

BANCO DESIO GROUP
HALF YEAR CONSOLIDATED REPORT
as at 30 June 2006

This is an English translation of the Italian original "Relazione Semestrale Consolidata al 30 giugno 2006" and has been prepared solely for the convenience of the international reader. The version in Italian takes precedence and will be made available to interested readers upon written request to Banco di Desio e della Brianza S.p.A..

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS AND INDICATORS

Balance sheet data (in thousands of Euro)	June 06	June 05	Change	
	-a-	-b-	Amount	%
Total assets	6,729,795	5,803,337	926,458	16.0%
Financial assets	2,025,581	1,500,090	525,491	35.0%
Amounts due from banks	507,866	617,984	-110,118	-17.8%
Loans and advances to customers	3,790,640	3,346,615	444,025	13.3%
Tangible assets	132,535	118,777	13,758	11.6%
Intangible assets	42,852	51,167	-8,315	-16.3%
Amounts due to banks	152,484	46,542	105,942	227.6%
Amounts due to customers	3,052,751	2,634,542	418,209	15.9%
Securities issued	1,452,202	1,510,452	-58,250	-3.9%
Shareholders' equity	476,473	378,454	98,019	25.9%
<i>of which: net profit for the period</i>	29,237	21,865	7,372	33.7%
Minority interests	20,195	6,992	13,203	188.8%
Indirect customer deposits	14,862,958	13,756,001	1,106,957	8.0%
<i>of which: assets under management</i>	9,895,434	9,064,117	831,317	9.2%

Reclassified income statement data (in thousands of Euro)	June 06	June 05	Change	
	-a-	-b-	Amount	%
Margin on banking and insurance activities	166,310	141,149	25,161	17.8%
Net operating profit	60,019	44,848	15,171	33.8%
Net profit/(loss) for the period	29,237	21,865	7,372	33.7%

Financial ratios (%)	June 06	June 05	Change	
	-a-	-b-	%	
Shareholders' equity / Total assets	7.1%	6.5%	0.6%	
Shareholders' equity / Loans and advances to customers	12.6%	11.3%	1.3%	
Shareholders' equity / Amounts due to customers	15.6%	14.4%	1.2%	
Shareholders' equity / Securities issued	32.8%	25.1%	7.7%	
Financial assets / Total assets	30.1%	25.8%	4.2%	
Amounts due from banks / Total assets	7.5%	10.6%	-3.1%	
Loans and advances to customers / Total assets	56.3%	57.7%	-1.4%	
Amounts due to banks / Total assets	2.3%	0.8%	1.5%	
Amounts due to customers / Total assets	45.4%	45.4%	0.0%	
Securities issued / Total assets	21.6%	26.0%	-4.4%	
Administrative expenses / Margin on banking and insurance activities	57.2%	59.9%	-2.7%	
Net operating profit / Margin on banking and insurance activities	36.1%	31.8%	4.3%	
Parent Bank net profit / Net income from banking and insurance activities	18.3%	16.5%	1.8%	
Net profit for the period / Annualized shareholders' equity (R.O.E.)	13.1%	12.3%	0.8%	

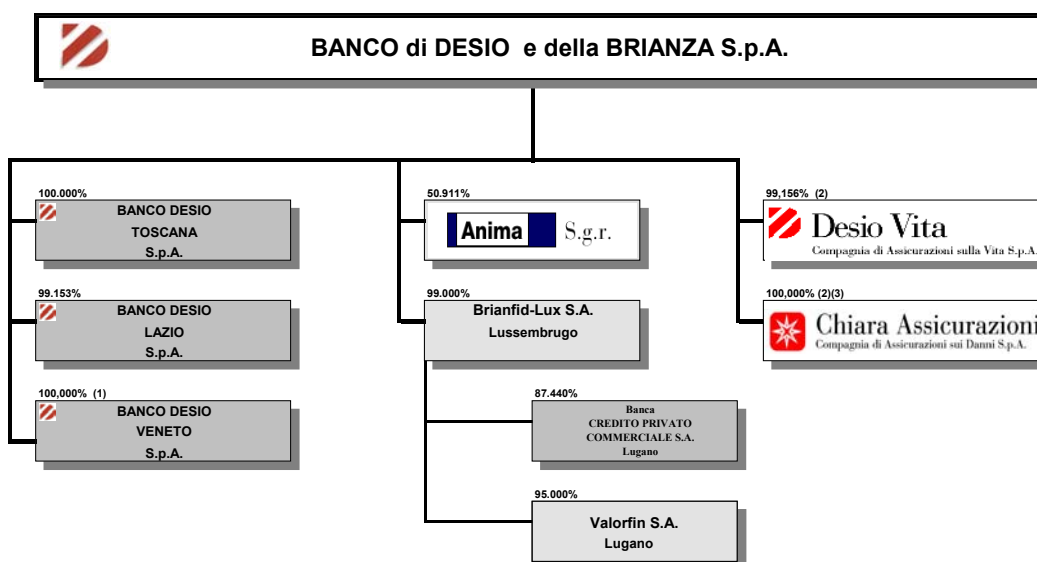
Other data	June 06	June 05	Change	
	-a-	-b-	Amount	%
Number of employees	1,522	1,371	151	11.0%
Number of bank branches	130	109	21	19.3%

Foreword

Banco di Desio e della Brianza S.p.A. is required to prepare consolidated financial statements in its capacity as Parent Company of the Banco Desio Group, enrolled in the Register of Banking and Lending Groups under No. 3440/5.

Banco Desio's half-year report has been prepared in accordance with the guidelines provided by CONSOB (*Commissione nazionale per le Società e la Borsa, Italian Regulatory Commission for Companies and the Stock Exchange*) in the Issuers' Regulations and under Article 81 of Resolution no. 11971 dated 14 May 1999, as amended and supplemented, and the provisions issued by the Bank of Italy.

The consolidated financial statements relate to the following corporate structure:



(1) This company was incorporated on 9 November 2005. The new bank was authorized to exercise its activities by an order issued by the Bank of Italy on 3 April 2006 and expects to start operations during the second half of the year 2006.

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

(3) This company was incorporated on 20 June 2006; as at June 30, 2006, it was not yet registered with Register of Companies. The procedure for the obtainment of the prescribed authorisations is still in progress.

Rating

Banco di Desio e della Brianza S.p.A. has been assigned a rating by the international rating agency Fitch Ratings, updated on 25 May 2006. The ratings assigned to Banco di Desio e della Brianza's debt by the rating agency are summarized as follows:

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

According to the agency, the ratings awarded "reflect the good income-generating capacity, low credit risk and the satisfactory capital ratio level".

Report on Operations

Market Context

After the stagnation phase that was a feature of the economy for a large part of 2005, and the fourth quarter in particular, the data for the first part of 2006 provided evidence of some recovery with GDP slightly rising and near the Euro zone average.

The improvement in the economic cycle seems to be favoured by fairly good export trends and progress in the domestic demand component (investments and private consumption). The signals coming from economic studies seem to forecast good progress in the second part of the year too, even if there are still a number of inauspicious factors.

Nevertheless, while the structural shortcomings of the Italian economy and the low level of competitiveness of Italian businesses remain, we should take into account for the future the consequences of high oil prices, a possible appreciation of the single currency and the effects of the more restrictive monetary policy that is being followed at present. As regards the last point, it should be noted that after the last variation of 25 basis points in December 2005, at its recent meeting on 3 August the European Central Bank decided to take the bank rate to 3% after the rate had remained unchanged at 2% for two years.

In the last few months, there has been a rise in bank interest rates in line with the ECB monetary policy guidelines and a slight recovery in spreads.

The latest data available from the system show an average rate of interest on customer deposits (including the return on deposits, on bonds and spot against forward in Euros applied to the households and non-finance companies) of 1.93% in June 2006, compared to the 1.67% increase posted in the previous year.

At the same time, as to interest income, the average weighted interest rate on loans (to households and non financial companies) was 4.96%, 31 basis points higher than in June 2005, when the 4.65% rate was one of the lowest levels ever recorded.

(ABI source: *Evoluzione dei mercati finanziari e creditizi* – July 2006 edition)

Stock markets did not shine on the average, with some negative figures in the last section of the half-year followed by the resumption of positive progress in the subsequent month of July; while bond markets went decidedly downwards.

As regards the main bank aggregates and collections, both total deposits and bank bonds continued to rise, recording an increase that was on the average higher than the two figures, even if it was tending to settle.

There was also positive movement in the units held in investment trusts (even if performance worsened slightly in the last part of the half-year), while bank-managed capital assets recovered and life assurance reserves rose constantly.

As regards assets, bank investment trends further accelerated, always remaining much higher than the present rise in GDP and of investments, always mainly supported by the medium- and long-term component, while in June short-term investments recorded the highest increase in the last twelve months.

Matters of strategic importance and development policies

The bank branch programme for 2006, approved in the 2005-2007 business plan, envisaged the opening of 17 new Group branches (two in completion of the 2005 programme), all situated in selected localities of financial and economic interest both in areas in which the Group is traditionally represented and in new areas, thus carrying on with its geographical expansion.

At the end of the half-year, a major part of the expansion of the distribution network had been completed, with 12 new branches opened, 9 by the Parent Company (in chronological order of opening: Schio, Modena, Villafranca di Verona, Desio – third city branch, Padova, Romano di Lombardia, Milan-Moscova, Arzignano and Alessandria), 2 on the part of Banco Desio Lazio (Rome–Prati Fiscali and Rome–EUR) and 1 on the part of Banco Desio Toscana (Pontedera).

Therefore, the Group network included 130 branches (112 for the Parent Company, 12 of Banco Desio Lazio and 6 of Banco Desio Toscana, located in six regions (Lombardia, Piemonte, Veneto, Emilia, Toscana and Lazio) at the end of June 2006, compared to 109 of the previous year and 118 at the end of 2005.

By an order dated 3 April 2006, the Bank of Italy authorized the subsidiary Banco Desio Veneto S.p.A. to exercise banking activities; the company was enrolled in the register of companies on 8 May 2006; operational start-up is planned for 1 October 2006, involving the 6 Parent Company branches in Veneto locations, subject to contribution under Article 58 of the Consolidation banking Act (T.U.B.).

This contribution of a branch of business is correlated to an increase in the share capital of the subsidiary for an amount of Euro 2.1 million (from Euro 21 million to Euro 23.1 million), as resolved upon by its shareholders' meeting on 4 August.

Pursuant to Article 2443 of the Italian Civil Code, powers have been delegated to the company's Board of Directors to increase share capital up to a maximum nominal amount of Euro 4.4 million, serving the share ownership plan for the management described in the appropriate section of the Notes to the Financial Statements.

On 12 April 2006 the Parent Company's Board of Directors resolved to promote a project in the damages banking insurance sector, extending the range of the insurance products offered by the Group.

The business plan took shape on 20 June 2006 with the formation of a special company, named Chiara Assicurazioni S.p.A., with an initial share capital of Euro 7.5 million, in addition to an Organization Fund of Euro 2.5 million, wholly-owned by the Parent Company. The company was enrolled in the Register of Companies on 10 July.

Powers have been delegated to the company's Board of Directors to increase share capital up to a maximum nominal amount of about Euro 2.0 million, serving the share ownership plan for the management described in the appropriate section of the Notes to the Financial Statements.

The new company should start operating at the end of the year, subject to obtaining the

prescribed clearances from ISVAP and the Bank of Italy: the applications are going through the appropriate channels.

At the Shareholders' Meetings held to approve their 2005 accounts, capital increases of Euro 10 million each were resolved for subsidiaries Desio Vita S.p.A. and Banco Desio Lazio S.p.A., underwritten by the shareholders in order to strengthen their assets in support of the growth in their operations and their size.

Following these transactions, the share capital of the two companies amounted to Euro 27.70 million for Banco Desio Lazio S.p.A. and Euro 24.18 million for Desio Vita S.p.A., respectively.

Organization and it systems

Work during this period was mainly directed at implementing the following plans:

- starting up the new affiliate, Banco Desio Veneto;
- preparing the Business Continuity Project;
- opening twelve new branches.

Banco Desio Veneto's start-up was set to take place on 1 October. Adjustments began to support the new bank's operations, action being taken in the following sectors:

- information systems: the adaptation of the applications platform was outsourced and control plans and specific systems for the new bank were set up on the internal information systems;
- organisation: the services provided for the new bank by the Parent Company were defined, subsequently settling the financial aspects and preparing special service agreements (master agreement for supporting and advisory services, technological equipment hiring agreement);
- regulations: standing orders were drawn up in readiness for the date of the new bank's start-up.

As regards the definition of the Group Business Continuity Plan, action was completed on the identification and mapping of the processes considered critical for business continuity and at the same time operating procedures were drawn up for the management of emergencies.

The general information and instructions in the Business Continuity Plan structure were also defined.

As regards the technological measures necessary to ensure the continuity of the critical services, the Disaster Recovery site is being prepared as an alternative to the production site for use in emergency.

The most important organisational and IT development activities carried out were:

- the new version of the screen-based bank application;
- the documentary advance procedures,

and in the securities and finance sectors:

- the centralisation of clearing (CLS project),
- the management of an organised trading system,
- the change in the methods of access to financial markets.

Finally, activity continued in support of the IAS project and to verify new laws and regulations, and special compliance action was taken in the fields of banking inquiries and the credit sector.

As regards infrastructures:

- technical equipment in branches was improved;
- services were optimised (the VOIP service for the use of a single network infrastructure for data and telephoning, the SSO service for access to bank

applications by using a single User/Psw combination and various applications developments in the sectors of credit, leasing and the management of POS contracts);

- technical and systems support services were provided.

Human resources

As at 30 June 2006, the Group's staff was 1,522, up by 151 compared to the end of June 2005 and up by 83 compared to December 2005

The substantial growth was contributed to by the increase in the number of Group outlets (both banking and affiliates), and above all by the increase in the distribution network, with 21 new branches opened in a year.

At the end of the half-year, the Parent Company had a staff establishment of 1,273 resources, an increase of 116 persons in twelve months and of 62 from December 2005. This was mainly due to the expansion of the distribution network (16 new branches opened in twelve months, of which 9 in the last half-year).

As to the other Group companies, note that:

- *Banco Desio Toscana S.p.A.*, with staff of 54 people and an increase by 5 units compared to the first half of 2005;
- *Banco Desio Lazio S.p.A.*, with staff of 87 people and an increase by 18 units compared to the first half of 2005;
- *Anima S.G.R.p.A.*, with staff of 58 units, compared to 51 people in June 2005;
- *Desio Vita S.p.A.*, with staff of 13 people compared 11 units in June 2005;
- The foreign subsidiaries *Brianfid-Lux S.A.*, *Credito Privato Commerciale S.A.* and *Valorfin S.A.* overall had a staff establishment of 37 people, compared to 34 units at the end of June 2005.

Commercial activity

As of 30 June 2006 consolidated *total financial assets* amounted to Euro 19,367.91 million, showing an annual growth of Euro 1,466.92 million, equal to + 8.2% compared to Euro 17,901.003 million at the end of the previous year.

Direct deposits, represented by amounts due to customers and securities issued, amounted to Euro 4,504.95 million, showing an annual growth of Euro 359.96 million (+8.7)% compared to Euro 4,144.99 million at the end of June 2005.

(in thousands of Euro)	June 06	Dec. 05	June 05	Change a-c	
	-a-	-b-	-c-	Amount	%
Amounts due to customers	3,052,751	2,940,493	2,634,542	418,209	15.9%
Securities issued	1,452,202	1,493,241	1,510,452	-58,250	-3.9%
Direct deposits	4,504,953	4,433,734	4,144,994	359,959	8.7%
Indirect deposits	14,862,958	15,187,112	13,756,001	1,106,957	8.0%
Total financial assets	19,367,911	19,620,846	17,900,995	1,466,916	8.2%

Indirect deposits continued at a rate of + 8.0% on an annual basis, with a total aggregate amounting to Euro 14,862.96 million at the year-end compared to Euro 13,756.00 million in June 2005.

Indirect deposits from customers, amounting to Euro 13,584.22 million and representing the 91.4% of the total aggregate (89.1% in June 2005), shows an annual growth of Euro 1,329.92 million (equal to + 10.9%).

Assets under management grew by 9.2% on an annual basis, going from Euro 9,064.12 million to Euro 9,895.43 million, a total increase of 831.32 million euro. This increase was lower than in the recent past, mainly owing to market values, which fell in the last part of the half-year.

(in thousands of Euro)	Jun-06 -a-	Jun-05 -b-	Change Amount	%
TOTAL	14,862,958	13,756,001	1,106,957	8.0%
of which:				
1- Customers other than institutional customers	13,584,216	12,254,294	1,329,922	10.9%
-of which:				
-administration/custody	3,688,782	3,190,177	498,605	15.6%
-asset management	9,895,434	9,064,117	831,317	9.2%
-portfolio management (*)	1,233,680	1,100,334	133,346	12.1%
-mut.fund and open-end inv. (**)	7,400,786	6,942,475	458,311	6.6%
-bank-insurance	1,260,969	1,021,308	239,661	23.5%
2- Institutional customers (***)	1,278,742	1,501,707	-222,965	-14.8%

(*) net of: liquidity in current accounts; securities issued by Group banks

(**) " mutual fund and open-end investment fund units under port. mgmt. and fund-based port.mgmt

(***) " infra-group links

Managed indirect deposits, from Euro 3,190.18 million to Euro 3,688.78 million at the end of June 2005, grew by Euro 498.61 million equal to 15.6%.

As a result of this developments, at the end of the half-year asset management accounted for 72.8% of indirect deposits from customers (74% at June 2005).

It is emphasised that the reduction in the stock held in connection with dealings with institutional investors is due to the fact that the Parent Company has ceased to act as Custodian for an institutional counter-party.

The credit sector continued a phase of growth, activities being directed at the traditional targets: the local economic fabric of small- and medium-sized firms and households. At the end of the half-year, net cash loans totalled Euro 3,790.64 million, showing an increase of Euro 444.03 million (+13.3%) compared to Euro 3,346.62 million of June 2005 and to Euro 279.000 million (+7.9%) compared to the end of 2005.

Medium and long-term financing amounted to Euro 1,968.92 million with an annual growth of 17.7%, representing about 52% of total loans; the medium and long-term total constituted mortgage loans totalling Euro 1.350,56 million (+23,3%), finance lease transactions of Euro 488.59 million (+ 3,3%) and personal loans of Euro 129,77 million (+ 24,4%).

The quality of the credit portfolio remains at a good level, expressing a lending strategy based on creditworthiness and also risk-splitting and a low degree of concentration on single sectors (the table below refers to the Group's three Italian banks).

DISTRIBUTION OF CASH LOANS	
50 LARGEST CUSTOMERS	
	% on total
10 LARGEST CUSTOMERS	2.49%
20 LARGEST CUSTOMERS	3.84%
30 LARGEST CUSTOMERS	5.00%
50 LARGEST CUSTOMERS	6.74%

Total impaired loans amounted to Euro 50.09 million. The ratio of net non-performing loans to total net loans was 0.63%.

Finance

The securities portfolio and exchange rate activity

As at 30 June 2006 total financial assets amounted to Euro 2,025.58 million and showed a growth of Euro 297.50 million compared to the stock as at December 2005.

Operations focussed almost exclusively on government bonds and indexed Italian bank securities.

The usual prudential approach was adopted towards the interest rate risk, the duration of the total portfolio being short.

This policy led to a reduction in the unfavourable impact of the background of rising rates on profit and loss, a "historical" scenario that proved to be in excess of any balanced forecast, seriously affecting the performances of all the international bond markets, which were all unfavourable.

Operations on the equity market were characterised by targeted daily trading transactions, in all cases favouring instruments with an attractive dividend and protecting the portfolio during the most uncertain periods by using hedge instruments.

On the foreign exchange market, operations were mainly carried out to meet the requirements of institutional customers.

It should be noted that the action necessary to enter the CLS (*Continuous Linked Settlement*) as a third party was completed in order to settle exchange transactions in the main world currencies.

Treasury

The cashier's department, centralised at the Parent Company, recorded a net positive inter-bank balance of Euro 355.38 million (Euro 670.09 million on December 2005). This picture substantially repeats the scenario of the previous period, practically in line both with interim volumes and the expected final result.

Particular care was devoted to containing the risks arising from deposit terms, while the expectation of a rise in rates conditioned operating decisions, limiting long-term investment to arbitrage between inter-bank deposits and Eonia.

Asset management

During the first half-year of 2006, this office was engaged not only in routine management but in the migration of the asset management funds and securities management portfolios from their previous platform to the new *Brain Power* platform, which thoroughly monitors all the funds belonging to the asset management companies used.

In the field of Group product personalisation, for the subsidiary Desio Vita, the characteristics and risk profiles of the new *Unit Personali* were defined for the prospectus. To provide better support to a category of customer that is particularly discriminating with regard to financial products, special Personal Flexible Lines were created for Banco Desio Toscana.

The Middle Office

Activities in this sector were mainly directed at settlements on international markets and their expansion.

In the first half-year of 2006, handling foreign securities involved the management of about 1,800 events for retail and institutional customers.

In the two months of April and May, the entrance of Argentina Republic bond investors in the legal action brought by TFA was followed and concluded. This operation involved the customers that did not adhere to the previous Public Offering of Change proposed in 2005.

Appropriate attention was paid to international legislation, especially with regard to the position in the United States; this led to the renewal of the status of Qualified Intermediary, which was due to expire on 30 June 2006.

In March the securities register was outsourced, while implementation and control was retained in house.

Depository Bank activities

The primary objective in the first half-year was the continuous optimisation of the Custodian Bank control systems, with a decidedly robust approach to organisation and information systems. This was positive confirmation of the correct implementation of the instructions in the last order issued by the Governor of the Bank of Italy.

One of the main points worthy of attention was the optimisation of the activity called "significance of the prices of financial instruments", a computerised search model whose purpose is to retrieve a large amount of information from info-providers, thus giving increasing the effectiveness and sophistication of the support given to the process of analysing portfolios packed with securities.

From the point of view of operations, collaboration agreements have been entered into for the following pension funds: "Soluzione Previdente" and "Anima Orizzonti", belonging to the Desio Vita S.p.A. group companies and Anima s.g.r., respectively.

Risk management

In exercising its authority over management and co-ordination, the Board of Directors of Banco Desio – as Parent Company – issued specific dispositions on the subject of risk management in order to guarantee several levels of control in respect of all Group banking companies. The process involves all functions in the Group, each one for the parts pertaining to them, from the Parent Company's Board of Directors to the line controls in individual operating units. The specific levels of control are:

- strategic: executed principally through the presence, in the Boards of Directors of each subsidiary, of exponents designated by the Board of Directors of Banco Desio, the Parent Company;
- management: executed through the regular examination of the financial and economic results of each company;
- technical/operating: executed through line controls and controls over the management of risk, and through internal audit.

Responsibility for monitoring the overall internal control system – through the procedures defined by the Board of Directors of the Parent Company, Banco Desio, in consideration of the specific co-ordination model selected for each subsidiary – is attributed to the internal control function of Banco Desio, the Group Internal Audit Department.

The specific section of the Notes to the Financial Statements - Information on risks and the related hedging policies explains the processes and organizational structures in charge of managing the different risk profiles.

The Parent Company's transactions with its parent company and the Group companies or those companies subject to significant influence

A summary of the Parent Company's transactions with its parent company and its subsidiaries or companies subject to significant influence is set out in the following table:

(amounts in thousands of euro)	Assets	Liabilities	Gurantees/ Commitments	Income	Expenses
Parent Company:					
Brianza Unione di Luigi Gavazzi & C. S.a.p.a.	7	2,446	0	13	17
Subsidiaries:					
Banco Desio Toscana SpA	4,028	67,195	1,739	1,286	1,399
Banco Desio Lazio SpA	10,215	141,553	432	3,523	3,599
Banco Desio Veneto SpA	18	0	0	0	0
Anima S.g.r.p.A.	2,114	1,005	0	11,138	72
Brianfid-Lux S.a.	0	11,544	0	56	83
C.p.c. S.a.	0	1,823	0	2	86
Valorfin S.a.	0	0	0	0	0
Desio Vita S.p.A.	8,386	114,689	0	7,336	1,249
Companies subject to significant influence:					
-					
TOTAL	24,768	340,255	2,171	23,354	6,505
service category					
financial relations	20,865	339,965	72	11,624	6,483
business relations	3,879	49	2,099	10,436	22
lease / management of assets	1	241	0	895	0
service supply	23	0	0	399	0
fees	0	0	0	0	0
seconded staff	0	0	0	0	0
TOTAL	24,768	340,255	2,171	23,354	6,505

The above transactions, in relation to both the balance sheet and Income Statement, were settled at market rates and conditions.

It is noted that during the year neither the Parent Company, Banco Desio, nor its subsidiaries held any own shares or shares of the ultimate Parent Company, Brianza Unione S.a.p.a., in their portfolios. Furthermore, no trading was carried out in respect of those shares.

Transactions with related parties

Transactions with related parties, as cited by Article 2391-bis of the Italian Civil Code and as defined by International Accounting Standard No. 24 issued by the International Accounting Standards Board were approved in accordance with the internal procedures established by the Board of Directors.

The annual Corporate Governance report, issued with the financial statements for 31 December 2005, should be consulted for a more precise description of the internal procedures adopted by the Parent Company (based on the Self-Regulatory Code of Listed Companies) for the approval of transactions with related parties. A similar presentation is to be found in the report issued by subsidiary Anima S.g.r. regarding the transactions carried out by this company.

Transactions with related parties carried out by the Group are resolved at Board Meetings and settled on market conditions or, if the market is not a satisfactory guide, on conditions that are assessed as being fair, in compliance with the resolution procedures mentioned above, which entail the active involvement of the Board of Directors and the Board of Auditors, as required under the statutory and supervision regulations applicable to the various Group units (banking, financial and insurance units).

No transaction presents specific risk profiles with respect to those assessed within the ordinary Group activities and no transaction is atypical or unusual, nor are significant non-recurrent transactions reported (extraordinary transactions, or transactions that, in any case, do not occur frequently during the normal business activities of the Group, according to the definition by Consob).

The total impact of the collection/use positions with these counter-parties on the consolidated balance sheet and cash flow is marginal.

Similarly, the market conditions applied to these transactions are such that their impact on profit and loss is negligible.

Further details regarding this aspect are to be found in the special section of the Notes to the Financial Statements, in which there are specific comments on the transactions carried out with the controlling company (Brianza Unione di L. Gavazzi & C. S.A.p.A.) by the Group, with some significant subsidiaries, as well as with the Group Exponents and/or persons referable thereto pursuant to Article 136 of the Consolidation banking Act (T.U.B.).

Shareholders' equity

At the end of the half-year, the Group's shareholders' equity amounted to Euro 476.47 million, including net profits for the period, compared to Euro 458.46 million at the end of 2005.

The equity, calculated in accordance with the supervisory regulations in force, totalled Euro 479.50 million (Euro 479.44 at December 2005).

Reconciliation statement of the shareholders' equity and the result for the period of the Parent Company Banco Desio and the Consolidated shareholders' equity and result for the period		
in thousands of Euro	Net	Result
	Shareholders' equity	for the period
Balance as at 30.06.06 as per consolidated financial statements (Parent Company)	452,172	26,492
Result for the period attributable to subsidiaries, less the shares attributable to minority interests	10,929	10,929
Dividends collected from subsidiaries	-8,184	-8,184
Consolidation reserves	25,330	
Valuation reserves	-3,774	
Balance as at 30.06.06 as per consolidated financial statements	476,473	29,237

Income statement

Note that the income statement data in the 2005 half-year report have been reclassified or adjusted in accordance with the subsequent Circular Letter no. 262 issued by the Bank of Italy in December 2005 and with the amendments/interpretations introduced by the International Accounting Standards. For more details, reference is made to the relevant comment in the notes to the financial statements.

In accordance with the Consob provisions, note that the income statement has been reclassified with respect to the financial statement format required by law. IN this regard, note that the caption under reclassification involves "other operating income and expenses" restated as a component of the margin on banking and insurance activities.

The half- year closed with a net profit of Euro 29.24 million, compared to Euro 21.87 million as at June 2005 (+33.7%), by allowing the annualised return on equity (R.o.e.) at 13.1%, compared to 12.7% in 2005. In order to provide a homogeneous comparison, this figure does not take the profit generated by the listing of Anima S.g.r. into account, as this is an extraordinary and unrepeatable event.

The main Income Statement areas show that:

- *net interest income*: was Euro 95.97 million. A year-on-year comparison shows an increase of Euro 10.88 million (+12.8%) compared to Euro 85.09 million as at June 2005. The result was substantially due to a satisfactory increase in the funds brokered in a scenario of rates that were only rising in the last part of the period under consideration. This economic level represents 57.7% of the margin on banking and insurance activities (60,3% at June 2005);
- *net fees and commissions, other operating income and expenses, net income from insurance activities*: amounted to Euro 72.12 million compared to Euro 56.64 million in June 2005 (+ 27.3%) Even if the total result is favourably affected by Anima S.g.r.'s net over-performance fees of Euro 7.28 million, compared with fees of Euro 0.42 million at 30 June 2005, it also reflects the further satisfactory growth of transactions with customers, both in the traditional business areas and in the higher added value areas, especially asset management. It should be noted that there was an increase of over 15% on an annual basis in this sphere, without counting Anima S.g.r.'s over-performance fee. This economic level represents 43.4% of the margin on banking and insurance activities (40.1% at June 2005);

- *primary intermediation margin*: due to the two preceding totals, the result amounts to Euro 168.08 million, showing an annual growth of Euro 26.35 million (+18.6%) compared to Euro 141.73 million at June 2005;
- *margin on banking and insurance activities*: amounts to Euro 166.31 million, showing an annual growth of Euro 25.16 million (+ 17.8%) compared to Euro 141.15 million at June 2005;
- *net income from banking and insurance activities*: after net value adjustments of Euro 6.84 million (of which Euro 7.20 million related to loans to customers compared to Euro 8.61 million at June 2005), this economic level totalled Euro 159.47 million, compared to Euro 132.35 million at June 2005 (+20.5%);
- *net operating profit*: totalled Euro 60.02 million, showing an annual growth of Euro 15.17 million (+33.8%) compared to Euro 44.85 million at June 2005, by taking account of:
 - administrative expenses of Euro 95.10 million (Euro 84.54 at June 2005), showing an annual growth of 12.5%. This sector reflects the growth in the Group's size, both in terms of staff establishment (151 more employees on annual basis, equal to +11%) and the distribution network (21 more branches, equal to 19.3%). Total expenses absorbs 57.2% of the margin on banking and insurance activities showing a growth compared to June 2005 (59.9%);
 - provisions for risks and charges of Euro 1.54 million (Euro 0.79 million at June 2005)
- *profits before taxes from continuing operations*: the abovementioned total economic levels, after Euro 25.12 million of taxes attributable to the period (Euro 21.09 million at June 2005), totalled Euro 34.90 million showing a growth compared to the amount of Euro 23.76 million at June 2005 (46.9%);
- *net profit for the period attributable to the Parent Company*: after Euro 5.67million profits attributable to minority interests (Euro 1.89 million at June 2005), the net profit for the period totalled Euro 29.24 million compared to Euro 21.87 million at June 2005 (+33.7).

Reclassified Income Statement (in thousands of Euro)	June 06	June 05	Change	
	-a-	-b-	Amount	%
Interest income and similar revenues	136,863	118,489	18,374	15.5%
Interest expense and similar charges	-40,897	-33,402	-7,495	22.4%
Net interest income	95,966	85,087	10,879	12.8%
Fee and commission income	103,423	79,860	23,563	29.5%
Fee and commission expense	-39,354	-31,200	-8,154	26.1%
Net profit on insurance activities	-1,946	-1,202	-744	61.9%
Other operating income and expenses	9,992	9,186	806	8.8%
Primary intermediation margin	168,081	141,731	26,350	18.6%
Dividend and similar income	598	403	195	48.4%
Net profits/(losses) on trading activities	-4,042	-1,271	-2,771	218.0%
Net profits/(losses) on hedging activities	-1,099	1,485	-2,584	-174.0%
Profit/(loss) on disposal of receivables, financial assets/liabilities	787	1,014	-227	-22.4%
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	1,985	-2,213	4,198	-189.7%
Margin on banking and insurance activities	166,310	141,149	25,161	17.8%
Net impairment losses on:				
Loans and receivables	-6,841	-8,800	1,959	-22.3%
Financial assets	-7,200	-8,605	1,405	-16.3%
	359	-195	554	-284.1%
Net income from banking and insurance activities	159,469	132,349	27,120	20.5%
Administrative expenses	-95,099	-84,540	-10,559	12.5%
of which: <i>personnel expenses</i>	-57,015	-52,026	-4,989	9.6%
<i>other administrative expenses</i>	-38,084	-32,514	-5,570	17.1%
Net provisions for risks and charges	-1,536	-787	-749	95.2%
Net adjustments to the value of / write-backs to tangible and intangible assets	-2,815	-2,174	-641	29.5%
Net operating profit	60,019	44,848	15,171	33.8%
Profits/(losses) on equity investments	0	0	0	***
Net results from the measurement of tangible and intangible assets at fair value through profit or loss	0	0	0	***
Impairment of goodwill	0	0	0	***
Profits (losses) on disposal of investments	0	0	0	***
Profits/(losses) before taxes from continuing operations	60,019	44,848	15,171	33.8%
Taxes for the period on income from continuing operations	-25,115	-21,089	-4,026	19.1%
Profits/(losses) after taxes from continuing operations	34,904	23,759	11,145	46.9%
Profit/(losses) after taxes from discontinuing operations		0	0	***
Net profit/(loss) for the period	34,904	23,759	11,145	46.9%
(Profit)/loss for the period attributable to minority interests	-5,667	-1,894	-3,773	199.2%
Parent Bank net profit (loss)	29,237	21,865	7,372	33.7%

Significant subsequent events

In the framework of this year's branch expansion programme, the new branch at Erba, in the province of Como, was opened in July, the thirteenth in a year.

This brings the number of Group branches to 131.

To complete the programme, the Group expects to open another four branches before the end of this year.

No significant events occurred after 30 June 2006 are reported, except for those acts and accomplishments already mentioned in paragraph "Matters of strategic importance and development policies" as regards the subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A.

Business outlook

The prerequisites for an improvement in the economic cycle appear to be consolidated, even if there are worries about medium-term price stability. The rise in interest rates as a first move to counter inflation has slightly changed the differential between interest receivable and payable, and a contribution to the performance of the financial margin is expected.

In the light of these results, the Group expects to achieve its financial position and performance targets in accordance with its growth plan.

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

Assets

(Euro/1,000)

ASSETS		30.06.2006	31.12.2005
10	Cash and cash equivalents	16,910	19,056
20	Financial assets held for trading	407,111	248,276
30	Financial assets at fair value through profit or loss	751,770	751,023
40	Available-for-sale financial assets	845,899	699,162
50	Held-to-maturity investments	20,801	29,622
60	Amounts due from banks	507,866	718,737
70	Loans to and receivables from customers	3,790,640	3,511,643
80	Hedging derivatives	1,279	3,066
110	Technical reserves arising from reinsurance	1,857	1,720
120	Tangible assets	132,535	124,354
130	Intangible assets	42,852	40,965
	of which:		
	- <i>goodwill</i>	40,384	38,458
140	Tax assets	33,672	54,266
	a) <i>current</i>	18,890	41,963
	b) <i>deferred</i>	14,782	12,303
150	Non-current assets held for sale and discontinuing operations		-
160	Other assets	176,603	156,986
Total Assets		6,729,795	6,358,876

Liabilities and Shareholders' equity

(Euro/1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY		30.06.2006	31.12.2005
10	Amounts due to banks	152,484	48,648
20	Amounts due to customers	3,052,751	2,940,493
30	Securities issued	1,452,202	1,493,241
40	Financial liabilities held for trading	21,208	13,937
50	Financial liabilities at fair value through profit or loss	904,167	859,766
60	Hedging derivatives	2,725	741
80	Tax liabilities	45,562	69,093
	a) <i>current</i>	26,755	52,086
	b) <i>deferred</i>	18,807	17,007
90	Liabilities related to discontinuing operations		-
100	Other liabilities	214,061	134,845
110	Reserve for employee termination indemnities	31,416	32,547
120	Reserves for risks and charges:	21,263	20,717
	a) pensions and similar commitments		97
	b) other reserves	21,263	20,620
130	Technical Reserves	335,288	264,611
140	Valuation reserves	21,168	23,980
170	Reserves	342,218	246,930
180	Share premium reserve	16,145	16,145
190	Share capital	67,705	67,705
210	Minority interest (+/-)	20,195	21,762
220	Net profit / (loss) for the period	29,237	103,715
Total Liabilities and shareholders' equity		6,729,795	6,358,876

Income Statement

(Euro/1,000)

INCOME STATEMENT		30.06.2006	30.06.2005
10	Interest income and similar revenues	136,863	118,489
20	Interest expense and similar charges	- 40,897	- 33,402
30	Net interest income	95,966	85,087
40	Fee and commission income	103,423	79,860
50	Fee and commission expense	- 39,354	- 31,200
60	Net fee and commission income	64,069	48,660
70	Dividend and similar income	598	403
80	Net profits/(losses) on trading activities	- 4,042	- 1,271
90	Net profits/(losses) on hedging activities	- 1,099	1,485
100	Profit/(loss) on disposal or repurchase of:	787	1,014
	<i>b) available-for-sale financial assets</i>	455	1,120
	<i>c) held-to-maturity investments</i>		1
	<i>d) financial liabilities</i>	332	- 107
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,985	- 2,213
	Net interest and other banking income (intermediation margin)	158,264	133,165
120			
130	Net impairment losses on/writebacks to:	- 6,841	- 8,800
	<i>a) loans and receivables</i>	- 7,200	- 8,605
	<i>b) available-for-sale financial assets</i>		
	<i>d) other financial assets</i>	359	- 195
140	Net income from banking activities	151,423	124,365
150	Net insurance premiums	83,663	61,973
160	Balance of other income/charges arising on insurance management activities	- 85,609	- 63,175
170	Net result of financial and insurance activities	149,477	123,163
180	Administrative expenses:	- 95,099	- 84,540
	<i>a) personnel expenses</i>	- 57,015	- 52,026
	<i>b) other administrative expenses</i>	- 38,084	- 32,514
190	Net provisions for risks and charges	- 1,536	- 787
200	Net adjustments to the value of tangible assets	- 2,442	- 1,858
210	Net adjustments to the value of intangible assets	- 373	- 316
220	Other operating (expenses)/income	9,992	9,186
230	Operating expenses	- 89,458	- 78,315
240	Profits/(losses) on equity investments		
270	Profits/(losses) on the disposal of investments	-	
280	Profits/(losses) before taxes from continuing operations	60,019	44,848
290	Taxes for the period on income from continuing operations	- 25,115	- 21,089
300	Net profits (loss) after tax from continuing operations	34,904	23,759
320	Net profit/(loss) for the period	34,904	23,759
	Profit (loss) for the period attributable to minority interests	- 5,667	- 1,894
330			
340	Parent Bank net profit (loss)	29,237	21,865

Consolidated Cash flow Statement

OPERATIONS	30.06.2006	30.06.2005
1. Management activities	51,916	42,612
- interest income earned (+)	124,403	108,711
- interest expenses paid (-)	(34,548)	(30,304)
- dividends and similar revenues	598	403
- net commissions (+/-)	64,644	49,285
- personnel costs	(54,025)	(44,200)
- net premiums earned (+)	83,663	61,973
- other insurance income/charges (+/-)	(85,609)	(63,175)
- other costs (-)	(36,809)	(51,758)
- other revenues (+)	14,714	32,863
- taxes and duties (-)	(25,115)	(21,186)
2. Liquid assets generated/absorbed by decrease/increase in financial assets	(367,147)	(357,469)
- financial assets held for trading	160,581	4,274
- financial assets at fair value through profit or loss	747	79,515
- available-for-sale financial assets	144,615	52,173
- loans and advances to customers	287,968	127,491
- amounts due from banks	(210,862)	149,630
- other assets	(15,902)	(55,614)
3. Liquid assets generated/absorbed by increase/decrease in financial liabilities	394,601	354,568
- amounts due to banks	(103,836)	42,582
- amounts due to customers	(112,258)	(955,263)
- securities issued	35,893	(97,802)
- financial liabilities held for trading	(6,294)	6,146
- financial liabilities at fair value through profit or loss	(44,401)	727,960
- other liabilities	(163,705)	(78,191)
Net liquid assets generated/absorbed by operations (A)	79,370	39,711
INVESTMENTS		
1. Liquid assets generated/absorbed by:		
- purchase/sale of investments	(58,760)	-
- dividends received from investments	-	-
- purchase/sale of financial assets held to maturity	8,710	(2,107)
- purchase/sale of tangible assets	(10,623)	(2,926)
- purchase/sale of intangible assets	(2,260)	(19,423)
- purchase of subsidiaries and business divisions	-	-
- sale of subsidiaries and business divisions	-	(3,065)
Net liquid assets generated/absorbed by investments (B)	(62,933)	(27,521)
FUNDING ACTIVITIES		
2. Liquid assets generated/absorbed by:		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes	(18,583)	(16,720)
Net liquid assets generated/absorbed by funding activities (C)	(18,583)	(16,720)
NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEAR	(2,146)	(4,530)
Financial statements' items	1st half 2006	1st half 2005
Cash and cash equivalents at beginning of year	19,056	20,317
Total liquid assets generated/absorbed during the year	(2,146)	(4,530)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	16,910	15,787

Statement of changes in consolidated Shareholders' equity

	Equity as of 31.12.2005		Allocation of result from previous period			Changes over the period											Equity as of 30.06.2006										
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity								Net Profit (Loss) for the year as of 30.06.2006								
	Group	Minority interests	Group	Minority interests	Group						Minority interests	Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares			Stock options						
						Group	Minority interests	Group	Minority interests	Group		Minority interests	Group	Minority interests	Group				Minority interests								
Shareholders' equity:																											
a) ordinary shares	60,840	4,512	-				(311)	-		-															60,840	4,201	
b) other shares	6,865	-	-				-		-																6,865	-	
Share premium reserve	16,145	7,482	-				(39)	-	-																16,145	7,443	
Reserves:																											
a) retained earnings	236,251	2,245	92,684			2,550	640	-		-															331,485	2,885	
b) others	10,679	-	-																						10,733	-	
Revaluation reserves:																											
a) available for sale	2,190	(31)				(3,939)	(29)																		(1,749)	(60)	
b) cash-flow hedge	-																								-	-	
c) others:																											
tangible assets	-																								-	-	
special revaluation laws	22,896																								22,896	-	
discounting back of termination indemnities	(1,106)	2				1,127	57																		21	59	
Capital instruments	-																										
Treasury shares	-																										
Net Profit (loss) for the year	103,715	7,552	(92,684)		(11,031)		(7,552)																		29,237	5,667	
Shareholders' equity	458,475	21,762	-		(11,031)	(262)	(7,234)																	54	29,237	5,667	
																										476,473	20,195

Reporting policies and scope of consolidation

General

This half-year report has been prepared on the basis of Article 81 of Consob Resolution No. 14990 of April 14, 2005, amending and supplementing regulation No. 11971 of May 14, 1999, in accordance with the international accounting standard applicable to the interim financial reporting, as adopted according to the procedure under Article 6 of Regulation (EC) No. 1606/2002.

Section 1 – Declaration of conformity with international accounting standards

The consolidated half-year report of Banco Desio Group has been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the relevant interpretations by the International Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission.

The half-year report is made up of the Balance Sheet, the Income Statement, the Statement of changes in Shareholders' Equity, the Cash Flow Statement and the notes to the financial statements - where details on the main equity and economic aggregates are provided -, the Segment Reporting, Information on risks and the related hedging policies, information on transactions with related parties and on stock option plans. The half-year report is also accompanied by the Notes on operations.

Balance sheet, cash flow statement and the statement of changes in shareholders' equity have been prepared in compliance with the measure issued by the Bank of Italy's Governor of 14 February 2006.

Below are illustrated the main accounting and reporting policies adopted in the preparation of the consolidated half-year report, drawn up in a concise version.

Section 2 – General accounting policies

The consolidated half-year report has been prepared in compliance with the accruals principle, which has been determined also employing an estimating policy, especially in the measurement of "Other administrative costs".

Amounts are expressed in thousands of Euro.

Section 3 – Scope and methods of consolidation

Investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Registered office	Type of relationship (1)	Ownership relationship		Availability of votes % (2)
			Investing companies	Share %	
A. Companies					
A.1 Wholly-owned subsidiary companies					
	Florence	1	Banco Desio Brianza S.p.A.	100.000	100.000
Banco Desio Toscana S.p.A	Rome	1	Banco Desio Brianza S.p.A.	99.153	99.153
Banco Desio Lazio S.p.A	Vicenza	1	Banco Desio Brianza S.p.A.	100.000	100.000
Banco Desio Veneto S.p.A.	Milano	1	Banco Desio Brianza S.p.A.	50.911	50.911
Anima S.G.R.p.a.	Desio	1	Banco Desio Brianza S.p.A.	99.156	99.156
Desio Vita S.p.A.	Luxembourg	1	Banco Desio Brianza S.p.A.	99.000	99.000
Brianfid-Lux S.a.					
Credito Privato Commerciale	Lugano	1	Brianfid-Lux S.a.	87.436	85.296
C.P.C. s.a.	Lugano	1	Brianfid-Lux S.a.	95.000	95.000
Valorfin S.A.					

Key

- (1) Type of relationship: 1 = majority of voting rights in ordinary shareholders' meetings
 (2) Availability of votes in ordinary shareholders' meetings, distinguishing between effective and potential

Section 4 – Events subsequent to the reporting date

Reference is made to the Directors' Report.

Section 5 – Other aspects

Figures under the Income Statement of the 2005 half-year report have been reclassified or adjusted in accordance with the subsequent Circular Letter No. 262 issued by the Bank of Italy in December 2005, and with changes to and interpretations of the International Accounting Standards.

The main changes occurred are commented on below.

For fee and commissions, a different way of recognizing gains and losses related to investments in “class D” of the insurance sector. These components, first cleared against each other, have been divided into fee and commission income and fee and commission expense.

Personnel expenses have been increased to recognize the portion of the profit for the period distributed to the directors in the income statement and to re-classify fees due to directors and other staff that were previously entered under other administrative expenses.

As permitted by IAS 19, the actuarial gains and losses arising from the measurement of the “Reserve for employee termination indemnities” were reversed from interest expense and personnel expenses, recognizing them against “Equity reserves”.

Interest accrued on discounting, previously entered under interest expense, has been reclassified to net provisions for risks and charges.

Interest accrued due to discounting of impaired loans have been reclassified from interest income to adjustments and net value readjustments for impaired loans.

Amortisation of costs for leasehold improvements, previously recognised under net adjustments to intangible assets, has been reclassified to “Other operating income (expenses)”, net of a reclassification related to taxes from the previous period.

The tax effect of all the changes that have been made have been taken into consideration.

Banco Desio Group

<i>(Euro / 1,000)</i>		Consolidated	Changes	Consolidated
INCOME STATEMENT		30/06/2005	Aggregate	30/06/2005 adjusted
10	Interest income and similar revenues	119,074	(585)	118,489
20	Interest expense and similar charges	(34,056)	654	(33,402)
30	Net interest income	85,018	-	85,087
40	Fee and commission income	79,936	3,842	83,778
50	Fee and commission expense	(31,310)	(3,808)	(35,118)
60	Net fee and commission income	48,626	-	48,660
70	Dividend and similar income	403	-	403
80	Net profits/(losses) on trading activities	(1,422)	151	(1,271)
90	Net profits/(losses) on hedging activities	1,485	-	1,485
100	Profit/(loss) on disposal of:	1,121	-	1,014
	<i>a) loans and receivables</i>		-	-
	<i>b) available-for-sale financial assets</i>	1,120	-	1,120
	<i>c) held-to-maturity investments</i>	1	-	1
	<i>d) financial liabilities</i>		(107)	(107)
110	Net gain/(loss) on financial assets at fair value through profit or loss	(2,179)	(34)	(2,213)
120	Net interest and other banking income (intermediation margin)	133,052	-	133,165
130	Net impairment losses on:	(9,340)	0	(8,800)
	<i>a) loans and receivables</i>	(9,145)	540	(8,605)
	<i>d) other financial assets</i>	(195)	0	(195)
140	Net income from banking activities	123,712	-	124,365
150	Net premium income	61,973	0	61,973
160	Other net income/(expense) from insurance activities	(63,175)	0	(63,175)
170	Net income from banking and insurance activities	122,510	0	123,163
180	Administrative expenses	(81,192)	0	(84,540)
	<i>a) personnel expenses</i>	(46,856)	(5,170)	(52,026)
	<i>b) other administrative expenses</i>	(34,336)	1,822	(32,514)
190	Net provisions for risks and charges	(724)	(63)	(787)
200	Net adjustments to the value of tangible assets	(1,858)	-	(1,858)
210	Net adjustments to the value of intangible assets	(887)	571	(316)
220	Other operating (expenses)/income	9,712	(526)	9,186
230	Operating expenses	(74,949)	-	(78,315)
280	Profits/(losses) before taxes from continuing operations	47,561	-	44,848
290	Taxes for the period on income from continuing operations	(21,186)	97	(21,089)
300	Profits/(losses) after taxes from continuing operations	26,375	-	23,759
320	Net profit/(loss) for the period	26,375	0	23,759
330	(Profit) / loss for the period attributable to minority interests	(1,894)	0	(1,894)
340	Net profit/(loss) for the year attributable to the Parent Company	24,481	-	21,865

Main financial statement captions

ACCOUNTING POLICIES

The accounting policies described below, used in the preparation of the consolidated financial statements as of 30 June 2006, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date.

Financial assets held for trading

Recognition criteria

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification is based on the initial designation, subsequent reclassifications are not permitted for this category of financial assets.

Measurement criteria

Initial recognition is at fair value at the settlement date, without considering transaction costs. Subsequent measurement is at fair value, with recognition of the gain or loss in profit or loss.

For listed shares measurement is at the “official” price in the market where they are listed at the date of measurement.

For bonds listed in Italy, measurement is at the “official MOT price” at the measurement date.

For unlisted securities, the valuation at fair value is found on the Bloomberg circuit, or in the absence of this, through the discounting of future financial flows at a current rate of return, calculated on the basis of objective elements.

For derivative instruments traded on regulated markets, measurement is at the closing price on the day of measurement.

For derivative instruments not traded on regulated markets for which the providers do not supply meaningful price quotations, pricing is carried out on the basis of available IT procedures, or using recognized pricing models.

Derecognition criteria

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

Available-for-sale financial assets

Recognition criteria

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

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

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date. Subsequent measurement is still at fair value for the price component, while the interest component is calculated with reference to the effective rate of return. Fair value is determined using the criteria already set out for assets held for trading.

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

For mutual investment funds, measurement occurs at the N.A.V. at the measurement date, or at the latest available date.

At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. If such evidence exists, cumulative losses recorded in the valuation reserve are posted directly to the income statement.

Derecognition criteria

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

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

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

Criteria for the recognition of income statement components

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

Held-to-maturity investments

Recognition criteria

"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

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

The recording of financial assets in this category is no longer permitted for the current year and the two following years if more than an insignificant amount are sold, except in the case of investments close to maturity and isolated events that are beyond the Bank's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified to available-for-sale financial assets (tainting provision).

Measurement criteria

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

At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. If such evidence exists, losses are recognised in the income statement.

Derecognition criteria

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

Loans and receivables

Recognition criteria

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Classification criteria

Loans and receivables are periodically subject to analysis, and are classified as "performing" and "non-performing" based on the state of impairment of the loan or receivable. Where objective evidence of impairment exists, loans pass from performing to non-performing.

Measurement criteria

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable to the acquisition, normally equal to the amount paid. Subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The loans and receivables portfolio is subject to reassessment at least at the close of every annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. This is achieved by considering both the specific solvency situation of customers and local or national economic conditions relative to the customer's sector of activity.

"Performing" loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans.

This method was adopted to advance the convergence with the valuation criteria provided by the New Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the "non-performing" category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

The adjustments arising from the analytical and collective assessments are recognised in the income statement.

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

In the presence of loans to non-resident customers, the value of the loan is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since

Banco Desio Group

all the risks and rewards relative to those assets have been transferred.

Criteria for the recognition of income statement components

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

Financial assets and liabilities accounted for at fair value through profit or loss

As already described in the paragraphs related to the Group's method of first-time adoption of IAS/IFRS, among the insurance sector's balances in the balance sheet there are financial assets and liabilities, generated by investment contracts, that are discretionally designated at fair value with gains or losses recognised in the income statement. These balances represent investments and contractual obligations correlated to investment contracts relative to "unit-linked" or "index-linked" policies.

Recognition at fair value permits the true representation of the economic relationships that are subject to these contracts, through the consistent recognition of the related balance sheet captions

Hedging transactions

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

Recognition criteria

Recognition of hedging transactions in the financial statements entails:

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

Classification criteria

The following types of hedges are used:

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

Measurement criteria

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

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

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

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

Derecognition criteria

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

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

Investments

This caption comprises investments in subsidiaries, as defined by IAS 27.

Investments in subsidiaries do not appear in the consolidated financial statements, as they are consolidated on a line-by-line basis.

Banco Desio Group

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.

Tangible assets

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

Recognition criteria

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

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

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of tangible assets at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of tangible assets 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 existing on 1 January 2004 are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased to other parties are presented as receivables.

Measurement criteria

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

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited. 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 assets.

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

Derecognition criteria

Tangible assets are derecognised on disposal.

Intangible assets

Intangible assets include goodwill, the restructuring costs related to leased properties, the costs for the abandonment indemnity on leasehold premises, and the costs for the purchase of applications software.

Recognition criteria

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

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

Measurement criteria

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

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

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

Costs for restructurings and for the abandonment indemnity pertaining to leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

Derecognition criteria

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

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.

Banco Desio Group

Tax assets and liabilities comprise the fiscal positions of the individual Group companies.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under caption 130 "Tax assets".

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under caption 80 "Tax liabilities".

Current taxes and deferred tax assets and liabilities are charged to the Shareholders' Equity should they refer to transactions entered directly in equity.

Hidden taxation involving the provision for suspended tax liability of the Parent Company, only taxable in the event of distribution, was not entered in the financial statements, as it is thought the conditions for liability to tax are unlikely to arise in future.

Liabilities and securities issued

This caption represents the various forms of deposits put in place by the Group: amounts due to banks, amounts due to customers, bonds and certificates of deposits issued by the Group, and subordinated liabilities.

Payables also include unit-linked and index-linked capitalisation policies with the risk assumed by the customer, not classified as insurance contracts pursuant to IFRS 4 because they are liabilities.

Recognition criteria

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

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

The placement again of previously repurchased Group securities is considered a new issue at the sale value.

Measurement criteria

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

Financial liabilities without amortisation plans are measured at cost.

Departing from the general policy, the unit-linked and index-linked capitalisation policies issued by Desio Vita S.p.A. are measured at fair value owing to their link to the investments on which their return depends.

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.

Derecognition criteria

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

For securities issued, the part subject to repurchase is, in essence, settled.

Financial liabilities held for trading

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

Recognition criteria

Liabilities held for trading are recognised at fair value.

Measurement criteria

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Reserve for employee termination indemnities

Measurement criteria

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

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

The amounts shown in the financial statements take into account the provision for the period and the utilisation for indemnities paid or advanced during the period.

Criteria for the recognition of income statement components

Interest expense accrued due to discounting of the employee termination indemnities are entered under Interest expense in the income statement.

Banco Desio Group

Reserves for risks and charges

Recognition criteria

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

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

Measurement criteria

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

Criteria for the recognition of income statement components

Provisions are recognized in the income statement.

The effects deriving from discounting of future cash flows are recognised in the income statement under interest expenses.

Insurance assets and liabilities

The insurance assets and liabilities entered in the Group's consolidated financial statements arise solely from the consolidation of Desio Vita 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 undertaken by the Company under the insurance contracts that have been entered into. They are recognised on the basis of the taking out and continuation of the policies and are sufficient to allow the prudentially estimated commitments to be met as far as can reasonably be foreseen. They comprise:

Assets:

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

Liabilities

actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;

reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;

technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked (such as the social security and pension fund);

other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

Other information

Treasury shares

Any treasury shares held are recorded as a deduction of equity.

Gains and losses deriving from the trading of treasury shares are recognised directly in equity, without passing through the income statement.

Valuation reserves

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

NOTES TO THE FINANCIAL STATEMENTS

Main financial statement captions

ASSETS

Financial assets held for trading (caption 20)

Breakdown by type

Caption/Amount	Banking Group		Insurance Company		Total 30.06.2006	Total 31.12.2005
	Listed	Unlisted	Listed	Unlisted		
A. Cash equivalents						
1. Debt securities	54,728	770	-	-	55,498	21,993
1.1 Structured securities					-	
1.2 Other debt securities	54,728	770			55,498	21,993
2. Equity securities	9,420	201			9,621	5,060
3. O.I.C.R. quotas	36				36	
4. Financing	-	-	-	-	-	
4.1 Repurchase agreements					-	
4.2 Other					-	
5. Impaired assets					-	
6. Assets sold but not written off	307,640				307,640	190,634
Total (A)	371,824	971	-	-	372,795	217,687
B. Derivative instruments:						
1. Financial derivatives:	520	18,959	-	14,837	34,316	30,589
1.1 trading	520	18,902		14,837	34,259	30,325
1.2 connected with the fair value option		57			57	264
1.3 other					-	
2. Credit derivatives	-	-	-	-	-	
2.1 trading					-	
2.2 connected with the fair value option					-	
2.3 other					-	
Total (B)	520	18,959	-	14,837	34,316	30,589
Total (A+B)	372,344	19,930	-	14,837	407,111	248,276

Banco Desio Group

Breakdown by debtor/issuer

Caption / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
A. CASH EQUIVALENTS				
1. Debt securities	55,498	-	55,498	21,993
a) Governments and central banks	48,001		48,001	11,356
b) Other public entities				
c) Banks	4,820		4,820	7,423
d) Other issuers	2,677		2,677	3,214
2. Equity securities	9,621	-	9,621	5,060
a) Banks	950		950	556
b) Other issuers	8,671	-	8,671	4,504
- <i>insurance companies</i>	2,251		2,251	-
- <i>financial institutions</i>	544		544	249
- <i>non-financial companies</i>	5,876		5,876	1,598
- <i>other</i>			-	2,657
3. O.I.C.R. quotas	36		36	
4. Financing	-	-		-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	-	-		-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	307,640	-	307,640	190,634
a) Governments and central banks	307,640		307,640	190,634
b) Other public entities				
c) Banks				-
d) Other issuers				
Total A	372,795	-	372,795	217,687
B. DERIVATIVE INSTRUMENTS				
a) Banks	7,601	14,837	22,438	19,766
b) Customers:	11,878		11,878	10,823
Total B	19,479	14,837	34,316	30,589
Total (A+B)	392,274	14,837	407,111	248,276

Banco Desio Group

Derivative instruments held for trading: attributable to the banking group

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 30.06.2006	Total 31.12.2005
A. Listed derivatives							
a) Financial derivatives:	87	-	427	-	-	514	-
. With exchange of capital	87	-	427	-	-	514	-
- Purchased options							
- Other derivatives	87		427			514	
. Without exchange of capital							-
- Purchased options							
- Other derivatives							
b) Credit derivatives:	6	-	-	-	-	6	-
. With exchange of capital	6					6	
. Without exchange of capital							
Total A	93	-	427	-	-	520	-
B. Unlisted derivatives							
a) Financial derivatives:	1,358	11,917	5,684	-	-	18,959	14,011
. With exchange of capital	-	11,917	-	-	-	11,917	10,012
- Purchased options							
- Other derivatives		11,917				11,917	10,012
. Without exchange of capital	1,358	-	5,684	-	-	7,042	3,999
- Purchased options	81		5,684			5,765	
- Other derivatives	1,277					1,277	3,999
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital							
. Without exchange of capital							
Total B	1,358	11,917	5,684	-	-	18,959	14,011
Total (A+B)	1,451	11,917	6,111	-	-	19,479	14,011

Derivative instruments held for trading: attributable to the insurance company

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 30.06.2006	Total 31.12.2005
A. Listed derivatives							
a) Financial derivatives:	-	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-	-
- Purchased options							
- Other derivatives							
. Without exchange of capital	-	-	-	-	-	-	-
- Purchased options							
- Other derivatives							
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital							
. Without exchange of capital							
Total A	-	-	-	-	-	-	-
B. Unlisted derivatives							
a) Financial derivatives:	-	-	14,837	-	-	14,837	16,578
. With exchange of capital	-	-	-	-	-	-	16,578
- Purchased options							16,578
- Other derivatives							
. Without exchange of capital	-	-	14,837	-	-	14,837	-
- Purchased options			14,837			14,837	
- Other derivatives							
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital							
. Without exchange of capital							
Total B	-	-	14,837	-	-	14,837	16,578
Total (A+B)	-	-	14,837	-	-	14,837	16,578

Banco Desio Group

Financial assets at fair value through profit or loss

Breakdown by type

Caption / Amount	Banking Group		Insurance Company		Total	Total
	Listed	Unlisted	Listed	Unlisted	30.06.2006	31.12.2005
1. Debt securities	-	-	135,034	136,277	271,311	270,272
1.1 Structured securities			55,809	71,105	126,914	133,960
1.2 Subordinated securities						
1.3 Other debt securities			79,225	65,172	144,397	136,312
2. Equity securities			1,085		1,085	
3. O.I.C.R. quotas			150,481	328,893	479,374	480,751
4. Financing	-	-	-	-	-	-
4.1 Structured						
4.2 Subordinated						
4.3 Other						
5. Impaired assets						
Total	-	-	286,600	465,170	751,770	751,023

Breakdown by debtor/issuer

Caption / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
1. Debt securities	-	271,311	271,311	270,272
a) Governments and central banks		4,606	4,606	
b) Other public entities		846	846	
c) Banks		224,366	224,366	224,294
d) Other issuers		41,493	41,493	45,978
2. Equity securities	-	1,085	1,085	-
a) Banks		100	100	
b) Other issuers	-	985	985	-
- insurance companies		362	362	
- financial institutions				
- non-financial companies		623	623	
- other				
3. O.I.C.R. quotas		479,374	479,374	480,751
4. Financing	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other issuers				
Total	-	751,770	751,770	751,023

Banco Desio Group

Available-for-sale financial assets (caption 40)

Breakdown by type

Caption/Fair value	Banking Group		Insurance Company		Total		Total	
	Listed	Unlisted	Listed	Unlisted	30.06.2006		31.12.2005	
					Listed	Unlisted	Listed	Unlisted
1. Debt securities	300,783	38,181	266,612	4,564	567,395	42,745	468,819	44,682
1.1 Structured securities		-		4,564		4,564		5,169
1.2 Other debt securities	300,783	38,181	266,612		567,395	38,181	468,819	39,513
2. Equity securities	-	6,672	3,716	-	3,716	6,672	5,215	6,160
2.1 Measured at fair value	-	6,672	3,716		3,716	6,672	5,215	6,063
2.2 Measured at cost					-	-		97
3. O.I.C.R. quotas	93,463	-		67,447	93,463	67,447	91,178	34,107
4. Financing								
5. Impaired assets								
6. Assets sold but not written off	56,110	8,351			56,110	8,351	42,543	6,458
Total	450,356	53,204	270,328	72,011	720,684	125,215	607,755	91,407

Breakdown by debtor/issuer

Caption / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
1. Debt securities	338,964	271,175	610,139	513,502
a) Governments and central banks	215,899	253,704	469,603	385,528
b) Other public entities				
c) Banks	83,021	15,603	98,624	90,471
d) Other issuers	40,044	1,868	41,912	37,503
2. Equity securities	6,671	3,717	10,388	11,375
a) Banks	-	898	898	
b) Other issuers	6,671	2,819	9,490	11,375
- insurance companies			-	295
- financial institutions	1,442	316	1,758	1,007
- non-financial companies	5,120	2,395	7,515	10,058
- other	109	108	217	15
3. O.I.C.R. quotas	93,464	67,447	160,911	125,284
4. Financing	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	-	-	-	-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	64,461	-	64,461	49,001
a) Governments and central banks	1,475		1,475	
b) Other public entities				
c) Banks	61,476		61,476	45,251
d) Other entities	1,510		1,510	3,750
Total	503,560	342,339	845,899	699,162

Banco Desio Group

Held-to-maturity investments (caption 50)

Breakdown by type

Transaction type / Group components	Banking Group		Insurance Company		Total 30.06.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	20,801	20,861			20,801	20,861	29,622	29,619
1.1 Structured securities	20,801	20,861						
1.2 Other debt securities					-	-	29,622	29,619
2. Financing								
3. Impaired assets								
4. Assets sold but not written off								
Total	20,801	20,861			20,801	20,861	29,622	29,619

Breakdown by debtor/issuer

Transaction type / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
1. Debt securities	20,801	-	20,801	29,622
a) Governments and central banks				
b) Other public entities				
c) Banks	8,013		8,013	10,588
d) Other issuers	12,788		12,788	19,034
2. Financing	-	-		-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
3. Impaired assets	-	-		-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
4. Assets sold but not written off	-	-		-
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
Total	20,801	-	20,801	29,622

Banco Desio Group

Amounts due from banks (caption 60)

- attributable to the banking group: breakdown by type

Transaction type / Amount	Total 30.06.2006	Total 31.12.2005
A. Amounts due from Central banks	61,049	57,212
1. Restricted deposits		
2. Compulsory reserve	61,049	57,212
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	446,817	661,525
1. Current accounts and unrestricted deposits	86,039	153,112
2. Restricted deposits	275,045	427,857
3. Other financing	85,733	80,556
3.1 repurchase agreements	85,118	80,556
3.2 finance leases		
3.3 other	615	-
4. Debt securities	-	-
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets sold but not written off		
Total (book value)	507,866	718,737
Total (fair value)	507,866	718,737

Banco Desio Group

Amounts due from customers (caption 70)

- attributable to the banking group: breakdown by type

Transaction type / Amount	Total 30.06.2006	Total 31.12.2005
1. Current account	1,125,586	1,053,813
2. Repurchase agreements	12,372	
3. Mortgage loans	1,350,560	1,199,652
4. Credit cards, personal loans and loans on salary	129,766	102,020
5. Financial leases	488,592	481,579
6. Factoring	13,310	15,551
7. Other transactions	619,850	600,228
8. Debt securities	516	516
8.1 Structured		
8.2 Other debt securities	516	516
9. Impaired assets	50,088	58,284
10. Assets sold but not written off		
Total (book value)	3,790,640	3,511,643
Total (fair value)	3,785,565	3,581,975

- attributable to the banking group: breakdown by debtor/issuer

Transaction type / Amount	Total 30.06.2006	Total 31.12.2005
1. Debt securities issued by:	516	516
a) Governments		
b) Other public entities		
c) Other issuers	516	516
- non-financial companies		
- financial companies		
- insurance companies		
- other	516	516
2. Loans to:	3,740,033	3,452,843
a) Governments		
b) Other public entities	344	454
c) Other entities	3,739,689	3,452,389
- non-financial companies	2,699,595	2,547,143
- financial companies	75,735	37,896
- insurance companies	149	8
- other	964,210	867,342
3. Impaired assets:	50,088	58,284
a) Governments		
b) Other public entities		
c) Other entities	50,088	58,284
- non-financial companies	37,859	40,797
- financial companies		120
- insurance companies		
- other	12,229	17,367
4. Assets sold but not written off:	3	-
a) Governments		
b) Other public entities		
c) Other entities	3	
- non-financial companies		
- financial companies		
- insurance companies		
- other	3	
Total	3,790,640	3,511,643

Banco Desio Group

Hedging derivatives (caption 80)

– attributable to the banking group: breakdown by type of contract and underlying asset

Derivative type / Underlying asset	Interest rate	Currency and gold	Equity securities	Amounts receivable	Other	Total
A) Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-
- Options purchased						
- Other derivatives						
. Without exchange of capital	-	-	-	-	-	-
- Options purchased						
- Other derivatives						
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						
. Without exchange of capital						
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1) Financial derivatives:	1,279	-	-	-	-	1,279
. With exchange of capital	-	-	-	-	-	-
- Options purchased						
- Other derivatives						
. Without exchange of capital	1,279	-	-	-	-	1,279
- Options purchased						
- Other derivatives	1,279					1,279
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						
. Without exchange of capital						
Total B	1,279	-	-	-	-	1,279
Total (A + B) 30.06.2006	1,279	-	-	-	-	1,279
Total (A + B) 31.12.2005	3,066	-	-	-	-	3,066

- attributable to the banking group: breakdown by hedged portfolios and type of hedging (book value)

Transaction/Hedging type	Fair Value					Cash flows		
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other risks			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolio								
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities	1,279							
2. Portfolio								
Total liabilities	1,279	-	-	-	-	-	-	-

Banco Desio Group

Technical reserves attributable to reinsurers (caption 110)

Breakdown

	TOTAL 30.06.2006	TOTAL 31.12.2005
A. Casualty branch	-	-
A1. premiums reserves		
A2. claims reserves		
A3. other reserves		
B. Life branch	1,857	1,720
B1. mathematical reserves	1,852	1,720
B2. reserves for amounts to be disbursed		
B3. other reserves	5	
C. Technical reserves for investment risks to be borne by the insured	-	-
C1: reserves for contracts with disbursements connected with investment funds and market indices		
C2: reserves from pension fund management		
D. Total technical reserves carried by reinsurers	1,857	1,720

Banco Desio Group

LIABILITIES

Amounts due to banks (caption 10)

Breakdown by type

Transaction type / Amount	Banking Group	Insurance Company	Total	
			31.12.2005	31.12.2004
1. Amounts due to central banks				
2. Amounts due to banks	152,484		152,484	48,648
2.1 Current accounts and unrestricted deposits	83,083		83,083	10,964
2.2 Restricted deposits	27,404		27,404	28,674
2.3 Financing	-		-	-
2.3.1 Finance leases				
2.3.2 Other				
2.4 Commitments for repurchases of own equity instruments				
2.5 Liabilities corresponding to assets sold but not written off	32,253		32,253	-
2.5.1 Repurchase agreements	32,253		32,253	
2.5.2 Other			-	
2.6 Other amounts due	9,744		9,744	9,010
Total	152,484		152,484	48,648
Fair value	152,484		152,484	48,648

Amounts due to customers (caption 20)

Breakdown by type

Transaction type / Amount	Banking Group	Insurance Company	Total	
			30.06.2006	
1. Current accounts and unrestricted deposits	2,539,920		2,539,920	
2. Restricted deposits	17,880		17,880	
3. Third-party funds under administration				
4. Financing	-			
4.1 Finance leases				
4.2 Other				
5. Commitments for repurchases of own equity instruments				
6. Liabilities corresponding to assets sold but not written off	456,935		456,935	
6.1 Repurchase agreements	456,935		456,935	
6.2 Other				
7. Other amounts due	38,016		38,016	
Total	3,052,751	-	3,052,751	
Fair value	3,052,752		3,052,752	
of which:				
bank drafts and non-transferable cheques (*)	35,601		35,601	

(*) as at 31.12.2005 these were classified under caption 30 "Securities issued"

Banco Desio Group

Securities issued (caption 30)

Breakdown

Security type / Amount	Banking Group		Insurance Company		Total 30.06.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Listed securities	338,978	350,383			338,978	350,383	338,603	338,672
1. Bonds	338,978	350,383			338,978	350,383	338,603	338,672
1.1 structured								
1.2 other	338,978	350,383			338,978	350,383	338,603	338,672
2. Other securities	-	-			-	-	-	-
2.1 structured								
2.2 other								
B. Unlisted securities	1,113,224	1,156,153			1,113,224	1,156,153	1,154,638	1,135,293
1. Bonds	1,060,128	1,102,958			1,060,128	1,102,958	1,079,563	1,060,218
1.1 structured							30,368	29,859
1.2 other	1,060,128	1,102,958			1,060,128	1,102,958	1,049,195	1,030,359
2. Other securities	53,096	53,195			53,096	53,195	75,075	75,075
2.1 structured								
2.2 other	53,096	53,195			53,096	53,195	75,075	75,075
Total	1,452,202	1,506,536			1,452,202	1,506,536	1,493,241	1,473,965
of which:								
bank drafts and non-transferable cheques (*)	-	-	-	-	-	-	29,122	29,122

(*) as at 30.06.2006 these were classified under caption 20 "Amounts due to customers"

Securities subject to specific hedging

	Total 30.06.2006	Total 31.12.2005
1. Debt securities subject to fair value hedging	182,045	220,347
a) interest rate risk	182,045	220,347
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		

Financial liabilities held for trading (caption 40)

Breakdown by type

Transaction type / Amount	Banking Group				Total 30.06.2006				Total 31.12.2005			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
A. Liabilities for cash												
1. Amounts due to banks												
2. Amounts due to customers												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured												
3.1.2 Other bonds												
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured												
3.2.2 Other												
Total A	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives instruments												
1. Financial		793	-			793	-				13,937	
1.1 trading		793				793					13,638	
1.2 connected with the fair value option											299	
1.3 Other												
2. Credit		20,415				20,415						
2.1 trading		19,045				19,045						
2.2 connected with the fair value option		1,370				1,370						
2.3 other												
Total B		21,208	-			21,208	-				13,937	
Total (A + B)	-	21,208	-	-	-	21,208	-	-	-	-	13,937	-

Derivative instruments

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 30.06.2006	Total 31.12.2005
a) Listed derivatives							
1) Financial derivatives:	347	-	446	-	-	793	-
. With exchange of capital	347	-	446	-	-	793	-
- issued options						-	
- other derivatives	347		446			793	
. Without exchange of capital	-	-	-	-	-	-	-
- issued options						-	
- other derivatives						-	
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	347	-	446	-	-	793	-
b) Unlisted derivatives							
1) Financial derivatives:	2,648	12,084	4,684	-	999	20,415	13,937
. With exchange of capital	3	12,084	-	-	-	12,087	9,990
- issued options						-	
- other derivatives	3	12,084				12,087	9,990
. Without exchange of capital	2,645	-	4,684	-	999	8,328	3,947
- issued options			4,684			4,684	
- other derivatives	2,645				999	3,644	3,947
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	2,648	12,084	4,684	-	999	20,415	13,937
Total (A + B)	2,995	12,084	5,130	-	999	21,208	13,937

Banco Desio Group

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

Breakdown by type

Transaction type / Amount	Banking Group				Insurance Company				Total 30.06.2006				Total 31.12.2005			
	NV	FV		FV (*)	NV	FV		FV(*)	NV	FV		FV (*)	NV	FV		FV(*)
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amounts due to customers	40,640	-	43,289	-	860,878	-	860,878	-	901,518	-	904,167	-	844,550	-	844,550	-
2.1 Structured	-	-	-	-	860,878	-	860,878	-	860,878	-	860,878	-	-	-	-	-
2.2 Other	40,640	-	43,289	-	-	-	-	-	40,640	-	43,289	-	844,550	-	844,550	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	15,600	-	15,216	-
3.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-	7,854	-	7,599	-
3.2 Other	-	-	-	-	-	-	-	-	-	-	-	-	7,746	-	7,617	-
Total	40,640	-	43,289	-	860,878	-	860,878	-	901,518	-	904,167	-	860,150	-	859,766	-

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

Banco Desio Group

Hedging derivatives (caption 60)

- attributable to the banking group: breakdown by type of contract and underlying asset

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total
A) Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
. Without exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1) Financial derivatives:	2,725	-	-	-	-	2,725
. With exchange of capital	2,725	-	-	-	-	2,725
- issued options						-
- other derivatives	2,725					2,725
. Without exchange of capital	-	-	-	-	-	-
- issued options						-
- other derivatives						-
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total B	2,725	-	-	-	-	2,725
Total (A + B)	30.06.2006	2,725	-	-	-	2,725
Total (A + B)	31.12.2005	741				741

- attributable to the banking group: breakdown by hedged portfolio and type of hedging

Transaction / Hedging type	Fair Value					Cash flows		
	Specific					Generic	Specific	Generic
	interest rate risk	interest exchange risk	credit risk	price risk	other risks			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolios								
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities	2,725							
2. Portfolios								
Total liabilities	2,725	-	-	-	-	-	-	-

Banco Desio Group

Provisions for risks and charges (caption 120)

Caption / Components	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
1. Company pension funds			-	97
2. Other provisions for risks and charges	21,263		21,263	20,620
2.1 legal disputes	12,825		12,825	12,323
2.2 personnel charges	8,238		8,238	8,227
2.3 other	200		200	70
Total	21,263		21,263	20,717

Technical reserves (caption 130)

Breakdown

	Direct work	Indirect work	Total 30.06.2006	Total 31.12.2005
A. Casualty branch	-	-	-	-
A1. premiums fund			-	
A2. claims fund			-	
A3. other reserves			-	
B. Life branch	330,087	-	330,087	259,827
B1. Mathematical reserves	329,023		329,023	258,954
B2. Funds for amounts to be disbursed	3		3	92
B3. Other reserves	1,061		1,061	781
C. Technical reserves for investment risks to be borne by the insured				
	5,201	-	5,201	4,784
C1: funds for contracts with disbursements connected with pension funds and market indices	5,201		5,201	4,784
C2: funds from pension fund management			-	
D. Total technical reserves	335,288	-	335,288	264,611

Banco Desio Group

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

Breakdown

Caption / Amount	Amount 30.06.2006	Amount 31.12.2005
1. Share capital	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	342,218	246,930
4. (Treasury shares)		
5. Valuation reserves	21,168	23,980
6. Capital instruments		
7. Profit (loss) for the year attributable to the Group	29,237	103,715
Total	476,473	458,475

Reserves: breakdown

Caption	30.06.2006	31.12.2005
Legal reserve	33,933	23,622
Statutory reserves	145,568	69,011
Profits (losses) carried forward	23,477	23,477
Reserve (F.T.A.)	99,785	99,785
Other reserves	39,572	31,035
Total	342,335	246,930

Valuation reserves: breakdown

Caption / Components	Banking Group	Insurance Company	Total 30.06.2006	Total 31.12.2005
1. Available-for-sale financial assets	2,133	(3,882)	(1,749)	2,190
2. Tangible assets			-	
3. Intangible assets				
4. Foreign investment hedge				
5. Cashflow hedge				
6. Exchange differences				
7. Discontinuing operations				
8. Special revaluation laws	22,896		22,896	22,896
9. Other	12	9	21	(1,106)
Total	25,041	(3,873)	21,168	23,980

Banco Desio Group

Valuation reserves of available for sale investments: breakdown

Asset / Amount	Banking Group		Insurance Company		Total 30.06.2006		Total 31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	155	(743)		(3,270)	155	(4,013)	184	(318)
2. Equity securities	2,617	(390)		(77)	2,617	(467)	2,504	(739)
3. OICR quotas	693	(199)		(535)	693	(734)	606	(47)
Total	3,465	(1,332)	-	(3,882)	3,465	(5,214)	3,294	(1,104)

INCOME STATEMENT

Interest income (caption 10)

- attributable to the banking group: breakdown

Caption / Technical forms	Performing investments		Impaired investments	Other assets	Total 30.06.2006	Total 30.06.2005
	Debt securities	Loans				
1. Financial assets held for trading	970			235	1,205	471
2. Financial assets at fair value through profit or loss	-				-	
3. Available-for-sale financial assets	4,116				4,116	2,384
4. Held-to-maturity investments	452				452	565
5. Amounts due from banks		6,900		312	7,212	6,223
6. Amounts due from customers	9	105,451	596	331	106,387	94,370
7. Hedging derivatives				1,352	1,352	4,035
8. Financial assets sold but not written off	4,057				4,057	3,274
9. Other financial assets				-	-	24
Total	9,604	112,351	596	2,230	124,781	111,346

- attributable to the insurance company: breakdown

Caption / Technical forms	Performing investments		Impaired investments	Other assets	Total 30.06.2006	Total 30.06.2005
	Debt securities	Loans				
1. Financial assets held for trading				2,616	2,616	5,559
2. Financial assets at fair value through profit or loss	5,311				5,311	
3. Available-for-sale financial assets	4,114				4,114	1,526
4. Held-to-maturity investments					-	-
5. Amounts due from banks				-	-	-
6. Amounts due from customers					-	-
7. Hedging derivatives					-	-
8. Financial assets sold but not written off					-	-
9. Other financial assets				41	41	58
Total	9,425	-	-	2,657	12,082	7,143

Banco Desio Group

Hedging transactions differentials

Caption / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
A. Positive differentials on transactions:				
A.1 for specific hedge of financial assets fair value				
A.2 for specific hedge of financial liabilities fair value	3,652		3,652	6,936
A.3 for portfolio hedge of interest rate risk				
A.4 for specific cash-flow hedge of financial assets				
A.5 for specific cash-flow hedge of financial liabilities				
A.6 for portfolio cash-flow hedge				
Total positive differentials (A)	3,652		3,652	6,936
B. Negative differentials on transactions:				
B.1 for specific hedge of financial assets fair value				
B.2 for specific hedge of financial liabilities fair value	(2,300)		(2,300)	2,901
B.3 for portfolio hedge of interest rate risk				
B.4 for specific cash-flow hedge of financial assets				
B.5 for specific cash-flow hedge of financial liabilities				
B.6 for portfolio cash-flow hedge				
Total negative differentials (B)	(2,300)		(2,300)	2,901
C. Balance (A-B)	1,352		1,352	4,035

Banco Desio Group**Interest expense (caption 20)**

- attributable to the banking group: breakdown

Captions/Technical types	Debts	Securities	Other liabilities	Total 30.06.2006	Total 30.06.2005
1. Amounts due to banks	(1,140)		(12)	(1,152)	(308)
2. Amounts due to customers	(14,697)		(152)	(14,849)	(8,989)
3. Securities issued		(20,012)		(20,012)	(20,679)
4. Financial liabilities held for trading			(194)	(194)	
5. Liabilities at fair value through profit or loss		(418)		(418)	
6. Financial liabilities associated with assets sold but not written off	(4,272)			(4,272)	(3,425)
7. Other liabilities and reserves				-	(1)
8. Hedging derivatives				-	
Total	(20,109)	(20,430)	(358)	(40,897)	(33,402)

Banco Desio Group

Fee and commissions income (caption 40)

- attributable to the banking group: breakdown

Type of service / Amount	Total 30.06.2006	Total 30.06.2005
a) Guarantees given	827	800
b) Credit derivatives		-
c) Management, trading and consultancy services:	78,604	57,815
1. trading of financial instruments	1,557	814
2. currency trading	592	598
3. portfolio management	64,359	47,834
3.1. individuals	3,205	2,633
3.2. collective	61,154	45,201
4. securities safekeeping and administration	1,937	1,554
5. depositary bank	2,717	2,652
6. securities placement	3,484	1,441
7. order acceptance	3,684	2,724
8. consultancy services		-
9. distribution of third party services	274	198
9.1. portfolio management	-	-
9.1.1. individuals		-
9.1.2. collective		-
9.2. insurance products	246	198
9.3. other products	28	-
d) Collection and payment services	8,548	7,033
e) Securitisation servicing services	26	29
f) Factoring transaction services	20	22
g) Tax collection services		-
h) Other services	7,667	7,026
Total	95,692	72,725

- attributable to the insurance company: breakdown

Type of service / Amount	Total 30.06.2006	Total 30.06.2005
a) Guarantees given		-
b) Credit derivatives		-
c) Management, trading and consultancy services:	7,731	7,135
1. trading of financial instruments		-
2. currency trading		-
3. portfolio management	7,731	7,135
3.1. individuals		-
3.2. collective	7,731	7,135
4. securities safekeeping and administration		-
5. depositary bank		-
6. securities placement		-
7. order acceptance		-
8. consultancy services		-
9. distribution of third party services		-
9.1. portfolio management	-	-
9.1.1. individuals		-
9.1.2. collective		-
9.2. insurance products		-
9.3. other products		-
d) Collection and payment services		-
e) Securitisation servicing services		-
f) Factoring transaction services		-
g) Tax collection services		-
h) Other services		-
Total	7,731	7,135

Banco Desio Group

Fee and commissions expense (caption 50)

- attributable to the banking group: breakdown

Type of service / Amount	Total 30.06.2006	Total 30.06.2005
a) Guarantees received	(31)	(57)
b) Credit derivatives		-
c) Management and trading services:	(31,133)	(25,270)
1. Trading of financial instruments	(8)	(64)
2. Currency trading		-
3. Portfolio management:	(30,097)	-
3.1 own portfolio	-	-
3.2 third parties' portfolio	(30,097)	-
4. Securities safekeeping and administration	(1,024)	(923)
5. Placement of financial instruments	(4)	(24,283)
6. Door-to-door sales of securities, financial products and services		-
d) Collection and payment services	(1,546)	(1,445)
e) Other services	(2,138)	(619)
Total	(34,848)	(27,391)

- attributable to the insurance company: breakdown

Type of service / Amount	Total 30.06.2006	Total 30.06.2005
a) Guarantees received		-
b) Credit derivatives		-
c) Management and trading services:	(4,506)	(3,809)
1. Trading of financial instruments	(3)	-
2. Currency trading		-
3. Portfolio management:	(4,503)	(3,809)
3.1 own portfolio	(4,503)	(3,809)
3.2 third parties' portfolio		-
4. Securities safekeeping and administration		-
5. Placement of financial instruments		-
6. Door-to-door sales of securities, financial products and services		-
d) Collection and payment services		-
e) Other services		-
Total	(4,506)	(3,809)

Banco Desio Group

Dividends and other revenues (caption 70)

Breakdown

Caption / Income	Banking Group		Insurance Company		Total		Total	
	Dividends	Income from OICR quotas	Dividends	Income from OICR quotas	30.06.2006		30.06.2005	
					Dividends	Income from OICR quotas.	Dividends	Income from OICR quotas
A. Financial assets held for trading	191				191		77	
B. Available-for-sale financial assets	384		14		398		326	
C. Financial assets at fair value through profit or loss			9		9			
D. Investments					-			
Total	575	-	23	-	598	-	403	-

Banco Desio Group

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

- attributable to the banking group

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income	
					30.06.2006	30.06.2005
1. Financial assets held for trading	203	3,774	(1,263)	(683)	2,031	1,743
1.1 Debt securities	110	1,112	(664)	(129)	429	1,798
1.2 Equity securities	93	773	(599)	(554)	(287)	(55)
1.3 OICR quotas					-	-
1.4 Financing		1,413			1,413	-
1.5 Other		476			476	
2. Financial liabilities held for trading	-	-	-	-	-	(103)
2.1 Debt securities					-	(103)
2.2 Other					-	
3. Other financial assets and liabilities: exchange differences					43	780
4. Derivative instruments	1,139	12,667	(1,480)	(12,412)	(103)	(574)
4.1 Derivatives held for trading:	1,139	12,667	(1,480)	(12,412)	(103)	(574)
- on debt securities and interest rates	1,139	11,307	(1,480)	(11,230)	(264)	(1,224)
- on equity securities and equity indices	-	1,360	-	(1,182)	178	605
- on currencies and gold					(17)	45
- others					-	
4.2 Credit derivatives					-	
Total	1,342	16,441	(2,743)	(13,095)	1,971	1,846

- attributable to the insurance company

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income	
					30.06.2006	30.06.2005
1. Financial assets held for trading	-	-	-	-	-	-
1.1 Debt securities					-	
1.2 Equity securities					-	
1.3 OICR quotas					-	
1.4 Financing					-	
1.5 Other					-	
2. Financial liabilities held for trading	-	-	-	-	-	-
2.1 Debt securities					-	
2.2 Other					-	
3. Other financial assets and liabilities: exchange differences					-	
4. Derivative instruments	527	103	(6,609)	(34)	(6,013)	(3,117)
4.1 Derivatives held for trading:	527	103	(6,609)	(34)	(6,013)	(3,117)
- on debt securities and interest rates					-	
- on equity securities and equity indices	527	103	(6,609)	(34)	(6,013)	(3,117)
- on currencies and gold					-	
- others					-	
4.2 Credit derivatives					-	
Total	527	103	(6,609)	(34)	(6,013)	(3,117)

Banco Desio Group

Fair value adjustments in hedge accounting (caption 90)

Breakdown

Income component/Value	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
A. Income relating to:				
A.1 Fair value hedging derivatives				812
A.2 Hedged financial assets (fair value)			-	
A.3 Hedged financial liabilities (fair value)	2,670		2,670	2,333
A.4 Cash flow hedge financial derivatives				
A.5 Currency assets and liabilities				
Total income from hedging activities (A)	2,670	-	2,670	3,145
B. Charges relating to:				
B.1 Fair value hedging derivatives	- 3,769		- 3,769	- 659
B.2 Hedged financial assets (fair value)				- 795
B.3 Hedged financial liabilities (fair value)				- 206
B.4 Cash flow hedge financial derivatives				
B.5 Currency assets and liabilities				
Total charges from hedging activities (B)	- 3,769	-	- 3,769	- 1,660
C. Net hedging income (A – B)	- 1,099	-	- 1,099	1,485

Banco Desio Group

Profits (losses) from sales/repurchased (caption 100)

Breakdown

Caption/Income component	Banking Group			Insurance Company			Total 30.06.2006			Total 30.06.2005		
	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets												
1. Amounts due from banks												
2. Amounts due from customers												
3. Available-for-sale financial assets	2,247	(1,792)	455	-	-	-	2,247	(1,792)	455	1,166	(46)	1,120
3.1 Debt securities	389	(1,241)	(852)			-	389	(1,241)	(852)	831	(41)	790
3.2 Equity securities	954	(205)	749			-	954	(205)	749	313		313
3.3 OICR quotas	904	(346)	558			-	904	(346)	558	22	(5)	17
3.4 Financing												
4. Held-to-maturity investments			-			-	-	-	-	1		1
Total assets	2,247	(1,792)	455	-	-	-	2,247	(1,792)	455	1,167	(46)	1,121
Financial liabilities												
1. Amounts due to banks												
2. Amounts due to customers												
3. Securities issued	337	(5)	332			-	337	(5)	332	109	(216)	(107)
Total liabilities	337	(5)	332	-	-	-	337	(5)	332	109	(216)	(107)

Banco Desio Group

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

Profits (losses) on financial assets/liabilities at fair value through profit and loss

- attributable to the banking group: breakdown

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income
1. Financial assets	-	-	-	-	-
1.1 Debt securities					-
1.2 Equity securities					-
1.3 OICR quotas					-
1.4 Financing					-
2. Financial liabilities	848	9	-	-	857
2.1 Securities issued	848	9			857
2.2 Amounts due to banks					-
2.3 Amount due to customers					-
3. Other financial assets and liabilities: exchange differences					-
4. Derivative instruments	-	-	- 1,200	-	- 1,200
4.1 Financial derivatives	-	-	- 1,200	-	- 1,200
- on debt securities and interest rates			- 1,200		- 1,200
- on equity securities and equity indices					-
- on currencies and gold					-
- other					-
4.2 Credit derivatives					-
Total	848	9	- 1,200	-	- 343

- attributable to the insurance company: breakdown

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income
					30.06.2006
1. Financial assets	2,661	1,278	- 16,575	- 1,205	- 13,841
1.1 Debt securities	1,348	17	- 6,357	- 91	- 5,083
1.2 Equity securities	16	-	- 3	-	13
1.3 OICR quotas	1,297	1,261	- 10,215	- 1,114	- 8,771
1.4 Financing					-
2. Financial liabilities	16,169	-	-	-	16,169
2.1 Securities issued					-
2.2 Amounts due to banks					-
2.3 Amount due to customers	16,169				16,169
3. Other financial assets and liabilities: exchange differences					-
4. Derivative instruments	-	-	-	-	-
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates					-
- on equity securities and equity indices					-
- on currencies and gold					-
- other					-
4.2 Credit derivatives					-
Total	18,830	1,278	- 16,575	- 1,205	2,328

Banco Desio Group

Impairment losses/write-backs (caption 130)

Impairment losses/write-backs to receivables

- attributable to the banking group

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		30.06.2006	30.06.2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Amounts due from banks			(20)				12	(8)	(2)
B. Amounts due from customers	(598)	(10,431)	(1,818)	508	4,981		166	(7,192)	(8,603)
C. Total	(598)	(10,431)	(1,838)	508	4,981	-	178	(7,200)	(8,605)

Impairment losses/write-backs to other financial transactions

- attributable to the banking group

Transaction/Income component	Adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		30.06.2006	30.06.2005
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs		
A. Guarantees granted		(8)	(54)		105		316	359	(195)
B. Credit derivatives								-	
C. Commitments to grant								-	
D. Other transactions								-	
E. Total	-	(8)	(54)	-	105	-	316	359	(195)

Banco Desio Group

Net insurance premiums (caption150)

Breakdown

Premiums from insurance activities	Direct work	Indirect work	Total	Total
			30.06.2006	30.06.2005
A. Life branch				
A.1 Gross premiums accounted for (+)	83,916		83,916	62,143
A.2 Premiums ceded for reinsurance (-)	-253		-253	-170
A.3 Total	83,663	0	83,663	61,973
B. Casualty branch			0	0
B.1 Gross premiums accounted for (+)			0	0
B.2 Premiums ceded for reinsurance (-)			0	0
B.3 Changes of the gross amount of premium reserve (+/-)			0	0
B.4 Changes in premium reserves reassured with third parties (-/+)			0	0
B.5 Total	0	0	0	0
C. Total net insurance premiums	83,663		83,663	61,973

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

Breakdown

Captions	Total	Total
	30.06.2006	30.06.2005
1. Net change in technical reserves	(72,837)	(61,077)
2. Claims accrued and paid during the year	(12,772)	(2,098)
3. Other income/charges arising on insurance activities		
Total	(85,609)	(63,175)

Sub-caption "Net change in technical reserves" (caption 160)

Breakdown

Net change in technical reserves	Total	Total
	30.06.2006	30.06.2005
1. Life branch		
A. Technical reserves		
A.1 Gross annual amount	(72,342)	(60,578)
A.2 (-) Amount reassured with third parties	137	461
B. Other technical reserves		
B.1 Gross annual amount	(280)	(246)
B.2 (-) Amount reassured with third parties		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount	(352)	(714)
C.2 (-) Amount reassured with third parties		
Total "life branch reserves"	(72,837)	(61,077)
2. Casualty branch		
Changes in other technical reserves of casualty branch other than claims fund net of ceded insurance		

Banco Desio Group

Administrative costs (caption 180)

Personnel costs

Type of costs / Sectors	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
1) Employees	(53,195)	(664)	(53,859)	(49,243)
a) Wages and salaries	(35,806)	(494)	(36,300)	(31,516)
b) Social security charges	(9,105)	(131)	(9,236)	(7,947)
c) Provision for termination indemnities	-	(13)	(13)	(1)
d) Social security costs	(8)		(8)	(375)
e) Accruals to provisions for termination indemnities	(3,046)	(26)	(3,072)	(2,776)
f) Accruals to pension funds and similar funds:				
- defined contribution	-	-	-	(83)
- defined benefit				(83)
g) Amounts paid to external complementary social security funds:				
- defined contribution	(1,689)	-	(1,689)	(1,411)
- defined benefit	(1,689)		(1,689)	(1,411)
- defined benefit	-		-	
h) Costs arising on payment agreements based on own financial instruments	(325)		(325)	(2,635)
i) Other benefits in favor of employees	(3,216)		(3,216)	(2,499)
2) Other personnel	(814)		(814)	(644)
3) Directors	(2,275)	(67)	(2,342)	(2,139)
Total	(56,284)	(731)	(57,015)	(52,026)

Banco Desio Group

Other administrative costs

	Banking Group	Insurance Company	Total	Total
			30.06.2006	30.06.2005
Indirect taxes and duties	(5,340)		(5,340)	(4,761)
Third-party processing	(5,348)	(471)	(5,819)	(5,123)
Rents paid on properties	(3,341)		(3,341)	(2,845)
Lease and maintenance of tangible assets	(2,896)		(2,896)	(2,136)
Lease and maintenance of intangible assets	(305)		(305)	(217)
Telephone, Postal, Data transmission charges	(3,687)	(3)	(3,690)	(2,906)
Information and certificates	(448)		(448)	(345)
Professional services	(5,309)	(137)	(5,446)	(5,115)
Advertising and entertainment	(1,579)		(1,579)	(800)
Security and transport services	(1,264)		(1,264)	(1,124)
Miscellaneous material for office use	(577)	(2)	(579)	(984)
Electric power, heating, water	(1,672)		(1,672)	(1,065)
Cleaning of premises	(444)		(444)	(294)
Premiums on indemnity and customer insurance	(805)		(805)	(925)
Charity activities and miscellaneous gifts	(214)		(214)	(81)
Other	(3,532)	(710)	(4,242)	(3,793)
Total	(36,761)	(1,323)	(38,084)	(32,514)

Net provisions for risks and charges (caption 190)

Type of provision / Amount	Banking Group	Insurance Company	Total	Total
			30.06.2006	30.06.2005
charges for legal disputes and claw-back actions	(1,536)		(1,536)	(537)
others	-		-	(250)
Total	(1,536)	-	(1,536)	(787)

Banco Desio Group

Net adjustments to tangible assets (caption 200)

- attributable to the banking group

Asset / Income component	Depreciation	Impairment adjustments	Write-backs	Net income	Net income
				30.06.2006	30.06.2005
A. Tangible assets					
A.1 owned by the Bank	(2,443)	-	-	(2,443)	(1,853)
- for business use	(2,443)			(2,443)	(1,853)
- for investment				-	-
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	(2,443)	-	-	(2,443)	(1,853)

- attributable to the insurance company: breakdown

Asset / Income component	Depreciation	Impairment adjustments	Write-backs	Net income	Net income
				30.06.2006	30.06.2005
A. Tangible assets					
A.1 owned by the Bank	(9)	-	-	(9)	(5)
- for business use	(9)			(9)	(5)
- for investment				-	-
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	(9)	-	-	(9)	(5)

Banco Desio Group**Net adjustments to intangible assets (caption 210)**

- attributable to the banking group

Asset/Income component	Amortization	Impairment adjustments	Write-backs	Net income 30.06.2006	Net income 31.12.2005
A. Intangible assets				-	
A.1 owned by the Bank	(373)	-	-	(373)	(316)
- generated internally				-	
- other	(373)			(373)	(316)
A.2 leased				-	
Total	(373)	-	-	(373)	(316)

Banco Desio Group

Other operating income (expenses) (caption 220)

Other operating expenses

Income component / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
amortization of costs for leasehold improvements	(793)		(793)	(580)
charges on non-banking services	(904)		(904)	(995)
others	(258)	(339)	(597)	(76)
Total	(1,955)	(339)	(2,294)	(1,651)

Other operating income

Income component / Amount	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
recovery of taxes from third parties	4,584		4,584	4,096
recovery of costs on deposits and current accounts	4,810		4,810	4,323
recovery of costs for information-gathering stage on loans	806		806	891
recovery of insurance premiums from customers	694		694	506
rental income	17		17	1
other recoveries on non-banking services	301		301	92
others	980	94	1,074	912
Total	12,192	94	12,286	10,821

Income taxes for the period (voce 290)

Income component/Sector	Banking Group	Insurance Company	Total 30.06.2006	Total 30.06.2005
1. Current taxes (-)	(24,126)	(169)	(24,295)	(20,241)
2. Changes in current taxes of previous periods (+/-)	691		691	(50)
3. Decrease in current taxes of the period (+)			-	
4. Changes in advanced taxes (+/-)	(141)	(303)	(444)	(505)
5. Changes in deferred taxes (+/-)	(1,067)		(1,067)	(293)
6. Taxes for the period (-)	(24,643)	(472)	(25,115)	(21,089)

Profit per share

	30.06.2006		
	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Attributable earnings	25,760	3,488	29,248
Average number of shares in circulation	117,000,000	13,202,000	
Earnings per share - Basic	0.220	0.264	

	30.06.2005		
	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Attributable earnings	19,257	2,608	21,865
Average number of shares in circulation	117,000,000	13,202,000	
Earnings per share - Basic	0.165	0.198	

SEGMENT REPORTING

Consolidated results by business segment and geographic segment

This section reports the consolidated results divided among the various business segments. Given the guidelines of IAS 14, Banco Desio Group has recognized as its primary format, as provided by the accounting standard, segment reporting by “business segment” in that this constitutes the most effective description of the Group’s profitability. Accordingly, segment reporting by geographic segment represents the secondary format, as provided by the accounting standard.

In relation to Banco Desio Group’s organizational structure, at a Segment Reporting level information by business segment is structured on the basis of the following principles:

- for the commercial banks (Banco Desio SpA, Banco Desio Lazio SpA and Banco Desio Toscana SpA), customer business units were defined, adopting a basis of segmentation centered on the customers’ characteristics, considering the following variables:
 - type of customer (sector of economic activity);
 - legal form (joint-stock company, or not);
 - size (sales).

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

- *retail customers*: bringing together the activities directed towards private customers and small businesses (artisans, family-owned businesses and professionals). Included in this segment are products related fundamentally to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- *corporate customers*: bringing together the activities directed towards both customers of medium and large enterprises and customers with financial institution characteristics. Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; documentary credit; and leasing and factoring.
- *investment banking*: bringing together the activities related to the Bank’s own securities portfolio and the Interbank market;
- *corporate center*: this segment includes the Group’s direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the functioning of several business segments, entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intragroup adjustments are allocated to the corporate center, except where the intragroup balances are between companies within the same segment.

The results of the subsidiaries (Anima Sgr, Brianfid Sa, Banca Credito Privato Commerciale Sa, Valorfin Sa and Desio Vita SpA), considering the specificity of the activity performed by them, are allocated to the “asset management” segment.

For the commercial banks, the construction of Income Statement data by segment is carried out on the basis of the following principles:

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

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

The data by business segment is shown before intragroup balances, except where the intragroup balances are between companies within the same segment.

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

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Income Statement data (amounts in Euro/1,000)	30/06/06	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	166,310	86,138	33,125	2,052	34,859	10,136
Structure costs (2)	-97,914	-55,234	-15,455	-911	-12,580	-13,734
Provisions and adjustments (3)	-8,377	-3,731	-2,890	0	-220	-1,536
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	60,019	27,173	14,780	1,141	22,059	-5,134

(1) from the Income Statement, reclassified on a management basis

(2) administrative expenses, net adjustments to intangible assets and property, plant and equipment

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

Balance sheet data (amounts in Euro/1,000)	30/06/06	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	2,025,581	0	0	898,299	1,229,120	-101,838
Amounts due from banks	507,866	0	0	446,514	84,368	-23,016
Loans to and receivables from customers	3,790,640	2,184,602	1,582,791	0	23,433	-186
Amounts due to banks	152,484	0	0	144,561	12,210	-4,287
Amounts due to customers	3,052,751	2,247,178	782,598	0	61,432	-38,457
Securities issued	1,452,202	1,361,463	168,230	0	0	-77,491
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	14,862,958	6,153,449	2,443,732	0	5,764,258	501,519

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Income Statement data (amounts in Euro/1,000)	31/12/05	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	302,990	161,284	69,784	6,261	50,935	14,726
Structure costs (2)	-178,807	-104,439	-29,205	-2,107	-20,536	-22,520
Provisions and adjustments (3)	-24,355	-11,089	-8,200	0	-282	-4,784
Profits/(losses) on equity investments accounted for under the equity method	58,760	0	0	0	0	58,760
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	158,588	45,756	32,379	4,154	30,117	46,182

(1) from the Income Statement, reclassified on a management basis

(2) administrative expenses, net adjustments to intangible assets and property, plant and equipment

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

Balance sheet data (amounts in Euro/1,000)	31/12/05	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	1,728,083	0	0	684,758	1,139,394	-96,069
Amounts due from banks	718,737	0	0	671,215	75,277	-27,755
Loans to and receivables from customers	3,505,252	2,029,277	1,459,607	0	16,369	-1
Amounts due to banks	48,648	0	0	41,905	11,856	-5,113
Amounts due to customers	2,929,281	1,996,859	907,816	0	50,428	-25,822
Securities issued	1,493,241	1,401,988	182,454	0	0	-91,201
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	15,187,112	6,096,278	2,220,955	0	5,963,951	905,928

Banco Desio Group

CONSOLIDATED REPORT - SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	30/06/06	NORTHERN ITALY	REST OF ITALY	REST OF WORLD
Margin on banking and insurance activities (1)	166,310	146,447	13,691	6,172
Structure costs (2)	-97,914	-84,850	-9,609	-3,455
Provisions and adjustments (3)	-8,377	-8,293	88	-172
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	60,019	53,304	4,170	2,545

(1) from the Income Statement, reclassified on a management basis

(2) administrative expenses, net adjustments to intangible assets and property, plant and equipment

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

Balance sheet data (amounts in Euro/1,000)	30/06/06	NORTHERN ITALY	REST OF ITALY	REST OF WORLD
Financial assets	2,025,581	1,919,141	106,440	0
Amounts due from banks	507,866	237,000	213,257	57,609
Loans to and receivables from customers	3,790,640	3,330,540	444,110	15,990
Amounts due to banks	152,484	134,047	18,437	0
Amounts due to customers	3,052,751	2,457,794	535,940	59,017
Securities issued	1,452,202	1,327,561	124,641	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	14,862,958	13,050,466	994,263	818,229

CONSOLIDATED REPORT - SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	31/12/05	NORTHERN ITALY	REST OF ITALY	REST OF WORLD
Margin on banking and insurance activities (1)	302,990	269,474	24,682	8,834
Structure costs (2)	-178,807	-155,280	-17,376	-6,151
Provisions and adjustments (3)	-24,355	-22,341	-1,982	-32
Profits/(losses) on equity investments accounted for under the equity method	58,760	58,760	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	158,588	150,613	5,324	2,651

(1) from the Income Statement, reclassified on a management basis

(2) administrative expenses, net adjustments to intangible assets and property, plant and equipment

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

Balance sheet data (amounts in Euro/1,000)	31/12/05	NORTHERN ITALY	REST OF ITALY	REST OF WORLD
Financial assets	1,728,083	1,648,513	77,259	2,311
Amounts due from banks	718,737	411,038	254,080	53,619
Loans to and receivables from customers	3,505,252	3,085,528	411,897	7,827
Amounts due to banks	48,648	30,449	18,199	0
Amounts due to customers	2,929,281	2,343,255	537,680	48,346
Securities issued	1,493,241	1,354,450	138,791	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	15,187,112	13,461,293	1,029,329	696,490

INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 - BANKING GROUP'S RISKS

1. CREDIT RISK

Qualitative information

1. *General aspects*

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

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

As regards risk assumption policies, one of the main principles behind the management and formulation of strategic decisions is historically represented by an effective and thorough watch over the quality of exposure. For this reason, every policy goes in the direction of keeping up a strict credit policy while continuing to keep business targets in mind.

For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

2. Policies for the management of credit risks

2.1.1. *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 risk management process to watch over and manage credit risk, adopting a policy of separating business and control functions.

In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific control regulations for the different levels in banking group companies.

2.1.2. *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.

Moreover, in the framework of credit risk, the Parent Company has launched a specific group project harmonising with the new regulatory scheme governing the capital measurement and the capital standards ("New Accord on Capital", or "Basel 2"). Unlike the procedures in the past, under the New Accord banks are called upon to hold capital commensurate with the risk arising from their customer counter-parties. In brief, banks have to set aside capital amounts in relation to the risk deriving from the credit risks assumed: the greater the risk, the larger the provisions that have to be allocated.

In this framework, an internal rating model (Credit Rating System) has been defined that classifies counter-parties under specific risk categories with homogeneous probabilities of insolvency. The CRS system is an analytical model that uses statistical inference methods founded on the subjectivist theory (or theory of conditioned probability). It develops two aspects: the first quantitative, involving univariate analysis of the main economic and financial indicators, the second qualitative, involving cognitive evaluations of the borrower and its environment. The application of this model gives a rating that is independent of the sources of information used and of the segment (retail/corporate); specifically, the segmentation criteria are built up in consideration of business sector, legal status and turnover size. These segments are, in their turn, grouped into retail and corporate activities.

The objective of the project is to prepare Basel 2 compliant tools and allow the Bank to operate according to the I.R.B. Foundation model.

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, but to a lesser extent.

The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks.

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

2.4 Impaired financial assets

Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to timely take legal actions in order to safeguard the credit effectively.

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

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.

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

QUANTITATIVE INFORMATION

Credit quality

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

Portfolio / Quality	Banking Group						Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk	Other assets	
1. Financial assets held for trading						392,274	392,274
2. Available-for-sale financial assets						503,560	503,560
3. Held-to-maturity investments						20,801	20,801
4. Amount due from banks					57	507,809	507,866
5. Amounts due from customers	23,980	16,530	-	9,577	-	3,740,553	3,790,640
6. Financial assets at fair value through profit or loss						-	-
7. Financial assets under disposal							-
8. Hedging derivatives						1,279	1,279
Total 30.06.2006	23,980	16,530	-	9,577	57	5,166,276	5,216,420
Total 31.12.2005	21,233	14,446	-	22,605	37	4,874,712	4,933,033

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

Portfolio / Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group								
1. Financial assets held for trading				-	X	X	392,274	392,274
2. Available-for-sale financial assets				-	503,560		503,560	503,560
3. Held-to-maturity investments				-	20,801		20,801	20,801
4. Amount due from banks				-	507,890	24	507,866	507,866
5. Amounts due from customers	95,928	45,841	-	50,087	3,764,460	23,907	3,740,553	3,790,640
6. Financial assets at fair value through profit or loss				-	X	X	-	-
7. Financial assets under disposal				-			-	-
8. Hedging derivatives				-	X	X	1,279	1,279
Total A	95,928	45,841	-	50,087	4,796,711	23,931	5,166,333	5,216,420
B. Other companies included in the scope of consolidation								
1. Financial assets held for trading					X	X		
2. Available-for-sale financial assets								
3. Held-to-maturity investments								
4. Amount due from banks								
5. Amounts due from customers								
6. Financial assets at fair value through profit or loss					X	X		
7. Financial assets under disposal								
8. Hedging derivatives					X	X		
Total B	-	-	-	-	-	-	-	-
Total 30.06.2006	95,928	45,841	-	50,087	4,796,711	23,931	5,166,333	5,216,420
Total 31.12.2005	101,980	43,697	-	58,283	4,662,258	22,272	4,874,750	4,933,033

Great risks (according to the Supervisory regulations)

Financial assets include an investment of Euro 77.2 million in securities issued by UCITS, to which, for the purposes of the “great risk” warning, a weighting of 100 has been applied.

Securitisation transactions

Encompassed within the asset components of the financial statements as of 30 June 2006 were securities arising from securitization transactions put in place by third parties, allocated under financial assets held to maturity for Euro 12.8 million, and under financial assets available for sale for Euro 6.0 million.

Transfer transactions

- Financial assets sold but not written off

Financial assets sold but not written off are recognised in full, and are made up of debt instruments invested in reverse repo transactions, classifiable as financial assets held for trading for Euro 305.1 million, and as financial assets available for sale for Euro 80.3 million.

- Financial liabilities against assets sold but not written off

Liabilities against financial assets sold but not written off are recognised in full, and are made up of amounts due to customers for Euro 384.8 million against financial assets held for trading.

Credit risk measurement models

The internal credit risk measurement model has not yet been actively inserted in the credit process, but in spite of this the Credit Rating System assessments will be distributed to the network of Italian commercial banks in the field during the second half-year in order to support the information-gathering stage preliminary to granting credit and the renewal phase, this rating thus becoming a useful instrument to help in decision-making.

2 - MARKET RISKS

2.1 INTEREST RATE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

In view of a potential rise in interest rates in the Euro-zone in the second half of 2006, the Group has adopted a strategy aiming at consolidating returns in line with the budget while keeping a low risk profile, in the second half-year just closed. Specifically, it was decided to maintain a short portfolio duration and at the same time to give priority to investments in fixed-rate instruments with a short-term residual life.

B. Interest rate risk management processes and measurement methods

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

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors operating limits (in terms of amount and composition by type of securities) and interest rate risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as if operating limits have been reached.

Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk to the Parent Company's risk management unit, which operates completely independently with respect to operational offices and the subsidiaries.

This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.

In order to quantify risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

The model is a parametric Variance - Co-Variance / Delta - Gamma type, using a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. The model covers the assets, in terms of financial instruments, included both in the management portfolio and in the trading portfolio as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk. Up to now, 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 application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product. The impact of extreme movements of the interest rate risk factor are periodically verified by stress tests, while an upgrade of the application now being carried out will allow a back testing to be carried out.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the tool that has the purpose of giving the organisational units concerned sufficient information. The content and the frequency of reports depend on the objectives assigned to each actor in the process. The limits (if any) in terms of overall V.a.R. concerning the "management portfolio" have never been exceeded during the period.

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

Monitoring of the Parent Company's portfolio and the Italian banks during the 2005 financial year showed a structure with limited interest rate risk. The Parent Company takes on almost the whole interest rate risk, the Italian subsidiaries making a completely marginal contribution. VaR at 30.06.2006 is Euro 0.594 million, with a percentage of less than 0.3% of the portfolio and a duration of 0.55, evidence of the low-risk profile.

During the first half-year, mean absorption of VaR risk was kept stable; greater volatility during the last months of the year as a result of a re-positioning of the portfolio towards instruments with a higher risk component.

The scenario analysis carried out in terms of parallel shifts in the rate curve, assuming variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 30.06.2006, considering the positive variation in rates, there was a negative impact of Euro 3.78 million, equal to:

- ⇒ 0.49% of trading portfolio;
- ⇒ 1.19% of intermediation margin;
- ⇒ 6.46% of net income for the period;
- ⇒ 0.84% of shareholders' equity, net of the result for the period

2.2 INTEREST RATE RISK - BANK PORTFOLIO

QUALITATIVE INFORMATION

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

It is the responsibility of the Parent Company's risk management unit to measure interest rate risk.

This activity is only directed at the Group's Italian banks, which account for almost the entire bank portfolio. The system of the bank's commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an upgrade of the application now being carried out will allow a dynamic assessment to be made.

The studies that can be carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin.

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 with parallel shifts of interest rate curve.

B. Fair Value hedge

With a view to prudent and active management of operating risks, the Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect profit and loss from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Up to now, only liabilities are hedged, and these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly including Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Parent Company prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Parent Company uses to carry out the effectiveness test is the Dollar OffSet (hedge ratio) on a cumulative basis. All the hedges are specific.

Consistently with the policy adopted in the previous year, the Group decided to apply the Fair Value Option to all new hedging transactions. Valuation is carried out with the help of a model used in the Parent Company's Finance Department, approved by the Parent Company's risk management unit.

C. Cash flow hedge

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

QUANTITATIVE INFORMATION

1. **Bank portfolio: break-down by residual duration**
2. **Bank portfolio - internal models and other methods for sensitivity analyses**

The assessment that emerges from the overall Group position, which again only involves the Italian banks, is that of a limited risk profile throughout the first half-year 2006. This operational and strategic approach, directed at minimising the volatility of interest margins and of total economic value, has led to the Group's benefiting from the expected rise in market rates.

The table below shows the results of the studies carried out on 30 June 2006 of the impact on the interest margin should there be a parallel variation in the interest rate curve:

Risk indices as of 30 June 2006: parallel shifts of the interest rate curve

	+100 bp	-100 bp	+200 bp	- 200 bp
<i>Risk interest margin / Expected margin</i>	2.81%	-3.13%	5.62%	-10.47%

As regards economic value, in the first half-year 2006 risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve, as laid down in the Second Pillar of Basel 2.

Risk indices as of 31 December 2005: parallel shifts of the curve

	+100 bp	-100 bp	+200 bp	- 200 bp
<i>Risk economic value / Economic value</i>	1.11%	-1.14%	2.20%	-2.31%
<i>Risk economic value / Regulatory capital</i>	1.03%	-1.05%	2.03%	-2.13%

2.3 PRICE RISK - REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

A. General aspects

There is a particularly substantial risk on high-volatility financial instruments such as derivatives and equity. The Group carries out both hedging and trading transactions on these specific activities, and has established stop-loss limits.

In the first half year 2006 the Group, as regards the Italian banks only, has traded in the field of UCITS, essentially with bonds, with the support of careful quantitative and

qualitative analysis carried out with suitable IT tools. Investments have focused on Total Return UCITS, which adopt strategies unrelated to the main traditional asset classes.

B. Management processes and measurement methods of price risk

For the management process, the organisational model and the internal model used, reference is made to Section 2.1. It is to be emphasised that the VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for UCITS). The internal model is not used in calculating capital requirements on market risks.

QUANTITATIVE INFORMATION

- 1. Regulatory trading portfolio: cash exposure in equity securities and UCITS***
- 2. Regulatory trading portfolio: break-down of exposures***
- 3. Regulatory trading portfolio - internal models and other methods for sensitivity analyses***

Considering the composition of the securities portfolio in question and the hedging carried out by means of derivatives, the price risk profile of the Parent Company and the Italian banks is, overall, a moderate one. The Parent Company takes on almost the entire price risk, the Italian banking subsidiaries' contribution being completely marginal. Therefore, as of 30.06.2006, the related VaR amounted to about Euro 0.522 million, down 0.3% with respect to the trading portfolio. During the year, the average absorption of VaR risk remained stable and in line with the previous year. During 2006, the application of assumptions and the necessary implementation of the studies of the scenarios of the various price risk factors will be completed.

2.4 PRICE RISK - BANK PORTFOLIO

QUALITATIVE INFORMATION

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

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

2.5 EXCHANGE RISK

QUALITATIVE INFORMATION

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

This risk is marginal. As regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.

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

B. Exchange rate hedge

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

QUANTITATIVE INFORMATION

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

2. Internal models and other methods for sensitivity analyses

The upgrades that have been carried out on the internal model that is already used for interest rate risk and trading and bank portfolio price risk are being verified for the quantification of exchange risk and sensitivity analyses.

3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, MANAGEMENT PROCEDURES AND MEASUREMENT METHODS OF LIQUIDITY RISK

As regards the Italian banks only, it is the responsibility of the Parent Company to manage the liquidity risk through the Finance Department and risk management units, with the aim of verifying the Group's capacity to meet liquidity requirements and avoid being found in the position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates.

Short-term liquidity is supervised by the Parent Company's Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.

Monitoring and compliance with operating limits are controlled through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

Further support to liquidity risk management is provided by the monitoring carried out by the Parent Company's risk management unit through an internal model. The objective is to set up medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.

Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.

The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks. Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

QUANTITATIVE INFORMATION

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

2. Break-down by sector of financial liabilities

3. Break-down by area of financial liabilities

4 - OPERATING RISK

QUALITATIVE INFORMATION

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

The risks of losses deriving from errors or shortcomings in work processes due to human or technological resources or to events occurring outside the bank are governed by the general system of internal controls, the work done by the various operating units being subjected to constant remote and on-the-spot monitoring.

In line with the new capital accord (Basel 2), during the first half-year 2006 the Group started working on a project whose objective is the definition and designation of structures, instruments and methods for risk measurement and control. This work also takes place with the active management of operating risks in mind.

As regards legal risk, the various Group's corporate Departments guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that actions brought against the Group at the end of the financial year consist in claw-back actions in bankruptcy, financial instruments and other disputes.

Overall, the lawsuits pending with regard to the Italian banks alone have a value of Euro 20.25 million. These risks are appropriately hedged by prudential allocations to provisions of Euro 12.97 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 30% of the total, and involve disputes regarding financial instruments and claw-back actions in bankruptcy, the possible loss being about Euro 7.77 million, equal to about 60% of total provisions. It should be noted that there has

been a rise in lawsuits involving financial instruments as a result of an increase in the cases of default by bond issuers.

SECTION 2 - INSURANCE COMPANIES' RISKS

2.1 Insurance risks

Qualitative information

Considering that most of the present portfolio consists of unit-linked and index-linked products and products that can be revalued on the basis of separate asset management, the Company's insurance risk may be said to be limited to a an extent commensurate with its exposure.

This analysis included products to hedge loans and personal loans (security in the event of death) and additional guarantees that may be attached to insurance policies. Risk is mainly contained by recourse to re-insurance.

2.2 Financial risks

Qualitative information

The potential risks facing the Company are mostly of a financial nature. Their extent is in proportion to the total of investments associated with separate management and with the investment of "free" resources to hedge pure risk technical reserves. The items that the Company considers as giving rise to financial risk account, at current values, for less than 20% of the investments in the accounts. The main financial risk is that of interest rates associated with the guaranteed performances on policies which can be revalued (the so-called guaranteed minimum).

The management of returns on the invested portfolio and of its average duration allows future risks to be contained, as confirmed by the successful outcome of the test of the adequacy of the technical reserve.

Exposure to price risk is concentrated in separate management, in which the Company's only equity investment is included. Its extent is limited by staying within the limits independently laid down for allocation decisions, which keep the part of the portfolio represented by equity instruments marginal, and by the decision to give priority to investments in high-capitalisation securities.

Credit risk involves both separate management and the free portfolio but is limited by the substantial presence of securities issued by public issuers with a low probability of insolvency.

Finally, liquidity risks arising from the possible surrender of policies having a substantial value invested in separate management are mitigated by the possibility of the prompt realisation of the hedging assets.

INFORMATION ON EQUITY

CONSOLIDATED SHAREHOLDERS' EQUITY

Qualitative information

The Banco Desio Group has always paid most attention to the shareholders' equity, aware both of its function in guaranteeing the trust of outside financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.

The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the Group.

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

Description	Figures as of 30 June 2006
Share capital fully paid-up	€ 67,705
Valuation reserves	€ 21,168
Reserves	€ 342,218
Share premiums	€ 16,145
Net profit for the period	€ 29,237
Shareholders' equity	€ 476,473

The table shows that the most important component consists of the reserves, which account for about 71%, confirming the constant policy of capital expansion that is carried out by reinvesting profits.

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

The procedures for the calculation of regulatory capital have been implemented based on the new regulations on prudential filters as dictated by the Bank of Italy.

As of 30 June 2006, the Banco Desio Group's regulatory capital is made up as follows:

Description	Amount (/ 1,000)
Tier 1 capital before application of prudential filters	€ 421,435
Negative prudential filters	€ 4,160
Tier 1 capital after application of prudential filters	€ 417,275
Tier 2 capital before application of prudential filters	€ 95,762
Negative prudential filters	€ 3,805
Tier 2 capital after application of prudential filters	€ 91,957
Tier 1 and tier 2 capital after application of prudential filters	€ 509,232
Items to be deducted	€ 29,733
Regulatory capital	€ 479,499

Tier 1 capital accounts for 87.02% and is mainly made up of shareholders' equity and reserves; Tier 2 capital is mostly made up of subordinated liabilities and accounts for 19.17%. Items to be deducted account for 6.20%.

TRANSACTIONS WITH RELATED PARTIES

1. Information on fees due to directors and managers

For information on directors remuneration, reference is made to the data provided in the “Personnel expenses” format in the notes to the financial statements. The appropriate section of these notes should also be consulted for information on stock option plans for Group company directors and executives. This part provides details of the existing plans for options on subsidiaries’ equity: Desio Vita SpA; Banco Desio Veneto SpA; Chiara Assicurazioni SpA; Anima SGRpA.

2. Information on transactions with related parties

Transactions with related parties negotiated by the Group are the subject matter of Board resolutions and are settled at market conditions or, where the market cannot provide a satisfactory guide, on conditions that are deemed to be fair and in compliance with the procedures governing Board resolutions set out in the Management Report.

No transaction presents any particular risk aspects, in the light of those assessed in the course of the Group’s normal business, and no transactions are either atypical or unusual; there is no report of any substantial “non-recurrent” transactions (extraordinary transactions or, in any event, transactions that, pursuant to the Consob definition, do not arise frequently in the course of the Group’s normal business).

The global impact on the consolidated economic and financial position of the collection/utilisation positions with regard to these counter-parties is, moreover, marginal (see the summary table at the end of this section).

Similarly, the market conditions applied to these contracts are such that their impact on profit and loss is negligible.

I – Transactions with the Parent company

At the end of the half-year, current account deposits of the parent company Brianza Unione di Luigi Gavazzi e C. SpA totalled Euro 2.4 million. The company has no debt exposure.

During the half-year, transactions with this company were not the subject matter of any resolutions (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 Exponents, as per paragraph III below).

II – Transactions with subsidiaries

II.1 – Transactions subject to credit limits

The transactions subject to credit limits resolved in favour of the subsidiaries that are considered to be related parties as a result of the interest held in them and considering the existing agreements to which they are parties are mainly ordinary transactions issuing or confirming credit granted by the Parent Company to SRG (asset management companies), groups of SRGs and/or mutual funds managed by them (for which Banco Desio acts in the capacity as custodian bank).

During the half-year, credit facility arrangements for these SGRs and/or groups of SGRs were concluded to a total amount of 1 million euro.

At the end of the half-year, Euro 0.3 million in all had been drawn down, as against a total facility of Euro 1 million.

II.2 – Balances of current account deposits

As to the current account relationships, held with the SGRs and/or groups of SGRs under this paragraph, also note that the “credit” balances as at 30 June 2006 totalled Euro 0.6 million.

III - Transactions with exponents and subjects referable thereto

III.1 - Transactions subject to credit limits pursuant to Article 136 of the Consolidated Banking Act (T.U.B.)

The credit facilities granted under Article 136 of the Consolidated Banking Act (T.U.B.) are mainly ordinary transactions issuing or confirming credit granted to Group company Exponents and/or companies related to them, with regard to which the said Exponents have stated that they have interests of various kinds as a result of equity investments, positions and/or other relationships with the companies granted credit facilities. These relationships have not affected the application of the normal creditworthiness assessment policies adopted by the Group banks.

During the half-year, resolutions were passed granting or renewing some credit facility arrangements to a total of about Euro 9.6 million.

Banco Desio Group

At the end of the half-year, uses of credit facilities under this paragraph totalled about € 17.0 million, against a total of existing credit lines equal to about Euro 24.7 million.

III.2 – Balances of current account deposits

As regards the current account relationships with the Exponents (directors, auditors and managers with strategic responsibilities in the Parent Company and in the companies in a control relationship with it), also note that the total "credit" balances as of 30 June 2006 totalled Euro 4.2 million.

SUMMARY TABLE (Euro/million)

Counterparts	Balances	% loans	Balances	% deposits
	"Debit balances"	ratio	"Credit balances"	ratio
I - Parent company	0	0.00%	2.4	0.05%
II - Banking subsidiaries	0.3	0.01%	0.6	0.01%
III - Group exponents*	17.0	0.44%	4.2	0.09%
Totals	17.3	0.45%	7.2	0.16%

* including indirect liabilities (use of credit lines granted to significant companies pursuant to Art. 136 of the Consolidation Banking Act (T.U.B.))

PART I - INFORMATION ON STOCK OPTION PLANS WITH SHARE-BASED PAYMENTS EXISTING WITHIN THE GROUP

“Desio Vita” Stock Option Plan

A. Qualitative information

1. Description of the payment arrangements based on own equity instruments (IFRS 2/44, 45.a, 46)

At the end of the half-year, the stock option plan approved during the previous period was still in being, regarding the free granting of stock options amounting to 1,376,000 residual ordinary Desio Vita S.p.a shares owned by the Bank with a par value of 1.00 euro each. Also to comply with Consob requirements, note that the Managing Director and the General Manager of the Parent Company were assigned 276,000 and 50,000 shares respectively.

The beneficiaries - about 140 of the Group’s human resources - may exercise their options against payment of Euro 6.75 per share from the first day of the month after that in which the Shareholders’ Meeting approves the Desio Vita S.p.A. financial statements at 31 December 2006 and within the last day of that month.

The Bank has granted all the beneficiaries the right (put option) to sell any shares they buy after exercising the call option, obtaining in exchange the right (call option) to buy them at a price that will be determined on the basis of the amounts reported in the Desio Vita S.p.A financial statements at 31 December 2006.

B. Quantitative information

1. Periodic changes (IFRS 2/45.b)

Captions / Number of options and exercise prices	1st Half-year 2006		2005	
	Number of options	Average exercise prices	Number of options	Average exercise prices
A. Opening balance	1,413,000	6.75	-	
B. Increases				
B.1 New issues	-		1,418,000	6.75
B.2 Other changes	-		-	
C. Decreases				
C.1 Annulled	37,000	6.75	5,000	6.75
C.2 Exercised	-		-	
C.3 Expired	-		-	
C.4 Other changes	-		-	
D. Closing balance	1,376,000	6.75	1,413,000	6.75
E. Options exercisable at the end of the year	-	-	-	-

2. Other information (IFRS 2/45.c, d, 50, 51, 52)

The share attributable to the half-year of the total intrinsic value of the liabilities involving counter-parties’ having earned the right to receive money at 30 June 2006, impacting on the Income Statement, is estimated as Euro 361,150.00; on the whole, as from 1 January 2005 to 30 June 2006, the transaction cost totals Euro 3,780,610 (of which Euro 3,419,460 already posted in the 2005 Financial Statements).

Banco Desio Group

“Banco Desio Veneto” Stock Option Plan

A. Qualitative information

To implement the Parent Company Board resolution of 28 September 2005, and in accordance with subsidiary Banco Desio Veneto SpA’s Articles of Association of 9 November 2005, a shareholding plan has been put in hand which envisages the gratuitous granting of stock options for a total of at most 4,000,000 ordinary shares in the new bank, to be issued in future pursuant to Article 2443 of the Italian Civil Code, with a par value of Euro 1.00 each.

The Plan involves a fair number of resources because it takes into consideration the global effort that the Group units, at their different levels, are called upon to put into the new structure, with the aim of achieving the project’s basic target, which is to assist the company’s growth and success in the start-up phase.

The feature of the plan is that it is intended to encourage staff loyalty, inasmuch as it will enable the beneficiaries to become actual members of the shareholding structure. It envisages granting managers a simple stock option (equity settled for the purposes of IFRS 2) in the form of call options on BDV shares structured as follows:

- a call option for managers effective in March 2009 for 50% of BDV shares at the normal value on the date on which the option is vested;
- a further call option for managers effective in March 2011 for the remaining 50% of BDV shares (or 100% of the shares, if the call option has not been exercised on the first 50%), also at the normal value on the date on which the option is vested.

No put options on the part of the managers and/or call options on the part of the Parent Company are therefore planned. For this reason, the implementation of the Plan is not subject to the achievement of set financial or market results, but it is subject to the condition that the assignees are still working with the Group when they exercise their call options (unless they have resigned to enjoy retirement pay), are not carrying out activities that compete with those performed by Group companies and that no disciplinary measures have been taken against them: in other words, nothing must have intervened to impair the relationship of trust that is the basic requisite for the loyalty objective behind the scheme.

For 5 years from the day on which each Beneficiary exercises his/her option, the Parent Company will have an exclusive right of first refusal on the shares assigned and these shares will be deposited with a trust company throughout the period the right is in force.

The Plan is aimed at a group at present identified as consisting of about 70 resources working in the Group and involved in various ways in the start-up of the new bank (Executives and middle managers at the head office and in the network, as well as some external collaborators of the Company and/or the Parent Company and the Managing Director of the Parent Company.).

Bearing it in mind that Banco Desio Veneto has obtained clearance to conduct banking business by virtue of a Bank of Italy order, 3 April 2006, 2,410,000 options had been assigned by 30 June 2006. These may be exercised at the terms and conditions and in the manner under the plan, whose salient points have been quoted above. Also for the purposes of the provisions dictated by Consob, note that the Managing Director and the General Manager of the Parent Company have been assigned no. 375,000 and no. 200,000 shares, respectively.

The strike price of the options assigned in the framework of incorporation was set at Euro 1.00 per share, consistently with the policy mentioned above, that of normal value on the date of vesting. The strike price of the shares assigned after the company starts up its banking activity will correspond to the normal share price at the time of granting as measured on the basis of a special expert assessment.

B. Quantitative information

As is known, IFRS 2 requires companies to recognize the effects of share-based payment transactions in the income statement and in the balance sheet, including the costs involved in transactions in which executives and employees are assigned share options, even if the transactions are conducted on the basis of payment not in cash but in shares (equity settled), while the allocation to different items in the balance sheet holds good (in this case to equity).

The Black & Scholes model has been used for the valuation of the options; apart from the vesting period and the strike price, which have already been specified, the basic assumptions adopted for valuation are:

- initial calculation date coinciding with that envisaged for the start-up of Banco Desio Veneto operations, as at 1 October 2006.

Banco Desio Group

- last period of exercise: as from 20 March 2011 to 20 May 2011. The exercise of the option is subject to the condition that the person concerned is an employee of the Bank, of the Parent Company or in any event of a Banco Desio Group company. 20 May 2011 is also taken as the final expiration date for the option;
- risk-free rate of interest: a margin of from 3.15% to 3.25% is considered for the rate of return on the BTP (Long-term Treasury Bonds) maturing in the first half-year of 2011;
- expected volatility has been calculated taking it into account that the BDV stock is not listed, nor is it expected to be listed during the next 3-4 years; consequently an instrument issued by a listed Bank was sought that was to some extent comparable with the BDV stock at least in that low numbers are traded every day and in that it belongs to a bank with marked regional characteristics. The choice thus fell on the Banca Popolare di Sondrio stock, listed on the Expandi (formerly Restricted) market. As the technical measurement of the volatility of this stock, the standard deviation of daily quotations from 1 January 2005 to 30 April 2006 was adopted, the result being about 8%; finally, the figure of 10% was prudentially adopted for the volatility of the Bank's shares.
- the so-called dividend yield considered is 3.0%.

Now, the result is a unit value of the options of Euro 0.08098, with a total value of Euro 195,167. The costs accruing over the periods involved are set out in the table below.

Years	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	20/05/2011	Total
Days	92	365	365	365	365	140	1,692
Cost for the period	10,612	42,102	42,102	42,102	42,102	16,149	195,167

The share attributable to the half-year is estimated at € 5.248,50.

"Chiara Assicurazioni SpA" Stock Option Plan

A. Qualitative information

To implement the Parent Company Board resolution of 12 April 2006, and in accordance with subsidiary Banco Chiara Assicurazioni SpA's Articles of Association of 20 June 2006, a shareholding plan has been put in hand which envisages the gratuitous granting of stock options for a total of at most 2,075,000 ordinary shares in the new bank, to be issued in future pursuant to Article 2443 of the Italian Civil Code, with a par value of Euro 1.00 each.

The Plan involves a fair number of resources because it takes into consideration the global effort that the Group units, at their different levels, are called upon to put into the new structure, with the aim of achieving the project's basic target, which is to assist the company's growth and success in the start-up phase. The feature of the plan is that it is intended to encourage staff loyalty, inasmuch as it will enable the beneficiaries to become actual members of the equity structure. It envisages granting managers a simple stock option (equity settled for the purposes of IFRS 2) in the form of call options on "Chiara" shares. These can be exercised during the months of April-May 2009, or 2010, or 2011.

No put options on the part of the managers and/or call options on the part of the Parent Company are planned. Therefore, the implementation of the Plan is not subject to the achievement of set financial or market results, but it is subject to the condition that the assignees are still working with the Group when they exercise their call options (unless they have resigned to enjoy retirement pay), are not carrying out activities that compete with those performed by Group companies and that no disciplinary measures have been taken against them: in other words, nothing must have intervened to impair the relationship of trust that is the basic requisite for the loyalty objective behind the scheme.

For 5 years from the day on which each beneficiary exercises his/her option, the Parent Company will have an exclusive right of first refusal on the shares granted and these shares will be deposited with a trust company throughout the period the right is in force.

The plan is aimed at a group at present identified as consisting of about 240 resources working in the Group and involved in various ways in the start-up of the new bank (Executives and middle managers at the head office and in the field, some external collaborators of the Company and/or the Parent Company and the Managing Director of the Parent Company.).

Banco Desio Group

2,038,000 options had been assigned by 30 June 2006. These can be exercised at the terms and conditions and in the manner prescribed under the plan, whose salient points have been quoted above. Also to comply with Consob requirements, note that the Managing Director and the General Manager of the Parent Company were assigned no. 276,000 and no. 50,000 shares, respectively.

The strike price of the options assigned in the framework of incorporation was set at Euro 1.33 per share, consistently with the policy mentioned above, that of normal value on the date of vesting. The strike price of the shares assigned after the company starts up its banking activity will correspond to the normal share price at the time of assignment as measured on the basis of a special expert assessment.

B. Quantitative information

As already mentioned, IFRS 2 requires companies to enter the effects of share-based payments in the income statement and in the equity-financial position, including the expenses related to transactions whereby managers and employees are granted stock options, even if the transactions are conducted on the basis of payment not in cash but in shares (equity settled), while the allocation to different items in the balance sheet holds good (in this case to equity).

The Black and Scholes model has been adopted for option valuation; contractual terms and conditions and basic assumptions taken for valuation are:

- initial calculation date coinciding with that envisaged for the start-up of Chiara Assicurazioni Spa operations, as at 1 December 2006.
- last period of exercise: as from 20 March 2011 to 20 May 2011. The exercise of the option is subject to the condition that the person concerned is an employee of the Bank, of the Parent Company or in any event of a Banco Desio Group company. 20 May 2011 is also taken as the final expiration date for the option;
- risk-free rate of interest: a margin of from 3.15% to 3.25% is considered for the rate of return on the BTP (Long-term Treasury Bonds) maturing in the first half-year of 2011;
- expected volatility: it was estimated at 13.50%, taking account of the average volatility, during the last quarter, of a basket of securities of insurance companies listed in the Stock Exchange of Milan, and reduced by 50% given the nature of newly-established captive company.
- the dividend yield considered is 3.15%.

Now, the result is a unit value of the options of Euro 0.136447, with a total value of Euro 278,118. The costs accruing over the periods involved are set out in the table below.

Years	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	20/05/2011	Total
Days	31	365	365	365	365	140	1,631
Cost for the period	5,286	62,240	62,240	62,240	62,240	23,873	278,118

It is to be pointed out, however, that the portion accruing in the half-year is not reported in the income statement at 30 June 2006 because the maturing of the options is subject to obtaining clearance to conduct insurance business from ISVAP.

“Anima” Stock Option Plan

As regards the stock options set up by subsidiary **ANIMA SGRpa** in the context of its listing plan, it should be recalled that the SGR (Asset Management Company) Shareholders' Meeting of 30 June 2005 gave the Board of Directors the power to increase the Company's share capital for a consideration on one or more than one occasion during a period of 5 years from that date, for a maximum nominal amount of Euro 85,000, through the issue of a maximum number of no. 1,700,000 ordinary shares, with a par value of Euro 0.05 each, to be reserved for a stock option for the employees of the SGR.

Banco Desio Group

During 2005, some SGR employees were assigned 1,695,000 options, which may be exercised at the terms and conditions and in the manner prescribed under the plan, and, specifically, at the following times:

- after listing on the Electronic Stock Market on 26 October 2005, at the placement price of Euro 3.30 euro, the strike price was set at this amount;
- the option rights that have matured may be exercised on each business day in each of the twenty-four calendar months after 1 July 2008.

As already mentioned, IFRS 2 requires companies to enter the effects of share-based payments in the income statement and in the balance sheet position, including the expenses related to transactions whereby managers and employees are granted stock options, even if the transactions are conducted on the basis of payment not in cash but in shares (equity settled), while the allocation to different items in the balance sheet holds good (in this case to equity).

The Black and Scholes model has been adopted for option valuation; contractual terms and conditions and basic assumptions taken for valuation are:

- period of exercise: 30 June 2008 to 30 June 2010. The exercise is conditional on the person concerned being a Company employee. 30 June 2010 is also assumed to be the option expiration date;
- risk-free interest rate: a rate equal to 2.991% has been considered;
- expected volatility has been calculated on the basis of the volatility that has characterised the stock on the market on which it is listed during the period 26/10/2005 to 30/12/2005. The standard deviation, 25.840%, has been adopted as the technical criterion for measurement;
- the so-called dividend yield considered was equal to 3.50%

On the basis of the above factors, the result is an option unit value of Euro 0.58869 for a total value of Euro 997,830. This cost must be spread over more than one financial year according to the following scheme:

Year	2005	2006	2007	2008	2009	2010	Totals
Days	66	365	365	365	365	182	1,708
Cost for the period	38,558	213,236	213,236	213,236	213,236	106,326	997,830

The share attributable to the half-year is estimated at Euro 106.618.

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of
Banco di Desio e della Brianza SpA

- 1 We have performed a limited review of the consolidated interim financial statements consisting of balance sheet, statement of income, statement of changes in net shareholders' equity and statement of cash flows (hereinafter "accounting statements") and related explanatory notes included in the interim financial reporting of Banco di Desio e della Brianza SpA for the period ended at 30 June 2006. The interim financial reporting is the responsibility of Banco di Desio e della Brianza SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.
- 2 Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

- 3 Regarding the comparative data of the prior year consolidated financial statements presented in the accounting statements, reference should be made to our report dated 12 April 2006. The comparative data of the prior year interim financial reporting, as stated by the Directors in the explanatory notes, have been modified compared to the data previously subjected to limited review, for which reference should be made to our report dated 28 October 2005.
- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated accounting statements and related explanatory notes, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 19 September 2006

PricewaterhouseCoopers SpA

Signed by
Fabrizio Piva
(Partner)

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