Report on Operations 2010

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

Corporate offices

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 Executives Committee*

Board of Statutory Auditors

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

General Management

General Director	Claudio Broggi
Vice General Director	Marco Sala

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

Nominated Official in charge of drawing up Company Accounts	Piercamillo Secchi

PREAMBLE

The data and indexes reported in this *Report on operations* make reference, if applicable, to the Balance Sheet of the Financial Statements layouts, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

in thousands of Euros	31.12.2010	31.12.2009	Change Amount	%
Total assets	6,647,371	6,900,788	-253,417	-3.7%
Financial assets	916,499	839,119	77,380	9.2%
Amounts due from banks	399,445	920,613	-521,168	-56.6%
Amounts due from customers	4,885,870	4,686,128	199,742	4.3%
Tangible assets	133,108	130,251	2,857	2.2%
Intangible assets	2,814	2,715	99	3.6%
Amounts due to banks	338,710	257,628	81,082	31.5%
Amounts due to customers	3,236,374	3,675,226	-438,852	-11.9%
Securities issued and financial liabilities at fair value through profit or loss	2,114,266	2,022,406	91,860	4.5%
Shareholders' equity (including net proft for the period)	754,360	731,262	23,098	3.2%
Total indirect deposits [(1)]	9,605,685	9,094,053	511,632	5.6%

INCOME STATEMENT DATA [(2)]

Amount in thousands of Euros	31.12.2010	31.12.2009	Change Amount	%
Operating income	260,819	269,205	-8,386	-3.1%
of which net interest income	*145,595*	*154,429*	*-8,834*	*-5.7%*
Operating costs	172,994	168,510	4,484	2.7%
Operating margin	87,824	100,695	-12,871	-12.8%
Operating profit net of taxes	33,891	26,218	7,673	29.3%
Non-recurring profit after taxes	15,203	31,845	-16,642	-52.3%
Net profit/(loss) for the period	49,094	58,063	-8,969	-15.4%

[(1)] *net of assets involved in the custodian bank service (equal to about €7.1billion in 2009) discontinued during the year;*
[(2)] *from reclassified Income Statement*

FINANCIAL RATIOS

	31.12.2010	31.12.2009	Change Amount
Shareholders' equity / Total assets	11.3%	10.6%	0.7%
Shareholders' equity / Amounts due from customers	15.4%	15.6%	-0.2%
Shareholders' equity / Amounts due to customers	23.3%	19.9%	3.4%
Shareholders' equity / Securities issued	35.7%	36.2%	-0.5%
(Tier 1 and Core Tier 1) Equity ratio	20.0%	18.3%	1.7%
(Tier 2) Solvency ratio	22.3%	20.8%	1.5%
Financial assets / Total assets	13.8%	12.2%	1.6%
Amounts due from banks / Total assets	6.0%	13.3%	-7.3%
Amounts due from customers / Total assets	73.5%	67.9%	5.6%
Amounts due from customers / Direct deposits from customers	91.3%	82.2%	9.1%
Amounts due to banks / Total assets	5.1%	3.7%	1.4%
Amounts due to customers / Total assets	48.7%	53.3%	-4.6%
Securities issued and Financial liabilities at fair value through profit or loss / Total assets	31.8%	29.3%	2.5%
Direct deposits from customers / Total assets	80.5%	82.6%	-2.1%
Operating costs / Operating income (Cost/Income ratio)	66.3%	62.6%	3.7%
Net interest income / Operating income	55.8%	57.4%	-1.6%
Operating margin / Operating income	33.7%	37.4%	-3.7%
Operating profit net of taxes / Shareholders' equity	4.5%	3.6%	0.9%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	7.0%	8.6%	-1.6%

STRUCTURE AND PRODUCTIVITY DATA

	31.12.2010	31.12.2009	Change Amount	Change %
Number of employees	1,404	1,394	10	0.7%
Number of bank branches	131	127	4	3.1%
in thousands of Euros				
Amounts due from customers by employee (3)	3,492	3,358	134	4.0%
Direct deposits from ordinary customer by employee (3)	3,825	4,083	-258	-6.3%
Operating income by employee (3)	186	193	-7	-3.6%

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

2 - THE BASELINE SCENARIO

2.1 - THE MACROECONOMIC FRAMEWORK

In 2010, the main economies gradually consolidated their recovery, following the previous fall in the 2008-2009 two-year period. The end of 2008 and the first months of 2009 will be remembered as the period in which the most profound recession in recent decades was recorded and in which the largest fall in GDP was experienced. According to the most recent International Monetary Fund (IMF) estimates, world economic growth in 2010 should be 4.6% (-0,6% in 2009).

During 2010 the main players involved in the worldwide economic recovery were the Emerging Countries (China, Russia, Brazil, India), while the economies of the Mature Countries (United States, Japan and Europe), despite recoveries in productivity on an annual basis, showed signs of slowdown, on a quarterly basis, starting from the second half of the year. In addition to these phenomena, clear criticalities persisted: turbulence in the European debt, the difficulties of the labour market, imbalances in exchange rates, the possibility of speculative bubbles because of the great liquidity and, above all, uncertainty in the taxation regimes of the United States and Japan which represents a much more obscure development for medium/long-term prospects of the global economy with respect to the crisis of some minor Member State of the Euro zone.

Nonetheless, the worldwide economic expansion appears to be robust and destined to also continue in 2011: the growth in production, the increase in investments, the absence of peaks in the stock policy and the increase in prices of raw materials are valid indicators of this trend. Only foreign trade appears to be destined to slow after the strong rise at the beginning of 2010, even if it remained close to historical averages.

In December the international share prices showed positive annual trends: Standard & Poor's 500 and Dow Jones Euro Stoxx recorded a positive change of 11.8% and 9%, respectively, on an annual basis. Likewise, the main European stock exchange indices, except for Ftse Mib (-1.4%), showed positive monthly average changes: Dax30 (+3.7%), Cac40 (+0.8%) and Ftse100 (+2.6%). As regards the New Economy indices, Nasdaq grew by 4% on a monthly basis, while the French technology securities index increased by 3.5%.

During 2010 inflation remained modest, although the prices of oil (+6.7% on an annual basis) and other raw materials gradually rose, also as a result of the large amounts of unused resources. At the same time as core inflation, consumer prices also rose again following the increases recorded by the sectors of domestic demand (food, clothing, energy, alcohol and tobacco). In December the European Central Bank maintained the policy rate at its historical minimum of 1%, in the same way as the Federal Reserve, whose rate remained in the range of 0.25%. In December the 3-month Euribor rate was equal to 1.02%, 30 bps more than the same period of the previous year. The return on ten-year issues of government securities further increased: in Germany it passed from 2.55% in November to 2.90% in December, while in Italy the rate came to 4.52% against 4.14% in the previous month. The only case of deflation can be observed in Ireland, while all other Mature Economies have showed positive rates of inflation which reached the highest value in the case of Greece (+4.8%). This situation is destined to also continue in 2011, however with modest values because of the downward pressures exercised by the labour cost and by the effects on employment.

During 2010, the Euro devalued on average against the currencies of the United States, China, Japan, Switzerland and England.

Looking to 2011 the economic recovery appears to be destined to continue without suffering any strong slowdown. Fiscal policies will remain flexible throughout 2011, while the monetary conditions will continue to support recovery, even if they will be more restrictive in the Emerging Countries because of the higher strength of domestic demand. In the long term, tax and monetary measures implemented in Advanced Economies could be not sufficient to stabilise the deficit/GDP ratio. Therefore, starting from 2012, unless additional corrective measures are taken, the risk of a new fall in the worldwide macroeconomic situation unfortunately appears to be high.

THE UNITED STATES

Starting from the third quarter of 2010 the economic recovery in the United States showed a gradual slowdown (+1.1% in the second half against +2.2% in the previous half-year), in any case recording a positive annual change (+2.8%) at the end of 2010: the highest contribution to growth was given by domestic demand, specifically by private consumption (+0.5%) and investments, which was partly mitigated by the difficulties of the foreign balance (-1.3%). The labour market did not show clear signs of improvement: the unemployment rate came to 9.8% at the end of 2010, with not very encouraging forecasts for the 2011-2012 two-year period (9.6% and 8.7%, respectively). The economic growth expected in 2011 (+3.1%) will be driven by private consumption, which is in turn boosted by the economic policies promoted by the Obama administration: however, these measures, which are focused on a package of tax incentives entailing cuts in taxes, while allowing the continuation of economic recovery in 2011, may compromise the equilibrium of public accounts in the medium/long-term. The monetary policy was still fence sitting, with rates still unchanged until the beginning of 2012. At the end of 2010 the property market did not show clear signs of recovery: the drop in real estate concession (-3.8%) was accompanied by a weak new rise in the prices of houses (+2.5%).

EMERGING ECONOMIES

Economies in Emerging Countries have been and will be the actual driver of the worldwide economic recovery, despite the fact that 2011 forecasts also expect a slowdown in these Countries compared to the record values reported in 2010. In 2010 the GDP in China rose by 10.1%, thanks to the positive contribution from industrial production which boosted consumption and imports, and from the expansive investment policy. In 2010 economic growth in India was 8.9%, thanks to the positive contributions from the services sector (which remained the economic driver of the Country) and the agricultural sector, which offset the temporary slowdown in production in the manufacturing sector. In 2010 consumption and investments recorded strong growth rates, while inflation remained at quite high levels (+7.5%): these prospects, even they are showing a weak physiological slowdown, are also expected in 2011.

EURO ZONE

In the Euro Zone the 2010 economic growth came to 1.7%, despite the slowdown recorded in the second part of the year: 2011 forecasts expect that the economic recovery will strengthen on the basis of the same values as those recorded in the previous year towards a more balanced path, as it is based less on the stock policy and more on the recovery in consumption (+1.2%), investments (+2.2%) and export (+0.5%). During 2010 the economic recovery was driven by Germany, whose GDP grew by 3.9% on an annual basis: this trend will also continue in 2011 and it will be evident because of the increased growth differences with the Peripheral Countries (Greece, Ireland, Spain, Portugal) whose public accounts represent the major source of concern with regard to the economic recovery. The increased volatility of Government Securities and returns on ten-year securities confirm this theory. Furthermore, the German performance has not only driven the GDP improvement at European level, but it was also the source of possible local imbalances in 2011, because of the impossibility of using automatic adjustment mechanisms induced by the exchange rate policy with the neighbouring countries (as in the case of China). The recession experienced is still causing adverse effects on the labour market: in fact, the unemployment rate remained at levels close to 10% throughout 2010, and started to show the first signs of improvement only in the last part of the year. In 2011 the employment situation should considerably reverse the trend, even if still coming to quite high levels.

ITALY

In 2010, Italy, unlike Germany, was one of the European Countries with the most limited GDP performance (+1.1% on an annual basis): while observing the quarterly GDP performance, it is possible to note a discordant quarterly trend. In fact, in Autumn, the Italian economy slowed its growth rate until stopping in the fourth quarter. This slowdown was in line with that expected and confirms that the cyclical rise from which Italy benefitted in 2010 was driven by foreign demand, with a more limited contribution from domestic demand. From an external point of view, the months just passed saw the tensions relating to sovereign debts of some European countries remaining high, with a consequent weakness of the Euro, but they also saw an increase in the price of raw materials traded on international markets. As a whole, Italy saw an increase in its exports, but at the same time it found itself facing a major imported inflation. Gradual recovery prospects are confirmed for domestic demand, slowed by the abovementioned rise in the cost of raw materials, which translate into a recovery in domestic inflation which in turn entails a fall in the income available to families in real terms for the fourth consecutive year.
The Italian unemployment rate remained above 8% throughout 2010, showing a new increase up to 8.6% between September and October. Labour market conditions could still remain weak for a long time: the recovery will continue with the reemployment of part of the workers who are currently under the CIG (*Cassa Integrazione Guadagni*, redundancy fund) scheme, but the unemployment rate could continue to increase up to 2012, reaching 10%.
The confidence climate of businesses continues to grow at high rates and to recover the ground lost during the crisis. On the contrary, as regards consumers, there was a worsening; in the last months of the year consumption diminished, thus losing part of the recovery showed in the previous year.

2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2010 recorded a performance less than the growths recorded in 2009; this is also evident if we observe International stock markets: Standard & Poor's 500 of New York rose by 11.8% on an annual basis, Dow Jones Euro Stoxx Large by 9%, while Nikkei 225 in Tokyo substantially remained stable (0.6% YoY).
In 2010, unlike the previous year, the Italian stock market did not benefit from an annual positive trend: the FTSE MIB index decreased by 10.7% on an annual base, while the bank index, FTSE Italy Banks, showed a larger negative annual change equal to -27.9%. In December 2010 the monthly capitalisation of the stock market of the Euro Zone showed a positive performance, on a cyclical basis, of +5.4% on an annual basis. Within the Euro Zone, capitalisation was equal to 10.2% of the total in Italy, 31.2% in France and 24.7% in Germany. With specific reference to Italy, the overall capitalisation of the stock market came to Euro 425.1 billion (Euro -32 billion on an annual basis) at the end of December. The impact of bank capitalization on the total came to 20.5% compared to 29.8%, the value posted at the beginning of the financial crisis.
With reference to the banking system, the growth rate of domestic demand appeared to have settled at the end of 2010, while foreign deposits were positive again. The tendential growth rate of deposits in Euro of the Italian banks came to 2.8%. Specifically, deposits from customers recorded a tendential growth rate of 5.6%, while the annual change in bonds was negative and equal to 1.3%; repo transactions with customers were on the rise. The average return on bank deposits was stable, consistently with the performance of market rates. The average rate of bank deposits from customers came to 1.48% in December 2010, down by 11 basis points compared to the same period of the previous period.

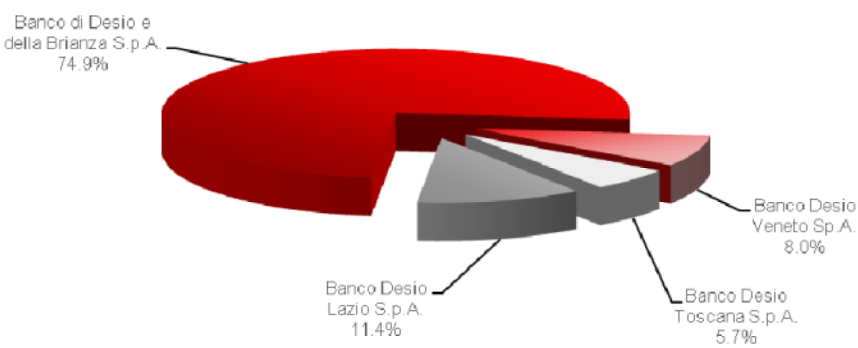
Loans to private individuals showed an increase at the end of 2010, recording a tendential growth of 3.8%; on the basis of a breakdown by term, the medium/long-term segment showed a tendential growth change of 4%, while the short-term segment showed a weaker increase equal to 3.4%.
At the end of 2010 recovery continued in the trend of loans to businesses and in particular to the manufacturing, mining and services sector. The interest rate on loans appeared to have settled, but always close to historical minimums. The weighted average rate on total loans to families and non-financial companies came to 3.64%, recording 13 basis points less than the same period in the previous year.
In 2010, compared to the previous year, the spread between the average rate on loans and the average rate on deposits recorded a decline; in December 2010 it was less by 2 basis points than that recorded in December 2009. In the 2010 average, the scissors were equal to 2.16%, down by about a quarter compared to the average value recorded in 2009 (2.42%).

3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST

3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

Also in 2010, in spite of the difficult macroeconomic scenario, the distribution network continued to be expanded, enabling the Bank to reach 131 branches at the end of the financial year, an increase of 4 units on annual basis, while at Group level the total number of branches reached 175, an increase of 6.
The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy was aimed at putting roots down in the territory with which the Bank is historically associated and in adjacent and complementary areas and taking up other local opportunities. This policy led to specifically extend the presence of the Bank in Lombardy, Emilia, Piedmont and Liguria.
Considering the Group's distribution network as a whole and then adding the regions Veneto, Tuscany and Lazio through subsidiary banks, the chart that follows gives the related percentage distribution by company.

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



In the year that has closed, the bank opened another branch in the provincial capital of Lombardy, at Porta Venezia, a branch in the Emilia region, in Correggio (Reggio Emilia), a branch in the Piedmont region and one in the Liguria region, in Novi Ligure (Alessandria) and Chiavari (Genoa), respectively.
The chart below reports the breakdown of the Bank's branches by regions, while the subsequent chart shows the dimensional growth reached in the last few years, with growth rates corresponding to a Compound Annual Growth Rate of 4.7% in the three year period 2008-2010.

Chart no. 2 - **THE BANK DISTRIBUTION NETWORK: BREAKDOWN BY REGION**

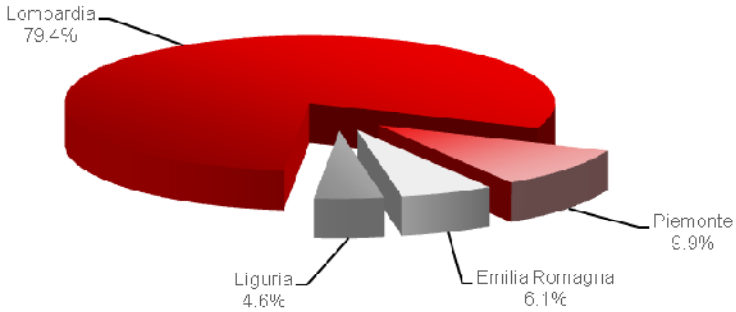
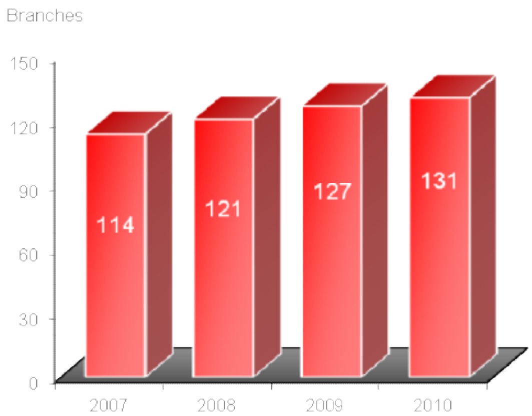


Chart no. 3 - **THE BANK DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEAR**



3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

Rovere SICAV

On 25 January 2010, within the partial reallocation of the indirect stake held by the Bank 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. purchased a 10% stake of 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.

Capital increase of the subsidiary Chiara Assicurazioni S.p.A. serving the shareholding plan and reduction in the stake held by the Bank down to 61.86%

On 27 September 2010 the subsidiary Chiara Assicurazioni S.p.A. implemented the second tranche of the capital increase for a total amount of Euro 541,000 (from Euro 8,212,000 to Euro 8,753,000) serving the existing Shareholding plan, issuing the related shares at the unit price of Euro 1.33. At the same time the Bank purchased from the beneficiaries no. 357,000 shares, at the price of Euro 3.93 per share (the normal value determined on the basis of an appropriate report prepared by an appointed actuary); again in September, the same transferred a total of no. 473,400 shares to some partner banks at the average unit price of Euro 2.63 in accordance with the exercise of specific options negotiated with the counterparties at the time. As a result of these transactions, the controlling interest in the Company came to 61.86%.

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

In view of the strengthening of the capital structure of the subsidiary Banco Desio Veneto S.p.A., on 2 November 2010 the Bank made a shareholder payment on account of (non-repayable) capital bearing no interest of Euro 15 million.

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

Capital increase of the indirect subsidiary FIDES S.p.A. and additional increase in the indirect stake held through the subsidiary Banco Desio Lazio.

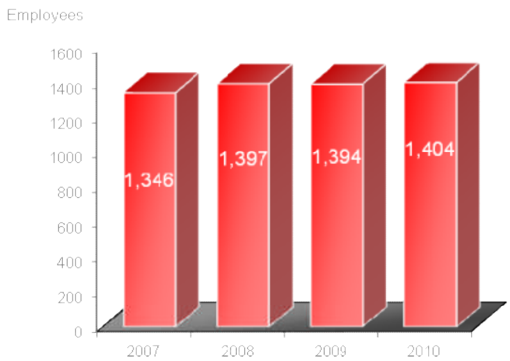
On 18 February 2010 the subsidiary Banco Desio Lazio S.p.A. further increased its stake in the share capital of FIDES S.p.A. from 95% to 100%, with a disbursement of about Euro 0.6 million. This transaction anticipated the capital increase of the financial company, consistently with the 2010-2011 Business Plan of the Group, which was fully implemented by Banco Desio Lazio S.p.A. for a total amount of Euro 5 million, on the occasion of the Shareholders’ Meeting of the Company which was held in April.
Furthermore, as starting from 30 June 2010 the financial company, which operates pursuant to article 106 of the Consolidation Act on Banking Laws, has exceeded the threshold beyond which the obligation arises for the registration on the Special List (*Elenco Speciale*) under article 107 of the T.U.B., the procedure has been started for transforming it in accordance with the current supervision provisions which has led to the related registration order issued by the Bank of Italy on 23 December 2010.

4 - HUMAN RESOURCES

4.1 - RESOURCES MANAGEMENT

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.
As at 31 December 2010, the subordinate staff counted 1,404 employees, with a change of ten resources more than the previous year, corresponding to 0.7%.
The increase in the number of staff in the last three-year period 2008-2010 corresponded to an average compound annual growth rate equal to 1.4%, lower than that registered in the distribution network, which was equal to 4.7%, as evidenced by the numeric data represented in the chart below.

Chart no. 4 - **INCREASE IN THE GROUP STAFF NUMBERS IN THE LAST FEW YEARS**



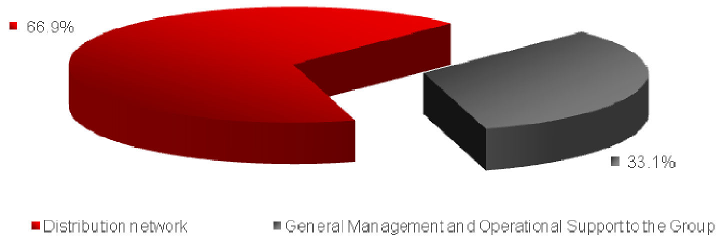
The table below shows the breakdown of staff by grade.

Table no. 1 - **STAFF: BREAKDOWN BY GRADE**

No. of employees	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Executives	24	1.7%	24	1.7%	0	0.0%
3rd and 4th level managers	330	23.5%	328	23.5%	2	0.6%
1st and 2nd level managers	385	27.4%	373	26.8%	12	3.2%
Other personnel	665	47.4%	669	48.0%	-4	-0.6%
Staff	**1,404**	**100.0%**	**1,394**	**100.0%**	**10**	**0.7%**

The chart below reports the breakdown of staff employed at the end of the financial year by area, showing that the staff employed by the distribution network represent the majority with a percentage of 66.9%.

Chart no. 5 - **BREAKDOWN OF THE STAFF IN EMPLOYMENT BY AREA OF REFERENCE**



The average age of employees at the end of the period was 43 years (former 42), while the percentage of female staff came to 35.2%.

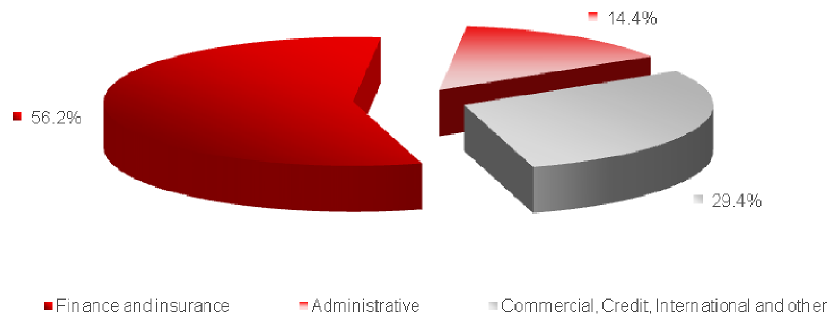
4.2 - TRAINING

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread culture within the Bank and, in general, the Group.
A total of 7,959 man/days of training were administered during 2010, counting in-house courses within the Bank, conferences, external seminars and online training activities, up compared to 5,790 in the previous year.
In particular, the sessions held concerned the type of training:

- "General", directed at all professional roles and having the objective of developing cross-cutting skills;
- "Communication and organisation", aimed at developing effective and efficient relational, organisational and behavioural skills in the business organisation, which will facilitate the spreading of the business culture and the internalisation of the company values;
- "Technical professional", covering the initiatives aimed at developing, consolidating and maintaining over time the professional skills that are linked to specific roles and fields.

The percentage breakdown of the meetings held based on the classification of the issues dealt with and dedicated to the "Technical professional" training, which affected about 74% of the total days, may be represented in the following chart.

Chart no. 6 - **"TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2010: BREAKDOWN BY SUBJECT**



It should be pointed out that, with reference to the “Finance and Insurance” segment, activities continued for updating skills, through “e-learning” procedures, in compliance with the Consob and Isvap regulations.
In the “Commercial, Credit, International and Other” segment, activities were developed for the alignment and consolidation of skills which will continue in 2011 with programmes aimed at further bringing the professional profiles into line with the variable needs of the scenario outlined by the economic situation (e.g., granting and monitoring of credit, services to customers operating in the international trade), and above all with the help of qualified internal trainers

5 - CONTROL ACTIVITIES

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

In the exercise of its function of direction and co-ordination, Banco di Desio e della Brianza S.p.A., in its capacity as the Parent Company, effects three levels of control on subsidiaries in order to implement the specific “co-ordination model” selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location and identifying the competent functions of the Parent Company for the specific control mechanisms.
The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.
The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on performance and profitability, the analysis of development, research/investment plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget.
The third level can be described as being technical/operational in nature and in practice is conducted through the supervision of internal control systems.
Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group’s website at the same time as this Report, to which reference is made.

5.2 - INTERNAL CONTROL SYSTEM

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving the top Bodies and management and, in general, all staff.
Detailed information on the internal control system, as well as on the Manager responsible for preparing the Company’s financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group’s website at the same time as this Report, to which reference is made.

5.3 - RISK MEASUREMENT AND MANAGEMENT

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

6 - MANAGEMENT PERFORMANCE

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets increased to about Euro 15 billion, up by about Euro 0.2 billion compared to the previous year, i.e. equal to 1.1%.
The table below reports the breakdown and balances of the items of the aggregate:

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

Amounts in thousands of Euro	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Amounts due to customers	3,236,374	21.7%	3,675,226	24.8%	-438,852	-11.9%
Securities issued and financial liabilities at fair value through profit or loss	2,114,266	14.1%	2,022,406	13.7%	91,860	4.5%
Direct deposits	**5,350,640**	**35.8%**	**5,697,632**	**38.5%**	**-346,992**	**-6.1%**
Deposits from ordinary customers	6,436,638	43.0%	6,236,835	42.2%	199,803	3.2%
Deposits from institutional customers (1)	3,169,047	21.2%	2,857,218	19.3%	311,829	10.9%
Indirect deposits (1)	**9,605,685**	**64.2%**	**9,094,053**	**61.5%**	**511,632**	**5.6%**
Total deposits from customers	**14,956,325**	**100.0%**	**14,791,685**	**100.0%**	**164,640**	**1.1%**

(1) following the transfer of the stake held in ANIMA S.G.R.p.A. to Banca Popolare di Milano in 2009, the custodian bank service relating to the ANIMA funds, which was performed by the Bank, was transferred, at the request of ANIMA S.G.R.p.A. itself, to another company starting from 30 June 2010; accordingly, the bank decided to fully cease this activity, which occurred at the end of the financial year, also towards the other SGRs (Asset Management Companies) that had conferred the same mandate. Following this decision, the related assets, totalling about Euro 7.1 billion, were deducted from inventories at the end of 2009, in order to make the comparative data consistent.

Direct deposits

At the end of 2010 the balance of direct deposits came to about Euro 5.4 billion, with a decrease of 6.1%, equal to Euro 0.3 billion, compared to the balance of the previous year; it was attributable to the reduction in amounts due to customers by Euro 0.4 billion (which was mainly correlated to the balance of ANIMA S.G.R.p.A. which was still outstanding at the end of 2009) and to the increase of Euro 0.1 billion in outstanding securities and financial liabilities at fair value.
Amounts due to customers, which continue to represent the most significant item with 60.5% of the aggregate, are referable to the "sight" deposits, i.e. current accounts and savings deposits, for about Euro 3.2 billion, while a residual part refers to reverse repurchase agreements and other payables.
Securities issued and financial liabilities at fair value refer to bonds issued and placed by the Bank for Euro 1.8 billion (including about Euro 0.1 billion of subordinated securities) and to deposit certificates for Euro 0.3 billion. Within the balance, financial liabilities reported on the basis of the fair value option amounted to Euro 0.3 billion and related to bond loans hedged with financial derivative instruments.

It should be pointed out that, during 2010, the total nominal value of the bond loans issued and placed was around Euro 0.8 billion, while that of the loans repaid upon expiry amounted to about Euro 0.7 billion.

Indirect deposits

In the twelve months indirect deposits reported an overall increase of Euro 0.5 billion, equal to 5.6% of the previous balance, totalling about Euro 9.6 billion.
Deposits from “ordinary” customers, which increased up to Euro 6.4 billion, recorded a growth by Euro 0.2 billion, equal to 3.2%, with the contribution from the performance of both the administered sector and the managed asset sector, even if within a difficult financial context.
Deposits from institutional customers reported an increase of Euro 0.3 billion compared to the balance of the previous financial year, considered on a basis net of volumes concerned by the custodian bank service, corresponding to 10.9%.
The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

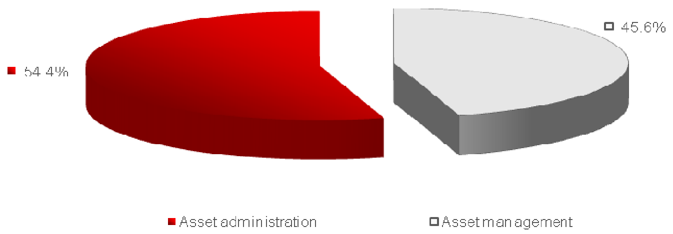
*Table no. 3 - **INDIRECT DEPOSITS***

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Asset administration	**3,503,210**	**36.5%**	**3,379,094**	**37.2%**	**124,116**	**3.7%**
Asset management	**2,933,428**	**30.5%**	**2,857,741**	**31.4%**	**75,687**	**2.6%**
of which: Mut.Fund and Open-end Inv.	*960,617*	*10.0%*	*997,634*	*11.0%*	*-37,017*	*-3.7%*
Portfolio management	*324,151*	*3.4%*	*394,278*	*4.3%*	*-70,127*	*-17.8%*
Bank Insurance	*1,648,660*	*17.2%*	*1,465,829*	*16.1%*	*182,831*	*12.5%*
Deposits from ordinary customers	**6,436,638**	**67.0%**	**6,236,835**	**68.6%**	**199,803**	**3.2%**
Deposits from institutional customers (1)	**3,169,047**	**33.0%**	**2,857,218**	**31.4%**	**311,829**	**10.9%**
Indirect deposits (1)	**9,605,685**	**100.0%**	**9,094,053**	**100.0%**	**511,632**	**5.6%**

(1) *following the transfer of the stake held in ANIMA S.G.R.p.A. to Banca Popolare di Milano in 2009, the custodian bank service relating to the ANIMA funds, which was performed by the Bank, was transferred, at the request of ANIMA S.G.R.p.A. itself, to another company starting from 30 June 2010; accordingly, the bank decided to fully cease this activity, which occurred at the end of the financial year, also towards the other SGRs (Asset Management Companies) that had conferred the same mandate. Following this decision, the related assets, totalling about Euro 7.1 billion, were deducted from inventories at the end of 2009, in order to make the comparative data consistent.*

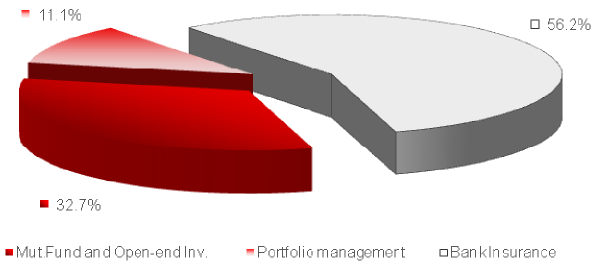
The percentage breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2010, represented in the chart below, shows that the portion attributable to administered assets is slightly greater than that of managed assets.

Chart no. 7 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2010: BREAKDOWN**



With reference to the segment of assets under management at the end of the year, the chart below reports the percentage breakdown of the components.

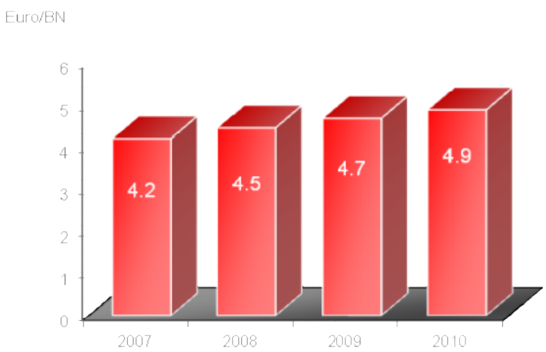
Chart no. 8 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2010: BREAKDOWN**



6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At 31 December 2010 the total amount of lending to customers increased up to about Euro 4.9 billion, with an annual increase of Euro 0.2 billion, equal to 4.3% of the value posted in 2009, thus contributing to determine a compound annual rate of increase over the three-year period 2008/2010 corresponding to 5.1%, as shown in the graph 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 actually attributable to medium- and long-term forms of investment, particularly mortgages.

Table no. 4 - **AMOUNTS DUE FROM CUSTOMERS**

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Current accounts	1,169,719	23.9%	1,163,980	24.9%	5,739	0.5%
Mortgages and other medium/long term loans	3,078,195	63.0%	2,846,785	60.7%	231,410	8.1%
Other	637,956	13.1%	675,363	14.4%	-37,407	-5.5%
Amounts due from customers	**4,885,870**	**100.0%**	**4,686,128**	**100.0%**	**199,742**	**4.3%**

Amounts due to customers are also analysed in the table below, which evidences the changes in balances registered in the period under review, based on the type of customer, while the following chart represents their breakdown as at the end of 2010.

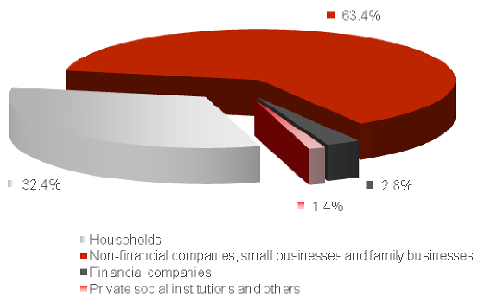
It is worth noting, in particular, the predominance of loans to non-financial companies, small businesses and family businesses, which, at the end of the period, represented a share of 63.4% of the total, totalling Euro 3.1 billion and the increasing relevance of loans to households, with a positive change of 7.9%.

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

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Households	1,581,145	32.4%	1,465,285	31.3%	115,859	7.9%
Non-financial companies, small businesses and family businesses	3,100,148	63.4%	3,085,228	65.8%	14,920	0.5%
Financial companies	136,219	2.8%	73,625	1.6%	62,594	85.0%
Private social institutions and others (1)	68,359	1.4%	61,990	1.3%	6,369	10.3%
Amounts due from customers	**4,885,870**	**100.0%**	**4,686,128**	**100.0%**	**199,742**	**4.3%**

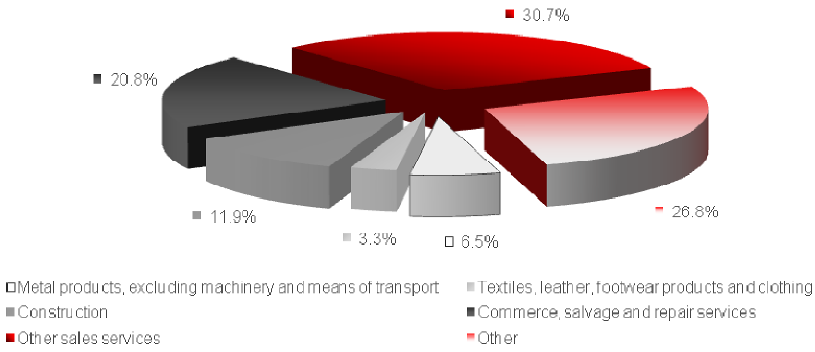
(1) including financial and non financial companies in the rest of the world

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



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

Chart no. 11 - **AMOUNTS DUE FROM NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2010: PERCENTAGE BREAKDOWN BY ECONOMIC SECTOR**



The chart above highlights the considerable relevance of loans to companies belonging to the tertiary sector in general, particularly as regards other sales services, commerce, salvage and repair services, as well as construction. Jointly considered, these loans represent a share of 63.4%, corresponding to about Euro 2 billion, of the category under analysis.
The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.
As regards the distribution of gross loans, including endorsement loans, the percentage impact of uptakes by the largest clients at the end of 2010 compared to the final figure at the end of the previous year, is reported in the table below, reflecting a high degree of risk spreading.

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

Number of customers	**31.12.2010**	**31.12.2009**
10 largest customers	4.4%	3.7%
20 largest customers	5.6%	5.3%
30 largest customers	6.5%	6.5%
50 largest customers	8.2%	8.7%

Furthermore, it should be pointed out that, according to the supervisory regulations in force, three positions were reported at the end of 2010, which can be classified as “Significant Risks”, for a total nominal amount (which also includes the guarantees given and any commitments) of about Euro 1.3 billion, which is reduced to about Euro 40 million in terms of total weighted amount. If we exclude any relations with the Group companies, the Treasury Ministry and banks from the calculation, no outstanding position is reported.
At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 174 million, net of value adjustments of Euro 87.6 million. Specifically, net non-performing loans amounted to Euro 80.9 million, net problem loans to Euro 66.2 million and expired loans to Euro 23.8 million and restructured exposures to Euro 3.1 million.

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

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

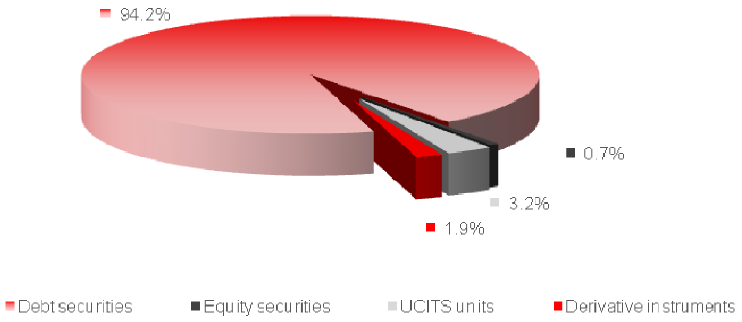
% Indexes for gross loans	**31.12.2010**	**31.12.2009**
Gross impaired loans to customers	5.23%	4.88%
of which:		
- gross non performing loans	2.85%	2.42%
- gross problem loans	1.82%	1.89%
- gross expired loans	0.50%	0.57%
- gross restructured loans	0.07%	0.01%

% Indexes for net loans	**31.12.2010**	**31.12.2009**
Net impaired loans to customers	3.56%	3.18%
of which:		
- net non performing loans	1.66%	1.33%
- net problem loans	1.35%	1.29%
- net expired loans	0.49%	0.55%
- net restructured loans	0.06%	0.01%

6.3 THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

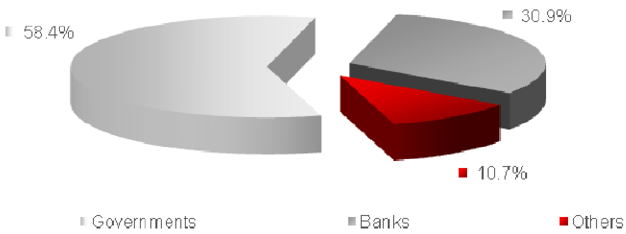
On 31 December 2010 the Bank's total financial assets stood at a value of Euro 0.9 billion, compared to Euro 0.8 billion which was the figure of the preceding year.
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the most significant portion.

Chart no. 12 - **FINANCIAL ASSETS AT 31.12.2010: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY**



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

Chart no. 13 - **FINANCIAL ASSETS AT 31.12.2010: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER**



There was a positive inter-bank balance of about Euro 0.1 billion at the end of the period compared with the positive balance of Euro 0.7 billion at the end of the previous year.

6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Shareholders' equity as at 31 December 2010, including the net profits of the period, amounted to a total of Euro 754.4 million, an increase of Euro 23.1 million with respect to the figure recorded for 2009.
Shareholders' equity calculated in accordance with the supervisory regulations in force increased to Euro 787.9 million with respect to Euro 773.3 million at the end of the previous year. The figure is made up of Tier 1 capital of Euro 706.9 million (compared to Euro 681 million at the end of 2009) with Tier 2 capital of Euro 94.5 million (compared to Euro 105.8 million at the end of 2009) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 23.8 million (of which Euro 13.5 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.
The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets increased up to 20% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, reached 22.3% according to the supervisory regulations in force. On 31 December 2009 these ratios were 18.3% and 20.8% respectively.
We would draw attention to the part of equity which is "unrestricted" in that it is not affected by credit risk, market risk and operational risk, amounted to a value of Euro 505.6 million, up compared to Euro 475.4 million of the previous year.

6.5 - RECLASSIFIED INCOME STATEMENT

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

- two accounting item totals were stated, defined as "Operating income" and "Operating costs", the algebraic balance of which constitutes the "Operating margin";
- "Net profit/(loss) for the period" was divided into "Profits/(losses) after taxes from continuing operations" and "Non-recurring profits/(losses) after taxes";
- "Operating income" also includes the balance of item 190, "Other operating income and expenses", also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 150 (b), "Other administrative expenses" and

as an increase of item 180, “Net adjustments to the value of /write-backs to intangible assets” in the “Operating costs” total;

- dividends on equity investments in subsidiaries were reclassified from item 70 “Dividends and other similar income” to the item “Dividends from equity investments in subsidiaries”, which follows “Operating margin”;
- the balance of item 100 (a), “Profit/(loss) on disposal/purchase of receivables” in “Operating income” was reclassified in special item “Profit/(loss) on disposal/purchase of receivables” after “Operating margin”;
- provisions for clawback actions in debt litigation were reclassified from item 190, “Net provisions for risks and charges”, to item 130 (a), “Net impairment losses on loans”, both items following “Operating margin”;
- provisions for extraordinary transactions are reclassified from item 160, “Net provisions for risks and charges”, to item “Provisions for risks and charges on extraordinary transactions";
- the 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 190 “Other operating income and expenses”, respectively, to item 40 “Fee and commission income”.
- the tax effect on non-recurring Profits/(losses) is reclassified from item 260, “Taxes for the period on income from continuing operations” to the item “Taxes for the period on income from non-recurring operations”.

The 2010 financial year ended with a net profit for the period of Euro 49.1 million, as shown in the table below, which states the reclassified Income Statement in comparison with the income statement of the previous year.

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

Captions *Amounts in thousands of Euros*		31.12.2010	31.12.2009	Change Value	%
10+20	Net interest income	145,595	154,429	-8,834	-5.7%
70	Dividend and similar income	3,748	444	3,304	743.5%
40+50	Net fees and commissions	97,828	98,473	-645	-0.7%
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	7,973	8,378	-405	-4.8%
190	Other operating income and expenses	5,674	7,480	-1,807	-24.2%
	Operating income	**260,819**	**269,205**	**-8,387**	**-3.1%**
150 a	Personnel expenses	-117,696	-111,606	-6,090	5.5%
150 b	Other administrative expenses	-47,728	-49,115	1,387	-2.8%
170+180	Net adjustments to tangible/intangible assets	-7,570	-7,789	218	-2.8%
	Operating costs	**-172,994**	**-168,510**	**-4,484**	**2.7%**
	Operating margin	**87,824**	**100,695**	**-12,871**	**-12.8%**
	Net profits/(losses) on disposal/purchase of receivables	55	-293	348	-118.8%
130 a	Net impairment losses on loans	-34,465	-53,325	18,861	-35.4%
130 d	Net impairment losses on other financial transactions	-115	59	-175	-294.4%
160	Net provisions for risks and charges	536	-1,501	2,038	-135.7%
	Dividends on equity investments in subsidiaries	3,379	3,137	241	7.7%
	Profits/(losses) before taxes from continuing operations	**57,214**	**48,772**	**8,442**	**17.3%**
260	Taxes for the period on income from continuing operations	-23,323	-22,554	-769	3.4%
	Profits/(losses) after taxes from continuing operations	**33,891**	**26,218**	**7,673**	**29.3%**
210	Profits (losses) on equity investments	493	29,886	-29,392	-98.3%
	Provisions for risks and charges on extraordinary transactions	14,717	0	14,717	
	Non-recurring Profit (Loss) before taxes	**15,210**	**29,886**	**-14,676**	**-49.1%**
	Taxes for the period on income from non-recurring items	-7	1,959	-1,966	-100.3%
	Non-recurring Profit(Loss) after taxes	**15,203**	**31,845**	**-16,641**	**-52.3%**
290	**Net profit/(loss) for the period**	**49,094**	**58,063**	**-8,968**	**-15.4%**

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 BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2010**

Captions		Financial Statements	Reclassifications						Reclassified Statements
	Amounts in thousands of Euros	31.12.2010	Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	Taxes on income	31.12.2010
10+20	Net interest income	145,595							145,595
70	Dividend and similar income	7,127		-3,379					3,748
40+50	Net fees and commissions	97,828							97,828
80+90+100+ 110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	8,029				-55			7,973
190	Other operating income and expenses	13,077	-9,201		1,798				5,674
	Operating income	**271,656**	**-9,201**	**-3,379**	**1,798**	**-55**	**0**	**0**	**260,819**
150 a	Personnel expenses	-117,696							-117,696
150 b	Other administrative expenses	-56,929	9,201						-47,728
170+180	Net adjustments to tangible/intangible assets	-5,772			-1,798				-7,570
	Operating costs	**-180,398**	**9,201**	**0**	**-1,798**	**0**	**0**	**0**	**-172,994**
	Operating margin	**91,258**	**0**	**-3,379**	**0**	**-55**	**0**	**0**	**87,824**
	Net profits/(losses) on disposal/purchase of receivables					55			55
130 a	Net impairment losses on loans	-34,782					317		-34,465
130 d	Net impairment losses on other financial transactions	-115							-115
160	Net provisions for risks and charges	15,570					-15,034		536
	Dividends on equity investments in subsidiaries			3,379					3,379
	Profits/(losses) before taxes from continuing operations	**71,931**	**0**	**0**	**0**	**0**	**-14,717**	**0**	**57,214**
260	Taxes for the period on income from continuing operations	-23,330						7	-23,323
	Profits/(losses) after taxes from continuing operations	**48,601**	**0**	**0**	**0**	**0**	**-14,717**	**7**	**33,891**
210	Profits (losses) on equity investments	493							493
	Provisions for risks and charges on extraordinary transactions						14,717		14,717
	Non-recurring profit (loss) before taxes	**493**	**0**	**0**	**0**	**0**	**14,717**	**0**	**15,210**
	Taxes for the period on income from non-recurring items							-7	-7
	Non-recurring profit (loss) after taxes	**493**	**0**	**0**	**0**	**0**	**14,717**	**-7**	**15,203**
290	**Net profit/(loss) for the period**	**49,094**	**0**	**0**	**0**	**0**	**0**	**0**	**49,094**

Table no. 10 - **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2009**

Captions		Financial Statements	Reclassifications							Reclassified Statements
Amounts in thousands of Euros		31.12.2009	Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	Taxes on income	31.12.2009
10+20	Net interest income	163,162						-8,732		154,429
70	Dividend and similar income	3,582		-3,137						444
40+50	Net fees and commissions	86,721						11,752		98,473
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	8,085				293				8,378
190	Other operating income and expenses	18,053	-9,302		1,750			-3,020		7,480
	Operating income	**279,602**	**-9,302**	**-3,137**	**1,750**	**293**	**0**	**0**	**0**	**269,205**
150 a	Personnel expenses	-111,606								-111,606
150 b	Other administrative expenses	-58,418	9,302							-49,115
170+180	Net adjustments to tangible/intangible assets	-6,039			-1,750					-7,789
	Operating costs	**-176,063**	**9,302**	**0**	**-1,750**	**0**	**0**	**0**	**0**	**-168,510**
	Operating margin	**103,540**	**0**	**-3,137**	**0**	**293**	**0**	**0**	**0**	**100,695**
	Net profits/(losses) on disposal/purchase of receivables					-293				-293
130 a	Net impairment losses on loans	-52,555					-770			-53,325
130 d	Net impairment losses on other financial transactions	59								59
160	Net provisions for risks and charges	-2,272					770			-1,501
	Dividends on equity investments in subsidiaries			3,137						3,137
	Profits/(losses) before taxes from continuing operations	**48,772**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**48,772**
260	Taxes for the period on income from continuing operations	-20,595							-1,959	-22,554
	Profits/(losses) after taxes from continuing operations	**28,177**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,959**	**26,218**
210	Profits (losses) on equity investments	29,886								29,886
	Provisions for risks and charges on extraordinary transactions									0
	Non-recurring profit (loss) before taxes	**29,886**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**29,886**
	Taxes for the period on income from non-recurring items								1,959	1,959
	Non-recurring profit (loss) after taxes	**29,886**	**0**	**0**	**0**	**0**	**0**	**0**	**1,959**	**31,845**
290	**Net profit/(loss) for the period**	**58,063**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**58,063**

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

Operating income

At the end of the year the balance of the aggregate made up of ordinary items of operations came to Euro 260.8 million, showing a decrease of Euro 8.4 million compared to the previous year, corresponding to 3.1%. The performance is attributable to net interest income, amounting to Euro 145.6 million, which represents 55.8% of the aggregate, showing a decrease of Euro 8.8 million (-5.7%), to the reductions in net fees and commissions for Euro 0.7 million (-0.7%), to other operating income and expenses for Euro 1.8 million and to net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities for Euro 0.4 million. These reductions were partially offset by the increase in dividends and similar income for Euro 3.3 million.
With the help of the table below, which reports the breakdown of net commissions by type, it is pointed out that the decrease was mainly attributable to the performance of “Other services” which was specifically due to the reduction in the custodian bank fees, an activity which was ceased during the year.

Table no. 11 - **NET COMMISSIONS: BREAKDOWN BY SERVICE TYPE**

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change	
					Value	%
Collection and payment services	14,612	14.9%	13,449	13.6%	1,163	8.6%
Securities placement	6,085	6.2%	5,680	5.8%	405	7.1%
Port. Mgmt. and Receipt/Transmission of orders	10,630	10.9%	11,793	12.0%	-1,163	-9.9%
Distribution of insurance products	6,962	7.1%	7,192	7.3%	-230	-3.2%
Holding and managing current accounts	51,659	52.8%	49,305	50.1%	2,354	4.8%
Other services	7,880	8.1%	11,054	11.2%	-3,174	-28.7%
Net commissions	**97,828**	**100.0%**	**98,473**	**100.0%**	**-645**	**-0.7%**

Operating costs

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to Euro 173 million, an increase of 2.7% for the year.

Operating margin

The operating margin at the end of the period is consequently Euro 87.8 million, compared to Euro 100.7 million in the comparable period.

Profits/(losses) after taxes from continuing operations

Net impairment losses on loans, equal to Euro 34.5 million (Euro 53.3 million in 2009), the contribution from dividends on equity investments in subsidiaries for Euro 3.4 million and the positive impact of net provisions for risks and charges of Euro 0.5 million, as well as taxes for the period on income from continuing operations of Euro 23.3 million lead to profits/(losses) after taxes from continuing operations equal to Euro 33.9 million, down by 29.3% compared to the 2009 final figure.

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

Profits/(losses) after taxes from non-recurring operations amounted to Euro 15.2 million and was mainly made up of the partial release of Euro 14.7 million of the provision, totalling Euro 37.8 million, which was set aside, at the end of 2008, against the risks of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. by the Parent Company, as envisaged as per contract at the end of the business plan of the Company (2012). At the end of the previous period, the result was mainly attributable to the capital gain arising from the transfer of 21.191% of the share capital of Anima S.G.R.p.A., equal to Euro 29.9 million, as adjusted to the related taxes equal to Euro 0.4 million, as well as to the effect due to the tax redemption of the surpluses that were deducted on an informal basis and to the realignment of the differences between the values in the statutory accounts and the values for tax purposes that emerged at the time of the first application of the international accounting standards, for a total amount of Euro 2.4 million.

Net profit (loss)

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations, the net profit (loss) for the 2010 financial year was then Euro 49.1 million, down by about Euro 9 million compared to that of the previous year (-15.4%), which in any case benefitted from an additional Euro 16.6 million referable to the non-recurring result, net of taxes.

7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Reorganisation of the Group

In view of a more correct streamlining of the banking network in relation to its vocation of retail bank, the Bank has submitted a project for the reorganization of the Group. On 22 March 2011 the Board of Directors then approved the project for the merger of the subsidiaries Banco Desio Toscana and Banco Desio Veneto by incorporation into the Bank itself.
It is expected that the related statutory and supervision procedure may allow the abovementioned mergers to be completed within the current financial year.

Opening of branches

On 31 January of the current year, the Bank initiated the opening of the branch of Bologna S. Viola (Bologna), while on 28 February the branch of Treviglio (Bergamo) became operational, which was initially at the branch of Cassano d’Adda (Milan). Accordingly, the distribution network increased up to 133 branches.

8 - OTHER INFORMATION

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

Name and surname	Office held in Banco Desio e della Brianza S.p.A.	Ownership / Type of ownership	Ordinary shares at 01.01.2010	Savings shares at 01.01.2010	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2010	Savings shares at 31.12.2010
Agostino Gavazzi	Chairman	Owned	78,244	0	0	0	0	0	78,244	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	2,900	0	0	0	0	0	2,900	0
Guido Pozzoli	Deputy Chairman	Owned	37,000	0	0	0	0	0	37,000	0
		Registered to spouse	12,500	0	0	0	0	0	12,500	0
		Usufruct	50,000	3,000	0	0	0	0	50,000	3,000
Stefano Lado	Deputy Chairman	Owned	256,656	0	14,000	0	0	0	270,656	0
		registered to spouse	6,500	0	0	0	0	0	6,500	0
Nereo Dacci	Managing Director		0	0	0	0	0	0	0	0
Francesco Cesarini	Director		0	0	0	0	0	0	0	0
Pier Antonio Cutellè	Director		0	0	0	0	0	0	0	0
Egidio Gavazzi	Director	Owned	49,758	0	25,000	0	20,000	0	54,758	0
Luigi Gavazzi	Director	Owned	79,340	0	0	0	0	0	79,340	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse (*)	5,000	0	0	0	0	0	5,000	0
Paolo Gavazzi	Director	Owned	778,453	15,004	20,000	0	0	0	798,453	15,004
Luigi Guatri	Director		0	0	0	0	0	0	0	0
Gerolamo Pellicano'	Director		0	0	0	0	0	0	0	0
Eugenio Mascheroni	Chairman of the Board of Statutory Auditors		0	0	0	0	0	0	0	0
Rodolfo Anghileri	Statutory Auditor		0	0	0	0	0	0	0	0
Marco Piazza	Statutory Auditor		0	0	0	0	0	0	0	0
Giovanni Cucchiani	Alternate Stat. Aud.	Owned	11,340	1,000	0	0	0	0	11,340	1,000
		Registered to spouse	2,200	0	0	0	0	0	2,200	
Clemente Domenici	Alternate Stat. Aud.	Owned	1,000	0	0	0	0	0	1,000	0
Carlo Mascheroni	Alternate Stat. Aud.		0	0	0	0	0	0	0	0
Claudio Broggi	General Manager from 21.10.2010		0	0	0	0	0	0	0	0
Marco Sala	Deputy General Manager from 02.11.2010		0	0	0	0	0	0	0	0
Alberto Mocchi	General Manager until 23.09.2010	Owned	29,100	25,000	1,000	0	0	0	30,100 (**)	25,000 (**)

(*) succession opened in FY 2010

(**) balance at 23.09.2010

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

At 31 December 2010 there was no record of any shareholdings in subsidiaries owned by directors, statutory auditors, the General Manager and Deputy General Manager holding office at the end of the period, nor were any such shareholdings involved in movements during the period.

8.3 - TREASURY SHARES

As at 31 December 2010, as well as at 31 December 2009, Banco di Desio e della Brianza S.p.A did not hold any treasury shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

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

With reference to the financial year end date, the following is a summary of the balance sheet and income statement values underlying the relations between Banco di Desio e della Brianza S.p.A and the parent company, the subsidiary companies and those subject to significant influence, divided by counterparty and by nature.

Table no. 12 **RELATIONS BETWEEN CONTROLLING COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AS OF 31.12.2010**

Amounts in thousands of Euros	Assets	Liabilities	Guarantees / Commitments	Revenues	Charges
Controlling company					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	2,698	0	8	65
Subsidiaries					
Banco Desio Toscana S.p.A.	24,539	10,000	4,144	1,001	502
Banco Desio Lazio S.p.A.	28,064	83,376	18,349	4,291	1,175
Banco Desio Veneto S.p.A.	125,466	9,112	2,698	1,894	1,298
Brianfid-Lux S.A.	26	20	0	621	116
Credito Privato Commerciale S.A.	0	76,427	0	119	329
Rovere Societé de Gestion S.A.	0	0	0	0	0
Fides S.p.A.	98,882	826	0	2,983	1
Chiara Assicurazioni S.p.A.	688	2,628	0	2,058	127
Companies subject to significant influence					
Chiara Vita S.p.A.	35,316	130,483	0	12,176	2,927
Istifid S.p.A.	14	1,479	0	17	104
Relations by company	**312,995**	**317,049**	**25,191**	**25,168**	**6,644**
Breakdown of relations by type					
Finance	311,256	316,940	13,367	13,463	6,435
Business	15	20	11,824	8,859	36
Assets Rental / Management	0	89	0	791	0
Supply of services	1,698	0	0	1,951	99
Other	26	0	0	104	74
Relations by type	**312,995**	**317,049**	**25,191**	**25,168**	**6,644**

It should be noted that the relations evidenced in this table were adjusted, whenever it has been possible to make a comparison, by applying the average terms and rates indicated by the market.
Pursuant to article 37, paragraph 2 of the Consob Regulations on Markets (Resolution no. 16191 dated 29 October 2007), we specifically declare that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., parent company of Banco di Desio e della Brianza S.p.A, in accordance with the express provisions of its Articles of Associations, does not exercise any management and coordination activity on Banco di Desio e della Brianza S.p.A, nor on any of its subsidiaries, whether on the basis of banking laws or provisions of the Civil Code. For more details on the structure of the Group for the purposes of management and coordination activities, reference should be made to paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

8.5 - RATING

On 13 April 2011 the international agency Fitch Ratings confirmed the ratings levels previously assigned to the Bank, showing in particular strengths such as the good competitive positioning which determines the performance capacity, even if in a complex economic context such as the current one, the stability of deposits, the sound portfolio of loans with performance better than that of its own competitors and adequate capitalisation.

Long-term	Short-term	Forecast
A	F1	Stable

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

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

8.7 - LEGISLATIVE DECREE 231/2001

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Board of Directors of Banco di Desio e della Brianza resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.
For a summary description of the Model adopted, reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

8.8 - TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related Parties is included in a specific "Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group". The regulations were approved by the Banco di Desio e della Brianza S.p.A.' s Board of Directors in 2007.

For a more detailed description of the procedures governing transactions with Related Parties, we would refer to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the website at the same time as this Report.
The transactions with related parties approved by the Board of Directors in 2010 are detailed in Part H of the Notes to the Financial Statements.

8.9 - INFORMATION ON STOCK OPTION PLANS

The Plans in existence at the end of the financial period are those started during 2006, regarding shares of 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). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding these Plans.
Part I in these Notes to the financial statements presents, in compliance with CONSOB instructions, the statement summarising the assignment of stock options with reference to the names of the Directors and General Manager and at an aggregate level, to managers with strategic responsibilities in Banco di Desio e della Brianza S.p.A..

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

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

8.11 - RESEARCH AND DEVELOPMENT ACTIVITIES

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

8.12 - INFORMATION ON PERSONNEL

In September 2010 the employment relationship was terminated with the previous General Manager. The related charge, amounting to Euro 1.1 million, is defined and fully expensed under "Other operating charges" at 31 December 2010.

9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

In light of the complex international situation, the persisting uncertainties regarding financial and economic markets, no significant changes are expected to occur in the current year in relation to the results from continuing operations compared to the previous year.
With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 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 chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in detail in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies".
Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the elated paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

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

Dear Shareholders,

We hereby submit for your approval the Financial Statements for the year ended on 31 December 2010, which close with a net Profit of Euro 49,094,297.65, as shown in the Income Statement.
Pursuant to article 31 of the articles of association, the following allocation of the net profit is hereby proposed:

- 10% to be allocated to the legal reserve	Euro	4,909,430.00
- 10% to be allocated to the statutory reserve	Euro	4,909,430.00
- to shareholders:		
Euro 0.10500 for each of the 117,000,000 ordinary shares	Euro	12,285,000.00
Euro 0.12600 for each of the 13,202,000 savings shares	Euro	1,663,452.00
- additional allocation to the statutory reserve	Euro	25,326,985.65
Total Net Profit	**Euro**	**49,094,297.65**

22 March 2011 The Board of Directors

<u>BANCO DI DESIO E DELLA BRIANZA S.p.A.</u>

Registered office: Via Rovagnati,1 – 20832 Desio (MB)
Fiscal Code no. 01181770155
Registered in the Monza and Brianza Register of Companies
Share Capital: Euro 67,705,040.00 fully paid-up
Member of the Interbank Deposit Protection Fund
(*Fondo Interbancario di Tutela dei Depositi*)
and the National Guarantee Fund
(*Fondo Nazionale di Garanzia*)
Registered in the Register of Banks (*Albo delle Banche*) under ABI code no. 3440/5
Parent Company of the Banco di Desio e della Brianza Banking Group
Registered in the Register of Banking Groups (*Albo dei Gruppi Bancari*) under no. 3440/5

<u>REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF BANCO DI DESIO E DELLA BRIANZA S.P.A. (ARTICLE 153 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE) FOR THE FINANCIAL YEAR ENDED 31/12/2010</u>

Dear Shareholders,

In accordance with article 153 of Legislative Decree no. 58 of 24 February 1998 (hereinafter also referred to as the "T.U.F.", *Testo Unico della Finanza*, Consolidated Act on Finance) and article 2429 of the Italian Civil Code, we hereby submit to you the following Report in order to inform you of the supervisory and control activity carried out during the 2010 financial year, which closed with the Financial Statements at 31 December 2010 that are submitted to you together with the Report on Operations and the information documents that adequately illustrate the performance of the Bank and of its Subsidiaries, as well as the economic and financial data and the results achieved.

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

On 6 April 2011 the Independent Auditors issued their favourable opinion on the Financial Statements at 31 December 2010, without making any remarks, objections or disclosures.

The Financial Statements relating to the financial year ended 31 December 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in compliance with the general principles for the preparation of financial statements reported in the notes to the financial statements; specifically, the formats in the financial statements and the notes to the financial statements were prepared and drawn up in compliance with the compilation rules published by the Bank of Italy in its Circular Letter no. 262 of 22 December 2005, as updated.

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

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

In performing our supervisory and control activity, we had meetings with the Top Management, the Internal control functions, the Independent Auditors, the Managers responsible for different services provided by the Company and the Internal Control Committee, which allowed us to gather, in the different sectors, any information about the organization, the internal control system and the administrative and accounting system that was useful and necessary in order to assess their suitability for corporate requirements, as well as their operational reliability.

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

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

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

We are able to acknowledge that the frequency with which the Board of Directors and the Executive Committee held their meetings, as well as the large amount of information provided in these meetings, exhaustively complied with the provisions laid down by Law and the By-Laws as regards disclosures to the Board of Statutory Auditors.

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

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

The meetings held with the Risk Management Function and the Compliance Function allowed the Board to receive a constant flow of information.

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

- it participated in 1 Shareholders' Meeting, 15 Board of Directors' meetings and 4 Executive Committee's meetings, which were held during the financial year and that it received from the Directors and the Top Management timely and suitable information on the activity carried out;
- it carried out 34 individual and collective checks at the registered office and 7 checks at secondary offices to verify the adequate application of any operating and control systems;
- it participated, through the Chairman or a delegated Statutory Auditor, in the meetings of the Internal Control Committee;
- it gathered the knowledge necessary to carry out control activities, for the aspects under its responsibility, over the degree of adequacy of the organisational structure of the Company, also as regards connections with the Subsidiaries, through direct investigations, by gathering information from the managers responsible for the Functions involved and through the exchange of data and information with the Independent Auditors;
- it supervised the application of money laundering rules and compliance with the instructions issued by the Bank of Italy and Consob (Italian Securities and Exchange Commission);
- it supervised the operation of the internal control and the administrative and accounting systems in order to assess their suitability for the management requirements, as well as the reliability of the latter in representing management events, through direct investigations on corporate documents, the attainment of information from the managers responsible for the respective Functions and the analysis of the results of the work carried out by the Independent Auditors PricewaterhousecCoopers S.p.A. (P.W.C.);
- it supervised the controls carried out by the Parent Company over the Subsidiaries, both through the presence of members of the Board of Statutory Auditors of the Parent Company on the Boards of Statutory Auditors of the investee companies, in compliance with Consob notice DAC/RM/97001574 of 20 February 1997, and through collective meetings between

the Board of Statutory Auditors of the Parent Company and the various Boards of Statutory Auditors of the Subsidiaries.

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

- the Governance System and of the correlated Internal Control System, the basic principles of which are outlined in the Annual Report on Corporate Governance pursuant to article 123-*bis* of the T.U.F.; the Internal Process of Capital Adequacy (*Processo Interno di Adeguatezza Patrimoniale*, ICAAP), the preparation and updating of which are being checked in compliance with the specific Supervision provisions;
- the organisational and control checks in line with the provisions of law and the Supervision regulations governing Money Laundering;
- the control activities carried out by the responsible functions and, specifically, by the Manager responsible for preparing the Company's reports, the Compliance Department, the Risk Management Department and the Internal Audit Department, also through a periodic evaluation of institutional reports;
- the procedures for managing complaints received from the Group's Customers, also with reference to those relating to investment services;
- the activities carried out in relation to the Privacy Code (Law no. 193/2006), acknowledging that the Security Policy Statement (*Documento Programmatico sulla Sicurezza*) has been updated having been subject to consideration by the Board of Directors.

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

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

Specifically, the Board has examined the significant events that occurred during the financial year, as reported in the Report on Operations:

- *Local development*

During the 2010 financial year, four new Branches were opened: Milan, Porta Venezia – Correggio – Novi Ligure – Chiavari.

Therefore, the distribution network of the Bank included 131 Branches at 31 December 2010.

- *Rovere SICAV*

On 25 January 2010, as part of the partial reallocation of the indirect stake held by the Bank, through Brianfid-Lux SA, in Rovere Societé de Gestion 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 10% stake of 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 which holds a 50% stake.

- *Capital increase of the subsidiary Chiara Assicurazioni S.p.A. serving the shareholding plan and reduction in the stake held by the Bank down to 61.86%*

On 15 September 2010 the Bank transferred 473,400 shares to some partner Banks at the average unit price of € 2.63 in accordance with the exercise of the specific options negotiated with the counterparties at the time, thus realizing a capital gain of € 493,000.

On 27 September 2010 the subsidiary Chiara Assicurazioni S.p.A. implemented the second capital increase tranche for a total amount of Euro 541,000 (from Euro 8,212,000 to Euro 8,753,000) serving the Shareholding plan in place, issuing the related shares at a unit price of Euro 1.33. At the same time, the Bank acquired 357,000 shares from the beneficiaries, at the price of Euro 3.93 per share (a normal value determined on the basis of an appropriate report prepared by an actuary appointed for this purpose). As a result of these transactions, the controlling interest held in the Company came to 61.86%.

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

With a view to strengthening the capital structure of the subsidiary Banco Desio Veneto S.p.A., on 2 November 2010 the Bank made a shareholder payment on account of capital of Euro 15 million which Banco Desio Veneto has recognized under Reserves.

- *Corporate Governance*

During the year the procedure was started, which was concluded on 27 January 2011 (registration with the CCIAA [*Camera di Commercio, Industria, Artigianato ed Agricoltura*, Chamber of Commerce, Industry, Handicraft and Agriculture] on 8 February 2011), to bring the by-laws into line with the mandatory amendments which became necessary in order to adopt the following legislative measures:

- Legislative Decree 27/2010 on so-called "Shareholders Rights"
- Legislative Decree 39/2010 on the Statutory Audit of Accounts.

- *Capital increase of the indirect subsidiary FIDES S.p.A. and an additional increase in the indirect stake held through the subsidiary Banco Desio Lazio – Registration on the Special List (*Elenco speciale*) under article 107.*

On 18 February 2010 the subsidiary Banco Desio Lazio S.p.A. further increased its stake in the capital of FIDES S.p.A. from 95% to 100%, with a disbursement of about Euro 0.6 million. This transaction anticipated the capital increase of the financial company, consistently with the information reported in the Group's 2010-2011 Business Plan, for a total amount of Euro 5 million, which was fully implemented by Banco Desio Lazio S.p.A., on the occasion of the Shareholders' Meeting of the Company which was held in April.

Furthermore, as starting from 30 June 2010 the financial company, which operates pursuant to article 106 of the T.U.B. (*Testo Unico Bancario,* Consolidation Act on Banking Laws) has exceeded the threshold beyond which the obligation arises for the registration on the Special List under article 107 of the T.U.B., the procedure has been started for transforming it in accordance with the current supervision provisions which has led to the related registration order issued by the Bank of Italy on 23 December 2010.

- *Opinions issued by the Board of Statutory Auditors*

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

Specifically:

- the request received from the Bank of Italy to bring the internal operating procedures into line with the Supervision provisions laid down in relation to banking relationships maintained with the Istituto Opere di Religione (IOR) bank of Vatican City, which was examined in the Board of Statutory Auditors' meeting held on 22 April 2010;
- the request received from the Bank of Italy concerning information about judicial investigations published by press bodies, which was considered in the Board of Statutory Auditors' meeting of 28 May 2010, as well as the subsequent updates required by the Supervisory Authority;
- the request received from the Bank of Italy concerning the check for compliance of the practices implemented by Fides with the rules governing the salary loan (*cessione del quinto*) sector, which was also examined in the Board of Statutory Auditors' meeting of 28 May 2010.

Furthermore, on 23 November 2010 the Board of Statutory Auditors participated, after having assessed, on 18 November 2010, the state of progress of the activities to comply with Consob Regulation n.17221/2010 concerning Related Parties, in the first meeting of the newly-established

Committee for Transactions with Related Parties (*Comitato per le Operazioni con Parti Correlate*, COPC), during which a favourable opinion was issued as to the Procedure for Transactions with Related Parties.

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

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

In compliance with Consob Regulation no. 17221/2010, the Bank has adopted a new internal Procedure concerning transactions with related parties, which became operational on 1 December 2010, and which is aimed at ensuring transparency and the material and procedural correctness of transactions with related parties carried out directly or through subsidiaries pursuant to article 2391-*bis* of the Italian Civil Code; as regards procedures for passing resolutions, this procedure is mainly characterised by the presence of a Committee for Transactions with Related Parties.

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

In addition to the operation of the Committee, the Internal Procedure also regulates a number of cases of exemptions, either total or partial, in relation to a small amount or to an ordinary nature, as well as in relation to the transaction counterparty (in the absence of any significant interests of any other related party) being a member of the group.

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

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

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

No atypical or unusual transactions were effected.

- *Relationships with the Independent Auditors and any observations*

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

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

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

No notice was received by the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code and no notices were given to the Court pursuant to article 2409 of the Italian Civil Code.

- *Notices – petitions – complaints*

For the sake of completeness of information, it should be noted that all complaints received by the Company from customers (a total of 263, of which 24 related to investment services) during 2010 were duly examined by the Legal and Corporate Affairs Department which took steps to fulfil the required formalities; 237 of these complaints (of which 22 related to investment services) were rejected, while 26 (of which 2 related to investment services) were granted.

Furthermore, it should be noted that 8 requests for information were received from the Bank of Italy against notices given by customers to the Supervisory Authority itself.

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

During 2010 the following “additional” tasks were entrusted to the Independent Auditors:

- an assignment concerning the issue of a certification on the relevant aggregates which are decisive for the purposes of calculating the contribution to be paid out to the National Guarantee Fund for total fees quantified at € 2,500.00, plus VAT;
- an assignment concerning the translation into English of the complete dossier of the 2009 Annual Accounts and Consolidated Financial Statements and of the 2010 quarterly and half-year report for total fees quantified at € 28,300.00, plus VAT.

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

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

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

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

- *Adequacy of the Internal Control System*

During 2009 the Internal Control System required an in-depth analysis and improvement, both in the application of the various supervision regulations and to provide the Group with a more efficient control system.

Within the “Annual Report and Project on Corporate Governance” approved by the Board of Directors on 22 March 2010, Guidelines for the Group’s Internal Control Systems were formalized in accordance with the provisions laid down in the by-laws and in the regulations.

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

The assessment of the internal control system is the responsibility of the Internal Audit Department, within the functions attributed to it by virtue of the supervision and corporate regulations.

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

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

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

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

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

The Board of Statutory Auditors acknowledges that, also on the basis of the auditing activities carried out by the Independent Auditors P.W.C., the Subsidiary C.P.C. – Credito Privato Commerciale S.A., with registered office in Lugano (Switzerland), has an administrative and accounting system suitable for allowing the management and the auditor of the controlling company to receive, in a regular manner, the economic, equity and financial data necessary to prepare the consolidated financial statements. The foregoing also mitigates the adequacy opinion that emerged from the outcome of the checks carried out by the Manager responsible for preparing the Company's report and by the Internal Audit Department of Banco di Desio e della Brianza S.p.A..

- *Privacy Code.*

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

- *Remuneration policies*

The Board of Statutory Auditors has examined, without any observations, the document concerning the Group's Remuneration and Incentive Policies.

The Board of Statutory Auditors has checked the procedures which ensure that the remuneration practices applied by the Bank comply with the regulatory framework, by also using the results of the checks carried out, within the sphere of the respective responsibilities, by the Compliance and Risk Management Functions and by the Internal Audit Department: in particular, the latter carried out the annual check required by the Bank of Italy's notice of 28 October 2009.

- *Self-Regulatory Code of Listed Companies.*

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

Within the recommendations given by the Code, the Board, on 2 April 2010, carried out the customary check that the Directors' independence requirements had been correctly assessed by the Board of Directors and has directly verified the existence of similar requirements on the part of each of the Statutory Auditors; furthermore, in accordance with the abovementioned Bank of Italy's Order concerning Corporate Governance, the Board has acknowledged its own adequacy in terms of powers, operation and composition, taking account of the size and complexity of, and the activity carried out by, the Bank (also as Parent Company pursuant to article 61 of the T.U.B.).

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

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

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

- Compliance with the Law and the By-Laws
- The adequacy of the administrative and accounting structure
- The adequacy of the organisational and control structure
- The principles of correct administration

- The actual application of the corporate governance rules
- The adequacy of the instructions given to Subsidiaries
- The subsequent preparation of the Annual Accounts and of the Consolidated Financial Statements in accordance with the international accounting standards IAS-IFRS and the instructions given by the Bank of Italy (order no. 262 of 22 December 2005, as updated).

<u>Consolidated Financial Statements as at 31 December 2010</u>

The Board of Statutory Auditors has also examined the Consolidated Financial Statements for the 2010 financial year which are submitted to you by the Directors and it is able to certify that they were prepared in accordance with the law and that the Report on Operations includes a description of the performance of the companies and a summary of the performance of the subsidiaries, as well as of the Group's structure.

In this regard, we can confirm that:

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

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

The determination of the scope of consolidation, the choice of principles for the consolidation of equity investments and the choice of procedures adopted for this purpose comply with the relevant provisions of law. The preparation of the Consolidated Financial Statements is therefore to be considered technically correct and compliant with the specific regulations as a whole.

As is known, it is the responsibility of the governing body of the company to prepare the Consolidated Financial Statements and the Independent Auditors PricewaterhouseCoopers S.p.A. have been appointed to give a professional opinion, based on an audit. This opinion was issued on 6 April 2011 and does not contain any observations, remarks or objections.

Dear Shareholders,

We conclude our Report on the control activity carried out during 2010, as better highlighted by the foregoing, and we hereby give a favourable opinion on the activity carried out by your Company, on the Organisation of the same, on the internal control system and on the compliance with the Law and the Company's By-Laws.

Accordingly, we hereby give a favourable opinion on the approval of the Financial Statements at 31 December 2010 which were submitted to you by the Board of Directors and on the proposed distribution of dividends to the amount of €0.105 for each of 117,000,000 ordinary shares and €0.126 for each of 13,202,000 savings shares, for a total dividend of €13,948,452.00, as well as on the proposed allocation of the residual profit to the Legal Reserve for an amount of €4,909,430.00, the Statutory Reserve for an amount of €4,909,430.00 and as an additional increase in the Statutory Reserve for €25,325,985.65.

Finally, we point out that, with the approval of the Financial Statements at 31 December 2010, our mandate has expired. We would like to take this opportunity to thank the Management and all the staff of the Bank for the cooperation they showed as we carried out our duties. We would also like to thank the Shareholders for the trust placed in us.

Desio, 6 April 2011

<u>THE STATUTORY AUDITORS</u>

Eugenio Mascheroni – Chairman

Marco Piazza

Rodolfo Anghileri

Financial Statements

BALANCE SHEET

ASSETS

ASSETS	31/12/2010	31/12/2009	Change absolute	%
10. Cash and cash equivalents	19,947,956	17,996,461	1,951,495	10.8%
20. Financial assets held for trading	35,859,229	70,197,750	- 34,338,521	-48.9%
40. Available-for-sale financial assets	759,809,272	768,921,285	- 9,112,013	-1.2%
50. Held-to-maturity investments	120,830,922	-	120,830,922	100.0%
60. Amounts due from banks	399,445,216	920,612,756	- 521,167,540	-56.6%
70. Amounts due from customers	4,885,870,154	4,686,128,255	199,741,899	4.3%
100.Equity investments	193,446,869	177,795,027	15,651,842	8.8%
110.Tangible assets	133,107,933	130,250,865	2,857,068	2.2%
120. Intangible assets	2,814,388	2,715,445	98,943	3.6%
of which:				
- goodwill	1,728,505	1,728,505	-	
130. Tax assets	34,799,985	36,661,412	- 1,861,427	-5.1%
a) current	*2,971,426*	*10,469,005*	*- 7,497,579*	*-71.6%*
b) deferred	*31,828,559*	*26,192,407*	*5,636,152*	*21.5%*
150. Other assets	61,438,629	89,508,949	- 28,070,320	-31.4%
Total assets	**6,647,370,553**	**6,900,788,205**	**- 253,417,652**	**-3.7%**

LIABILITIES

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2010	31/12/2009	change absolute	%
10. Amounts due to banks	338,710,376	257,628,069	81,082,307	31.5%
20. Amounts due to customers	3,236,374,102	3,675,225,826	- 438,851,724	-11.9%
30. Securities issued	1,790,741,047	1,473,209,379	317,531,668	21.6%
40. Financial liabilities held for trading	2,489,430	1,669,193	820,237	49.1%
50. Financial liabilities at fair value through profit or loss	323,525,132	549,196,944	- 225,671,812	-41.1%
60. Hedging derivatives	2,653,142	-	2,653,142	100.0%
80. Tax liabilities	8,833,762	10,742,403	- 1,908,641	-17.8%
b) deferred	*8,833,762*	*10,742,403*	*- 1,908,641*	*-17.8%*
100. Other liabilities	124,734,964	118,294,592	6,440,372	5.4%
110. Reserve for employee termination indemnities	23,150,886	24,349,866	- 1,198,980	-4.9%
120. Reserves for risks and charges:	41,797,356	59,210,083	- 17,412,727	-29.4%
b) other reserves	41,797,356	59,210,083	- 17,412,727	-29.4%
130. Valuation reserves	14,139,739	26,187,079	- 12,047,340	-46.0%
160. Reserves	607,276,191	563,162,011	44,114,180	7.8%
170. Share premium reserve	16,145,088	16,145,088	-	
180. Share capital	67,705,040	67,705,040	-	
200. Net profit / (loss) for the period (+/-)	49,094,298	58,062,632	- 8,968,334	-15.4%
Total Liabilities and shareholders' equity	**6,647,370,553**	**6,900,788,205**	**- 253,417,652**	**-3.7%**

INCOME STATEMENT

INCOME STATEMENT	31/12/2010	31/12/2009	Change absolute	Change %
10. Interest income and similar revenues	206,471,664	245,555,301	- 39,083,637	-15.9%
20. Interest expense and similar charges	- 60,876,599	- 82,393,574	21,516,975	-26.1%
30. Net interest income	**145,595,065**	**163,161,727**	- 17,566,662	-10.8%
40. Fee and commission income	104,123,484	92,096,249	12,027,235	13.1%
50. Fee and commission expense	- 6,295,096	- 5,375,633	- 919,463	17.1%
60. Net fees and commissions	**97,828,388**	**86,720,616**	11,107,772	12.8%
70. Dividends and similar income	7,126,999	3,581,840	3,545,159	99.0%
80. Net profits/(losses) on trading activities	366,444	2,953,799	- 2,587,355	-87.6%
90. Net profits/(losses) on hedging activities	1,596,539	- 45,514	1,642,053	-3607.8%
100. Profit/(loss) on disposal or repurchase of:	7,946,633	5,632,527	2,314,106	41.1%
a) loans and receivables	*55,175*	*- 293,100*	*348,275*	*-118.8%*
b) available-for-sale financial assets	*7,064,207*	*4,769,512*	*2,294,695*	*48.1%*
d) financial liabilities	*827,251*	*1,156,115*	*- 328,864*	*-28.4%*
110. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	- 1,881,018	- 455,649	- 1,425,369	312.8%
120. Net interest and other banking income (intermediation margin)	**258,579,050**	**261,549,346**	- 2,970,296	-1.1%
130. Net impairment losses on/writebacks to:	- 34,897,415	- 52,495,678	17,598,263	-33.5%
a) loans and receivables	*- 34,782,054*	*- 52,555,008*	*17,772,954*	*-33.8%*
d) other financial assets	*- 115,361*	*59,330*	*- 174,691*	*-294.4%*
140. Net income from banking activities	**223,681,635**	**209,053,668**	14,627,967	7.0%
150. Administrative expenses:	- 174,625,357	- 170,023,868	- 4,601,489	2.7%
a) personnel expenses	*- 117,696,028*	*- 111,606,259*	*- 6,089,769*	*5.5%*
b) other administrative expenses	*- 56,929,329*	*- 58,417,609*	*1,488,280*	*-2.5%*
160. Net provisions for risks and charges	15,570,236	- 2,271,788	17,842,024	-785.4%
170. Net adjustments to the value of tangible assets	- 5,349,445	- 5,650,275	300,830	-5.3%
180. Net adjustments to the value of intangible assets	- 422,889	- 388,642	- 34,247	8.8%
190. Other operating (expenses)/income	13,077,007	18,053,142	- 4,976,135	-27.6%
200. Operating expenses	**- 151,750,448**	**- 160,281,431**	8,530,983	-5.3%
210. Profits/(losses) on equity investments	493,232	29,885,612	- 29,392,380	-98.3%
250. Profits/(losses) before taxes from continuing operations	**72,424,419**	**78,657,849**	- 6,233,430	-7.9%
260. Taxes for the period on income from continuing operations	- 23,330,121	- 20,595,217	- 2,734,904	13.3%
270. Net profits (loss) after tax from continuing operations	**49,094,298**	**58,062,632**	- 8,968,334	-15.4%
290. Net profit/(loss) for the period	**49,094,298**	**58,062,632**	- 8,968,334	-15.4%

STATEMENT OF COMPREHENSIVE INCOME

	Captions	31.12.2010	31.12.2009
10.	**Profit (Loss) for the period**	**49,094,298**	**58,062,632**
	Other income components, net of taxes		
20.	Available-for-sale financial assets	(12,242,894)	15,030,068
30.	Tangible assets		
40.	Intangible assets		
50.	Foreign investment hedge:		
60.	Cash flow hedge:		
70.	Exchange differences:		
80.	Non-current assets held for sale and discontinued operations		
90.	Actuarial profits (losses) on defined benefit plans	195,555	324,045
100.	Share of valuation reserve of equity investments carried at equity		
110.	**Total other income components, net of taxes**	**(12,047,340)**	**15,354,112**
120.	**Comprehensive income (10+110)**	**37,046,958**	**73,416,744**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2010

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2009

	Equity as of 31.12.2008	Change in opening balances	Equity as of 01.01.2010	Allocation of result from previous period		Changes over the period								Equity as of 31.12.2010
							Transactions in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income FY 31.12.2010	
Shareholders'equity:														
a) ordinay shares	60,840		60,840											60,840
b) other shares	6,865	-	6,865	-	-	-	-	-	-	-	-	-	-	6,865
Share premium reserve	16,145	-	16,145	-	-	-	-	-	-	-	-	-	-	16,145
Reserves:														
a) retained earnings	511,600	-	511,600	51,562										563,162
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	10,834		10,834										15,354	26,188
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit (loss) for the year	65,510	-	65,510	51,562	(13,949)	-	-	-	-	-	-	-	58,063	58,063
Shareholders' equity	**671,794**	**-**	**671,794**	**103,124**	**(13,949)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73,417**	**731,263**

CASH FLOW STATEMENT

A. OPERATIONS	Amount	
	31.12.2010	31.12.2009
1. Management activities	**61,930,185**	**92,100,808**
- interest income earned (+)	206,341,637	245,058,354
- interest expenses paid (-)	(60,588,235)	(82,362,526)
- dividends and similar revenues (+)	-	412,958
- net commissions (+/-)	97,358,446	87,163,063
- personnel costs (-)	(117,696,028)	(111,606,259)
- other costs (-)	(46,634,867)	(52,468,756)
- other revenues (+)	6,479,353	26,499,190
- taxes and duties (-)	(23,330,121)	(20,595,217)
- costs/revenues relating to non current assets held for sale and discontinued operations,	-	-
2. Liquid assets generated (absorbed) by decrease/increase in financial assets	**336,715,050**	**(623,305,217)**
- financial assets held for trading	34,648,838	211,751,048
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(6,008,844)	(343,589,430)
- amounts due from customers	(242,341,609)	(288,218,215)
- amounts due from banks: at sight	72,898,928	193,492,400
- amounts due from banks: others	448,278,571	(398,598,652)
- other assets	29,239,166	1,857,634
3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities	**(244,660,391)**	**506,474,938**
- amounts due to banks: at sight	(63,597,516)	(152,693,724)
- amounts due to banks: others	144,679,822	181,199,584
- amounts due to customers	(438,851,723)	563,778,014
- securities issued	318,099,441	(95,710,815)
- financial liabilities held for trading	(9,065,456)	(8,195,247)
- financial liabilities at fair value through profit or loss	(220,552,846)	54,805,470
- other liabilities	24,627,887	(36,708,345)
Net liquid assets generated (absorbed) by operations (A)	**153,984,844**	**(24,729,471)**
B. INVESTMENTS		
1. Liquid assets generated by	**8,388,191**	**43,686,261**
- sale of investments	1,244,400	32,264,748
- dividends received from investments	7,126,999	3,168,882
- sale/redemption of financial assets held to maturity	-	8,117,592
- sale of tangible assets	16,792	135,040
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Liquid assets absorbed by	**(146,473,088)**	**(9,956,162)**
- purchase of investments	(16,896,242)	(2,659,125)
- purchase of financial assets held to maturity	(120,831,709)	-
- purchase of tangible assets	(8,223,305)	(7,096,977)
- purchase of intangible assets	(521,832)	(200,060)
- purchase of business divisions	-	-
Net liquid assets generated (absorbed) by investments (B)	**(138,084,897)**	**33,730,099**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,948,452)	(13,948,452)
Net liquid assets generated (absorbed) by funding activities (C)	**(13,948,452)**	**(13,948,452)**
NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**1,951,495**	**(4,947,824)**

Financial statements' items	2010	2009
Cash and cash equivalents at beginning of year	17,996,461	22,944,284
Total liquid assets generated (absorbed) during the year	1,951,495	(4,947,824)
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	19,947,956	17,996,460

Notes to the financial statements

Part A - ACCOUNTING POLICIES

A. 1 – GENERAL

Section 1 – Declaration of conformity with international accounting standards

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

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

Set out below are the accounting policies adopted in the preparation of the financial statements as of 31 December 2010.

Section 2 – General accounting policies

The financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance over form.
The financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, 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.
The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

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

Section 3 – Events subsequent to the reporting date

Reference is made to the Directors' Report.

Section 4 – Other aspects

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

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

- the use of valuation techniques for the determination of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of the reserve for employee termination indemnities and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

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

A.2 - MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of the financial statements as at 31 December 2010, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date and have been applied on a going-concern basis.
For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

Financial assets held for trading

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.
For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).
Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).
Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).
Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

Derecognition criteria

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

Available-for-sale financial assets

Classification criteria

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.
They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.
“Available-for sale financial assets” may be transferred to the category “Held-to-maturity investments” only in the following circumstances:
- a change in intention or ability,

-in the rare circumstances that a reliable measure of fair value is not available.
The transfer to the category “Loans and Receivables” is permitted only in particular circumstances

Recognition criteria

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

Measurement criteria

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.
Fair value is determined using the criteria already set out for assets held for trading.
Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.
For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).
At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, “significant” (exceeding 50%) or “extended” (beyond 24 months) decreases in value are considered as an objective evidence of impairment of equity securities.
The amount of the loss of value is represented by the difference between the asset’s accounting value and its recoverable value.

Criteria for the recognition of income statement components

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

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

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

Derecognition criteria

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

Held-to-maturity investments

Classification criteria

“Held-to-maturity investments” comprise non-derivative (including implicit) financial assets listed on an active market (Level 1) with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.
The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.
Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank’s control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.
At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on

the estimated future cash flows. If such impairment exists, losses are recognised in the income statement.
Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

Derecognition criteria

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

Loans and receivables

Classification criteria

“Loans and receivables” comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.
Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.
They also include finance lease receivables.
Transfers from the categories of “Financial assets available for sale” and “Financial assets held for trading” are permitted only in particular circumstances specified by IAS 39.

Recognition criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.
Default interest accrued is charged to the income statement only at the time of their actual collection.
Interest accruing over time as a result of the discounting-back of impaired loans is recognised in the income statement under write-backs.
The adjustments arising from the analytical and collective assessments are recognized in profit and loss.
The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recognized in profit and loss.

Hedging transactions

Classification criteria

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments in the income statement.
The type of hedge used is the Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

The fair value of hedging financial instruments, which are not listed on an active market, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).
The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

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

Recognition criteria

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

Measurement criteria

After initial recognition, investments in subsidiaries and associates are valued at cost.

Any value adjustments due to impairment must be recognised in the income statement.

a) Criterion to estimate recoverable values (Impairment)
For the criterion to estimate the recoverable value of the Equity Investment, reference is made to the so-called "fair value":
The impairment test is conducted by using the financial valuation method Discounted Cash Flow (DCF).

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

Cash flows

1) Equity investments in banking companies
With reference to this type of equity investments, the DCF method adopted is the so-called "Asset Side", taking account of the fact that the financial margin is the most peculiar component of the income statement for these entities. Furthermore, flows represented directly by the Net Results (NR) are assumed as future net Cash Flows.
2) Equity investments in other companies
With reference to equity investments (if any) in non-banking companies, the DCF method adopted is always the so-called "Asset Side", and, accordingly, the future net Cash Flows (CF) are determined on the basis of the prospective (unlevered) financial statements, or net of the financial margin.

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

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

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

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

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

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

Given the nature of the object of the impairment test (equity investments), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Board of Directors of the Company.
This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:
- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

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

For equity investments in banks, this method is identified as the so-called “mixed” method, i.e. the most used relevant method within transactions concerning banking companies. The method in question estimates the Bank’s value on the basis of:
- *adjusted equity*, or of the equity, taking account of implicit revaluations/write-downs (if any) of assets and/or liabilities; in applying the method, reference is made only to the book value of the equity;
- *Market value of Direct and Indirect Deposits* on the basis of a reasonable panel of valuation rates;
- *value of the so-called “income goodwill”* which arises from a 3-year (in the case of a negative value) or 5-year (in the case of a positive value) discounting back of the difference between the Net Result and the Cost of Capital given by the equity ratio multiplied by the sum of adjusted equity and the market value of Direct and Indirect Deposits.

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

Criteria for the recognition of income components

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

Derecognition criteria

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

Tangible assets

Classification criteria

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

Recognition criteria

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

the finance method. Accordingly, assets leased out under finance leases are recognised as receivables.

Measurement criteria

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.
Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets.
Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

Criteria for the recognition of income statement components

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

Derecognition criteria

Tangible assets are derecognised on disposal.

Intangible assets

Classification criteria

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

Recognition criteria

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.
Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

Measurement criteria

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

a) <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.

Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.
Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 130 “Tax assets”.
Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 “Tax liabilities”.
Likewise, current taxes that have not yet been paid are separately recognised under item 80 “Current tax liabilities”. In the event of excess payments on account, the receivable to be recovered is recognized under item 130 “Current tax assets”.Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.
Finally, it should be noted that Banco Desio, toegther with other Italian companies in the Group, has adopted the Group’s national tax consolidation mechanism.

Reserve for employee termination indemnities

Measurement criteria

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

Criteria for the recognition of income statement components

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

Reserves for risks and charges - Other provisions

Classification criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.
The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

Liabilities and securities issued

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.
Financial liabilities without amortisation plans are measured at cost.
Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement. The fair value of hedge financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).
In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.
Securities issued by the Bank are shown net of any repurchases.

Derecognition criteria

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

Financial liabilities held for trading

Classification criteria

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

Recognition criteria

Liabilities held for trading are recognised at fair value.

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

Classification criteria

This item includes financial liabilities at fair value through profit or loss.
Specifically, the item refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.
Liabilities at fair value may be recognised through profit or loss in the following cases:
- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.
Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

Transactions in foreign currency

Recognition criteria

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

Measurement criteria

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:
- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction;
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

Criteria for the recognition of income statement components

For monetary elements the effect of the valuation is assigned to the income statement.
For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity as well.

Other information

Revaluation reserves

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

Costs and revenues recognition

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.

A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

There have been no transfers.

A.3.2 Fair value hierarchy

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

	31/12/2010			31/12/2009		
Assets/liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	16,684	1,763	17,412	40,907	3,147	26,144
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	507,926	246,754	5,129	453,959	306,821	8,141
4. Hedging derivates	-	-	-	-	-	-
Total	**524,610**	**248,517**	**22,541**	**494,866**	**309,968**	**34,285**
1. Financial liabilities held for trading	65	8	2,416	-	13	1,656
2. Financial liabilities at fair value	-	323,525	-	-	549,197	-
3. Hedging derivates	-	-	2,653	-	-	-
Total	**65**	**323,533**	**5,069**	**-**	**549,210**	**1,656**

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

	FINANCIAL ASSETS			
	held for trading	**at fair value**	**available for sale**	**hedging**
1. Opening balance	**26,144**	**-**	**8,141**	**-**
2. Increases	**14,543**	**-**	**176**	**-**
2.1. Purchases	63	-	176	-
2.2 Profits charged to:				
2.2.1 Income statement	952	-	-	-
- of which Capital Gains	952	-	-	-
2.2.2 Equity			-	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	13,528	-	-	-
3. Decreases	**23,275**	**-**	**3,188**	**-**
3.1 Sales	-	-	-	-
3.2 Redemptions	-	-	-	-
3.3 Losses charged to:				
3.3.1 Income statement	10,686	-	-	-
- of which Capital Losses	10,686	-	-	-
3.3.2 Equity			3,188	-
3.4 Transfers to other leevels	-	-	-	-
3.5 Other decreases	12,589	-	-	-
4. Closing balance	**17,412**	**-**	**5,129**	**-**

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 financial year generated profits for accruals and differentials collected for Euro 12,159 thousand, charged to item 10 in the income statement and for Euro 775 thousand to item 80 in the income statement. Losses for accruals and differentials paid amount to Euro 9,342 thousand, charged to item 10, and Euro 607 thousand to item 80 in the income statement.

Item 80 in the income statement recognises capital gains for Euro 952 thousand and capital losses for Euro 468 thousand.

Finally, item 110 in the income statement recognises capital gains and losses for Euro 6,022 thousand.

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

	FINANCIAL LIABILITIES		
	held for trading	**at fair value**	**hedging**
1. Opening balance	1,656	-	-
2. Increases	3,673	-	3,763
2.1 Issues	-	-	2,102
2.2 Losses charged to:			
2.2.1 Income statement	2,765	-	1,113
- of which Capital Losses	2,765	-	1,113
2.2.2 Equity			-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	908	-	548
3. Decreases	2,913	-	1,110
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits charged to:			
3.3.1 Income statement	1,782	-	416
- of which Capital Gains	1,782	-	416
3.3.2 Equity			-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	1,131	-	694
4. Closing balance	**2,416**	**-**	**2,653**

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

Financial liabilities outstanding at the end of the financial year generated profits for accruals and differentials collected for Euro 403 thousand charged to item 10 in the income statement and for Euro 490 thousand to item 80 in the income statement. Losses for accruals and differentials paid, which were charged to the two items in the income statement, amount to Euro 138 thousand and Euro 687 thousand, respectively.

Item 80 also recognises capital gains for Euro 575 thousand and capital losses for Euro 1,434 thousand.

Additional capital gains of Euro 889 thousand and capital losses of Euro 1,331 thousand were recognised under item 110 of the income statement.

A.3.3 Information on the so-called “day one profit/loss”

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

Part B - INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents (caption 10)

1.1 Cash and cash equivalents : break-down

	31/12/2010	31/12/2009
a) Cash	19,948	17,996
b) Sight deposits at Central Banks	-	-
Total	**19,948**	**17,996**

The counter-value of the component expressed in foreign currencies totals Euro 426 thousand (Euro 461 thousand at the end of the previous period).

Section 2 – Financial assets held for trading (caption 20)

2.1 Financial assets held for trading: break-down by type

Caption/Amount	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash equivalents						
1. Debt securities	16,274	1,748		40,907	3,132	
1.1 Structured securities	-	145		-	654	
1.2 Other debt securities	16,274	1,603		40,907	2,478	
2. Equity securities	314					
3. UCITS units						
4. Financing						
4.1 Repurchase agreements assets						
4.2 Other						
Total (A)	16,588	1,748	-	40,907	3,132	-
B. Derivative instruments:						
1. Financial derivatives:	96	15	17,412		15	26,144
1.1 trading	96	15	1,469		15	1,720
1.2 connected with the fair value option			15,943			24,424
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 connected with the fair value option						
2.3 other						
Total (B)	96	15	17,412	-	15	26,144
Total (A+B)	16,684	1,763	17,412	40,907	3,147	26,144

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

The counter-value of derivative instruments referred to banks of the Group amounts to Euro 78 thousand, of which Euro 3 thousand of Level 2 and Euro 75 thousand of Level 3 (Euro 3 thousand of Level 3 last year).

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

Caption / Amount	31/12/2010	31/12/2009
A. CASH EQUIVALENTS		
1. Debt securities	**18,022**	**44,039**
a) Governments and central banks	17,557	42,190
b) Other public entities		
c) Banks	465	1,849
d) Other issuers		
2. Equity securities	**314**	
a) Banks	314	
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	**18,336**	**44,039**
B. DERIVATIVE INSTRUMENTS	**17,523**	**26,159**
a) Banks	16,916	24,565
- fair value	*16,916*	*24,565*
b) Customers	607	1,594
- fair value	*607*	*1,594*
Total B	**17,523**	**26,159**
Total (A + B)	**35,859**	**70,198**

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Financing	**Total 2010**
A. Opening balance	**44,039**	**-**	**-**	**-**	**44,039**
B. Increases	783,498	466,500	185	-	1,250,183
B.1 Purchases	782,896	466,363	185	-	1,249,444
B.2 Positive fair value changes	-	-	-	-	-
B.3 Other changes	602	137	-	-	739
C. Decreases	**809,515**	**466,186**	**185**	**-**	**1,275,886**
C.1 Sales	770,133	465,728	185	-	1,236,046
C.2 Redemptions	38,922	-	-	-	38,922
C.3 Negative fair value changes	128	13	-	-	141
C.4 Trasfers to other portfolios	-	-	-	-	-
C.5 Other changes	332	445	-	-	777
D. Closing balance	**18,022**	**314**	**-**	**-**	**18,336**

Item “B.3 Other changes” includes profits from trading activities for a total of Euro 137 thousand, as well as interest accrued, inclusive of the positive issue spreads, for an aggregate of Euro 602 thousand.

On the contrary, item “C.5 Other changes” includes losses from trading activities or from redemptions for a total of Euro 675 thousand, and the de-recognition of interest accrued at the end of the previous year amounting to Euro 102 thousand.

The result of the fair value changes of the trading portfolio, as reported under item “C.3 Negative fair value changes”, is recognised in the income statement under item 80 “Net profits/(losses) on trading activities”, together with profits/losses from trading or redemptions.

Section 4 - Available-for-sale financial assets (caption 40)

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

Caption/Amount	31/12/2010			40,178		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	477,443	246,754	110	383,692	306,821	110
1.1 Structured securities	-	*3,662*	-	-	*1,601*	-
1.2 Other debt securities	*477,443*	*243,092*	*110*	*383,692*	*305,220*	*110*
2. Equity securities	662	-	5,019	-	-	8,031
2.1 Measured at fair value	*662*	-	*4,951*	-	-	*7,963*
2.2 Measured at cost	-	-	*68*	-	-	*68*
3. UCITS units	29,821	-	-	70,267	-	-
4. Financing	-	-	-	-	-	-
Total	507,926	246,754	5,129	453,959	306,821	8,141

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

Caption / Amount	31/12/2010	31/12/2009
1. Debt securities	**724,307**	**690,623**
a) Governments and central banks	406,827	329,065
b) Other public entities		
c) Banks	272,727	318,120
d) Other issuers	44,753	43,438
2. Equity securities	**5,681**	**8,031**
a) Banks		1,562
b) Other issuers	5,681	6,469
- insurance companies		
- financial institutions	697	35
- non-financial companies	4,984	6,434
- other		
3. UCITS units	**29,821**	**70,267**
4. Financing		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**759,809**	**768,921**

The item “Equity securities” is totally made up of minority interests the breakdown of which is provided in “Section 10” below.

UCITS units are subdivided in the following categories of funds: bond funds of Euro 13.0 million, monetary funds of Euro 5.0 million, equity funds of Euro 1.6 million, hedge funds of Euro 10.2 million.

4.4 Available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCITS units	Financing	Total 2010
A. Opening balance					**768,921**
B. Increases	**1,269,084**	**863**	**19,842**	**-**	**1,289,789**
B.1. Purchases	1,258,676	863	19,500	-	1,279,039
B.2. Positive fair value changes	620	-	91	-	711
B.3. Write-backs	-	-	-	-	-
- charged to statement of income	-		-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4. Transfer from other portfolios	-	-	-	-	-
B.5. Other increases	9,788	-	251	-	10,039
C. Decreases	**1,235,400**	**3,213**	**60,288**	**-**	**1,298,901**
C.1. Sales	1,165,634	-	59,787	-	1,225,421
C.2. Redemptions	53,647	-	-	-	53,647
C.3. Negative fair value changes	11,812	3,213	480	-	15,505
C.4. Impairment write-downs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C.5. Transfers to other portfolios	-	-	-	-	-
C.6. Other decreases	4,307	-	21	-	4,328
D. Closing balance	**724,307**	**5,681**	**29,821**	**-**	**759,809**

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

Item “B.5 Other changes” includes:

. interest accrued, including the positive issue spreads and the increase in the amortised cost, for an aggregate of Euro 3.8 million, charged to the income statement under item 10 “Interest income on securities”;

. profits on trading activities for an aggregate of Euro 6.3 million, charged to the income statement under item 100 “Profit/(loss) on disposal or repurchase of financial assets available for sale”.

Item “C.6 Other changes” includes:

. interest accrued in the previous year and the negative change of the amortised cost for an aggregate of Euro 2.6 million, charged under item 10 in the income statement;

. losses from trading activities for an aggregate of Euro 1,2 million, charged under item 100 in the income statement;

.costs for adjustment to hedge accounting valuation of Euro 0.5 million, charged to item 90 in the income statement.

Section 5 – Held-to-maturity investments (caption 50)

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

	31/12/2010				31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	120,831	114,262	-	-	-	-	-	-
- structures securities	-	-	-	-	-	-	-	-
- other AB174securities	120,831	114,262	-	-	-	-	-	-
2. Financing	-	-	-	-	-	-	-	-

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

Transacion type / Amount	31/12/2010	31/12/2009
1. Debt securities	**120,831**	**-**
a) Governments and central banks	110,719	-
b) Other public entities	-	-
c) Banks	10,112	-
d) Other issuers	-	-
2. Financing	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**120,831**	**-**
Total fair value	**114,262**	**-**

5.4 Held-to-maturity financial assets: annual changes

	Debt securities	Financing	Total 2010
A. Opening balance	**-**	**-**	**-**
B. Increases	**120,838**	**-**	**120,838**
B.1 Purchases	119,250		119,250
B.2 Write-backs			
B.3 Transfer from other portfolios			
B.4 Other increases	1,588		1,588
C. Decreases	**(7)**	**-**	**(7)**
C1. Sales			
C2. Redemptions			
C3. Value adjustments			
C4. Transfers to other portfolios			
C5. Other decreases	(7)		(7)
D. Closing balance	**120,831**	**-**	**120,831**

Item B.4 “Other increases” is represented by Euro 1,565 thousand of accruals accrued at the end of the period and Euro 23 thousand of the portion of positive amortised cost accrued in the year, all of which was accounted for in the income statement under item 10 “Interest income”

On the contrary, item “C.5. Other decreases” reflects the negative change in the amortised cost accrued in the period an accounted for as a reduction in item 10 of the income statement.

Section 6 – Amounts due from banks (caption 60)

6.1 Amounts due from banks: break-down by type

Transaction type / Amount	31/12/2010	31/12/2009
A. Amounts due from Central banks	69,384	189,383
1. Restricted deposits		
2. Compulsory reserve	69,384	189,383
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	**330,061**	**731,230**
1. Current Account and unrestricted deposits	135,211	220,965
2. Restricted deposits	75,692	313,519
3. Other financing	33,699	136,671
3.1 repurchase agreements		*116,478*
3.2 Finance leases		
3.3 Other	*33,699*	*20,193*
4. Debt securities	85,459	60,075
4.1 Structured securities	*25,358*	
4.2 Other debt securities	*60,101*	*60,075*
Total (book value)	**399,445**	**920,613**
Total (fair value)	**399,445**	**920,613**

The aggregate of credits expressed in foreign currencies amounts to Euro 44.6 million (Euro 88.8 million in the previous year).

The accounts outstanding with Italian banks of the Group come to an aggregate of Euro 176.3 million (Euro 187.0 million as at 31.12.2009), and include subordinated loans to current accounts for Euro 20.1 million. All accounts are regulated at arm's length.

At the end of the year, the commitment to maintain the Compulsory reserve undertaken by Banco Desio for all the Group banks amounted to Euro 24.5 million (Euro 96.7 million in the previous year).

Section 7 – Amounts due from customers (caption 70)

7.1 Amounts due from customers: break-down by type

Transactions type/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current account	1,108,129	61,590	1,108,818	55,162
2. Repurchase agreements	1,522			
3. Mortgage loans	2,283,316	88,148	2,051,735	73,344
4. Credit cards, personal loans and loans on salary	87,393	3,292	103,783	3,430
5. Financial leases	598,102	17,944	599,511	14,982
6. Factoring	9,139	167	7,532	40
7. Other transactions	568,637	2,861	611,823	2,121
8. Debt securities	55,630		53,847	
8.1 Structured secutities				
8.2 Other debt securities	*55,630*		*53,847*	
Total (book value)	**4,711,868**	**174,002**	**4,537,049**	**149,079**
Total (fair value)	**4,954,916**	**174,002**	**4,748,901**	**149,079**

The amounts due from customers shown relate to Euro 4,861.9 million of relations with resident clients and to Euro 24.0 million of relations with non-resident clients (Euro 4684.9 million of relations with resident clients and Euro 1,2 million of relations with non-resident customers last year, respectively).

Currency exposures amount to a counter-value of Euro 6.0 million (Euro 20.3 million at the end of the previous year).

Amounts due from Group companies amounted to Euro 99.4 million (Euro 37.8 million last year), of which Euro 98.8 million from the indirect subsidiary Fides S.p.a (Euro 37.1 million as at. 31.12.2009).

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

The fair value of credits reflects performing loans connected with medium and long term financing, the major changes of which refer to mortgages estimated at Euro 2,476.5 million, finance lease of Euro 641.5 million, credit cards, personal loans and loans on salary (“*cessione del quinto*”) for Euro 93.3 million.

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

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

Transaction type/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities	**55,630**	**-**	**53,846**	**-**
a) Governments	-	-	-	-
b) other public entities	-	-	-	-
c) other issuers	55,630	-	53,846	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	*55,630*	-	*53,846*	-
- other	-	-	-	-
2. Loans to:	**4,656,238**	**174,002**	**4,483,203**	**149,079**
a) Governments	-	-	-	-
b) Other public entities	49	-	93	-
c) Other entities	4,656,189	174,002	4,483,110	149,079
- non-financial companies	*2,991,785*	*110,939*	*2,994,849*	*90,380*
- financial companies	*137,739*	*2*	*73,625*	-
- insurance companies	*1,527*	-	*2,330*	-
- other	*1,525,138*	*63,061*	*1,412,306*	*58,699*
Total	**4,711,868**	**174,002**	**4,537,049**	**149,079**

7.4 Financial lease

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

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	755,962	150,788	605,174	89,083
- of which leaseback agreements	54,434	13,551	40,884	8,148
Total	**755,962**	**150,788**	**605,174**	**89,083**

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Between 1 and 5 years	241,031	17,723	223,308
- Beyond than 5 years	502,243	132,819	369,424
Total	**755,962**	**150,788**	**605,174**

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

Section 10 – Equity investments (caption 100)

10.1 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: information on ownership relationships

Company name	Registered offices	% Ownership share
A. Wholly-owned subsidiary companies		
Brianfid-Lux S.A.	*Luxembourg*	100.000
Banco Desio Toscana S.p.A.	*Florence*	100.000
Banco Desio Lazio S.p.A.	*Rome*	100.000
Banco Desio Veneto S.p.A.	*Vicenza*	100.000
Chiara Assicurazioni S.p.A.	*Desio*	61.860
C. Companies subject to significant influence		
Chiara Vita S.p.A.	*Milan*	30.000
Istifid S.p.A.	*Milan*	28.961

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

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders' equity	Book value	Fair value
A. Wholly-owned subsidiary companies						
Brianfid-Lux S.A.	34,563	2,384	- 161	34,225	27,970	x
Banco Desio Toscana S.p.A.	383,561	17,615	1,404	30,152	32,577	x
Banco Desio Lazio S.p.A.	920,816	36,315	3,827	60,175	55,992	x
Banco Desio Veneto S.p.A.	549,024	21,205	- 1,271	44,539	53,100	x
Chiara Assicurazioni S.p.A.	50,909	25,783	1,507	12,320	9,428	x
Total A	**1,938,873**	**103,302**	**5,306**	**181,411**	**179,067**	
C. Companies subject to significant influence (1)						
Chiara Vita S.p.A.	1,894,548	610,170	14,226	56,016	13,497	x
Istifid S.p.A.	5,904	5,125	167	3,448	883	x
Total C	**1,900,452**	**615,295**	**14,393**	**59,464**	**14,380**	
Total	**3,839,325**	**718,597**	**19,699**	**240,875**	**193,447**	

‘(1) figures as at 31.12.2009, the last approved financial statements.

10.3 Equity investments: annual changes

	Total 2010	Total 2009
A. Opening balance	**177,795**	**175,136**
B. Increases	**16,896**	**34,924**
B.1 Purchases	16,403	2,659
B.2 Write-backs		
B.3 Revaluations		
B.4 Other increases	493	32,265
C. Decreases	**1,244**	**32,265**
C.1 Sales	1,244	32,265
C.2 Value adjustments		
C.3 Other decreases		
D. Closing balance	**193,447**	**177,795**
E. Total revaluations	**-**	**-**
F. Total value adjustments	**-**	**-**

Below is the breakdown of changes:

	countervalue
"B.1 Purchases"	
Banco Desio Veneto S.p.A.	
shareholders' payment on account of capital	15,000
Chiara Assicurazioni S.p.A.	
purchase of no. 357,000 shares with a nominal value of Euro	1,403
	16,403
"B.4 Other increases"	
Chiara Assicurazioni S.p.A.	
profit from disposal of 473,400 shares with a nominal value of	493
	493
"C.1 Sales"	
Chiara Assicurazioni S.p.A.	
countervalue from the sale of 473,400 shares with a nominal	1,244
	1,244

List of equity investments

Equity investments	Number of shares or stakes	% ownership share	Nominal value	Book value
Subsidiaries				
BRIANFID-LUX S.A.	2,794,300	100.000	27,943,000	27,969,510
BANCO DESIO TOSCANA S.p.A.	23,774,017	100.000	23,774,017	32,577,213
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	47,700,000	55,992,079
BANCO DESIO VENETO S.p.A.	35,100,000	100.000	35,100,000	53,100,000
CHIARA ASSICURAZIONI S.p.A.	5,414,600	61.860	5,414,600	9,428,162
Total subsidiaries				**179,066,964**
Associated companies				
ISTIFID S.p.A. (1)	419,937	28.961	419,937	883,370
CHIARA VITA S.p.A.	10,253,400	30.000	10,253,400	13,496,535
Total associated companies				**14,379,905**
Total equity investments (item 100)				**193,446,869**

(1) of which 0.997% equal to no. 14,456 shares - bare property

Equity Investments	Number of shares or stakes	% ownership share	Nominal value	Book value
Other (*)				
Cedacri S.p.A.	643	5.100	643,000	4,951,100
First Capital S.p.A.	666,990	2.998	666,990	662,321
Be.Ve.Re.Co. S.r.l.	30,000	5.825	15,000	15,494
Euros Spa Cefor & Istinform Cunsulting	4,882	0.200	2,539	2,539
SI Holding S.p.A	60,826	0.135	36,496	34,174
S.S.B. Società Servizi Bancari S.p.A.	51,491	0.030	6,694	3,640
Consorzio Bancario S.I.R. S.p.A.	882,939	0.006	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Si.Te.Ba.	7,264	0.145	3,777	3,752
Sviluppo Brianza	1	0.698	2,462	2,613
Total			**1,379,091**	**5,681,477**

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

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

Company name	Number of shares or stakes with voting right	% ownership share with voting right	Type of ownership	Type of holding
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	holding	direct
BANCO DESIO TOSCANA S.p.A.	23,774,017	100.000	holding	direct
BANCO DESIO VENETO S.p.A.	35,100,000	100.000	holding	direct
CHIARA ASSICURAZIONI S.p.A.	5,531,000	67.353	holding	direct
CHIARA VITA S.p.A.	13,496,535	30.000	holding	direct
ISTIFID S.p.A. (1)	419,937	28.961	holding	direct
FIDES S.p.A.	1,045,000	100.000	holding	indirect through Banco Desio Lazio
BRIANFID-LUX S.A.	2,794,300	100.000	holding	direct
CREDITO PRIVATO COMMERCIALE S.A.	11,000	100.000	holding	indirect through Brianfid-Lux
ROVERE Societé de Gestion S.A.	40,000	50.000	holding	indirect through Brianfid-Lux
		10.000	holding	indirect through Banco Desio Lazio
		10.000	holding	indirect through Banco Desio Toscana
		10.000	holding	indirect through Banco Desio Veneto

Section 11 – Tangible assets – (caption 110)

11.1 Tangible assets: break-down of assets valued at cost

Asset/Value	31/12/2010	31/12/2009
A. Functional assets		
1.1 owned by the Bank	**133,102**	**130,245**
a) land	36,539	36,275
b) buildings	81,548	77,269
c) fixtures and fittings	6,854	7,228
d) electrical equipment	2,102	2,513
e) other	6,059	6,960
1.2 acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) fixtures and fittings	-	-
d) electrical equipment	-	-
e) other	-	-
Total A	**133,102**	**130,245**
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)	**133,108**	**130,251**

The estimated useful life for the main categories of assets is defined as follows:
-buildings: 50 years;
-furniture for office use, fittings, systems and miscellaneous equipment;
-office machines, armoured counters and security doors, alarm systems: 10 years; vehicles for business use: 8 years;
-terminals and PCs, motor vehicles for dual purpose: 4 years.

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

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

11.3 Tangible assets for business use: annual changes

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	Total 2010
A. Gross opening balance	**36,275**	**85,695**	**26,500**	**16,960**	**32,549**	**197,979**
A.1 Total net decreases in value		8,426	19,272	14,447	25,589	67,734
A.2 Net opening balance	**36,275**	**77,269**	**7,228**	**2,513**	**6,960**	**130,245**
B. Increases:	**264**	**6,034**	**876**	**639**	**842**	**8,655**
B.1 Purchases	264	6,034	774	595	645	8,312
B.2 Capitalized improvement expenses						
B.3 Write-backs						
B.4 Positive fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences						
B.6 Transfers from assets held for investment						
B.7 Other increases			102	44	197	343
C. Decreases:		**1,755**	**1,250**	**1,050**	**1,743**	**5,798**
C.1 Sales			51	44	224	319
C.2 Amortization/depreciation		1,682	1,199	1,006	1,466	5,353
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
C.4 Negative fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other decreases		73			53	126
D. Net closing balance	**36,539**	**81,548**	**6,854**	**2,102**	**6,059**	**133,102**
D.1 Total net decreases in value	-	10,180	20,197	15,408	26,843	72,628
D.2 Gross closing balance	**36,539**	**91,728**	**27,051**	**17,510**	**32,902**	**205,730**
E. Valuation at cost	-	-	-	-	-	-

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

The sale of tangible assets, of which item "C.1 Sales" represents the net carrying value of the assets disposed of, led to the recognition of profits on sales of Euro 4 thousand; and losses on sales of Euro 15 thousand.

11.4 Tangible assets held for investment: annual changes

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

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

(amounts in Euro units)

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

Property owned by the bank (excluding properties under financial lease)

Location		Surface area for offices (sqm)	Net book value (thousands of euros)
ALBINO	Viale Libertà 23/25	332	747
ARCORE	Via Casati, 7	362	605
BAREGGIO	Via Falcone, 14	200	302
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	891
BOLOGNA SANTA VIOLA	Via Della Ferriera, 4	200	960
BOVISIO MASCIAGO	Via Garibaldi, 8	382	460
BRESCIA	Via Verdi, 1	530	1,915
BRESCIA 1°piano	Via Verdi, 1	190	1,160
BRIOSCO	Via Trieste, 14	430	425
BRUGHERIO	Viale Lombardia, 216/218	425	1,383
BUSTO ARSIZIO	Via Volta, 1	456	1,063
CADORAGO	Via Mameli, 5	187	317
CANTU'	Via Manzoni, 41	1,749	2,386
CARATE BRIANZA	Via Azimonti, 2	773	1,059
CARUGATE	Via XX Settembre, 8	574	667
CARUGO	Via Cavour, 2	252	402
CASTELLANZA	Corso Matteotti, 18	337	454
CESANO MADERNO	Corso Roma, 15	692	939
CHIAVARI	Piazza Matteotti	68	1,080
CINISELLO BALSAMO	Via Frova, 1	729	983
CINISELLO BALSAMO	Piazza Gramsci	26	17
COLOGNO MONZESE	Via Cavallotti, 10	128	52
CUSANO MILANINO	Viale Matteotti, 39	522	740
DESIO	Piazza Conciliazione, 1	1,694	2,263
DESIO	Via Rovagnati, 1	17,330	28,922
DESIO	Via Volta	238	626
GARBAGNATE	Via Varese, 1	400	1,319
GIUSSANO	Via Addolorata, 5	728	1,008
LECCO	Via Volta	615	1,809
LEGNANO	Corso Italia, 8	1,545	2,903
LISSONE	Via San Carlo, 23	583	1,483
MEDA	Via Indipendenza, 60	678	872
MILANO	Via della Posta, 8	1,912	7,935
MILANO	Via Foppa	223	840
MILANO	Via Menotti	825	3,135
MILANO	Via Moscova	668	5,542
MILANO	Via Trau'	627	3,380
MILANO	P.za De Angeli	385	2,361
MISINTO	Piazza Mosca, 3	330	389
MODENA	Via Saragozza, 130	720	4,587
MONZA	Via Manzoni, 37	397	778
MONZA	Corso Milano, 47	2,143	4,181
MONZA	Via Rota, 66	330	597
MONZA	P.za S. Paolo	496	3,997

Location		Surface area for offices (sqm)	Net book value (thousands of euros)
NOVA MILANESE	Piazza Marconi, 5	526	738
NOVATE MILANESE	Via Matteotti, 7	462	703
ORIGGIO	Largo Croce, 6	574	823
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	639
PIACENZA	Via Vittorio Veneto,67/a	486	1,549
REGGIO EMILIA	Via Terrachini,1ang. Via Risorgimento	713	2,857
RENATE	Piazza don Zanzi, 2	429	703
RHO	Via Martiri Libertà, 3	410	772
RUBIERA	Via Emilia Ovest, 7	310	1,489
SARONNO	Via Rimembranze, 42	530	796
SEGRATE	Via Cassanese, 200	170	312
SEREGNO	Via Trabattoni, 40	1,233	2,218
SESTO SAN GIOVANNI	Piazza Oldrini	377	861
SEVESO	Via Manzoni	382	1,180
SOVICO	Via Frette, 10	673	1,160
VAREDO	Via Umberto I°, 123	501	567
VEDUGGIO	Via Vittorio Veneto, 51	257	262
VERANO BRIANZA	Via Preda, 17	322	422
VIGEVANO	Via Decembrio, 21	480	2,102
sub total		**52,476**	**118,087**
Properties for investment purposes			
MEDA car parking	Via Indipendenza, 60	15	6
sub total		**15**	**6**
total		**52,491**	**118,093**

11.5 Commitments for purchase of tangible assets

Contractual commitments for investments in properties amount to Euro 3,337 thousand.

Section 12 – Intangible assets – (caption 120)

12.1 Intangible assets: break-down by type of asset

Caption / Value	31/12/2010		31/12/2009	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill		**1,729**		**1,729**
A.2 Other intangible assets:	**1,086**		**986**	
A.2.1 Assets valued at cost:	1,086		986	
a) Intangible assets generated internally				
b) Other assets	1,086		986	
A.2.2 Assets at fair value through profit or loss:				
a) Intangible assets generated internally				
b) Other assets				
Total	**1,086**	**1,729**	**986**	**1,729**

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

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

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2010
		definite duration	indefinite duration	definite duration	indefinite duration	
A. Opening balance	**3,458**	**-**	**-**	**3,388**	**-**	**6,846**
A.1 Total net decreases in value	1,729	-	-	2,402	-	4,131
A.2 Net opening balance	**1,729**	**-**	**-**	**986**	**-**	**2,715**
B. Increases	**-**	**-**	**-**	**523**	**-**	**523**
B.1 Purchases	-	-	-	523	-	523
B.2 Increases in internal intangible assets		-	-	-	-	-
B.3 Write-backs		-	-	-	-	-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity		-	-	-	-	-
- statement of income		-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**423**	**-**	**423**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	423	-	423
- Amortization		-	-	423	-	423
- Write-downs	-	-	-	-	-	-
+ shareholders' equity		-	-	-	-	-
+ statement of income	-	-	-	-	-	-
to:		-	-	-	-	-
- shareholders' equity		-	-	-	-	-
- statement of income		-	-	-	-	-
C.4 Transfers to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net Closing balance	**1,729**	**-**	**-**	**1,086**	**-**	**2,815**
D.1 Total net adjustments	1,729	-	-	2,825	-	4,554
E. Gross closing balance	**3,458**	**-**	**-**	**3,911**	**-**	**7,369**
F. Valuation at cost	-	-	-	-	-	-

All classes of intangible assets have been valued at amortized cost.

Section 13 – Tax assets and liabilities – (caption 130 under assets and caption 80 under liabilities)

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

13.1 Deferred tax assets: break-down

Temporary Differences	ires	irap	Total 31/12/2010	Total 31/12/2009
a) against profit and loss				
tax losses				
goodwill deductible for tax purposes				
writedowns of loans to customers deductible on a straight-line basis	21,859		21,859	18,506
lump-sum provision for bad debts				
write-down of loans to customers outstanding as at 31.12.1994	10		10	12
provisions for risks from implicit loan losses				1
statutory depreciation of properties				
statutory depreciation of tangible assets	119		119	75
provisions for guarantees and commitments/country risk	299		299	275
provisions for personnel charges	1,919		1,919	1,913
provisions for legal disputes	1,630		1,630	2,042
provisions for revocatory actions	793		793	901
provision for sundry charges	91		91	306
tax provision for employee termination indemnities	251		251	99
entertainment expenses, within the limit of one third deductible in the following four financial years	8	1	9	26
other general expenses deductible in the following accounting period	60		60	30
other				
Total a)	**27,039**	**1**	**27,040**	**24,186**
b) against Equity				
tax provision for employee termination indemnities	505		505	490
writedown of securities classified AFS	3,614	669	4,283	1,516
write-down of equity investments		1	1	
Total b)	**4,119**	**670**	**4,789**	**2,006**
Total	**31,158**	**671**	**31,829**	**26,192**

Deferred tax assets were recognised on the basis of a conscious probability of the probable occurrence of future taxable income such as to be able to reabsorb, within the time limits set out in the tax regulations, any costs arising from the reduction in these assets.

13.2 Deferred tax liabilities: break-down

Temporary Differences	Ires	Irap	Total 31/12/2010	Total 31/12/2009
a) against Profit and Loss				
gains on disposal of tangible assets	42	-	42	68
tax amortization of properties	7,059	1,029	8,088	8,160
tax amortization of tangible assets	-	23	23	29
tax amortization of goodwill	254	44	298	236
tax amortization on long-term charges (software)	2	6	8	9
tax amortization on long-term charges (other)	-	-	-	-
tax amortization under article 106, par. 3	-	-	-	-
assets and liabilities result, fair value option	-	-	-	-
net result assets and liabilities hedge accounting	-	-	-	-
tax provision for employee termination indemnities	-	-	-	-
other	-	-	-	-
Total a)	**7,357**	**1,102**	**8,459**	**8,502**
b) against Equity				-
revaluation of AFS securities	178	31	209	1,965
revaluation of equity investments	2	8	10	208
tax provision for employee termination indemnities	156	-	156	67
Total b)	**336**	**39**	**375**	**2,240**
Total	**7,693**	**1,141**	**8,834**	**10,742**

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

	Total 2010	Total 2009
1. Initial amount	**24,186**	**18,689**
2. Increases	**6,301**	**10,003**
2.1 Deferred tax assets recognized during the year	6,237	9,993
a) from previous years		
b) due to adoption of different accounting standards		
c) write-backs		
d) other	6,237	9,993
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	64	10
3. Decreases	**3,447**	**4,506**
3.1 Deferred tax assets cancelled during the year	3,447	3,953
a) reallocation	3,447	3,953
b) write-downs due to irrecoverability		
c) different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		553
4. Final amount	**27,040**	**24,186**

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

	Total 2010	Total 2009
1. Initial amount	**8,502**	**13,595**
2. Increases	**62**	**77**
2.1 Deferred tax liabilities recognized during the year	62	77
a) from previous years	-	-
b) due to adoption of different accounting standards	-	-
c) other	62	77
2.2 New taxes or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**105**	**5,170**
3.1 Deferred tax liabilities cancelled during the year	105	106
a) reallocation	105	106
b) due to adoption of different accounting standards	-	-
c) other	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases	-	5,064
4. Final amount	**8,459**	**8,502**

13.5 Change in deferred tax assets (against equity)

	Total 2010	Total 2009
1. Initial amount	**2,006**	**6,983**
2. Increases	**3,972**	**705**
2.1 Deferred tax assets recognized during the year	3,972	301
a) from previous years		
b) due to adoption of different accounting standards		
c) other	3,972	301
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		404
3. Decreases	**1,189**	**5,682**
3.1 Deferred tax assets cancelled during the year	1,189	5,682
a) reallocation	1,189	5,682
b) write-downs due to irrecoverability		
c) due to adoption of different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
4. Final amount	**4,789**	**2,006**

13.6 Change in deferred tax liabilities (against equity)

	Total 2010	Total 2009
1. Initial amount	**2,240**	**644**
2. Increases	**189**	**2,048**
2.1 Deferred tax liabilities recognized during the year	189	2,048
a) from previous years		
b) due to adoption of different accounting standards		
c) other	189	2,048
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
3. Decreases	**2,054**	**452**
3.1 Deferred tax liabilities cancelled during the year	2,054	452
a) reallocation	2,054	452
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
4. Final amount	**375**	**2,240**

13.7 Other information

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

Advances for current tax

Items	**31/12/2010**	**31/12/2009**
IRES advances for current taxes	2,809	10,118
IRAP advances for current taxes	162	351
Total	**2,971**	**10,469**

Section 15 – Other assets – (caption 150)

15.1 Other assets: break-down

Description	31/12/2010	31/12/2009
Tax credits		
- principal	41	1,612
- interests	-	-
Amounts due from tax authorities for paid advances	10,535	13,965
Taxes withheld	13	14
Traded cheques to be settled	13,074	17,172
Guarantee deposits	-	-
Invoices issued to be collected	76	183
Accounts receivable for third-party securities and coupons to be collected	-	1
Print-outs and stationery stock	-	-
Unprocessed transactions and amounts in transit with bank branches	15,102	29,464
Currency spreads on portfolio transactions	-	122
Investments in supplementary termination indemnities for personnel	758	854
Leasehold improvements	14,191	15,764
Accrued income and prepaid expenses	421	361
Other items	7,228	9,997
Total	**61,439**	**89,509**

The change in the item “Tax credits - principal” mainly relates to the decrease in the VAT credit concerning the leasing activity for Euro 1,574 thousand due to the use, against setoff with other taxes, of the credit accrued during 2009.

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

. the decrease of the withholdings on interest on deposits and current accounts of Euro 4,466 thousand, against the use of the 2009 credit taken as a reduction in the amount of the taxes actually withheld in 2010;
. the increase in the credit for the online payment of stamp duty of Euro 920 thousand, due to the increase in the amount of advance from 85% to 95%, required by law.

The expenses referred to leaseholds improvements are subject to annual amortisation as regards the residual term of the lease agreement.

The caption includes assets, almost exclusively for invoices to be settled by or issued to other companies in the Group, for a total amount of Euro 1,725 thousand (Euro 2,535 thousand last year).

Liabilities

Section 1 – Amounts due to banks (caption 10)

1.1 Amounts due to banks: break-down by type

Transaction type / Amount	31/12/2010	31/12/2009
1. Amounts due to Central Banks	**-**	**-**
2. Amounts due to banks	**338,710**	**257,628**
2.1 Current accounts and unrestricted deposits	150,278	213,877
2.2 Restricted deposits	46,253	43,114
2.3. Financing	140,769	599
2.3.1 Reverse repos	140,769	599
2.3.2 Other		
2.4 Commitments for repurchases of own equity instruments		
2.5 Other amounts due	1,410	38
Total	**338,710**	**257,628**
Fair value	***338,710***	***257,628***

Payables expressed in foreign currency have been valued at Euro 122,8 million (Euro 73.9 million at the end of the previous period).

Relations with Group banks amounted to Euro 178.3 million (Euro 235.6 million at the end of the previous period). All relations were regulated at arm's length.

Section 2 – Amounts due to customers (caption 20)

2.1 Amounts due to customers: break-down by type

Transaction type/Components of the Group	31/12/2010	31/12/2009
1 Current accounts and unrestricted deposits	3,162,128	3,605,017
2. Restricted deposits	66	3,291
3. Financing	52,751	46,393
3.1Reverse repos	19,418	46,393
3.2 other	33,333	-
4. Commitments for repurchases of own equity instruments	-	-
5. Other amounts due	21,429	20,525
Total	**3,236,374**	**3,675,226**
Fair value	**3,236,374**	**3,675,226**

Payables due to resident customers amounted to a total of Euro 3,217.2 million (Euro 3,623.3 million at the end of the last year), while the total amount of relations in foreign currency amounted to Euro 5.6 million (Euro 35.4 million at the end of the 2009).

All payables due to Group companies were serviced at market rates and totalled Euro 3.5 million (Euro 3.7 million last year).

Item 7 “Other amounts due” includes Euro 20.2 million of bank drafts (Euro 19.1 million last year) and Euro 1.2 million in non-transferable cheques (Euro 1.4 million at the end of 2009).

Section 3 – Securities Issued (caption 30)

3.1 Securities issued: break-down by type

Security type / Amount	Total 31/12/2010				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	1,534,011	-	1,517,261	-	1,250,698	-	1,294,852	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,534,011	-	1,517,261	-	1,250,698	-	1,294,852	-
2. other securities	256,730	-	256,730	-	222,511	-	222,511	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	256,730	-	256,730	-	222,511	-	222,511	-
Total	**1,790,741**	**-**	**1,773,991**	**-**	**1,473,209**	**-**	**1,517,363**	**-**

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

The caption “A.2.2 Other Securities – Other” is made up of deposit certificates which have been issued almost exclusively in the short term.

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

Bonds	31/12/2010	31/12/2009
due 01.12.2010		13,013
due 29.12.2011	12,991	12,999
due 01.06.2012	12,983	13,003
due 03.06.2013	13,003	13,009
due 04.05.2014	29,877	30,052
due 15.12.2014	29,879	30,016
due 1.12.2015	13,019	
Total	**111,752**	**112,092**

During the year, the Bank issued a subordinated debenture loan named “Banco di Desio e della Brianza 01/12/2010-01/12/2015 variable rate subordinated lower tier II” whose characteristics are summarised below:

. total nominal value: Euro 13,000,000, divided into no.13,000 bonds with a nominal value of Euro 1,000 each;
. issue price of bonds: equal to 100% of the nominal value, i.e. Euro 1,000.00;
. duration: 5 years, expiry date 01/12/2015;
. indexation ratio and record date: 6-month Euribor, taken on the fifth last working day prior to the start of the relevant coupon entitlement;
. spread: the indexation parameter will be increased by a spread equal to 50 basis points;
. coupon payment frequency: coupons will be paid on 01/06 and 01/12 of each year;
. redemption price and procedures: redemptions will be made at a percentage equal to 100% of the nominal value, in one single payment, on 01/12/2015; bonds will no longer bear interest on the date of redemption;
. early redemption: no early redemptions, nor repayments by amortisation, are envisaged;
. subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed, on account of capital and residual interest, only after all other creditors, not equally subordinated, have been paid off.

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

3.3 "Securities issued": securities subject to specific hedging

	31/12/2010	31/12/2009
1. Debt securities subject to fair value hedging	59,375	-
a) interest rate risk	59,375	-
b) exchange rate risk	-	-
c) other risks	-	-
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other risks	-	-

Section 4 – Financial liabilities held for trading (caption 40)

4.1 Financial liabilities held for trading: break-down by type

Transaction type / Values	Total 31/12/2010					Total 31/12/2009				
	Nominal value	Fair value			FV*	Nominal value	Fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Liabilities for cash										
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-		-	-	-	-	
3.1.2 Other bonds	-	-	-	-		-	-	-	-	
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-		-	-	-	-	
3.2.2 Other	-	-	-	-		-	-	-	-	
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives instruments										
1. Financial derivatives		65	8	1,947			-	13	1,656	
1.1 Trading		65	8	1,329			-	13	1,215	
1.2 Connected with the fair value option		-	-	618			-	-	441	
1.3 Other		-	-	-			-	-	-	
2. Credit derivatives		-	-	469			-	-	-	
2.1 Trading		-	-	469			-	-	-	
2.2 Connected with the fair value option		-	-	-			-	-	-	
2.3 Other		-	-	-			-	-	-	
Total B		65	8	2,416			-	13	1,656	
Total (A+B)		65	8	2,416			-	13	1,656	

Legend

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

VN = nominal or notional value

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

"Financial derivatives for trading" include a total of Euro 521 thousand (Euro 764 thousand last year) in transactions with Group companies.

Section 5 – Financial liabilities at fair value through profit or loss – (caption 50)

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

Transaction type / Amount	31/12/2010					31/12/2009				
	Nominal value	*fair value*			FV*	Nominal value	*fair value*			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-		-	-	-	-	
1.2 Other	-	-	-	-		-	-	-	-	
2. Amounts due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-		-	-	-	-	
2.2 Other	-	-	-	-		-	-	-	-	
3. Debt securities	318,473	-	323,525	-	325,792	537,907	-	549,197	-	551,824
3.1 Structured	26,900	-	25,458	-		20,000	-	19,872	-	
3.2 Other	291,573	-	298,067	-		517,907	-	529,325	-	
Total	**318,473**	**-**	**323,525**	**-**	**325,792**	**537,907**	**-**	**549,197**	**-**	**551,824**

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

This item includes the bonds issued by the Bank hedged by derivative financial instruments and recognised at fair value in the financial statements, in accordance with so-called fair value option.

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

	Amounts due to banks	Amounts due to customers	Securities issued	Total 2010
A. Opening balance				**549,197**
B. Increases			**31,318**	**31,318**
B1. Issues			16,055	16,055
B2. Sales			10,095	10,095
B3. Increases in fair value			76	76
B4. Other increases			5,092	5,092
C. Decreases			**256,990**	**256,990**
C1. Purchases			14,475	14,475
C2. Redemptions			230,104	230,104
C3. Decreases in fair value			5,195	5,195
C4. Other decreases			7,216	7,216
D. Closing balance			**323,525**	**323,525**

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

Items B.3 “Increases in fair value” and C.3 “Decreases in fair value” reflect charges and income, respectively, deriving from changes in the valuations at fair value, recognised in the income statement account under item “110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss”.

Item B.4 “Other increases” relates almost exclusively to the accruals accrued at the end of the year and to the positive issue spreads, for about Euro 5,080 thousand; the item also includes expenses of Euro 11 thousand, resulting from the reacquisition/reissue of the above-mentioned liabilities.

Item C.4 “Other decreases” is made up of the de-recognition of interest accrued at the end of the previous year, for a total amount of Euro 4,319 thousand and profits on repurchase and redemption for Euro 2,897 thousand.

Section6 - Hedging Derivatives (caption 60)

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

	Fair value 31/12/2010			NV	Fair value 31/12/2009			NV
	Level 1	Level 2	Level 3	31/12/2010	Level 1	Level 2	Level 3	31/12/2009
A. Financial derivates	**-**	**-**	**2,653.0**	**79,617.0**	**-**	**-**	**-**	**-**
1) Fair value	-	-	2,653.0	79,617.0	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,653.0**	**79,617.0**	**-**	**-**	**-**	**-**

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

Transactions/Hedging type	Fair Value						Financial cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Other risks				
1 Available-for-sale financial assets	1744	-	-	-	-	-	-	-	-
2. Credits	-	-	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total asset	**1,744**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1 Financial laibilities	909	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	**909**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1 Expected settlements	-	-	-	-	-	-	-	-	-
2.Financial assets and liabilities portfolio	-	-	-	-	-	-	-	-	-

Section 8 – Tax liabilities (caption 80)

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

Section 10 – Other liabilities (caption 100)

10.1 Other liabilities: break-down

Description	31/12/2010	31/12/2009
Due to tax authorities	656	1,215
Amounts due to tax authorities on account of third parties	12,827	9,792
Social security contributions to be reversed	3,989	3,876
Due to shareholders on account of dividends	14	13
Suppliers	10,360	14,549
Amounts available for customers	7,109	10,342
Interest and fees to be credited	440	314
Payments against disposals on bills	341	423
Advance payments on expiring loans	200	126
Unprocessed transactions and amounts in transit with branches	10,041	11,405
Currency spreads on portfolio transactions	45,300	19,282
Amounts due to personnel	1,978	1,989
Other accounts payable	27,774	41,953
Provisions for guarantees and commitments	1,075	981
Accrued liabilities and deferred income	2,633	2,035
Total	**124,737**	**118,295**

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

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

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

Section 11 – Provisions for employee termination indemnities - (caption 110)

11.1 Provisions for employee termination indemnities: annual changes

	Total 2010	Total 2009
A. Opening balance	**24,350**	**25,107**
B. Increases	**1,167**	**974**
B.1 Provisions during the year	1,167	974
B.2 Other increases	-	-
C. Decreases	**2,366**	**1,731**
C.1 Amounts paid	2,202	1,487
C.2 Other decreases	164	244
D. Closing balance	**23,151**	**24,350**

The amount payable actually accrued at the end of the financial year is equal to Euro 26.2 million (Euro 27.7 million last year)

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

Demographic assumptions
The following assumptions were made:

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

Economic-financial assumptions

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

- annual technical discount rate 4.50%
- annual inflation rate 3.00%

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

Section 12 – Provisions for risks and charges (caption 120)

12.1 Provisions for risks and charges: break-down

Caption/Amount	31/12/2010	31/12/2009
1. Company pension funds	-	-
2. Other provisions for risks and charges	41,797	59,210
2.1 legal disputes	8,812	11,704
2.2 personnel charges	8,521	8,855
2.5 other	24,464	38,651
Total	**41,797**	**59,210**

The item "personnel charges" includes the provisions related to company bonuses and seniority bonuses and additional holidays.

"Others" include a fund amounting to 23.1 million euro (Euro 37.8 million last year) created against the risk of partial review of the price collected for the sale of 70% of Chiara Vita S.p.A. as envisaged as per contract at the end of the industrial plan of the Company (2012).

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other funds	Total 2010
A. Opening balance		**59,210**	**59,210**
B. Increases		**5,708**	**5,708**
B.1 Provisions during the year		5,701	5,701
B.2 Changes due to the elapsing of time		7	7
B.3 Changes due to discount rate adjustments			
B.4 Other increases			
C. Decreases		**23,121**	**23,121**
C.1 Use during the year		23,121	23,121
C.2 Changes due to discount rate adjustments			
C.3 Other decreases			
D. Closing balance		**41,797**	**41,797**

Provisions made in the year (item B.1) include appropriations of Euro 5.5 million against staff charges and Euro 0.2 million for other risks and charges.

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

The item "C.1 Use during the year" includes the use of Euro 14.7 million of the provision for other charges, as well as uses of Euro 2.9 million of the legal disputes fund and Euro 5.5 million of the staff costs fund.

12.4 Provisions for risks and charges - Other provisions

	Total 31/12/2010	Total 31/12/2009
Provision for legal disputes	8,812	11,704
Seniority premium	1,836	1,783
Sundry personnel provisions	6,685	7,072
Other	24,464	38,651
Total	**41,797**	**59,210**

Provisions for risks and charges for legal disputes include the analytical discounted estimate of the expected liabilities which may arise for the Bank following claw-back actions and legal actions pending with customers, in addition to provisions for expenses due to dispute management.

Section 14 – Bank's shareholders' equity (captions 130, 150, 160, 170, 180, 190 and 200)

14.1 Capital and treasury shares: break-down

	31/12/2010	31/12/2009
A. Share capital	67,705	67,705
B. Treasury shares	-	-
Total	**67,705**	**67,705**

The share capital, fully subscribed and paid up, is made up of:
- 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

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

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

14.4 Profit reserves: other information

Caption	31/12/2010	31/12/2009
Legal reserve	70,109	64,303
Statutory reserves	405,585	367,277
Profits (losses) carried forw ard	23,571	23,571
First Time Adoption (F.T.A.) reserves	99,785	99,785
Other reserves	8,226	8,226
Total	**607,276**	**563,162**

The changes registered are the consequence of the allocation of the profit for 2009, resolved by the ordinary shareholders' meeting of April 2010, which was called to approve the financial statements.

Other Information

1. Guarantees granted and commitments

Transactions	31/12/2010	31/12/2009
1) Financial guarantees granted	9,967	10,312
a) Banks	8,031	6,883
b) Customers	1,936	3,429
2) Commercial guarantees granted	177,567	174,362
a) Banks	15,245	14,755
b) Customers	162,322	159,607
3) Irrevocable commitments to grant finance	176,572	392,104
a) Banks	17,296	240,926
i) certain to be called on	17,296	240,926
ii) not certain to be called on	-	-
b) Customers	159,276	151,178
i) certain to be called on	15,768	12,707
ii) not certain to be called on	143,508	138,471
4) Underlying commitments to credit derivatives: hedging sales	25,000	
5) Assets lodged to guarantee minority interest	1,547	
6) Other commitments		
Total	**390,653**	**576,778**

2. Assets lodged to guarantee own liabilities and commitments

Portfolios	31/12/2010	31/12/2009
1. Financial assets held for trading	352	4,353
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	261,232	116,666
4. Held-to-maturity financial assets	43,451	
5. Amounts due from banks	4,108	24,315
6. Amounts due from customers		
7. Tangible assets		

4. Administration and dealing on behalf of third parties

Type of services	Amount
1. *Execution of orders on behalf of customers*	**1,904,910**
a) purchase	981,887
1. settled	976,972
2. not settled	4,915
b) sale	923,023
1. settled	918,560
2. not settled	4,463
2. Portfolio management	**946,256**
a) individual	355,449
b) collective	590,807
3. Custody and administration of securities	**10,084,979**
a) Third-party securities held on deposit in connection with depositary bank's services (excluding portfolio management)	3,889
1. securities issued by the bank preparing the accounts	-
2. other securities	3,889
b) other third-party securities held on deposit (excluding portfolio management): other	9,092,661
1. securities issued by the bank preparing the accounts	1,967,412
2. other securities	7,125,249
c) third-party securities deposited with third parties	8,839,792
d) own securities deposited with third parties	988,429
4. Other transactions	-

Part C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest (captions 10 and 20)

1.1 Interest income and similar revenues: break-down

Caption/Technical forms	Debt securities	Loans	Other transactions	31/12/2010	31/12/2009
1. Financial assets held for trading	573		12 900	13 473	12 447
2. Available-for-sale financial assets	13 623			13 623	11 113
3. Held-to-maturity investments	1 732			1 732	221
4. Amounts due from banks	884	3 596		4 480	8 456
5. Amounts due from customers	1 783	171 136		172 919	213 070
6. Financial assets at fair value through profit or loss	142			142	134
7. Hedging derivatives			29	29	
8. Other assets			74	74	114
Total	**18,737**	**174,732**	**13,003**	**206,472**	**245,555**

This item includes interest paid by Banks and other Companies of the Group with an aggregate of Euro 3.6 million, of which Euro 1.3 million on amounts due from banks, Euro 2.2 million on amounts due from customers and Euro 0.1 million on financial assets held for trading (Euro 4.7 million last year).

Interests on “amounts due from customers” are recognised net of any default interests accrued in the financial year on impaired assets, since such interests are included in the balance sheet only after their collection.
Default interests collected during the year, all referred to loans under dispute, amount to Euro 676 thousand (Euro 382 thousand last year), Euro 577 thousand which refer to previous financial years (last year this figure was Euro 263 thousand).

1.2 Interest income and similar revenues: differentials on hedging transactions

Caption	31/12/2010	31/12/2009
A. Positive differentials on hedging transactions	761	-
B. Negative differentials on hedging transactions	(732)	-
C. Balance (A-B)	**29**	**-**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

	31/12/2010	31/12/2009
- Amounts due to banks	319	395
- Amounts due to customers	448	454
Total	**767**	**849**

1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under “Amounts due from customers - Loans”, amount to Euro 17.3 million; these include Euro 12.7 million related to indexed contracts, of which Euro 0.9 million on leaseback contracts (in 2009 respectively Euro 21.3 million on indexed contracts, of which Euro 1.1 million on leaseback contracts).

Financial profits pertaining to subsequent years amount to Euro 150.8 million, of which Euro 13.6 million on leaseback contracts (respectively Euro 157.2 million and Euro 14.9 million at the end of the last year).

1.4 Interest expense and similar charges: break-down

Captions/Technical types	Debts	Securities	Other transactions	31/12/2010	31/12/2009
1. Amounts due to central banks				- 39	
2. Amounts due to banks	- 1,202			- 1,202	- 1,946
3. Amounts due to customers	- 15,633			- 15,633	- 24,044
4. Securities issued		- 27,542		- 27,542	- 36,376
5. Financial liabilities held for trading					
6. Liabilities at fair value through profit or loss		- 16,445		- 16,445	- 20,028
7. Other liabilities			- 16	- 16	
8. Hedging derivatives					
Total	**- 16,874**	**- 43,987**	**- 16**	**- 60,877**	**- 82,394**

Debit interest paid to Group companies amounted to a total of Euro 1.0 million, of which Euro 0.9 million of amounts due to banks and Euro 0.1 million of amounts due to customers (Euro 4.9 million last year).

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

	31/12/2010	31/12/2009
1. Amounts due to banks	(165)	(134)
2. Amounts due to customers	(98)	(77)
3. Securities issued	-	(6)
Total	**-263**	**(217)**

Section 2 – Net fee and commission income (captions 40 and 50)

2.1 Fee and commission income: break-down

Type of service / Amount	31/12/201	31/12/200
a) Guarantees given	1,728	1,596
b) Credit derivatives		
c) Management, trading and consultancy services:	29,970	33,107
1. trading of financial instruments	25	40
2. currency trading	1,039	903
3. portfolio management	2,559	3,159
3.1. Individual	*1,876*	*2,542*
3.2. Collective	*683*	*617*
4. securities safekeeping and administration	1,701	1,825
5. depositary bank	2,478	4,807
6. securities placement	6,085	5,680
7. order receipt and transmission	8,071	8,634
8. consultancy services		
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	8,012	8,059
9.1. portfolio management	295	211
9.1.1. Individual	*295*	*211*
9.1.2. Collective		
9.2. insurance products	6,962	7,192
9.3. other products	755	656
d) Collection and payment services	16,881	16,043
e) Servicing for securitization operations		11
f) Factoring transaction services	57	32
g) Tax collection services		
h) multi-lateral trading systems management		
i) holding and managing current accounts	51,659	37,553
j) other services	3,828	3,754
Total	**104,123**	**92,096**

Commission paid by Group Companies amounted to a total of Euro 2.9 million (Euro 2.6 million at the end of the last year).

2.2 Fee and commission income: products and services distribution channels

Channel/ Sectors	31/12/2010	31/12/2009
a) Bank branches:	**16,656**	**16,898**
1. Portfolio management	2,559	3,159
2. Placement of securities	6,085	5,680
3. Third party services and products	8,012	8,059
b) Door-to-door sale:	-	-
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		
c) Other distribution channels:		
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		

2.3 Fee and commission expense: break-down

Services/Amount		31/12/2010		31/12/2009
a) Guarantees received	-	31	-	32
b) Credit derivatives				
c) Management and dealing services:	-	3,143	-	1,889
1. Trading of financial instruments	-	36	-	34
2. Currency trading				
3. Portfolio management:				
3.1 own portfolio				
3.2 delegated				
4. Securities safekeeping and admir	-	1,692	-	1,855
5. Placement of financial instrument	-	1,415		
6. Door-to-door sale of financial instruments, products and services				
d) Collection and payment services	-	2,269	-	2,594
e) Other services	-	852	-	861
Total	**-**	**6,295**	**-**	**5,376**

The figure for debit commission paid to Group companies amounted to Euro 1.4 million (Euro 30 thousand of the last period).

Section 3 – Dividends and similar revenues (caption 70)

3.1 Dividends and similar revenues: break-down

Caption/Revenues	31/12/2010		31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	-	167	-
B. Available-for-sale financial assets	364	-	247	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	6,763		3,168	
Total	**7,127**	**-**	**3,582**	**-**

Dividends collected from equity investments, included under point D, relate to:

Banco Desio Lazio	euro 2,862 thousand	(previously Euro1,908 thousand)
Brianfid	euro 517 thousand	(previously Euro1,229 thousand)
Chiara Vita	euro 3,384 thousand	

Section 4 – Profits (losses) on trading (caption 80)

4.1 Profit (losses) on trading: break-down

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 2010	Net income 2009
1. Financial assets held for trading		**776**	**-141**	**-674**	**-39**	**1,157**
1.1 Debt securities	-	513	-128	-229	156	150
1.2 Equity securities	-	137	-13	-445	-321	884
1.3 UCITS units	-	-	-	-	-	42
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	126	-	-	126	81
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences					**1,245**	**1,033**
4. Derivative instruments	**844**	**2,653**	**-1,653**	**-2,698**	**-840**	**764**
4.1 Financial derivates:						
- on debt securities and interest rates	748	2,639	-1,588	-2,693	-894	864
- on equity securities and stock indexes	96	14	-65	-5	40	-13
- on currencies and gold					14	-87
- other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
TOTAL	**844**	**3,429**	**-1,794**	**-3,372**	**366**	**2,954**

Profit (losses) on trading of derivative instruments was affected by income earned in the operations carried out with Group companies for a total of Euro 131 thousand.

Section 5 – Fair value adjustments in hedge accounting (caption 90)

5.1 Fair value adjustments in hedge accounting: break-down

Income component/Value	31/12/2010	31/12/2009
A. Income relating to:		
A.1 Fair value hedging derivatives	2,312.0	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	856.0	-
A.4 Cash flow hedge financial derivatives	-	-
A.5 Currency assets and liabilities	-	-
Total income from hedging activities (A)	**3,168.0**	**-**
B. Charges relating to:		
B.1 Fair value hedging derivatives	- 1,113.0	- 46.0
B.2 Hedged financial assets (fair value)	- 458.0	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge financial derivatives	-	-
B.5 Currency assets and liabilities	-	-
Total charges from hedging activities (B)	**- 1,571.0**	**- 46.0**
C. Net hedging income (A – B)	**1,597.0**	**- 46.0**

The net hedging income is given by the difference between valuation at fair value of the bond issues being hedged and the valuation of the related hedging derivatives.

Section 6 – Profits (losses) on disposal/repurchase (caption 100)

6.1 Profits (losses) on disposal/repurchase: break-down

Caption/Income component	31/12/2010			31/12/2009		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Amounts due from banks	-	-	-	-	-	-
2. Amounts due from customers	55	-	55	20	-313	-293
3. Available-for-sale financial assets	11,058	-3,994	7,064	8,531	-3,761	4,770
3.1 Debt securities	9,882	-1,663	8,219	5,331	-562	4,769
3.2 Equity securities	100	-25	75	935	-360	575
3.3 UCITS units	1,076	-2,306	-1,230	2,265	-2,839	-574
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**11,113**	**-3,994**	**7,119**	**8,551**	**-4,074**	**4,477**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	931	-104	827	1,196	-40	1,156
Total liabilities	**931**	**-104**	**827**	**1,196**	**-40**	**1,156**

Profits on Amounts due from customers result from the transfer of non-performing loans.

Profits/losses from disposal/repurchase of financial assets available for sale represent the effect in the income statement of the sales made in the financial year, including the release of the related valuation reserves before tax effect. Profits referred to disposal of UCITS units also include the relevant tax credit.

As regards financial liabilities, the result reflects the profits/losses resulting from the purchase, sale or redemption of bonds issued by the Bank.

Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss (caption 110)

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

Transaction/ Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net Income 2010	Net income 2009
1. Financial assets					**-**	**135**
1.1 Debt securities	-	-	-	-	-	135
1.2 Equity securities	-	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	**5,195**	**2,897**	**- 76**	**- 11**	**8,005**	**- 3,558**
2.1 Debt securities	5,195	2,897	- 76	- 11	8,005	- 3,558
2.2 Amounts due to banks	-	-	-	-	-	-
2.3 Amount due to customers	-	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences					**-**	**-**
4. Financial and credit derivates	**889**	**-**	**- 10,775**	**-**	**- 9,886**	**2,967**
TOTAL	**6,084**	**2,897**	**- 10,851**	**- 11**	**- 1,881**	**- 456**

Profits (losses) on financial assets and liabilities at fair value through profit or loss are given by the difference between valuation of the bonds issued, subject to “natural” hedging in compliance with the so-called fair value option, and the corresponding financial derivatives.

Section 8 – Net losses/recoveries on impairment (caption 130)

8.1 Net impairment losses on loans: break-down

Transaction/Income component	Impairment losses			Recoveries				Total 31/12/2010	Total 31/12/2009
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recover	Due to interests	Other recoveries		
A. Amounts due from banks							10	10	
- loans							10	10	
- debt securities									
B. Amounts due from customers	(12,081)	(36,795)	(2,779)	4,585	12,056		222	(34,792)	(52,555)
- loans	(12,081)	(36,795)	(2,779)	4,585	12,056		222	(34,792)	(52,555)
- debt securities									
C. Total	**(12,081)**	**(36,795)**	**(2,779)**	**4,585**	**12,056**		**232**	**(34,782)**	**(52,555)**

"Impairment losses due to write-offs" entirely refer to the writing off of non-performing loans.

"Impairment losses - other" are generated by the analytical valuation of the likelihood of recovery of impaired loans and by the discounting of cash flows expected on the same classes of loans; specifically they refer:

- to non-performing loans Euro 19.2 million (previously Euro 23.0 million);
- to problem loans Euro 16.4 million (previously Euro 26.5 million);
- restructured loans Euro 0.3 million;
- to default loans Euro 0.9 million (previously Euro1.4 million).

"Recoveries: – due to interests" result from the release of interests from the discounting of capital on non-performing loans.

As regards specific recoveries, "other recoveries" refer:

- to transactions amortised in previous years Euro 2.1 million (previously 2.1 million);
- to collections of previously devalued credits Euro 5.8 million (previously 4.6 million);
- to recoveries from valuations Euro 4.2 million (previously 3.8 million).

8.4 Net impairment losses on other financial transactions: break-down

Transaction / Income component	Impairment losses			Recoveries				Total 31/12/2010	Total 31/12/2009
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted	(22)	(65)	(280)		252			(115)	59
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
Total	**(22)**	**(65)**	**(280)**		**252**			**(115)**	**59**

"Impairment losses and recoveries - specific: other" represent the valuation of the guarantees issued with regard to non-performing loans or problems loans.

Section 9 – Administrative costs (caption 150)

9.1 Personnel costs: break-down

Type of costs/Amount		31/12/2010		31/12/2009
1) Employees	-	112,127	-	106,388
a) wages and salaries	-	75,771	-	71,945
b) social security charges	-	18,705	-	18,277
c) provision for employee termination indemnities		-		-
d) social security costs		-		-
e) provisions for termination indemnities	-	1,144	-	933
f) accruals to pension funds and similar funds:		-		-
- defined contribution		-		-
- defined benefit		-		-
g) amounts paid to external complementary social security funds:	-	8,645	-	8,439
- defined contribution	-	8,645	-	8,439
- defined benefit		-		-
h) costs arising from payment agreements based on own financial instruments		-		-
i) other benefits in favor of employees	-	7,862	-	6,794
2) Other personnel in active employment	-	1,618	-	1,619
3) Directors and statutory auditors	-	3,981	-	3,563
4) Staff pensioned off		-		-
5) Recoveries of expenses for staff seconded to other companies		104		110
6) Refund of expenses for third-party employees seconded to the company	-	74	-	146
Total	**-**	**117,696**	**-**	**111,606**

9.2 Average number of employees by category

	31/12/2010	31/12/2009
Employees	**1,416**	**1,340**
a) Executives	24	23
b) Managers	720	669
c) Remaining employees	672	648
Other personnel	**24**	**22**

9.4 Other benefits in favour of employees

	31/12/2010	31/12/2009
provisions for sundry costs	(4,440)	(4,034)
social security contribution	(904)	(793)
training and education expenses	(525)	(586)
leases on buildings dedicated to the use by employees	(56)	(58)
refund of travel expenses	(113)	(168)
other	(1,824)	(1,155)
Total	**(7,862)**	**(6,794)**

9.5 Other administrative costs: break-down

	31/12/2010	31/12/2009
indirect taxes and duties		
- stamp duties	- 7,559	- 7,545
- other	- 3,368	- 3,506
other costs		
- information technology charges	- 9,170	- 9,339
- property/equipment lease	- 6,808	- 6,112
- maintenance of property/furniture and equipment	- 3,157	- 3,429
- postal and telegraphic charges	- 2,102	- 2,306
- telephone, data transmission charges	- 1,880	- 3,618
- electric pow er, heating, w ater	- 2,741	- 2,574
- cleaning services	- 842	- 798
- printing, stationery and consumables expenses	- 950	- 1,303
- transport costs	- 617	- 601
- surveillance and security	- 1,113	- 1,123
- advertising	- 1,261	- 2,521
- information and certificates	- 1,082	- 1,111
- insurance premiums	- 770	- 781
- legal expenses	- 4,490	- 3,472
- professional consulting expenses	- 2,672	- 2,653
- contributions and donations	- 127	- 169
- other expenses	- 6,220	- 5,457
Total	**- 56,929**	**- 58,418**

This item includes the fees paid to the firm PricewaterhouseCoopers S.p.A. which is responsible for auditing the financial statements for the following types of services rendered to the Bank.

Type of services / Remuneration	31/12/2010	31/12/2009
Audit	125	132
Certification services	3	
Tax advisory services		
Other services: agreed procedures	26	9

Section 10 – Net provisions for risks and charges (caption 160)

10.1 Net provisions for risks and charges: break-down

Captions	31/12/2010	31/12/2009
charges for legal disputes	1,072	(2,235)
sundry charges	14,498	(37)
Total	**15,570**	**(2,272)**

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

Section 11 – Net adjustments to/recoveries on tangible assets (caption 170)

11.1 Net adjustments to/recoveries on tangible assets: break-down

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 2010	Net income 2009
A. Tangible assets					
A.1 owned by the Bank	(5,349)			(5,349)	(5,650)
- for business use	(5,349)			(5,349)	(5,650)
- for investment					
A.2 leased					
- for business use					
- for investment					
Total	**(5,349)**			**(5,349)**	**(5,650)**

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

The breakdown of the amortizations by type of asset is shown in the table 11.3 of the Assets.

Section 12 – Net adjustments to/recoveries on intangible assets (caption 180)

12.1 Net adjustments to/recoveries on intangible assets: break-down

Asset / Income component	Amortization	Impairment losses	Recoveries	Net income 2010	Net income 2009
A. Intangible assets					
A.1 owned by the Bank	(423)			(423)	(389)
- generated internally					
- other	(423)			(423)	(389)
A.2 leased					
Total	**(423)**			**(423)**	**(389)**

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

Section 13 – Other operating income (expenses) (caption 190)

13.1 Other operating expenses: break-down

Captions	31/12/2010	31/12/2009
amortization of costs for leasehold improvements	(1,798)	(1,750)
losses on disposal of tangible assets	(15)	(40)
charges on non-banking services	(1,734)	(956)
Total	**(3,547)**	**(2,746)**

13.2 Other operating income: break-down

Captions	31/12/2010	31/12/2009
recovery of taxes from third parties	9,202	9,302
recovery of expenses	1,299	1,365
rentals receivable	5	5
other recoveries of expenses	3,161	6,640
profits from disposal of tangible assets	2,957	35
others	-	3,452
Total	**16,624**	**20,799**

This item accounts for other intergroup income of Euro 2.2 million.

Section 14 – Profits (losses) on equity investments (caption 210)

14.1 Profits (losses) on equity investments: break-down

Income component / Values	31/12/2010	31/12/2009
A. Revenues		
1. Revaluations	-	-
2. Profits on disposal	493	29,886
3. Write-backs	-	
4. Other	-	-
B. Charges		
1. Write-downs	-	-
2. Impaiment losses	-	-
3. Losses on disposal	-	-
4. Other	-	-
Net result	**493**	**29,886**

Capital gain realised from the transfer of no. 473,400 shares hold by the subsidiary Chiara Assicurazioni S.p.A.

Section 18 – Taxes on income from continuing operations (caption 260)

18.1 Taxes on income from continuing operations: breakdown

Componenti reddituali/Valori	31/12/2010	31/12/2009
1. Imposte correnti (-)	(26.111)	(31.099)
2. Variazione delle imposte correnti dei precedenti esercizi (+/-)	(115)	(87)
3. Riduzione delle imposte correnti dell'esercizio (+)		
4. Variazione delle imposte anticipate (+/-)	2.852	5.497
5. Variazione delle imposte differite (+/-)	44	5.094
6. Imposte di competenza dell'esercizio	**(23.330)**	**(20.595)**

The item 2. "Changes in current taxes of previous periods" recorded the following changes:

- decrease of Euro 133 thousand against taxes paid for the tax assessment issued by the Tax Authorities, for having charged value write-backs in an erroneous time period in the tax return for the 2005 tax year. The amount is partially offset by the recognition of deferred tax assets of Euro 64 thousand, as reported in table 13.3;
- increase of Euro 18 thousand of current taxes allocated as at 31.12.2009.

18.2 Reconciliation of theoretical and effective tax charges in the financial statements

	IRES		IRAP	
Profit before taxes	72,447		72,447	
Non-deductible costs for IRAP purposes			179,497	
Non-taxable revenues for IRAP purposes			(39,233)	
Sub-Total	72,447		212,711	
Theoretical tax charge 27.5% Ires - 4.82% Irap		**(19,923)**		**(10,253)**
Temporary taxable differences over subsequent years	(192)		(192)	
Temporary deductible differences over subsequent years	22,675			
Reallocation of temporary differences from previous financial years	(12,431)		1,592	
Differences not to be reversed in subsequent years	(19,113)		(34,026)	
Taxable income	63,386		180,085	
Current taxes for the period 27.5% Ires - 4.82% Irap		**(17,431)**		**(8,680)**

The effective tax charge, equal to Euro 26,111 thousand is equal to the amount reported under item "1. Current taxes", previous table 18.1.

Section 21 – Earnings per share

21.1 Average number of diluted ordinary shares

During the year no transaction on the share capital or no issue of financial instruments was carried out which could entail the issue of shares; therefore, the number of shares entitled to profits is equal to mo. 117,000,000 ordinary shares and no. 13,202,000 savings shares.

21.2 Other information

Earnings per share

(Amounts in Euros)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285,000	1,663,452	
Retained earnings	30,954,352	4,191,494	
	43,239,352	5,854,946	49,094,298
Average number of outstanding ordinary shares:			
Categories:			
Ordinary shares 117.000.000			
Savings shares 13.202.000			
Earnings per share - Basic :	**0.36957**	**0.44349**	

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

	Captions	Gross amount	Income tax	Net amount
10.	**Profit (Loss) for the period**	**X**	**X**	**49 094**
	Oher income components			
20.	Available-for-sale financial assets	-16,810	4,567	-12,243
	a) fair value changes	-14,161	3,737	-10,424
	b) reversal to the income statement	-2,017	626	-1,391
	- value adjustments due to deterioration	-	-	-
	- profits/losses on disposal	-2,017	626	-1,391
	c) other changes	-632	204	-428
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Foreign investment hedge:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedge:	-	-	-
	a)fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
70.	Exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale and discontinued operations	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial profits (losses) on defined benefit plans	270	-74	196
100.	Share of valuation reserve of equity investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	- value adjustments due to deterioration	-	-	-
	- profits/losses on disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income components**	**-16,540**	**4,493**	**-12,047**
120.	**Comprehensive income (10+110)**	**X**	**X**	**37,047**

PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Section 1 – Credit Risk

Qualitative information

1. General aspects

Banco di Desio e della Brianza's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

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

2. Policies for the management of credit risks

2.1. Organisational aspects

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

- the Loans Department (for the ordinary credit and for medium-to-long term, para-banking and consumer credit) standardises the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk and Litigation Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality;
- the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;
- the Internal Audit department, assesses the efficiency and reliability of the entire internal control system and checks, inter alia, that lending is carried out in accordance with the rules;

- the duty of the Risk Management Office is to develop credit risk models and measurement methodologies by drawing up periodic reports; the analyses produced mainly regard the evolution of the credit risk attached to the overall credit portfolio and/or to individual fractions of the portfolio entailing other particular credit risks.

2.2. Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.
During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower’s structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.
The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to a series of controls, including points awarded on the basis of a sociological and behavioural scoring system.

In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of collaterals. Creditworthiness is assessed with care including on the basis of the customer’s explanation of his or her financial requirements in the identification of the most appropriate technical form.

The risk involved in lending is analysed and monitored by the Risk Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are separated into classes by analysis of the performance of the relationship and of information from the automated Interbank Risk Service through a specific procedure, which separates customers whose conduct in the course of the relationship is anomalous from those with whom the relationship proceeds smoothly.

When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified as under control or in loans to reverse or problem loans with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk Performance Control Department.

The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to available sources of information.
The Bank adopts, for management purposes, in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System) developed within the Parent Company, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). This model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non-performing loans (expired, problem and non-performing loans).
The Bank follows the rules laid down in the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

2.3. Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

A prudential spread is applied to collaterals that varies according to the degree of risk inherent in the assets pledged, which are constantly monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by Internal regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal securities consist for the most part in performance bonds granted by both natural individuals and companies. The related evaluation is always effected on a valuation of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.
The guarantees received by the Bank are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. The guarantee management process, in compliance with the requirements in the new regulations, provides for monitoring activities and specific checks with a view to the verification of eligibility.

To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4. Impaired financial assets

The transfer to the non-performing loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Loans to customers are classified as problem loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively.
In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

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

Positions which are overdue for more than 90 and/or 180 days are kept under constant review by the Risk Control Area with the help of specific computerised procedures.
Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.
In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop.
The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out on the basis of information relating to the various court districts.

Quantitative information

A. Credit quality

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

A.1.1 Loans: break-down by portfolio and credit quality (book values)

Portfolio / Quality	Non-performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Total
1 Financial assets held for trading	-	9	-	-	35,536	35,545
2. Available-for-sale financial assets	110	-	-	-	724,197	724,307
3. Held-to-maturity investments	-	-	-	-	120,831	120,831
4. Amount due from banks	-	-	-	-	399,445	399,445
5. Amounts due from customers	80,914	66,156	3,130	23,802	4,711,868	4,885,870
6. Financial assets at fair value through profit or los	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Totale 31/12/2010	**81,024**	**66,165**	**3,130**	**23,802**	**5,991,877**	**6,165,998**
Total 31/12/2009	**62,510**	**60,420**	**284**	**25,975**	**6,218,373**	**6,367,562**

A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Perfoming assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	9	-	9	35,536	-	35,536	35,545
2. Available-for-sale financial assets	110	-	110	724,197	-	724,197	724,307
3. Held-to-maturity investments	-	-	-	120,831	-	120,831	120,831
4. Amount due from banks	-	-	-	399,456	(11)	399,445	399,445
5. Amounts due from customers	261,583	(87,581)	174,002	4,737,539	(25,671)	4,711,868	4,885,870
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2010	**261,702**	**(87,581)**	**174,121**	**6,017,559**	**(25,682)**	**5,991,877**	**6,165,998**
Total 31/12/2009	**234,196**	**(85,006)**	**149,190**	**6,171,407**	**(23,233)**	**6,218,372**	**6,367,562**

Breakdown of performing exposures

The item "Amounts due from customers" includes net receivables arising from renegotiations with Collective agreements for Euro 84.8 million and Euro 22.1 million of expired loans in relation to which the breakdown is reported according to the maturity date of the same.

Portfolio/quality		Performing loans		
		Gross exposure	Portfolio adjustments	Net exposure
. Amounts due from customers		**4,737,539**	**-25,671**	**4,711,868**
of which	**. Expired loans**	**22,653**	**-566**	**22,087**
	. Until 3 months	2,713	-35	2,678
	. Between 3 and 5 months	15,060	-405	14,655
	. Beyond 5 months	4,881	-126	4,755

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

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans				
b) Problem loans				
c) Restructured loans				
d) Expired loans				
e) Other assets	682,760		(11)	682,749
Total A	**682,760**	**-**	**(11)**	**682,749**
B. Off-balance sheet loans				
a) Impaired				
b) Other	40,398		(147)	40,251
Total B	**40,398**	**-**	**(147)**	**40,251**
Total (A+B)	**723,158**	**-**	**(158)**	**723,000**

A.1.6 Cash and off-balance sheet loans to customers: gross and net values

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans	142,346	(61,322)		81,024
b) Problem loans	91,064	(24,908)		66,156
c) Restructured loans	3,512	(382)		3,130
d) Expired loans	24,771	(969)		23,802
e) Other assets	5,317,285	-	(25,671)	5,291,614
Total A	**5,578,978**	**(87,581)**	**(25,671)**	**5,465,726**
B. Off-balance sheet loans				
b) Other	344,507		(809)	343,698
Total B	**346,579**	**(119)**	**(809)**	**345,651**
Total (A+B)	**5,925,557**	**(87,700)**	**(26,480)**	**5,811,377**

A.1.7 Cash loans to customers: changes in impaired loans– gross

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
A. Opening gross exposure	**115,962**	**90,479**	**316**	**27,439**
of which: loans sold but not written off	-	-	-	-
B. Increases	**74,261**	**107,835**	**4,088**	**77,497**
b.1 from performing loans	3,516	67,821	679	74,128
B.2 transfer from other categories of impaired loans	69,100	21,508	1,596	324
B.3 other increases	1,645	18,506	1,813	3,045
C. Decreases	**47,877**	**107,250**	**892**	**80,165**
c.1 to performing loans	-	11,800	-	45,395
C.2 write-offs	31,680	115	-	-
C.3 collections	16,141	24,813	892	12,763
C.4 arising from sales	56	-	-	-
C.5 transfer to other categories of impaired loans	-	70,522	-	22,007
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**142,346**	**91,064**	**3,512**	**24,771**
of which: loans sold but not written off	-	-	-	-

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

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
A. Total opening adjustments	**53,452**	**30,059**	**32**	**1,464**
of which: loans sold but not written off	-	-	-	-
B. Increases	**48,120**	**16,850**	**350**	**929**
B.1 adjustments	31,263	16,486	350	885
B.2 transfer from other categories of impaired loans	16,857	364	-	44
B.3 other increases	-	-	-	-
C. Decreases	**40,250**	**22,001**	**-**	**1,424**
C.1 write-backs due to valuation	5,124	3,117	-	593
C.2 write-backs due to collection	3,447	2,042	-	293
C.3 write-offs	31,679	115	-	-
C.4 transfer to other categories of impaired loans	-	16,727	-	538
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**61,322**	**24,908**	**382**	**969**
of which: loans sold but not written off	-	-	-	-

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

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

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

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

The Bank does not use internal rating models for the determination of capital requirements.
As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company has developed, for management purposes, a rating model aimed at assessing retail clients (private consumers and micro enterprises) and to Corporate clients (enterprises with a turnover of over Euro 1million).
The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate loans.

Loans as at 31.12.2010	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	30.4%	49.8%	19.8%	100%
Off-balance sheet loans	62.7%	29.3%	8.0%	100%

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Secured loans to banks

	Net amount of loan	Real Guarantees			Personal Guarantees									Total 2010
					Credit derivates					Endorsements				
						Other derivates								
		Property	Securities	Other real guarantees	CLN	Governments and Central banks	Other public entities	Banks	Other entities	Governments and Central banks	Other public entities	Banks	Other entities	
1. Secured cash loans:														
1.1 fully secured	3,098,155	2,011,355	118,811	73,189	-	-	-	-	-	-	-	2,132	882,676	**3,088,163**
- of which impaired	*130,816*	*82,546*	*1,911*	*2,325*	-	-	-	-	-	-	-	-	*43,976*	***130,758***
1.2 partially secured	187,897	10	20,964	17,797	-	-	-	-	-	-	-	-	73,768	**112,539**
- of which impaired	*6,350*	*10*	*157*	*320*	-	-	-	-	-	-	-	-	*4,666*	***5,153***
2. Secured off-balance sheet loans														
2.1 fully secured	104,205	9,479	10,186	9,633	-	-	-	-	-	-	-	95	74,073	**103,466**
- of which impaired	*1,819*	*70*	*1,531*	*55*	-	-	-	-	-	-	-	-	*162*	***1,818***
2.2 partially secured	32,806	-	5,018	2,816	-	-	-	-	-	-	-	-	9,978	**17,812**
- of which impaired	*24*	-	*1*	*11*	-	-	-	-	-	-	-	-	*11*	***23***

B. Break-down and concentration of loans

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

Loan / Counterparty	Governments			Other public entities			Financial institutions			Insurance company			Non financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Spacific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Spacific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Spacific value adjustments	Portfolio value adjustments
A. Cash loans																		
A.1 Non-performing loans	-	-	-	-	-	-	110	-	-	-	-	-	54,173	- 45,145	-	26,741	- 16,177	-
A.2 Problem loans	-	-	-	-	-	-	2	-	-	-	-	-	37,272	- 15,878	-	28,882	- 9,030	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	3,130	- 382	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-	-	-	16,364	- 665	-	7,438	- 304	-
A.5 Other loans	535,102	-	-	49	-		160,896	-	- 68	57,157	-	-	3,013,272		- 21,111	1,525,138	-	- 4,492
Total A	535,102	-	-	49	-	-	161,008	-	- 68	57,157	-	-	3,124,211	- 62,070	- 21,111	1,588,199	- 25,511	- 4,492
B. Off-balance sheet loans																		
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	95	- 60	-	11	- 16	-
B.2 Problem loans	-	-	-	-	-	-	1,516	-	-	-	-	-	264	- 41	-	15	- 2	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	37	-	-	15	-	-
B.4 Other loans	-		-	-	-		1,757	-	- 20		-	-	283,239		- 710	58,512	-	- 79
Total B	-	-	-	-	-	-	3,273	-	- 20	190	-	-	283,635	- 101	- 710	58,553	- 18	- 79
Total (A+B) 2010	535,102	-	-	49	-	-	164,281	-	- 88	57,347	-	-	3,407,846	- 62,171	- 21,821	1,646,752	- 25,529	- 4,571
Total 2009	371,255	-	-	93	-	-	100,563	-	- 153	57,353	-	-	3,384,557	- 61,828	- 19,141	1,502,807	- 23,482	- 4,598

B.2 Cash and off-balance sheet loans to customers: break-down by geographical area (book value)

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans	80,914	- 61,322	-	-	110	-	-	-	-	-
A.2 Problem loans	66,156	- 24,908	-	-	-	-	-	-	-	-
A.3 Restructured loans	3,130	- 382	-	-	-	-	-	-	-	-
A.4 Expired loans	23,802	- 969	-	-	-	-	-	-	-	-
A.5 Other loans	5,279,000	- 25,577	10,445	- 94	1,464	-	705	-	-	-
Total A	**5,453,002**	**- 113,158**	**10,445**	**- 94**	**1,574**	**-**	**705**	**-**	**-**	**-**
B. Off-balance sheet loans										
B.1 Non-performing loans	106	- 76	-	-	-	-	-	-	-	-
B.2 Problem loans	1,795	- 43	-	-	-	-	-	-	-	-
B.3 Other impaired assets	52	-	-	-	-	-	-	-	-	-
B.4 Other loans	343,297	- 809	401	-	-	-	-	-	-	-
TOTAL B	**345,250**	**- 928**	**401**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 2010	**5,798,252**	**- 114,086**	**10,846**	**- 94**	**1,574**	**-**	**705**	**-**	**-**	**-**
Total 2009	**5,408,892**	**- 109,023**	**5,616**	**- 4**	**1,555**	**-**	**565**	**- 177**	**-**	**-**

B.3 Cash and off-balance sheet loans to banks: break-down by geographical area (book value)

Loans / Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	619,444		60,809		657		541 -	9	1,298 -	2
Total A	**619,444**	**-**	**60,809**	**-**	**657**	**-**	**541 -**	**9**	**1,298 -**	**2**
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	28,627		11,276		4		70 -	29	274 -	118
TOTAL B	**28,627**	**-**	**11,276**	**-**	**4**	**-**	**70 -**	**29**	**274 -**	**118**
TOTAL (A+B) 2010	**648,071**	**-**	**72,085**	**-**	**661**	**-**	**611 -**	**38**	**1,572 -**	**120**
Total 2009	**1,416,121 -**	**29**	**98,982**	**108**	**655**	**-**	**732 -**	**17**	**108 -**	**6**

B.4 Large risks

With reference to the supervisory regulations in force, three positions were recognised for a total nominal amount, including guarantees and commitments issued, of Euro 1,331.1 million, and for a total weighted amount of Euro 39.6 million.
Below is the breakdown of the three positions:

	nominal amounts	weighted amounts
. relations with Group companies:	Euro 712.3 million	0
. Treasury Ministry:	Euro 533.8 million	0
. bank:	Euro 85.0 million	Euro 39.6 million

C. Securitisation transactions and asset disposal

C.1 Securitization transactions

Quantitative information

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

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired																		
b) other																		
B. With third party underlying assets																		
a) impaired																		
b) other	1,307	1,307	-	-	-	-												

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

Underlying asset type / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs	Book value	of which adjustments /write-backs
A.1 F.I.P. 26.04.25																		
Property	1,307	136	-	-	-	-												
			-	-	-	-												

C.1.4 Exposures arising from securitizations broken down by portfolio and by type

Exposure / Portfolio	Financial assets held for trading	Financial assets valued at fair value	Availabel-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	31/12/2010	31/12/2009
1. Cash loans							
- senior			1,307			**1,307**	**1,807**
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

	Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2010	31/12/2009
A. Cash assets																				
1 Debt securities		-	-	-	-	-	123,178	-	-	33,338	-	-	4,108	-	-	-	-	-	**160,976**	**46,893**
2. Equity securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
3. U.C.I.T.S		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
4. Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total 31/12/2010	**352**	**-**	**-**	**-**	**-**	**-**	**123,178**	**-**	**-**	**33,338**	**-**	**-**	**4,108**	**-**	**-**	**-**	**-**	**-**	**160,976**	**46,893**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total 31/12/2009	**4,353**	**-**	**-**	**-**	**-**	**-**	**18,225**	**-**	**-**	**-**	**-**	**-**	**24,315**	**-**	**-**	**-**	**-**	**-**	**46,893**	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**

Legend:

A = Transferred financial assets fully recognised (book value)

B = Transferred financial assets partially recognised (book value)

C = Transferred financial assets partially recognised (full value)

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

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets valued at fair value	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
1. Due to customers							
a) corresponding to fully recorded assets		-	14,959	-	4,108	-	**19,419**
b) corresponding to partially recorded assets		-	-	-	-	-	**-**
2. Due to banks							
a) corresponding to fully recorded assets		-	108,842	31,926	-	-	**140,768**
b) corresponding to partially recorded assets		-	-	-	-	-	**-**
Total 31/12/2010	**352**	**-**	**123,801**	**31,926**	**4,108**	**-**	**160,187**
Total 31/12/2009	**4,319**	**-**	**18,361**	**-**	**24,313**	**-**	**46,993**

Section 2 – Market Risks

2.1 Interest rate risk and price risk- regulatory trading portfolio

Qualitative information

A.General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin.
Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
The Bank adopted a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile, through a low portfolio duration.

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

The operational activity of the Finance Department is monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Bank carries out both hedging and trading transactions and has established stop-loss limits on high-volatility financial instruments such as derivatives and equity. The Head Office is informed, on a daily basis, of operations and amounts in portfolios, as well as informing it in the event that operating limits have been reached.
Together with the abovementioned controls, the Bank has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit, which operates completely independently with respect to operational offices.
In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
This is a parametric model of a variance-covariance type for “linear” instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.
The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates d 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 enchmark indices) is provided by the RiskSize product.
To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.
The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of “backtesting” analysis.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and price risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The results of the monitoring are in any event given daily to the Finance Department Manager and to the top Management. The overall V.a.R limits related to the “managed portfolio” 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 (repricing date) for cash assets and liabilities and financial derivatives

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	-	**8.080**	**6.564**	**2.706**	**583**	**22**	-	-
1.1 Debt securities	-	8.080	6.564	2.706	583	22	-	-
- with an option for early redemption	-	-	-	-	308	-	-	-
- other	-	8.080	6.564	2.706	275	22	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 reverse repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivates	**1.400**	**312.545**	**13.100**	**18.384**	**133.160**	**28.153**	-	-
3.1 With underlying security	-	28.504	4.916	253	3.423	2	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivates	-	28.504	4.916	253	3.423	2	-	-
+ Long positions	-	10.913	4.056	198	3.362	1	-	-
+ Short positions	-	17.591	860	55	61	1	-	-
3.2 With no underlying security	1400	284.041	8.184	18.131	129.737	28.151	-	-
- Options	-	120.225	2	16.755	108.737	28.151	-	-
+ Long positions	-	24.000	1	22	85.967	26.945	-	-
+ Short positions	-	96.225	1	16.733	22.770	1206	-	-
- Other derivates	1400	163.816	8.182	1376	21000	-	-	-
+ Long positions	700	82.071	4.071	688	10.500	-	-	-
+ Short positions	700	81745	4.111	688	10.500	-	-	-

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		*55.176*	*4.916*	*736*			-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		*55.176*	*4.916*	*736*			-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		*55.176*	*4.916*	*736*			-	-
+ Long positions		*27.548*	2.477	368			-	-
+ Short positions		27.628	2.439	368			-	-

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		6.874	1324				-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		6.874	1324				-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		6.874	1324				-	-
+ Long positions		3.441	662				-	-
+ Short positions		3.433	662				-	-

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		532					-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		532					-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		532					-	-
+ Long positions		179					-	-
+ Short positions		353					-	-

Currency of denomination: **Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		23					-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		23					-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		23					-	-
+ Long positions		11					-	-
+ Short positions		12					-	-

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		7.181		644			-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		7.181		644			-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		7.181		644			-	-
+ Long positions		3.590		322			-	-
+ Short positions		3.591		322			-	-

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets							-	-
1.1 Debt securities							-	-
- with an option for early redemption							-	-
- other							-	-
1.2 Other assets							-	-
2. Cash liabilities							-	-
2.1 reverse repos							-	-
2.2 Other liabilities							-	-
3. Financial derivates		8.325	258				-	-
3.1 With underlying security							-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates							-	-
+ Long positions							-	-
+ Short positions							-	-
3.2 With no underlying security		8.325	258				-	-
- Options							-	-
+ Long positions							-	-
+ Short positions							-	-
- Other derivates		8.325	258				-	-
+ Long positions		4.122	129				-	-
+ Short positions		4.203	129				-	-

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

Monitoring effected on the “regulatory trading portfolio” during the 2010 financial year showed a structure with limited market risk. Given the policy implemented by the Group to underestimate price risks, the “regulatory trading portfolio” is almost entirely exposed to the interest rate risk.

The VaR at 31 December 2010 is Euro 50 thousand, with a percentage of less than 0.22% of the trading portfolio and a duration of 0.47, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2010, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 110 thousand, equal to:

- ⇒ 0.50 % of trading portfolio;
- ⇒ 0.04 % of business margin;
- ⇒ 0.32 % of net income for the period;
- ⇒ 0.02 % of shareholders’ equity, net of the result for the period.

2.2 Interest rate risk and price risk – banking portfolio

Qualitative information

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

It is the responsibility of the risk management unit, which is autonomous with respect to operating areas, to measure interest rate risk. The system of the bank’s commercial activities consisting of balance sheet asset and liability maturity transformation, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach. In 2010 the simulation module was activated which will allow the monitoring and management of the interest rate risk adopting a dynamic approach.
The static analysis which is currently implemented allows the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. Decision-making is aimed at minimising the volatility of the expected interest margin and of economic value, directing the bank’s strategy so that it takes up the opportunities the market offers as the interest rate structure varies.
The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.
Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.
The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.
The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes.

B.Fair Value hedge

The Bank’s primary objective is to manage the risks associated with its operations prudently and actively, namely on the basis of a determinate risk profile that allows it to take up any opportunities deriving from risk factor variations.
To date, the Bank only takes out Fair Value type hedges in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. To date, hedged instruments relate to both assets and liabilities, and of these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.
The Bank has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the Dollar Offset Method (hedge ratio) on a cumulative basis, namely the comparison between changes in Fair Value of the hedging instrument and of the hedged instrument. All the hedges are specific.

In 2010 the Bank, with the purpose of making the fair value of the entire financial instrument more reliable and representative, applied the Fair Value Option to some types of bonds issued.

C. Cash flow hedge

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

Quantitative information

1. Banking portfolio: distribution by outstanding maturity (repricing date) of banking assets and liabilities

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption	2.164	42.164						
- other	3.103	246.916	198.040	87.121	191.516	114.708	40.492	
1.2 Financing to banks	132.781	102.385					217	
1.3 Financing to customers								
- Current account	1.140.273	506	576	2.485	23.443	1.934		
- other loans								
- with an option for early redemption	25.634	2.062.819	57.549	38.002	172.532	83.062	1.869	22
- other	395.036	665.870	15.113	15.616	98.245	4.279	1.419	4
2. Cash liabilities								
2.1 Due to customers								
- Current account	3.096.739							
- other debts								
- with an option for early redemption								
- other	79.659	16.067	3.020	18				
2.2 Due to banks								
- Current account	49.994							
- other	41.708	116.045		49.115				
2.3 Debt securities								
- with an option for early redemption	162				30.000			
- other	16.123	575.997	349.129	184.785	904.996	53.930		
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions	-	114.001	97.691	149.256	75.116	59.617		
+ Short positions	211.248	184.432	90.000	10.000				

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**18.867**	**43.706**	**218**					
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	18.837	31.348						
1.3 Financing to customers	30	12.358	218					
- Current account	5							
- other loans								
- with an option for early redemption								
- other	25	12.358	218					
2. Cash liabilities	**61.118**	**495**						
2.1 Due to customers	15.942							
- Current account	15.942							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	45.176	495						
- Current account	45.176							
- other		495						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security		552						
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security		522						
- Options								
+ Long positions								
+ Short positions								
- Other derivates		522						
+ Long positions		261						
+ Short positions		261						

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**1.606**	**1.810**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	1.109	1.666						
1.3 Financing to customers	497	144						
- Current account	497							
- other loans								
- with an option for early redemption								
- other		144						
2. Cash liabilities	**1.736**	**1.660**						
2.1 Due to customers	820							
- Current account	820							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	916	1.660						
- Current account	916							
- other		1.660						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**10.785**	**10.440**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	10.477	7.198						
1.3 Financing to customers	308	3.242						
- Current account								
- other loans								
- with an option for early redemption								
- other	308	3.242						
2. Cash liabilities	**13.289**	**6.798**						
2.1 Due to customers	430							
- Current account	430							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	12.859	6.798						
- Current account	12.858							
- other	1	6.798						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								

Currency of denomination: **Canadian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**125**							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	125							
1.3 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
2. Cash liabilities	**124**							
2.1 Due to customers	124							
- Current account	124							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks								
- Current account								
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**600**	**9.546**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	593	2.399						
1.3 Financing to customers	7	7.147						
- Current account								
- other loans								
- with an option for early redemption								
- other	7	7.147						
2. Cash liabilities	**395**	**9.802**						
2.1 Due to customers	9							
- Current account	9							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	386	9.802						
- Current account	383							
- other	3	9.802						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**4.854**							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	4.854							
1.3 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
2. Cash liabilities	**4.524**							
2.1 Due to customers	1768							
- Current account	1768							
- other debts								
- with an option for early redemption								
- other								
2.2 Due to banks	2.756							
- Current account	2.756							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivates								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivates								
+ Long positions								
+ Short positions								

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

The assessment that emerges from the overall Bank position is that of a limited risk profile for 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 in consideration of the time effect of item repricing from a static perspective and as at 31 December 2010.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2010.

	+100 bp	*-100 bp*
% on the expected margin	*3.88%*	*-13.82%*
% on the business margin	*2.23%*	*-7.94%*
% on the result for the period	*2.23%*	*-35.91%*
% on equity	*0.48%*	*-1.73%*

As regards economic value, in the 2010 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee. In fact, in the event of significant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Bank'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 as of 31 December 2010

	+100 bp	*-100 bp*
% on the economic value	*-1.35%*	*1.56%*

2.3 Exchange risk

Qualitative information

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

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

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

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

B.Exchange rate hedge

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

Quantitative information

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

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets	**62,790**	**3,414**	**10,147**	**125**	**21,226**	**4,851**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Financing to banks	50,185	2,774	2,992	125	17,675	4,851
A.4 Financing to customers	12,605	640	7,155	-	3,551	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**165**	**98**	**6**	**6**	**142**	**209**
C. Financial assets	**61,612**	**3,397**	**10,196**	**124**	**21,087**	**4,526**
C.1 Due to banks	45,670	2,577	10,187	-	20,657	2,757
C.2 Due to customers	15,942	820	9	124	430	1,769
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1,061**	**34**	**-**	**-**	**12**	**20**
E. Financial derivatives	**44**	**- 8**	**1**	**1**	**174**	**81**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other	44	- 8	1	1	174	81
+ long positions	30,393	4,103	3,912	11	179	4,250
+ short positions	30,437	4,095	3,913	12	353	4,331
Total assets	**93,348**	**7,615**	**14,065**	**142**	**21,547**	**9,310**
Total liabilities	**93,110**	**7,526**	**14,109**	**136**	**21,452**	**8,877**
Imbalance	**238**	**89**	**- 44**	**6**	**95**	**433**

2. Internal models and other methods for sensitivity analysis

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

2.4 Derivative instruments

A. Financial derivatives

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

Underlying assets / Type of derivatives	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	90,000	-	110,098	-
a) Options	35,000	-	2,098	-
b) Swap	55,000	-	108,000	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indexes	-	6,263	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	6,263	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	82,684	-	30,795	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
b) Forward	82,684	-	30,795	-
c) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying items	-	-	-	-
Total	**172,684**	**6,263**	**140,893**	**-**
Average values	**89,882**	**42**	**113,426**	**-**

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

A.2.1 Hedging instruments

Underlying assets / Type of derivatives	**Total 31/12/2010**		**Total 31/12/2009**	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	79,617	-	-	-
a) Options	-	-	-	-
b) Sw ap	79,617	-	-	-
c) Forw ard	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indexes	-	-	-	-
a) Options	-	-	-	-
b) Sw ap	-	-	-	-
c) Forw ard	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Sw ap	-	-	-	-
b) Forw ard	-	-	-	-
c) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying items	-	-	-	-
Total	**79,617**	-	-	-
Average values	**23,562**	-	-	-

A.2.2 Other derivatives

Underlying assets / Type of derivatives	Tota 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	372,682	-	544,176	-
a) Options	48,800	-	25,000	-
b) Sw ap	323,882	-	519,176	-
c) Forw ard	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indexes	-	-	-	-
a) Options	-	-	-	-
b) Sw ap	-	-	-	-
c) Forw ard	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Sw ap	-	-	-	-
b) Forw ard	-	-	-	-
c) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying items	-	-	-	-
Total	**372,682**	**-**	**544,176**	**-**
Average values	**368,534**	**-**	**526,478**	**-**

A.3 Financial derivatives: gross positive fair value – breakdown by products

Portfolio/Type of derivates	Positive fair value			
	Totale 31/12/2010		Totale 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio:	1,508	57	1,734	-
a) Options	39	-	3	-
b) Interest rate swap	685	-	1,424	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	784	57	307	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - hedging instruments	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivates	15,943	-	24,424	-
a) Options	-	-	-	-
b) Interest rate swap	15,943	-	24,424	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	17,451	57	26,158	-

A.4 Financial derivatives: gross negative fair value – breakdown by products

Portfolio/Type of derivates	Negative Fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	1,329	65	1,227	-
a) Options	-	-	3	-
b) Interest rate swap	532	-	893	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	797	65	331	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - hedging instruments	2,653	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	2,653	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivates	618	-	441	-
a) Options	-	-	-	-
b) Interest rate swap	618	-	441	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**4,600**	**65**	**1,668**	**-**

A.5 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companie	Other entities
1) Debt securities and interest rates							
- notional value	-	-	78,000	10,000	-	2,000	-
- positive fair value	-	-	274	380	-	31	-
- negative fair value	-	-	532	-	-	-	-
- future exposure	-	-	158	50	-	5	-
2)Equity securities and stock indexes							
- notional value	-	-	670	-	-	-	-
- positive fair value	-	-	39	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3)Exchange rate and gold							
- notional value	-	-	45,343	25,334	-	9,197	2,810
- positive fair value	-	-	685	8	-	77	13
- negative fair value	-	-	194	356	-	227	20
- future exposure	-	-	453	253	-	92	28
4)Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	**Governments and Central banks**	**Other public entities**	**Banks**	**Financial institutions**	**Insurance companies**	**Non-financial companies**	**Other entities**
1) Debt securities and interest rates			-	-	-	-	-
- notional value	-	-	402,599	-	-	-	-
- positive fair value	-	-	15,943	-	-	-	-
- negative fair value	-	-	1,312	-	-	-	-
- future exposure	-	-	1,175	-	-	-	-
2)Equity securities and stock indexes			-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3)Exchange rate and gold			-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4)Other values			-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which fall within offset agreements

Contracts which fall within offset agreements	Governments and central	Public entities	Banks	Financial institutions	Insurance companie	Non-financial companies	Other entities
1) Debt securities and interest rates	-	-	-	-	-	-	-
- notional value	-	-	49,700	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	1,959	-	-	-	-
2)Equity securities and stock indexes	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3)Exchange rate and gold	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4)Other values	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual maturity of over-the-counter financial derivatives: notional values

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio	116,684	52,000	4,000	172,684
A.1 Financial derivatives on debt securities and interest rates	34,000	52,000	4,000	90,000
A.2 Financial derivatives on equity securities and stock indexe:	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	82,684	-	-	82,684
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking portofolio	268,766	80,116	103,417	452,299
B.1 Financial derivatives on debt securities and interest rates	268,766	80,116	103,417	452,299
B.2 Financial derivatives on equity securities and stock indexe:	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2010	**385,450**	**132,116**	**107,417**	**624,983**
Total 31/12/2009	**349,810**	**325,258**	**10,000**	**685,068**

B. Credit derivatives

B.1 Credit derivatives: period-end and average nominal values

Categories of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on more than one subject (basket)	on a single subject	on more than one subject (basket)
1. Hedging purchases				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	-	-	-	-
TOTAL 31/12/2010	-	-	-	-
AVERAGE VALUES	-	-	-	-
TOTAL 31/12/2009	-	-	-	-
2. Hedging sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	25,000	-	-	-
TOTAL 31/12/2010	25,000	-	-	-
AVERAGE VALUES	12,603	-	-	-
TOTAL 31/12/2009	-	-	-	-

B.3 OTC credit derivatives: gross negative fair value – breakdown by products

Portfolio / Type of derivates	Negative Fair value	
	Total 31/12/2010	Total 31/12/2009
A. Regulatory trading portfolio		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swap		
d) Other	469	
B. Banking portfolio		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swap		
d) Other		
Total	469	

B.4 OTC credit derivatives: gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	Governments and Central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial institutions	Other entities
Regulatory trading							
1) Hedging purchase							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Hedging sales							
- notional value	-	-	25,000	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	469	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Banking portfolio							
1) Hedging purchase							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2) Hedging sales							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6 Residual maturity of credit derivatives: notional values

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio	-	25,000	-	25,000
A.1 Derivatives on loans with "qualified" "reference obligation"	-	-	-	-
A.2 Derivatives on loans with "non-qualified" "reference obligation"	-	25,000	-	25,000
B. Banking portfolio	-	-	-	-
A.1 Derivatives on loans with "qualified" "reference obligation"	-	-	-	-
A.2 Derivatives on loans with "non-qualified" "reference obligation"	-	-	-	-
Total 31/12/2010	-	25,000	-	25,000
Total 31/12/2009	-	-	-	-

Section 3 – Liquidity risk

Qualitative information

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

Liquidity risk is managed through the Finance Department with the aim of to meet liquidity requirements, while avoiding position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates. The activity of monitoring and periodical reporting on liquidity risks is the responsibility of the Risk Management Department, both for structural and operational liquidity, which are carried out on a monthly basis and on a daily basis, respectively.
Treasury activities consist in procurement and allocation of liquidity available through the interbank market, repos and derivatives.
The relevant scope of application of daily reports on operational liquidity refers to those items with a high volatility level and a strong impact on the monetary basis. Monitoring and compliance with operating limits are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.
The counterbalancing capacity model allows reports to be integrated with all those free assets which can be promptly used both because they can be allocated for the refinancing at the ECB and because they can be converted into cash. Together with the application of the haircuts determined by the ECB for the securities that can be allocated, adequate discount factors are also prepared (which are broken down by type of security, rating, currency) for all securities which cannot be allocated, but which are in any case considered to be negotiable as appropriately positioned in time buckets.
An additional support to the management of liquidity risks derives from monitoring the structural liquidity with the main objective of maintaining an adequate dynamic relationship between medium/long-term assets and liabilities.
Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.
Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a 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 Bank from liquidity risks.

The Risk Management Department carries out stress testing activities, with specific reference to operational liquidity, in order to assess the Bank's capacity to cope with unexpected liquidity crises in the first period, by acting on both liquidity resources to be maintained and on short-term operating limits.
Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.
In 2010 the Bank, in its capacity as the Parent Company, participated, on the invitation of the Bank of Italy, in a structured impact study (Quantitative Impact Study, QIS), which was aimed at assessing the effects of the regulatory proposals relating to capital and liquidity on banking systems. At the same time as the compilation of the QIS, the Bank estimated the impact of the new indicators introduced by the quantitative rules – calculation of the LCR (Liquidity Coverage ratio) and of the NDFR (Net Stable Funding Ratio) – in order to prepare the appropriate checks also in consideration of the adjustments necessary for adopting the new rules issued by the Bank of Italy governing prudential supervision.

Quantitative information

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

Currency of denomination: **Euro**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**1.254.378**	**53.038**	**27.548**	**164.579**	**440.380**	**231.767**	**406.412**	**1.772.149**	**1.675.575**	**74.585**
A.1 Government securities	-	-	-	-	135	16.467	110.490	222.623	190.955	-
A.2 Other debt securities	-	-	-	-	21.982	54.990	58.448	249.737	83.147	2.109
A.3 UCITS units	30.207	-	-	-	-	-	-	-	-	-
A.4 Financing	*1224.171*	*53.038*	*27.548*	*164.579*	*418.263*	*160.310*	*237.474*	*1299.789*	*1401473*	*72.476*
- banks	112.681	3.001	10.000	-	20.000	-	2.600	7.500	10.217	69.384
- customers	1.111.490	50.037	17.548	164.579	398.263	160.310	234.874	1292.289	1391.256	3.092
Cash liabilities	**3.265.917**	**119.523**	**28.278**	**161.345**	**172.027**	**231.002**	**281.480**	**1.218.544**	**75.830**	-
B.1 Deposits and current accounts	*3.230.226*	*3.001*	-	*24.491*	*12*	*20*	*25*	*10*	-	-
- Banks	87.206	3.001	-	24.478	-	-	-	-	-	-
- Customers	3.143.020	-	-	13	12	20	25	10	-	-
B.2 Debt securities	836	14.825	26.405	135.352	169.124	227.982	232.340	1.218.534	75.830	-
B.3 Other liabilities	34.855	101.697	1.873	1.502	2.891	3.000	49.115	-	-	-
"Off-balance" sheet transactions	**400.937**	**94.581**	**3.658**	**57.771**	**20.866**	**14.600**	**29.371**	**174.935**	**155.305**	**2.078**
C.1 Financial derivatives with underlying asset exchange	-	*21.656*	*3.658*	*57.515*	*19.875*	*12.677*	*3.415*	*4.073*	*2*	-
- long positions	-	2.622	3.198	28.795	11.553	8.745	2.702	3.944	1	-
- short positions	-	19.034	460	28.720	8.322	3.932	713	129	1	-
C.2 Financial derivatives without underlying asset exchange	*1.217*	-	-	*64*	*194*	*77*	*284*	*2.148*	*590*	-
- long positions	685	-	-	64	140	77	284	2.148	589	-
- short positions	532	-	-	-	54	-	-	-	1	-
C.3 Deposits and financing to be received	*92.181*	*72.925*	-	-	-	-	*19.256*	-	-	-
- long positions	-	72.925	-	-	-	-	19.256	-	-	-
- short positions	92.181	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	*306.779*	-	-	*30*	*760*	*1.763*	*5.534*	*168.702*	*154.713*	*2.078*
- long positions	139	-	-	30	760	1.763	5.534	143.702	154.713	1.039
- short positions	306.640	-	-	-	-	-	-	25.000	-	1.039
C.5 Financial guarantees granted	*760*	-	-	*162*	*37*	*83*	*882*	*12*	-	-

Currency of denomination: **US Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**18.866**	**27.407**	**2.745**	**5.769**	**7.909**	**221**				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*18.866*	*27.407*	*2.745*	*5.769*	*7.909*	*221*				
- banks	18.836	26.326	1.263	2.351	1.408					
- customers	30	1.081	1.482	3.418	6.501	221				
Cash liabilities	**61.117**		**413**	**56**	**26**					
B.1 Deposits and current accounts	*61.117*		*413*	*56*	*26*					
- Banks	45.175		413	56	26					
- Customers	15.942									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**1.675**	**1.218**	**42.381**	**10.427**	**4.916**	**736**			
C.1 Financial derivatives with underlying asset exchange		*1.153*	*1.218*	*42.381*	*10.427*	*4.916*	*736*			
- long positions		601	613	21.150	5.185	2.477	368			
- short positions		552	605	21.231	5.242	2.439	368			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received		*98*								
- long positions		49								
- short positions		49								
C.4 Irrevocable commitments to grant finance		*424*								
- long positions		212								
- short positions		212								
C.5 Financial guarantees granted										

Currency of denomination: **UK Pound Sterling**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**1.628**			**103**	**1.709**					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*1628*			*103*	*1709*					
- banks	1109			6	1660					
- customers	519			97	49					
Cash liabilities	**1.737**			**6**	**1.654**					
B.1 Deposits and current accounts	*1737*			*6*	1654					
- Banks	917			6	1654					
- Customers	820									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**864**		**5.430**	**580**	**1.324**				
C.1 Financial derivatives with underlying asset exchange		*864*		*5.430*	*580*	*1324*				
- long positions		436		2.715	290	662				
- short positions		428		2.715	290	662				
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Swiss Franc**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**10.785**	**4.584**	**366**	**4.173**	**1.353**					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*10.785*	*4.584*	*366*	*4.173*	*1.353*					
- banks	10.477	3.999		3.199						
- customers	308	585	366	974	1.353					
Cash liabilities	**14.289**			**6.798**						
B.1 Deposits and current accounts	*14.289*			*6.798*						
- Banks	13.859			6.798						
- Customers	430									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**532**								
C.1 Financial derivatives with underlying asset exchange		*532*								
- long positions		179								
- short positions		353								
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Canadian Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**125**									
A.1Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*125*									
- banks	125									
- customers										
Cash liabilities	**124**									
B.1Deposits and current accounts	*124*									
- Banks										
- Customers	124									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**23**								
C.1Financial derivatives with underlying asset exchange		*23*								
- long positions		11								
- short positions		12								
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Japanese Yen**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**600**			**6.126**	**3.474**					
A.1Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*600*			*6.126*	*3.474*					
- banks	593			2.370	29					
- customers	7			3.756	3.445					
Cash liabilities	**394**			**6.581**	**3.221**					
B.1Deposits and current accounts	*394*			*6.581*	3.221					
- Banks	385			6.581	3.221					
- Customers	9									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**109**	**302**	**1.614**	**5.154**		**644**			
C.1Financial derivatives with underlying asset exchange		*109*	*302*	*1.614*	*5.154*		*644*			
- long positions		54	151	807	2.577		322			
- short positions		55	151	807	2.577		322			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Other currencies**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	**4.862**									
A.1Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*4.862*									
- banks	4.862									
- customers										
Cash liabilities	**4.524**									
B.1Deposits and current accounts	*4.524*									
- Banks	2.756									
- Customers	1768									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		**399**		**7.442**	**484**		**258**			
C.1Financial derivatives with underlying asset exchange		*399*		*7.442*	*484*		*258*			
- long positions		159		3.721	242		129			
- short positions		240		3.721	242		129			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Section 4 – Operating risk

Qualitative information

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

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation (Bank of Italy – circular no. 263 of 27 December 2006). This type includes, inter alia, losses arising from frauds, human errors, discontinuance of operations, unavailability of the systems, contract defaults, natural disasters.
Banco Desio Brianza uses the definition of operational risk given by the Parent Company within the relevant methodological framework which adopts the definition given by the Bank of Italy in its circular letter no. 263 of 27/12/2006.

In 2007, Banco Desio implemented an appropriate procedure for the structured gathering of adverse events which might generate operating losses.

A reporting system for detrimental events recorded in the Corporate Operating Losses Database (DBPOA) was implemented that has the capacity to provide top management at set intervals with all the information (overall and detailed) available regarding such events: the number of events, the amounts of gross losses and of losses net of any recoveries by business line concerned.

The Bank is, as a Banking Group, a member of the Italian Banking Association's DIPO Observatory.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 "Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality", the Bank adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies.
The organisational model under review is updated also following the changes that have occurred in the regulatory framework of reference.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Bank's operational continuity. Measures were carried out aimed at the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Bank operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.

The various corporate functions guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Bank at the end of the financial year consist in disputes regarding financial instruments trading.

The lawsuits pending for Banco Desio Brianza have a value of Euro 86,193 thousand. These risks are appropriately assessed and hedged by prudential allocations to provisions of Euro 9,315 thousand. The most important lawsuits make up 96.95% of the whole, mostly attributable to objections relating to the default on the part of bond issuers and objections for anatocism and bankruptcy claw-back actions.

Quantitative information

The number of adverse events detected, and recognized in the accounts, by Banco Desio Brianza in 2010 totalled 480 events. The result of the process for the gathering of adverse events is summarised in the table below (expressed in thousands of Euros):

Type of event	No. of Events	% of Events	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	1	0.21%	289.30	14.97%	289.30	16.65%	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	261	0.21%	336.23	17.40%	141.87	8.16%	194.36	57.80%
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.	7	1.46%	14.33	0.74%	14.33	0.82%	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).	18	3.75%	668.98	34.62%	668.98	38.49%	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.	5	1.04%	32.37	1.67%	32.37	1.86%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	1	0.21%	1.65	0.09%	1.65	0.09%	0.00	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	187	38.96%	589.49	30.51%	589.49	33.92%	0.00	0.00%
Banco di Desio e della Brianza: TOTAL	480	100.00%	1,932	100.00%	1,738	100.00%	194	10.06%

Gross operating loss amounts to Euro 1,932 thousand, in relation to which prudential provisions of Euro 1,479.2 thousand were set aside during the year. The gross losses paid out were recovered for Euro 194 thousand, thus reporting a net loss of Euro 1,738 thousand.

Part F – INFORMATION ON EQUITY

Section 1 – The Bank's shareholders' equity

Quantitative information

The Board of Directors has always paid most attention to the shareholders' equity of the bank, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.
In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the bank's stability.
The concept of accounting capital used by the Bank is given by the algebraic sum of the following liability items in the Balance Sheet: Share capital, Valuation reserves, Reserves, Share premiums and Profit for the Period.
The policy of the Board of Directors is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the bank, and to optimise returns for the shareholders, keeping to a prudent risk profile. As far as this is concerned, it should be remembered that the main component of the compulsory minimum capital requirements relates to the credit risk against a loan portfolio spread on its core market which is made up of local enterprises and families.

Quantitative information

B.1 The Bank's shareholders' equity: breakdown

Captions/values	31/12/2010	31/12/2009
1. Shareholders' equity	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	607,276	563,162
- retained earnings		
a) legal	70,109	64,303
b) statutory	405,585	367,277
c) treasury shares	-	-
d) other	23,571	23,571
- other	108,011	108,011
4. Equity instruments	-	-
5. Treasury shares	-	-
6. Revaluation reserves		
- Available-for-sale financial assets	- 8,795	3,448
- tangible assets		
- intangible assets	-	-
- foreign investment hedge	-	-
- exchange rate differences	-	-
- non-current assets held for sale and discontinued operations	-	-
- actuarial profits (losses) relating to	-	-
defined benefit plans	39	- 157
- shares of valuation reserves relating to	-	-
investee companies carried at equity	22,896	22,896
- special revaluation laws	49,094	58,063
7. Profit (loss) for the period		
Total	**754,360**	**731,262**

B.2 Valuation reserves of financial assets available for sale: breakdown

Assets / Amounts	Total 31/12/2010		Total 31/12/2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	268	- 9,353	3,171	- 2,321
2. Equity securities	159	- 23	3,150	-
3. UCITS Units	170	- 16	945	- 1,497
4. Financing	-	-	-	-
Total	**597**	**- 9,392**	**7,266**	**- 3,818**

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**850**	**3,150**	**- 552**	**-**
2. Increases	**778**	**-**	**2,165**	**-**
2.1 Fair value increases	148	-	61	-
2.2 Reversal of negative reserves to the income statement	358	-	2,104	-
- from deterioration	-	-	-	-
- from disposal	358	-	2,104	-
2.3 Other increases	272	-	-	-
3. Decreases	**10,713**	**3,014**	**1,459**	**-**
3.1 Fair value decreases	7,604	3,014	16	-
3.2 Adjustments from deterioration	-	-	-	-
3.3 Reversal of positive reserves	2,719	-	1,134	-
3.4 to the income statement: from disposa	390	-	309	-
Other decreases	**- 9,085**	**136**	**154**	**-**

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A.Qualitative information

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

As of 31 December 2010, the bank's regulatory capital is made up as follows:

Description	Amount
Primary capital	706,950
Supplementary capital	94,485
Deductions	13,497
Regulatory capital	787,939

1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative capital instruments are the most significant elements of the capital. From these positive elements, any negative elements are deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.
Tier 1 capital accounts for about 90 % of the Regulatory Capital.

2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.

Tier 2 capital accounts for about 12% of the Regulatory Capital. The elements to be deducted account for about 2%.

3. Tier 3 capital

This 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 risks.

B. Quantitative information

	31/12/2010	31/12/2009
A. Tier 1 capital before the application of prudential filters	723,458	688,411
B. Prudential filters for Tier 1 capital:	- 11,352	- 2,626
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	11,352	2,626
C. Tier 1 gross of deductions (A+B)	712,106	685,785
D. Deductions from Tier 1 capital	5,156	4,830
E. Total primary capital (TIER1) (C-D)	706,950	680,955
F. Tier 2 capital before the application of prudential filters	99,786	112,344
G. Prudential filters for Tier 2 capital:	- 145	- 1,724
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	145	1,724
H. Tier 2 gross of deductions (F+G)	99,641	110,620
I. Deductions from Tier 2 capital	5,156	4,830
L. Total supplementary capital (TIER2) (H-J)	94,485	105,790
M. Deductions from Tier 1 and Tier 2 capital	13,497	13,497
N. Regulatory capital (E + L - M)	787,939	773,247
O. Tier 3 capital	-	-
P. Regulatory Capital including TIER3 (N + O)	787,939	773,247

2.2 Capital adequacy

A.Qualitative information

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

- Tier 1 capital / risk-weighted assets [1] 20.03 %
- Regulatory capital / risk-weighted assets [1] 22.33 %

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

B.Quantitative information

Prudential ratios

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**6,968,560**	**7,435,790**	**4,212,881**	**4,470,091**
1. STANDARD METHODOLOGY	6,967,253	7,435,790	4,212,619	4,470,091
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS	1,307		261	
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**337,030**	**357,607**
B.2 MARKET RISK			**242**	**234**
1. STANDARD METHODOLOGY			242	234
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			**39,196**	**39,288**
1. BASE METHODOLOGY			39,196	39,288
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
B.4 OTHER CAPITAL REQUIREMENTS				
B.5 OTHER CALCULATION ELEMENTS			(94,117)	(99,265)
B.6 TOTAL CAPITAL REQUIREMENTS			**282,351**	**297,865**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			**3,529,389**	**3,723,308**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			20.03%	18.29%
C.3 Regulatory capital including TIER 3 / Risk-weighted assets (Total capital ratio)			22.33%	20.77%

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

PART H - TRANSACTIONS WITH RELATED PARTIES

1 - INFORMATION ON REMUNERATION PAID TO DIRECTORS AND MANAGERS

Remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities.

Name and surname	Office	Duration office	Emoluments for office in the company drawing up financial statements	Non monetary benefits	Bonuses and other incentives	Other fees
BANCO di DESIO e DELLA BRIANZA						
Directors						
Agostino Gavazzi	Chairman	2008-2010	692,900			
Guido Pozzoli	Deputy Chairman	2008-2010	274,450			
Stefano Lado	Deputy Chairman	2008-2010	274,450			
Nereo Dacci	Managing Director	2008-2010	640,008	3,565	733,000	
Egidio Gavazzi	Director	2008-2010	84,187			
Luigi Gavazzi	Director	2008-2010	173,250			
Paolo Gavazzi	Director	2008-2010	124,000			
Luigi Guatri	Director	2008-2010	142,169			
Francesco Maria Cesarini	Director	2008-2010	143,969			
Gerolamo Pellicanò	Director	2008-2010	86,063			
Pier Antonio Cutellè	Director	2008-2010	86,063			
Auditors						
Eugenio Mascheroni	Chairman	2008-2010	104,490			
Marco Piazza	Statutory Auditor	2008-2010	69,430			
Rodolfo Anghileri	Statutory Auditor	2008-2010	73,220			
General Manager						
Alberto Mocchi	General Manager	until 23/09/2010		2,427		389,597
Claudio Broggi	General Manager	from 21/10/2010			63,000	78,704
Managers with strategic responsibilities					167,000	406,128
BANCO DESIO TOSCANA						
Directors						
Guido Pozzoli	Chairman	2008-2010				50,000
Nereo Dacci	Deputy Chairman	2008-2010				25,000
Stefano Lado	Director	2008-2010				5,000
Managers with strategic responsibilities in the Parent Company	Director	2008-2010				5,000
Auditors						
Eugenio Mascheroni	Chairman	2009-2011				18,000
BANCO DESIO VENETO						
Directors						
Stefano Lado	Chairman	2009-2011				50,000
Nereo Dacci	Deputy Chairman	2009-2011				25,000
Alberto Mocchi	Director	fino al 14/02/2011				10,000
Auditors						
Eugenio Mascheroni	Chairman	2009-2011				19,000
Marco Piazza	Auditor	2009-2011				13,000
BRIANFID - LUX - S.A.						
Directors						
Stefano Lado	Chairman	2010-2012				50,000
Nereo Dacci	Deputy Chairman	2010-2012				25,000
Claudio Broggi	Director	2010-2012				10,000

Name and surname	Office	Duration office	Emoluments for office in the company drawing up financial statements	Non monetary benefits	Bonuses and other incentives	Other fees
CPC - LUGANO						
Directors						
Agostino Gavazzi	Chairman	fino al 01/12/2013				57,876
Nereo Dacci	Deputy Chairman acting as a substitute	fino al 01/12/2013				28,938
BANCO DESIO LAZIO						
Directors						
Stefano Lado	Chairman	2008-2010				100,000
Nereo Dacci	Deputy Chairman	2008-2010				50,000
Guido Pozzoli	Director	2008-2010				20,000
Alberto Mocchi	Director	fino al 14/02/2011				20,000
Auditors						
Eugenio Mascheroni	Chairman	2008-2010				19,000
CHIARA ASSICURAZIONI						
Stefano Lado	Chairman	2009-2011				20,000
Nereo Dacci	Deputy Chairman	2009-2011				15,000
Alberto Mocchi	Director	fino al 14/02/2011				5,000
FIDES						
Alberto Mocchi	Deputy Chairman	fino al 14/02/2011				10,000
Stefano Lado	Director	2010-2012				5,000
Auditors						
Eugenio Mascheroni	Chairman	2010-2012				13,939
Rodolfo Anghileri	Statutory Auditor	2010-2012				10,053

N.B.: fees received as members of committees have been defined by the Board of Directors only effective from 15/11/2010. With reference to the recommendations given by Consob Notice no. DEM/11012984 of 24/02/2011, reference is made to the annual report on corporate governance for more details, which has been drawn up pursuant to article 123-bis of the Consolidated Act on Finance and published at the same time.

As regards remuneration plans based on financial instruments issued – in this case – by subsidiaries, reference is made to “Part I” of these notes.

2 - INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Internal Procedure adopted pursuant to Consob Regulation no. 17221/2010 for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) is outlined in the Annual Report on Corporate Governance and mentioned in the Report on Operations, which contains a summary of the intra-group accounts outstanding and of those with associates. The Procedure itself is published, in compliance with the abovementioned Regulation, on the website www.bancodesio.it – section “Banco Desio / Corporate Governance / Transactions with Related Parties”.
Pursuant to the Regulation itself and of article 154-*ter* of the Consolidated Act on Finance referred to by the same, the Report on Operations must provide information on:
a) the individual “most significant” transactions entered into in the reporting period, these being the transactions which exceed, also on a cumulative basis, the thresholds envisaged in Annex 3 to the abovementioned Regulation[1];
b) any other individual transactions (if any) with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, entered in the relevant period, which have significantly affected the financial position or results of Banco Desio;
c) any change in or development of transactions with related parties described in the last annual report which have had a significant effect on the financial position or results of Banco Desio in the reporting period.

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

As indicated in the Report itself, in 2010 – as in the previous year – no transactions were entered into which were such as to present the characteristics referred to in letters a), b) and c) above.

As already mentioned in the financial statements' disclosures referred to previous financial years, Banco Desio already applied appropriate internal procedures, which were aimed at ensuring transparency and material and formal correctness of transactions with related parties, in accordance with article 2391-bis of the Italian Civil Code, and as a result of the adoption of the Self-Regulatory Code of Listed Companies, before the adoption, effective from 1 December 2010, of the Internal Procedure referred to in the abovementioned Regulation.

In general, 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 advantageous ad correct conditions, that are valued in compliance with the procedures above, in any case taking account of the company's interest in performing the transactions.
In this context, as of 31 December 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, Subsidiaries, Associates, 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.

In this context, also note – according to a single management approach of potential conflicts of interest – those transactions which are effected pursuant to article 136 of the Consolidated Banking Law and which, in any case, do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, in short, of article 2391-bis of the Italian Civil Code by virtue of which this Regulation has been issued (mainly with reference to the following subjects: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies with which the representatives of the Group hold offices of director/statutory auditor in the absence of significant interests).

I - Parent Company

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled Euro 2.2 million. The company has no debt exposure.
During the 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 amounts to Euro 223.7 million.

II - Subsidiaries

Following is the list of transactions with subsidiaries as approved by the Board during the financial year.:

Transaction type	Amounts/economic conditions (Euro)	Counterparty
Credit line for ordinary current account overdraft	Increase up to 70,000,000	Fides SpA
Financing current account	Formalization of the limit for the use of the credit 150,000,000	Banco Desio Veneto SpA
Credit line for commercial transactions	100,000,000	Banco Desio Veneto SpA
Conditions of rates applied on current accounts	Change from 0.50% to 1.00%	Chiara Assicurazioni SpA
Shareholding plan	See Part I of the Notes to the Financial Statements	Chiara Assicurazioni SpA
Renewal of the adoption of the Tax consolidation mechanism	rebate to an extent of 10% of tax benefits	Banco Desio Lazio SpA Banco Desio Toscana SpA Banco Desio Veneto SpA Chiara Assicurazioni SpA

Transaction type	Amounts/economic conditions (Euro)	Counterparty
Financing current account	50,000,000	Banco Desio Lazio SpA
Financing current account	50,000,000	Banco Desio Toscana SpA
Credit line for ordinary current account overdraft	Increase up to 100,000,000	Fides SpA
Surty in favour of INPS	72,752.85	Banco Desio Lazio SpA
Credit line for ordinary current account overdraft	Increase up to 130,000,000	Fides SpA
Non-interest bearing payment on account of capital (non-reimbursable)	15,000,000	Banco Desio Veneto SpA
Integrated Treasury (*)	Review of conditions	Banco Desio Lazio SpA Fides SpA Banco Desio Toscana SpA Banco Desio Veneto SpA Chiara Assicurazioni SpA Brianfid_LUX Sa Credito Privato Commerciale Sa
Placement of Chiara Vita products (*)	Special fee cumulated budget stock	Banco Desio Lazio SpA
Placement of Chiara Vita products (*)	Special fee cumulated budget stock	Banco Desio Toscana SpA
Placement of Chiara Vita products (*)	Special fee cumulated budget stock	Banco Desio Veneto SpA
Review of the Master Agreement for the supply of technical-administrative services(*)	Annual fee in favour of the Parent Company 543,000	Banco Desio Lazio SpA
Review of the Master Agreement for the supply of technical-administrative services(*)	Annual fee in favour of the Parent Company 418,000	Banco Desio Toscana SpA
Review of the Master Agreement for the supply of technical-administrative services(*)	Annual fee in favour of the Parent Company 417,000	Banco Desio Veneto SpA
Review of the Master Agreement for the supply of operational services(*)	Annual fee in favour of the Parent Company 66,000	Fides SpA
Renewal of the credit line for current account overdraft in favour of Fides (*)	5,000,000	Fides through Banco Desio Veneto SpA
Surety for Fides lease agreement (*)	258,600	Fides through Banco Desio Lazio SpA

(*) resolutions adopted in the application of the provisions governing the procedure to resolve transactions with related parties as defined by the relevant Internal Procedure adopted pursuant to Consob Regulation no. 17221/2010.

The amount of assets/liabilities, as well as guarantees/commitments and revenues/charges, resulting from relations with the aforesaid companies, is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Subsidiaries”.

III – Associated companies

At the end of the year there were two associated companies:

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

- Istifid S.p.A., in which during the year an additional investment was made, thus reaching a stake of 28.961% (relative majority).

Within the framework of the agreements entered into with the Helvetia Group, the following agreements are still in place with Chiara Vita Spa: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

The contractual relations maintained 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.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid companies is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Companies subject to significant influence”.

IV - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved by the Board in 2010 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 (i.e. directors, statutory auditors and managers with strategic responsibilities within the Bank and the companies under control) concerned stated that they had interests of various kinds by virtue of 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 in the 40 positions existing as at 31 December 2010 is equal to about Euro 43.4 million and the relative uses totalled about Euro 32.4 million. The figures above do not include outstanding transactions with the associate and investee companies mentioned in point III above (officially treated pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

As regards deposit relations held directly with the Representatives, it is also worth noting that the total debit balances towards customers as at 31 December 2010 amount to Euro 13.4 million (inclusive of Euro 5.5 million, in securities accounts). The relations with persons connected to the Representatives pursuant to Article 136 of the Consolidated Banking Act show debit balances towards customers for an aggregate of Euro 70 million (Euro 46.1 million of which in securities accounts).

In any case, it should be noted that the position of those who are Representatives of only the subsidiaries of Banco Desio, entails a scope of activity which is limited to the respective companies, such as to exclude their classification as Managers with strategic responsibilities of Banco Desio pursuant to IAS 24 and/or Consob Regulation no. 17221/2010.

The table below reports the breakdown relating to the aforesaid credit line and collection relationships:

(balances at 31.12.2010 - Euro units)	Subjects “art. 136 of Consolidated Banking Act” which fall within the scope of related parties “article 2391-bis of the Italian Civil Code” (e.g.: Representatives of “Banco Desio” or of “Brianza Unione”; their close relatives; related companies in a control/connection relationship)	Subjects “art. 136 of Consolidated Banking Act” which do not fall within the scope of related parties “article 2391-bis of the Italian Civil Code” (e.g.: Representatives of subsidiaries of “Banco Desio”; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor in absence of significant interests)	TOTAL
Credit line transactions:			
Amount granted	4,853,000	38,576,000	43,429,000
Amount used	2,792,000	29,650,000	32,442,000
Borrowing transactions:			
Current account and savings deposit amount	82,251,374	72,684,121	154,935,495
Amount of securities account	314,692,797	25,550,672	340,243,469

* * *

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 1, it is noted that the total percentage value of the above balances in terms of the Group’s equity, financial and economic situation remains substantially negligible.

PART I – PAYMENT AGREEMENTS BASED ON THE BANK'S EQUITY INSTRUMENTS

For qualitative and quantitative information on this issue, please see Part I of the Notes to the financial statements referred to the Banco Desio Group.

In accordance with the provisions issued by Consob, following is a table which summarises the stock option grants with specific regard to the Directors and the General Manager of the Parent Company and, in aggregate, to the managers with strategic responsibilities in the Parent Company.

Stock options assigned to the Directors and to the General Manager

Beneficiaries and object of the options				Options held at the beginning of the financial year			Options granted during the financial year			Options exercised during the financial year			Options expired in the financial year	Options held at the end of the financial year		
Name and Surname	Office held within the Bank	Companies whose shares		Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Number of Options	Average exercise price (€)	Average maturity of the options
		Company	Office held													
Nereo Dacci	Managing Director	Fides		43,923 (1)	7.64 (2)	2011 (3)	17,849 (1)	7.64 (2)	2011 (3)					61,772 (1)	7.64 (2)	2011 (3)
		Banco Desio Veneto	Vice Chairman	797,727 (4)	1.09 (5)	2011 (6)								797,727 (4)	1.09 (5)	2011 (6)
		Chiara Assicuraz.	Vice Chairman	276,000 (7)	1.33 (8)	2010/2011 (9)								276,000 (7)	1.33 (8)	2010/2011 (9)
Claudio Broggi	General Manager	Fides		21,961 (1)	7.64 (2)	2011 (3)	8,923 (1)	7.64 (2)	2011 (3)					30,884 (1)	7.64 (2)	2011 (3)
		Banco Desio Veneto		265,909 (4)	1.09 (5)	2011 (6)								265,909 (4)	1.09 (5)	2011 (6)
		Chiara Assicuraz.		35,000 (7)	1.33 (8)	2010/2011 (9)				35,000	1.33	2010/2011				

(1) Ordinary shares of the subsidiary Fides S.p.A. with a nominal value of € 1.00 each (increase during the financial year due to additional assignment caused by "share dilution" due to capital increase)
(2) Price determined based on the normal value of the share upon assignment
(3) Options that may be exercised during October 2011
(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of € 1.00 each
(5) Price determined based on the normal value of the share upon assignment
(6) The option can be exercised between 20 March 2011 and 20 May2011
(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of € 1.00 each
(8) Price determined based on the normal value of the share upon assignment
(9) the option can be exercised between 20 March 2011 and 20 May 2011

Stock options assigned to Directors with strategic responsibilities

Object of the options	Options held at the beginning of the financial year			Options granted during the financial year			Options exercised during the financial year			Options expired in the financial year	Options held at the end of the financial year		
Companies whose shares are the subject of the granted options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Number of Options held	Average exercise price (€)	Average maturity of the options
Fides	21,961 (1)	7.64 (2)	2011 (3)	8,923 (1)	7.64 (2)	(3)					30,884 (1)	7.64 (2)	2011 (3)
Banco Desio Veneto	212,727 (4)	1.09 (5)	2011 (6)								212,727 (4)	1.00 (5)	2011 (6)
Chiara Assicurazioni	25,000 (7)	1.33 (8)	2010/2011 (9)				25,000	1.33	2010/2011				

(1) Ordinary shares of the subsidiary Fides S.p.A. with a nominal value of € 1.00 each (increase during the financial year due to additional assignment caused by "share dilution" due to capital increase)
(2) Price determined based on the normal value of the share upon assignment
(3) Options thta may be exercised during October 2011
(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of € 1.00 each
(5) Price determined based on the normal value of the share upon assignment
(6) The option can be exercised between 20 March 2011 and 20 May 2011
(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of € 1.00 each
(8) Price determined based on the normal value of the share upon assignment
(9) The option can be exercised between 20 March 2011 and 20 May 2011

PART L – SEGMENT REPORTING

This disclosure makes reference to the organisational and executive structure of the bank, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Bank operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, the segment reporting takes account of the fact that the operating structure of the bank does not present segment networks and/or divisions.

This section reports the results of the segments described below:

- *commercial bank*: bringing together the activities directed towards retail and corporate customers concerning the traditional credit brokerage activity. Included in this operating segment are products and services related to: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; and debit and credit cards;
- *investment banking*: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- *corporate center*: reports the results of the bank's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the operations and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in relation to the centralized functions at the bank supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.).

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

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

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

SEGMENT INFORMATION BY OPERATING SEGMENTS

Income statement data	31/12/2010	Merchant bank	Investment banking	Asset mng	Corporate center
Business margin (1)	271,656	237,239	16,333	0	18,084
Structure costs (2)	-180,398	-145,519	-1,848	0	-33,031
Provisions and adjustments (3)	-19,327	-34,897	0	0	15,570
Profits/(Losses) on equity investments carried at equity	493	0	0	0	493
Profits/(Losses) on the disposal of investments	0	0	0	0	0
Profits/(Losses) before taxes on continuing operations	**72,424**	**56,823**	**14,485**	**0**	**1,116**

(1) income statement, including other operating income/expenses

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

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

Balance sheet data	31/12/2010	Merchant bank	Investment banking	Asset mng	Corporate center
Financial assets	916,499	0	916,499	0	0
Equity investments	193,447	0	0	0	193,447
Amounts due from banks	399,445	0	399,445	0	0
Amounts due from customers	4,885,870	4,885,870	0	0	0
Amounts due to banks	338,710	0	338,710	0	0
Amounts due to customers	3,236,374	3,236,374	0	0	0
Securities issued and financial liabilities at fair value through profit or loss	2,114,266	2,114,266	0	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**9,605,685**	**9,605,685**	**0**	**0**	**0**

Income statement data	31/12/2009	Merchant bank	Investment banking	Asset mng	Corporate center
Business margin (1)	279,602	241,213	4,393	0	33,996
Structure costs (2)	-176,063	-147,606	-2,165	0	-26,292
Provisions and adjustments (3)	-54,767	-52,495	0	0	-2,272
Profits/(Losses) on equity investments carried at equity	29,886	0	0	0	29,886
Profits/(Losses) on the disposal of investments	0	0	0	0	0
Profits/(Losses) before taxes on continuing operations	**78,658**	**41,112**	**2,228**	**0**	**35,318**

(1) income statement, including other operating income/expenses

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

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

Balance sheet data	31/12/2009	Merchant bank	Investment banking	Asset mng	Corporate center
Financial assets	839,119	0	839,119	0	0
Equity investments	177,795	0	0	0	177,795
Amounts due from banks	920,613	0	920,613	0	0
Amounts due from customers	4,686,128	4,686,128	0	0	0
Amounts due to banks	257,628	0	257,628	0	0
Amounts due to customers	3,675,226	3,675,226	0	0	0
Securities issued and financial liabilities at fair value through profit or loss	2,022,406	2,022,406	0	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**9,094,053**	**9,094,053**	**0**	**0**	**0**

CERTIFICATION OF THE FINANCIAL STATEMENTS

PURSUANT TO ART. 154-*BIS* OF LEGISLATIVE DECREE 58/1998

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

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

   of the administrative and accounting procedures employed to draw up the financial statements for the 2010 financial year.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the financial statements as at 31 December 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 Financial Statements:

   a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, the applicable provisions under the Italian Civil Code, Legislative decree no. 38 of 28 February 2005 and the administrative provisions issued by the Bank of Italy;
   b. correspond to the results of the books and accounts;
   c. give a true and fair representation of the equity, economic and financial position of the issuer.

   3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer, together with the description of the main risks and uncertainties to which it is exposed.

Desio, 22 March 2011

Managing Director

Nereo Dacci

Manager responsible for preparing the Company's financial reports

Piercamillo Secchi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 DATED 27 JANUARY 2010

To the shareholders of
Banco di Desio e della Brianza SpA

1 We have audited the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2010, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 April 2010.

3 In our opinion, the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza SpA for the period then ended.

4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

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issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report of the Corporate Governance Shareholding Structure, are consistent with the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2010.

Milan, 6 April 2011

PricewaterhouseCoopers SpA

Signed by
Lia Lucilla Turri
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.

Consolidated Report on Operations *2010*

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

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

General Management

General Director	Claudio Broggi
Vice General Director	Marco Sala

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

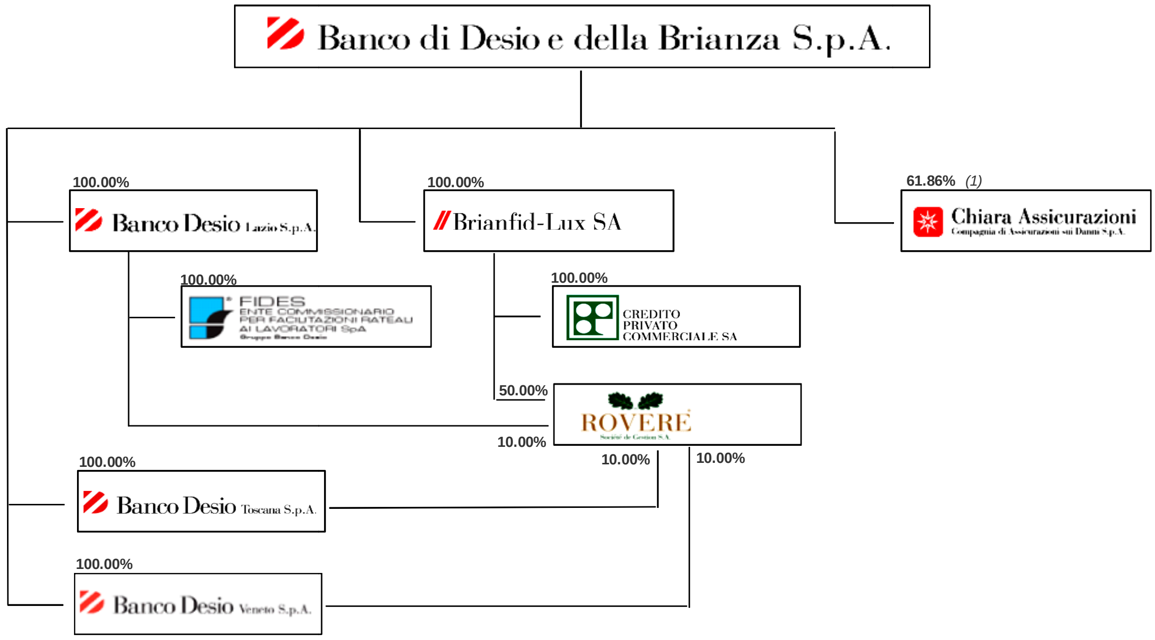
Nominated Official in charge of drawing up Company Accounts	Piercamillo Secchi

PREAMBLE

The data and indexes reported in this *Report on operations* make reference, if applicable, to the Balance Sheet of the Financial Statements layouts, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

THE BANCO DESIO GROUP

As at 31 December 2010 this consolidated report on operations relates to the following corporate structure of the Banco Desio Group:



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

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

in thousand of Euros	31.12.2010	31.12.2009	Change Amount	%
Total assets	8,163,010	8,308,780	-145,770	-1.8%
Financial assets	999,053	943,580	55,473	5.9%
Amounts due from banks	302,852	792,983	-490,131	-61.8%
Amounts due from customers	6,476,720	6,160,151	316,569	5.1%
Tangible assests	150,821	148,210	2,611	1.8%
Intangible assets	47,592	45,377	2,215	4.9%
Amounts due to banks	171,918	36,658	135,260	369.0%
Amounts due to customers	4,459,599	4,868,276	-408,677	-8.4%
Securities issued and financial liabilities at fair value through profit or loss	2,448,734	2,365,722	83,012	3.5%
Shareholders'equity (including net profit for the period) [(1)]	783,022	757,372	25,650	3.4%
Indirect deposits [(2)]	11,605,011	11,093,014	511,997	4.6%

INCOME STATEMENT DATA [(3)]

in thousands of Euros	31.12.2010	31.12.2009	Change Amount	%
Operating income	340,992	343,966	-2,974	-0.9%
of which Net Interest income	*184,314*	*192,722*	*-8,408*	*-4.4%*
Operating costs	233,248	226,475	6,773	3.0%
Operating margin	107,744	117,491	-9,747	-8.3%
Operating profit net of taxes	38,221	29,063	9,158	31.5%
Non-recurring profit after taxes	15,239	24,619	-9,380	-38.1%
Net profit/(loss) for the period [(1)]	52,611	53,532	-921	-1.7%

[(1)] *pertaining to the Parent Company;*
[(2)] *net of assets involved in the custodian bank service by the Parent Company (equal to about €7.1billion in 2009) discontinued during the year;*
[(3)] *from reclassified Income Statement*

FINANCIAL RATIOS

	31.12.2010	31.12.2009	Change Amount
Shareholders' equity / Total assets	9.6%	9.1%	0.5%
Shareholders' equity / Amounts due from customers	12.1%	12.3%	-0.2%
Shareholders' equity / Amounts due to customers	17.6%	15.6%	2.0%
Shareholders' equity / Securities issued	32.0%	32.0%	0.0%
(Tier 1 and Core Tier 1) Equity ratio	11.0%	10.4%	0.6%
(Tier 2) Solvency ratio	12.4%	11.8%	0.6%
Financial assets / Total assets	12.2%	11.4%	0.8%
Amounts due from banks / Total assets	3.7%	9.5%	-5.8%
Amounts due from customers / Total assets	79.3%	74.1%	5.2%
Amounts due from customers / Direct deposits from customers	93.8%	85.2%	8.6%
Amounts due to banks / Total assets	2.1%	0.4%	1.7%
Amounts due to customers / Total assets	54.6%	58.6%	-4.0%
Securities issued / Total assets	30.0%	28.5%	1.5%
Direct deposits from customers and Financial liabilities at fair value through profit or loss / Total assets	84.6%	87.1%	-2.5%
Operating costs / Operating income (Cost/Income ratio)	68.4%	65.8%	2.6%
Net interest income / Operating income	54.1%	56.0%	-1.9%
Operating margin / Operating income	31.6%	34.2%	-2.6%
Operating profit net of taxes / Shareholders' equity	5.1%	4.0%	1.1%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	7.2%	7.6%	-0.4%

STRUCTURE AND PRODUCTIVITY DATA

	31.12.2010	31.12.2009	Change Amount	%
Number of employees	1,846	1,808	38	2.1%
Number of bank branches	175	169	6	3.6%
in thousands of Euros				
Amounts due from customers by employee [4]	3,545	3,440	105	3.1%
Direct deposits from ordinary customer by employee [4]	3,781	4,039	-258	-6.4%
Operating income by employee [4]	187	192	-5	-2.6%

[4] *on the basis of the number of employees determined as arithmetic mean*

2 - THE BASELINE SCENARIO

2.1 - THE MACROECONOMIC FRAMEWORK

In 2010, the main economies gradually consolidated their recovery, following the previous fall in the 2008-2009 two-year period. The end of 2008 and the first months of 2009 will be remembered as the period in which the most profound recession in recent decades was recorded and in which the largest fall in GDP was experienced. According to the most recent International Monetary Fund (IMF) estimates, world economic growth in 2010 should be 4.6% (-0,6% in 2009).

During 2010 the main players involved in the worldwide economic recovery were the Emerging Countries (China, Russia, Brazil, India), while the economies of the Mature Countries (United States, Japan and Europe), despite recoveries in productivity on an annual basis, showed signs of slowdown, on a quarterly basis, starting from the second half of the year. In addition to these phenomena, clear criticalities persisted: turbulence in the European debt, the difficulties of the labour market, imbalances in exchange rates, the possibility of speculative bubbles because of the great liquidity and, above all, uncertainty in the taxation regimes of the United States and Japan which represents a much more obscure development for medium/long-term prospects of the global economy with respect to the crisis of some minor Member State of the Euro zone.

Nonetheless, the worldwide economic expansion appears to be robust and destined to also continue in 2011: the growth in production, the increase in investments, the absence of peaks in the stock policy and the increase in prices of raw materials are valid indicators of this trend. Only foreign trade appears to be destined to slow after the strong rise at the beginning of 2010, even if it remained close to historical averages.

In December the international share prices showed positive annual trends: Standard & Poor's 500 and Dow Jones Euro Stoxx recorded a positive change of 11.8% and 9%, respectively, on an annual basis. Likewise, the main European stock exchange indices, except for Ftse Mib (-1.4%), showed positive monthly average changes: Dax30 (+3.7%), Cac40 (+0.8%) and Ftse100 (+2.6%). As regards the New Economy indices, Nasdaq grew by 4% on a monthly basis, while the French technology securities index increased by 3.5%.

During 2010 inflation remained modest, although the prices of oil (+6.7% on an annual basis) and other raw materials gradually rose, also as a result of the large amounts of unused resources. At the same time as core inflation, consumer prices also rose again following the increases recorded by the sectors of domestic demand (food, clothing, energy, alcohol and tobacco). In December the European Central Bank maintained the policy rate at its historical minimum of 1%, in the same way as the Federal Reserve, whose rate remained in the range of 0.25%. In December the 3-month Euribor rate was equal to 1.02%, 30 bps more than the same period of the previous year. The return on ten-year issues of government securities further increased: in Germany it passed from 2.55% in November to 2.90% in December, while in Italy the rate came to 4.52% against 4.14% in the previous month. The only case of deflation can be observed in Ireland, while all other Mature Economies have showed positive rates of inflation which reached the highest value in the case of Greece (+4.8%). This situation is destined to also continue in 2011, however with modest values because of the downward pressures exercised by the labour cost and by the effects on employment.

During 2010, the Euro devalued on average against the currencies of the United States, China, Japan, Switzerland and England.

Looking to 2011 the economic recovery appears to be destined to continue without suffering any strong slowdown. Fiscal policies will remain flexible throughout 2011, while the monetary conditions will continue to support recovery, even if they will be more restrictive in the Emerging Countries because of the higher strength of domestic demand. In the long term, tax and monetary measures implemented in Advanced Economies could be not sufficient to stabilise the deficit/GDP ratio. Therefore, starting from 2012, unless additional corrective measures are taken, the risk of a new fall in the worldwide macroeconomic situation unfortunately appears to be high.

THE UNITED STATES

Starting from the third quarter of 2010 the economic recovery in the United States showed a gradual slowdown (+1.1% in the second half against +2.2% in the previous half-year), in any case recording a positive annual change (+2.8%) at the end of 2010: the highest contribution to growth was given by domestic demand, specifically by private consumption (+0.5%) and investments, which was partly mitigated by the difficulties of the foreign balance (-1.3%). The labour market did not show clear signs of improvement: the unemployment rate came to 9.8% at the end of 2010, with not very encouraging forecasts for the 2011-2012 two-year period (9.6% and 8.7%, respectively). The economic growth expected in 2011 (+3.1%) will be driven by private consumption, which is in turn boosted by the economic policies promoted by the Obama administration: however, these measures, which are focused on a package of tax incentives entailing cuts in taxes, while allowing the continuation of economic recovery in 2011, may compromise the equilibrium of public accounts in the medium/long-term. The monetary policy was still fence sitting, with rates still unchanged until the beginning of 2012. At the end of 2010 the property market did not show clear signs of recovery: the drop in real estate concession (-3.8%) was accompanied by a weak new rise in the prices of houses (+2.5%).

EMERGING ECONOMIES

Economies in Emerging Countries have been and will be the actual driver of the worldwide economic recovery, despite the fact that 2011 forecasts also expect a slowdown in these Countries compared to the record values reported in 2010. In 2010 the GDP in China rose by 10.1%, thanks to the positive contribution from industrial production which boosted consumption and imports, and from the expansive investment policy. In 2010 economic growth in India was 8.9%, thanks to the positive contributions from the services sector (which remained the economic driver of the Country) and the agricultural sector, which offset the temporary slowdown in production in the manufacturing sector. In 2010 consumption and investments recorded strong growth rates, while inflation remained at quite high levels (+7.5%): these prospects, even they are showing a weak physiological slowdown, are also expected in 2011.

EURO ZONE

In the Euro Zone the 2010 economic growth came to 1.7%, despite the slowdown recorded in the second part of the year: 2011 forecasts expect that the economic recovery will strengthen on the basis of the same values as those recorded in the previous year towards a more balanced path, as it is based less on the stock policy and more on the recovery in consumption (+1.2%), investments (+2.2%) and export (+0.5%). During 2010 the economic recovery was driven by Germany, whose GDP grew by 3.9% on an annual basis: this trend will also continue in 2011 and it will be evident because of the increased growth differences with the Peripheral Countries (Greece, Ireland, Spain, Portugal) whose public accounts represent the major source of concern with regard to the economic recovery. The increased volatility of Government Securities and returns on ten-year securities confirm this theory. Furthermore, the German performance has not only driven the GDP improvement at European level, but it was also the source of possible local imbalances in 2011, because of the impossibility of using automatic adjustment mechanisms induced by the exchange rate policy with the neighbouring countries (as in the case of China). The recession experienced is still causing adverse effects on the labour market: in fact, the unemployment rate remained at levels close to 10% throughout 2010, and started to show the first signs of improvement only in the last part of the year. In 2011 the employment situation should considerably reverse the trend, even if still coming to quite high levels.

ITALY

In 2010, Italy, unlike Germany, was one of the European Countries with the most limited GDP performance (+1.1% on an annual basis): while observing the quarterly GDP performance, it is possible to note a discordant quarterly trend. In fact, in Autumn, the Italian economy slowed its growth rate until stopping in the fourth quarter. This slowdown was in line with that expected and confirms that the cyclical rise from which Italy benefitted in 2010 was driven by foreign demand, with a more limited contribution from domestic demand. From an external point of view, the months just passed saw the tensions relating to sovereign debts of some European countries remaining high, with a consequent weakness of the Euro, but they also saw an increase in the price of raw materials traded on international markets. As a whole, Italy saw an increase in its exports, but at the same time it found itself facing a major imported inflation. Gradual recovery prospects are confirmed for domestic demand, slowed by the abovementioned rise in the cost of raw materials, which translate into a recovery in domestic inflation which in turn entails a fall in the income available to families in real terms for the fourth consecutive year.

The Italian unemployment rate remained above 8% throughout 2010, showing a new increase up to 8.6% between September and October. Labour market conditions could still remain weak for a long time: the recovery will continue with the reemployment of part of the workers who are currently under the CIG (*Cassa Integrazione Guadagni*, redundancy fund) scheme, but the unemployment rate could continue to increase up to 2012, reaching 10%.

The confidence climate of businesses continues to grow at high rates and to recover the ground lost during the crisis. On the contrary, as regards consumers, there was a worsening; in the last months of the year consumption diminished, thus losing part of the recovery showed in the previous year.

2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2010 recorded a performance less than the growths recorded in 2009; this is also evident if we observe International stock markets: Standard & Poor's 500 of New York rose by 11.8% on an annual basis, Dow Jones Euro Stoxx Large by 9%, while Nikkei 225 in Tokyo substantially remained stable (0.6% YoY).

In 2010, unlike the previous year, the Italian stock market did not benefit from an annual positive trend: the FTSE MIB index decreased by 10.7% on an annual base, while the bank index, FTSE Italy Banks, showed a larger negative annual change equal to -27.9%. In December 2010 the monthly capitalisation of the stock market of the Euro Zone showed a positive performance, on a cyclical basis, of +5.4% on an annual basis. Within the Euro Zone, capitalisation was equal to 10.2% of the total in Italy, 31.2% in France and 24.7% in Germany. With specific reference to Italy, the overall capitalisation of the stock market came to Euro 425.1 billion (Euro -32 billion on an annual basis) at the end of December. The impact of bank capitalization on the total came to 20.5% compared to 29.8%, the value posted at the beginning of the financial crisis.

With reference to the banking system, the growth rate of domestic demand appeared to have settled at the end of 2010, while foreign deposits were positive again. The tendential growth rate of deposits in Euro of the Italian banks came to 2.8%. Specifically, deposits from customers recorded a tendential growth rate of 5.6%, while the annual change in bonds was negative and equal to 1.3%; repo transactions with customers were on the rise. The average return on bank deposits was stable, consistently with the performance of market rates. The average rate of bank deposits from customers came to 1.48% in December 2010, down by 11 basis points compared to the same period of the previous period.

Loans to private individuals showed an increase at the end of 2010, recording a tendential growth of 3.8%; on the basis of a breakdown by term, the medium/long-term segment showed a tendential growth change of 4%, while the short-term segment showed a weaker increase equal to 3.4%.
At the end of 2010 recovery continued in the trend of loans to businesses and in particular to the manufacturing, mining and services sector. The interest rate on loans appeared to have settled, but always close to historical minimums. The weighted average rate on total loans to families and non-financial companies came to 3.64%, recording 13 basis points less than the same period in the previous year.
In 2010, compared to the previous year, the spread between the average rate on loans and the average rate on deposits recorded a decline; in December 2010 it was less by 2 basis points than that recorded in December 2009. In the 2010 average, the scissors were equal to 2.16%, down by about a quarter compared to the average value recorded in 2009 (2.42%).

3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST

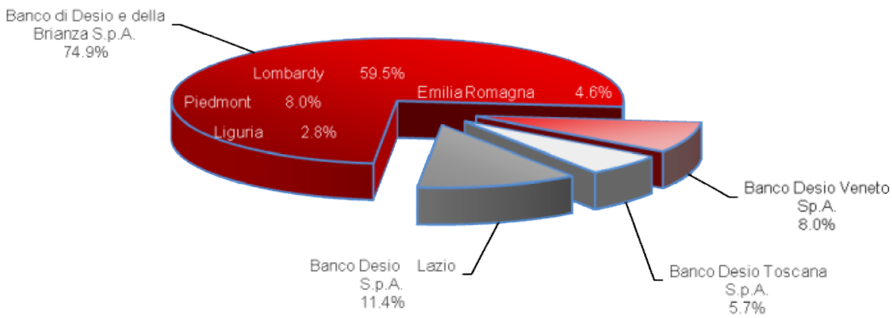
3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

Also in 2010, in spite of the difficult macroeconomic scenario, the distribution network continued to be expanded, thus enabling the Group to reach a total of 175 branches at the end of the financial year, with an annual increase of 6 units.
The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy was to put roots down in the territory with which the Group is historically associated and in adjacent and complementary areas and to take up other local opportunities. This policy led, in the year, to further extend the Parent Company's distribution network in Lombardy, Emilia, Piedmont and Liguria, and to reinforce the direct presence of the individual local subsidiary banks, in particular in the Lazio and Tuscany regions.
The breakdown of the overall branch network by individual Group company with the change in the year is shown in the table below, while the chart that follows it also gives the percentage distribution by region as at the end of the year.

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

No. of branches	31.12.2010	Percentuage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Banco di Desio e della Brianza S.p.A.	131	74.9%	127	75.2%	4	3.1%
Banco Desio Veneto Sp.A.	14	8.0%	14	8.3%	0	0.0%
Banco Desio Toscana S.p.A.	10	5.7%	9	5.3%	1	11.1%
Banco Desio Lazio S.p.A.	20	11.4%	19	11.2%	1	5.3%
Group distribution network	**175**	**100.0%**	**169**	**100.0%**	**6**	**3.6%**

Chart no. 1- **THE GROUP DISTRIBUTION NETWORK: PERCENTAGE BREAKDOWN BY BANK AND BY REGION - 2010**

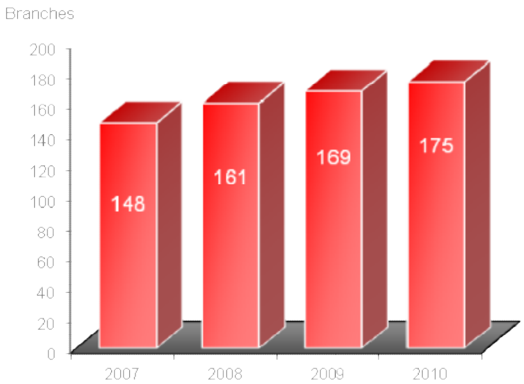


In the year that has closed, the Parent Company opened another branch in the provincial capital of Lombardy, at Porta Venezia, a branch in the Emilia region, in Correggio (Reggio Emilia), a branch in the Piedmont region and one in the Liguria region, in Novi Ligure (Alessandria) and Chiavari (Genoa), respectively.

With reference to subsidiary banks, the distribution network of Banco Desio Toscana S.p.A., following the opening of an additional branch in Florence in November, numbered a total of ten branches at the end of the year, with a local presence which involves the provinces of Pisa, Prato, Lucca and Livorno, in addition to Florence; the subsidiary Banco Desio Lazio S.p.A., with the opening of the branch in Civitavecchia (Rome) in March 2010, can currently rely on a total of twenty branches, which are particularly concentrated in the capital and the surrounding areas, while Banco Desio Veneto S.p.A. maintained the same structure as the previous year, including fourteen branches; these are spread across the local base which covers the districts of Vicenza, Verona, Padua and Treviso.

The chart below shows the dimensional growth of the Group in the last few years, with a growth rate corresponding to a Compound Annual Growth Rate of 5.7% in the three year period 2008-2010.

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



3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL 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. purchased a 10% stake of 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.

Capital increase of the subsidiary Chiara Assicurazioni S.p.A. serving the shareholding plan and reduction in the stake held by the Parent Company down to 61.86%

On 27 September 2010 the subsidiary Chiara Assicurazioni S.p.A. implemented the second tranche of the capital increase for a total amount of Euro 541,000 (from Euro 8,212,000 to Euro 8,753,000) serving the existing Shareholding plan, issuing the related shares at the unit price of Euro 1.33. At the same time the Parent Company purchased from the beneficiaries no. 357,000 shares, at the price of Euro 3.93 per share (the normal value determined on the basis of an appropriate report prepared by an appointed actuary); again in September, the same transferred a total of no. 473,400 shares to some partner banks at the average unit price of Euro 2.63 in accordance with the exercise of specific options negotiated with the counterparties at the time. As a result of these transactions, the controlling interest in the Company came to 61.86%.

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

In view of the strengthening of the capital structure of the subsidiary Banco Desio Veneto S.p.A., on 2 November 2010 the Parent Company made a shareholder payment on account of (non-repayable) capital bearing no interest of Euro 15 million.

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

Capital increase of the indirect subsidiary FIDES S.p.A. and additional increase in the indirect stake held through the subsidiary Banco Desio Lazio S.p.A.

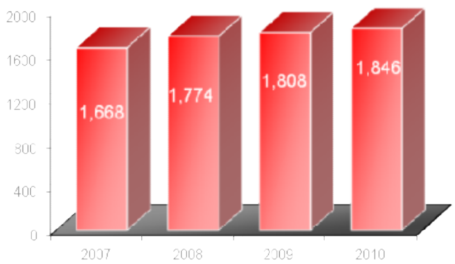
On 18 February 2010 the subsidiary Banco Desio Lazio S.p.A. further increased its stake in the share capital of FIDES S.p.A. from 95% to 100%, with a disbursement of about Euro 0.6 million. This transaction anticipated the capital increase of the financial company, consistently with the 2010-2011 Business Plan of the Group, which was fully implemented by the subsidiary bank for a total amount of Euro 5 million, on the occasion of the Shareholders' Meeting of the Company which was held in April.
Furthermore, as starting from 30 June 2010 the financial company, which operates pursuant to article 106 of the Consolidation Act on Banking Laws, has exceeded the threshold beyond which the obligation arises for the registration on the Special List (*Elenco Speciale*) under article 107 of the T.U.B., the procedure has been started for transforming it in accordance with the current supervision provisions which has led to the related registration order issued by the Bank of Italy on 23 December 2010.

4 - HUMAN RESOURCES

4.1 - RESOURCES MANAGEMENT

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.
As at 31 December 2010, the Group counted 1,846 employees, with an increase of 38, corresponding to 2.1%, compared to the final figure of the previous year.
The increase in the number of staff in the last three-year period 2008-2010 corresponded to an average compound annual growth rate equal to 3.4%, lower than that registered in the distribution network, which was equal to 5.7%, as evidenced by the numeric data represented in the chart below.

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



The table below shows the breakdown of staff by grade and the variation on the previous year.

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

No. of employees	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Executives	42	2.3%	40	2.2%	2	5.0%
3rd and 4th level managers	420	22.8%	422	23.3%	-2	-0.5%
1st and 2nd level managers	490	26.5%	475	26.3%	15	3.2%
Other personnel	894	48.4%	871	48.2%	23	2.6%
Group staff	**1,846**	**100.0%**	**1,808**	**100.0%**	**38**	**2.1%**

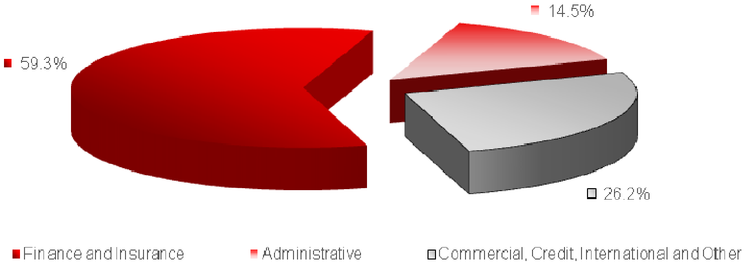
4.2 - TRAINING

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread culture within the Parent Company, and, in general, the Group.
A total of 10,040 man/days of training were administered during 2010, counting in-house courses, conferences, external seminars and online training activities, up compared to 7,547 in the previous year.
In particular, the sessions held are divided according to the following types of training:

- "General", directed at all professional roles and having the objective of developing cross-sector skills;
- "Communication and organisation", aimed at developing effective and efficient relational, organisational and behavioural skills in the business organisation, which will facilitate the spreading of the business culture and the internalisation of the company values;
- "Technical professional", covering the initiatives aimed at developing, consolidating and maintaining over time the professional skills that are linked to specific roles and fields.

The percentage breakdown of the meetings held based on the classification of the issues dealt with and dedicated to the "Technical professional" training, which affected about 74% of the total days, may be represented in the following chart.

*Chart no. 4 - "***TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2010: BREAKDOWN BY SUBJECT**



It should be pointed out that, with reference to the "Finance and Insurance" segment, activities continued for updating skills, through "e-learning" procedures, in compliance with the Consob and Isvap regulations.
In the "Commercial, Credit, International and Other" segment, activities were developed for the alignment and consolidation of skills which will continue in 2011 with programmes aimed at further bringing the professional profiles into line with the variable needs of the scenario outlined by the economic situation (e.g., granting and monitoring of credit, services to customers operating in the international trade), and above all with the help of qualified internal trainers.

5 - CONTROL ACTIVITIES

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

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

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

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

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

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

5.2 - INTERNAL CONTROL SYSTEM

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

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

5.3 - RISK MEASUREMENT AND MANAGEMENT

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

6 - MANAGEMENT PERFORMANCE

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets increased to Euro 18.5 billion, up by about Euro 2 billion compared to the previous year, i.e. equal to 1%.
The overall performance of this item is shown in the table below, which also gives a breakdown.

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

Amounts in thousands of Euro	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Amounts due to customers	4,459,599	24.1%	4,868,276	26.6%	-408,677	-8.4%
Securities issued and financial liabilities at fair value through profit or loss	2,448,734	13.2%	2,365,722	12.9%	83,012	3.5%
Direct deposits	**6,908,333**	**37.3%**	**7,233,998**	**39.5%**	**-325,665**	**-4.5%**
Deposits from ordinary customers	8,365,300	45.2%	8,140,424	44.4%	224,876	2.8%
Deposits from institutional customers (1)	3,239,711	17.5%	2,952,591	16.1%	287,120	9.7%
Indirect deposits (1)	**11,605,011**	**62.7%**	**11,093,014**	**60.5%**	**511,997**	**4.6%**
Total deposits from customers	**18,513,344**	**100.0%**	**18,327,012**	**100.0%**	**186,332**	**1.0%**

(1) following the transfer of the stake held in ANIMA S.G.R.p.A. to Banca Popolare di Milano in 2009, the custodian bank service relating to the ANIMA funds, which was performed by the Parent Company, was transferred, at the request of ANIMA S.G.R.p.A. itself, to another company starting from 30 June 2010; accordingly, the Parent Company decided to fully cease this activity, which occurred at the end of the financial year, also towards the other SGRs (Asset Management Companies) that had conferred the same mandate. Following this decision, the related assets, totalling about Euro 7.1billion, were deducted from inventories at the end of 2009, in order to make the comparative data consistent.

Direct deposits

At the end of 2010 the balance of direct deposits came to Euro 6.9 billion, with a decrease of 4.5%, equal to about Euro 0.3 billion, compared to the balance of the previous year; it was attributable to the reduction in amounts due to customers by Euro 0.4 billion (which was mainly correlated to the balance of ANIMA S.G.R.p.A. which was still outstanding at the end of 2009) and to the increase of Euro 0.1 billion in outstanding securities and financial liabilities at fair value.
Amounts due to customers, which continue to represent the most significant item with 64.6% of the aggregate, are almost entirely referable to the “sight” deposits, i.e. current accounts and savings deposits, while a residual part refers to reverse repurchase agreements and other payables.
Securities issued and financial liabilities at fair value refer to bonds issued and placed by the Group for about Euro 2.1 billion and to deposit certificates for Euro 0.3 billion. Within the balance, financial liabilities reported on the basis of the fair value option amounted to about Euro 0.3 million and related to bond loans hedged with financial derivative instruments.
It should be pointed out that, during 2010, the total nominal value of the bond loans issued and placed was around Euro 0.9 billion, while that of the loans repaid upon expiry amounted to about Euro 0.8 billion.

Indirect deposits

In the twelve months indirect deposits reported an overall increase of Euro 0.5 billion, equal to 4.6% of the previous balance, totalling about Euro 11.6 billion.

Deposits from "ordinary" customers, which increased up to Euro 8.4 billion, recorded a growth by Euro 0.2 billion, equal to 2.8%, with the contribution from the performance of both the administered sector and the managed asset sector, even if within a difficult financial context.

Deposits from institutional customers reported an increase of about Euro 0.3 billion compared to the balance of the previous financial year, considered on a basis net of volumes concerned by the custodian bank service, corresponding to 9.7%.

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

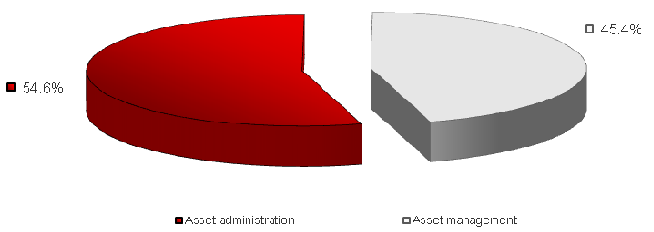
Table no. 4 - ***INDIRECT DEPOSITS***

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Asset administration	**4,568,258**	**39.4%**	**4,493,950**	**40.5%**	**74,308**	**1.7%**
Asset management	**3,797,042**	**32.7%**	**3,646,474**	**32.9%**	**150,568**	**4.1%**
of which: Mut.Fund and Open-end Inv.	*1,187,076*	*10.2%*	*1,248,061*	*11.3%*	*-60,985*	*-4.9%*
Portfolio management	*631,235*	*5.4%*	*655,597*	*5.9%*	*-24,362*	*-3.7%*
Bank Insurance	*1,978,731*	*17.1%*	*1,742,817*	*15.7%*	*235,914*	*13.5%*
Deposits from ordinary customers	**8,365,300**	**72.1%**	**8,140,424**	**73.4%**	**224,876**	**2.8%**
Deposits from institutional customers [(1)]	**3,239,711**	**27.9%**	**2,952,591**	**26.6%**	**287,120**	**9.7%**
Indirect deposits [(1)]	**11,605,011**	**100.0%**	**11,093,014**	**100.0%**	**511,997**	**4.6%**

[(1)] following the transfer of the stake held in ANIMA S.G.R.p.A. to Banca Popolare di Milano in 2009, the custodian bank service relating to the ANIMA funds, which was performed by the Parent Company, was transferred, at the request of ANIMA S.G.R.p.A. itself, to another company starting from 30 June 2010; accordingly, the Parent Company decided to fully cease this activity, which occurred at the end of the financial year, also towards the other SGRs (Asset Management Companies) that had conferred the same mandate. Following this decision, the related assets, totalling about Euro 7.1billion, were deducted from inventories at the end of 2009, in order to make the comparative data consistent.

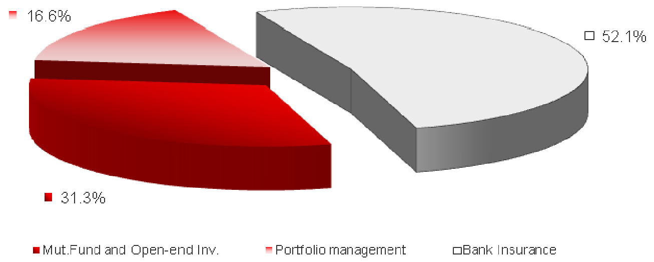
The percentage breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2010, represented in the chart below, shows that the portion attributable to administered assets is slightly greater than that of managed assets.

Chart no. 5 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2010: BREAKDOWN**



With reference to the segment of assets under management at the end of the year, the chart below reports the percentage breakdown of the components.

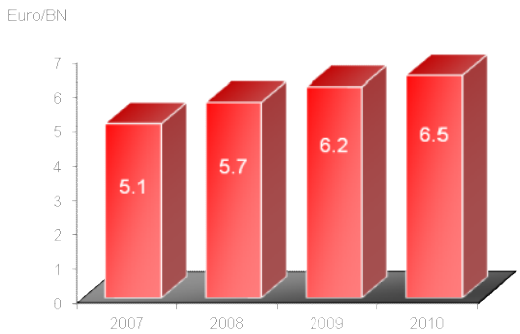
Chart no. 6 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2010: BREAKDOWN**



6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At 31 December 2010 the total amount of lending to customers increased up to about Euro 6.5 billion, with an annual increase of Euro 0.3 billion, equal to 5.1% of the value posted in 2009, thus contributing to determine a compound annual rate of increase of 8.4% over the three-year period 2008/2010, which corresponds to the development performance of credit activities as shown in the graph below.

Chart no. 7 - **LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS**



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

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

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	%
Current accounts	1,508,312	23.3%	1,597,041	25.9%	-88,729	-5.6%
Mortgages and other medium/long term loans	4,121,587	63.6%	3,688,795	59.9%	432,792	11.7%
Other	846,821	13.1%	874,315	14.2%	-27,494	-3.1%
Amounts due from customers	**6,476,720**	**100.0%**	**6,160,151**	**100.0%**	**316,569**	**5.1%**

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.
As regards the distribution of gross loans, including endorsement loans, the percentage impact of uptakes by the largest clients at the end of 2010 compared to the final figure at the end of the previous year, is reported in the table below, reflecting a high degree of risk spreading.

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

Number of customers	31.12.2010	31.12.2009
10 largest customers	3.6%	2.9%
20 largest customers	4.7%	4.2%
30 largest customers	5.5%	5.2%
50 largest customers	7.0%	7.1%

Furthermore, it should be pointed out that, according to the supervisory regulations in force, two positions were reported at the end of 2010, which can be classified as “Significant Risks”, for a total nominal amount (which also includes the guarantees given and any commitments) of about Euro 0.6 billion, which is reduced to about Euro 40 million in terms of total weighted amount. If we exclude any relations with the Treasury Ministry and banks from the calculation, no outstanding position is reported.
At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 204.2 million, net of value adjustments of Euro 99.2 million. Specifically, net non-performing loans amounted to Euro 89.4 million, net problem loans to Euro 78.9 million and expired loans to Euro 31.8 million and restructured exposures to Euro 4.1 million.
The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase compared with the previous year as a natural consequence of the economic crisis.

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

% Indexes for gross loans	**31.12.2010**	**31.12.2009**
Gross impaired loans to customers	4.59%	4.28%
of which:		
- gross non performing loans	2.37%	1.97%
- gross problem loans	1.65%	1.77%
- gross expired loans	0.50%	0.53%
- gross restructured loans	0.07%	0.01%

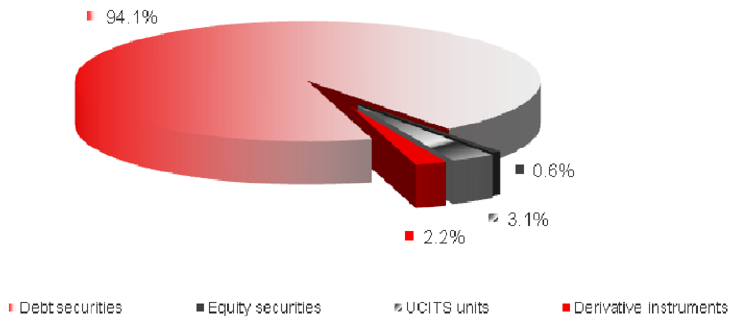
% Indexes for net loans	**31.12.2010**	**31.12.2009**
Net impaired loans to customers	3.15%	2.82%
of which:		
- net non performing loans	1.38%	1.09%
- net problem loans	1.22%	1.21%
- net expired loans	0.49%	0.52%
- net restructured loans	0.06%	0.00%

6.3 THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

On 31 December 2010 the Group's total financial assets stood at a value of Euro 1 billion, compared to about Euro 0.9 billion which was the figure of the preceding year.

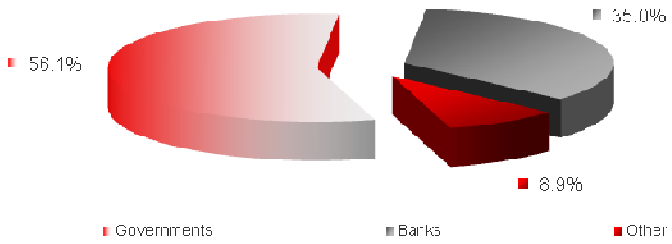
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the most significant portion.

Chart no. 8 - **FINANCIAL ASSETS AT 31.12.2010: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY**



With reference to the issuers of securities, the aggregate Portfolio at the end of the financial year is comprised of "Government securities" (56.1%), "bank securities" (35%), and by "other issuers" for the remaining share, as evidenced in the graph below

Chart no. 9 - **FINANCIAL ASSETS AT 31.12.2010: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER**



There was a positive inter-bank balance of about Euro 0.1 billion at the end of the period compared with the positive balance of about Euro 0.8 billion at the end of the previous year.

6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Shareholders' equity as at 31 December 2010, including the net profits of the period, amounted to a total of Euro 783 million, an increase of Euro 25.7 million with respect to the figure recorded for 2009.
Shareholders' equity calculated in accordance with the supervisory regulations in force increased to Euro 772.7 million with respect to Euro 752.6 million at the end of the previous year. The figure is made up of Tier 1 capital of Euro 686.6 million (compared to Euro 662.9 million at the end of 2009) with Tier 2 capital of Euro 99.6 million (compared to Euro 107.1 million at the end of 2009) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 22.3 million (of which Euro 13.5 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.
The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets increased up to 11.0% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, reached 12.4% according to the supervisory regulations in force. On 31 December 2009 these ratios were 10.4% and 11.8% respectively.

6.5 - RECLASSIFIED INCOME STATEMENT

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

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

- shares of profits in the period relating to equity investments in associates were reclassified from item 240 “Profits/(losses) on equity investments” to the item “Profits on equity investments in associates;
- the balance of item 100 (a), “Profit/(loss) on disposal/purchase of receivables” in “Operating income” was reclassified in special item “Profit/(loss) on disposal/purchase of receivables” after “Operating margin”;
- provisions for clawback actions in debt litigation were reclassified from item 190, “Net provisions for risks and charges”, to item 130 (a), “Net impairment losses on loans”, both items following “Operating margin”;
- provisions for extraordinary transactions are reclassified from item 190, “Net provisions for risks and charges”, to item “Provisions for risks and charges on extraordinary transactions";
- the 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 non-recurring Profits/(losses) is reclassified from item 290, “Taxes for the period on income from continuing operations” to the item “Taxes for the period on income from non-recurring operations”.

The 2010 financial year ended with Parent Bank net profit (loss) of Euro 52.6 million, as shown in the table below, which states the reclassified Income Statement in comparison with the “restated” income statement of the previous year.

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

	Captions *Amounts in thousands of Euros*	31.12.2010	31.12.2009	Change Value	%
10+20	Net interest income	184,314	192,722	-8,408	-4.4%
70	Dividend and similar income	370	417	-47	-11.3%
	Profits (losses) on equity investments in associates	3,380	3,643	-263	-7.2%
40+50	Net fees and commissions	127,606	123,539	4,067	3.3%
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	9,611	10,415	-804	-7.7%
150+160	Net income from insurance activities	10,373	7,587	2,786	36.7%
220	Other operating income and expenses	5,338	5,643	-305	-5.4%
	Operating income	**340,992**	**343,966**	**-2,974**	**-0.9%**
180 a	Personnel expenses	-154,975	-147,236	-7,739	5.3%
180 b	Other administrative expenses	-67,545	-68,532	987	-1.4%
200+210	Net adjustments to tangible/intangible assets	-10,728	-10,707	-21	0.2%
	Operating costs	**-233,248**	**-226,475**	**-6,773**	**3.0%**
	Operating margin	**107,744**	**117,491**	**-9,747**	**-8.3%**
	Net profits/(losses) on disposal/repurchase of receivables	60	-293	353	-120.5%
130 a	Net impairment losses on loans	-40,306	-60,008	19,702	-32.8%
130 d	Net impairment losses on other financial transactions	-102	139	-241	-173.4%
190	Net provisions for risks and charges	570	-1,875	2,445	-130.4%
	Profits/(losses) before taxes from continuing operations	**67,966**	**55,454**	**12,512**	**22.6%**
290	Taxes for the period on income from continuing operations	-29,745	-26,391	-3,354	12.7%
	Profits/(losses) after taxes from continuing operations	**38,221**	**29,063**	**9,158**	**31.5%**
240+270	Profits (losses) on equity investments and on disposal of investments	529	21,863	-21,334	-97.6%
	Provisions for risks and charges on extraordinary transactions	14,717	0	14,717	
	Non-recurring profit/(loss) before taxes	**15,246**	**21,863**	**-6,617**	**-30.3%**
	Taxes for the period on income from non-recurring items	-7	2,756	-2,763	-100.3%
	Non-recurring profit/(loss) after taxes	**15,239**	**24,619**	**-9,380**	**-38.1%**
320	**Net profit/(loss) for the period**	**53,460**	**53,682**	**-222**	**-0.4%**
330	(Profit)/loss for the period attributable to minority interests	-849	-150	-699	466.0%
340	**Parent Bank net profit (loss)**	**52,611**	**53,532**	**-921**	**-1.7%**

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

Table no. 9 - **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2010**

Captions		Financial Statements	Reclassifications							Reclassified Statements
Amounts in thousands of Euros		31.12.2010	Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	Taxes on income	31.12.2010
10+20	Net interest income	185,161	-847							184,314
70	Dividend and similar income	370								370
	Profits (losses) on equity investments in associates				3,380					3,380
40+50	Net fees and commissions	127,606								127,606
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	9,777	-106				-60			9,611
150+160	Net income from insurance activities	9,406	967							10,373
220	Other operating income and expenses	14,430	-14	-11,598		2,520				5,338
	Operating income	**346,750**	**0**	**-11,598**	**3,380**	**2,520**	**-60**	**0**	**0**	**340,992**
180 a	Personnel expenses	-154,975								-154,975
180 b	Other administrative expenses	-79,143		11,598						-67,545
200+210	Net adjustments to tangible/intangible assets	-8,208				-2,520				-10,728
	Operating costs	**-242,326**	**0**	**11,598**	**0**	**-2,520**	**0**	**0**	**0**	**-233,248**
	Operating margin	**104,424**	**0**	**0**	**3,380**	**0**	**-60**	**0**	**0**	**107,744**
	Net profits/(losses) on disposal/repurchase of receivables						60			60
130 a	Net impairment losses on loans	-40,658						352		-40,306
130 d	Net impairment losses on other financial transactions	-102								-102
190	Net provisions for risks and charges	15,639						-15,069		570
	Profits/(losses) before taxes from continuing operations	**79,303**	**0**	**0**	**3,380**	**0**	**0**	**-14,717**	**0**	**67,966**
290	Taxes for the period on income from continuing operations	-29,752							7	-29,745
	Profits/(losses) after taxes from continuing operations	**49,551**	**0**	**0**	**3,380**	**0**	**0**	**-14,717**	**7**	**38,221**
240+270	Profits (losses) on equity investments and on disposal of investments	3,909			-3,380					529
	Provisions for risks and charges on extraordinary transactions							14,717		14,717
	Non-recurring profit(loss) before taxes	**3,909**	**0**	**0**	**-3,380**	**0**	**0**	**14,717**	**0**	**15,246**
	Taxes for the period on income from non-recurring items								-7	-7
	Non-recurring profit(loss) after taxes	**3,909**	**0**	**0**	**-3,380**	**0**	**0**	**14,717**	**-7**	**15,239**
320	**Net profit/(loss) for the period**	**53,460**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53,460**
330	(Profit)/loss for the period attributable to minority interests	-849								-849
340	**Parent Bank net profit (loss)**	**52,611**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**52,611**

Table no. 10 - **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2009**

Captions		Financial Statements	Reclassifications								Reclassified Statements
Amounts in thousands of Euros		31.12.2009	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	31.12.2009
10+20	Net interest income	203,695	-614						-10,359		192,722
70	Dividend and similar income	417									417
	Profits (losses) on equity investments in associates				3,643						3,643
40+50	Net fees and commissions	109,486							14,053		123,539
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	10,063	59				293				10,415
150+160	Net income from insurance activities	7,027	560								7,587
220	Other operating income and expenses	18,644	-5	-11,726		2,424			-3,694		5,643
	Operating income	**349,332**	**0**	**-11,726**	**3,643**	**2,424**	**293**	**0**	**0**	**0**	**343,966**
180 a	Personnel expenses	-147,236									-147,236
180 b	Other administrative expenses	-80,258		11,726							-68,532
200+210	Net adjustments to tangible/intangible assets	-8,283				-2,424					-10,707
	Operating costs	**-235,777**	**0**	**11,726**	**0**	**-2,424**	**0**	**0**	**0**	**0**	**-226,475**
	Operating margin	**113,555**	**0**	**0**	**3,643**	**0**	**293**	**0**	**0**	**0**	**117,491**
	Net profits/(losses) on disposal/repurchase of receivables						-293				-293
130 a	Net impairment losses on loans	-59,568						-440			-60,008
130 d	Net impairment losses on other financial transactions	139									139
190	Net provisions for risks and charges	-2,315						440			-1,875
	Profits/(losses) before taxes from continuing operations	**51,811**	**0**	**0**	**3,643**	**0**	**0**	**0**	**0**	**0**	**55,454**
290	Taxes for the period on income from continuing operations	-23,635								-2,756	-26,391
	Profits/(losses) after taxes from continuing operations	**28,176**	**0**	**0**	**3,643**	**0**	**0**	**0**	**0**	**-2,756**	**29,063**
240+270	Profits (losses) on equity investments and on disposal of investments	25,506			-3,643						21,863
	Provisions for risks and charges on extraordinary transactions							0			0
	Non-recurring profit(loss) before taxes	**25,506**	**0**	**0**	**-3,643**	**0**	**0**	**0**	**0**	**0**	**21,863**
	Taxes for the period on income from non-recurring items									2,756	2,756
	Non-recurring profit(loss) after taxes	**25,506**	**0**	**0**	**-3,643**	**0**	**0**	**0**	**0**	**2,756**	**24,619**
320	**Net profit/(loss) for the period**	**53,682**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53,682**
330	(Profit)/loss for the period attributable to minority interests	-150									-150
340	**Parent Bank net profit (loss)**	**53,532**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53,532**

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

Operating income

At the end of the year the balance of the aggregate made up of ordinary items of operations came to Euro 341 million, showing a decrease of Euro 3 million compared to the previous year, corresponding to 0.9%.

Net interest income, which recorded a decrease of Euro 8.4 million (-4.4%), amounted to Euro 184.3 million, representing 54.1% of the aggregate; net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities at fair value for Euro 0.8 million, profits on equity investments in associates for Euro 0.3 million and other operating income/expenses for Euro 0.3 million;

vice versa, increases were recorded in net commissions for Euro 4.1 million (+3.3%) and in the net income from insurance activities for Euro 2.8 million, which partially offset the performance of the previous items.
With the help of the table below, which reports the breakdown of net commissions by type, it is pointed out that the increase can be attributed to the performance of the more traditional activity.

Table no. 11 - **BREAKDOWN OF NET COMMISSIONS BY TYPE OF SERVICE**

Amounts in thousands of Euros	31.12.2010	Percentage breakdown	31.12.2009	Percentage breakdown	Change Value	Change %
Collection and payment services	18,011	14.1%	16,096	13.0%	1,915	11.9%
Securities placement	7,086	5.6%	6,755	5.5%	331	4.9%
Port. Mgmt. and Receipt/Transmission of orders	14,657	11.5%	17,087	13.8%	-2,430	-14.2%
Distribution of insurance products	6,068	4.8%	6,182	5.0%	-114	-1.8%
Holding and managing current accounts	63,227	49.5%	59,078	47.8%	4,149	7.0%
Other services	18,557	14.5%	18,341	14.9%	216	1.2%
Net commissions	**127,606**	**100.0%**	**123,539**	**100.0%**	**4,067**	**3.3%**

Operating costs

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to about Euro 233.3 million, an increase of 3% for the year.

Operating margin

The operating margin at the end of the year, is consequently Euro 107.7 million compared to Euro 117.5 million in the period under comparison.

Profits/(losses) after taxes from continuing operations

Net impairment losses on loans, equal to Euro 40.4 million euro (compared to Euro 60 million in 2009), the positive impact of net provisions for risks and charges of about Euro 0.6 million, as well as taxes for the period on income from continuing operations of Euro 29.7 million lead to profits/(losses) after taxes from continuing operations of Euro 38.2 million, up by 31.5% compared to that at the end of 2009.

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

Profits/(losses) after taxes from non-recurring operations amounted to Euro 15.2 million and was mainly made up of the partial release of Euro 14.7 million of the provision, totalling Euro 37.8 million, which was set aside, at the end of 2008, against the risks of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. by the Parent Company, as envisaged as per contract at the end of the business plan of the Company (2012). At the end of the previous period, the result was attributable 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., equal to Euro 21.9 million (at individual level, equal to Euro 29.9 million), net of Euro 8 million for consolidation adjustments, as adjusted to the related taxes equal to Euro 0.4 million, as well as to the effect arising from the tax redemption of the surpluses that were deducted on an informal basis and from the realignment of the differences between the values in the statutory accounts and the values for tax purposes that emerged at the time of the first application of the international accounting standards, for a total amount of Euro 3.2 million.

Parent Bank net profit (loss)

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations and minority interests, the Parent Bank net profit (loss) for the 2010 financial year was Euro 52.6 million, down by about Euro 0.9 million compared to that of the previous year (-1.7%), which in any case benefitted from an additional Euro 9.4 million referable to the non-recurring result, net of taxes.

7 -SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Reorganisation of the Group

In view of a more correct streamlining of the banking network in relation to its vocation of retail bank, the Parent Company has submitted a project for the reorganization of the Group. On 22 March 2011 the Board of Directors then approved the project for the merger of the subsidiaries Banco Desio Toscana and Banco Desio Veneto by incorporation into the Parent Company itself.
It is expected that the related statutory and supervision procedure may allow the abovementioned mergers to be completed within the current financial year.

Opening of branches

On 31 January of the current year, the Parent Company initiated the opening of the branch of Bologna S. Viola (Bologna), while on 28 February the branch of Treviglio (Bergamo became operational, which was initially at the branch of Cassano d'Adda (Milan). As at the date of this report, the Parent Company's distribution network increased up to 133 branches, while the overall network of the Group included a total of 177 units.

8 - OTHER INFORMATION

8.1 - TREASURY SHARES

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

8.2 - IL RATING

On 13 April 2011 the international agency Fitch Ratings confirmed the ratings levels previously assigned to the Parent Company, showing in particular strengths such as the good competitive positioning which determines the performance capacity, even if in a complex economic context such as the current one, the stability of deposits, the sound portfolio of loans with performance better than that of its own competitors and adequate capitalisation.

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

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

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

8.4 - LEGISLATIVE DECREE 231/2001

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Parent Company's Board of Directors resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.
For a summary description of the Model adopted, reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

8.5 - TRANSACTIONS WITH RELATED PARTIES

For a more detailed description of the procedures governing the transactions 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 Consolidated Law on Finance, on the website at the same time as this Report.

8.6 - INFORMATION ON STOCK OPTION PLANS

The Plans in existence at the end of the financial period 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). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding these Plans.
Part I in the Notes to the Parent Company's financial statements presents, in compliance with CONSOB instructions, the statement summarising the assignment of stock options with reference to the names of the Directors and General Manager of the Parent Company and at an aggregate level, to managers with strategic responsibilities in the Parent Company itself.

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

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

8.8 – RESEARCH AND DEVELOPMENT ACTIVITIES

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

8.9 – INFORMATION ON PERSONNEL

In September 2010 the employment relationship was terminated with the previous General Manager of the Parent Company. The related charge, amounting to Euro 1.1 million, is defined and fully expensed under "Other operating charges" at 31 December 2010.

9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

In light of the complex international situation, the persisting uncertainties regarding financial and economic markets, no significant changes are expected to occur in the current year in relation to the results from continuing operations compared to the previous year.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 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 chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies".

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

CONSOLIDATED FINANCIAL STATEMENTS

(amounts in Euro / 1,000)

CONSOLIDATED BALANCE SHEET

Assets

Assets	31/12/2010	31/12/2009	change absolute	%
10. Cash and cash equivalents	28,615	26,315	2,300	8.7%
20. Financial assets held for trading	40,759	74,778	- 34,019	-45.5%
40. Available-for-sale financial assets	833,814	865,713	- 31,899	-3.7%
50. Held-to-maturity investments	124,480	3,089	121,391	3929.8%
60. Amounts due from banks	302,852	792,983	- 490,131	-61.8%
70. Amounts due from customers	6,476,720	6,160,151	316,569	5.1%
100. Equity investments	16,720	20,964	- 4,244	-20.2%
110. Technical reserves arising from reinsurance	6,363	5,529	834	15.1%
120. Tangible assets	150,821	148,210	2,611	1.8%
130. Intangible assets	47,592	45,377	2,215	4.9%
of which:				
- goodwill	44,345	43,186	1,159	2.7%
140. Tax assets	42,822	43,074	- 252	-0.6%
a) current	7,289	13,561	- 6,272	-46.3%
b) deferred	35,533	29,513	6,020	20.4%
160. Other assets	91,452	122,598	- 31,146	-25.4%
Total Assets	**8,163,010**	**8,308,781**	**- 145,771**	**-1.8%**

Liabilities

Total Liabilities and shareholders'equity	31/12/2010	31/12/2009	change absolute	%
10. Amounts due to banks	171,918	36,658	135,260	369.0%
20. Amounts due to customers	4,459,599	4,868,276	- 408,677	-8.4%
30. Securities issued	2,114,408	1,808,570	305,838	16.9%
40. Financial liabilities held for trading	6,657	2,520	4,137	164.2%
50. Financial liabilities at fair value through profit or loss	334,326	557,152	- 222,826	-40.0%
60. Hedging derivatives	2,653	-	2,653	100.0%
80. Tax liabilities	12,664	13,571	- 907	-6.7%
a) current	2,763	1,808	955	52.8%
b) deffered	9,901	11,763	- 1,862	-15.8%
100. Other liabilities	174,893	153,407	21,486	14.0%
110. Reserve for employee termination indemnities	24,378	25,696	- 1,318	-5.1%
120. Reserves for risks and charges:	43,517	61,099	- 17,582	-28.8%
a) pensions and similar commitments	186	164	22	13.4%
b) other reserves	43,331	60,935	- 17,604	-28.9%
130. Technical Reserves	29,980	20,512	9,468	46.2%
140. Valuation reserves	17,536	28,985	- 11,449	-39.5%
170. Reserves	629,025	591,009	38,016	6.4%
180. Share premium reserve	16,145	16,145		
190. Share capital	67,705	67,705		
210. Minority interest (+/-)	4,995	3,944	1,051	26.6%
220. Net profit / (loss) for the period	52,611	53,532	- 921	-1.7%
Total Liabilities and shareholders' equity	**8,163,010**	**8,308,781**	**- 145,771**	**-1.8%**

CONSOLIDATED INCOME STATEMENT

Captions	31/12/2010	31/12/2009	change absolute	change %
10. Interest income and similar revenues	258,056	301,749	-43,693	-14.5%
20. Interest expense and similar charges	-72,895	-98,054	25,159	-25.7%
30. Net interest income	**185,161**	**203,695**	**-18,534**	**-9.1%**
40. Fee and commission income	145,269	122,388	22,881	18.7%
50. Fee and commission expense	-17,663	-12,902	-4,761	36.9%
60. Net fees and commissions	**127,606**	**109,486**	**18,120**	**16.6%**
70. Dividends and similar income	370	417	-47	-11.3%
80. Net profits/(losses) on trading activities	1,817	4,763	-2,946	-61.9%
90. Net profits/(losses) on hedging activities	1,597	-13	1,610	-12384.6%
100. Profit/(loss) on disposal or repurchase of:	8,114	5,643	2,471	43.8%
a) loans and receivables	*60*	*-293*	*353*	*-120.5%*
b) available-for-sale financial assets	*7,198*	*4,766*	*2,432*	*51.0%*
d) financial liabilities	*856*	*1,170*	*-314*	*-26.8%*
110. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-1,751	-330	-1,421	430.6%
120. Net interest and other banking income (intermediation margin)	**322,914**	**323,661**	**-747**	**-0.2%**
130. Net impairment losses on/writebacks to:	-40,760	-59,429	18,669	-31.4%
a) loans and receivables	*-40,658*	*-59,568*	*18,910*	*-31.7%*
d) other financial assets	*-102*	*139*	*-241*	*-173.4%*
140. Net income from banking activities	**282,154**	**264,232**	**17,922**	**6.8%**
150. Net insurance premiums	24,674	20,177	4,497	22.3%
160. Balance of other income/charges arising on insurance management activities	-15,268	-13,150	-2,118	16.1%
170. Net result of financial and insurance activities	**291,560**	**271,259**	**20,301**	**7.5%**
180. Administrative expenses:	-234,118	-227,494	-6,624	2.9%
a) personnel expenses	*-154,975*	*-147,236*	*-7,739*	*5.3%*
b) other administrative expenses	*-79,143*	*-80,258*	*1,115*	*-1.4%*
190. Net provisions for risks and charges	15,639	-2,315	17,954	-775.6%
200.Net adjustments/write-backs to the value of tangible assets	-7,088	-7,389	301	-4.1%
210. Net adjustments/write-backs to the value of intangible assets	-1,120	-894	-226	25.3%
220. Other operating expenses/income	14,430	18,644	-4,214	-22.6%
230. Operating expenses	**-212,257**	**-219,448**	**7,191**	**-3.3%**
240. Profits/(losses) on equity investments	3,909	25,514	-21,605	-84.7%
270. Profits/(losses) on the disposal of investments	-	-8	8	-100.0%
280. Profits/(losses) before taxes from continuing operations	**83,212**	**77,317**	**5,895**	**7.6%**
290. Taxes for the period on income from continuing operations	-29,752	-23,635	-6,117	25.9%
300. Net profits (loss) after tax from continuing operations	**53,460**	**53,682**	**-222**	**-0.4%**
320. Net profit/(loss) for the period	**53,460**	**53,682**	**-222**	**-0.4%**
330. Profit (loss) for the period attributable to minority interests	-849	-150	-699	466.0%
340. Parent Bank net profit (loss)	**52,611**	**53,532**	**-921**	**-1.7%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Captions	31.12.2010	31.12.2009
10.	**Net profit/(loss) for the period**	**53,460**	**53,682**
	Other income components, net of taxes		
20.	Available-for-sale financial assets	(13,163)	17,271
30.	Tangible assets		
40.	Intangible assets		
50.	Foreign investment hedge		
60.	Cash flow hedge		
70.	Exchange differences	3,603	(74)
80.	Non-current assets held for sale and discontinued operations		
90.	Actuarial profits (losses) on defined benefit plans	236	331
100.	Share of valuation reserve of equity investments carried at equity	(2,361)	917
110.	**Total other income components, net of taxes**	**(11,685)**	**18,445**
120.	**Comprehensive income (10+110)**	**41,775**	**72,127**
130.	Consolidated comprehensive income attributable to minority interests	(615)	(295)
140.	**Consolidated comprehensive income attributable to the parent company**	**41,160**	**71,832**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2010

	Equity as of 31.12.2009	Change in opening balances	Equity as of 1.01.2010	Allocation of result from previous period		Changes over the period								Comprehensive income FY 31.12.2010	Equity attributable to the Group as at 31.12.2010	Minority interests as at 31.12.2010
							Transactions in shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options				
Shareholders' equity:																
a) ordinary shares	63,702	-	63,702	-	-	-	576	-	-	-	-	-	-	60,840	3,438
b) other shares	6,865	-	6,865	-				-						6,865	
Share premium reserve	16,392	-	16,392	-	-	-	(89)	-	-	-	-	-	-	16,145	158
Reserves:															
a) retained earnings	582,485	-	582,485	39,733	-	(1,757)	-	-	-	-	-	-	-	619,764	697
b) other	9,119	-	9,119	-	-	-	-	-	-	-	-	142	-	9,261	
Revaluation reserves:	29,074	-	29,074			-	-						(11,685)	17,536	(147)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
Net Profit (loss) for the year	53,682	-	53,682	(39,733)	(13,949)	-	-	-	-	-	-	-	53,460	52,611	849
Equity attributable to the Group	**757,372**	**-**	**757,372**		**(13,949)**	**(1,703)**	**-**	**-**	**-**	**-**	**-**	**142**	**41,160**	**783,022**	
Minority interests	**3,947**	**-**	**3,947**			**(54)**	**487**	**-**					**615**		**4,995**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2009

	Equity as of 31.12.2008	Change in opening balances	Equity as of 1.01.2009	Allocation of result from previous period		Changes over the period								Comprehensive income FY 31.12.2009	Equity attributable to the Group as at 31.12.2009	Minority interests as at 31.12.2009
							Transactions in shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in 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	(2,005)	8,966	-	-	-	-	-	-	-	-	153	-	9,119	
Revaluation reserves:	8,624	2,005	10,629			-							18,445	28,987	87
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-		-	-	-	
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

A. OPERATIONS	Amount 31.12.2010	Amount 31.12.2009
1. Management activities	**80,730**	**97,210**
- interest income earned (+)	257,894	301,303
- interest expenses paid (-)	(72,485)	(97,826)
- dividends and similar revenues (+)	370	417
- net commissions (+/-)	127,003	110,099
- personnel costs (-)	(154,975)	(147,236)
- net premiums collected (+)	-	20,177
- other insurance income/costs (+/-)	9,406	(13,150)
- other costs (-)	(73,743)	(73,255)
- other revenues (+)	17,012	20,316
- taxes and duties (-)	(29,752)	(23,635)
- costs/revenues relating to non current assets held for sale and discontinued operations, net of tax effect (+/-)	-	-
2. Liquid assets generated (absorbed) by decrease/increase in financial assets	**240,041**	**(833,033)**
- financial assets held for trading	34,248	209,961
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	45,963	(334,372)
- amounts due from customers	(360,426)	(520,559)
- amounts due from banks: at sight	37,699	(91,130)
- amounts due from banks: others	452,442	(115,491)
- other assets	30,115	18,558
3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities	**(170,247)**	**719,484**
- amounts due to banks: at sight	(344)	(1,978)
- amounts due to banks: others	135,604	1,000
- amounts due to customers	(408,677)	806,594
- securities issued	311,686	(58,341)
- financial liabilities held for trading	(5,927)	(10,083)
- financial liabilities at fair value through profit or loss	(222,826)	15,664
- other liabilities	20,237	(33,372)
Net liquid assets generated (absorbed) by operations (A)	**150,524**	**(16,339)**
B. INVESTMENTS		
1. Liquid assets generated by	**43,345**	**32,459**
- sale of investments	-	498
- dividends received from investments	-	-
- sale/redemption of financial assets held to maturity	-	-
- sale of tangible assets	43,345	194
- sale of intangible assets	-	-
- sale of business divisions	-	31,767
2. Liquid assets absorbed by	**(177,771)**	**(8,586)**
- purchase of investments	-	(383)
- purchase of financial assets held to maturity	(121,392)	5,028
- purchase of tangible assets	(53,044)	(8,248)
- purchase of intangible assets	(3,335)	(4,983)
- purchase of business divisions	-	-
Net liquid assets generated (absorbed) by investments (B)	**(134,426)**	**23,873**
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)	**2,300**	**(6,258)**

Financial statements' items	2010	2009
Cash and cash equivalents at beginning of year	26,315	32,573
Total liquid assets generated (absorbed) during the year	2,300	(6,258)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	28,615	26,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A - ACCOUNTING POLICIES

A. 1 – GENERAL

Section 1 – Declaration of conformity with international accounting standards

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

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

Set out below are the accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2010.

Section 2 – General accounting policies

The consolidated financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance over form.

The consolidated financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, 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.

Amounts are expressed in thousands of Euro.

Section 3 – Scope and methods of consolidation

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

Company name	Registered office	Type of relationship	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	61.860	61.860
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

Legend:
(1) Type of relationship: 1 = majority of voting rights at the ordinary shareholdes' meeting

During the period, the scope of consolidation underwent the following changes:
. Chiara Assicurazioni – decrease in the shareholding from 67.353% to 61.860%;
. Fides S.p.A. – increase in the shareholding from 95.00% to 100.00%.

As regards Rovere S.A., note a different breakdown of the shareholdings, while the overall shareholding remained unchanged at Group level.

Equity investments in companies subject to significant influence - Chiara Vita S.p.A. (shareholding 30%) and Istifid (shareholding 28.961%) are consolidated on an equity basis.
Compared to the previous period, no change was reported in the shareholdings.

Section 4 – Events subsequent to the reporting date

Reference is made to the consolidated financial Report.

Section 5 – Other aspects

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

The drafting of the consolidated financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements.
The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently recognised may change precisely because of changes in the subjective valuations utilised.
The main cases where the use of subjective estimations and valuations are called for are the following:
- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of disclosures;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of staff reserves and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

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

A.2 MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of the consolidated financial statements as at 31 December 2010, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) and in force at the reporting date and have been applied on a going concern basis.
For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place in a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

Financial assets held for trading

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.
For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).
Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).
Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).
Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

Derecognition criteria

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

Available-for-sale financial assets

Classification criteria

"Available-for-sale financial assets" comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.
They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.
"Available-for sale financial assets" may be transferred to the category "Held-to-maturity investments" only in the following circumstances:
- a change in intention or ability to hold,
-in the rare circumstances that a reliable measure of fair value is not available.
The transfer to the category "Loans and Receivables" is permitted only in particular circumstances.

Recognition criteria

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

Measurement criteria

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.
Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.
For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).
At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, "significant" (exceeding 50%) or "extended" (beyond 24 months) decreases in value are considered as objective evidence of impairment of equity securities.
The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value.

Criteria for the recognition of income statement components

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

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

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

Derecognition criteria

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

Held-to-maturity investments

Classification criteria

"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets listed on an active market (Level 1), with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.
The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.
Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.
At every balance sheet date, an assessment is made of any evident impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognized in profit and loss.
Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

Derecognition criteria

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

Loans and receivables

Classification criteria

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not

listed on an active market.
Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market which have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.
They also include finance lease receivables.
Transfers from the categories of "Financial assets available for sale" and "Financial assets held for trading" are permitted only in particular circumstances specified by IAS 39.

Recognition criteria

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

Measurement Criteria

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

Derecognition criteria

Loans and receivables 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 depreciated in relation to the residual useful life of the related assets.
Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

Criteria for the recognition of income statement components

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

Derecognition criteria

Tangible assets are derecognised on disposal.

Intangible assets

Classification criteria

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

Recognition criteria

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.
Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

Measurement criteria

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

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

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

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

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

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

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

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

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

d) Sensitivity analysis

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

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

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

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

e) <u>Control method</u>

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

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

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

Criteria for the recognition of income statement components

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.
Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

Derecognition criteria

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

Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.
Tax assets and liabilities include the fiscal positions of every single company within the Group. Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 140 "Deferred tax assets".
Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 "Deferred tax liabilities".
Current taxes that have not yet been paid are separately recognised under item "Current tax liabilities" in the Balance Sheet. In the event of excess payments on account for current taxes, the receivable to be recovered is recognized under item "Current tax assets" in the Balance Sheet.
Tax assets and liabilities are recognised in equity if connected to transactions recognised directly in equity.

Reserves for risks and charges

Reserve for employee termination indemnities

Measurement criteria

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

Criteria for the recognition of income statement components

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

Other provisions

Classification criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.
The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

Liabilities and securities issued

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.
Financial liabilities without amortisation plans are measured at cost.
Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in profit and loss. The fair value of hedged financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).
In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.
Securities issued by the Group are shown net of any repurchases.

Derecognition criteria

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

Financial liabilities held for trading

Classification criteria

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

Recognition criteria

Liabilities held for trading are recognised at fair value.

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

Classification criteria

This item includes financial liabilities at fair value through profit or loss.
Specifically, the item refers to the application of the so-called fair value option for "naturally hedged" financial liabilities, aimed at improving the balance of the profit and loss effects of the measurement of financial assets and liabilities.
Liabilities at fair value may be recognised through profit or loss in the following cases:
- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.
Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

Transactions in foreign currency

Recognition criteria

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

Measurement criteria

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:
- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction.
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

Criteria for the recognition of income statement components

For monetary elements the effect of the valuation carried out is recognized in profit and loss.
For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity.

Insurance assets and liabilities

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

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

They comprise:
Assets:
- actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used to make provision for the risks assumed by the Company (the so-called "direct labour").
Liabilities:
- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked, such as the Supplementary Pension Fund (FIP);
- other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

Other information

Revaluation reserves

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

Costs and revenues recognition

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.

A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

There have been no transfers.

A.3.2 Fair value hierarchy

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

	31/12/2010			31/12/2009		
Financial Assets/Liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	16,879	1,760	22,120	44,069	3,144	27,564
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Available-for-sale financial assets	554,915	273,754	5,145	510,479	347,077	8,157
4. Hedging derivatives	-	-	-	-	-	-
Total	571,794	275,514	27,265	554,548	350,221	35,721
1. Financial liabilities held for trading	65	7	6,585	-	13	2,506
2. Financial liabilities at fair value through profit or loss	-	334,326	-	-	557,152	-
3. Hedging derivatives	-	-	2,653	-	-	-
Total	65	334,333	9,238	-	557,165	2,506

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

	FINANCIAL ASSETS			
	Held for trading	**At fair value through profit or loss**	**Available-for-sale**	**Hedging**
1. Opening balance	**27,564**	**-**	**8,157**	**-**
2. Increases	**19,175**	**-**	**176**	**-**
2.1 Purchases	63	-	176	-
2.2 Profits charged to:				
2.2.1 Income Statement	1,312	-	-	-
- of which Capital Gains	1,312	-	-	-
2.2.2 Equity			-	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	17,800	-	-	-
3. Decreases	**24,619**	**-**	**3,188**	**-**
3.1 Sales	-	-	-	-
3.2 Redemptions	-	-	-	-
3.3 Losses charged to:				
3.3.1 Income Statement	11,283	-	-	-
- of which Capital Losses	11,283	-	-	-
3.3.2 Equity			3,188	-
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	13,336	-	-	-
4. Closing balance	**22,120**	**-**	**5,145**	**-**

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 financial year generated profits for accruals and differentials collected for Euro 12,281 thousand, charged to item 10 in the income statement and for Euro 837 thousand to item 80 in the income statement. Losses for accruals and differentials paid amount to Euro 9,472 thousand, charged to item 10, and Euro 768 thousand to item 80 in the income statement. Item 80 in the income statement recognises capital gains for Euro 1,047 thousand and capital losses for Euro 584 thousand. Finally, item 110 in the income statement recognises capital gains for Euro 6,119 thousand and capital losses for Euro 157 thousand.

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

	FINANCIAL LIABILITIES		
	Held for trading	**At fair value through profit or loss**	**Hedging**
1. Opening balance	2,506	-	-
2. Increases	7,177	-	3,763
2.1 Issues	-	-	2,102
2.2 Losses charged to:			
2.2.1 Income Statement	2,935	-	1,113
- of which Capital Losses	2,935	-	1,113
2.2.2 Equity			-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	4,242	-	548
3. Decreases	3,098	-	1,110
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits charged to:			
3.3.1 Income Statement	1,949	-	416
- of which Capital Gains	1,949	-	416
3.3.2 Equity			-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	1,149	-	694
4. Closing balance	**6,585**	**-**	**2,653**

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

Financial liabilities outstanding at the end of the financial year generated profits for accruals and differentials collected for Euro 427 thousand charged to item 10 in the income statement and for Euro 490 thousand to item 80 in the income statement, and losses for accruals and differentials paid for Euro 148 thousand charged to item 10 and for Euro 687 thousand to item 80. Item 80 also recognises capital gains for Euro 575 thousand and capital losses for Euro 1,527 thousand, while item 110 recognises capital gains for Euro 910 thousand and capital losses for Euro 1,402 thousand.

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

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

Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents (caption 10)

1.1 Cash and cash equivalents: breakdown

	31/12/2010	31/12/2009
a) Cash	27,723	25,567
b) On demand deposits with Central Banks	892	748
Total	**28,615**	**26,315**

The component pertaining to the insurance business amounts to Euro 2 thousand.

Section 2 – Financial assets held for trading (caption 20)

2.1 Financial assets held for trading: breakdown by type

Caption/Amount	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash equivalents						
1. Debt securities	16,469	1,748		44,069	3,132	
1.1 Structured securities		145			654	
1.2 Other debt securities	16,469	1,603		44,069	2,478	
2. Equity securities	314					
3. UCITS units						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A	16,783	1,748	-	44,069	3,132	-
B. Derivative instruments:						
1. Financial derivatives:	96	12	22,120		13	27,564
1.1 trading	96	12	6,093		13	3,140
1.2 connected with the fair value			16,027			24,424
1.3 other						
2. Credit derivates:						
2.1 trading						
2.2 connected with the fair value						
2.3 other						
Total B	96	12	22,120	-	13	27,564
Total (A+B)	16,879	1,760	22,120	44,069	3,145	27,564

2.2 Financial assets held for trading: breakdown by debtor/issuer

Caption /Amount	31/12/2010	31/12/2009
A. CASH EQUIVALENTS		
1. Debt securities	**18,217**	**47,201**
a) Governments and central banks	17,557	42,190
b) Other public entities		
c) Banks	660	5,011
d) Other issuers		
2. Equity securities	**314**	
a) Banks	314	
b) Other issuers		
- insurance companies		
- financial institutions		
- non-financial companies		
- other		
3. UCITS units	**-**	**-**
4. Financing		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total A	**18,531**	**47,201**
B. DERIVATIVE INSTRUMENTS	**22,228**	**27,577**
a) Banks		
- fair value	*19,876*	*25,981*
b) Customers:		
- fair value	*2,352*	*1,596*
Total B	**22,228**	**27,577**
Total (A + B)	**40,759**	**74,778**

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Loans	Total 2010
A. Opening balance	**47,201**	**-**	**-**	**-**	**47,201**
B. Increases	**800,306**	**466,552**	**185**	**-**	**1,267,043**
B.1 Purchases	799,094	466,415	185	-	1,265,694
B.2 Positive fair value changes	-	-	-	-	-
B.3 Other changes	1,212	137	-	-	1,349
C. Decreases	**829,290**	**466,238**	**185**	**-**	**1,295,123**
C.1 Sales	789,907	465,780	185	-	1,255,872
C.2 Redemptions	38,922	-	-	-	38,922
C.3 Negative fair value changes	129	13	-	-	142
C.4 Trasfer to other portfolios	-	-	-	-	-
C.5 Other changes	332	445	-	-	777
D. Closing balance	**18,217**	**314**	**-**	**-**	**18,531**

Section 4 – Available-for-sale financial assets (caption 40)

4.1 Available-for-sale financial assets: breakdown by type

Caption/Amount	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	523,666	273,754	110	439,778	347,077	110
1.1 Structured securities	*899*	*3,662*		*863*	*1,601*	
1.2 Other debt securities	*522,767*	*270,092*	*110*	*438,915*	*345,476*	*110*
2. Equity securities	662		5,035	101		8,047
2.1 Measured at fair value	*662*		*4,952*	*101*		*7,964*
2.2 Measured at cost			*83*			*83*
3. UCITS units	30,587			70,600		
4. Loans						
Total	**554,915**	**273,754**	**5,145**	**510,479**	**347,077**	**8,157**

The component attributable to the insurance company, which is represented almost exclusively by Level 1-securities, amounts to a total of Euro 27,758 thousand, of which debt securities for Euro 27,193 thousand, and UCITS units of Euro 565 thousand (compared to Euro 22,115 thousand in 2009).

4.2.Available-for-sale financial assets: breakdown by debtor/issuer

Caption /Amount	31/12/2010	31/12/2009
1. Debt securities	**797,530**	**786,965**
a) Governments and central banks	432,377	373,316
b) Other public entities		
c) Banks	318,835	368,909
d) Other issuers	46,318	44,740
2. Equity securities	**5,697**	**8,148**
a) Banks		1,562
b) Other issuers	5,697	6,586
- insurance companies		
- financial institutions	698	136
- non-financial companies	4,999	6,450
- other		
3. UCIT units	**30,587**	**70,600**
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**833,814**	**865,713**

4.4 Available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCITS units	Loans	Total 2010
A. Opening balance	**786,965**	**8,148**	**70,600**		**865,713**
B. Increases	**1,284,768**	**863**	**20,279**		**1,305,910**
B1. Purchases	1,273,770	863	19,906		1,294,539
B2. Positive fair value changes	1,024		122		1,146
B3. Write-backs					
- charged to statement of income					
- charged to shareholders' equity					
B4. Transfer from other portfolios					
B5. Other increases	9,974	-	251		10,225
C. Decreases	**1,274,203**	**3,314**	**60,292**		**1,337,809**
C1. Sales	1,194,168	101	59,787		1,254,056
C2. Redemptions	62,145				62,145
C3. Negative fair value changes	13,437	3,213	484		17,134
C4. Impairment write-downs					
- charged to statement of income					
- charged to shareholders' equity					
C5. Transfers to other portfolios					
C6. Other decreases	4,453	-	21		4,474
D. Closing balance	**797,530**	**5,697**	**30,587**		**833,814**

Items “B.2 Positive fair value changes” and “C.3 Negative fair value changes”, respectively, inclusive of the relevant tax effect, recognised under Shareholders’ equity under item 130 “Valuation reserves”.

Section 5 – Held-to-maturity investments (caption 50)

5.1 Held-to-maturity investments: breakdown by type

	31/12/2010				31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	124.480	118.052			3.089	3.189		
1.1 Structured securities								
1.2 Other debt securities	124.480	118.052			3.089	3.189		
2. Loans								

5.2 Held-to-maturity investments: breakdown by debtor/issuer

Transaction type/Amount	31/12/2010	31/12/2009
1. Debt securities	**124,480**	**3,089**
a) Governments and central banks	110,719	
b) Other public entities		3,089
c) Banks	10,112	
d) Other issuers	3,649	
2. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**124,480**	**3,089**
Total fair value	**118,052**	**3,201**

5.4 Held-to-maturity investments: annual changes

	Debt securities	Loans	Total 2010
A. Opening balance	**3,089**		**3,089**
B. Increases	**121,414**		**121,414**
B1. Purchases	119,250		119,250
B2. Write-backs			
B3. Transfer from other portfolios			
B4. Other increases	2,164		2,164
C. Decreases	**23**		**23**
C1. Sales			
C2. Redemptions			
C3. Value adjustments			
C4. Transfers to other portfolios			
C5. Other decreases	23		23
D. Closing balance	**124,480**		**124,480**

Section 6 – Amounts due from banks (caption 60)

6.1 Amounts due from banks: breakdown by type

Transaction type / Amount	31/12/2010	31/12/2009
A. Amounts due from Central banks	**69,384**	**189,383**
1. Restricted deposits		
2. Compulsory reserve	69,384	189,383
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	**233,468**	**603,600**
1. Current accounts and unrestricted deposits	130,673	168,361
2. Restricted deposits	77,205	318,675
3. Other loans	232	116,564
3.1 repurchase agreements		*116,478*
3.2 finance leases		
3.3 other	*232*	*86*
4. Debt securities	25,358	
4.1 structured	*25,358*	
4.2 other debt securities		
Total (book value)	**302,852**	**792,983**
Total (fair value)	**302,852**	**793,510**

Amounts due from banks claimed by the insurance company, net of intra-group accounts, amount to Euro 4,566 thousand (Euro 3,312 thousand last year).

Section 7 – Amounts due from customers (caption 70)

7.1 Amounts due from customers: breakdown by type

Transaction type/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current account	1,433,110	75,202	1,529,566	67,475
2. Repurchase agreements	1,522		465	
3. Mortgage loans	3,170,555	99,874	2,823,190	85,799
4. Credit cards, personal loans and loans on salary	230,076	5,036	161,813	3,500
5. Financial leases	598,102	17,944	599,511	14,982
6. Factoring	9,139	167	7,532	40
7. Other transactions	777,245	3,118	809,939	2,493
8. Debt securities	55,630		53,846	
8.1 Structured securities				
8.2 Other debt securities	*55,630*		*53,846*	
Total (book value)	**6,275,379**	**201,341**	**5,985,862**	**174,289**
Total (fair value)	**6,596,889**	**201,341**	**6,253,721**	**174,289**

The year-end balance of performing loans includes receivables pertaining to the insurance business for a total of Euro 20 thousand.

7.2 Amounts due from customers: breakdown by debtor/issuer

Transaction type/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**55,630**		**53,846**	
a) Governments				
b) Other public entities				
c) Other issuers	55,630		53,846	
- non-financial companies				
- financial companies				
- insurance companies	*55,630*		*53,846*	
- other				
2. Loans to:	**6,219,749**	**201,341**	**5,932,016**	**174,289**
a) Governments				
b) Other public entities	49		93	
c) Other entities	6,219,700	201,341	5,931,923	174,289
- non-financial companies	*4,058,788*	*127,925*	*4,022,780*	*108,489*
- financial companies	*62,165*	*102*	*75,029*	
- insurance companies	*1,877*		*1,934*	
- other	*2,096,870*	*73,314*	*1,832,180*	*65,800*
Total	**6,275,379**	**201,341**	**5,985,862**	**174,289**

7.4 Finance lease

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

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	755,962	150,788	605,174	89,083
- of which leaseback agreements	*54,434*	*13,551*	*40,884*	*8,148*
Total	**758,962**	**150,788**	**605,174**	**89,083**

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	12,688	246	12,442
- Between 1 and 5 years	241,031	17,723	223,308
- Beyond 5 years	502,243	132,819	369,424
Total	**755,962**	**150,788**	**605,174**

Section 10 – Equity investments (caption 100)

10.1 Equity investments in companies subject to joint control (carried at equity) and companies subject to significant influence: information on ownership relationships

Company name	Registered offices	Type of relationship	Ownership relationship		Availabilities of votes %
			Investing company	% share	
Chiara Vita S.p.A.	*Milan*	*Significant influence*	Banco Desio Brianza	30,000	
Istifid S.p.A.	*Milan*	*Significant influence*	Banco Desio Brianza	28,961	

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

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders'equity	Book value
A. Companies valued at equity					
A.2 subject to significant influence					
Chiara Vita S.p.A.	1,894,548	610,170	14,226	56,016	15,507
Istifid S.p.A.	5,904	5,125	167	3,448	1,213
Total C	**1,900,452**	**615,295**	**14,393**	**59,464**	**16,720**

Data referred to the 2009 financial statements, the last approved financial statements.

10.3 Equity investments: annual changes

	Total 2010	Total 2009
A. Opening balance	**20,964**	**16,558**
B. Increases	**3,380**	**36,671**
B.1 Purchases	-	383
B.2 Write-backs	-	
B.3 Revaluations	3,380	3,643
B.4 Other increases	-	32,645
C. Decreases	**7,624**	**32,265**
C.1 Sales	-	32,265
C.2 Value adjustments	-	-
C.3 Other decreases	7,624	-
D. Closing balance	**16,720**	**20,964**
E. Total revaluations	**2,340**	**6,584**
F. Total adjustments	**-**	**-**

Section 11 – Technical insurance reserves carried by reinsurers (caption 110)

11.1 Technical insurance reserves carried by reinsurers: breakdown

	31/12/2010	31/12/2009
A. Non-Life branch	**6,363**	**5,529**
A.1 premiums reserves	5,227	4,600
A.2 claims reserves	1,136	929
A.3 other reserves		
B. Life branch		
B.1 mathematical reserves		
B.2 reserves for amounts to be disbursed		
B.3 other reserves		
C. Technical reserves for investment risks to be borne by the insured		
C.1 reserves for contracts with disbursements connected with investment funds and market indices		
C.2 reserves from pension fund management		
D. Total technical insurance reserves carried by reinsurers	**6,363**	**5,529**

11.2 Change in caption 110 "Technical insurance reserves carried by reinsurers"

The item Non-Life branch shows a total increase of Euro 834 thousand (Euro 671 thousand last year).

Section 12 – Tangible assets (caption 120)

12.1 Tangible assets: breakdown of assets valued at cost

Asset/Value	31/12/2010	31/12/2009
A. Functional assets		
1.1 owned by the Bank	**150,815**	**148,204**
a) land	40,756	40,323
b) buildings	88,213	83,740
c) fixtures and fittings	9,570	10,136
d) electrical equipment	3,128	3,690
e) other	9,148	10,315
1.2 acquired under finance lease		
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
Total A	**150,815**	**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)	**150,821**	**148,210**

The insurance component amounts to Euro 264 thousand (Euro 181 thousand last year).

12.3 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**40,323**	**92,985**	**31,176**	**18,872**	**37,796**	**221,152**
A.1 Total net decreases in value		9,245	21,040	15,182	27,481	72,948
A.2 Net opening balance	**40,323**	**83,740**	**10,136**	**3,690**	**10,315**	**148,204**
B. Increases:	**433**	**6,408**	**1,175**	**888**	**1,358**	**10,262**
B.1 Purchases	264	6,034	1,015	843	1,084	9,240
B.2 Capitalized improvement expenses						
B.3 Write-backs						
B.4 Positive fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences						
B.6 Transfers from assets held for investment						
B.7 Other changes	169	374	160	45	274	1,022
C. Decreases:		**1,935**	**1,741**	**1,450**	**2,525**	**7,651**
C.1 Sales			51	44	316	411
C.2 Amortization/depreciation		1,863	1,689	1,405	2,152	7,109
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
C.4 Negative fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other changes		72	1	1	57	131
D. Net closing balance	**40,756**	**88,213**	**9,570**	**3,128**	**9,148**	**150,815**
D.1 Total net decreases in value	-	11,234	22,506	16,473	29,197	79,410
D.2 Gross closing balance	**40,756**	**99,447**	**32,076**	**19,601**	**38,345**	**230,225**
E. Measurement at cost	-	-	-	-	-	-

12.4 Tangible assets held for investment: annual changes

	Total	
	Land	**Buildings**
A. Opening balance	**6**	**-**
B. Increase		
B.1 Purchases		
B.2 Capitalized improvement expenses		
B.3 Positive fair value changes		
B.4 Write-backs		
B.5 Positive exchange differences		
B.6 Transfer from property held for own use		
B.7 Other increases		
C. Decreases:		
C.1 Sales		
C.2 Amortization/depreciation		
C.3 Negative fair value changes		
C.4 Value adjustments for impairment		
C.5 Negative exchange differences		
C.6 Transfers to other portfolios of assets:		
a) property held for own use		
b) non-current assets held for sale and discontinued operations		
C.7 Other decreases		
D. Closing balance	**6**	**-**
E. Measurement at fair value	-	-

12.5 Tangible assets: commitments for purchase of tangible assets

Contractual commitments for investments in properties amount to Euro 3,337 thousand.

Section 13 – Intangible assets (caption 130)

13.1 Intangible assets: breakdown by type of assets

Caption / Value	31/12/2010		31/12/2009	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill:		**44,345**		**43,186**
A.1.1 attributable to the Group		44,345		43,186
A.1.2 attributable to minority interests				
A.2 Other intangible assets	**3,247**		**2,191**	
A.2.1 Assets valued at cost:	3,247		2,191	
a) Intangible assets generated internally				
b) Other assets	3,247		2,191	
A2.2 Assets at fair value through profit or loss:				
a) Intangible assets generated internally				
b) Other assets				
Total	**3,247**	**44,345**	**2,191**	**43,186**

No impairment losses were recorded for goodwill entered in the accounts (including positive consolidation differences) compared to the previous year and, given the indefinite useful life, no amortization was calculated.

The insurance component, which only refers to intangible assets, amounts to Euro 1,201 thousand (Euro 539 thousand last year).

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance	**45,330**			**6,944**		**52,274**
A.1 Total net decreases in value	2,144			4,753		6,897
A.2 Net opening balance	**43,186**			**2,191**		**45,377**
B. Increases	**1,244**			**2,191**		**3,435**
B.1 Purchases	1,244			2,120		3,364
B.2 Increases in internal intangible assets						
B.3 Write-backs						
B.4 Increases in fair value charged to:						
- shareholders' equity						
- statement of income						
B.5 Positive exchange differences				70		70
B.6 Other changes				1		1
C. Decreases	**85**			**1,136**		**1,221**
C.1 Sales	85					85
C.2 Adjustments				1,136		1,136
- Amortization				1,136		1,136
- Write-downs						
+ shareholders' equity						
+ statement of income						
C.3 Decreases in fair value charged to:						
- shareholders' equity						
- statement of income						
C.4 Transfers to non-current assets held for sale and discontinued operations						
C.5 Negative exchange differences						
C.6 Other changes						
D. Net closing balance	**44,345**			**3,246**		**47,591**
D.1 Total net adjustments	2,144			6,109		8,253
E. Gross closing balance	**46,489**			**9,355**		**55,844**
F. Measurement at cost						-

Section 14 – Tax assets and liabilities (caption 140 under assets and caption 80 under liabilities)

14.1 Deferred tax assets: breakdown

Temporary differences	ires	irap	Total 31/12/2010	Total 31/12/2009
a) against Profit and Loss				
tax losses	185		185	185
goodwill deductible for tax purposes	578	101	679	679
writedowns of loans to customers deductible on a straight-line basis	23,149		23,149	19,916
lump-sum provision for bad debts	305		305	329
write-down of loans to customers outstanding as at 31.12.1994	10		10	12
provisions for risks from implicit loan losses				1
statutory amortisation on properties	1		1	1
statutory depreciation on tangible assets	175		175	106
provisions for guarantees and commitments/country risk	426		426	345
provisions for personnel charges	2,276		2,276	2,255
provisions for legal disputes	1,671		1,671	2,080
provisions for revocatory actions	793		793	911
provision for sundry charges	118		118	354
tax provision for employee termination indemnities	260		260	99
third deductible in the following four financial years	9	1	10	31
other general expenses deductible in the following accounting period	63		63	30
other	16		16	2
Total a)	**30,035**	**102**	**30,137**	**27,336**
b) against Equity				
tax provision for employee termination indemnities	528		528	515
writedown of securities classified AFS	4,104	763	4,867	1,662
write-down of equity investments		1	1	
Total b)	**4,632**	**764**	**5,396**	**2,177**
Total	**34,667**	**866**	**35,533**	**29,513**

Tax assets attributable to the insurance company amount to Euro 3,703 thousand, of which current taxes of Euro 3,312 thousand and deferred tax assets of Euro 391 thousand (Euro 81 thousand last year, all of which refer to deferred tax assets).

14.2 Deferred tax liabilities: breakdown

Temporary Differences	Ires	Irap	Total 31/12/2010	Total 31/12/2009
a) against Profit and Loss				
gains on disposal of tangible assets	42		42	68
tax amortization of properties	7,067	1,030	8,097	8,169
tax amortization of intangible assets	1	25	26	32
tax amortization of goodw ill	556	98	654	515
tax amortization on long-term charges (softw are)	2	6	8	9
tax amortization under article 106, par. 3	438		438	470
tax provision for employee termination indemnities	37		37	33
other	12	2		14
Total a)	**8,155**	**1,161**	**9,316**	**9,310**
b) against Equity				
revaluation of AFS securities	353	62	415	2,177
revaluation of equity investments	2	8	10	208
tax provision for employee termination indemnities	160		160	68
Total b)	**515**	**70**	**585**	**2,453**
Total	**8,670**	**1,231**	**9,901**	**11,763**

14.3 Change in deferred tax assets (against profit and loss)

	31/12/2010	31/12/2009
1. Initial amount	**27,336**	**20,810**
2. Increases	**6,898**	**11,515**
2.1 Deferred tax assets recognized during the year	6,837	10,787
a) from previous years		
b) due to adoption of different accounting standards	180	
c) w rite-backs		
d) other	6,657	10,787
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	61	728
3. Decreases	**4,097**	**4,989**
3.1 Deferred tax assets cancelled during the year	4,033	4,395
a) reallocation	4,033	4,395
b) w rite-dow ns due to irrecoverability		
c) adoption of different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	64	594
4. Final amount	**30,137**	**27,336**

14.4 Change in deferred tax liabilities (against profit and loss)

	31/12/2010	31/12/2009
1. Initial amount	**9,310**	**15,420**
2. Increases	**144**	**183**
2.1 Deferred tax assets recognized during the year	144	183
a) from previous years		
b) due to adoption of different accounting standards	3	
c) other	141	183
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
3. Decreases	**138**	**6,293**
3.1 Deferred tax liabilities cancelled during the year	138	433
a) reallocation	138	433
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		5,860
4. Final amount	**9,316**	**9,310**

14.5 Change in deferred tax asset (against equity)

	31/12/2010	31/12/2009
1. Initial amount	**2,177**	**8,021**
2. Increases	**4,449**	**730**
2.1 Deferred tax assets recognized during the year	4,446	315
a) from previous years		
b) due to adoption of different accounting standards		
c) other	4,446	315
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	3	415
3. Decreases	**1,230**	**6,574**
3.1 Deferred tax assets cancelled during the year	1,230	6,571
a) reallocation	1,230	6,571
b) write-downs due to irrecoverability		
c) due to adoption of different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		3
4. Final amount	**5,396**	**2,177**

14.6 Change in deferred tax liabilities (against equity)

	31/12/2010	31/12/2009
1. Initial amount	**2,453**	**662**
2. Increases	**195**	**2,262**
2.1 Deferred tax liabilities recognized during the year	193	2,262
a) from previous years		
b) due to adoption of different accounting standards	4	
c) other	189	2,262
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	2	
3. Decreases	**2,063**	**471**
3.1 Deferred tax liabilities cancelled during the year	2,063	458
a) reallocation	2,062	458
b) due to adoption of different accounting standards		
c) other	1	
3.2 Decreases in fiscal rates		
3.3 Other decreases		13
4. Final amount	**585**	**2,453**

Section 16 – Other assets – (Caption 160)

16.1 Other assets: breakdown

Description	31/12/2010	31/12/2009
Tax credits	68	4,630
Amounts due from tax authorities	15,177	15,951
Taxes withheld	26	14
Traded cheques to be settled	20,350	22,859
Guarantee deposits	2	-
Invoices issued to be collected	76	140
Accounts receivable for third-party securities and coupons to be collected	-	1
Unprocessed transactions and amounts in transit with bank branches	20,943	37,536
Currency spreads in Investments on portfolio transactions	303	300
Investments in supplementary termination indemnities for personnel	758	854
Leasehold improvements	21,527	23,054
Accrued income and prepaid expenses	715	472
Other items	11,507	16,787
Total	**91,452**	**122,598**

The amount attributable to the insurance company, net of intragroup relations, amounts to Euro 4,396 thousand (Euro 4,350 thousand last year).

Liabilities

Section 1 – Amounts due to banks (caption 10)

1.1 Amounts due to banks: breakdown by type

Transaction type/Amount	31/12/2010	31/12/2009
1. Amounts due to central banks	**-**	**-**
2. Amounts due to banks	**171,918**	**36,658**
2.1 Current accounts and unrestricted deposits	13,331	13,675
2.2 Restricted deposits	16,602	18,597
2.3 Loans	140,769	
2.3.1 Reverse repurchase agreements	140,769	
2.3.2 Other		
2.4 Commitments for repurchases of own equity instruments		
2.5 Other amounts due	1,216	4,386
Total	**171,918**	**36,658**
Fair value	**171,918**	**36,658**

Section 2 – Amounts due to customers (caption 20)

2.1 Amounts due to customers: breakdown by type

Transaction type / Group components	31/12/2010	31/12/2009
1. Current accounts and unrestricted deposits	4,367,104	4,771,056
2. Restricted deposits	1,721	3,740
3. Loans	68,009	72,106
3.1 Reverse repurchase agreements	19,618	37,043
3.2 Other	48,391	35,063
4. Commitments for repurchases of own equity instruments	-	-
5. Other amounts due	22,765	21,374
Total	**4,459,599**	**4,868,276**
Fair value	**4,459,599**	**4,868,276**

Section 3 – Securities issued (caption 30)

3.1 Securities issued: breakdown by type

Security type/Amount	Total 31/12/2010				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	1,835,097		1,816,290		1,569,830		1,617,418	
1.1 structured								
1.2 other	1,835,097		1,816,290		1,569,830		1,617,418	
2. other securities	279,311		279,311		238,740		238,740	
2.1 structured								
2.2 other	279,311		279,311		238,740		238,740	
Total	**2,114,408**		**2,095,601**		**1,808,570**		**1,856,158**	

3.2 Breakdown of caption 30 "Securities issued": subordinated securities

Debenture loans	31/12/2010	31/12/2009
BDB tv due 01.12.2010		13,013
BDB tv due 29.12.2011	12,991	12,999
BDB tv due 01.06.2012	12,983	13,003
BDB tv due 03.06.2013	13,003	13,009
BDB tv due 04.05.2014	29,877	30,052
BDB tv due 15.12.2014	29,879	30,016
BDB tv due 1.12.2015	13,019	
Total	**111,752**	**112,092**

All subordinated securities issued have similar characteristics:
- duration: 5 years;
- interest rate: variable rate with coupons payable every six months on a deferred basis;
- redemption: in one single solution upon maturity;
- early redemption clause: not provided;
- possession: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- subordination: the subordination clauses provide that in the event that the issuer is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

3.3 Breakdown of caption 30 "Securities issued": securities subject to specific hedging

	31/12/2010	31/12/2009
1. Debt securities subject to fair value hedging	59,375	-
a) interest rate risk	59,375	-
b) exchange rate risk	-	-
c) other risks	-	-
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other risks	-	-
Total	**59,375**	**-**

Section 4 – Financial liabilities held for trading – (caption 40)

4.1 Financial liabilities held for trading: breakdown by type

Transaction type / Amount	31/12/2010					31/12/2009				
	NV	Fair value			FV*	VN	Fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
A. Liabilities for cash										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives		65	7	6,116				13	2,507	
1.1 Trading		65	7	5,464				13	2,066	
1.2 Connected with the fair value option				652					441	
1.3 Other										
2. Credit derivatives				469						
2.1 Trading				469						
2.2 Connected with the fair value option										
2.3 Other										
Total B		**65**	**7**	**6,585**			**-**	**13**	**2,507**	
Total (A+B)		**65**	**7**	**6,585**			**-**	**13**	**2,507**	

Legend

NV = nominal or notional value
FV* = fair value calculated excluding variations due to the changed rating of the issuer with respect to the issue date.
L 1 = Level 1
L 2 = Level 2
L 3 = Level 3

Section 5 – Financial liabilities at fair value through profit or loss (caption 50)

5.1 Financial liabilities at fair value through profit or loss: breakdown

Transaction type / Amount	31/12/2010					31/12/2009				
	NV	*fair value*			FV*	VN	*fair value*			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
1 Amounts due to banks										
11Structured										
12 Other										
2. Amounts due to customers										
2.1Structured										
2.2 Other										
3. Debt securities	329,473		334,326		336,906	545,740		557,152		559,787
3.1Structured	37,900		36,259			20,000		19,872		
3.2 Other	291,573		298,067			525,740		537,280		
Total	**329,473**	**-**	**334,326**	**-**	**336,906**	**545,740**	**-**	**557,152**	**-**	**559,787**

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

	Amounts due to banks	Amounts due to customers	Securities issued	Total 2010
A. Opening balance			**557,152**	**557,152**
B. Increases			**42,956**	**42,956**
B1. Issues			26,854	26,854
B2. Sales			10,683	10,683
B3. Increases in fair value			76	76
B4. Other increases			5,343	5,343
C. Decreases			**(265,782)**	**(265,782)**
C1. Purchases			(14,895)	(14,895)
C2. Redemptions			(238,104)	(238,104)
C3. Decreases in fair value			(5,444)	(5,444)
C4. Other decreases			(7,339)	(7,339)
D. Closing balance			**334,326**	**334,326**

Section 6 – Hedging derivatives (caption 60)

6.1 Hedging derivatives: breakdown by type of hedging and by level

	31/12/2010 Fair value			VN	31/12/2009 Fair value			NV
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives		**-**	**2,653**	**79,617**				
1) Fair value		-	2,653	79,617				
2) Cash flows		-	-	-				
3) Foreign investments		-	-	-				
B) Credit derivatives		**-**	**-**	**-**				
1) Fair value		-	-	-				
2) Cash flows		-	-	-				
Total	**-**	**-**	**2,653**	**79,617**				

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

Transaction/Hedging type	Fair Value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange risk	credit risk	price risk	other risks				
1 Available-for-sale financial assets	1,744	-							
2. Credits	-	-							
3. Held-to-maturity investments	-	-							
4. Portfolio	-	-							
5. Other transactions	-	-							
Total assets	**1,744**	**-**							
1 Financial liabilities	909	-							
2. Portfolio	-	-							
Total liabilities	**909**	**-**							
1 Expected transactions	-	-							
2. Financial assets and liabilities portfolio	-	-							

Section 8 – Tax liabilities (caption 80)

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

Section 10 – Other liabilities (caption 100)

10.1 Other liabilities: breakdown

Description	31/12/2010	31/12/2009
Due to tax authorities	1,778	1,520
Amounts due to tax authorities on account of third parties	17,115	12,246
Social security contributions to be reversed	5,147	4,748
Due to shareholders on account of dividends	14	13
Suppliers	13,200	16,248
Amounts available for customers	8,722	11,563
Interest and fees to be credited	460	365
Payments against disposals on bills	468	483
Advance payments on expiring loans	413	126
Unprocessed transactions and amounts in transit with branches	13,213	16,548
Currency spreads on portfolio transactions	55,928	22,754
Due to personnel	3,280	2,956
Other accounts payable	40,285	60,404
Provisions for guarantees and commitments	1,544	1,237
Accrued liabilities and deferred income	3,204	2,196
Total	**174,893**	**153,407**

The component attributable to the insurance company, net of intergroup relations, amounts to Euro 5,813 thousand (Euro 6,024 thousand last year).

Section 11 – Provisions for employee termination indemnities (caption 110)

11.1 Provisions for employee termination indemnities: annual changes

	31/12/2010	31/12/2009
A. Opening balance	**25,696**	**26,490**
B. Increases	**1,352**	**1,137**
B.1 Provisions during the year	1,343	1,088
B.2 Other increases	9	49
C. Decreases	**2,670**	**1,931**
C.1 Amounts paid	2,498	1,629
C.2 Other decreases	172	302
D. Closing balance	**24,378**	**25,696**

The year-end balance includes the amounts pertaining to the insurance company equal to Euro 89 thousand (Euro 62 thousand last year).

Section 12 – Provisions for risks and charges (caption 120)

12.1 Provisions for risks and charges: breakdown

Caption/Amount	31/12/2010	31/12/2009
1. Company pension funds	186	164
2. Other provisions for risks and charges	43,331	60,935
2.1 legal disputes	9,000	11,960
2.2 personnel charges	9,417	9,658
2.3 other	24,914	39,317
Total	**43,517**	**61,099**

12.2. Provisions for risks and charges: annual changes

	Pension funds	Other funds	Total 2010
A. Opening balance	**164**	**60,935**	**61,099**
B. Increases	**31**	**6,621**	**6,652**
B.1 Provisions during the year		6,518	6,518
B.2 Changes due to the elapsing of time		7	7
B.3 Changes due to discount rate adjustments			
B.4 Other increases	31	96	127
C. Decreases	**9**	**24,225**	**24,234**
C.1 Use during the year	9	24,196	24,205
C.2 Changes due to discount rate adjustments		27	27
C.3 Other decreases		2	2
D. Closing balance	**186**	**43,331**	**43,517**

12.3 Defined benefit company pension funds

The amount entered in the accounts refers to the subsidiary C.P.C. S.A. - Lugano.

12.4 Provisions for risks and charges – Other provisions

	31/12/2010	31/12/2009
legal disputes	9,000	11,960
personnel charges	9,417	9,658
other	24,914	39,317
Total	**43,331**	**60,935**

Section 13 – Technical reserves (caption 130)

13.1 Technical reserves: breakdown

	Direct work	Indirect work	31/12/2010	31/12/2009
A. Non-life branch	29,980		29,980	20,512
A1. premiums fund	23,565		23,565	16,381
A2 . claims fund	6,040		6,040	3,870
A3. other reserves	375		375	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				
C1. funds for contracts with disbursements connected with pension funds and market indices				
C2. funds from pension fund management				
D. Total technical reserves	**29,980**		**29,980**	**20,512**

13.2 Technical reserves: annual changes

	Direct work	Indirect work	Total 2010
A. Opening balance	**20,512**		**20,512**
B. Increases	**9,468**		**9,468**
B.1 Provisions during the year	9,468		9,468
B.2 Other increases			
C. Decreases			
C.1 Use during the year			
C.2 Other decreases			
D. Closing balance	**29,980**		**29,980**

Section 15 – Group's shareholders' equity (captions 140, 160, 170, 180, 190, 200 and 220)

15.1 "Share capital" and "Treasury shares": breakdown

	31/12/2010	31/12/2009
A. Share capital	67,705	67,705
B. Treasury shares	-	
Total	**67,705**	**67,705**

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

No Group company holds or has been in possession of its own shares at any time during the accounting period.

15.2 Capital – Number of Parent Company shares: annual changes

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

15.4 Revenue reserves: other information

Caption	31/12/2010	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	29,975	36,067
Total	**629,025**	**591,003**

Section 16 – Minority interests (caption 210)

16.1 Shareholders' equity attributable to minority interests: breakdown

Caption/Value	Banking Group	Insurance Company	31.12.2010	31.12.2009
1. Share Capital	100	3,338	**3,438**	2,862
2. Share premium reserve		158	**158**	246
3. Reserves	(78)	775	**697**	602
4. Treasury shares				
5. Valuation reserves		(147)	**(147)**	87
6. Equity instruments				
7. Profit (loss) attributable to minority Interests	274	575	849	150
Total	**296**	**4,699**	**4,995**	**3,947**

OTHER INFORMATION

1 Guarantees granted and commitments

Transactions	31/12/2010	31/12/2009
1) Financial guarantees granted	64,069	88,651
a) Banks	50,061	63,716
b) Customers	14,008	24,935
2) Commercial guarantees granted	213,836	217,702
a) Banks	3,464	3,088
b) Customers	210,372	214,614
3) Irrevocable commitments to grant finance	206,700	433,778
a) Banks	3,959	235,580
i) certain to be called on	3,959	235,122
ii) not certain to be called on	-	458
b) Customers	202,741	198,198
i) certain to be called on	15,768	12,776
ii) not certain to be called on	186,973	185,422
4) Underlying commitments to credit derivatives: hedging sales	25,000	
5) Assets lodged to guarantee minority interest	1,547	
6) Other commitments		
Total	**511,152**	**740,131**

2. Assets lodged to guarantee own liabilities and commitments

Portfolios	31/12/2010	31/12/2009
1. Financial assets held for trading	352	4,353
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	261,432	131,635
4. Held-to-maturity investments	43,451	
5. Amounts due from banks	19,162	
6. Amounts due from customers		
7. Tangible assets		

5. Administration and dealing on behalf of third parties

Type of services	Amount
1. Executions of orders on behalf of customers	**2,774,639**
a) Purchase	1,406,048
1. Settled	1,401,133
2. not settled	4,915
b) Sale	1,368,591
1. Settled	1,364,128
2. not settled	4,463
2. Portfolio management	**1,194,160**
a) individual	603,353
b) collective	590,807
3. Custody and administration of securities	**11,314,562**
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	3,889
1. securities issued by the companies included in the scope of consolidation	-
2. Other	3,889
b) other third-party securities held on deposit (excluding asset management): other	10,326,880
1. securities issued by the companies included in the scope of consolidation	2,653,936
2. Other	7,672,944
c) third-party securities deposited with third parties	10,148,550
d) own securities deposited with third parties	983,793
4. Other transactions	**-**

Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interest (captions 10 and 20)

1.1 Interest income and similar revenues: breakdown

Caption/Technical forms	Debt securities	Loans	Other transactions	31/12/2010	31/12/2009
1. Financial assets held for trading	492		13,074	13,566	12,451
2. Available-for-sale financial assets	15,119			15,119	13,346
3. Held-to-maturity investments	1,826			1,826	301
4. Amounts due from banks	421	2,806	37	3,264	6,587
5. Amounts due from customers	1,783	222,250		224,033	268,812
6. Financial assets at fair value through profit or loss	142			142	134
7. Hedging derivatives			29	29	
8.Other assets			77	77	118
Total	**19,783**	**225,056**	**13,217**	**258,056**	**301,749**

Interest income pertaining to the insurance company, net of the intergroup component, amounts to a total of Euro 847 thousand (Euro 614 thousand last year).

1.2 Interest income and similar revenues: differentials on hedging transactions

Captions	31/12/2010	31/12/2009
A. Positive differentials on hedging transactions	761	106
B. Negative differentials on hedging transactions	(732)	(160)
C. Balance (A-B)	**29**	**(54)**

In the previous financial year the differentials on hedging transactions showed a negative balance of Euro 54 thousand and were thus included in the table *"1.5 Interest expense and similar charges: differentials on hedging transactions".*

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

Interest income on currency financial assets accounted for under "Interest income and similar revenues" as at the year-end amount to Euro 0,7 million (Euro 1,0 million last year).

1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under "Amounts due from customers - loans", amount to Euro 17.3 million (Euro 21.3 million last year); of which Euro 12.7 million relate to indexed contracts, of which Euro 0.9 million relating to leaseback agreements (in 2009 Euro 21.3 million of interest on indexed contracts, of which Euro 1.1 million relating to leaseback agreements).
Financial profits pertaining to subsequent years amount to Euro 150.8 million, of which Euro 13.6 million relating to leaseback agreements (Euro 157.2 million, of which Euro 14.9 million on leaseback agreements last year, respectively).

1.4 Interest expense and similar charges: breakdown

Captions/Technical types	Debts	Securities	Other transactions	31/12/2010	31/12/2009
1. Amounts due to central banks	(39)			(39)	
2. Amounts due to banks	(463)			(463)	(2,133)
3. Amounts due to customers	(22,507)			(22,507)	(31,324)
4. Securities issued		(33,091)		(33,091)	(43,571)
5. Financial liabilities held for trading					
6. Financial liabilities at fair value through profit or loss		(16,779)		(16,779)	(20,972)
7. Other liabilities and reserves			(16)	(16)	
8. Hedging derivatives					(54)
Total	**(23,009)**	**(49,870)**	**(16)**	**(72,895)**	**(98,054)**

1.5 Interest expense and similar charges: differentials on hedging transactions

In this financial year differentials on hedging transactions showed a positive balance and therefore they were reported in the table "*1.2 Interest income and similar revenues: differentials on hedging transactions".*

1.6 Interest expense and similar charges: other information

At year-end, interest expense on currency liabilities accounted for under "Interest expense and similar charges" amounted to Euro 255 thousand (Euro 176 thousand last year).

Section 2 – Net fee and commission income (captions 40 and 50)

2.1 Fee and commission income: breakdown

Type of service/Amount	31/12/2010	31/12/2009
a) Guarantees given	2,315	2,169
b) Credit derivatives	-	-
c) Management, trading and consultancy services:	47,689	48,982
1. trading of financial instruments	3,550	4,246
2. currency trading	1,327	1,152
3. portfolio management	5,060	6,726
3.1. individual	*4,377*	*5,673*
3.2. collective	*683*	*1,053*
4. securities safekeeping and administration	3,164	4,002
5. depositary bank	2,478	4,807
6. securities placement	7,086	6,755
7. receipt and transmission of orders	9,597	10,361
8. consultancy services	-	-
8.1on investments	-	-
8.2 on financial structures	-	-
9. distribution of third party services	15,427	10,933
9.1. portfolio management	481	369
9.1.1. individual	*481*	*369*
9.1.2. collective	-	-
9.2. insurance products	6,068	6,182
9.3. other products	8,878	4,382
d) Collection and payment services	20,863	19,284
e) Servicing for securitization transactions	-	11
f) Factoring transaction services	57	32
g) Tax collection services	-	-
h) management of multilateral trading systems	-	-
i) holding and managing current accounts	63,227	45,025
j) Other services	11,118	6,885
Total	**145,269**	**122,388**

2.2 Fee and commission expense: breakdown

Type of service/Amount	31/12/2010	31/12/2009
a) Guarantees received	(37)	(34)
b) Credit derivatives		
c) Management, dealing and consultancy services:	(10,750)	(6,078)
1. Trading of financial instruments	(448)	(373)
2. Currency trading		(28)
3. Portfolio management:		
3.1 own customers		
3.2 delegated		
4. Securities safekeeping and administration	(1,770)	(1,926)
5. Placement of financial instruments		
6. door-to-door sale of financial instruments, products and services	(8,532)	(3,751)
d) collection and payment services	(2,852)	(3,188)
e) other services	(4,024)	(3,602)
Total	**(17,663)**	**(12,902)**

Section 3 – Dividends and similar revenues (caption 70)

3.1 Dividends and similar revenues: breakdown

Caption/Revenues	31/12/2010		31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading			167	
B. Available-for-sale financial assets	364	6	250	
C. Financial assets at fair value through profit or loss				
D. Equity investments				
Total	**364**	**6**	**417**	

The component pertaining to the insurance company amounts to Euro 6 thousand.

Section 4 – Profits (losses) on trading (caption 80)

4.1 Profits (losses) on trading: breakdown

Transactions/Income components	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 2010	Net income 2009
1. Financial assets held for trading	**28**	**851**	**-141**	**-613**	**125**	**1,174**
1.1 Debt securities	28	542	-128	-168	274	131
1.2 Equity securities	-	137	-13	-445	-321	883
1.3 UCITS units	-	-	-	-	-	42
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	172	-	-	172	118
2. Financial liabilities held for trading	**-**		**-**	**-10**	**-10**	**-**
2.1 Debt securities	-		-	-10	-10	-
2.2 Debt	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences					**2,489**	**2,254**
4. Derivative instruments	**344**	**2,006**	**-1,237**	**-1,914**	**-787**	**1,335**
4.1 Financial derivatives:	344	2,006	-1,237	-1,914	-787	1,335
- on debt securities and interest rates	248	1,992	-1,172	-1,909	-841	1,431
- on equity securities and stock indexe	96	14	-65	-5	40	-13
- on currencies and gold					14	-83
- other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
TOTAL	**372**	**2,847**	**-1,378**	**-2,527**	**1,817**	**4,763**

Section 5 – Fair value adjustments in hedge accounting (caption 90)

5.1 Fair value adjustments in hedge accounting: breakdown

Income component/Value	31/12/2010	31/12/2009
A. Income relating to:		
A.1 Fair value hedging derivatives	2,312	53
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	856	-
A.4 Cash flow hedge financial derivatives	-	-
A.5 Currency assets and liabilities	-	-
Total income from hedging activities (A)	**3,168**	**53**
B. Charges relating to:		
B.1 Fair value hedging derivatives	-1,113	-46
B.2 Hedged financial assets (fair value)	-458	-
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)	**-1,571**	**-66**
C. Net hedging income (A – B)	**1,597**	**-13**

Section 6 – Profits (losses) on disposal/repurchase (caption 100)

6.1 Profits (losses) on disposals/repurchase: breakdown

Caption/Income component	31/12/2010			31/12/2009		
	Profits	**Losses**	**Net income**	**Profits**	**Losses**	**Net income**
Financial assets						
1. Amounts due from banks	-	-	-	-	-	-
2. Amounts due from customers	60	-	60	20	-313	-293
3. Available-for-sale financial assets	11,249	-4,051	7,198	8,838	-4,072	4,766
3.1 Debt securities	10,073	-1,720	8,353	5,595	-873	4,722
3.2 Equity securities	100	-25	75	978	-360	618
3.3 UCITS units	1,076	-2,306	-1,230	2,265	-2,839	-574
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**11,309**	**-4,051**	**7,258**	**8,858**	**-4,385**	**4,473**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	1,018	-162	856	1,216	-46	1,170
Total liabilities	**1,018**	**-162**	**856**	**1,216**	**-46**	**1,170**

Profits/losses from assignments of receivables arise from the transfer of non-performing loans.

Profits/losses from disposal/repurchase of available-for-sale financial assets represent the impact of the sales for the year on the income statement, including the release of the related valuation reserves, gross of tax effect. Profits related to the transfer of UCITS units also include tax credits.

For financial liabilities, the result is given by profits/losses for the purchase and sale or repayment of debenture loans issued by the Bank.

The income component pertaining to the insurance company, which relates to operations on available-for-sale financial assets, amounts to Euro 106 thousand (Euro 59 thousand last year).

Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss (caption 110)

7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: breakdown

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 2010	Net income 2009
1. Financial assets	**-**	**-**	**-**	**-**	**-**	**135**
1.1 Debt securities	-	-	-	-	-	135
1.2 Equity securities	-	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	**5,445**	**2,956**	**-76**	**-11**	**8,314**	**-3,432**
2.1 Debt securities	5,445	2,956	-76	-11	8,314	-3,432
2.2 Amounts due to banks	-	-	-	-	-	-
2.3 Amounts due to customers	-	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences					**-**	**-**
4. Credit and financial derivatives	**1,008**	**-**	**-11,073**	**-**	**-10,065**	**2,967**
TOTAL	**6,453**	**2,956**	**-11,149**	**-11**	**-1,751**	**-330**

Section 8 – Net losses/recoveries on impairment (caption 130)

8.1 Net impairment losses on loans: breakdown

Transaction / Income component	Impairment losses			Recoveries				Total 31/12/2010	Total 31/12/2009
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks	-	-	-	-	-	-	10	10	-
-Loans	-	-	-	-	-	-	10	10	-
-Debt securities	-	-	-	-	-	-	-	-	-
B. Amounts due from customers	-14,270	-42,372	-3,041	4,976	13,308	-	731	-40,668	-59,568
-Loans	-14,270	-42,372	-3,041	4,976	13,308	-	731	-40,668	-59,568
-Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-14,270**	**-42,372**	**-3,041**	**4,976**	**13,308**	**-**	**741**	**-40,658**	**-59,568**

8.4 Net impairment losses on other financial transactions: breakdown

Transaction / Income component	Impairment losses			Recoveries				Total 31/12/2010	Total 31/12/2009
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted	- 26	- 65	- 313	-	259	-	43	- 102	139
B. Credit derivates	-	-	-	-	-	-	-	-	-
C. Commitments to grant	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
Total	**- 26**	**- 65**	**- 313**	**-**	**259**	**-**	**43**	**- 102**	**139**

Section 9 – Net insurance premiums (caption 150)

9.1 Net insurance premiums: breakdown

Net insurance premiums	Direct work	Indirect work	31/12/2010	31/12/2009
A. Life branch				
A.1 Gross premiums accounted for (+)	-	-	-	-
A.2 Premiums assigned for reinsurance (	-		-	-
A.3 Total	**-**	**-**	**-**	**-**
B. Non-life branch				
B.1 Gross premiums accounted for (+)	27,234	-	27,234	23,343
B.2 Premiums assigned for reinsurance	- 2,560		- 2,560	- 3,166
B.3 Changes in the gross amount of premium reserve (+/-)	-	-	-	-
B.4 Changes in premium reserves reassured with third parties (-/+)	-	-	-	-
B.5 Total	**24,674**	**-**	**24,674**	**20,177**
C. Total net insurance premiums	**24,674**	**-**	**24,674**	**20,177**

Section 10 – Other net insurance income/expenses (caption 160)

10.1 Other net insurance income/expenses: breakdown

Captions	31/12/2010	31/12/2009
1. Net change in technical reserves	(7,298)	(7,196)
2. Claims accrued and paid during the period	(3,415)	(2,687)
3. Other income/charges arising from insurance activities	(4,555)	(3,267)
Total	**(15,268)**	**(13,150)**

10.2 Breakdown of sub-caption "Net change in technical reserves"

Net change in technical reserves	31/12/2010	31/12/2009
1. Life branch		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 Amount reassured with third parties (-)		
B. Other technical reserves		
B.1 Gross annual amount		
B.2 Amount reassured with third parties (-)		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount		
C.2 Amount reassured with third parties (-)		
Total "life branch reserves"		
2. Non-Life branch Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	**(7,298)**	**(7,196)**

10.3 Breakdown of sub-caption "Claims accrued and paid during the year"

Charges associated to claims	31/12/2010	31/12/2009
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:	(1,467)	(942)
C.1 Gross annual amount	(1,830)	(2,004)
C.2 (-) Amount reassured with third parties	363	1,062
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund	(1,948)	(1,745)
E.1 Gross annual amount	(2,172)	(1,745)
E.2 (-) Amount reassured with third parties	224	
Total non-life branch claims	**(3,415)**	**(2,687)**

10.4 Breakdown of sub-caption "Other net insurance income/expense"

10.4.2 Non-Life Branch

	31/12/2010	31/12/2009
NON-LIFE BRANCH		
Income	**1,979**	**3,163**
-Other technical income, net of recoveries and reinsurance	145	3,163
- Change in commissions and other acquisition costs to be amortised		
- Commissions and share of gains received from reinsurers	1,834	
Charges	**(6,534)**	**(6,430)**
- Other technical charges, net of recoveries and reinsurance	(178)	(6,430)
- Acquisition fees	(6,275)	
- Other acquisition costs	(81)	
- Collection fees		
Total non-life branch	**(4,555)**	**(3,267)**

Section 11 – Administrative costs (caption 180)

11.1 Personnel costs: breakdown

Type of costs/Sectors	31/12/2010	31/12/2009
1) Employees	(145,035)	(138,158)
a) wages and salaries	(98,902)	(94,985)
b) social security charges	(24,146)	(23,580)
c) provision for employee termination indemnities		
d) social security costs	(25)	(33)
e) provision for employee termination	(1,322)	(1,083)
f) accruals to pension funds and similar funds:		
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social security funds:	(10,746)	(10,456)
- defined contribution	(10,746)	(10,456)
- defined benefit		
h) costs arising from payment agreements based on own financial instruments	(268)	(201)
i) other benefits in favor of employees	(9,626)	(7,820)
2) Other personnel in active employment	(3,034)	(2,711)
3) Directors and statutory auditors	(6,906)	(6,367)
4) Staff pensioned off		
Total	**(154,975)**	**(147,236)**

The insurance component amounts to Euro 3,045 thousand (Euro 2,475 thousand last year).

11.2 Average number of employees by category: banking group

	31/12/2010	31/12/2009
Employees	**1,746**	**1,752**
a) executives	37	39
b) managers	897	868
c) other employees	812	845
Other personnel	**39**	**36**

11.4 Other employee benefits

	31/12/2010	31/12/2009
provision for sundry costs	(5,151)	(4,572)
social security contribution	(1,108)	(954)
training ad education expenses	(589)	(699)
leases on buildings dedicated to the use by	(149)	(191)
refund of travel expenses	(196)	(211)
other	(2,433)	(1,193)
Total	**(9,626)**	**(7,820)**

11.5 Other administrative costs: breakdown

	31/12/2010	31/12/2009
indirect taxes and duties		
- stamp duties	- 9,353	- 9,094
- other	- 4,363	- 4,635
other costs		
- information technology charges	- 12,034	- 12,289
- property/equipment lease	- 12,532	- 11,028
- maintenance of property/furniture and equipment	- 3,876	- 4,358
- postal and telegraphic charges	- 2,566	- 2,752
- telephone, data transmission charges	- 3,027	- 4,645
- electric pow er, heating, w ater	- 3,430	- 3,135
- cleaning services	- 1,268	- 1,203
- printing, stationery and consumables expenses	- 1,424	- 1,765
- transport costs	- 909	- 916
- surveillance and security	- 1,790	- 1,818
- advertising	- 1,686	- 2,980
- information and certificates	- 2,027	- 1,732
- insurance premiums	- 929	- 947
- legal expenses	- 5,296	- 4,010
- professional consulting expenses	- 3,953	- 5,017
- contributions and donations	- 221	- 188
- other expenses	- 8,459	- 7,746
Total	**- 79,143**	**- 80,258**

The total amount of “other administrative expenses” attributable to the insurance company amounts to Euro 2,134 thousand (Euro 1,889 thousand last year).

This item includes the fees paid to the audit firm PriceWaterHouseCoopers S.p.A. for the different types of services rendered to the Group.

Type of services	Service Supplier	Beneficiary	Remuneration 2010
Audit	Pricew aterhouseCoopers	Group	426
Certification services	Pricew aterhouseCoopers	Group	9
Tax advisory services	Pricew aterhouseCoopers	Group	-
Other services: agreed procedures	Pricew aterhouseCoopers	Group	26

Section 12 – Net provisions for risks and charges (caption 190)

12.1 Net provisions for risks and charges: breakdown

Caption	31/12/2010	31/12/2009
charges for legal disputes	1,062	- 2,247
sundry charges	14,577	- 68
Total	**15,639**	**- 2,315**

Section 13 – Net adjustments to/recoveries on tangible assets (caption 200)

13.1 Net adjustments to/recoveries on tangible assets: breakdown

Asset/Income component	Depreciation	Impairment losses	Recoveries	Net income 2010	Net income 2009
A. Tangible assets					
A.1 owned by the Bank	- 7,088	-	-	- 7,088	- 7,389
- for business use	- 7,088	-	-	- 7,088	- 7,389
- for investment	-	-	-	-	-
A.2 leased	-	-	-	-	-
- for business use	-	-	-	-	-
- for investment	-	-	-	-	-
Total	**- 7,088**	**-**	**-**	**- 7,088**	**- 7,389**

This item includes amortization attributable to the insurance company for Euro 61 thousand (Euro 50 thousand last year).

Section 14 – Net adjustments to/recoveries on intangible assets (caption 210)

14.1 Net adjustments to/recoveries on intangible assets: breakdown

Asset/Income component	Impairment losses		Impairment losses	Recoveries	Net income 2010		Net income 2009	
A. Intangible assets								
A.1 owned by the Bank	-	1,120	-	-	-	1,120	-	894
- Generated internally		-	-	-		-		-
- other	-	1,120	-	-	-	1,120	-	894
A.2 Leased		-	-	-		-		-
Totale	**-**	**1,120**	**-**	**-**	**-**	**1,120**	**-**	**894**

The insurance component amounts to Euro 303 thousand (Euro 275 thousand last year).

Section 15 – Other operating income (expenses) (caption 220)

15.1 Other operating expenses: breakdown

Caption	31/12/2010	31/12/2009
amortization of costs for leasehold improvements	(2,581)	(2,424)
charges on non-banking services	(2,376)	(1,922)
Total	**(4,957)**	**(4,346)**

The insurance component, net of intergroup relations, amounts to Euro 29 thousand.

15.2 Other operating income: breakdown

Caption	31/12/2010	31/12/2009
recovery of taxes from third parties	11,685	11,726
cost recoveries	1,630	9,495
other income	6,072	1,769
Total	**19,387**	**22,990**

Section 16 – Profits (losses) on equity investments (caption 240)

16.1 Profits (losses) on equity investments: breakdown

Income component/Amount	31/12/2010	31/12/2009
A. Revenues	3,909	25,514
1. Revaluations	3,380	3,643
2. Profit on disposal	529	21,871
3. Write-downs		
4. Other	-	-
B.Charges		
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other	-	-
Net result	**3,909**	**25,514**

Profits on disposal represent the consolidated profit referred to the disposal of the shareholding in ANIMA S.G.R.p.A. following the Take-over Bid.

Section 19 – Profits (losses) on disposal of investments (caption 270)

19.1 Profits (losses) on disposals of investments: breakdown

Income component/Sector	31/12/2010	31/12/2009
A. Real estate assets	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	- 8
- Profits on disposal	-	-
- Losses on disposal	-	- 8
Net result	**-**	**- 8**

Section 20 – Taxes on income from continuing operations: breakdown (caption 290)

20.1 Taxes on income from continuing operations: breakdown

Income component/Amount	31/12/2010	31/12/2009
1. Current taxes (-)	(32,362)	(36,227)
2. Changes in current taxes of previous years (+/-)	(10)	(44)
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	2,622	6,526
5. Changes in deferred tax liabilities (+/-)	(2)	6,110
6. Taxes for the year	**(29,752)**	**(23,635)**

The component attributable to the insurance company amounts to Euro 1,033 thousand (Euro 452 thousand last year).

20.2 Reconciliation of theoretical and effective tax charges in the financial statements

	IRES		IRAP	
Profit before taxes	84,240		84,240	
Non-deductible costs for IRAP purposes			221,558	
Non-taxable revenues for IRAP purposes			(44,278)	
Sub-Total	84,240		261,520	
Theoretical tax charge 27.5% Ires - 4.82% Irap		**(23,166)**		**(12,639)**
Temporary taxable differences over subsequent years	(426)		(426)	
Temporary deductible differences over subsequent years	24,369			
Reallocation of temporary differences from previous financial years	(14,149)		1,432	
Differences not to be reversed in subsequent years	(18,449)		(40,577)	
Taxable income	75,585		221,949	
Current taxes for the period 27.5% Ires - 4.82% Irap		**(20,786)**		**(10,727)**

(*) for the Lazio Region the IRAP rate is 4.97%

Reconciliation is made for the sole consolidated companies which are resident in Italy, since no substantial differences between the theoretical tax charge and the effective charge shown in the accounts are recognised for foreign companies.

Section 22 – Profit (Loss) for the period attributable to minority interests – Caption 330

22.1 Breakdown of caption 330 "Profit for the period attributable to minority interests"

The total amount of Euro 849 thousand (Euro 198 thousand last year) for Euro 575 thousand refers to Chiara Assicurazioni S.p.A. and for Euro 274 thousand to Rovere S.A. (last year Euro 161 thousand for Chiara Assicurazioni S.p.A. and Euro 37 thousand to Rovere S.A.).

Section 24 – Earnings per share

24.1 Average number of diluted-capital ordinary shares

During the year no transaction on the share capital or no issue of financial instruments was carried out which could entail the issue of shares; therefore, the number of shares entitled to profits is equal to 117,000,000 ordinary shares and 13,202,000 savings shares.

24.2 Other information

Basie earnings per share

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285	1,663	
Retained earnings	34,052	4,611	
	46,337	6,274	52,611
Average number of ordinary shares in circulation:			
Categories:			
Ordinary shares 117.000.000			
Savings shares 13.202.000			
Earnings per share - Basic :	**0.39604**	**0.47525**	

PART D - CONSOLIDATED COMPREHENSIVE INCOME

Statement of consolidated comprehensive income

	Captions	Gross amount	Income tax	Net amount
10.	**Profit (Loss) for the period**	**X**	**X**	**53,460**
	Oher income components			
20.	Available-for-sale financial assets:	-17,862	4,699	-13,163
	a) fair value changes	-15,245	3,878	-11,367
	b) reversal to the income statement	-1,985	616	-1,369
	- value adjustments due to deterioration	-	-	-
	- profits/losses on disposal	-1,985	616	-1,369
	c) other changes	-632	205	-427
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Foreign investment hedge:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedge:	-	-	-
	a)fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
70.	Exchange differences:		-	
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	3,603	-	3,603
80.	Non-current assets held for sale and discontinued operations:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial profits (losses) on defined benefit plans	325	-89	236
100.	Share of valuation reserve of equity investments carried at equity:	-	-	-
	a) fair value changes	-3,488	1,127	-2,361
	b) reversal to the income statement	-	-	-
	- value adjustments due to deterioration	-	-	-
	- profits/losses on disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income components, net of taxes**	**-17,422**	**5,737**	**-11,685**
120.	**Comprehensive income (10+110)**	**X**	**X**	**41,775**
130.	Consolidated comprehensive income attributable to minority interests	X	X	-615
140.	**Consolidated comprehensive income attributable to the parent company**	**X**	**X**	**41,160**

PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Section 1– the banking group risk

1.1 Credit risk

Qualitative information

1.General aspects

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

2. Policies for the management of credit risks

2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.
The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.
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 any concrete procedures to implement the control levels envisaged, taking account of the nature and size of the business conducted by the subsidiary.

2.2. Management, measurement and control systems

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

2.3. Credit risk mitigation techniques

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

2.4. Impaired financial assets

The transfer to the non-performing loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Loans to customers are classified as problem loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively. In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

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

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

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

Quantitative information

A. Credit quality

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

A.1.1 Loans: break-down by portfolio and credit quality (book values)

Portfolio / Quality	Banking Group					Other companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Impaired	Other	
1. Financial assets held for trading	-	9	-	27	40,409	-	-	40,445
2. Available-for-sale financial assets	110	-	-	-	770,227	-	27,193	797,530
3. Held-to-maturity investments	-	-	-	-	124,480	-	-	124,480
4. Amount due from banks	-	-	-	-	298,286	-	4,566	302,852
5. Amounts due from customers	89,428	78,898	4,119	31,732	6,272,523	-	20	6,476,720
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total 31/12/2010	**89,538**	**78,907**	**4,119**	**31,759**	**7,505,925**	**-**	**31,779**	**7,742,027**
Total 31/12/2009	**67,040**	**74,894**	**284**	**32,181**	**7,618,473**	**-**	**25,094**	**7,817,966**

A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	36	-	36	40,409	-	40,409	40,445
2. Available-for-sale financial assets	110	-	110	770,227	-	770,227	770,337
3. Held-to-maturity investments	-	-	-	124,480	-	124,480	124,480
4. Amount due from banks	-	-	-	298,297	- 11	298,286	298,286
5. Amounts due from customers	303,413	- 99,236	204,177	6,304,998	- 32,475	6,272,523	6,476,700
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total A	**303,559**	**- 99,236**	**204,323**	**7,538,411**	**- 32,486**	**7,505,925**	**7,710,248**
B. Other companies included in the scope of consolidation							
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	27,193	-	27,193	27,193
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Amount due from banks	-	-	-	4,566	-	4,566	4,566
5. Amounts due from customers	-	-	-	20	-	20	20
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**31,779**	**-**	**31,779**	**31,779**
Total 31/12/2010	**303,559**	**- 99,236**	**204,323**	**7,570,190**	**- 32,486**	**7,537,704**	**7,742,027**
Total 31/12/2009	**269,486**	**- 95,087**	**174,399**	**7,673,857**	**- 30,290**	**7,643,567**	**7,817,966**

Breakdown of performing assets

The item “Amounts due from customers” includes net receivables arising from renegotiations within Collective agreements for Euro 114.4 million and Euro 37.0 million for expired loans, for which the breakdown of the same by maturity date is reported.

Portfolio/quality	Performing assets		
	Gross Exposure	Portfolio adjustments	Net exposure
Amounts due from customers	**6,304,998**	**- 32,475**	**6,272,523**
of which . Expired loans	**37,799**	**779**	**37,020**
. Up to 3 months	3,475	38	3,437
. Between 3 and 5 months	24,932	548	24,384
. Beyond 5 months	9,392	193	9,199

A.1.3 Banking group - Cash and off-balance sheet loans to banks: gross and net values

Type of loan/Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans	-	-	-	-
b) Problem loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Other assets	619,788	-	(11)	619,777
Total A	**619,788**	**-**	**(11)**	**619,777**
B. OFF-BALANCE SHEET LOANS				
a) Impaired	3,136	(140)	-	2,996
b) Other	70,449		(263)	70,186
Total B	**73,585**	**(140)**	**(263)**	**73,182**
Total (A+B)	**693,373**	**(140)**	**(274)**	**692,959**

A.1.6 Banking group - Cash and off-balance sheet loans to customers: gross and net values

Type of loan/Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans	156,940	(67,402)	-	89,538
b) Problem loans	109,126	(30,228)	-	78,898
c) Restructured loans	4,553	(434)	-	4,119
d) Expired loans	32,904	(1,172)	-	31,732
e) Other assets	6,897,225	-	(32,475)	6,864,750
Totale A	**7,200,748**	**(99,236)**	**(32,475)**	**7,069,037**
B. OFF-BALANCE SHEET LOANS				
a) Impaired	2,167	(119)	-	2,048
b) Other	449,956		(1,021)	448,935
Total B	**452,123**	**(119)**	**(1,021)**	**450,983**
Total (A+B)	**7,652,871**	**(99,355)**	**(33,496)**	**7,520,020**

A.1.7 Banking group – Cash loans to customers: changes in impaired loans– gross

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
A. Opening gross exposure	**124,175**	**111,205**	**316**	**33,788**
of which: loans sold but not written off				
B. Increases	**85,273**	**122,733**	**5,129**	**96,930**
B.1 from performing loans	4,647	76,580	1,712	93,104
B.2 transfer from other categories of impaired loans	78,642	24,982	1,596	411
B.3 other increases	1,984	21,171	1,821	3,415
C. Decreases	**52,508**	**124,812**	**892**	**97,814**
C.1 to performing loans		14,714		55,511
C.2 write-offs	35,847	115		
C.3 collections	16,600	29,860	892	16,794
C.4 arising from sales	61			
C.5 transfer to other categories of impaired loans		80,123		25,509
C.6 other decreases				
D. Closing gross exposure	**156,940**	**109,126**	**4,553**	**32,904**
of which: loans sold but not written off				

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

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
A. Total opening adjustments	**57,135**	**36,311**	**32**	**1,609**
of which: loans sold but not written off	-	-	-	-
B Increases	**55,260**	**20,112**	**402**	**1,126**
B.1 adjustments	35,119	19,734	402	1,074
B.2 transfer from other categories of impaired loans	20,141	378	-	50
B.3 Other increases	-	-	-	2
C Decreases	**44,993**	**26,195**	**-**	**1,563**
C.1 write-backs due to valuation	5,612	3,499	-	677
C.2 write-backs due to collection	3,533	2,568	-	329
C.3 write-offs	35,848	115	-	-
C.4 transfer to other categories of impaired loans other decreases	-	20,013	-	557
C.5 Other decreases	-	-	-	-
D. Total closing adjustments	**67,402**	**30,228**	**434**	**1,172**
of which: loans sold but not written off				

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

A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)
In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

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

The Group does not use internal rating models for the determination of capital requirements.
As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company has developed, for management purposes, a rating model aimed at assessing retail clients (private consumers and micro enterprises) and Corporate clients (enterprises with a turnover of over Euro 1million).
The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate.

Exposures as at 31.12.2010	**Internal rating classes**			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	30,50%	49,60%	19,90%	100%
Off-balance sheet loans	60,90%	31,10%	8,00%	100%

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Banking group – Secured loans to customers

	Net exposure	Real Guarantees			Personal Guarantees									Total 2010
					Credit derivates					Endorsements				
						Other derivates								
		Property	Securities	Other real guarantees	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured cash loans														
1.1 fully secured	4,244,909	2,809,720	158,954	98,672	-	-	-	-	-	-	-	2,252	1,159,309	**4,228,907**
of which impaired	*151,030*	*94,786*	*2,090*	*3,238*	-	-	-	-	-	-	-	-	*50,859*	**150,973**
1.2 partially secured	225,779	70	29,289	22,351	-	-	-	-	-	-	-	437	88,101	**140,248**
of which impaired	*7,144*	*10*	*289*	*552*	-	-	-	-	-	-	-	-	*4,933*	**5,784**
2. Secured off-balance sheet loans														
2.1 fully secured	159,373	18,851	14,631	13,540	-	-	-	-	-	-	-	95	109,715	**156,832**
of which impaired	*1,867*	*70*	*1,541*	*93*	-	-	-	-	-	-	-	-	*162*	**1,866**
2.2 partially secured	41,023	-	8,184	2,898	-	-	-	-	-	-	-	-	12,121	**23,203**
of which impaired	*24*	-	*1*	*11*	-	-	-	-	-	-	-	-	*11*	**23**

B. Break-down and concentration of loans

B.1 Banking group – Cash and off-balance sheet loans to customers: break-down by sector (book value)

Loan / Counterparty	Governments			Other public entities			Financial institutions			Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific value adjustme	Portfolio value	Net exposure	Specific value adjustme	Portfolio value	Net exposure	Specific value adjustme	Portfolio value	Net exposure	Specific value adjustme	Portfolio value	Net exposure	Specific value adjustme	Portfolio value	Net exposure	Specific value adjustme	Portfolio value
A. Cash loans																		
A.1 Non-performing loans	-	-	-	-	-	-	110	-	-	-	-	-	60,145	-49,675	-	29,283	-17,727	-
A.2 Problem loans	-	-	-	1,225	-109	-	92	-72	-	-	-	-	45,115	-19,846	-	32,466	-10,201	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	4,119	-434	-	-	-	-
A.4 Expired loans	803	-1	-	1,705	-3	-	11	-1	-	-	-	-	19,391	-797	-	9,822	-370	-
A.5 Other loans	582,919	-	-59	84,476	-	-124	85,302	-	-214	58,301	-	-21	4,100,078		-26,595	1,953,674	-	-5,462
Total A	583,722	-1	-59	87,406	-112	-124	85,515	-73	-214	58,301	-	-21	4,228,848	-70,752	-26,595	2,025,245	-28,298	-5,462
B. Off-balance sheet loans																		
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	95	-60	-	11	-16	-
B.2 Problem loans	-	-	-	-	-	-	1,516	-	-	-	-	-	291	-41	-	45	-2	-
B.3 Other impaired assets	-	-	-	-	-	-	27	-	-	-	-	-	37	-	-	26	-	-
B.4 Other loans	-		-	-	-		8,633	-	-21	337	-	-	370,275		-905	69,690	-	-95
Total B	-	-	-	-	-	-	10,176	-	-21	337	-	-	370,698	-101	-905	69,772	-18	-95
Total (A+B) 2010	583,722	-1	-59	87,406	-112	-124	95,691	-73	-235	58,638	-	-21	4,599,546	-70,853	-27,500	2,095,017	-28,316	-5,557
Total 2009	414,974	-	-	32,827	-	-86	123,245	-	-462	58,008	-	-2	4,517,534	-69,848	-24,930	1,900,948	-25,550	-5,719

B.2 Banking group - Cash and off-balance sheet loans to customers: break-down by geographical area (book value)

Loans/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans	89,428	- 67,402	-	-	110	-	-	-	-	-
A.2 Problem loans	78,898	- 30,228	-	-	-	-	-	-	-	-
A.3 Restructured loans	4,119	- 434	-	-	-	-	-	-	-	-
A.4 Expired loans	31,732	- 1,172	-	-	-	-	-	-	-	-
A.5 Other loans	6,838,853	- 32,227	22,328	- 218	2,864	- 30	705	-	-	-
TOTAL A	**7,043,030**	**- 131,463**	**22,328**	**- 218**	**2,974**	**- 30**	**705**	**-**	**-**	**-**
B. Off-balance sheet loans										
B.1 Non-performing loans	106	- 76	-	-	-	-	-	-	-	-
B.2 Problem loans	1,852	- 43	-	-	-	-	-	-	-	-
B.3 Other impaired assets	90	-	-	-	-	-	-	-	-	-
B.4 Other loans	442,071	- 1,021	3,721	-	3,129	-	14	-	-	-
TOTAL B	**444,119**	**- 1,140**	**3,721**	**-**	**3,129**	**-**	**14**	**-**	**-**	**-**
TOTAL (A+B) 2010	**7,487,149**	**- 132,603**	**26,049**	**- 218**	**6,103**	**- 30**	**719**	**-**	**-**	**-**
Total 2009	**7,023,439**	**- 126,307**	**17,779**	**- 90**	**5,732**	**- 26**	**579**	**- 177**	**10**	**-**

B.3 Banking group - Cash and off-balance sheet loans to banks: break-down by geographical area (book value)

Loans/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other loans	489,198	-	127,775	-	965	-	541	- 9	1,298	- 2
TOTAL	**489,198**	**-**	**127,775**	**-**	**965**	**-**	**541**	**- 9**	**1,298**	**- 2**
B. Off-balance sheet loans										
B.1 Non-performing loans	412	- 40	-	-	-	-	-	-	-	-
B.2 Problem loans	2,584	- 100	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other loans	54,911	- 116	14,927	-	4	-	70	- 29	274	- 118
TOTAL	**57,907**	**- 256**	**14,927**	**-**	**4**	**-**	**70**	**- 29**	**274**	**- 118**
TOTAL 2010	**547,105**	**- 256**	**142,702**	**-**	**969**	**-**	**611**	**- 38**	**1,572**	**- 120**
Total 2009	**1,323,005**	**- 29**	**156,292**	**- 108**	**671**	**-**	**732**	**- 17**	**108**	**- 6**

B.4 Large risks

With reference to the supervisory regulations in force, no. 2 positions were recognised for a total nominal amount, including guarantees and commitments, of Euro 626.9 million, and for a total weighted amount of Euro 39.6 million.
Below is the breakdown of the 2 positions:

	nominal amounts	weighted amounts
. Treasury Ministry	€/mil. 541.9	0
. Bank	€/mil. 85.0	€/mil.39.6

C. SECURITIZATION TRANSACTIONS AND ASSET DISPOSAL

C.1 Securitization transactions

Quantitative information

C.1.1 Banking group - Loans arising from securitization transactions divided by quality of the underlying assets

Underlying asset quality / Loans	Cash loans						Guaranteed granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross expos	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross expos	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. With third party underlying assets																		
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	1,307	1,307	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Banking group - Loans arising from main "third party" securitization transactions divided by type of securitized assets and of loan

Underlying asset quality/ Loans	Cash loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/ Write-backs	Book value	of which adjustments/Write-backs	Book value	of which adjustments/Write-backs
A.1 F.I.P. 26.04.25																		
Property	1,307	136	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Banking group - Exposures arising from securitizations broken down by portfolio and by type

Loan / Portfolio	Financial assets held for trading	Financial assets - fair value option	Available-for-sale financial assets	Held-to-maturity investments	Loans	31/12/2010	31/12/2009
1.Cash loans							
- " Senior"	-	-	1,307		-	1,307	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	-	-	-	-	-
2. Off-balance sheet loans							
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	-	-	-	-	-

C.2 Asset disposals

C.2.1 Banking group - Financial assets sold but not written off

	Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2010	31/12/2009
A. Cash assets																				
1. Debt securities	352	-	-	-	-	-	123,378	-	-	33,338	-	-	-	-	-	-	-	-	**157,068**	**46,893**
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
3. U.C.I.T.S	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total 31/12/2010	**352**	**-**	**-**	**-**	**-**	**-**	**123,378**	**-**	**-**	**33,338**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**157,068**	**46,893**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total 31/12/2009	**4,353**	**-**	**-**	**-**	**-**	**-**	**33,194**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**37,547**	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**

Legend:

A = Transferred financial assets which are fully recognised (book value)

B = Transferred financial assets which are partially recognised (book value)

C = Transferred financial assets which are partially recognised (full value)

C.2.2 Banking group - Financial liabilities against financial assets sold but not written off

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	**Total 31/12/2010**
1. Due to customers							
a) corresponding to fully recorded assets	352	-	15,159	-	4,108	-	**19,619**
b) corresponding to partially recorded assets		-	-	-	-	-	**-**
2. Due to banks							
a) corresponding to fully recorded assets		-	108,842	31,926	-	-	**140,768**
b) corresponding to partially recorded assets		-	-	-	-	-	**-**
3. Securities issued	-	-	-	-	-	-	**-**
a) corresponding to fully recorded assets	-	-	-	-	-	-	**-**
b) corresponding to partially recorded assets	-	-	-	-	-	-	**-**
Total 31/12/2010	**352**	**-**	**124,001**	**31,926**	**4,108**	**-**	**160,387**
Total 31/12/2009	**4,319**	**-**	**32,724**	**-**		**-**	**37,043**

D. Banking Group - Credit risk measurement models

1.2 Banking group - market risks

1.2.1 Interest rate risk and price risk – Regulatory trading portfolio

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.
The Group adopted, in the financial year just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile through a low portfolio duration.

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

In exercising its responsibilities of direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific rules for controls at the various levels of all the banking Group companies.
The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors both operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. On a daily basis, the Head Office is informed with operations and amounts in portfolios, as well as when operating limits have been reached.
Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit of the Parent Company, which operates completely independently with respect to both operational offices and subsidiaries.
This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.
In order to quantify generic risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
This is a parametric model of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.
The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations. The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.
To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis. The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of "backtesting" analysis".
Trading activity is subject to operating limits laid down by the Board of Directors of the Parent Company and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend

on the objectives assigned to each party in the process. 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 (repricing date) for cash assets and liabilities and financial derivatives

Currency of denomination: **Euro**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**195**	**8,080**	**6,564**	**2,706**	**583**	**22**	-	-
1.1 Debt securities	*195*	*8,080*	*6,564*	*2,706*	*583*	*22*	-	-
- with an option for early redemption		-	-	-	308	-	-	-
- other	195	8,080	6,564	2,706	275	22	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**1,400**	**211,763**	**12,367**	**18,384**	**97,137**	**26,947**	-	-
3.1 With underlying security	-	*4,603*	*3,971*	*253*	*151*	*2*	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	*4,603*	*3,971*	*253*	*151*	*2*	-	-
+ long positions	-	299	3,912	188	90	1	-	-
+ short positions	-	4,304	59	65	61	1	-	-
3.2 With no underlying security	*1,400*	*207,160*	*8,396*	*18,131*	*96,986*	*26,945*	-	-
- Options	-	*96,268*	*2*	*16,755*	*85,986*	*26,945*	-	-
+ long positions	-	43	1	22	*85,987*	*26,945*	-	-
+ short positions	-	96,225	1	16,733	19		-	-
- Other	*1,400*	*110,892*	*8,394*	*1,376*	*11,000*	-	-	-
+ long positions	700	50,521	4,072	688	10,500	-	-	-
+ short positions	700	60,371	4,322	688	500	-	-	-

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**56,501**	**5,141**	**736**				
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*56,501*	*5,141*	*736*				
- Options								
+ long positions								
+ short positions								
- Other		*56,501*	*5,141*	*736*				
+ long positions		28,217	2,702	368				
+ short positions		28,284	2,439	368				

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**6,686**	**1,324**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*6,874*	*1,324*					
- Options								
+ long positions								
+ short positions								
- Other		*6,874*	*1,324*					
+ long positions		3,441	662					
+ short positions		3,245	662					

Currency of d: **Swiss Franc**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**532**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*532*						
- Options								
+ long positions								
+ short positions								
- Other		*522*						
+ long positions		175						
+ short positions		347						

Currency of denomination: **Canadian Dollar**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**23**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*23*						
- Options								
+ long positions								
+ short positions								
- Other		*23*						
+ long positions		11						
+ short positions		12						

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
11 Debt securities								
- with an option for early redemption								
- other								
12 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**7,181**	**644**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*7,181*	*644*					
- Options								
+ long positions								
+ short positions								
- Other		*7,181*	*644*					
+ long positions		3,590	322					
+ short positions		3,591	322					

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		**8,257**	**258**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		*8,257*	*258*					
- Options								
+ long positions								
+ short positions								
- Other		*8,257*	*258*					
+ long positions		4,067	129					
+ short positions		4,190	129					

2. *Regulatory trading portfolio: breakdown by exposures in equity securities and stock indexes for the main Countries of the listing market*

Type of transactions/Listing index	Listed			Unlisted
	Italy	United States	Other countries	
A. Equity securities				
- long positions	353	-		
- short positions	-	-		
B. Unsettled purchases and sales on equity securities				
- long positions	3,078	-		
- short positions	3,078	-		
C. Other derivates on equity securities				
- long positions	-	-		
- short positions	-	-		
D. Derivates on stock indexes				
- long positions	-	-		
- short positions	-	-		

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

Monitoring of the Parent Company's portfolio and the Italian banks during the 2010 financial year showed a structure with limited market risks. Given the policy implemented by the Group to underestimate price risks, the "regulatory trading portfolio" is almost entirely exposed to the interest rate risk. The Parent Company takes on almost the whole interest rate and price risk, the Italian subsidiaries making a completely negligible contribution.

VaR at 31 December 2010 is Euro 50 thousand with a percentage of less than 0.22% of the trading portfolio and a duration of 0.47, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates, as at 31.12.2010, show - considering the positive variation in rates - a negative impact of Euro 110 thousand, equal to:

- ⇒ 0.50 % of trading portfolio;
- ⇒ 0.03 % of business margin;
- ⇒ 0.29 % of net income for the period;
- ⇒ 0.01 % of shareholders' equity, net of the result for the period.

1.2.2 Interest rate risk and price risk – banking portfolio

Qualitative information

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

It is the responsibility of the Parent Company' risk management unit to measure interest rate risk. This activity is only directed at the Group's Italian banks, which account for almost the entire banking portfolio. The system of the Group's commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach. In 2010 the simulation module was activated which will allow the monitoring and management of the interest rate risk adopting a dynamic approach.
The static analysis which is currently implemented allows the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation of assets and the interest margin. The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.
Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.
The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.
The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes.
In the banking portfolio the assets subject to price risks are represented exclusively by equity investments and mutual fund units. The latter represent a marginal share and are measured through VaR techniques described in paragraph 2.1..

B. Fair Value hedge

The Group's primary objective is to manage the risks associated with its operations prudently and actively. The Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument.
To date, hedged instruments refer to both assets and liabilities; the latter being bond loans only, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.
The Parent Company has prepared a model which is able to manage hedge accounting consistently with the relevant regulations laid down in the IAS accounting standards. The method used by the Parent Company to conduct effectiveness tests is the "Dollar Offset Method" (hedge ratio) on a cumulative basis. All hedges are specific hedges.

In 2010 the Group, with the purpose of making the fair value of the entire financial instrument more reliable and representative, applied the Fair Value Option to some types of bonds issued.

C. Cash flow hedge

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

Quantitative information

1. *Banking portfolio: distribution by outstanding maturity (repricing date) of financial assets and liabilities*

Currency of denomination: **Euro**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption	2,164	44,949						
- other	3,107	289,060	199,040	87,121	191,516	114,708	40,492	
1.2 Financing to banks	36,821	102,385	1,531				217	
1.3 Financing to customers								
- Current account	1,472,886	519	899	2,647	26,455	2,324		
- other loans								
- with an option for early redemption	30,940	2,835,071	96,341	48,504	215,968	112,833	2,388	22
- other	554,207	705,491	21,685	26,020	168,989	60,414	1,414	2,015
2. Cash liabilities								
2.1 Due to customers								
- Current account	4,185,904							
- other								
- with an option for early redemption								
- other	92,749	31,305	3,020	18				
2.2 Due to banks								
- Current account	13,299							
- other	1,333	91,567		49,115				
2.3 Debt securities								
- with an option for early redemption	162				30,000			
- other	17,848	676,734	385,963	208,260	1,076,693	53,930		
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions		125,001	97,691	149,256	75,116	59,617		
+ short positions	211,248	195,432	90,000	10,000				

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**21,784**	**48,174**	**415**					
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	20,743	31,437						
1.3 Financing to customers	1,041	16,737	415					
- Current account	1,011							
- other loans								
- with an option for early redemption								
- other	30	16,737	415					
2. Cash liabilities	61,608	1						
2.1 Due to customers	61,607							
- Current account	61,607							
- other								
- with an option for early redemption								
- other					100			
2.2 Due to banks	1	1						
- Current account	1							
- other		1						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security		582						
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security		582						
- Options								
+ long positions								
+ short positions								
- Other		582						
+ long positions		291						
+ short positions		291						

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**1,772**	**1,804**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	1,267	1,660						
1.3 Financing to customers	505	144						
- Current account	505							
- other loans								
- with an option for early redemption								
- other		144						
2. Cash liabilities	2,972	1,654						
2.1 Due to customers	2,972	1,654						
- Current account	2,972	1,654						
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	1							
- Current account	1							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**62,581**	**12,906**		**12**	**3,840**			
1.1 Debt securities					3,649			
- with an option for early redemption								
- other								
1.2 Financing to banks	61,572	7,198			3,649			
1.3 Financing to customers	1,009	5,708		12	191			
- Current account	701	2,466		12	191			
- other loans								
- with an option for early redemption								
- other	308	3,242						
2. Cash liabilities	53,316	6,798						
2.1 Due to customers	53,315							
- Current account	53,315							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	1	6,798						
- Current account								
- other	1	6,798						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								

Currency of denomination: **Canadian Dollar**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**168**							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	168							
1.3 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
2. Cash liabilities	166							
2.1 Due to customers	166							
- Current account	166							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks								
- Current account								
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**711**	**9,545**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	683	2,301						
1.3 Financing to customers	28	7,244						
- Current account	21							
- other loans								
- with an option for early redemption								
- other	7	7,244						
2. Cash liabilities	504	9,802						
2.1 Due to customers	500							
- Current account	500							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks								
- Current account								
- other								
2.3 Debt securities	4	9,802						
- with an option for early redemption	1							
- other	3	9,802						
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**4,949**							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	4,943							
1.3 Financing to customers	6							
- Current account	6							
- other loans								
- with an option for early redemption								
- other								
2. Cash liabilities	4,613							
2.1 Due to customers	4,612							
- Current account	4,612							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	1							
- Current account	1							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								

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

The assessment that emerges from the overall Group position, which involves the Italian banks, is that of a limited risk profile throughout 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 31 December 2010.
Risk indices as at 31 December 2010 (economic margins of the operational management as per the reclassified income statement): parallel shifts of the interest rate curve.

	+100 bp	*-100 bp*
% on the expected margin	*4.12%*	*-13.41%*
% on the business margin	*2.37%*	*-7.71%*
% on the result for the period	*11.27%*	*-36.63%*
% on equity	*0.59%*	*-1.90%*

As regards economic value, in the 2010 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets. 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 as of 31 December 2010.

	+100 bp	*-100 bp*
% on the economic value	*-1.09%*	*1.27%*

1.2.3 Exchange risk

Qualitative information

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

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

B. Exchange rate hedge

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

Quantitative information

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

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets	**63,526**	**3,506**		**125**	**21,276**	**5,061**
A.1 Debt securities	-	-		-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Financing to banks	46,340	2,866	2,894	125	17,725	5,061
A.4 Financing to customers	17,186	640	7,252	-	3,551	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**261**	**191**	**13**	**50**	**253**	**244**
C. Financial liabilities	**64,437**	**3,390**	**10,196**	**124**	**21,082**	**7,260**
C.1 Due to banks	17,119	450	10,092	-	20,502	4,124
C.2 Due to customers	47,324	2,940	104	124	580	3,136
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	- 6	-	-	-	-	-
D. Other liabilities	**1,139**	**34**	**-**	**-**	**16**	**20**
E. Financial derivatives	**- 193**	**- 196**	**1**	**1**	**172**	**121**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other	- 193	- 196	1	1	172	121
+ long positions	31,285	4,103	3,912	11	175	4,196
+ short positions	31,092	3,907	3,913	12	347	4,317
Total assets	**95,072**	**7,800**	**14,071**	**186**	**21,704**	**9,501**
Total liabilities	**96,668**	**7,331**	**14,109**	**136**	**21,445**	**11,597**
Imbalance	**- 1,596**	**469**	**- 38**	**50**	**259**	**- 2,096**

2.Internal models and other methods for sensitivity analysis

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

1.2.4 Derivative instruments

A. Financial derivatives

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

Underlying assets / Type of derivaties	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	24,000	-	82,098	-
a) Options	1,000	-	2,098	-
b) Swap	23,000	-	80,000	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indexes	44,967	6,263	-	20,044
a) Options	44,967	-	-	20,044
b) Swap	-	-	-	-
c) Forward	-	6,263	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	619,881	-	30,801	134,120
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	82,682	-	30,801	-
d) Futures	-	-	-	-
e) Other	537,199	-	-	134,120
4. Commodities	-	-	-	-
5. Under underlying items	-	-	-	-
Total	**688,848**	**6,263**	**112,899**	**154,164**
Average values	**98,233**	**42**	**85,418**	**17,352**

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

A.2.1 Hedging instruments

Underlying assets / Type of derivaties	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	79,617			
a) Options	-			
b) Swap	79,617			
c) Forward	-			
d) Futures	-			
e) Other	-			
2. Equity securities and stock indexes	-			
a) Options	-			
b) Swap	-			
c) Forward	-			
d) Futures	-			
e) Other	-			
3. Currencies and gold	-			
a) Options	-			
b) Swap	-			
c) Forward	-			
d) Futures	-			
e) Other	-			
4. Commodities	-			
5. Other underlying items	-			
Total	**79,617**			
Average values	**23,562**			

A.2.2 Other derivatives

Underlying assets / Type of derivaties	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	400,682	-	544,176	-
a) Options	65,800	-	25,000	-
b) Swap	334,882	-	519,176	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indexes	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying items	-	-	-	-
Total	**400,682**	**-**	**544,176**	-
Average values	**393,399**	**-**	**526,478**	-

A.3 Financial derivatives: gross positive fair value - breakdown by products

Portfolios / Type of derivatives	*Positive Fair value* 31/12/2010		*Positive Fair value* 31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio	6,131	57	1,721	1,419
a) Options	712	-	3	155
b) Interest rate swap	566	-	1,424	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	785	57	294	-
f) Futures	-	-	-	-
g) Other	4,068	-	-	1,264
B. Banking portfolio - hedging instruments	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	16,028	-	24,424	-
a) Options	-	-	-	-
b) Interest rate swap	16,028	-	24,424	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**22,159**	**57**	**26,145**	**1,419**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios / Type of derivatives	*Negative Fair value* 31/12/2010		*Negative Fair value* 31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio	5,493	65	661	1,417
a) Options	673	-	3	154
b) Interest rate swap	31	-	325	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	826	65	333	-
f) Futures	-	-	-	-
g) Other	3,963	-	-	1,263
B. Banking portfolio - hedging instruments	2,653	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	2,653	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	652	-	441	-
a) Options	-	-	-	-
b) Interest rate swap	652	-	441	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**8,798**	**65**	**1,102**	**1,417**

A.5 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value	-	-	12,000	10,000	-	2,000	-
- positive fair value	-	-	155	380	-	31	-
- negative fair value	-	-	31	-	-	-	-
- future exposure	-	-	3	50	-	5	-
2) Equity securities and stock indexes							
- notional value	-	-	670	-	-	-	-
- positive fair value	-	-	39	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional value	-	-	43,993	26,082	-	11,129	3,029
- positive fair value	-	-	679	35	-	87	15
- negative fair value	-	-	170	363	-	271	21
- future exposure	-	-	440	260	-	111	30
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates			-				
- notional value			430,599				
- positive fair value			16,028				
- negative fair value			1,346				
- future exposure			1,240				
2) Equity securities and stock indexes			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				
- future exposure			-				
3) Currencies and gold			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				
- future exposure			-				
4) Other values			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				
- future exposure			-				

A.8 OTC financial derivatives - Banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which fall within offset agreements

Contracts which fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates			-				
- notional value			49,700				
- positive fair value			-				
- negative fair value			1,959				
2) Equity securities and stock indexes			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				
3) Currencies and gold			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				
4) Other values			-				
- notional value			-				
- positive fair value			-				
- negative fair value			-				

A.9 Residual maturity of OTC financial derivatives: notional values

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio	96,232	12,000	-	108,232
A.1 Financial derivatives on debt securities and interest rates	12,000	12,000	-	24,000
A.2 Financial derivatives on equity securities and stock indexes	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	84,232	-	-	84,232
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking portofolio	279,766	95,116	105,417	480,299
B.1 Financial derivatives on debt securities and interest rates	279,766	95,116	105,417	480,299
B.2 Financial derivatives on equity securities and stock indexes	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2010	**375,998**	**107,116**	**105,417**	**588,531**
Total 31/12/2009	**331,817**	**315,258**	**10,000**	**657,075**

B. Credit derivatives

B.1 Credit derivatives: period-end and average nominal values

Categories of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on more than one subjects (basket)	on a single subject	on more than one subjects (basket)
1. Hedging purchases				
a) Credit default products	-			
b) Credit spread products	-			
c) Total rate of return swap	-			
d) Other	-			
TOTAL 31/12/2010	-			
AVERAGE VALUES	-			
TOTAL 31/12/2009	-			
2. Hedging sales				
a) Credit default products	-			
b) Credit spread products	-			
c) Total rate of return swap	-			
d) Other	25,000			
TOTAL 31/12/2010	25,000			
AVERAGE VALUES	12,603			
TOTAL 31/12/2009	-			

B.3 OTC credit derivatives: gross negative fair value – breakdown by products

Portfolios/Type of derivates	Negative fair value	Negative fair value
	31/12/2010	31/12/2009
	Total	Total
A. Regulatory trading portfolio	469	
a) Credit default products		
b) Credit spread products		
c) Total rate of return swap		
d) Other	469	
B. Banking portfolio		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swap		
d) Other		
Total	**469**	

B.4 OTC credit derivatives: gross (positive and negative) fair values by counterparties - contracts which do not fall within offset agreements

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Hedging purchase							
- notional value			-				
- positive fair value			-				
- negative fair value			-				
- future exposure			-				
2) Hedging sale							
- notional value			25,000				
- positive fair value			-				
- negative fair value			469				
- future exposure			-				
Banking portfolio							
1) Hedging purchase							
- notional value			-				
- positive fair value			-				
- negative fair value			-				
2) Hedging sale							
- notional value			-				
- positive fair value			-				
- negative fair value			-				

B.6 Residual life of credit derivatives: notional values

Underlying items/ Residual life	up to 1 year	between 1 and 5 years	beyond 5 years	Total
A. Regulatory trading portfolio		25,000	-	25,000
A.1 Derivatives on receivables with "qualified" "reference obligation"		-	-	-
A.2 Derivatives on receivables with "non-qualified" "reference obligation"		25,000	-	25,000
B. Banking portfolio		-	-	-
B.1 Derivatives on receivables with "qualified" "reference obligation"		-	-	-
B.2 Derivatives on receivables with "non-qualified" "reference obligation"		-	-	-
Total 31/12/2010		**25,000**	**-**	**25,000**
Total 31/12/2009		-	-	-

1.3 Banking group – liquidity risk

Qualitative information

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

It is the responsibility of the Parent Company to manage the liquidity risk through the Finance Department with the aim of verifying the Group's capacity to meet liquidity requirements, while avoiding position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates. The Group's governance model is based on the centralised management of liquidity at the Parent Company for the Italian Commercial Banks, for which the Parent Company is also responsible for the funding management.

With reference to the Italian Commercial Banks, the activity of monitoring and periodical reporting on liquidity risks is the responsibility of the Risk Management Department of the Parent Company, both for structural and operational liquidity, which are carried out on a monthly basis and on a daily basis, respectively. The Treasury activity consists of procuring and allocating available funds through the interbank market, repo transactions and derivatives.
The relevant scope of application of daily reports on operational liquidity refers to those items with a high volatility level and a strong impact on the monetary basis. Monitoring and compliance with operating limits are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.
The counterbalancing capacity model allows reports to be integrated with all those free assets which can be promptly used both because they can be allocated for the refinancing at the ECB and because they can be converted into cash. Together with the application of the haircuts determined by the ECB for the securities that can be allocated, adequate discount factors are also prepared (which are broken down by type of security, rating, currency) for all securities which cannot be allocated, but which are in any case considered to be negotiable as appropriately positioned in time buckets.
An additional support to the management of liquidity risks derives from monitoring the structural liquidity with the main objective of maintaining an adequate dynamic relationship between medium/long-term assets and liabilities.
Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.
Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time. The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks.
The Risk Management Department of the Parent Company carries out stress testing activities, with specific reference to operational liquidity, in order to assess the Group's capacity to cope with unexpected liquidity crises in the first period, by acting on both liquidity resources to be maintained and on short-term operating limits.
Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

In 2010 the Group participated, on the invitation of the Bank of Italy, in a structured impact study (Quantitative Impact Study, QIS), which was aimed at assessing the effects of the regulatory proposals relating to capital and liquidity on banking systems. At the same time as the compilation of the QIS, the Group estimated the impact of the new indicators introduced by the quantitative rules – calculation of the LCR (Liquidity Coverage ratio) and of the NDFR (Net Stable Funding Ratio) – in order to prepare the appropriate checks also in consideration of the adjustments necessary for adopting the new rules issued by the Bank of Italy governing prudential supervision.

Quantitative information

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

Currency of denomination:**Euro**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*1,461,887*	*56,554*	*30,683*	*243,501*	*574,446*	*230,129*	*479,405*	*2,255,158*	*2,171,780*	*76,684*
A.1 Government securities	-	-	-	-	135	16,467	111,490	229,746	190,955	-
A.2 Other debt securities	195	-	-	-	22,443	12,967	64,407	263,570	83,147	2,109
A.3 UCITS units	30,408	-	-	-	-	-	-	-	-	-
A.4 Loans	*1,431,284*	*56,554*	*30,683*	*243,501*	*551,868*	*200,695*	*303,508*	*1,761,842*	*1,897,678*	*74,575*
- banks	36,821	3,001	10,000	-	20,000	1,531	-	-	217	69,384
- customers	1,394,463	53,553	20,683	243,501	531,868	199,164	303,508	1,761,842	1,897,461	5,191
Cash liabilities	*4,291,595*	*119,763*	*40,231*	*138,710*	*216,939*	*276,098*	*324,701*	*1,415,460*	*76,830*	-
B.1 Deposits and current account	*4,257,250*	-	-	*13*	*12*	*20*	*25*	*10*	-	-
- banks	13,332	-	-	-	-	-	-	-	-	-
- customers	4,243,918	-	-	13	12	20	25	10	-	-
B.2 Debt securities	879	16,190	35,036	136,547	204,644	273,078	275,561	1,415,450	76,830	-
B.3 Other liabilities	33,466	103,573	5,195	2,150	12,283	3,000	49,115	-	-	-
Off-balance sheet transactions	*524,812*	*80,236*	*932*	*58,994*	*18,675*	*15,065*	*35,493*	*195,713*	*213,545*	*2,108*
C.1 Financial derivatives with underlying asset exchange	-	*7,311*	*932*	*58,423*	*17,177*	*10,362*	*1,584*	*251*	*2*	-
- long positions	-	1,707	472	29,302	8,507	6,999	861	122	1	-
- short positions	-	5,604	460	29,121	8,670	3,363	723	129	1	-
C.2 Financial derivatives without underlying asset exchange	*716*	-	-	*64*	*194*	*77*	*284*	*2,148*	*590*	-
- long positions	651	-	-	64	140	77	284	2,148	589	-
- short positions	65	-	-	-	54	-	-	-	1	-
C.3 Deposits and loans to be received	*92,181*	*72,925*	-	-	-	-	*19,256*	-	-	-
- long positions	-	72,925	-	-	-	-	19,256	-	-	-
- short positions	92,181	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	*391,331*	-	-	*207*	*760*	*1,763*	*7,069*	*193,302*	*212,953*	*2,108*
- long positions	139	-	-	207	760	1,763	7,069	168,302	212,953	1,054
- short positions	391,192	-	-	-	-	-	-	25,000	-	1,054
C.5 Financial guarantees granted	*40,584*	-	-	*300*	*544*	*2,863*	*7,300*	*12*	-	-

Currency of denomination: **US Dollar**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*21,784*	*32,570*	*2,257*	*5,596*	*7,810*	*419*				
A.1 Government securities	-									
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	*21,784*	*32,570*	*2,257*	*5,696*	*7,810*	*419*				
- banks	20,742	31,438								
- customers	1,042	1,132	2,257	5,696	7,810	419				
Cash liabilities	*61,607*									
B.1 Deposits and current account	*61,607*									
- banks										
- customers	61,607									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*1,736*	*1,243*	*43,258*	*10,855*	*5,141*	*745*			
C.1 Financial derivatives with underlying asset exchange		*1,154*	*1,243*	*43,258*	*10,855*	*5,141*	*736*			
- long positions		597	614	21,525	5,485	2,702	368			
- short positions		557	629	21,733	5,370	2,439	368			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received	*98*									
- long positions	49								-	-
- short positions	49								-	-
C.4 Irrevocable commitments to grant finance	*484*	-	-							
- long positions	242	-	-							
- short positions	242	-	-							
C.5 Financial guarantees granted		-	-							

Currency of denomination: **UK Pound Sterling**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*1,794*			*97*	*1,709*					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	*1,794*			*97*	*1,709*					
- banks	1,267				1,660					
- customers	527			97	49					
Cash liabilities	*2,971*				*1,654*					
B.1 Deposits and current account	*2,971*				*1,654*					
- banks										
- customers	2,971				1,654					
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*676*		*5,430*	*580*	*1,324*				
C.1 Financial derivatives with underlying asset exchange		*676*		*5,430*	*580*	*1,324*				
- long positions		436		2,715	290	662				
- short positions		240		2,715	290	662				
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions									-	-
- short positions									-	-
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Swiss Franc**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*62,582*	*4,584*	*366*	*4,173*	*3,819*		*12*	*3,840*		
A.1 Government securities										
A.2 Other debt securities								3,649		
A.3 UCITS units										
A.4 Loans	*62,582*	*4,584*	*366*	*4,173*	*3,819*		*12*	*191*		
- banks	61,573	3,999		3,199						
- customers	1,009	585	366	974	3,819		12	191		
Cash liabilities	*53,316*			*6,798*						
B.1 Deposits and current account	*53,316*			*6,798*						
- banks	1			6,798						
- customers	53,315									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*522*					*1,991*			
C.1 Financial derivatives with underlying asset exchange		*522*								
- long positions		175								
- short positions		347								
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions									-	-
- short positions									-	-
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted							*1,991*			

Currency denomination: **Canadian Dollar**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*168*									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	*168*									
- banks	168									
- customers										
Cash liabilities	*166*									
B.1 Deposits and current account	*166*									
- banks										
- customers	166									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*23*								
C.1 Financial derivatives with underlying asset exchange		*23*								
- long positions		11								
- short positions		12								
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions									-	-
- short positions									-	-
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination:**Japanese Yen**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*711*			*6,126*	*3,474*					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	*711*			*6,126*	*3,474*					
- banks	683			2,301						
- customers	28			3,825	3,474					
Cash liabilities	*503*			*6,581*	*3,221*					
B.1 Deposits and current account	*503*			*6,581*	*3,221*					
- banks	3			6,581	3,221					
- customers	500									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*109*	*302*	*1,614*	*5,154*		*644*			
C.1 Financial derivatives with underlying asset exchange		*109*	*302*	*1,614*	*5,154*		*644*			
- long positions		54	151	807	2,577		322			
- short positions		55	151	807	2,577		322			
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions									-	-
- short positions									-	-
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **Other currencies**

Caption/Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*4,966*									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	*4,966*									
- banks	4,960									
- customers	6									
Cash liabilities	*4,613*									
B.1 Deposits and current account	*4,613*									
- banks	1									
- customers	4,612									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		*331*		*7,442*	*484*	*258*				
C.1 Financial derivatives with underlying asset exchange		*331*		*7,442*	*484*	*258*				
- long positions		104		3,721	242	129				
- short positions		227		3,721	242	129				
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions										-
- short positions										-
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										

1.4 Banking Group – Operational risks

Qualitative information

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

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.
The Banco Desio Group uses the definition of operational risk given by the Parent Company within the relevant methodological framework which adopts the definition given by the Bank of Italy in its circular no. 263 of 27 December 2006.
At Group level, a process is carried out to identify, classify and collect detrimental events. During 2009 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 functions guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Group at the end of the financial year consisted in claw-back actions in bankruptcy, and other disputes concerning the trading service of financial instruments.

Overall, the lawsuits pending with regard to the four Italian banks of the Group have a value of Euro 87,552 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 9,466 million. The most important lawsuits, almost exclusively brought against Banco di Desio e della Brianza, account for about 96.96% of the total amount.

Quantitative information

The number of adverse events detected by the Group in 2010 totalled 532 events. The result of the process for the gathering of adverse events is summarised in the table below (monetary values are reported in thousands of Euros):

Type of Event	No. of Events	% 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	0.19%	289.00	14.39%	289.30	16.08%	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	304	57.14%	389.00	19.35%	178.73	9.93%	210.00	100.00%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	7	1.32%	14.00	0.71%	14.33	0.80%	0.00	0.00%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	21	3.95%	687.00	34.16%	668.58	38.15%	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.	5	0.94%	32.00	1.61%	32.37	1.80%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	1	0.19%	2.00	0.08%	1.65	0.09%	0.00	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	193	3628.00%	597.00	26.69%	596.68	33.16%	0.00	0.00%
TOTAL Banco Desio e della Brianza Group	532	100.00%	2	100.00%	1,800	100.00%	210	10.46%

The value of the gross operating loss, equal to Euro 2,010 thousand; in relation to it, prudential provisions were set aside for Euro 1,501,7 thousand during the year. The expensed gross losses were recovered for Euro 210 thousand, thus recording a net loss equal to Euro 1,799.63 thousand.

Section 2 – Insurance companies' risks

2.1 Insurance risks

Qualitative information

Insurance risks are analysed in relation to the activity carried out by the insurance company Chiara Assicurazioni, a subsidiary owned by the Parent Company which is active in the non-life branch.

Regulation 20 of 26 March issued by ISVAP, the Italian insurance sector regulator, required insurance enterprises to equip themselves with an appropriate risk management system, proportionate to their size and the nature and complexity of the business that they conduct, which should allow them to identify, measure and monitor the most significant risks, taking these to be risks whose consequences could undermine the solvency of the enterprise or constitute a grave obstacle to the attainment of corporate objectives.
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, as well as defined a risk management system and carried out the analysis activities by type of risk identified.
The significant risks, i.e. the risks whose consequences might weaken the solvency of the Company or seriously hinder the implementation of the corporate objectives, have been classified according to criteria which take account of the peculiarities of the business in which the Company is active, the best practices present in the market and the regulations in force.

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

(a) 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;
(b) reserves risk: the risk attached to having calculated claims reserves that are not adequate to meet commitments to insured and damaged parties;
(c) technical-reinsurance risk: the risk associated with inefficiencies of the passive reinsurance strategies.

The risk management process is carried out through the following phases, which are closely connected to each other: definition of the propensity to risk; identification, valuation and measurement of risks; control and reporting; implementation of remedial measures (if any).
Specifically, the Board of Directors is responsible for the definition, approval and review of the guidelines concerning risk management.
In this capacity, the Board of Directors defines and approves the Company's propensity to risk, this being the risk level which can be supported over a certain period of time, which allows to achieve economic and financial objectives.

Premium risks

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.
Premium practices are thus applied in full accordance with the reinsurance guidelines, through a range of products complying, in terms of risks assumed and guarantees excluded, with the reinsurance limits assigned to the different types of products.
As to reinsurance, the transfer of risks is aimed at maintaining a constant equilibrium of the technical results of the portfolio with respect to all the dynamics which potentially could jeopardise the expected profit.
In view of the protection of corporate assets and control of venture capital, the plan for transfer to reinsurers helps to increase the Company's underwriting capacity, thus offering protection against anomalous trends in claims, in terms of both frequency and impact.

The business model provides for the marketing of non-life insurance policies at the bank branches through a highly standardised offer.
The Company places insurance products through the offer of two product lines:
line of products "integrated" with banking services;
line of "individual" products".

As at 31 December 2010 total premiums were equal to Euro 27,347 thousand, up by 17% compared to the previous year. The analysis of the premiums shows a significant impact of the policies integrated with banking services and linked to mortgages and loans which account for about 65.9% of the total premiums.

Therefore, the type of contract term accounts for 52.8% of long-term policies with an advance single premium and 47.2% of annual policies based on tacit renewal.
Specifically: Accident insurance accounts for 41.5% of the premiums issued, Illness insurance accounts for 12.4%, Fire insurance accounts for 15.4%, insurance for Other Damage to Assets accounts for 5.6%, General Liability insurance accounts for 4.3%, Pecuniary Losses insurance accounts for 19.3%, Legal Protection insurance accounts for 0.8% and Assistance insurance accounts for 0.6%, Caution money, CVT and CVM account for 0.1% again in relation to the premiums issued.

Reserve risks

To monitor reserve risks, which are associated with the possible quantification of inadequate technical reserves with respect to the commitments undertaken to insured and damaged parties, formalised procedures are in place which are applied by the relevant functions and are characterised by the following control elements:
-adequate segregation of duties and responsibilities in the reserve quantification process for the staff responsible for assessment and the persons who carry out administrative checks;
-procedures to support the correct determination of technical reserves, including:
-an organisational process which provides for a constant update of the assumptions underlying the assessment of the technical reserves in the non-life branch before their assessment;
-an organisational process which provides for the automatic allocation of claims reserves upon filing of any claims;
-ongoing control procedures which show variances in claims reserves to be subjected to additional checks.

Quantitative information

A special document, Risk Report, containing risk measurements, points needing attention and proposals (if any) for action based on the qualitative and quantitative factors that indicate that action should be taken. The document provides adequate indications for the calculation of the capital requirements required by the guidelines laid down in the quantitative method QIS 4 - Framework Solvency II**.**
The methodological approach used in 2010 for outlining the abovementioned document, specifically for the calculation of the capital requirement required from a Risk Management perspective which follows the Solvency II assumptions, is the following:
a) premium risk: Value at Risk approach with a confidence level which is fixed by considering, for a historical series of S/P relationships observed on a quarterly basis, an adequate Log-normal distribution in terms of statistic fitting. Granularity: by individual ministerial branch
b) reserve risk: Value at Risk approach with a confidence level which is fixed by considering, for a historical series of run-off relationships of claims reserves observed on a quarterly basis, an adequate Normal distribution in terms of statistic fitting. Granularity: by individual ministerial branch
c) credit risk (reinsurance): expected value of losses due to the default of every counterparty, equal to the credit exposure for the probability of default of the counterparty itself (which depends on its credit rating). Granularity: by individual ministerial branch
d) market risk (interest rate): difference between a stressed scenario and the standard scenario following shocks which are independent from the level of interest rates. Granularity: bonds
e) market risk (spread): risk of losses arising from the change in the yield curve with respect to the risk-free curve. Application of a weighting of the market value through predefined rating functions of the bond. Granularity: bonds issued by corporate issuers
f) market risk (shares): difference between a stressed scenario and the standard scenario following shocks which are independent from stock market indexes. Granularity: ETF funds
g) operational risk: proportional approach - 2% of the greater of the accrued premiums and the total claims reserves. Granularity: full portfolio

The following are some KPIs (Key Performance Indicators) measured as at 31 December 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 21.6% in all segments; the improvement with respect to the same figure at 31 December 2009 (24.1%) is in line with the corporate objectives for 2010 which provide for the maintenance of the technical profitability within restricted limits.
The Expense Ratio of direct business (i.e. the ratio between operating expenses and the relevant premiums) on all segments was 68.4%, down compared with 75.9% at the end of the previous period. This represents both an increase in the accrued premium and an improved process efficiency.
The Combined Ratio (i.e. the combination of the two indicators referred to above) was therefore 90%. This indicator reflects a reduction compared to 100.0% recorded at 31 December 2009 thanks to the structural and organisational improvements to the Company.

In October 2010 the Company participated, for the first time, in the quantitative impact study (QIS5) promoted by CEIOPS in cooperation with ANIA. The study, which is based on the Solvency II principles, has demonstrated that the available capital was sufficient to meet the capital requirements (so-called SCR) valued with figures at 31.12.2009 and that the coverage degree (so-called Solvency Ratio) amounted to 215%.

2.2 Financial risks

Qualitative and quantitative information

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

As at 31 December 2010 equity investments amounted to Euro 27,664 thousand (+22.5% compared to the previous year). Below is reported the breakdown in thousands of Euro:

Assets Amounts /1000		**Book value**
	Currents assets	18,006
	Fixed assets	9,094
Fixed interest securities	**Total fixed interest securities**	**27,101**
	Current assets	543
	Fixed assets	0
UCITS units	**Total UCITS**	**543**
Total current assets		18,549
Total fixed assets		9,094
Total		**27,664**

Assets Amounts /1000	**Book value**
Government Bonds	17,606
Corporate Bonds	9,494
UCITS	543
TOTAL	**27,644**

The 2010 investment policy was consistent with the guidelines defined by the Board of Directors. Assets are made up of about 63.7% of Government Bonds, about 34.3% of Corporate Bonds and about 2% of UCITS units..

Part F – INFORMATION ON CONSOLIDATED EQUITY

Section 1 – Consolidated Shareholders' Equity

A Qualitative information

The Banco Desio Group has always paid most attention to shareholders' equity, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth. In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.
The concept of accounting capital used by the Group is given by the algebraic sum of the following liability items in the Balance Sheet: Share capital, Valuation reserves, Reserves, Share premiums and Profit for the Period.
The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in business growth.

B Quantitative information

B.1 Consolidated equity: breakdown by type of business

Equity items	Banking Group	Insurance companies	Other companies	Eliminations and adjustments from consolidation	Total 2010
1. Share capital	67,805	3,338	-	-	71,143
2. Share premium reserve	16,145	158	-	-	16,303
3. Reserves	628,947	775	-	-	629,722
4. Equity instruments	-	-	-	-	-
5. Treasury shares	-	-	-	-	-
6. Valuation reserves	17,536	-147			17,389
- Available-for-sale financial assets	-9,512	-148	-	-	-9,660
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedging	-	-	-	-	-
- Cash flow hedging	-	-	-	-	-
- Exchange differences	4,356	-	-	-	4,356
- Non-current assets helf for sale and discontinued operation	-	-	-	-	-
- Actuarial profits (losses) on defined benefit plans	62	1	-	-	63
- Portion of valuation reserves of investments valued at equity	-266	-	-	-	-266
- Special revaluation laws	22,896	-	-	-	22,896
7. Profit (loss) attributable to the Group (+/-) and minority interests	52,885	575	-	-	53,460
Shareholders' Equity	**783,318**	**4,699**	**-**	**-**	**788,017**

B.2 Valuation reserves of financial assets available for sale: breakdown

Assets/Amount	Banking Group		Insurance companies		Other companies		Eliminations and adjustments from consolidation		**Total 2010**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	268	- 9,831	-	- 387	-	-	-	-	268	-10,218
2. Equity securities	159	- 23	-	-	-	-	-	-	159	- 23
3. UCITS units	170	- 16	-	-	-	-	-	-	170	- 16
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	**597**	**- 9,870**	**-**	**- 387**	**-**	**-**	**-**	**-**	**597**	**-10,257**
Total 31/12/2009	**7,283**	**- 4,040**	**262**	**-**	**-**	**-**	**-**	**-**	**7,545**	**- 4,040**

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**907**	**3,150**	**- 552**	**-**
2. Increases	**858**	**-**	**2,165**	**-**
2.1 Increases in fair value	189	-	61	-
2.2 Reallocation of negative reserves to statement of income:	397	-	2,104	-
- due to impairment	-	-	-	-
- due to realization	397	-	2,104	-
2.3 Other increases	272	-	-	-
3. Decreases	**11,715**	**3,014**	**1,459**	**-**
3.1 Decreases in fair value	8,588	3,014	16	-
3.2 Value adjustments due to deterioration	-	-	-	-
3.3 Reallocation to statement of income from positive reserves: due to realization	2,736	-	1,134	-
3.4 Other decreases	391	-	309	-
4. Closing balance	**- 9,950**	**136**	**154**	**-**

Section 2 – Banking regulatory capital and ratios

2.1 Scope of application of the regulations

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

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

Banking and financial companies valued at equity and qualified companies, which are directly or indirectly owned by the Parent Company to an extent exceeding 10%, are deducted from the regulatory capital for 50% from Tier 1 capital and for the remaining 50% from the Tier 2 capital; the difference as at the date of first-time application of equity between the book value of the equity investment and the correspondent portion of equity of the company is entered as a total reduction in Tier 1 capital; equity investments in insurance companies acquired before 20 July 2006 are deducted from the Tier 1 capital and from the Tier 2 capital.
The book value of the companies other than banking and financial companies and of the banking companies owned to an extent equal to or less than 10% is included in weighted risk assets.

The prudential scope of consolidation differs from the scope of consolidation of the annual accounts reported according to the international accounting standards (IAS/IFRS); in the second case, in fact, the subsidiary companies or the companies subject to joint control are consolidated on a line-by-line or proportional basis, even if they are other than banking, financial and functional companies.

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

2.2 Banking regulatory capital

A. Qualitative information

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

As of 31 December 2010 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

Description	Amount
Primary Capital TIER 1	686,510
Supplementary Capital TIER 2	99,635
Deductions	13,497
Regulatory Capital	772,648

1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative equity instruments are the most significant elements of the capital. From these positive elements, any negative elements is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.
Tier 1 capital accounts for about 89% of the Regulatory Capital.

2. Tier 2 capital

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

3. Tier 3 capital

Valuation reserves, the innovative equity instruments which cannot be calculated in the Tier 1 capital, the hybrid capitalisation instruments, subordinated liabilities and net capital gains on equity investments, are the main positive elements of the Tier 2 capital, deducting the amounts envisaged by the application of prudential filters from these positive elements.
Tier 2 capital accounts for about 13% of the Regulatory Capital. The elements to be deducted account for about 2%.

B. Quantitative information

	31/12/2010	31/12/2009
A. Tier 1 capital before the application of prudential filters	703,014	669,891
B. Prudential filters for Tier 1 capital:	- 12,142	- 2,806
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	12,142	2,806
C. Tier 1 gross of deductions (A+B)	690,872	667,085
D. Deductions from Tier 1 capital	4,362	4,179
E. Total primary capital (TIER1) (C-D)	686,510	662,906
F. Tier 2 capital before the application of prudential filters	104,142	112,892
G. Prudential filters for Tier 2 capital:	- 145	- 1,622
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	145	1,622
H. Tier 2 gross of deductions (F+G)	103,997	111,270
I. Deductions from Tier 2 capital	4,362	4,179
L. Total supplementary capital (TIER2) (H-J)	99,635	107,091
M. Deductions from Tier 1 and Tier 2 capital	13,497	17,433
N. Regulatory capital (E + L - M)	772,648	752,564
O. Tier 3 capital	-	-
P. Regulatory Capital including TIER3 (N + O)	772,648	752,564

2.3 Capital adequacy

A. Qualitative information

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

- Tier 1 capital / weighted risk assets (1) 10.99%
- Regulatory capital / weighted risk assets (1) 12.37%

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

B. Quantitative information

Consolidated prudential ratios

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**9,244,889**	**9,568,181**	**5,585,465**	**5,747,776**
1. STANDARD METHODOLOGY	9,243,582	9,568,181	5,585,204	5,747,776
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS	1,307		261	
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**446,837**	**459,822**
B.2 MARKET RISK			**6,410**	**3,066**
1. STANDARD METHODOLOGY			6,410	3,066
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			**48,109**	**46,839**
1. BASE METHODOLOGY			48,109	46,839
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
B.4 OTHER CAPITAL REQUIREMENTS			-1,608	38
B.5 OTHER CALCULATION ELEMENTS				
B.6 TOTAL CAPITAL REQUIREMENTS			499,748	509,765
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,246,853**	**6,372,064**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**10.99%**	**10.40%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			12.37%	11.81%

(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.

Section 3 - CONSOLIDATED REGULATORY CAPITAL AND RATIOS

The Group's consolidated financial statements report insurance assets/liabilities arising from the consolidation of Chiara Assicurazioni S.p.A., on a line-by-line basis, the sole Group company subject to insurance supervision (ISVAP).
As at 31 December 2010, the regulatory capital of Chiara Assicurazioni S.p.A. (available solvency ratio) was Euro 7,357 thousand, against a required solvency ratio of Euro 3,737 thousand. The result is a solvency ratio of 1.97, up compared to 2009.

Part H - TRANSACTIONS WITH RELATED PARTIES

For information regarding the remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities please refer to the statement relating to "Personnel costs" of these notes to the financial statements.

As regards remuneration plans based on financial instruments issued by Group Companies, reference is made to "Part I" of these notes.

Information on transactions with related parties

The Internal Procedure adopted pursuant to Consob Regulation no. 17221/2010 for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) is described in the Annual Report on Corporate Governance and mentioned in the Report on Operations, which also reports a summary of intergroup relations and relations with associated companies. The procedure itself is published, in compliance with the abovementioned Regulation, on the website www.bancodesio.it – section "Banco Desio / Corporate Governance / Transactions with Related Parties".
Pursuant to the Regulation itself and of article 154-*ter* of the Consolidated Act on Finance referred to by the same, the report on Operations must provide information on:

a) the individual "most significant" transactions entered into in the reporting period, these being the transactions which exceeds, also on a cumulative basis, the thresholds envisaged in Annex 3 to the abovementioned Regulation[1];

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

c) any change in or development of transactions with related parties described in the last annual report which have had a significant effect on the Group's financial position or results in the reporting period.

As indicated in the Report itself, in 2010 – as in the previous year – no transactions were entered into which were such as to present the characteristics referred to in letters a), b) and c) above.

As already mentioned in the financial statements' disclosures referred to previous financial years, the Group already applied appropriate internal procedures, which were aimed at ensuring transparency and material and formal correctness of transactions with related parties, in accordance with article 2391-bis of the Italian Civil Code, and as a result of the adoption of the Self-Regulatory Code of Listed Companies, before the adoption, effective from 1 December 2010, of the Internal Procedure referred to in the abovementioned Regulation.

In general, 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 advantageous and correct conditions, that are valued in compliance with the procedures above, in any case taking account of the company's interest in performing the transactions.
In this context, as of 31 December 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, 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.
In this context, also note – according to a single management approach of potential conflicts of interest – those transactions which are effected pursuant to article 136 of the Consolidated Banking Law and which, in any case, do not fall within the scope of transactions with related parties pursuant to Consob Regulation no. 17221/2010 or, in short, of article 2391-bis of the Italian Civil Code by virtue of which this Regulation has been issued (mainly with reference to the following subjects: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies with which the representatives of the Group hold offices of director/statutory auditor in the absence of significant interests).

I - Parent Company

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled Euro 2.2 million, entirely allocated to Banco Desio. The company has no debt exposure.

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

During the year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph III below).
The balance of relations with the Parent Company, relating to the securities deposit allocated to Banco Desio amounts to Euro 223.7 million.

II – Associated companies

As to Banco Desio, at the end of the year there were two associated companies:

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

- Istifid S.p.A., in which an additional investment was made during the year 2009, thus reaching a stake of 28.961% (relative majority).

Within the framework of the agreements entered into by Banco Desio with the Helvetia Group, the following agreements are still in place with Chiara Vita Spa: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

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

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid companies is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Companies subject to significant influence”.

III - Transactions with Representatives and subjects referable there to

As regards the transactions subject to credit limits approved in 2010 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of 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 50 positions existing as at 31 December 2010 is equal to about Euro 48.1 million. The relative uses totalled about Euro 35 million in amounts due from customers.
The figures above do not include approved transactions with the associate companies mentioned in point II above (officially resolved pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

It should 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 and/or Consob Regulation no. 17221/2010.

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 31 December 2010 amount to Euro 94.6 million in amounts due to customers (inclusive of Euro 59.2 million, in securities accounts).

The table below reports the breakdown of the aforesaid credit line and borrowing relationships:

(balances at 31.12.2010 - Euro unit)	Subjects "art. 136 of Consolidated banking Act" which fall within the scope of related parties "article 2391-*bis* of the Italian Civil Code" (e.g.: Representatives of "Banco Desio" or of "Brianza Unione"; their close relatives; related companies in a control/connection relationship)	Subjects "art. 136 of Consolidated banking Act" which do not fall within the scope of related parties "article 2391-*bis* of the Italian Civil Code" (e.g.: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor in absence of significant interests)	TOTAL
Credit line transactions:			
Amount granted	4,853,000	43,383,778	48,236,778
Amount used	2,792,000	32,309,862	35,101,862
Borrowing transactions:			
Current account and savings deposit amount	82,251,374	76,414,364	158,665,738
Amount of securities accounts	314,692,797	33,131,113	347,823,910

* * *

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

PART I – PAYMENT AGREEMENTS BASED ON THE GROUP'S EQUITY INSTRUMENTS

Stock 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.

The overall allocations made as at 31 December 2010 concerned an aggregate of no. 6,243,202 shares. Net of options forfeited following the termination of the employment agreements of a certain number of beneficiaries, which is considered to be physiological, there was a residual part, in aggregate, of no. 5,614,474 options (which may be exercised, as is known, in the course of the first half of 2011).
For no. 3,374,000 allocations made before the start of the operations, the strike price was Euro 1.00 per share.
For the overall no. 637,000 allocations made, in more than one tranches, after the start of the operations and by 31 December 2007, the exercise price was set, on the basis of the accounting positions approved by the Board of Directors from time to time, at Euro 1.05 Euro per share.
For the overall no. 2,232,202 allocations made subsequently (including the additional allocations arising from the share dilution from capital increase described in the previous disclosures), the exercise price was set, on the basis of an expert's valuation, at Euro 1.25 per share.
The aforesaid options granted 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, as well as on 18 December 2008, as reported in the Articles of Association themselves.
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 those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, "dividend yield"). 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 532,380 in aggregate.
For the financial year 2009, the pro-rata cost of the aforesaid no. 5,614,474 options - as determined by the distribution of the overall cost over the term of the different *tranches* – is calculated as equal to Euro 141,945.

Annual changes

Items/Number of options and exercise prices	2010			2009		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**6,061,202**	**1.09**	**2011**	**6,061,202**	**1.09**	**2009/2011**
B. Increases						
B.1 New issues						
B.2 Other changes						
C. Decreases						
C.1 Annulled	446,728	1.09	2011			
C.2 Exercised						
C.3 Expired						
C.4 Other changes						
D. Closing balance	**5,614,474**	**1.09**	**2011**	**6,061,202**	**1.09**	**2011**
E. Options exercisable at the end of the period						

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 appropriately updated in the subsequent Financial Statements.

The overall allocations made as at 20 May 2009 (the deadline set by the Plan for the 1st of the 3 periods for the exercise of the options) globally concerned all the 2,075,000 shares envisaged in the Plan (the figure remained unchanged compared to the previous financial year). Net of a certain quantity, which is deemed to be physiological, of options forfeited following the termination of the employment agreements, there was a residual part, in aggregate, of no. 1,917,000 options as AT that date. 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 20 May 2009 the Board of Directors of Chiara Assicurazioni SpA resolved to extend the final deadline of the first of the three periods for the exercise of the options envisaged in the Plan to 20 July 2009. By 30 June 2009, all the beneficiaries expressed their intention whether to exercise their respective options, so that no. 712,000 options had been globally exercised as at that date, against an aggregate residual number of 1,205,000 options. Accordingly, on 20 July 2009, the subsidiary took steps to implement the first tranche of capital increase serving the Plan (from Euro 7,500,000 to Euro 8,212,000). At the same time as the issue, the Parent Company acquired, by virtue of a board resolution of 28 May 2009, an aggregate number of 656,000 shares resold by the majority of the underwriting beneficiaries. The sale was made at a price of Euro 3.47 per share (a normal value determined on the basis of an appropriate report prepared by an actuary appointed for this purpose).

At 31 December 2009 there were no. 1,199,000 options**,** taking account of some other beneficiaries forfeited following the termination of the employment agreements**.**

On 26 April 2009 the Board of Directors of Chiara Assicurazioni SpA resolved to postpone the deadline of the 2nd of the 3 periods for the exercise of the options envisaged in the Plan to 20 September 2010. At that date, additional 541,000 options had been globally exercised, against the aforesaid 1,199,000 residual options at 31 December 2009. Accordingly, the subsidiary has implemented the 2nd tranche of capital increase serving the Plan (from Euro 8,212,000 to Euro 8,753,000). At the same time as the issue, the Parent Company purchased, by virtue of the board resolution of 25 March 2010, a total amount of 351,000 shares resold by most of the underwriting beneficiaries. The purchase and sale transaction took place at the price of Euro 3.93 per share (a normal value determined on the basis of an appropriate technical report prepared by an actuary appointed for this purpose). Following the same procedure as that followed in the previous financial year, a part of the shares offered on sale by the beneficiaries was made available to the other Shareholders of the Company who had declared that they were interested in substantially maintaining the ownership structure unchanged.

As at 31 December 2010 658,000 options were still outstanding **(**which may be exercised in the first half of 2011 within the 3rd and last period envisaged in the Plan).

The Black and Scholes model has been adopted for option valuation; apart from the vesting period and the strike price, which have already been specified, contractual terms and conditions and basic assumptions taken for valuation are consistent with those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, “dividend yield”). The unit value of each option amounts to Euro 0.18091. The valuation of the options amounts to Euro 254,069 in aggregate.

The cost of the no. 658,000 options pertaining to the financial year, as resulting from the distribution of the aggregate cost over the term of the options – is calculated as equal to Euro 26,639.

Annual changes

Items/Number of options and exercise prices	2010			2009		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**1,199,000**	**1.33**	**2010/2011**	**1,976,000**	**1.33**	**2009/2011**
B. Increases						
B.1 New issues						
B.2 Other changes						
C. Decreases						
C.1 Annulled				65,000	1.33	2009/2011
C.2 Exercised	541,000	1.33	2010/2011	712,000	1.33	2009/2011
C.3 Expired						
C.4 Other changes						
D. Closing balance	658,000	1.33	2011	1,199,000	1.33	2010/2011
E. Options exercisable at the end of the period						

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

The "Fides" Plan was the object of a detailed disclosure in the annual accounts for the 2008 financial year (the year in which the said Plan was applied).

As at 31 December 2009, all of the 322,094 options envisaged in the Plan had been allocated. These allocations included an additional number of 102,094 options arising from the share dilution from a first capital increase subscribed by the shareholders in the course of the half-year with an increase in the number of outstanding shares equal to about 46.41% (with a consequent increase in the maximum number of shares serving the Plan from 220,000 to 322,094, as per the board resolution of Banco Desio Lazio SpA on 24 June 2009). The strike price of Euro 7.64 per share takes account of the normal value of Euro 7.55 initially set by an appropriate expert's report, as well as of the subsequent appropriations which increased the carrying amount of the Fides shares with the holder Banco Desio Lazio SpA.

As at 31 December 2010 no. 401,509 options had been granted (which may be exercised, as it is known, during the second half of 2011), net of options annulled due to the termination of the employment agreements of a certain number of beneficiaries which is considered to be physiological. Following the same procedure followed in the previous financial year, in 2010 additional 130,890 options were granted which arose from the share dilution from a second capital increase, which was subscribed by the shareholders during 2010, with an increase in the number of outstanding shares equal to about 40.63%. This transaction entailed an increase in the maximum number of shares under the Plan from 322,094 to 452,984, again at the strike price of Euro 7.64 per share, as per the board resolution of Banco Desio Lazio SpA on 27 July 2010.

The Black & Scholes method was used to value options; the basic assumptions made for valuation are similar to those for the other plans described above. The unit value of each option is included in a range between a minimum of Euro 0.15356 and a maximum of Euro 1.03901 The value of the existing options is Euro 304,752.

The cost accruing in the period for the aforesaid no. 401,509 options, calculated by distributing the total cost over the term of the options - is Euro 99,102.

Items/Number of options and exercise prices	2010			2009		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**322,094**	**7.64**	**2011**	**210,000**	**7.64**	**2011**
B. Increases						
B.1 New issues	130,890	7.64	2011	112,094	7.64	2011
B.2 Other changes	-	-	-	-	-	-
C. Decreases						
C.1 Annulled	51,475	7.64	2011	-	-	-
C.2 Exercised	-	-	-	-	-	-
C.3 Expired	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-
D. Closing balance	**401,509**	**7.64**	**2011**	**322,094**	**7.64**	**2011**
E. Options exercisable at the end of the period						

PART L – SEGMENT REPORTING

This disclosure makes reference to the organisational and executive structure of the Group, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Group operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, segment reporting takes account of the fact that the operating structure of the commercial banks does not present segment networks and/or divisions. This section reports the results of the Group's segments described below:

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

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

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

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

SEGMENT INFORMATION BY OPERATING SEGMENTS					
Income Statement data	**31/12/2010**	**Commercial bank**	**Investment banking**	**Asset mng**	**Corporate center**
Margin on banking and insurance activities (1)	346,750	303,513	19,194	13,705	10,338
Structure costs (2)	-242,326	-196,179	-1,863	-9,257	-35,027
Provisions and adjustments (3)	-25,121	-40,756	-5	0	15,640
Profits/(losses) on equity investments carried at equity	3,909	0	0	0	3,909
Profits/(losses) on the disposal of investments	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**83,212**	**66,578**	**17,326**	**4,448**	**-5,140**

(1) from the reclassified Income Statement

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

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

Balance sheet data	**31/12/2010**	**Commercial bank**	**Investment banking**	**Asset mng**	**Corporate center**
Financial assets	999,053	27,758	963,039	8,787	-531
Amounts due from banks	302,852	0	238,386	139,481	-75,015
Amounts due from customers	6,476,720	6,469,570	0	7,150	0
Amounts due to banks	171,918	0	253,332	0	-81,414
Amounts due to customers	4,459,599	4,331,719	0	127,900	-20
Securities issued and financial liabilities valued at fair value	2,448,734	2,448,734	0	0	0

Indirect deposits: administered and managed	**11,605,011**	**10,411,111**	**0**	**1,193,900**	**0**

SEGMENT INFORMATION BY OPERATING SEGMENTS					
Income Statement data	**31/12/2009**	**Commercial bank**	**Investment banking**	**Asset mng**	**Corporate center**
Margin on banking and insurance activities (1)	349,332	299,103	7,246	11,399	31,584
Structure costs (2)	-235,777	-194,778	-2,109	-10,323	-28,567
Provisions and adjustments (3)	-61,744	-59,586	-9	166	-2,315
Profits/(losses) on equity investments carried at equity	25,514	0	0	0	25,514
Profits/(losses) on the disposal of investments	-8	0	0	-8	0
Profits/(losses) before taxes on continuing operations	**77,317**	**44,739**	**5,128**	**1,234**	**26,216**

(1) from the reclassified Income Statement

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

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

Balance sheet data	31/12/2009	Commercial bank	Investment banking	Asset mng	Corporate center
Financial assets	943,580	22,115	914,160	7,872	-567
Amounts due from banks	792,983	0	740,676	144,224	-91,917
Amounts due from customers	6,160,151	6,154,758	0	5,393	0
Amounts due to banks	36,658	0	123,488	0	-86,830
Amounts due to customers	4,868,276	4,735,035	0	136,791	-3,550
Securities issued and financial liabilities valued at fair value	2,365,722	2,365,722	0	0	0
Indirect deposits: administered and managed	**11,093,014**	**10,003,753**	**0**	**1,089,261**	**0**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ART. 154-*BIS* OF LEGISLATIVE DECREE 58/1998

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

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

   of the administrative and accounting procedures employed to draw up the consolidated financial statements for the 2010 financial year.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 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 Consolidated Financial Statements:

   a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;
   b. correspond to the results of the books and accounts;
   c. give a true and fair representation of the equity, economic and financial position of the issuer and the whole of the companies included in the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer and the whole of the companies included in the scope of consolidation, together with the description of the main risks and uncertainties to which they are exposed.

Desio, 22 March 2011

Managing Director

Nereo Dacci

Manager responsible for preparing the Company's financial reports

Piercamillo Secchi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 DATED 27 JANUARY 2010

To the shareholders of
Banco di Desio e della Brianza SpA

1 We have audited the consolidated financial statements of Banco di Desio e della Brianza SpA and its subsidiaries (Banco di Desio e della Brianza Group) as of 31 December 2010, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 April 2010.

3 In our opinion, the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza Group for the period then ended.

4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1,

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letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance Shareholding Structure are consistent with the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2010.

Milan, 6 April 2011

PricewaterhouseCoopers SpA

Signed by
Lia Lucilla Turri
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.