were recorded for Euro 168 thousand under item 80 and for Euro 313 thousand under item 100; proceeds for accruals and differentials accrued were recorded for Euro 225 thousand under item 10 and for Euro 14 thousand under item 80.

Finally, the transactions to cover financial liabilities outstanding at the end of the half-year entailed capital losses for Euro 9,047 thousand, charged to item 90, losses for differentials accrued for Euro 356 thousand, charged to item 10 e proceeds for differentials accrued, again charged to item 10, for Euro 73 thousand.

Balance Sheet and Income Statement aggregates

ASSETS

Financial assets held for trading (caption 20)

Financial assets held for trading: break-down by type

(Euro/1,000)

Caption/Amount	Total 30.06.2010			Total 31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash equivalents						
1. Debt securities	24,519	2,434	-	44,069	3,132	-
1.1 Structured securities		*656*			*654*	
1.2 Other debt securities	*24,519*	*1,778*		*44,069*	*2,478*	
2. Equity securities						
3. UCITS units						
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements						
4.2 Other						
Total (A)	**24,519**	**2,434**	**-**	**44,069**	**3,132**	**-**
B. Derivative instruments:						
1. Financial derivatives:	476	23	27,451	-	13	27,564
1.1 trading	*476*	*23*	*6,562*		*13*	*3,140*
1.2 connected with the fair value			*20,889*			*24,424*
1.3 other						
2. Credit derivatives	-	-	-	-	-	-
2.1 trading						
2.2 connected with the fair value						
2.3 other						
Total (B)	**476**	**23**	**27,451**	**-**	**13**	**27,564**
Total (A+B)	**24,995**	**2,457**	**27,451**	**44,069**	**3,145**	**27,564**

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

(Euro/1,000)

Caption / Amount	Total 30.06.2010	Total 31.12.2009
A. CASH EQUIVALENTS		
1. Debt securities	**26,953**	**47,201**
a) Governments and central banks	25,014	42,190
b) Other public entities		
c) Banks	1,939	5,011
d) Other issuers		
2. Equity securities	**-**	**-**
a) Banks		
b) Other issuers	-	-
- insurance companies		
- financial insitutions		
- non-financial companies		
- other		
3. UCITS units		
4. Financing	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total A	**26,953**	**47,201**
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	23,266	25,981
b) Customers:		
- fair value	4,684	1,596
Total B	**27,950**	**27,577**
Total (A+B)	**54,903**	**74,778**

Available-for-sale financial assets (caption 40)

Available-for-sale financial assets: break-down by type

(Euro/1,000)

Caption/Fair value	Total 30.06.2010			Total 31.12.2009		
	L 1	L 2	L 3	L 1	L 2	L 3
1. Debt securities	613,514	308,759	110	439,778	347,077	110
1.1 Structured securities	*1,058*	*1,719*		*863*	*1,601*	
1.2 Other debt securities	*612,456*	*307,040*	*110*	*438,915*	*345,476*	*110*
2. Equity securities	-	-	*7,479*	*101*	-	*8,047*
2.1 Measured at fair value			*7,464*	*101*		*7,964*
2.2 Measured at cost			*15*			*83*
3. UCITS units	40,439			70,600		
4. Loans	-					
Total	**653,953**	**308,759**	**7,589**	**510,479**	**347,077**	**8,157**

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

(Euro/1,000)

Caption / Amount	Total 30.06.2010	Total 31.12.2009
1. Debt securities	**922,383**	**786,965**
a) Governments and central banks	516,418	373,316
b) Other public entities		
c) Banks	359,432	368,909
d) Other issuers	46,533	44,740
2. Equity securities	**7,479**	**8,148**
a) Banks	-	1,562
b) Other issuers	7,479	6,586
- insurance companies		
- financial institutions	*35*	*136*
- non-financial companies	*7,444*	*6,450*
- other		
3. UCITS units	**40,439**	**70,600**
4. Loans	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities	-	
Total	**970,301**	**865,713**

Held-to-maturity investments (caption 50)

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

(Euro/1,000)

Transaction type / Amount	Total 30.06.2010				Total 31.12.2009			
	Book value	Fair value			Book value	Fair value		
		L 1	L2	L 3		L 1	L2	L 3
1. Debt securities	58,615	59,019	-	-	3,089	3,189	-	-
1.1 Structured securities								
1.2 Other debt securities	*58,615*	*59,019*			*3,089*	*3,189*		
2. Loans					-			-
Total	**58,615**	**59,019**	**-**	**-**	**3,089**	**3,189**	**-**	**-**

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

(Euro/1,000)

Transaction type / Amount	Total 30.06.2010	Total 31.12.2009
1. Debt securities	**58,615**	**3,089**
a) Governments and central banks	*50,142*	
b) Other public entities		
c) Banks	4,986	
d) Other issuers	3,487	3,089
2. Loans	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**58,615**	**3,089**
Total fair value	**59,019**	**3,189**

Amounts due from banks (caption 60)

Amounts due from banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 30.06.2010	Total 31.12.2009
A. Amounts due from Central banks	**119,417**	**189,383**
1. Restricted deposits		
2. Compulsory reserve	119,417	189,383
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	**366,811**	**603,600**
1. Current accounts and unrestricted deposits	183,973	168,361
2. Restricted deposits	182,655	318,675
3. Other loans	183	116,564
3.1 repurchase agreements		*116,478*
3.2 finance leases		
3.3 other	*183*	*86*
4. Debt securities	-	-
4.1 structured		
4.2 other debt securities	-	
Total (book value)	**486,228**	**792,983**
Total (fair value)	**486,228**	**793,510**

Amounts due from customers (caption 70)

Amounts due from customers: break-down by type

(Euro/1,000)

Transaction type / Amount	30.06.2010		31.12.2009	
	Performing	Impaired	Performing	Impaired
1. Current account	1,444,513	70,007	1,529,566	67,475
2. Repurchase agreements	1,105		465	
3. Mortgage loans	3,039,490	92,827	2,823,190	85,799
4. Credit cards, personal loans and loans on salary	197,487	4,385	161,813	3,500
5. Financial leases	613,996	17,705	599,511	14,982
6. Factoring	8,037	298	7,532	40
7. Other transactions	730,143	4,606	809,939	2,493
8. Debt securities	54,708	-	53,846	-
8.1 Structured	-	-		
8.2 Other debt securities	54,708	-	*53,846*	
Total (book value)	**6,089,479**	**189,828**	**5,985,862**	**174,289**
Total (fair value)	**6,389,353**	**189,828**	**6,253,721**	**174,289**

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

(Euro/1,000)

Transaction type / Amount	30.06.2010		31.12.2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**54,708**	**-**	**53,846**	**-**
a) Governments	-		-	
b) Other public entities				
c) Other issuers	54,708	-	53,846	-
- non-financial companies				
- financial companies				
- insurance companies	*54,708*		*53,846*	
- other	-		-	
2. Loans to:	**6,034,771**	**189,828**	**5,932,016**	**174,289**
a) Governments		-		
b) Other public entities	72		93	
c) Other entities	6,034,699	189,828	5,931,923	174,289
- non-financial companies	*3,995,984*	*122,609*	*4,022,780*	*108,489*
- financial companies	*56,955*	*128*	*75,029*	
- insurance companies	*1,473*		*1,934*	
- other	*1,980,287*	*67,091*	*1,832,180*	*65,800*
Total	**6,089,479**	**189,828**	**5,985,862**	**174,289**

Equity investments (caption 100)

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

Company name	Registered offices	Ownership relationship	
		Investing company	% share
Chiara Vita S.p.A.	*Milan*	Banco Desio Brianza	30.000
Istifid S.p.A.	*Milan*	Banco Desio Brianza	28.961

Equity investments in companies subject to significant influence: accounting data

(Euro/1,000)

Company name	Total assets (1)	Total revenues (1)	Profit (loss) (1)	Net Shareholders' equity (1)	Book value (1)	Fair value
Companies subject to significant influence						
1. Chiara Vita S.p.A.	1,894,548	610,170	14,226	56,016	15,280	
2. Istifid S.p.A.	5,904	5,125	167	3,448	1,147	
Total	**1,900,452**	**615,295**	**14,393**	**59,464**	**16,427**	**-**

(1) data relating to 31.12.2009, the last approved financial statements.

Technical insurance reserves carried by reinsurers (caption 110)

Technical insurance reserves attributable to reinsurers: break-down

(Euro/1,000)

Asset/Value	Total 30.06.2010	Total 31.12.2009
A. Non-Life branch	**5,823**	**5,529**
a.1 premiums reserves	4,972	4,600
a.2 claims reserves	851	929
a.3 other reserves		
B. Life branch	**-**	**-**
b.1 mathematical reserves		
b.2 reserves for amounts to be		
b.3 other reserves		
C. Technical reserves for investment risks to be borne by the insured	-	
c.1 reserves for contracts with disbursements connected with investment funds and market indices		
c.2 reserves from pension fund management		
D. Total technical insurance reserves attributable to reinsurers	**5,823**	**5,529**

Tangible assets (caption 120)

Tangible assets: break-down of assets valued at cost

(Euro/1,000)

Asset/Value	Total 30.06.2010	Total 31.12.2009
A. Functional assets		
1.1 owned by the Bank	**149,570**	**148,204**
a) land	40,429	40,323
b) buildings	85,708	83,740
c) fixtures and fittings	9,670	10,136
d) electrical equipment	3,255	3,690
e) other	10,508	10,315
1.2 acquired under finance lease	-	-
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
Total A	**149,570**	**148,204**
B. Tangible assets held for investment		
2.1 owned by the Bank	**6**	**6**
a) land	6	6
b) buildings		
2.2 acquired under finance lease	-	-
a) land		
b) buildings		
Total B	**6**	**6**
Total (A + B)	**149,576**	**148,210**

Intangible assets (caption 130)

Intangible assets: break-down by type of asset

(Euro/1,000)

Caption/Value	Total 30.06.2010		Total 31.12.2009	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 **Goodwill**		43,513		43,186
A.2 **Other intangible assets**	2,446	-	2,191	-
A.2.1 Assets valued at cost:	2,446	-	2,191	-
a) Intangible assets generated internally				
b) Other assets	2,446		2,191	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
Total	**2,446**	**43,513**	**2,191**	**43,186**

LIABILITIES

Amounts due to banks (caption 10)

Amounts due to banks: break-down by type

(Euro/1,000)

Transaction type/Group component	Total 30.06.2010	Total 31.12.2009
1. Amounts due to central banks	-	-
2. Amounts due to banks	**95,075**	**36,658**
2.1 Current accounts and unrestricted	15,523	13,675
2.2 Restricted deposits	14,473	18,597
2.3 Loans	62,030	-
2.3.1 Reverse repurchase agreements	62,030	
2.3.2 Other	-	-
2.4 Commitments for repurchases of own equity instruments	-	-
2.5 Other amounts due	3,049	4,386
Total	**95,075**	**36,658**
Fair value	**95,075**	**36,658**

Amounts due to customers (caption 20)

Amounts due to customers: break-down by type

(Euro/1,000)

Transaction type/Group component	Total 30.06.2010	Total 31.12.2009
1. Current accounts and unrestricted deposits	4,498,277	4,771,056
2. Restricted deposits	4,892	3,740
3. Loans	58,298	72,106
3.1 Reverse repurchase agreements	33,280	37,043
3.2 Other	25,018	35,063
4. Commitments for repurchases of own equity instruments		
5. Other amounts due	26,849	21,374
Total	**4,588,316**	**4,868,276**
Fair value	**4,588,316**	**4,868,276**

Securities Issued (caption 30)

Securities issued: break-down

(Euro/1,000)

Security type / Amount	Total 30.06.2010				Total 31.12.2009			
	Book value	fair value			Book value	fair value		
		level 1	level 2	level 3		level 1	level 2	level 3
A. Securities								
1. Bonds	1,668,434	-	1,663,303	-	1,569,830	-	1,617,418	-
1.1 structured					-	-	-	-
1.2 other	*1,668,434*		*1,663,303*		*1,569,830*		*1,617,418*	-
2. Other securities	227,331	-	227,331	-	238,740	-	238,740	-
2.1 structured					-	-	-	-
2.2 other	*227,331*		*227,331*		*238,740*	-	*238,740*	
Total	**1,895,765**	**-**	**1,890,634**	**-**	**1,808,570**	**-**	**1,856,158**	**-**

Financial liabilities held for trading (Caption 40)

Financial liabilities held for trading: break-down by type

(Euro/1,000)

Transaction type/Group component	Total 30.06.2010					Total 31.12.2009				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
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					x
3.1.2 Other bonds					x					x
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured					x					x
3.2.2 Other					x					x
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives		502	21	6,229			-	13	2,506	
1.1 Trading	x	*502*	*21*	*5,895*	x	x		*13*	*2,065*	x
1.2 Connected with the fair value option	x	-		*334*	x	x			*441*	x
1.3 Other	x				x	x				x
2. Credit derivatives		-		-						
2.1 Trading	x				x	x				x
2.2 Connected with the fair value option	x				x	x				x
2.3 Other	x				x	x				x
Total B	x	**502**	**21**	**6,229**	x	x	**-**	**13**	**2,506**	x
Total (A + B)	x	**502**	**21**	**6,229**	x	x	**-**	**13**	**2,506**	x

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

Financial liabilities at fair value through profit or loss: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 30.06.2010					Total 31.12.2009				
	NV	fair value			FV*	NV	fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
1. Amounts due to bank	-	-				-	-	-		
1.1 Structured					x					x
1.2 Other					x					x
2. Amounts due to cust	-	-				-	-	-		
2.1 Structured					x					x
2.2 Other					x					x
3. Debt securities	460,761	-	472,673		475,481	545,740	-	557,152		559,787
3.1 Structured	*52,599*		*52,155*		x	*20,000*		*19,872*		x
3.2 Other	*408,162*		*420,518*		x	*525,740*		*537,280*		x
Total	**460,761**		**472,673**		**475,481**	**545,740**		**557,152**		559,787

Hedging derivatives (caption 60)

Hedging derivatives: break-down by type of contract and underlying asset

(Euro/1,000)

	30.06.2010				31.12.2009			
	Fair value			NV	Fair value			NV
	L 1	L 2	L 3		L 1	L 2	L 3	
A) Financial derivatives:	-	-	9,330	50,000	-	-	-	-
1) Fair value			9,330	50,000				
2) Cash flows								
3) Foreign investments								
2) Credit derivatives:	-	-	-	-	-	-	-	-
1) Fair value								
2) Cash flows								
Total A	**-**	**-**	**9,330**	**50,000**	**-**	**-**	**-**	**-**

Provisions for risks and charges (caption 120)

Provisions for risks and charges: breakdown

(Euro/1,000)

Caption / Components	Total 30.06.2010	Total 31.12.2009
1. Company pension funds	164	164
2. Other provisions for risks and charges	45,462	60,935
2.1 legal disputes	*10,549*	*11,960*
2.2 personnel charges	*10,535*	*9,658*
2.3 other	*24,378*	*39,317*
Total	**45,626**	**61,099**

Technical reserves (caption 130)

Technical reserves: break-down

(Euro/1,000)

	Direct work	Indirect work	Total 30.06.2010	Total 31.12.2009
A. Non-life branch	**25,456**	**-**	**25,456**	**20,512**
A1. premiums fund	20,699		20,699	16,381
A2 . claims fund	4,445		4,445	3,870
A3. other reserves	312		312	261
B. Life branch	**-**	**-**	**-**	**-**
B1. Mathematical reserves			-	-
B2. Funds for amounts to be disbursed			-	-
B3. Other reserves			-	-
C. Technical reserves for investment risks to be borne by the insured	**-**	**-**	**-**	**-**
C.1 funds for contracts with disbursements connected with pension funds and market indices			-	
C.2 funds from pension fund management			-	
D. Total technical reserves	**25,456**	**-**	**25,456**	**20,512**

Group's shareholders' equity - (captions 140, 160, 170, 180, 190, 200 and 220)

"Share Capital" and "Treasury shares": breakdown

(Euro/1,000)

Caption / Amount	30.06.2010	31.12.2009
Share capital	**67,705**	**67,705**
- ordinary shares	*60,840*	*60,840*
- other shares	*6,865*	*6,865*
Treasury shares	**-**	**-**
- ordinary shares		
- other shares		
Total	**67,705**	**67,705**

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	-	-
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	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

Revenue reserves: breakdown

(Euro/1,000)

Caption	30.06.2010	31.12.2009
Legal reserve	70,109	64,303
Statutory reserves	405,585	367,277
Profits (losses) carried forward	23,571	23,571
(F.T.A.) Reserve	99,785	99,785
Other reserves	29,753	36,067
Total	**628,803**	**591,003**

Minority interest (caption 210)

Shareholders' equity attributable to minority interests: break-down

(Euro/1,000)

Caption/Value	30.06.2010	31.12.2009
1. Share Capital	2,781	2,862
2. Share premium reserve	77	246
3. Reserves	696	602
4. Treasury shares	-	-
5. Valuation reserves	21	87
6. Equity instruments	-	-
7. Profit (loss) attributable to minority interests	347	150
Total	**3,922**	**3,947**

INCOME STATEMENT

Interest income and similar revenues (caption 10)

Break-down

(Euro/1,000)

Caption / Technical forms	Debt securities	Loans	Other transactions	Total 30.06.2010	Total 30.06.2009
1. Financial assets held for trading	311		7,319	7,630	4,928
2. Available-for-sale financial assets	7,509			7,509	7,407
3. Held-to-maturity investments	190			190	208
4. Amounts due from banks		1,521	16	1,537	4,601
5. Amounts due from customers	862	108,933		109,795	151,672
6. Financial assets at fair value through profit or loss					-
7. Hedging derivatives				-	-
8. Other assets			37	37	58
Total	**8,872**	**110,454**	**7,372**	**126,698**	**168,874**

As a result of the reclassifications referred to in the "Foreword" of the Financial Report, the total figure as at June 2009 decreased by Euro 7,583 thousand. A similar reduction was recorded in item "Interest expense".

Interest expense (caption 20)

Break-down

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other transactions	Total 30.06.2010	Total 30.06.2009
1. Amounts due to central banks					
2. Amounts due to banks	(138)			(138)	(1,629)
3. Amounts due to customers	(10,168)		(186)	(10,354)	(19,885)
4. Securities issued		(15,054)		(15,054)	(27,453)
5. Financial liabilities held for trading			(65)	(65)	-
6. Financial liabilities at fair value through profit or loss		(9,273)		(9,273)	(10,568)
7. Other liabilities and reserves					-
8. Hedging derivatives			(283)	(283)	(54)
Total	**(10,306)**	**(24,327)**	**(534)**	**(35,167)**	**(59,589)**

Differentials on hedging transactions

(Euro/1,000)

Caption / Amount	30.06.2010	30.06.2009
A. Positive differentials on hedging transactions	73	-
B. Negative differentials on hedging transactions	(356)	(54)
C. Balance (A-B)	**(283)**	**(54)**

Fee and commission income (caption 40)

Break-down

(Euro/1,000)

Type of service / Amount	Total 30.06.2010	Total 30.06.2009
a) Guarantees given	1,194	1,093
b) Credit derivatives		
c) Management, trading and consultancy services:	26,377	24,060
1. trading of financial instruments	1,817	2,085
2. currency trading	719	578
3. portfolio management	2,532	3,050
3.1. individual	*2,202*	*2,641*
3.2. collective	*330*	*409*
4. securities safekeeping and administration	1,623	2,091
5. depositary bank	2,417	2,780
6. securities placement	4,252	3,204
7. receipt and transmission of orders	5,427	4,984
8. consultancy services	-	-
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	7,590	5,288
9.1. portfolio management	234	178
9.1.1. individual	*234*	*178*
9.1.2. collective		
9.2. insurance products	3,128	3,140
9.3. other products	4,228	1,970
d) Collection and payment services	9,830	9,832
e) Servicing for securitization transactions		11
f) Factoring transaction services	23	20
g) Tax collection services		
h) management of multilateral trading systems		
i) holding and managing current accounts	28,057	11,178
j) Other services	5,177	2,229
Total	**70,658**	**48,423**

As a result of reclassifications of components previously included under item “Other operating income” to the item in question, the figure as at June 2009 increased by Euro 5,400 thousand.

Fee and commission expense (caption 50)

Break-down

(Euro/1,000)

Type of service / Amount	Total 30.06.2010	Total 30.06.2009
a) Guarantees given	(21)	(17)
b) Credit derivatives		
c) Management and trading services:	(5,337)	(2,746)
1. trading of financial instruments	(207)	(217)
2. currency trading		
3. portfolio management	-	-
3.1 own customers		
3.2 delegated		
4. Securities safekeeping and	(1,082)	(877)
5. Placement of financial instruments		
6. Door-to-door sale of financial instruments, products and services	(4,048)	(1,652)
d) Collection and payment services	(1,491)	(1,750)
e) Other services	(1,967)	(1,377)
Total	**(8,816)**	**(5,890)**

Dividends and similar revenues (caption 70)

Break-down

(Euro/1,000)

Caption / Revenues	30.06.2010		30.06.2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading			161	
B. Available-for-sale financial assets	346		243	
C. Financial assets at fair value through profit or loss				
D. Equity investments				
Total	**346**	**-**	**404**	**-**

Profits (losses) on trading (caption 80)

Beak-down

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 30.06.2010	Net income 30.06.2009
1. Financial assets held for trading	60	612	(193)	(195)	**284**	**1,213**
1.1 Debt securities	60	390	(193)	(170)	87	10
1.2 Equity securities		135		(25)	110	583
1.3 UCITS units					-	1
1.4 Loans					-	556
1.5 Other		87			87	63
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities					**-**	
2.2 Debt					**-**	
2.3 Other					**-**	
3. Other financial assets and liabilities: foreign exchange differences	x	x	x	x	**1,374**	**533**
4. Derivative instruments	731	1,457	(1,008)	(1,520)	**(377)**	**1,234**
4.1 Financial derivatives:	731	1,457	(1,008)	(1,520)	(377)	1,234
- on debt securities and interest	256	1,573	(536)	(1,515)	(222)	954
- on equity securities and stock	475	(116)	(472)	(5)	(118)	26
- on currencies and gold	*x*	*x*	*x*	*x*	*(37)*	*(39)*
- other					-	*293*
4.2 Credit derivatives					-	-
Total	**791**	**2,069**	**(1,201)**	**(1,715)**	**1,281**	**2,980**

Fair value adjustments in hedge accounting (caption 90)

Break-down

(Euro/1,000)

Income component/Value	30.06.2010	30.06.2009
A. Income relating to:		
A.1 Fair value hedging derivatives	9,733	53
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)	-	
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
Total income from hedging activities (A)	**9,733**	**53**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(9,046)	(46)
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		(20)
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
Total charges from hedging activities (B)	**(9,046)**	**(66)**
C. Net hedging income	**687**	**(13)**

Profits (losses) on disposal/repurchase (caption 100)

Break-down

(Euro/1,000)

Caption/Income component	30.06.2010			30.06.2009		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Amounts due from banks			-			
2. Amounts due from customers			-	20	(313)	(293)
3. Available-for-sale financial assets	7,741	(1,629)	6,112	2,881	(1,253)	1,628
3.1 Debt securities	6,821	(554)	6,267	1,854	(326)	1,528
3.2 Equity securities			-	451	(458)	(7)
3.3 UCITS units	920	(1,075)	(155)	576	(469)	107
3.4 Loans						
4. Held-to-maturity investments						
Total assets	**7,741**	**(1,629)**	**6,112**	**2,901**	**(1,566)**	**1,335**
Financial liabilities						
1. Amounts due to banks						
2. Amounts due to customers						
3. Securities issued	172	(96)	**76**	1,048	(1)	1,047
Total liabilities	**172**	**(96)**	**76**	**1,048**	**(1)**	**1,047**

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

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 30.06.2010	Net income 30.06.2009
1. Financial assets	-	-	-	-	**-**	**-**
1.1 Debt securities						
1.2 Equity securities						
1.3 UCITS units						
1.4 Loans						
2. Financial liabilities	**2,883**	**497**	**(801)**	**(1)**	**2,578**	**(7,555)**
2.1 Debt securities	2,883	497	(801)	(1)	2,578	(7,555)
2.2 Amounts due to banks						
2.3 Amounts due to customers						
3. Other financial assets and liabilities: foreign exchange	X	X	X	X	**-**	**-**
4. Credit and financial derivatives	**698**		**(5,043)**		**(4,345)**	**6,928**
Total	**3,581**	**497**	**(5,844)**	**(1)**	**(1,767)**	**(627)**

Net losses/recoveries on impairment (caption 130)

Net impairment losses on loans

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		30.06.2010	30.06.2009
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks	-	-	-	-	-	-	-	-	18
- loans								-	18
- debt securities								-	
B. Amounts due from	(3,297)	(25,564)	(127)	2,376	9,219	-	466	(16,927)	(33,251)
- loans	(3,297)	(25,564)	(127)	2,376	9,219	-	466	(16,927)	(33,251)
- debt securities								-	
C. Total	**(3,297)**	**(25,564)**	**(127)**	**2,376**	**9,219**	**-**	**466**	**(16,927)**	**(33,233)**

Net impairment losses on other financial transactions

(Euro/1,000)

Transaction/Income component	Impairment losses			Impairment losses				Total	Total
	Specific		Portfolio	Specific		Portfolio		30.06.2010	30.06.2009
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted		(118)	(135)		214		46	7	(53)
B. Credit derivatives									
C. Commitments to grant									
D. Other transactions									
E. Total	**-**	**(118)**	**(135)**	**-**	**214**	**-**	**46**	**7**	**(53)**

Net insurance premiums (caption 150)

Break-down

Euro/1,000

Net insurance premiums	Direct work	Indirect work	Total 30.06.2010	Total 30.06.2009
A. Life branch				
A.1 Gross premiums accounted for (+)				
A.2 Premiums ceded for reinsurance (-)				
A.3 Total				
B. Non-life branch				
B.1 Gross premiums accounted for (+)	14,053		14,053	*11,643*
B.2 Premiums ceded for reinsurance (-)	-1,209		-1,209	-1,801
B.3 Changes in the gross amount of premium reserve (+/-)				
B.4 Changes in premium reserves reassured with third parties (-/+)				
B.5 Total	12,844	-	12,844	9,842
C. Total net insurance premiums	**12,844**	**-**	**12,844**	**9,842**

Other net insurance income/expense (caption 160)

Break-down

(Euro/1,000)

Captions	Total 30.06.2010	Total 30.06.2009
1. Net change in technical reserves	(4,373)	(3,717)
2. Claims accrued and paid during the period	(1,308)	(761)
3. Other income/charges arising from insurance activities	(2,429)	(2,160)
Total	**(8,110)**	**(6,638)**

Sub-caption "Net change in technical reserves”

Break-down

Euro/1,000

Net change in technical reserves	Total 30.06.2010	Total 30.06.2009
1. Life branch		
A. Mathematical reserves		
A.1 Gross annual amount	-	-
A.2 (-) Amount reassured with third	-	-
B. Other technical reserves		
B.1 Gross annual amount	-	-
B.2 (-) Amount reassured with third		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount	-	-
C.2 (-) Amount reassured with third		
Total "life branch reserves"	**-**	**-**
2. Non-Life branch		
Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	**(4,373)**	**(3,717)**

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

(Euro/1,000)

Charges associated to claims	Total 30.06.2010	Total 30.06.2009
Life branch: charges associated to claims, net of reinsurance ceded		
A. Amounts paid		
A.1 Gross annual amount	-	
A.2 (-) Amount reassured with third parties	-	
B. Changes in funds for amounts to be disbursed		
B.1 Gross annual amount	-	
B.2 (-) Amount reassured with third parties		
Total life branch claims	**-**	**-**
Non-Life branch: charges associated to claims, net of recoveries and reinsurance ceded		
C. Amounts paid:		
C.1 Gross annual amount	(886)	(1,051)
C.2 (-) Amount reassured with third parties	216	646
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund		
E.1 Gross annual amount	(638)	(356)
E.2 (-) Amount reassured with third parties	-	
Total non-life branch claims	**(1,308)**	**(761)**

Administrative costs (caption 180)

Personnel costs

(Euro/1,000)

Type of costs / Sectors	Total 30.06.2010	Total 30.06.2009
1) Employees	(69,399)	(67,788)
a) wages and salaries	(47,976)	(46,213)
b) social security charges	(11,907)	(11,650)
c) provision for employee termination indemnities		
d) social security costs	(8)	(18)
e) provisions for termination indemnities	(514)	(452)
f) accruals to pension funds and similar funds:	-	-
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social security funds:	(5,214)	(5,118)
- defined contribution	(5,214)	(5,109)
- defined benefit	-	(9)
h) costs arising from payment agreements based on own financial instruments	(100)	(100)
i) other benefits in favor of employees	(3,680)	(4,237)
2) Other personnel in active employment	(1,607)	(1,357)
3) Directors and statutory auditors	(3,004)	(3,156)
4) Staff pensioned off	-	
Total	**(74,010)**	**(72,301)**

As a result of reclassifications of components previously entered under item “Other administrative costs”, the reclassified data as at 30.06.2009 increased by Euro 11 thousand; accordingly the figure of “Other administrative costs” reduced by the same amount.

Average number of employees by category: banking group

	30.06.2010	30.06.2009
Employees	**1,813**	**1,778**
a) executives	38	39
b) managers	909	885
c) other employees	866	854
Other personnel	**37**	**35**

Other administrative costs

(Euro/1,000)

	30.06.2010	30.06.2009
indirect taxes	(6,808)	(6,717)
maintenance and rents payable	(7,667)	(7,270)
hardware and software maintenance and hire	(7,351)	(8,126)
telephone, postal and data transmission charges	(2,845)	(2,631)
electric power, heating, water	(1,669)	(1,649)
cleaning services	(602)	(584)
printing, stationery and consumables expenses	(873)	(1,179)
transport costs	(489)	(472)
surveillance and count of valuables	(966)	(899)
pubblicitarie and entertainment	(473)	(1,215)
insurance premiums	(560)	(361)
legal expenses, information and certificates	(3,159)	(2,509)
expenses for professional services	(2,196)	(2,327)
other expenses	(4,244)	(3,996)
Total	**(39,902)**	**(39,935)**

Net provisions for risks and charges (caption 190)

(Euro/1,000)

Type of provision / Amount	30.06.2010	30.06.2009
charges for legal disputes	206	(1,303)
sundry charges	14,309	(143)
Total	**14,515**	**(1,446)**

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

Break-down

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 30.06.2010	Net income 30.06.2009
A. Tangible assets					
A.1 owned by the Bank	(3,577)	-	-	(3,577)	(3,791)
- for business use	(3,577)			(3,577)	(3,791)
- for investment	-			-	
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(3,577)**	**-**	**-**	**(3,577)**	**(3,791)**

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

Break-down

(Euro/1,000)

Asset / Income component	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net income	Net income
A. Tangible assets				-	
A.1 owned by the Bank	(497)	-	-	(497)	(426)
- generated internally				-	
- other	(497)			(497)	(426)
A.2 leased				-	
Total	**(497)**	**-**	**-**	**(497)**	**(426)**

Other operating income (expenses) (caption 220)

Other operating expenses

(Euro/1,000)

Income component / Amount	30.06.2010	30.06.2009
amortization of costs for leasehold improvements	(1,256)	(1,193)
loss from disposal of tangible assets		(6)
charges on non-banking services	(788)	(921)
Total	**(2,044)**	**(2,120)**

Other operating income

(Euro/1,000)

Income component / Amount	30.06.2010	30.06.2009
recovery of taxes from third parties	5,887	5,658
other cost recoveries	2,547	6,565
other	965	892
Total	**9,399**	**13,115**

The reclassified figure at 30.06.2009 decreased by Euro 5,400 thousand.

Profits (losses) on equity investments (caption 240)

(Euro/1,000)

Income component/Amount	Total 30.06.2010	Total 30.06.2009
A. Revenues	1,769	23,540
1. Revaluations	1,769	1,669
2. Profits on disposal		21,871
3. Write-backs		
4. Other		
B. Charges	-	-
1. Write-downs		
2. Impaiment losses		
3. Losses on disposal		
4. Other decreases		
Net result	**1,769**	**23,540**

Taxes on income from continuing operations (caption 290)

(Euro/1,000)

Income component/Sector	Total 30.06.2010	Total 30.06.2009
1. Current taxes (-)	(18,127)	(22,218)
2. Changes in current taxes of previous years (+/-)	82	(129)
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	1,754	7,669
5. Changes in deferred tax liabilities (+/-)	12	5,849
6. Taxes for the year (-)	**(16,279)**	**(8,829)**

Earnings per share

(amounts per unit)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	6,143	832	
Retained earnings	26,400	3,575	
	32,543	4,407	36,949
Average number of ordinary shares in circulation: Categories: Ordinary shares 117.000.000 Savings shares 13.202.000			
Earnings per share - Basic :	**0.278**	**0.334**	

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

INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 – THE BANKING GROUP RISKS

1. CREDIT RISK

Qualitative information

1. *General aspects*

The Group's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.
The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.
The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.
Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.
For some specific products (targeted personal loans and leasing), activities are also conducted by means of authorised operators.
The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

2. Policies for the management of credit risks

2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.
The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.
The Board of Directors is assigned, on an exclusive basis, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.
In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, establishes the concrete procedures for the implementation of the control levels envisaged, taking account of the nature and size of the activity carried out by the subsidiary.

2.2 Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.
The organisational structure and the risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated.
The Group adopts, for management purposes with a view to the Risk Management, an internal rating model (C.R.S. Credit Rating System), developed within the Group, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory).
The application of this model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty.

There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non-performing loans (expired, problem and non-performing loans).
With effect from 1 January 2008, the Group followed the rules laid down in the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

2.3 Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Group obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.
The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks.
To date, the Group has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4 Impaired financial assets

The transfer to the *non-performing* loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.
Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively.
In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

As to the classification under restructured loans, either cash or “off-balance sheet“, the Group complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.

Positions which are overdue for more than 90 and/or 180 days are kept under constant review by the Risk and Litigation Control Area with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.
In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out by outside legal counsels operating in various court districts.

QUANTITATIVE INFORMATION

Credit quality

Financial assets: break-down by portfolio and credit quality (book values)

(Euro/1,000)

Portfolio / Quality	Banking Group					Other Companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Impaired	Other	
1 Financial assets held for trading				31	54,872			**54,903**
2. Available-for-sale financial assets	110				897,676		24,597	**922,383**
3. Held-to-maturity investments					58,615			**58,615**
4. Amount due from banks					482,933		3,295	**486,228**
5. Amounts due from customers	76,612	86,123	710	26,215	6,089,627	-	20	**6,279,307**
6. Financial assets at fair value through profit or loss					-		-	**-**
7. Financial assets held for sale and disposed operations							-	**-**
8. Hedging derivatives								**-**
Total 30.06.2010	**76,722**	**86,123**	**710**	**26,246**	**7,583,723**	**-**	**27,912**	**7,801,436**
Total 31.12.2009	**67,040**	**74,894**	**284**	**32,181**	**7,618,473**	**-**	**25,094**	**7,817,966**

Financial assets: break-down by portfolio and credit quality (gross and net values)

(Euro/1,000)

Portfolio / Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	31		31	54,872		54,872	**54,903**
2. Available-for-sale financial assets	110		110	897,676		897,676	**897,786**
3. Held-to-maturity investments			-	58,615		58,615	**58,615**
4. Amount due from banks			-	482,954	21	482,933	**482,933**
5. Amounts due from customers	289,263	99,603	189,660	6,119,358	29,731	6,089,627	**6,279,287**
6. Financial assets at fair value through profit or loss			-	X	X	-	**-**
7. Financial assets held for sale and disposed operations			-			-	**-**
8. Hedging derivatives			-	X	X		**-**
Total A	**289,404**	**99,603**	**189,801**	**7,613,475**	**29,752**	**7,583,723**	**7,773,524**
B. Other companies included in the scope of consolidation							
1. Financial assets held for trading				X	X		**-**
2. Available-for-sale financial assets				24,597		24,597	**24,597**
3. Held-to-maturity investments							**-**
4. Amount due from banks				3,295		3,295	**3,295**
5. Amounts due from customers				20		20	**20**
6. Financial assets at fair value through profit or loss				X	X	-	**-**
7. Financial assets held for sale and disposed operations				-		-	**-**
8. Hedging derivatives				X	X		**-**
Total B	**-**	**-**	**-**	**27,912**	**-**	**27,912**	**27,912**
Total 30.06.2010	**289,404**	**99,603**	**189,801**	**7,641,387**	**29,752**	**7,611,635**	**7,801,436**
Total 31.12.2009	**269,486**	**95,087**	**174,399**	**7,673,857**	**30,290**	**7,643,567**	**7,817,966**

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

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

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

The Bank does not use internal rating models for the determination of capital requirements.
As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company and its Italian subsidiary banks started a testing process some time ago, focused on the determination of internal ratings of loans to customers. Project activities are currently in progress which are aimed at implementing a model specifically aimed at assessing retail clients (private consumers and micro enterprises), and the analysis of the relevant framework for the development of models dedicated to the assessment of the small- and medium-sized enterprises.

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

Loans as at 30.06.2010	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	31.6%	48.9%	19.5%	100%
Off-balance sheet loans	54.8%	39.2%	6.0%	100%

2. MARKET RISKS

2. INTEREST RATE RISK AND PRICE RISK– REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

The Group adopted, in the first half-year, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile through a low portfolio duration.

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

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

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. On a daily basis, the Head Office is informed with operations and amounts in portfolios, as well as when operating limits have been reached. Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit of the Parent Company, which operates in full autonomy with respect to both operational offices and subsidiaries.
This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.

In order to quantify generic risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms. This is a parametric model of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.
The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations. The application used for the

calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.
To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis. The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of “backtesting” analysis”.
Trading activity is subject to operating limits laid down by the Board of Directors of the Parent Company and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The overall V.a.R limits related to the “managed portfolio”, if any, were never exceeded in the period of reference.

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

Quantitative information

1. Regulatory trading portfolio: break-down by outstanding maturity
2. Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring of the Parent Company’s “regulatory trading portfolio” and the Italian banks during the first half-year of 2010 showed a structure with limited market risks. The Parent Company takes on almost the whole interest rate and price risk, the Italian subsidiaries making a completely negligible contribution.

Given the policy implemented by the Group to underestimate price risks the “regulatory trading portfolio” is almost entirely exposed to the interest rate risk.

VaR at 30.06.2010 is about Euro 17 thousand with a percentage of less than 0.1% of the portfolio and a duration of 0.64, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 30.06.2010, considering the positive variation in rates and the economic data (economic margins from operations as per the reclassified income statement – annualised data), there was a negative impact of Euro 146 thousand, equal to a:

- ⇒ 0.62% of trading portfolio;
- ⇒ 0.05 % of business margin;
- ⇒ 0.32% of net income for the period;
- ⇒ 0.02% of shareholders’ equity, net of the result for the period.

As at 30.06.10 there were no positions exposed to the price risk.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING PORTFOLIO

Qualitative information

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

It is the responsibility of the Parent Company’ risk management unit to measure interest rate risk. This activity is only directed at the Group’s Italian banks, which account for almost the entire banking portfolio. The system of the Group’s commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an analysis of the application is being concluded which will allow a dynamic assessment of the interest rate risk to be made. The studies being 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. The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking

portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.
Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.
The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.
The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes.
In the banking portfolio the assets subject to price risks are represented exclusively by equity investments and mutual fund units. The latter represent a marginal share and are measured through VaR techniques described in paragraph 2.1

B. *Fair Value hedge*

The Group's primary objective is to manage the risks associated with its operations prudently and actively. The Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Hedged instruments refer to both assets – third-party bonds – and liabilities, exclusively debenture loans issued by the Group, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.
The Parent Company has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Parent Company uses to carry out the effectiveness test is the Dollar Offset Method (hedge ratio) on a cumulative basis. All the hedges are specific.
In the first half-year of 2010, the Group decided to alternatively apply both the Fair Value Option and the Fair Value Hedge to new hedging transactions.

C. Cash flow hedge

No cash flow hedge transactions have been effected by the Group.

Quantitative information

1. Banking portfolio: break-down by outstanding maturity

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

The assessment that emerges from the overall Group position, which only involves the Italian banks, is that of a limited risk profile for the first half-year of 2010. This operational and strategic approach is directed at minimising the volatility of interest margins and of total economic value.
The table below shows the impacts of a change in the interest margin should there be a parallel variation in the interest rate curve and considering the time effect of repricing of the items, from a static perspective and as at 30 June 2010.

Risk indices: parallel shifts of the interest rate curve as of 30 June 2010 (economic margins from operations as per the reclassified income statement – annualised data)

	+100 bp	*-100 bp*
% on the expected interest income	*3.78%*	*-15.40%*
% on the business margin	*2.14%*	*-8.70%*
% on the result for the period	*8.78%*	*-35.77%*
% on equity	*0.58%*	*-2.38%*

As regards economic value, in the first half-year of 2010 risk exposure remained at a moderate level, and in any event it was lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets. In fact, in the event of significant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Group's assets.
The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve at 30.06.2010

	+100 bp	*-100 bp*
% on the economic value	*-1.33%*	*1.45%*

2.5 Exchange risk

Qualitative information

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

The Group is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.
The Group is exposed to exchange risks to a marginal extent. As regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.
The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

B. Exchange rate hedge

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

Quantitative information

1. Break-down of assets, liabilities and derivatives by currency of denomination
2. Internal models and other methods for sensitivity analysis

The exchange risk profile assumed by the Group is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

3. LIQUIDITY RISK

Qualitative information

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

It is the responsibility of the Parent Company to manage the liquidity risk 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 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 carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

Further support to liquidity risk management is provided by the monitoring carried out by the Parent Company risk management unit through an internal model. The objective is to set up a 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.

4. OPERATIONAL RISK

Qualitative information

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

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

The Banco Desio Group, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, outlines it within the Group's methodological framework of operational risks management: operational risk is 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).

At Group level, a process is carried out to identify, classify and collect detrimental events. In the first half-year of 2010 a structured process of reporting was started as to operating losses both at Group level and at the level of any individual subsidiary Bank.

In relation to the management of risks having an impact on the Group's operational continuity, consistently with its governance model and in line with banking group supervision regulations, it was decided to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific master agreements, the Parent Company provides the subsidiaries Banco Desio Lazio, Banco Desio Toscana and Banco Desio Veneto with operating services, assistance and advice as an outsourcer.

The various Group's corporate 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 most actions brought against the Group at the end of the financial year consisted in claw-back actions in bankruptcy, and other disputes concerning the trading service of financial instruments.
Overall, the lawsuits pending with regard to the four Italian banks of the Group have a value of Euro 85.824 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 9.863 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 94.97% of the total amount.

Quantitative information

The number of adverse events detected by the Group in the first half-year totalled 251 events. This figure also includes the potentially harmful events which, however, did not generate any operating loss in the accounts. The result of the process for the gathering of adverse events is summarised in the table below (monetary values are reported in thousands of Euros):

Type of event	No. of Events	% on total	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	1	0.40%	289.30	26.68%	289.30	28.19%	0.00	0.00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	103	41.04%	192.91	17.79%	134.89	13.14%	58.02	30.08%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	5	1.99%	10.18	0.94%	10.18	0.99%	0.00	0.00%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	7	2.79%	190.82	17.60%	190.82	18.59%	0.00	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	0	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	0	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	135	53.78%	401.08	36.99%	401.08	39.08%	0.00	0.00%
GROUP TOTAL	**251**	**100.00%**	**1,084**	**100.00%**	**1,026**	**100.00%**	**58**	**5.35%**

The value of the gross operating loss, equal to Euro 1,084 thousand recovered for Euro 58 thousand. Net expensed losses amounted to Euro 1,026, made up of prudential provisions for Euro 789 thousand.

SECTION 2 – INSURANCE COMPANIES' RISKS

A. General aspects and management policies

The insurance business, due to its specific features, requires, for a global view of the enterprise, the assessment and management of the overall profitability of the business generated and of the relevant related risks. The strategies and policies for the reduction of such risks are assumed by the administrative bodies of the Insurance Company Chiara Assicurazioni.
The Company's Risk Management office, in concert with the other control functions, with the operating functions directly concerned and with the Top Management, determined and listed the main risks to which the Company is exposed.

Non-Life Insurance Business

2.1 Insurance risks

The significant risks, i.e. the risks whose consequences might weaken the solvency of the Company or seriously hinder the implementation of the corporate objectives, have been classified according to criteria which take account of the peculiarities of the business in which the Company is active, the best practices present in the market and the regulations in force.

Specific attention is paid to the management of technical risks, i.e. the risks peculiar to the insurance business, with reference to the exposure of the Company to the following factors:

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

- technical-reinsurance risk: the risk associated with inefficiencies of the passive reinsurance strategies.

The risk management process is carried out through the following phases, which are closely connected to each other: definition of the propensity to risk; identification, valuation and measurement of risks; control and reporting; implementation of remedial measures (if any). All the analyses above are summarised in a special document, Risk Report, containing risk measurements, points needing attention and proposals for action based on the qualitative and quantitative factors that indicate that action should be taken.

Specifically, the Board of Directors is responsible for the definition, approval and review of the control and risk management system. In this capacity, the Board of Directors defines and approves the Company's propensity to risk, this being the risk level which can be supported over a certain period of time, which allows to achieve economic and financial objectives.
Operating limits relating to premiums, such as for example the maximum exposure per claim and the risks excluded, are fully applied consistently with the contractual term and conditions laid down in insurance contracts.

As to reinsurance, the transfer of risks is aimed at maintaining sustainable the relation between the technical results of the portfolio with respect to all the dynamics which potentially could jeopardise the expected profit.
In view of the protection of corporate assets and control of venture capital, the plan for transfer to reinsurers helps to increase the Company's underwriting capacity, thus offering protection against anomalous trends in claims, in terms of both frequency and impact. To monitor reserve risks, which are associated with the possible quantification of inadequate technical reserves with respect to the commitments undertaken to insured and damaged parties, formalised procedures are in place which are applied by the relevant functions and are characterised by the following control elements:

- adequate segregation of duties and responsibilities in the reserve quantification process for the staff responsible for assessment and the persons who carry out administrative checks;
- procedures to support the correct determination of technical reserves, including:
    - activities to monitor the technical performance aimed at assessing the assumptions behind the calculation of the technical reserves in the non-life branch;
    - process for automatic allocation of claims reserves upon filing of any claims;
    - control activities carried out on an ongoing basis for the identification of variances in claims reserves to be subjected to additional checks.

The following are some KPIs (Key Performance Indicators) measured as at 30 June 2010.
The Loss Ratio of direct business (i.e. the ratio between claims generated in the current year and those generated in previous years on the relevant premiums) is equal to 16.91% in all segments; the improvement with respect to 24.1% at 31/12/2009;
The Expense Ratio of direct business (i.e. the ratio between operating expenses and the relevant premiums) on all segments was 71.57%, down compared with 75.9% at 31/12/2009. This represents improved process efficiency.
The Combined Ratio (i.e. the combination of the two indicators referred to above) was therefore 88.47% from 100% at 31/12/2009. This indicator also reflects the structural and organisational improvements to the Company.

2.2 Financial risks

The asset allocation guidelines and the investment operating limits of the assets are approved by the Board of Directors. The monitoring of financial risks is the responsibility of the Investment Committee which is responsible for the operational asset management through investment and disinvestment decisions relating to transferable securities and through the management of the liquidity deriving from operating and financial cash flow.
The first half-year of 2010 investment policy was consistent with the guidelines defined by the Board of Directors. Assets are made up of about 66.4% of Government Bonds, about 31.4% of Corporate Bonds and about 2.2% of UCITS units.

INFORMATION ON CONSOLIDATED EQUITY

CONSOLIDATED SHAREHOLDERS' EQUITY

Qualitative information

The Banco Desio Group has always paid most attention to shareholders' equity, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.
In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.
The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in business growth.

BANKING REGULATORY CAPITAL AND RATIOS

Scope of application of the regulations

According to the prudential regulations (Bank of Italy's Circular Letters no. 263 and no. 155), the scope of consolidation includes the companies which present the following characteristics:

- banking, financial and functional companies directly or indirectly owned by the Parent Company and to which the method of consolidation on a line-by-line basis is applied;
- businesses, other than banking, financial and functional companies, directly or indirectly owned by the Parent Company on an exclusive or joint basis or subject to significant influence; such companies are consolidated on an equity basis.

Banking and financial companies valued at equity and qualified companies, which are directly or indirectly owned by the Parent Company to an extent exceeding 10%, are deducted from the regulatory capital for 50% from Tier 1 capital and for the remaining 50% from the Tier 2 capital; the difference as at the date of first-time application of equity between the book value of the equity investment and the correspondent portion of equity of the company is entered as a total reduction in Tier 1 capital; equity investments in insurance companies acquired before 20 July 2006 are deducted from the Tier 1 capital and from the Tier 2 capital.
The book value of the companies other than banking and financial companies and of the banking companies owned to an extent equal to or less than 10% is included in weighted risk assets.
The prudential scope of consolidation differs from the scope of consolidation of the annual accounts reported according to the international accounting standards (IAS/IFRS); in the second case, in fact, the subsidiary companies or the companies subject to joint control are consolidated on a line-by-line or proportional basis, even if they are other than banking, financial and functional companies.

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

Banking regulatory capital

Qualitative information

The Banco Desio Group pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banking Groups. The relevant regulations, in fact, state that "….the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size".
As of 30 June 2010 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

(Amount Euro/1,000)

description	Amount
Tier 1 capital	682,761
Tier 2 capital	97,575
Items to be deducted	12,962
Regulatory capital	767,374

1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative equity instruments are the most significant elements of the capital. From these positive elements, any negative elements

is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.
The Group's Tier 1 capital accounts for about 89% of the Regulatory Capital.

2. Tier 2 capital

Valuation reserves, innovative equity instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments, represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.
The Group's Tier 2 capital accounts for about 13% of the Regulatory Capital. The elements to be deducted account for about 2%.

3. Tier 3 capital

It is comprised by the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risk.

Quantitative information

	30/06/2010	31/12/2009
A. Tier 1 capital before the application of prudential filters	693,369	669,891
B. Prudential filters of the Tier 1 capital:	- 6,402	- 2,806
B1 - positive Ias/Ifrs prudential filters (+)	-	-
B2 - negative Ias/Ifrs prudential filters (-)	6,402	2,806
C. Tier 1 capital including elements to be deducted (A+B)	686,967	667,085
D. Elemens to be deducted from the Tier 1 capital	4,206	4,179
E. Total Tier 1 capital (TIER1) (C-D)	682,761	662,906
F. Tier 2 capital before the application of prudential filters	102,855	112,892
G. Prudential filters of the Tier 2 capital	- 1,074	- 1,622
G1- positive Ias/Ifrs prudential filters (+)	-	-
G2- negative Ias/Ifrs prudential filters (-)	1,074	1,622
H. Tier 2 capital including elements to be deducted (F+G)	101,781	111,270
I. Elements to be deducted from the Tier 2 capital	4,206	4,179
L. Total Tier 2 capital (TIER2) (H-J)	97,575	107,091
M. Elements to be deducted from the total of Tier 1 and Tier 2 capital	12,962	17,433
N. Regulatory capital (E + L - M)	767,374	752,564
O. 3rd-level capital	-	-
P. Regulatory capital including TIER3 (N + O)	767,374	752,564

Capital adequacy

Qualitative information

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

- Tier 1 capital / weighted risk assets [1] 10.95%
- Regulatory capital / weighted risk assets [1] 12.31%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

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

Quantitative information

Category/Value	Unweighted amounts		Amount	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISKS	**9,243,140**	**9,568,181**	**5,621,237**	**5,747,776**
1. STANDARD METHODOLOGY	9,243,140	9,568,181	5,621,237	5,747,776
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS				
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**449,699**	**459,822**
B.2 MARKET RISK			**3,936**	**3,066**
1. STANDARD METHODOLOGY			3,936	3,066
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			**46,839**	**46,839**
1. BASE METHODOLOGY			46,839	46,839
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
B.4 OTHER CAPITAL REQUIREMENTS				
B.5 OTHER CALCULATION ELEMENTS			(1,608)	38
B.6 TOTAL CAPITAL REQUIREMENTS			**498,866**	**509,765**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,235,825**	**6,372,064**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			10.95%	10.40%
C.3 Regulatory capital incluso Tier 3 / Risk-weighted assets (Total capital ratio)			12.31%	11.81%

Insurance regulatory capital and ratios

The Group's consolidated financial statements report insurance assets/liabilities arising from the consolidation of Chiara Assicurazioni S.p.A., on a line-by-line basis, the sole Group company subject to insurance supervision (ISVAP).
As at 31 December 2009, the regulatory capital of Chiara Assicurazioni S.p.A. was Euro 6,515 thousand, against a required solvency ratio of Euro 3,500 thousand. The result is a solvency ratio of 1.86.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

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

The procedures adopted for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) are outlined in the Annual Report on Corporate Governance of the Parent Company and mentioned in the Report on Operations of the Parent Company. The other companies of the Group follow substantially similar procedures or practices.
Relations with external related parties are settled on market conditions and, where the market is not a satisfactory reference, (as in the instance of the Agreements for outsourcing services provided to subsidiaries), on conditions that are fair and that are valued in compliance with the procedures above.
In this context, as of 3o June 2010, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.
The following paragraphs summarise the relations by categories of related parties (Parent Company, Associates, other Investee Companies, Representatives), distinguishing between transactions carried out (including any transaction made pursuant to article 136 of the Consolidated Banking Act), current accounts and security accounts balances and, finally, any supplier relations of a different type.

<u>I – Parent Company</u>

At the end of the half-year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.A.p.A. totalled about Euro 6.1 million entirely allocated to Banco Desio. The company has no debt exposure.
During the half-year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph IV below).
The balance of relations with the Parent Company, relating to the securities deposit allocated to Banco Desio amounts to about Euro 255.1 million.

<u>II – Associated companies</u>

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

- Chiara Vita SpA, which an interest of 30% is retained within the framework of the agreements with the Helvetia Group (unchanged compared to 30 June 2009);

- Istifid S.p.A., in which about a 28% share is maintained, against a share of about 21% at 30 June 2009 (this development represents Banco Desio as the major shareholder, without prejudice to the absence of control).

Within the framework of the agreements with the Helvetia Group the following have been drawn up at the relevant time: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.
At the end of the half-year, the Chiara Vita SpA balance of payables (to customers) held by Banco Desio amounted to about 121.2 million euro, about 49.1 million of which from the securities portfolio; the company has no exposure to debt.

The contractual relations with Istifid SpA consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc) which are charged at the usual costs for such services.
At the end of the half-year, the balance of payables to Istifid SpA was about 129.4 million euro, about 80.8 million euro of which from the securities portfolio; the receivables balance was insignificant. The contracts involved are held by Banco Desio.

<u>III – Other investee companies</u>

At the end of the half-year, there were no other investee companies (outside the perimeter of the Banco Desio Group) representing related parties pursuant to the regulations in force.

<u>IV - Transactions with Representatives and subjects referable thereto</u>

As regards the transactions subject to credit limits approved in the half-year pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives concerned stated that they had interests of various kinds by virtue of significant equity investments, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted by the Group's banks in the 47 positions existing as at 30 June 2010 is equal to about Euro 53 million. The relative uses totalled about Euro 41.3 million in amounts due from customers.

It should in any case be noted that the position of those working as representatives of only the Banco Desio' s subsidiaries are confined to their respective companies, thus excluding their classification as "Managers with strategic responsibilities within the Group" pursuant to IAS24.

As regards deposit relations of the Group Banks with the Representatives (i.e. directors, statutory auditors and managers with strategic responsibilities within the Bank and the companies under control) and subjects related to them pursuant to art. 136 of the Consolidated Banking Act, it is also worth noting that the balances as at 30 June 2010 amount to approximately Euro 148.2 million in amounts due to customers (inclusive of approximately Euro 112.8 million, in securities accounts).

The figures above do not include the undergoing transactions with the associate and investee companies mentioned in point II above (officially resolved pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the last financial statements, 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.

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

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

The "Banco Desio Veneto" Plan was outlined in details in the financial statements of 2006 (year when such plan was activated) and then appropriately updated in the subsequent financial statements.

As at 30 June 2010 no. 6,243,202 shares were globally assigned (unchanged compared to 30 June 2009). Net of the ordinary number of options forfeited following the termination of the employment agreements, considered physiological, a total of 6,039,929 options remained.
The strike price for the 3,374,000 shares allocated before operations started was set at 1.00 euro each.
The strike price for the 637,000 shares allocated in various *tranches* after the beginning of operations and within 31 December 2007 was set at 1.05 euro each, on the basis of the accounts as approved at the different times concerned by the Board of Directors.
The strike price for the 2,232,202 shares allocated afterwards (including the additional shares deriving from the share dilution after the capital increase described in previous disclosures) was set at 1.25 euro each on the basis of an expert valuation.
The above mentioned granted options 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, on 29 November 2007 and 18 December 2008 as well, as 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 periods and the strike price which have already been specified, the basic assumptions adopted for valuation are consistent with the values of the market variables existing as at the different dates of grant of the options. The unit value of each option ranges, depending on the different *tranches*, from a minimum of Euro 0.08887 to a maximum of Euro 0.10529. The valuation of the options amounts to Euro 546,833 in aggregate.

In the first half-year of 2010, the pro-rata cost of the above mentioned 6,039,929 options **-** as determined by the distribution of the overall cost over the term of the different *tranches* – is estimated at Euro 75,570.

Stock option plan for shares of subsidiary Chiara Assicurazioni SpA

The "Chiara Assicurazioni" Plan was outlined in details in the financial statements of 2006 (year when such plan was activated) and then properly updated in the following Financial Statements.

As at 30 June 2010 no. 2,075,000 shares contemplated in the Plan were globally assigned (this figure was unvaried from 30 June 2009). Net of the ordinary number of options forfeited following the termination of the employment agreements, considered physiological and taking account of the transactions made on 20 July 2009, with reference to the first of the three periods for the exercise of the options envisaged in the Plan (as detailed in the previous financial statements), a residual amount of no. 1,205,000 options was outstanding as at 30 June 2010. 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 1.00 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.

On 26 April 2010 the Board of Directors of Chiara Assicurazioni SpA resolved to extend the final deadline of the second of the three periods for the exercise of the options envisaged in the Plan to 20 September 2010.

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, basic assumptions taken for valuation are consistent with the market variables existing as at the dates of grant of the options. The unit value of each option amounts to Euro 0.18091. The valuation of the outstanding options amounts to Euro 284,708 in aggregate.

In the first half-year of 2010, the pro-rata cost of the above mentioned 1,205,000 remaining options - as resulting from the distribution of the aggregate cost over the terms of the options – is estimated at Euro 24,192.

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

Detailed information about the Fides Plan was provided with the financial statements for 2008 (the year in which the plan was started).

At 30 June 2010 all the 322,094 options envisaged in the Plan had been allocated (unchanged compared to 30 June 2009). The allocations include the 102,094 additional options deriving from the share dilution after the first capital increase subscribed by the shareholders with an increase of about 46.41% in the number of shares in circulation (which gave rise to an increase from 220,000 to 322,094 in the maximum number of shares envisaged in the Plan). The strike price of 7.64 euro per share takes the normal value of 7.55 euro into account, originally set in a special valuation, and the subsequent additions that raised the book value of Fides shares held by Banco Desio Lazio SpA.
A similar transaction concerning the share dilution is expected to be completed during the current financial year, following a second capital increase already subscribed by the sole shareholder (Banco Desio Lazio SpA), with a further increase in the number of outstanding shares equal to about 40.63% (which will cause an increase in the maximum number of shares under the Plan from 322,094 to 452,984).

The Black & Scholes method was used to value the options; the basic assumptions made for valuation are similar to those for the other plans described above. The unit value of each option lies between a minimum of 0.79543 euro and a maximum of 1.03901 euro. The value of the existing options totally amounts to Euro 309.596.

In the first half-year of 2010, the pro-rata cost of the above mentioned 322,094 options - as resulting from the distribution of the aggregate cost over the terms of the options – amounts to Euro 53,939.

Segment reporting

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

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

- *commercial bank*: bringing together the traditional lending and deposit collecting activities directed towards retail and corporate customers. Included in this operating segment are products and services related fundamentally to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- *investment banking*: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- *asset management*: bringing together the activities carried out by the subsidiaries Brianfid Sa, Banca Credito Privato Commerciale Sa and Rovere SA;
- *corporate center*: this segment includes the results of the Group's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the functioning and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intra-group adjustments are allocated to the corporate center, except where the intra-group netting are between companies within the same segment.

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

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

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.
The data by segment is shown before intra-group balances, except where the intra-group balances are between companies within the same operating segment.

(Euro/1000)

Balance sheet data	30/06/10	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	1,083,839	25,142	1,046,924	12,167	-394
Amounts due from banks	486,227	0	429,628	132,923	-76,324
Amounts due from customers	6,279,288	6,270,392	0	8,896	0
Amounts due to banks	95,076	0	173,134	12	-78,070
Amounts due to customers	4,588,315	4,459,946	0	128,622	-253
Securities issued and Financial liabilities at fair value	2,368,438	2,368,438	0	0	0
INDIRECT DEPOSITS:ADMINISTERED AND MANAGED	**11,641,315**	**10,467,770**	**0**	**1,173,545**	**0**

(Euro/1000)

Income statement data	30/06/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	171,143	147,536	5,062	5,478	13,067
Structure cos ts (2)	-116,453	-92,586	-1,038	-4,589	-18,240
Provi s ions and adjustments (3)	-34,732	-33,334	-13	11	-1,396
Profi ts /(Los ses) on equi ty investments carried at equi ty	23,540	0	0	0	23,540
Profi ts /(Los ses) on the di sposal of inves tments	0	0	0	0	0
Profits/(Losses) before taxes on continuing operations	**43,498**	**21,616**	**4,011**	**900**	**16,971**

(1) other operating (expenses)/income are included

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

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

(Euro/1000)

Balance sheet data	30/06/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	881,965	16,052	872,045	6,097	-12,229
Amounts due from banks	855,510	0	809,963	145,522	-99,975
Amounts due from customers	5,773,980	5,759,623	0	14,357	0
Amounts due to banks	57,152	0	151,491	0	-94,339
Amounts due to customers	4,200,359	4,058,671	0	145,981	-4,293
Securities issued and Financial liabilities at fair value	2,032,694	2,044,760	0	0	-12,066
INDIRECT DEPOSITS:ADMINISTERED AND MANAGED	**16,743,562**	**9,015,674**	**0**	**840,873**	**6,887,015**

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

AS AMENDED AND SUPPLEMENTED

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the Company financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:

   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the condensed interim consolidated financial statements for the first half-year 2010.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the condensed interim consolidated financial statements as at 30 June 2010 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistently with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.

3. The undersigned also certify that:

   3.1 The condensed interim consolidated financial statements:

   a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to the results of the books and accounts;

   c. give a true and fair representation of the equity, economic and financial position of the issuer and the whole of the companies included in the scope of consolidation.

   3.2 The interim report on operations includes a reliable analysis of the references to the important events that occurred in the first six months of the financial year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Desio, 26 August 2010

Managing Director	Manager responsible for preparing The Company's financial reports
Nereo Dacci	*Piercamillo Secchi*

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

BANCO DESIO E DELLA BRIANZA SPA

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

To the Shareholders of
Banco di Desio e della Brianza SpA

1 We have reviewed the consolidated condensed interim financial statements of Banco di Desio e della Brianza SpA and subsidiaries ("Banco Desio Group") as of 30 June 2010 comprising the balance sheet, income statement and statement of comprehensive income, statements of changes in shareholders' equity and cash flows and related selected explanatory notes. Banco di Desio e della Brianza SpA's Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

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

Regarding the amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 12 April 2010 and dated 28 August 2009, respectively.

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 11(Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Firenze** 50129 Viale Milton 65 Tel. 055471747 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martir 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 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

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Banco Desio Group as of 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Milan, 27 August 2010

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

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