Report on Operations 2012

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

Corporate offices

Board of Directors

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

** Members of the Executive Committee*

Board of Statutory Auditors

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

General Management

General Director	Claudio Broggi
Vice General Director	Marco Sala

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

Nominated Official in charge of drawing up Company Accounts	Piercamillo Secchi

PREAMBLE

The data and indexes indicated in this *Report on operations*, in addition to the comments on the breakdowns of the items and the changes that occurred, make reference, if applicable, to the Balance Sheet of the Financial Statements layout, as well as to the reclassified Income Statement, as outlined in the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

Following the letter of the Bank of Italy of 16 January 2013 - index no. 0051159/13, the “quick loan application commissions” as at 31 December 2012 were reclassified from the item “Fee and commission income” to the item “Other operating expenses/(income)”. In order to make the comparison of each item uniform, this reclassification was also carried out with reference to 31 December 2011.

It is also noted that, for the sake of consistency in comparing the figures, some charts in this *Report on Operations* concerning also the years before 2011, include for those years aggregate values of Banco di Desio e della Brianza S.p.A. with the then subsidiaries Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A., following the merger of the latter in the Bank as from 1 October 2011.

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

Amounts in thousands of Euros	31.12.2012	31.12.2011	Change Amount	%
Total assets	7,955,844	7,391,542	564,302	7.6%
Financial assets	1,159,071	1,001,436	157,635	15.7%
Amounts due from banks	221,896	167,016	54,880	32.9%
Amounts due from customers	6,126,945	5,774,850	352,095	6.1%
Tangible assets	141,163	143,777	-2,614	-1.8%
Intangible assets	8,425	8,384	41	0.5%
Amounts due to banks	468,023	393,373	74,650	19.0%
Amounts due to customers	4,365,020	3,513,235	851,785	24.2%
Securities issued and financial liabilities at fair value through profit or loss	2,130,207	2,543,123	-412,916	-16.2%
Shareholders' equity (including net proft for the period)	776,469	745,679	30,790	4.1%
Total indirect deposits	10,252,796	9,943,316	309,480	3.1%

INCOME STATEMENT DATA [(1)]

Amounts in thousands of Euros	31.12.2012	31.12.2011	Change Amount	%
Operating income	308,592	298,141	10,451	3.5%
of which net interest income	*172,155*	*178,757*	*-6,602*	*-3.7%*
Operating costs	188,543	197,961	-9,418	-4.8%
Operating margin	120,048	100,180	19,868	19.8%
Profits/(losses) after taxes from continuing operations	22,475	35,535	-13,060	-36.8%
Non-recurring profit after taxes	-13,270	7,700	-20,970	-272.3%
Net profit/(loss) for the period	9,205	43,235	-34,030	-78.7%

[(1)] *from reclassified Income Statement*

FINANCIAL RATIOS

	31.12.2012	31.12.2011	Change Amount
Shareholders' equity / Total assets	9.8%	10.1%	-0.3%
Shareholders' equity / Amounts due from customers	12.7%	12.9%	-0.2%
Shareholders' equity / Amounts due to customers	17.8%	21.2%	-3.4%
Shareholders' equity / Securities issued and Financial liabilities at fair value through profit or loss	36.5%	29.3%	7.2%
Tier 1 capital / Weighted asset (*Tier1*)	18.3%	17.0%	1.3%
Overall assets / Weighted asset *(Total capital ratio)*	20.1%	18.4%	1.7%
Financial assets / Total assets	14.6%	13.5%	1.1%
Amounts due from banks / Total assets	2.8%	2.3%	0.5%
Amounts due from customers / Total assets	77.0%	78.1%	-1.1%
Amounts due from customers / Direct deposits from customers	94.3%	95.4%	-1.1%
Amounts due to banks / Total assets	5.9%	5.3%	0.6%
Amounts due to customers / Total assets	54.9%	47.5%	7.4%
Securities issued and Financial liabilities at fair value through profit or loss / Total assets	26.8%	34.4%	-7.6%
Direct deposits from customers / Total assets	81.6%	81.9%	-0.3%
Operating costs / Operating income (Cost/Income ratio)	61.1%	66.4%	-5.3%
Net interest income / Operating income	55.8%	60.0%	-4.2%
Operating margin / Operating income	38.9%	33.6%	5.3%
Operating profit net of taxes / Shareholders' equity	2.9%	4.8%	-1.9%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	1.2%	6.2%	-5.0%

STRUCTURE AND PRODUCTIVITY DATA

	31.12.2012	31.12.2011	Change Amount	Change %
Number of employees	1,582	1,608	-26	-1.6%
Number of bank branches	164	164	0	0.0%
Amounts in thousands of Euros				
Amounts due from customers by employee (2)	3,841	3,619	222	6.1%
Direct deposits from customer by employee (2)	4,072	3,796	276	7.3%
Operating income by employee (2)	193	187	6	3.2%

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

2 - THE BASELINE SCENARIO

2.1 - THE MACROECONOMIC FRAMEWORK

Coming out of a financial recession is much longer and more difficult than coming out of a cyclical downturn. The current economic phase is no exception; in fact, five years since the outbreak of the big crisis, the international economy has not yet found the pace of the past, and new risks of slowdown are foreshadowed.

The scenario of 2013 will maintain continuity with 2012: moderate growth rates, restrictive tax policies and strong expansive orientation of monetary policies, generally negligible inflationary pressures. Basically, there are three unknown factors around the macroeconomic scenario: the developments of the European crisis, the solidity of the Asian economies in a context of weak global growth and the possibility for the "fiscal cliff" to materialise in the USA.

Emerging Economies

In the third quarter of 2012, the GDP of Russia recorded a 0.8% economic growth rate, accelerating compared to the second quarter (+0.4%). Consumption increased at constant rates of around 1% and the growth rate of investments accelerated from 1.2% to 1.7%: the solidity of these domestic demand items resulted in a strong growth in imports and exports after two setbacks; during the last available quarter they increased again. The high oil price keeps the trade surplus considerably high and despite the political problems and the economic outlook that do not make investments particularly attractive to foreign operators, the rouble has however slightly increased.

In the fourth quarter of 2012, good performances in the farming and services industries led tow an overall annual increase of Chinese GDP of 7.8%. However, such rate is still the worst, even compared to the one achieved during the global crisis. The figures of the third quarter should have represent the lowest point of the Chinese economy, in that all the figures from September to November indicate that the economy had passed its lowest point, although the recovery is still weak.

The climate surveys conducted during the third quarter of 2012 still showed an economic slowdown and a decline in business confidence, although expectations for the fourth quarter of the year are improving. Despite the economic slowdown, inflation remains high; inflation risks are on the way up and limit the space of interest-rate slackening by the Central Bank.

In Brazil, the economic policy was less expansive and less explicit in communicating to the internal and external operators its ultimate laim. Barriers were introduced on capital movements, some prices were administered to control for inflation and the incentives to the industrial sector were subordinated to interventions in the labour market.

United States

In the third quarter, the GDP of the United States increased by 2.6%, on the rise compared to the two previous quarters. The increase in inventories and in public expenditure was the drivers of the US economic growth. The contribution of consumption was equal to +1% while net exports and investments contributed by +0.1%. The labour market remains weak despite the decline in the unemployment rate for four subsequent quarters. However, the decline is mostly due to the reduction of the civilian labor force participation: the employment rate continues to gravitate around 59%, a figure well below the pre-crisis average. The industrial production was substantially stable, while the degree of utilisation of industrial production capacity decreased. The sentiment indicators of businesses and consumers, after reaching their lowest point at the end of the first half of 2012, started to increase reflecting the recovery of economic growth. Inflation shrank. The real estate market remained fragile.

With reference to the public finance, the provisional figures of 2012 indicate an 8.5% growth in net indebtedness, lower than 10.1% in 2011. However, the debt-to-GDP ratio increased (107.1%) from 102.9%.

Japan

The Japanese economy is in recession: the figures of the third quarter showed a sharp GDP contraction whose major points of weakness were the reduction in productive investments and especially the fall in exports. The loss of competitiveness due to the appreciation of the Yen coincided with a moment of weakness in worldwide demand in addition to the disputes with China over the Senkaku/Diaoyu islands that negatively affected exports of consumer goods, electronics and cars, in particular. At the end of 2012, all the indicators worsened, from industrial production to the business and family confidence indexes, and a further sharp contraction in GDP is expected in this scenario.

Euro Zone

Starting from the last quarter, the economic growth of the Eurozone has been gradually slowing down. In the third quarter of 2012, GDP decreased by 0.2%. A positive contribution came from exports, whereas the contribution of private consumption, inventories and investments was negative. Only Germany and France enjoyed a positive GDP growth.

Unemployment remains a major concern. From the beginning of the crisis, the unemployment rate gradually increased, reaching 11.7% in October, which is around 1.5% higher than 2011's average rate. Industrial production slowed down over the last twelve months (-2.9% y-o-y).

In the first ten months of the year, inflation decreased by a tenth of a percentage point. The core component followed a similar trend decreasing from 2% to 1.7%. Producer's prices after touching the lowest point in April have edged up progressively. From the beginning of 2012, business confidence started to deteriorate gradually as a result of the sovereign debt crisis of some countries of the area, Greece and Spain in particular, and the consumer confidence indexes worsened gradually as well.

Italy

The Italian economy continued to slow down, albeit at a slower pace than the previous months. In the third quarter of 2012, GDP decreased by just 0.7% on an annual basis, which represented an attenuation of the negative trend. All components of domestic demand were decreasing. Private consumption decreased by 1%, while gross fixed investment fell by 1.4%. Only contributions from net exports and inventories were positive for the determination of the GDP.

The labour market continues to be one of the main factors of weakness: the latest available figures show a sharp increase in levels of unemployment (10.5%); a figure that is even more worrying if we consider that the youth unemployment rate rose to 36.5%.

The trend of industrial production continues to be a major concern. The slowdown that began in April 2012 continued throughout 2012: at the end of October, production fell by 5.9% on an annual basis. The drop in goods and consumer goods was significant. The harmonised inflation rate gradually decreased in 2012 reaching +2.8%. Both the business confidence index and the mood of the consumers showed in a sharp decline.

2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

In December, international share prices had favourable trends: Standard & Poors increased on an annual basis by 14.3%, on an annual basis, Dow Jones Euro Stoxx by 16% and Nikkei 225 by 15.9%. The main European stock indexes showed the following changes: Ftse Mib increased by 6.6% on annual basis, Dax30 by 29.3%, Ftse100 by 8.1% and Cac by 17.5%. With regard to the main markets of the new economy, the following trends were reported: Nasdaq recorded an annual change of 15.4%, whereas Tec Dax one of 23%. At the same time, major banking indexes recorded the following annual trends: S&P 500 Banks: +23.5%, Ftse Italian banks: -4.7% and Dow Jones EuroStxx Banks: +12.1%. In December 2012, the capitalisation of the Eurozone stock market also showed a positive performance, on a cyclical basis (+4.2%) and on an annual basis (+17.4%). Within the Eurozone, capitalisation was equal to 9.2% of the total in Italy, 31.3% in France and 27% in Germany. With specific reference to Italy, the overall capitalisation of the stock market came to Euro 373 billion at the end of November (Euro -29 billion compared to December 2011). The overall impact of bank capitalisation reached 17.1% compared to 28.3%, the value posted at the beginning of the financial crisis.

With reference to the banking system, the growth rate of domestic borrowing appeared to have settled at the end of 2012, while the trend in foreign borrowing showed a decrease. The tendential growth rate of deposits in Euro of the Italian banks came to +1.2%. Specifically, deposits from customers recorded a tendential growth rate of 5.7%, while the annual change in bonds was negative and equal to -7%. The average yield of bank borrowing increased slightly; the average rate of bank deposits from customers came to 2.08% in December 2012, from 2% in December 2011.

At the end of 2012, the drop in bank loans started to attenuate; based on initial estimates, total loans to residents in Italy reported a -1.7% on an annual basis. Loans to households and non-financial businesses recorded an annual decrease of 1.9% compared to the European average of -1%. The short-term segment showed a 0.8% decrease, while the medium/long-term segment showed a 2.3% decrease on an annual basis. At the end of October, loans to businesses decreased by 3.9%, whereas loans to households increased by 5.3% on annual basis. The trend of loans was affected by the decline in investments. Rates on loans settled down, but always at moderate levels; the weighted average rate on the total of household and non-financial business loans was 3.78%, below 45 basis points from the value of December 2011.

3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST

3.1 - THE DISTRIBUTION NETWORK

In the context of the financial crisis and the downturn in the reference scenario, in 2012 the Bank kept unchanged the breakdown of its distribution network consisting of 164 branches.

The distribution network continues to be marked by the increasing central role given to customers relationships. The expansion completed in recent years was aimed at putting roots down in the geographic area the Bank has always been associated with historically, in adjacent and complementary areas and at taking advantage of other local opportunities. This initiative led to the Bank to intensify its presence in Lombardy and expand to Emilia, Piedmont, Liguria, Tuscany and Veneto.

The chart below reports the breakdown of the local presence by regions, while the subsequent chart shows the dimensional growth reached in the last few years that, albeit considering the strengthening of the year 2012, corresponds to a Compound Annual Growth Rate of 3% in the last three year period.

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

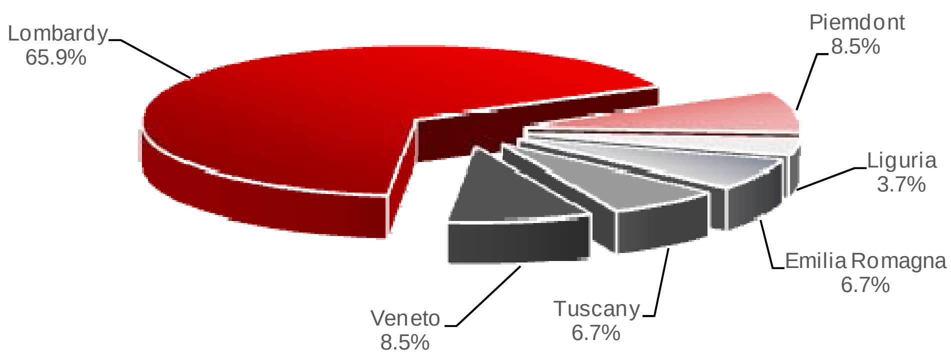
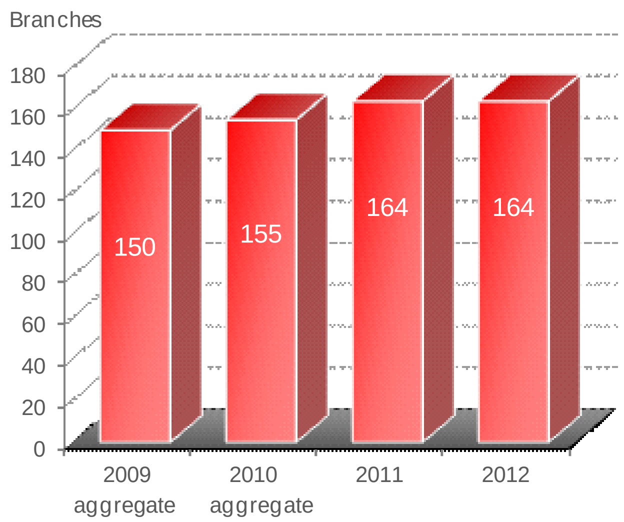


Chart no. 2 - **THE DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS**



3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

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

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

Appointment of new Managing Director of the Parent Company

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

Appointment of Independent Auditors

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

Credito Privato Commerciale SA in liquidation

In line with the strategy of discontinuing the Group's presence and operations on the Swiss territory, following an unsuccessful disinvesting strategy, the Board of Directors of the Parent Company decided to place the indirect subsidiary Credito Privato Commerciale (hereinafter also "CPC") into voluntary liquidation on 31 May 2012. The resolution of the Extraordinary Shareholders' Meeting of the subsidiary was passed on 8 June 2012.

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

On 26 July 2012, the Parent Company paid around Euro 41.7 million (Swiss francs 50 million) to cover the recapitalisation of the subsidiary CPC in liquidation in accordance with the instructions and methods indicated by FINMA (Swiss Financial Market Supervisory Authority), and was transformed into a share capital increase following the transfer of the equity investment in CPC in liquidation from Brianfid-Lux S.A. to the Parent Company. This last transaction was completed on 4 October 2012.

The liquidation is continuing regularly enough to assume that the substantial closing can take place well before the supposed 5 / 7 years; to date, the liquidator has not changed the initially prepared liquidation plan.

The application of the international accounting standards (IAS/IFRS) adopted by the Banco Desio Group to draft the financial statements of Banco di Desio e della Brianza had a negative impact on the income statement of around Euro 31.1 million (item "Profits (losses) on equity investments"), corresponding to the assessment of the impairment of the investment in CPC. It is also pointed out that, always in pursuance of the international accounting standards (IAS/IFRS) adopted by the Banco Desio Group, the Group consolidated financial statements had a negative impact on the consolidated income statement as at 31 December 2012 amounting to around Euro 15.5 million (item "Value adjustments of goodwill"), corresponding to the elimination of the value of goodwill in CPC.

Brianfid-Lux SA in liquidation

During October, the Extraordinary Shareholders' Meeting of the financial subsidiary Brianfid-Lux SA, following the write-down of the entire equity investment of CPC SA due to the placing in liquidation of the latter, resolved to cover the loss totalling Euro 26.9 million by reducing the share capital from Euro 27.9 million to Euro 4 million and for the remaining part through the use of reserves.

On 25 October 2012, as part of the strategic decision of refocusing its activity on the domestic core business and resizing the Group's presence in Luxembourg, the Parent Company resolved to start the procedures for the voluntary liquidation of the Luxembourgian subsidiary. The related resolution was passed by the Extraordinary Shareholders' Meeting of Brianfid–Lux on 14 December 2012.

The liquidation is continuing regularly and could be completed by the end of the year.

Note that a work lawsuit brought against Brianfid-Lux SA by a former manager - who was dismissed in October 2012- is in progress.

The management activity origined by the Luxembourgian Rovere Société de Gestion SA remains operational: its majority stake (70%) was transferred from Brianfid-Lux SA to the Parent company on 14 December 2012.

Bancassurance

During December, the Bank signed with the Helvetia Insurance Group long-term trade partnership agreements that, as a result of a positive testing in the Life segment were extended to the Non-life segment.

Chiara Vita S.p.A.

As part of the “bancassurance” agreements on 21 December 2012, the Bank completed the sale to the Helvetia Insurance Group of the remaining 30% equity investment held in Chiara Vita S.p.A.

Chiara Assicurazioni S.p.A.

The Extraordinary shareholders’ meeting of the subsidiary Chiara Assicurazioni S.p.A. resolved on 22 October 2012 the share capital increase of Euro 3 million of which Euro 2 million paid by the Parent company according to its share. Euro 2.75 million of this capitalisation issue originates from shareholders' payments on account of capital, non-interest bearing and with no maturity, carried out in March 2012 with capital strengthening purposes of the Company.

As part of the “bancassurance” agreements mentioned above, the Bank signed, together with the other banking partners, the commitment to transfer to the Helvetia Insurance Group the controlling share of Chiara Assicurazioni S.p.A., which is expected to be completed during the first half-year of the current year once the purchaser has obtained the authorisation of IVASS.

Legal investigations

Parent company: dismissal by the Public Prosecutor’s Office of Monza of the enquiry file with regard to the President and ex manager of the Parent Company

With regard to criminal proceedings no. 10490/11 with the Public Prosecutor's Office of Monza, the examining magistrate, during last September, upheld the request formulated by the Crown Prosecutor for the dismissal of the legal investigation opened some time ago for criminal conspiracy (Article 416 of the Italian Criminal Code) and money laundering (Article 648-bis of the Italian Criminal Code) against the President, former Managing Director and former General Manager.

It should be noted that the investigations in question were subsequent to a complaint filed by a former employee, whose dismissal in 2008 resulted in a work lawsuit that during January 2012 was successful in first instance for the Parent Company. The former employee filed an appeal and the proceedings of second instance are still in progress.

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

  On 3 January 2012, former employees of the Group received notification of a request for committal for trial submitted by the Public Prosecutor's Office of the Court of Rome, within the context of judicial proceedings concerning, among others, a number of parties who at the time of the alleged events, which date back to 2009, were representatives of the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A., as well as third parties with respect to the Companies themselves.

  As the alleged events included offences that entail the administrative liability of legal persons, pursuant to Legislative Decree 231/2001 Banco Desio Lazio S.p.A. is involved in the abovementioned proceedings, in relation to the unlawful administrative act contested envisaged under articles 5 of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then Managing Director of the Company itself, as a result of the administration relationship existing at that time.

  Credito Privato Commerciale S.A. is involved in relation to the unlawful administrative act contested envisaged under articles 5 and 25-octies of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then General Manager of the Company itself, as a result of the management relationship existing at that time.

  In light of the above, the Boards of Directors of each of the two subsidiaries has approved, already in the 2011 financial statements, in order to be prudent, the setting aside of a specific provision amounting to the average of the minimum and maximum penalties envisaged by law. On the basis of the activities carried out and the checks performed thus far in relation to the conditions for a plea bargain, the defence lawyer for the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. confirmed the exclusion of any risk of any other nature: in particular, we highlight that the banks have taken steps to adopt and implement an appropriate organisational model, as shown in paragraph 5 below, and before the next hearing (finally postponed to 19 April 2013), they will also take steps to implement the remaining conditions that are required in order to rule out the application of disqualifying sanctions on the performance of banking activities under article 17 of Legislative Decree 231/01.

  Moreover, Credito Privato Commerciale S.A. was in the meantime put into liquidation as already reported under the specific point.

Conclusion of the inspection procedures by the Bank of Italy at the Parent Company

The supervisory inspection launched on 21 November 2011 at the premises of the Parent Company Banco di Desio e della Brianza S.p.A. was concluded on 6 April 2012.

On 21 June 2012, the findings and objections raised regarding the outcome of the inspection visits were delivered to the Board of Directors and the Board of Statutory Auditors: they were summarised in a “partially unfavourable” opinion.

On 26 July 2012, the Board of Directors approved the resulting communications and counter-claims regarding the irregularities highlighted in the inspection report that formed the launch pad for starting, or rather speeding up, the processes of modernisation of the Parent Company's structure in terms of Group governance aspects and of the technical-organisational structure for an effective risk governance. This resulted in an action plan with gradual releases and in any case with completion by the end of March. Bank of Italy was constantly updated on the progress made on the projects.

4 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Approval of the 2013-2015 three-year Business Plan

On 20 March 2013, the Board of Directors of the Parent Company approved the 2013 - 2015 three-year Business Plan of the Group whose main guidelines are set below:

- ✓ *further focus on the retail business;*
- ✓ *relaunch of the business base;*
- ✓ *territorial restructuring;*
- ✓ *careful management of credit risk;*
- ✓ *strong focus on costs.*

and which provides the following targets for 2015:

- ✓ *amounts due from customers and direct deposits more than 5% (Cagr 2013-2015);*
- ✓ *indirect deposits more than 3% (Cagr 2013-2015);*

At the end of 2015, these increases are expected to produce:

- ✓ *Net interest and other banking income (intermediation margin) +5% (Cagr 2013-2015);*
- ✓ *net profit around Euro 40 million:*
- ✓ *cost/income around 58%:*
- ✓ *core tier 1 more than 11% and total capital ratio more than 12.5% for all the years of the plan.*

5 - LEGISLATIVE DECREE 231/2001

In the framework of measures taken as regards the issue of administrative liability of companies for offences committed by their members and/or employees, in 2004 the Board of Directors of the Parent Company resolved to adopt an Organisational and Management Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001 (hereinafter referred to as "Model 231").

During 2012, an organised project was carried out aimed at a comprehensive review of Model 231 and its customisation at each Company of the Group. As part of this project, the list of offences was updated and the "protocols" of behaviour were implemented to provide for the offences with respect to which an Administrative liability of the Company may arise.

Note that on 27 September 2012 the Board of Statutory Auditors took on the Supervisory Body functions of the Parent Company pursuant to the mentioned Legislative Decree 231 (previously carried out by the Internal Control Committee), taking into account the provision of paragraph 4 bis of Article 6 of the mentioned Legislative Decree 231/2001, introduced by Article 14, paragraph 12, Law no. 183 of 12 November 2011 (the so-called "2012 Stability Law"), as well as a specific indication of the Code of Conduct for Listed Companies. The subsidiaries Banco Desio Lazio S.p.A. and Fides S.p.A. adopted a similar solution.

The Model 231, together with the Code of Ethics, is published on the Group's website.

6 - HUMAN RESOURCES

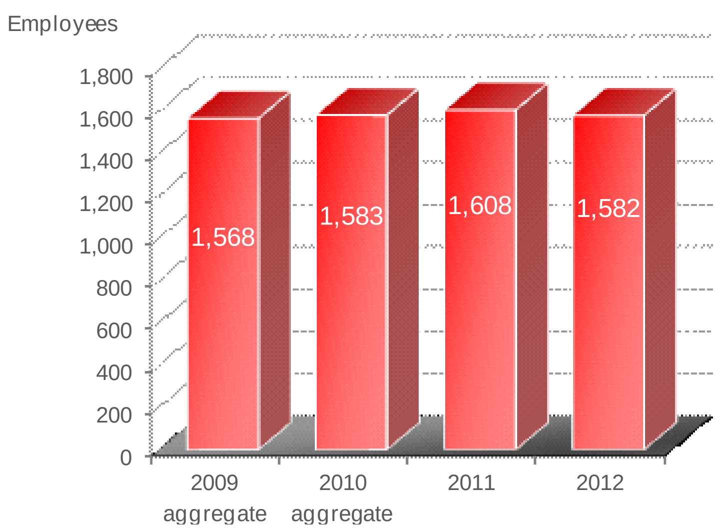
6.1 - MANAGEMENT AND BREAKDOWN OF THE RESOURCES

While respecting the characteristics of the organizations, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in interregional offices.

As at 31 December 2012, the subordinate staff amounted to 1,582 employees, with a decrease of twenty-six resources compared to the previous year, corresponding to 1.6%.

The increase in the number of staff in the last three-year period 2010-2012 corresponded to an average compound annual growth rate equal to 0.3%, lower than that registered in the distribution network (3%).

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



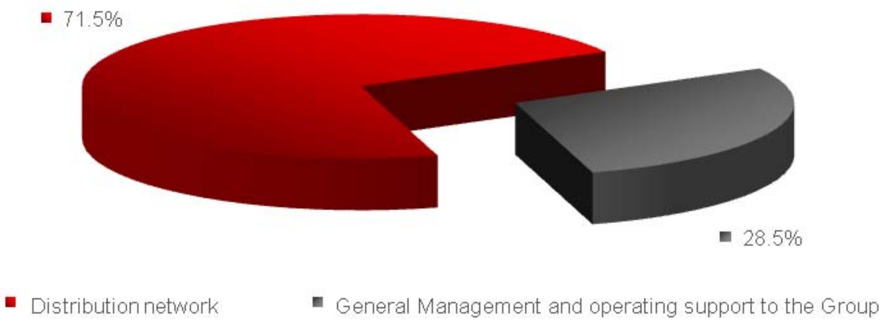
The table below shows the breakdown of staff by grade.

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

No. of Employees	31.12.2012	Percentage breakdown	31.12.2011	Percentage breakdown	Changes Value	Changes %
Executives	27	1.7%	28	1.7%	-1	-3.6%
3rd and 4th level managers	388	24.5%	397	24.7%	-9	-2.3%
1st and 2nd level managers	448	28.3%	451	28.1%	-3	-0.7%
Other personnel	719	45.5%	732	45.5%	-13	-1.8%
Staff	**1,582**	**100.0%**	**1,608**	**100.0%**	**-26**	**-1.6%**

The chart below reports the breakdown of staff employed at the end of the financial year between General Management and operating support to the Group and Distribution Network.

Chart no. 4 - **BREAKDOWN OF THE STAFF IN EMPLOYMENT BY AREA OF REFERENCE**



The average age of employees at the end of the period was 44 years, while the percentage of female staff increased to 35.5%.

6.2 - TRAINING ACTIVITIES

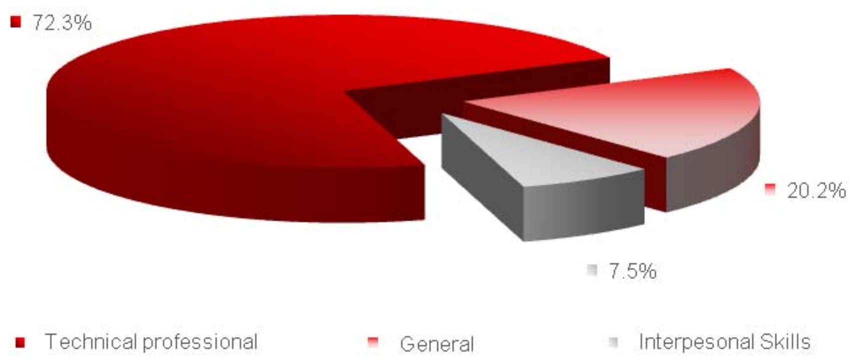
With reference to training activities, which is a distinctly effective partner in growth processes and in developing resources, in accordance with the directives and procedures envisaged at Group level, the financial year saw the implementation of an overall number of 8,236 man/days, counting in-house courses, conferences, external seminars and online training activities, which correspond to 5.2 average training days for each employee, increasing by 8.8% compared to the total of the previous year.

The provision of training in 2012 is broken down according to the types outlined below:

- “General”: offers courses targeted at all professional families and with the objective of developing cross sector skills;
- “Technical-professional”: includes courses aimed at developing the technical skills of staff who are starting out in the performance of specific tasks or those interested in consolidating or further improving skills that are relevant to the position held;
- “Inter-personal skills”: aims to develop behavioural skills and facilitate the spreading of the business culture as well as the internalisation of the company values.

The chart below reports the percentage breakdown of the days of training meetings for the three types specified.

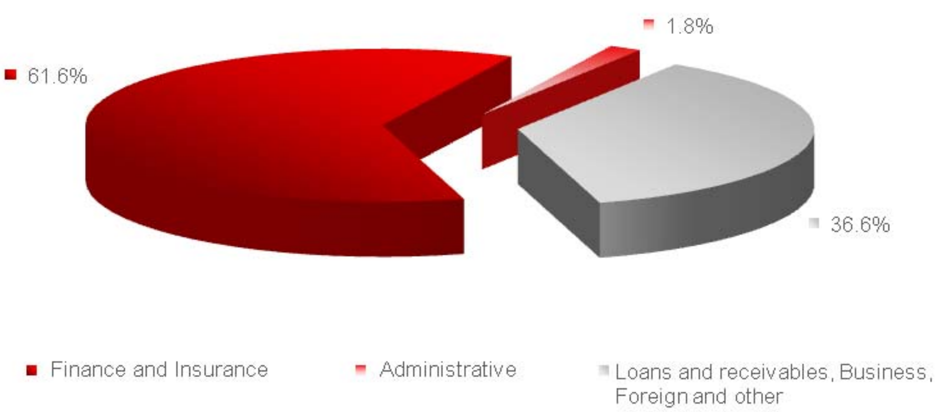
Chart no. 5 - **DAYS IN THE YEAR 2012: BREAKDOWN BY TYPE OF TRAINING OFFER**



Within the scope of "General" training activities, note the importance attached to the actions for compliance with the regulations in force; specifically, attention was paid to the issues concerning "Money Laundering", "Legislative Decree 231/2001", "Transparency" and "Safety at Work”.

Regarding the "Technical professional" training, the percentage breakdown of the meetings held based on the classification of the issues dealt with by sectors concerned is represented in the following chart.

Chart no. 6 - **TECHNICAL PROFESSIONAL TRAINING IN THE YEAR 2012: BREAKDOWN BY SUBJECT**



The activity carried out, which particularly affects the "Loans" area, is composed of courses aimed at the further growth of professionals with a significant commitment to the planning of specific activities for the support and consolidation of skills, given the complexity and the changing needs of the market caused by the difficult and fragile macroeconomic situation.

In the "Finance and Insurance" segment, we note the delivery of the classroom training programme relating to "Succession planning" in addition to an on-line session extended to all resources authorised to carry out insurance brokerage activities. In the Private Banker world, we note the training activity “Business coaching” aimed at developing and improving interpersonal skills.

As regards the "Interpersonal Skill" initiatives, we highlight the intensification of the training programme to develop "commercial" skills launched in 2011, which pursues the objectives of improving interpersonal performance during the commercial offer phase as well as increasing knowledge of clients, on which the Group has always focused.

In general, the organisation of the training provision has led to the use of channels that supplement the traditional classroom; in this regard we highlight the use of distance learning modules (FAD), manuals to support working activity and periods of working alongside subject experts.

The focus placed by the Group on the growth and development of professional skills was recognised and supported also in 2012 by the Fondo Banche Assicurazioni (FBA) (Banks and Insurance Companies Fund), through a finance programme for the activities provided in the year.

6.3 – LABOUR RELATIONS

In the context of trade union relations, which have always been characterised by a cordial and constructive relationship, the procedures of comparison with the Trade Unions provided by the current National Collective Labour Agreement for the sector were activated during 2012.

The Bank defined the trade-union agreement of renewal on the “social-security fund” and examined the requests submitted by the company trade unions for the renewal of the Supplementary Company Agreement that will be negotiated exclusively as regards the subjects expressly referred to by the National Collective Labour Agreement (CCNL, Contratto Collettivo Nazionale di Lavoro) for the sector. During this procedure, the 2nd-level supplementary bargaining was confirmed.

7 - CONTROL ACTIVITIES

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

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

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

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

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

Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website as well at the same time as this Report, to which reference is made.

7.2 - INTERNAL CONTROL SYSTEM

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

Company's financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website as well at the same time as this Report, to which reference is made.

7.3 - RISK MEASUREMENT AND MANAGEMENT

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

8 - MANAGEMENT PERFORMANCE

8.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets came to about Euro 16.7 billion, with an increase both in direct deposits of 7.2% and in indirect deposits of 3.1%, albeit within the context of the international economic and financial crisis that significantly affected stock prices. The aggregated amount records a total growth of Euro 0.7 million, i.e. 4.7% compared to the total of the previous year.

The breakdown and balances of the items are shown in the table below.

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

Amounts in thousands of Euros	31.12.2012	Percentage breakdown	31.12.2011	Percentage breakdown	Change Value	Change %
Amounts due to customers	4,365,020	26.1%	3,513,235	22.0%	851,785	24.2%
Securities issued and Financial liabilities at f.v.	2,130,206	12.7%	2,543,123	15.9%	-412,917	-16.2%
Direct deposits	**6,495,226**	**38.8%**	**6,056,358**	**37.9%**	**438,868**	**7.2%**
Deposits from ordinary customers	6,972,930	41.6%	6,927,123	43.3%	45,807	0.7%
Deposits from institutional customers	3,279,866	19.6%	3,016,193	18.8%	263,673	8.7%
Indirect deposits	**10,252,796**	**61.2%**	**9,943,316**	**62.1%**	**309,480**	**3.1%**
Total deposits from customers	**16,748,022**	**100.0%**	**15,999,674**	**100.0%**	**748,348**	**4.7%**

Direct deposits

At the end of 2012, the balance of direct deposits increased to about Euro 6.5 billion (+7.2%) as a result of the increase in amounts due to customers (+24.2%), partially adjusted by the decline in securities issued and financial liabilities at fair value (-16.2%).

Amounts due to customers of Euro 4.4 billion represent the most significant item with 67.2% of the overall balance and about Euro 3.6 billion can be referred to "sight" deposits, i.e. current accounts and savings deposits, about Euro 0.6 billion to restricted deposits while a residual part refers to reverse repurchase agreements and other payables.

Securities issued and financial liabilities at fair value refer to bonds issued and placed by the Bank of about Euro 1.9 billion (including about Euro 0.1 billion of subordinated securities) and to deposit certificates of Euro 0.2 billion.

It should be pointed out that, during 2012, the total nominal value of the bond loans issued and placed was around Euro 0.4 billion, while that of the loans repaid upon expiry amounted to about Euro 0.7 billion.

Indirect deposits

In the twelve months, indirect deposits reported an increase of about Euro 0.3 billion, equal to 3.1% of the previous balance, totalling about Euro 10.3 billion.

Deposits from ordinary customers came to about Euro 7 billion (+0.7), with an annual increase of about Euro 0.2 billion (+5.2%) of the asset management segment attributable to the “bank insurance” volumes and a decrease of about Euro 0.1 billion (-2.9%) of administered assets.

Deposits from institutional customers reported an increase of about Euro 0.3 billion compared to the balance of the previous financial year, equal to 8.7%.

The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

Table no. 3 - **INDIRECT DEPOSITS**

Amounts in thousands of Euros	31.12.2012	Percentage breakdown	31.12.2011	Percentage breakdown	Change Value	%
Asset administration	**3,757,389**	**36.6%**	**3,870,257**	**38.9%**	**-112,868**	**-2.9%**
Asset management	**3,215,541**	**31.4%**	**3,056,866**	**30.8%**	**158,675**	**5.2%**
of which: Mut. Fund and Open-end Inv.	*749,979*	*7.3%*	*774,042*	*7.8%*	*-24,063*	*-3.1%*
Portfolio management	*268,443*	*2.6%*	*267,892*	*2.7%*	*551*	*0.2%*
Bank Insurance	*2,197,119*	*21.4%*	*2,014,932*	*20.3%*	*182,187*	*9.0%*
Deposits from ordinary customers	**6,972,930**	**68.0%**	**6,927,123**	**69.7%**	**45,807**	**0.7%**
Deposits from institutional customers	**3,279,866**	**32.0%**	**3,016,193**	**30.3%**	**263,673**	**8.7%**
Total indirect deposits	**10,252,796**	**100.0%**	**9,943,316**	**100.0%**	**309,480**	**3.1%**

The charts below represent the breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2012, as well as that of the components of the managed assets.

Chart no. 7 - **INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2012: BREAKDOWN**

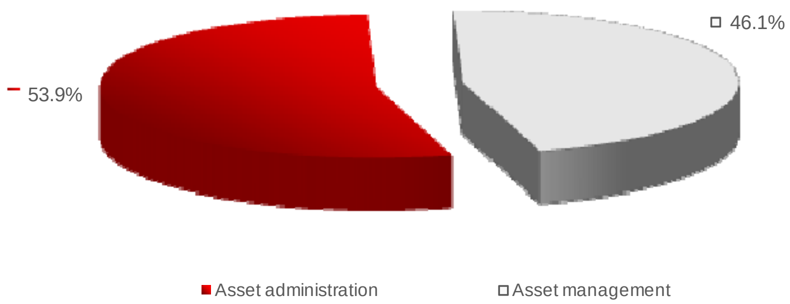
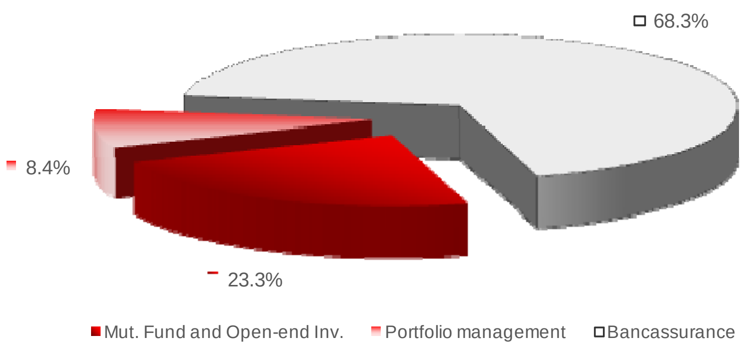


Chart no. 8 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2012: BREAKDOWN**

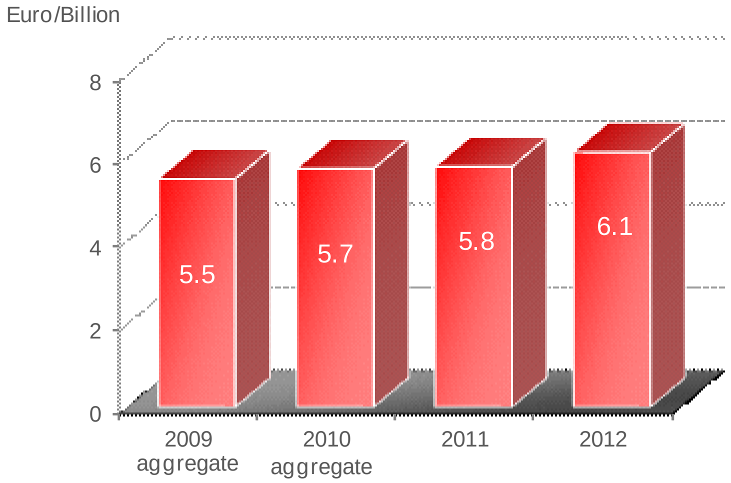


With regard to Mutual Fund and Open-end Inv. and Portfolio management, bond portfolios maintained an interest rate risk (duration) lower than the benchmark, with a wide diversification towards corporate and emerging country issues. Starting from summer, exposure towards Italian and Spanish government bonds increased. With regard to the share component, during the first part of the year, the exposure was kept lower than the benchmark, to counter the strong market volatility. Investments, characterised by a high level of diversification, favoured large cap companies with interesting dividends and operating in all the main global markets. Towards the end of the year, on profit-taking following the outcome of the American election, the Bank increased the level of investment, bringing it in line with the benchmark.

8.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

Albeit the difficult macroeconomic scenario, the Bank's lending activity to customers continued its growth trend. At 31 December 2012 the total amount of lending to customers increased up to about Euro 6.1 billion and includes Euro 0.3 billion of repurchase agreements with institutional counterpart, with an annual increase of about Euro 0.4 billion, equal to 6.1%; the graph below represents the development trend of loans in the 2010-2012 three-year period that corresponds to an average annual growth rate equal to 3.8%.

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



The differences in the balances of the items making up lending by technical form are summarised in the following table whereas the next table shows changes recorded in the financial year based on the breakdown by type of customer.

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

Amounts in thousands of Euros	31.12.2012	Percentage breakdown	31.12.2011	Percentage breakdown	Change Value	Change %
Current account	1,621,692	26.5%	1,503,468	26.0%	118,224	7.9%
Repurchase agreements	337,712	5.5%	3,583	0.1%	334,129	9325.4%
Mortgages and other medium/long term loans	3,479,801	56.8%	3,584,040	62.1%	-104,239	-2.9%
Other	687,740	11.2%	683,759	11.8%	3,981	0.6%
Amounts due from customers	**6,126,945**	**100.0%**	**5,774,850**	**100.0%**	**352,095**	**6.1%**

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

Amounts in thousands of Euros	**31.12.2012**	**Percentage breakdown**	**31.12.2011**	**Percentage breakdown**	**Change Value**	**%**
Households	1,590,824	26.0%	1,859,912	32.2%	-269,089	-14.5%
Non financial companies, small businesses and family business	3,847,886	62.8%	3,603,224	62.4%	244,662	6.8%
Financial companies	654,093	10.7%	274,269	4.8%	379,825	138.5%
Private social institutions and others (1)	34,142	0.5%	37,444	0.6%	-3,303	-8.8%
Amounts due from customers	**6,126,945**	**100.0%**	**5,774,850**	**100.0%**	**352,095**	**6.1%**

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

It is worth noting, in particular, the continuous predominance of loans to non-financial companies, small businesses and family businesses, which, at the end of the period, represented a share of 62.8% of the total, totalling Euro 3.8 billion.

The chart below represents the percentage breakdown of loans at the end of 2012 by type of customer, whereas the next table is an analysis of the breakdown of the loans referable to the category of non-financial companies, small businesses and family businesses with reference to the relevant economic sector.

Chart no. 10 - **AMOUNTS DUE FROM CUSTOMERS AS AT 31.12.2012: PERCENTAGE BREAKDOWN BY TYPE OF CUSTOMER**

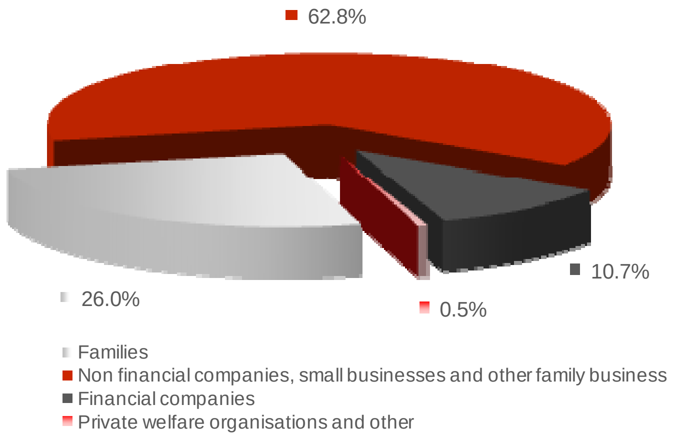
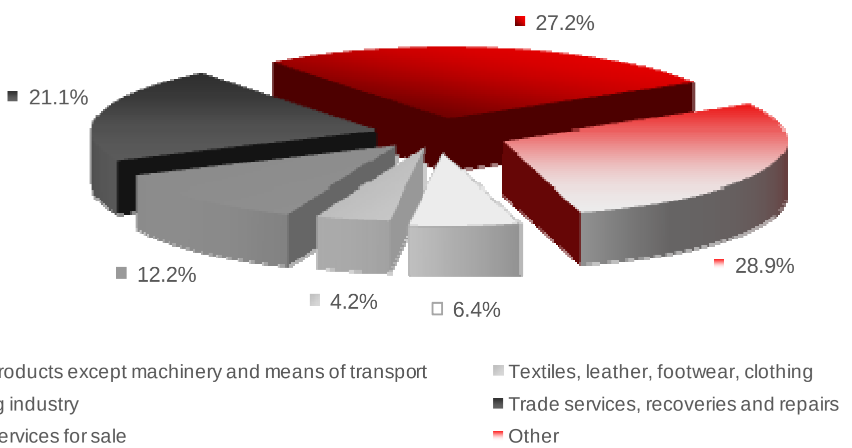


Chart no. 11 - **AMOUNTS DUE FROM NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2012: PERCENTAGE BREAKDOWN BY ECONOMIC SECTOR**



The chart above highlights the considerable relevance of loans to companies belonging to the tertiary sector in general, particularly as regards other sales services, commerce, salvage and repair services, as well as construction. Jointly considered, these loans represent a share of 60.5%, corresponding to about Euro 2.3 billion, of the category under analysis.

As regards the distribution of gross loans, including endorsement loans, the percentage impact of uptakes by the largest clients at the end of 2012 compared to the final figure at the end of the previous year, is reported in the table below, reflecting the high and even greater degree of risk spreading.

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

No. of customers [(1)]	**31.12.2012**	**31.12.2011**
10 largest customers	1.5%	2.0%
20 largest customers	2.4%	3.0%
30 largest customers	3.2%	3.9%
50 largest customers	4.5%	5.3%

[(1)] *net of repurchase agreements with institutional counterpart of Euro 337.7 million as at 31December 2012*

It should be pointed out that, according to the supervisory regulations in force, two positions were reported at the end of 2012, which can be classified as "Significant Risks", for a total nominal amount (which also includes the guarantees given and any commitment) of about Euro 1.3 billion, which is set to zero in terms of total weighted amount. Excluding any relation with the Group companies and investments in Italian government bonds, no outstanding position is reported.

With the explosion of disputes that emerged over the last few years at the level of banking system, the Bank committed itself particularly to making more and more systematic the monitoring of the exposures, and to further increase the degree of detail of the originations.

At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 349.5 million, net of value adjustments of Euro 141.2 million, with an increase compared to 2011 of Euro 105.3 million. Specifically, net non-performing loans amounted to Euro 164.8 million, net problem loans to Euro 145.5 million, expired loans to Euro 34.2 million and restructured exposures to Euro 5 million.

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

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

% Indexes for gross loans	**31.12.2012**	**31.12.2011**
Gross impaired loans to customers	7.78%	5.87%
of which:		
gross non-performing loans	4.01%	3.22%
gross problems loans	3.11%	2.08%
gross expired loans	0.58%	0.50%
gross restructured loans	0.09%	0.07%
% indexes for net loans	**31.12.2012**	**31.12.2011**
Net impaired loans to customers	5.71%	4.23%
of which:		
net non-performing loans	2.69%	2.03%
net problems loans	2.38%	1.64%
net expired loans	0.56%	0.50%
net restructured loans	0.08%	0.07%

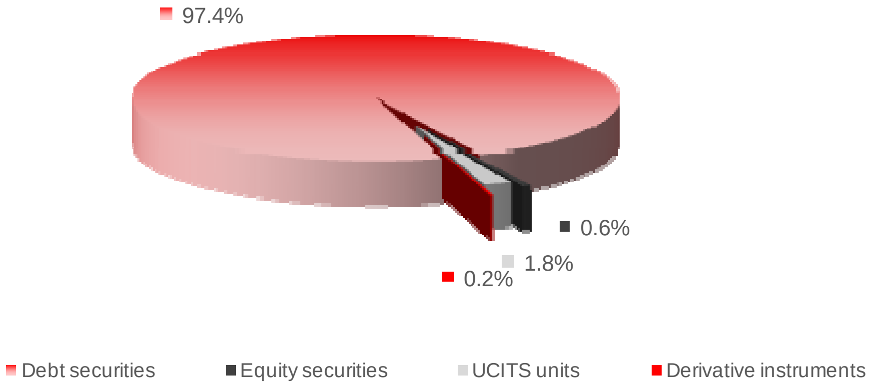
8.3 THE SECURITIES PORTFOLIO AND INTER-BANK POSITION

The securities portfolio

At 31 December 2012, the Bank's total financial assets were equal to about Euro 1.2 billion, compared to Euro 1 billion that was the figure of the previous year.

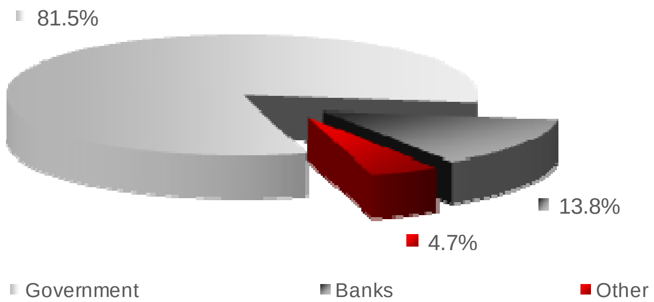
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the most significant portion.

Chart no. 12 - **FINANCIAL ASSETS AT 31.12.2012: PERCENTAGE BREAKDOWN BY TYPE OF SECURITY**



With reference to the issuers of securities, the aggregate Portfolio at the end of the financial year is comprised of Government securities (81.5%, almost entirely Italian), securities of primary bank issuers (21.5%) and of other issuers for the remaining share, as evidenced in the graph below.

Chart no. 13 - **FINANCIAL ASSETS AT 31.12.2012: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER**



The Bank's strategy was characterised by high trading on Italian Government securities that was concentrated particularly in the first quarter and in the last four months of the year, with excellent results. Compared to 2011, amounts in portfolios increased by 15% and annual average return increased by 35bp (from 2.75% to 3.10%), with a duration always around 2 years.

Exposures held in sovereign debt

With reference to document no. 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning the information on sovereign risk to be included in the annual and half-yearly reports prepared by the listed companies that adopt the IAS/IFRS international accounting standards, the positions referring to 31 December 2012 are detailed below, considering that, according to the indications of the aforesaid

European Supervisory Authority, “sovereign debt” must be considered as referring to bonds issued by Central and local Governments and government entities, as well as loans granted to them.

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

Amounts in thousands of Euros		Italy	Spain	31.12.2012
Financial assets available for trading	Nominal value	1,712		1,712
	Book value	1,834		1,834
Available for-sale financial assets	Nominal value	757,000	40,000	797,000
	Book value	761,722	40,791	802,513
Held-to maturity financial assets	Nominal value	140,000		140,000
	Book value	140,485		140,485
Sovereign debt securities	**Nominal value**	**898,712**	**40,000**	**938,712**
	Book value	**904,041**	**40,791**	**944,833**

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

Amounts in thousands of Euros		Italy	Spain	31.12.2012	
				Nominal value	Book value
Financial assets available for trading	up to 1 year	138		138	141
	1 to 3 years	354		354	354
	3 to 5 years	1,220		1,220	1,339
	beyond 5 years				
	Total	1,712		1,712	1,834
Available for-sale financial assets	up to 1 year	90,000		90,000	89,992
	1 to 3 years	200,000		200,000	202,585
	3 to 5 years	325,000	40,000	365,000	365,777
	beyond 5 years	142,000		142,000	144,159
	Total	757,000	40,000	797,000	802,513
Held-to maturity financial assets	up to 1 year				
	1 to 3 years				
	3 to 5 years				
	beyond 5 years	140,000		140,000	140,485
	Total	140,000		140,000	140,485
Sovereign debt securities	**up to 1 year**	**90,138**		**90,138**	**90,133**
	1 to 3 years	**200,354**		**200,354**	**202,939**
	3 to 5 years	**326,220**	**40,000**	**366,220**	**367,116**
	beyond 5 years	**282,000**		**282,000**	**284,644**
	Total	**898,712**	**40,000**	**938,712**	**944,833**

The interbank position

The net interbank position at the end of the financial year was debited for about Euro 0.2 billion, in line with the previous year-end balance.

With reference to the treasury activity, the exceptional liquidity that characterised 2012 as a whole, thanks to the Long Term Refinancing Operation with ECB (the Bank participated for Euro 400 million), has in fact almost cancelled the activity on the regulated interbank markets. As a result, the Bank's constant surpluses of liquidity were mainly allocated on the MMF market, the only liquid market, which made it possible to carry out also a profitable trading activity.

8.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Shareholders' equity as at 31 December 2012, including the net profits of the period, amounted to a total of Euro 776.5 million with respect to Euro 745.7 million of the figure recorded for 2011.

Shareholders' equity calculated in accordance with the supervisory regulations in force was equal to Euro 802.4 million compared to Euro 724.7 million at the end of 2011. The figure is made up of Tier 1 capital of Euro 728.8 million (compared to Euro 672.7 million at the end of 2011) and with Tier 2 capital of Euro 73.6 million (compared to Euro 68.2 million at the end of 2011) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 16 million and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets, increased to 18.3% compared to 17% at the end of 2011 and actually coincides with the Tier 1 *Core*. The Total capital ratio, representing the ratio between regulatory capital and risk-weighted assets, increased up to 20.1% compared to 18.4% in 2011.

8.5 - RECLASSIFIED INCOME STATEMENT

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

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

- two accounting item totals were stated, defined as "Operating income" and "Operating costs", the algebraic balance of which constitutes the "Operating margin”;
- Net profit/(loss) for the period was divided into "Profits/(losses) after taxes from continuing operations" and "Non-recurring profits/(losses) after taxes”;
- "Operating income" also includes the balance of item 190, "Other operating income and expenses", also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, reclassified as a reduction of item 150 (b), "Other administrative expenses" and as an increase of item 180, "Net adjustments to the value of /write-backs to intangible assets" in the "Operating costs" total, respectively;

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

As indicated in the following table that shows the reclassified Income statement in comparison with that of the previous period, the 2012 financial year closed with a net profit of Euro 9.2 million, considering the overall negative impact of about Euro 31.9 million due to the write-down of equity investments in the subsidiaries Credito Privato Commerciale SA in liquidation and Brianfid-Lux SA in liquidation, of about Euro 31.1 million and about Euro 0.8 million, respectively, as shown above in the specific point under paragraph 3.2 “Major corporate events during the financial year”, and with the positive contribution of Euro 6.1 million deriving from the capital gains from the sale of the remaining 30% share in Chiara Vita S.p.A., as well as Euro 6.5 million for lower taxes related to the deductibility for IRES purposes of the IRAP due in relation to expenses for employees.

Table no. 10 - **RECLASSIFIED INCOME STATEMENT**

Captions *Amounts in thousands of Euros*		31.12.2012	31.12.2011	Change Value	 %
10+20	Net interest income	172,155	178,757	-6,603	-3.7%
70	Dividends and similar income	38	1,362	-1,323	-97.2%
40+50	Net fees and commissions	94,261	101,874	-7,613	-7.5%
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	30,728	5,213	25,515	489.4%
190	Other operating income and expenses	11,409	10,935	474	4.3%
	Operating income	**308,592**	**298,141**	**10,450**	**3.5%**
150 a	Personnel expenses	-125,101	-134,404	9,303	-6.9%
150 b	Other administrative expenses	-54,872	-54,430	-443	0.8%
170+180	Net adjustments to tangible/intangible assets	-8,570	-9,128	557	-6.1%
	Operating costs	**-188,543**	**-197,961**	**9,418**	**-4.8%**
	Operating margin	**120,048**	**100,180**	**19,868**	**19.8%**
	Net profits/(losses) on disposal/purchase of receivables	-1,788	-552	-1,235	223.7%
130 a	Net impairment losses on loans	-81,454	-35,854	-45,599	127.2%
130 b	Net impairment losses of available-for-sale financial assets	-277	0	-277	
130 d	Net impairment losses on other financial transactions	-644	-3	-640	18531.1%
160	Net provisions for risks and charges	-2,294	-1,210	-1,084	89.5%
	Dividends on equity investments in subsidiaries	2,623	2,825	-203	-7.2%
	Profits/(losses) before taxes from continuing operations	**36,215**	**65,385**	**-29,171**	**-44.6%**
260	Taxes for the period on income from continuing operations	-13,740	-29,850	16,110	-54.0%
	Profits/(losses) after taxes from continuing operations	**22,475**	**35,535**	**-13,060**	**-36.8%**
210	Profits/(losses) on equity investments	-25,770	0	-25,770	
	Net provisions for risks and charges on extraordinary transactions	11,855	7,700	4,155	54.0%
	Non-recurring profit (loss) before taxes	**-13,915**	**7,700**	**-21,615**	**-280.7%**
	Taxes for the period on income from non-recurring items	645	0	645	
	Non-recurring profit (loss) after taxes	**-13,270**	**7,700**	**-20,970**	**-272.3%**
290	**Net Profit (loss) for the year**	**9,205**	**43,235**	**-34,031**	**-78.7%**

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

Table no. 11 - **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2012**

Captions		From the financial statement	Reclassifications						Reclassified Statements
	Amounts in thousands of Euros	31.12.2012	Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses /provisions for risks and charges	Net interest income	31.12.2012
10+20	Net interest income	172,155							172,155
70	Dividends and similar income	2,661		-2,623					38
40+50	Net fees and commissions	94,261							94,261
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	28,941				1,788			30,728
190	Other operating income and expenses	22,114	-12,981		2,276				11,409
	Operating income	**320,132**	**-12,981**	**-2,623**	**2,276**	**1,788**	**0**	**0**	**308,592**
150 a	Personnel expenses	-125,101							-125,101
150 b	Other administrative expenses	-67,854	12,981						-54,872
170+180	Net adjustments to tangible/intangible assets	-6,294			-2,276				-8,570
	Operating costs	**-199,249**	**12,981**		**-2,276**		**0**	**0**	**-188,543**
	Operating margin	**120,884**	**0**	**-2,623**	**0**	**1,788**	**0**	**0**	**120,048**
	Net profits/(losses) on disposal/purchase of receivables					-1,788			-1,788
130 a	Net impairment losses on loans	-81,651					198		-81,454
130 b	Net impairment losses of available-for-sale financial assets	-277							-277
130 d	Net impairment losses on other financial transactions	-644							-644
160	Net provisions for risks and charges	9,758					-12,052		-2,294
	Dividends on equity investments in subsidiaries			2,623					2,623
	Profits/(losses) before taxes from continuing operations	**48,069**	**0**	**0**	**0**	**0**	**-11,855**	**0**	**36,215**
260	Taxes for the period on income from continuing operations	-13,095						-645	-13,740
	Profits/(losses) after taxes from continuing operations	**34,975**	**0**	**0**	**0**	**0**	**-11,855**	**-645**	**22,475**
210	Profits/(losses) on equity investments	-25,770							-25,770
	Provisions for risks and charges on extraordinary transactions						11,855		11,855
	Non-recurring profit (loss) before taxes	**-25,770**	**0**	**0**	**0**	**0**	**11,855**	**0**	**-13,915**
	Taxes for the period on income from non-recurring items							645	645
	Non-recurring profit (loss) after taxes	**-25,770**	**0**	**0**	**0**	**0**	**11,855**	**645**	**-13,270**
290	**Net Profit (loss) for the year**	**9,205**	**0**	**0**	**0**	**0**	**0**	**0**	**9,205**

Table no. 12 - **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2011**

Captions		From the financial statement	Reclassifications						Reclassified Statements
Amounts in thousands of Euros		**31.12.2011**	Tax recoveries	Dividends from subsidiaries	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses /provisions for risks and charges	Net interest income	**31.12.2011**
10+20	Net interest income	178,757							178,757
70	Dividends and similar income	4,187		-2,825					1,362
40+50	Net fees and commissions	101,874							101,874
80+90+100+110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	4,661				552			5,213
190	Other operating income and expenses	19,798	-11,468		2,606				10,935
	Operating income	**309,277**	**-11,468**	**-2,825**	**2,606**	**552**	**0**	**0**	**298,141**
150 a	Personnel expenses	-134,404							-134,404
150 b	Other administrative expenses	-65,898	11,468						-54,430
170+180	Net adjustments to tangible/intangible assets	-6,522			-2,606				-9,128
	Operating costs	**-206,823**	**11,468**		**-2,606**		**0**	**0**	**-197,961**
	Operating margin	**102,453**	**0**	**-2,825**	**0**	**552**	**0**	**0**	**100,180**
	Net profits/(losses) on disposal/purchase of receivables					-552			-552
130 a	Net impairment losses on loans	-35,265					-589		-35,854
130 d	Net impairment losses on other financial transactions	-3							-3
160	Net provisions for risks and charges	5,900					-7,111		-1,210
	Dividends on equity investments in subsidiaries			2,825					2,825
	Profits/(losses) before taxes from continuing operations	**73,085**	**0**	**0**	**0**	**0**	**-7,700**	**0**	**65,385**
260	Taxes for the period on income from continuing operations	-29,850							-29,850
	Profits/(losses) after taxes from continuing operations	**43,235**	**0**	**0**	**0**	**0**	**-7,700**	**0**	**35,535**
210	Profits/(losses) on equity investments	0							0
	Provisions for risks and charges on extraordinary transactions						7,700		7,700
	Non-recurring profit (loss) before taxes	**0**	**0**	**0**	**0**	**0**	**7,700**	**0**	**7,700**
	Taxes for the period on income from non-recurring items								0
	Non-recurring profit (loss) after taxes	**0**	**0**	**0**	**0**	**0**	**7,700**	**0**	**7,700**
290	**Net Profit (loss) for the year**	**43,235**	**0**	**0**	**0**	**0**	**0**	**0**	**43,235**

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

Operating income

The revenue items related to operations recorded an increase of 3.5% compared with the period used for comparison, rising up to Euro 308.6 million, up by Euro 10.5 million. This increase is attributable for Euro 25.5 million to the greater contribution of *Net profits/(losses) on trading activities, hedging activities and disposal/repurchase of receivables and financial assets/liabilities at fair value through profit or loss* and for Euro 0.5 million to the increase in the item *other operating income and expenses*; vice versa, a decrease was recorded by the *net interest income* of Euro 6.6 million (-3.7%), *net fees and commissions* of Euro 7.6 million (-7.5%) and *dividends and similar income* of about Euro 1.3 million, attributable to the absence of dividend from the former associate Chiara Vita S.p.A.

The table below, which shows the breakdown of *net fees and commissions* by type, highlights that the decrease is mainly attributable to commissions for keeping and managing current accounts.

Table no. 13 - **NET COMMISSIONS: BREAKDOWN BY SERVICE TYPE**

Amounts in thousands of Euros	**31.12.2012**	**Percentage breakdown**	**31.12.2011**	**Percentage breakdown**	**Change Value**	**%**
Collection and payment services	16,307	17.3%	16,513	16.2%	-206	-1.2%
Securities placement	6,513	6.9%	6,779	6.7%	-266	-3.9%
Port. Mgmt. and Receipt/Transmission of orders	10,510	11.1%	10,031	9.8%	479	4.8%
Distribution of insurance products	7,349	7.8%	8,153	8.0%	-804	-9.9%
Holding and managing current accounts	45,769	48.6%	52,177	51.2%	-6,408	-12.3%
Other services	7,813	8.3%	8,221	8.1%	-408	-5.0%
Net commissions	**94,261**	**100.0%**	**101,874**	**100.0%**	**-7,613**	**-7.5%**

Operating costs

Total *Operating costs*, which include *Personnel expenses*, *Other administrative expenses* and net adjustments to tangible/intangible assets, show an overall balance of about Euro 188.5 million, with a decrease of about Euro 9.4 million compared to 2011, equal to 4.8%.

Operating margin

The *Operating margin* at the end of the year, is consequently about Euro 120 million that, compared to Euro 100.2 million of last year, increased by 19.8%.

Profits/(losses) after taxes from continuing operations

The weight of *net impairment losses on loans*, amounting to Euro 81.5 million, with higher adjustments of Euro 45.6 million compared to 2011, *net impairment losses on other financial transactions* of Euro 0.6 million, *net provisions for risks and charges* of Euro 2.3 million, as well as *taxes for the period on income from continuing operations* of Euro 13.7 million with the positive effect of Euro 6.5 million for lower taxes related to IRAP deductibility of previous financial years, led to *profit after taxes from continuing operations* of Euro 22.5 million, down 36.8% compared to the final figure of the previous year.

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

Profits/(losses) after taxes from non-recurring operations consists of an overall loss of Euro 13.9 million due to: (i) the overall negative impact of about Euro 31.9 million due to the write-down of equity investments in the subsidiaries Credito Privato Commerciale SA in liquidation and Brianfid-Lux SA in liquidation, of about Euro 31 million and about Euro 0.8 million, respectively, as shown above in the specific point under paragraph 3.2 “Major corporate events during the financial year”; (ii) the positive effects deriving from the release of the remaining Euro 11.9 million of the provision set aside at the end of 2008, against the risks of partial review of the price collected for the transfer of 70% of Chiara Vita S.p.A. by the Parent Company, envisaged for the end of the business plan of the Company (2012); (iii) the capital gain of Euro 6.1 million deriving from the sale of the remaining 30% share in the same Company.

Vice versa, the balance of the previous year came to a profit of Euro 7.7 million, in that consisting exclusively of the partial release of the said provision set aside at the end of 2008 to cover the risk of partial revision of the price collected on the sale of 70% of Chiara Vita S.p.A.

Net profit (loss)

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations, the net profit (loss) for the 2012 financial year was then Euro 9.2 million, down by about Euro 34 million compared to that of the previous year (-78.7%), acknowledging, on the other hand, the decrease of Euro 21 million of the non-recurring result, net of taxes.

9 - OTHER INFORMATION

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

Name and surname	Office held in Banco Desio e della Brianza S.p.A.	Ownership / Type of ownership	Ordinary shares at 31.12.2011	%	Savings shares at 31.12.2011	%	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2012	%	Savings shares at 31.12.2012	%
Agostino Gavazzi	Chairman	Owned	78,244	0.067	0	0.000	0	0	0	0	78,244	0.067	0	0.000
		Bare property	5,500	0.005	0	0.000	0	0	0	0	5,500	0.005	0	0.000
		Registered to spouse	2,900	0.002	0	0.000	0	0	0	0	2,900	0.002	0	0.000
Stefano Lado	Deputy Chairman	Owned	280,656	0.240	16,000	0.121	1,842,000	180,000	0	0	2,122,656	1.814	196,000	1.485
		Registered to spouse	6,500	0.006	0	0.000	0	0	0	0	6,500	0.006	0	0.000
		Owned through Vega Finanziaria SpA	0	0.000	0	0.000	6,885,730	571,522	0	0	6,885,730	5.885	571,522	4.329
Tommaso Cartone	Managing Director (from 20 June 2012)		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Marina Brogi	Director (from 26.04.2012)		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Pier Antonio Cutellè	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Egidio Gavazzi	Director	Owned	35,000	0.030	0	0.000	0	0	0	0	35,000	0.030	0	0.000
Luigi Gavazzi	Director	Owned	84,340	0.072	0	0.000	0	0	0	0	84,340	0.072	0	0.000
		Bare property	5,500	0.005	0	0.000	0	0	0	0	5,500	0.005	0	0.000
Paolo Gavazzi	Director	Owned	798,453	0.682	15,004	0.114	35,000	0	83,000	0	750,453	0.641	15,004	0.114
Gerolamo Pellicano'	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Guido Pozzoli	Director	Owned	37,000	0.032	0	0.000	0	0	0	0	37,000	0.032	0	0.000
		Registered to spouse	12,500	0.011	0	0.000	0	0	0	0	12,500	0.011	0	0.000
		Usufruct	50,000	0.043	3,000	0.023	0	0	0	0	50,000	0.043	3,000	0.023
Lorenzo Rigodanza	Director		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Eugenio Mascheroni	Statutory Auditors		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Rodolfo Anghileri	Statutory Auditor		0	0.000	20,000	0.151	0	0	0	0	0	0.000	20,000	0.151
Marco Piazza	Statutory Auditor		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Claudio Broggi	General Manager		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Giovanni Cucchiani	Alternate Stat. Aud.	Owned	14,240	0.012	1,000	0.008	0	0	0	0	14,240	0.012	1,000	0.008
		Registered to spouse	3,200	0.003	0	0.000	0	0	0	0	3,200	0.003	0	0.000
Clemente Domenici	Alternate Stat. Aud.	Owned	1,000	0.001	0	0.000	0	0	0	0	1,000	0.001	0	0.000
Carlo Mascheroni	Alternate Stat. Aud.		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000
Marco Sala	Deputy General Manager		0	0.000	0	0.000	0	0	0	0	0	0.000	0	0.000

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

At 31 December 2012 there was no record of any shareholding in subsidiaries owned by directors, statutory auditors, the General Manager and Deputy General Manager holding office at the end of the period, nor were any such shareholdings involved in movements during the period.

9.3 - TREASURY SHARES

As at 31 December 2012, as well as at 31 December 2011, the Bank did not hold any treasury share nor any share in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

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

With reference to the financial year end date, the following is a summary of the balance sheet and income statement values underlying the relations between the Bank and the parent company, the subsidiary companies and those subject to significant influence, divided by counterparty and by nature.

Table no. 14 - **RELATIONS BETWEEN CONTROLLING COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AS AT 31.12.2012**

Amounts in thousands of Euros	Assets	Liabilities	Guarantees /	Revenues	Charges
Controlling company					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	1,927	0	8	24
Subsidiaries					
Banco Desio Lazio S.p.A.	30,247	37,090	14,339	3,552	1,440
BRIANFID-LUX S.A. 2. in liquidation	24	0	0	155	0
Credito Privato Commerciale S.A. in liquidation	73	109	0	106	259
Rovere Societé de Gestion S.A.	387	0	0	1,678	0
FIDES S.p.A.	229,642	161	0	7,312	7
Chiara Assicurazioni S.p.A.	402	2,907	0	2,562	213
Companies subject to significant influence					
Istifid S.p.A.	9	1,432	0	12	75
Relations by company	**260,784**	**43,626**	**14,339**	**15,385**	**2,018**
Breakdown of relations by type					
Finance	259,469	43,614	6,024	9,956	1,889
Business	396	12	8,315	4,076	62
Assets Rental / Management	73	0	0	443	0
Supply of services	822	0	0	682	67
Other	24	0	0	228	0
Relations by type	**260,784**	**43,626**	**14,339**	**15,385**	**2,018**

It should be noted that the relations evidenced in this table were adjusted, whenever it has been possible to make a comparison, by applying the average terms and rates indicated by the market.

Pursuant to article 37, paragraph 2 of the Consob Regulations on Markets (Resolution no. 16191 dated 29 October 2007), we specifically declare that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., parent company of the

Bank, in accordance with the express provisions of its Articles of Associations, does not exercise any management and coordination activity on the Bank, nor on any of its subsidiaries, whether on the basis of banking laws or provisions of the Civil Code. For more details on the structure of the Group for the purposes of management and coordination activities, reference should be made to paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

9.5 - RATING

On 28 August 2012, international ratings agency Fitch Ratings, as part of the rating of several banks, revised downward the rating of Parent Company Banco di Desio e della Brianza S.p.A., as shown below:

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

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

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

9.6 - CODE FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196/2003)

The obligation to adopt the Security Policy Statement (*Documento Programmatico della Sicurezza*) was abolished by Decree Law no. 5 of 9 February 2012 "Urgent measures for simplification and development"; however, the obligations laid down with regard to minimum security measures remain fully applicable and the data controller must therefore continue to fulfil all the relevant requirements on the subject.

In spite of the fact that the abovementioned decree allows specific relevant requirements to be postponed, and pending further instructions from the Authority, we highlight that the annual update of such Document - which became in 2012 the Security Measure Policy Statement - was carried out nonetheless, in accordance with the provisions, in place at the time, of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Code for the Protection of Personal Data.

This Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

9.7 - TRANSACTIONS WITH RELATED PARTIES AND/OR RELATED SUBJECTS

For a more detailed description of the procedures governing the transactions with Related Parties (pursuant to Article 2391-bis of the Italian Civil Code) and/or with Related Subjects (pursuant to Article 53 of the Consolidated Banking Act), reference is made to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the website of the Group at the same time as this Report.

The breakdown of transactions with Related Parties approved by the Board of Directors in 2012 is reported in Part H of the Notes to the Financial Statements.

9.8 - INFORMATION ON STOCK OPTION PLANS

The stock option plan in place at the end of the year refers to the one launched in 2008, regarding the shares of indirect subsidiary FIDES S.p.A. (shares already in the possession of Banco Desio Lazio S.p.A.). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding this Plan.

9.9- ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

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

9.10 – RESEARCH AND DEVELOPMENT ACTIVITIES

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

9.11 - RIGHT TO DEPART FROM THE OBLIGATION TO DRAW UP INFORMATION DOCUMENTS TO BE PREPARED ON THE OCCASION OF EXTRAORDINARY TRANSACTIONS PURSUANT TO THE CONSOB REGULATIONS

Pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, the Bank decided to comply with the opt-out system set forth in Articles 70, paragraph 8 and 71, paragraph 1-bis, of Consob Resolution no. 11971/99, by making use of the right to depart from the obligation to publish information documents required by Annex 3B of the Consob Regulation above on the occasion of significant mergers, demergers, capital increase by non-cash contributions, acquisitions and sales.

10 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 2012 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. The equity and financial structure, as well as the operating business performance, constitute absolute confirmations to this end.

All the structures of the Bank will undertake the extremely important commitment to pursue the objectives outlined in the 2013-2015 Business Plan of the Group approved on 20 March 2013. With a special emphasis, the focus will be set on laying down the structural bases for an upturn in trade, the containment of the cost of credit and of all the administrative costs in the three-year period.

In the business segment, a series of initiatives for renewing/enriching products and services aimed at obtaining a progressive significant enlargement of the customer base was already started.

In the credit segment, the management of the entire credit risk taking and management sector is becoming more methodical.

Finally, in the cost segment, structural interventions will be carried out with the formation of a "purchase centre" for administrative cost containment and negotiations will start with the Trade Unions for the activation of the procedure set forth in Articles 20 and 21 of the current National Collective Labour Agreement, with the aim of obtaining during the three-year period a significant reduction in costs for personnel

The chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in details in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies.

Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the related paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

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

Dear Shareholders,

We hereby submit for your approval the Financial Statements for the year ended 31 December 2012, which close with a net Profit of Euro 9,204,592.20, as shown in the Income Statement.

Pursuant to article 31 of the articles of association, the following allocation of the net profit is hereby proposed:

- 10% to be allocated to the legal reserve	Euro	920,460.00
- 10% to be allocated to the statutory reserve	Euro	920,460.00
- to shareholders:		
Euro 0.0364 for each of the 117,000,000 ordinary shares	Euro	4,258,800.00
Euro 0.0437 for each of the 13,202,000 savings shares	Euro	576,927.40
- additional allocation to the statutory reserve	Euro	2,527,944.80
Total Net Profit	**Euro**	**9,204,592.20**

Desio, 20 March 2013

The Board of Directors

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF BANCO DI DESIO E DELLA BRIANZA S.P.A.

(ARTICLE 153 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE)
FOR THE FINANCIAL YEAR ENDED 31/12/2012

Dear Shareholders,

In accordance with article 153 of Legislative Decree no. 58 of 24 February 1998 (hereinafter also referred to as the "T.U.F.", *Testo Unico della Finanza*, Consolidated Act on Finance) and article 2429 of the Italian Civil Code, we hereby submit to you the following Report in order to inform you of the supervisory and control activity carried out during the 2012 financial year, which closed with the Financial Statements at 31 December 2012 that are submitted to you together with the Report on Operations and the information documents that adequately illustrate the performance of the Bank and of its Subsidiaries, as well as the economic and financial data and the results achieved.

As regards the audit of the accounts and of the Financial Statements, it should be noted that the task was carried out by Deloitte e Touche S.p.A. ("Deloitte"), which was appointed to carry out the audit of the accounts for the financial years 2012-2020, on our proposal, by the Ordinary Shareholders' Meeting of 26 April 2012.

On 04 April 2013, the Independent Auditors issued their favourable opinion on the Financial Statements at 31 December 2012, without making remarks, objections or disclosures.

The Financial Statements relating to the financial year ended 31 December 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in compliance with the general principles for the preparation of financial statements reported in the notes to the financial statements; specifically, the formats in the financial statements and the notes to the financial statements were prepared and drawn up in compliance with the compilation rules published by the Bank of Italy in its Circular Letter no. 262 of 22 December 2005, as updated.

The Report on Operations adequately comments on and illustrates the performance of the financial year and provides indications on the outlook for operations. The Report itself complies, inter alia, with the information requirements laid down in article 123-bis of the T.U.F. governing ownership structures, with a relevant reference to the related available annual Report on Corporate Governance, which was also approved by the Board of Directors on 20 March 2013.

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

In performing our supervisory and control activity, we had meetings with the Top Management, the Internal control functions (Compliance, Risk Management, Manager responsible for preparing the Company's reports and Internal Audit), the Independent Auditors, the Managers responsible for different services provided by the Company as well as the Internal Control Committee currently Audit and Risk Committee, the Committee for Related-Party Transactions and the Appointment and Remuneration Committee, which allowed us to gather, in the different sectors, any information about the organisation, the internal control system and the administrative and accounting system that was useful and necessary in order to assess their suitability for corporate requirements, as well as their operational reliability.

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

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

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

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

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

The meetings held with the Risk Management Office and the Compliance Office, currently both placed within the Risk Management and Compliance Department, allowed the Board to receive a constant flow of information on the risk management system.

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

- it attended 1 General Shareholders' Meeting, to 20 meetings of the Board of Directors and to 14 meetings of the Executive committee, held during the financial year and it received from the Directors and Top Management timely and adequate information on the activity carried out, also considering the adoption, during 2012, of special Regulations of information flows for the Company bodies;
- it carried out 62 individual and collective checks at the registered office of which 7 as 231 Supervisory Body (assignment taken on by the Board of Statutory Auditors on 27

September 2012 as illustrated in more detail below) and 6 checks at secondary offices to verify the adequate application of operating and control systems;

- it attended 11 meetings of the Internal Control Committee currently Audit and Risk Committee, 8 meetings of the Appointment and Remuneration Committee and 6 meetings of the Committee for Related-Party Transactions;
- it gathered the knowledge necessary to carry out control activities, for the aspects under its responsibility, over the degree of adequacy of the organisational structure of the Company, also as regards connections with the Subsidiaries, through direct investigations, by gathering information from the managers responsible for the Functions involved and through the exchange of data and information with the Independent Auditors;
- it supervised the compliance with the instructions issued by the Bank of Italy and Consob;
- it supervised the application of Anti-Money Laundering rules;
- it supervised the operation of the internal control and the administrative and accounting systems in order to assess their suitability for the management requirements, as well as the reliability of the latter in representing management events, through direct investigations on corporate documents, the attainment of information from the managers responsible for the respective Functions and the analysis of the results of the work carried out by the Independent Auditors.
- it supervised the controls carried out by the Parent Company over the Subsidiaries, both through the presence of members of the Board of Statutory Auditors of the Parent Company on the Boards of Statutory Auditors of the investee companies, in compliance with Consob notice DAC/RM/97001574 of 20 February 1997, as updated, and through collective meetings between the Board of Statutory Auditors of the Parent Company and the various Boards of Statutory Auditors of the Subsidiaries.

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

- the Governance System and of the correlated Internal Control and Risk management System, the basic principles of which are outlined in the aforesaid Annual Report on Corporate Governance pursuant to article 123-bis of the T.U.F.;
- the Internal Process of Capital Adequacy (*Processo Interno di Adeguatezza Patrimoniale*, ICAAP), the preparation and updating of which are being checked in compliance with the specific Supervision provisions;
- the organisational and control checks in line with the provisions of law and the Supervision regulations governing Money Laundering;
- the control activities carried out by the responsible functions and, specifically, by the Manager responsible for preparing the Company's reports, the Compliance Department, the Risk Management Department and the Internal Audit Department, also through a periodic evaluation of institutional reports;
- the procedures for managing complaints received from the Group's Customers, also with reference to those relating to investment services;
- the activities carried out in relation to the Privacy Code (Law no. 196/2003), acknowledging the Security Policy Statement (*Documento Programmatico sulla Sicurezza*) which was brought to the attention of the Board of Directors albeit the relevant obligation was repealed during 2012;
- checks existing in relation to Safety at Work pursuant to Legislative Decree no. 81/2008.

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

Specifically, the Board has examined the significant events that occurred during the financial year and the main ones are described below:

Appointment of a new member of the Board of Directors

On 26 April 2012, the Ordinary Shareholders' Meeting appointed Marina Brogi as a new director of Banco Desio, replacing the outgoing Luigi Guatri, who resigned.

Appointment of new Managing Director

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

Credito Privato Commerciale SA in liquidation

In line with the strategy of discontinuing the Group's presence and operations on Swiss territory, following the unsuccessful transfer undertaken, the Board of Directors decided to place the indirect subsidiary Credito Privato Commerciale (hereinafter also "CPC") into voluntary liquidation on 31 May 2012. The resolution of the Extraordinary Shareholders' Meeting of the subsidiary was passed on 8 June 2012.

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

On 26 July 2012, the Parent Company paid around Euro 41.7 million (Swiss francs 50 million) to cover said recapitalisation of the subsidiary CPC in liquidation and in order to ensure said entity's continuance of proceedings in compliance with the equity requirements set forth by Swiss regulatory legislation; said payment was made in accordance with the instructions and methods indicated by FINMA (Swiss Financial Market Supervisory Authority), and was transformed into a share capital increase following the transfer of the equity investment in CPC in liquidation from Brianfid-Lux S.A. to the Parent Company. These transactions were completed as from 4 October 2012.

Brianfid-Lux SA in liquidation

During October, the Extraordinary Shareholders' Meeting of the financial subsidiary Brianfid-Lux SA, following the write-down of the entire equity investment of CPC SA due to the placing in liquidation of the latter, resolved to cover the relating loss totalling Euro 26.9 million by reducing the share capital from Euro 27.9 million to Euro 4 million and for the remaining part through the use of reserves.

On 25 October 2012, as part of the already mentioned strategic decision of focusing its activity on the domestic core business and resizing the Group's presence in Luxembourg, the Board of Directors resolved to start the procedures for the voluntary liquidation of the Luxembourgian subsidiary.

The management activity of Open-end Inv. by the Luxembourgian Rovere Société de Gestion SA remains operational: its majority stake (70%) was transferred from Brianfid-Lux SA to the Parent company on 14 December 2012 and on the same date the Extraordinary Shareholders' Meeting of Brianfid-Lux SA resolved its placing in liquidation.

Note that a work lawsuit brought against Brianfid-Lux SA by a former manager - who was dismissed in October 2012 - is in progress.

Chiara Vita S.p.A.

On 21 December 2012, as part of the reorganisation of the "bancassurance" agreements (currently extended to the non-life segment) signed on 19 November 2012 with the Helvetia Insurance Group, the transfer to this Group of the remaining 30% equity investment held in Chiara Vita S.p.A. was completed.

Chiara Assicurazioni S.p.A.

The Extraordinary shareholders' meeting of the subsidiary Chiara Assicurazioni S.p.A. resolved on 22 October 2012 the share capital increase for the same amount totalling Euro 3 million of which Euro 2 million paid by the Parent company according to its share.

As part of the “bancassurance” agreements mentioned above, the Bank signed preliminary agreements for the transfer to the Helvetia Insurance Group of the controlling share of Chiara Assicurazioni S.p.A., which is expected to be completed during the first half-year of the current year once the purchaser has obtained the authorisation of IVASS.

Legal investigations

- Parent company: dismissal by the Public Prosecutor’s Office of Monza of the enquiry file with regard to the President and ex manager of the bank.

With regard to criminal proceedings no. 10490/11 with the Public Prosecutor’s Office of Monza, the examining magistrate, during last September, upheld the request formulated by the Crown Prosecutor for the dismissal of the legal investigation opened some time ago for criminal conspiracy (Article 416 of the Italian Criminal Code) and laundering (Article 648-bis of the Italian Criminal Code) against the President, former Managing Director and former General Manager.

It should be noted that the investigations in question were subsequent to a complaint filed by a former employee, whose dismissal in 2008 resulted in a work lawsuit that during January 2012 was successful in first instance for the Bank. The former employee filed an appeal and the proceedings of second instance are still in progress.

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

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

As the alleged events include offences that entail the administrative liability of legal persons, pursuant to Legislative Decree 231/2001 Banco Desio Lazio S.p.A. is involved in the abovementioned proceedings, in relation to the unlawful administrative act contested envisaged under articles 5 of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by Articles 416 and 648-bis of the Italian Criminal Code alleged against the then Managing Director of the Company itself, as a result of the administration relationship existing at that time; Credito Privato Commerciale S.A. is involved in relation to the unlawful administrative act contested envisaged under articles 5 and 25-octies of Legislative Decree 231/2001 and 10, paragraph 2, of Law 146/2006, for the cases provided for by articles 416 and 648-bis of the Italian Criminal Code alleged against the then General Manager of the Company itself, as a result of the management relationship existing at that time.

In light of the above, the Boards of Directors of each of the two subsidiaries had approved already in the 2011 financial statements, in order to be prudent, the setting aside of a specific provision amounting to the average of the minimum and maximum penalties envisaged. On the basis of the activities carried out and the checks performed thus far in relation to the conditions for a plea bargain, the defence lawyer for the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. confirmed the exclusion of any risks of any other nature. In particular, we highlight that the banks in question have taken steps to adopt and implement an appropriate organisational model and before the next hearing (finally postponed to 19 April 2013) they will also take steps to implement the remaining conditions that are required in order to rule out the application of disqualifying sanctions on the performance of banking activities under article 17 of Legislative Decree 231/01.

Closing of inspection procedures by the Bank of Italy

The supervisory inspection launched on 21 November 2011 regarding the Banco Desio Group, concluded on 6 April 2012.

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

On 26 July 2012, the Board of Directors and the Board of Statutory Auditors approved the resulting communications and counter-claims regarding the irregularities highlighted in the inspection report that formed the launch pad for starting, or rather speeding up, the processes of modernisation of the Parent Company's structure in terms of Group governance aspects and of the technical-organisational structure for more effective risk governance. The result was an action plan that was implemented mostly in 2012, as ascertained by the Board of Statutory Auditors, and the completion of which is currently being finalised. Bank of Italy was constantly updated on the progress made on the projects.

Local development

In the context of the financial crisis and the downturn in the reference scenario, in 2012 the Group kept unchanged the breakdown of its distribution network consisting of 185 branches.

Corporate Governance

During 2012, there were no particularly significant changes to report in the Corporate Governance organisation of the Group, without prejudice to the rationalisation of the structure of the Bodies concerning the internal control system and of the system of delegated powers and in particular:

Internal Control Bodies

- o 231 Supervisory Body (transfer of the relevant function from the former Internal control committee to the Board of Statutory Auditors, as illustrated in more detail below)
- o Audit and Risk Committee (absorption of the functions of the former Executive Committee called "Risk Committee")
- o Director in charge of the internal auditing and risk management system (assignment to the Managing Director of this specific role, without prejudice to the competences of the Board, of the Audit and Risk Committee and of the Board of Statutory Auditors)

- System of delegated powers

- Executive committee (extension of powers relating to operations both by subject and by amount)
- Managing Director (cancellation of powers relating to operations, in compliance with the above role of Director in charge of the internal auditing and risk management system)
- General Manager (strengthening of powers relating to operations in relation to the above)
- Credit Line Committee (rationalisation of the composition, powers and operation)

Any further information regarding this organisation is reported in the aforementioned Annual Report on Corporate Governance.

Opinions issued by the Board of Statutory Auditors

The Board of Statutory Auditors has issued, when required, its opinion in reply to specific requests received from the Supervisory Authorities, and submitted for the attention of the Boards, with special reference to the mail existing with the Bank of Italy as a result of the inspections above.

Atypical and/or unusual, intra-group or related-party/related-subject transactions

The Board of Statutory Auditors acknowledges that intra-group transactions and any other transaction with related parties, in particular those defined by article 53 and article 136 of the T.U.B. have been always subject to specific analysis by the Board of Directors.

In compliance with Consob Regulation no. 17221/2010, the Bank has adopted and applied a Procedure concerning transactions with related parties, which is aimed at ensuring transparency and the material and procedural correctness of transactions with related parties carried out directly or through subsidiaries pursuant to article 2391 bis of the Italian Civil Code; as regards procedures for passing resolutions, this procedure is mainly characterised by the presence of a Committee for Transactions with Related Parties. This procedure was updated in 2012, with the approval of the

Board of Statutory Auditors as well, in compliance with the Prudential Supervisory Provisions issued by the Bank of Italy pursuant to article 53 T.U.B.

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

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

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

No atypical or unusual transactions were carried out.

Relationships with the Independent Auditors and any observations

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

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

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

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

Notices – petitions – complaints

For the sake of completeness of information, it should be noted that all complaints received by the Company from customers (a total of 239, of which 19 related to investment services) during 2012 were duly examined by the Legal and Corporate Affairs Department that took steps to fulfil the required formalities; 225 of these complaints (of which 18 related to investment services) were rejected, while 14 (of which 1 related to investment services) were granted.

Furthermore, it should be noted that 21 requests for information were received from the Bank of Italy against notices given by customers to the Supervisory Authority itself.

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

During the year 2012, no "supplementary" tasks were assigned to the Independent auditors compared to what was detailed in the assignment proposal approved by the Shareholders' meeting of 26 April 2012.

A credit line of € 2,000,000 in the technical form of current account credit line facility, granted with resolution of the Board of Directors to Deloitte Italy S.p.A., company that provides to the other entities of the Deloitte Italia "network" administrative services, secretarial, accounting, logistics as well as treasury services.

This relation, also in the light of the provision of Article 149 quinquies of the Issuers' Regulation, in that regulated at normal market conditions and such as not to create a dependency of one party on the other, does not determine in our opinion a cause of incompatibility.

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

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

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

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

Adequacy of the Internal Control System

During 2012 the Internal Control System was subject to further strengthening measures, both in the application of the various supervision regulations and to provide the Group with a more efficient control system. In particular, the Board of Statutory Auditors made sure that Banco Desio e della Brianza amended and supplemented the internal control system, which was required following the verification of the Bank of Italy completed on 6 April 2012.

The aforementioned Annual Report on Corporate Governance describes the Guidelines for the Group's Internal Control Systems, in accordance with the provisions laid down in the by-laws and in the regulations.

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

The task of supporting the Company Bodies in the assessment of the effectiveness of the internal control system is the responsibility of the Internal Audit Department and of the Risk Management and Compliance Department, within the functions attributed to it by virtue of the supervision and corporate regulations, and its judgments are reported in detail to the company Bodies.

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

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

<u>Administrative liability of legal persons pursuant to Legislative Decree no. 231/2001</u>

In the framework of measures taken as regards the issue of administrative liability of companies for offences committed by their members and/or employees, in 2004 the Bank's Board of Directors resolved to adopt an Organisational and Management Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001 (hereinafter referred to as "Model 231").

During 2012, an organised project was carried out aimed at a comprehensive review of Model 231 and its customisation at each Company of the Group. As part of this project, ended July 2012, the list of offences was updated and the "protocols" of behaviour were implemented to provide for the offences in respect of which an Administrative liability of the Company may arise. As a result of further updates of Legislative Decree no. 231/2001 for the offences of "Employment of third-country nationals with unlawful residence permit" (Legislative Decree 109/2012 in force as from 9 August 2012) and of the so-called "private corruption" (Law 190/2012 in force as from 28 November 2012) a further integration was made to the Model currently in progress.

Note that on 27 September 2012 the Board of Statutory Auditors took on the Supervisory Body functions of the Bank pursuant to the mentioned Legislative Decree 231 (previously carried out by the Internal Control Committee), taking into account the provision of paragraph 4 bis of Article 6 of the mentioned Legislative Decree 231/2001, introduced by Article 14, paragraph 12, Law no. 183 of 12 November 2011 (the so-called "2012 Stability Law"), as well as a specific indication of the Code of Conduct for Listed Companies. The subsidiaries Banco Desio Lazio S.p.A. and Fides S.p.A. adopted a similar solution.

<u>Instructions given to Subsidiaries (Article 114 of Legislative Decree no. 58/98)</u>

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

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

The Board of Statutory Auditors acknowledges that the Subsidiary C.P.C. – Credito Privato Commerciale S.A. has gone into liquidation on 8 June 2012 by entrusting the task of liquidator to the Ernst & Young company, which regularly submits periodic reports on the progress of the liquidation.

Remuneration and incentive policies

The Board of Statutory Auditors has examined, without observations, the Annual Report on the Group's Remuneration and Incentive Policies, which is now also drawn up pursuant to article 123-ter of the T.U.F. [*Testo Unico della Finanza*, Consolidated Finance Act].

The Board of Statutory Auditors has checked the procedures that ensure that the remuneration practices applied by the Bank comply with the regulatory framework, by also using the results of the checks carried out, within the sphere of the respective responsibilities, by the Internal control functions. In particular, the Internal Audit Department carried out the annual check required by the Supervisory Measures issued by the Bank of Italy on the subject, concluding that, based on the checks carried out, as shown by the Compliance Department, the systems of remuneration adopted by the Group were structured, in the interest of all stakeholders and in compliance with the indications of the Supervisory Authority, in line with the long-term corporate strategy and objectives, correlated to the company results, suitably adjusted to take into account all risks, consistently with the levels of capital and liquidity necessary to deal with the activities undertaken and in any case such as to avoid incentives that may give rise to conflicts of interest and excessive risk taking.

Self-Regulatory Code of Listed Companies.

The Board of Statutory Auditors points out that the Company has adopted the Self-Regulatory Code of Listed Companies since 1999 (Board of Directors' resolution of 26 November 1999), as amended in 2002 (Board of Directors' resolution of 12 November 2002), 2006 (Board of Directors' resolution of 22 February 2007) and 2011 (Board of Directors' resolution of 20 December 2012).

Within the recommendations given by the Code, the Board, on 26 May 2011, carried out, after the renewal of the corporate offices, the customary check that the Directors' independence requirements had been correctly assessed by the Board of Directors and has directly verified the existence of similar requirements on the part of each of the Statutory Auditors; furthermore, in accordance with the abovementioned Bank of Italy's Order concerning Corporate Governance, the Board has acknowledged its own adequacy in terms of powers, operation and composition, taking account of the size and complexity of, and the activity carried out by, the Bank (also as Parent Company pursuant to article 61 of the T.U.B.). It is confirmed that these results are still unchanged. Any further information regarding the compliance with the Code is reported in the mentioned Annual Report on Corporate Governance.

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

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

Therefore, the Board can conclude that, also taking into account the aforesaid strengthening measures carried out on the internal control system, through the activity carried out in the financial year, it was able to assess:

- Compliance with the Law and the By-Laws
- The adequacy of the administrative and accounting structure
- The adequacy of the organisational and control structure
- The principles of correct administration
- The actual application of the corporate governance rules
- The adequacy of the instructions given to Subsidiaries
- The subsequent preparation of the Annual Accounts in accordance with the international accounting standards IAS-IFRS and the instructions given by the Bank of Italy (order no. 262 of 22 December 2005, as updated, also considering the specific communications sent on the matter by the Bank of Italy both to the Credit System and to the Bank.

  The report on operations is exhaustive and consistent with the figures and information provided in the financial statements and in the Notes to the financial statements. In addition to illustrating the facts and operations that characterised the year, as well as the significant events occurring after the reporting date, together with the notes to financial statements, it provides the required information on transactions with related parties, including subsidiaries and associates.

Consolidated Financial Statements as at 31 December 2012

The Board of Statutory Auditors has also examined the Consolidated Financial Statements for the 2012 financial year that are submitted to you by the Directors and it is able to certify that they were prepared in accordance with the law and that the Report on Operations includes a description of the performance of the companies and a summary of the performance of the subsidiaries, as well as of the Group’s structure.

In this regard, we can confirm that:

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

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

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

As is known, it is the responsibility of the governing body of the company to prepare the Consolidated Financial Statements and the Independent Auditors have been appointed to give a professional opinion, based on an audit. This opinion was issued on 4 April 2013 and does not contain observations, remarks or objections.

Dear Shareholders,

We conclude our Report on the control activity carried out during 2012, as better highlighted by the foregoing, and we hereby give a favourable opinion on the activity carried out by your Company, on the organisation of the same, on the internal control and risk management system and on the compliance with the Law and the Company's By-Laws.

Accordingly, we hereby give a favourable opinion on the approval of the Financial Statements at 31 December 2012 that were submitted to you by the Board of Directors (which ended with a net profit for the period of € 9,204,592.20) and on the proposed distribution of dividends to the amount of € 0.0364 for each of 117,000,000 ordinary shares and € 0.0437 for each of 13,202,000 savings shares, for a total dividend of € 4,835,727.40, as well as on the proposed allocation of the residual profit to the Legal Reserve for an amount of € 920,460.00, the Statutory Reserve for an amount of € 920,460.00 and as an additional increase in the Statutory Reserve for € 2,527,944.80.

Desio, 4 April 2013

THE STATUTORY AUDITORS

Eugenio Mascheroni - Chairman

Marco Piazza

Rodolfo Anghileri

Financial Statements

BALANCE SHEET

ASSETS

Assets	31/12/2012	31/12/2011	change absolute	change %
10. Cash and cash equivalents	29 218 319	24 897 296	4 321 023	17.4%
20. Financial assets held for trading	4 320 208	11 200 686	(6 880 478)	-61.4%
40. Available-for-sale financial assets	1 004 146 255	869 346 435	134 799 820	15.5%
50. Held-to-maturity financial assets	150 604 234	120 888 883	29 715 351	24.6%
60. Amounts due from banks	221 895 974	167 015 724	54 880 250	32.9%
70. Amounts due from customers	6 126 944 723	5 774 849 725	352 094 998	6.1%
80. Hedging derivatives	9 005 113	5 631 061	3 374 052	59.9%
100. Equity investments	104 807 343	124 179 800	(19 372 457)	-15.6%
110. Tangible assets	141 162 889	143 776 663	(2 613 774)	-1.8%
120. Intangible assets	8 425 406	8 383 501	41 905	0.5%
of which:				
- Goodwill	6 958 401	6 958 401		
130. Tax assets	48 749 478	49 272 042	(522 564)	-1.1%
a) current	1 364 190		1 364 190	100.0%
b) deferred	47 385 288	49 272 042	(1 886 754)	-3.8%
- other than Italian law 214/2011	8 189 070	24 564 953	(16 375 883)	-66.7%
- of which in Italian law 214/2011	39 196 218	24 707 089	14 489 129	58.6%
140. Non-current assets held for sale and discontinued operations	15 153 264		15 153 264	100.0%
150. Other assets	91 410 463	92 100 643	(690 180)	-0.7%
Total Assets	**7 955 843 669**	**7 391 542 459**	**564 301 210**	**7.6%**

LIABILITIES

Liabilities and shareholders' equity	31/12/2012	31/12/2011	change absolute	change %
10. Amounts due to banks	468 023 239	393 372 805	74 650 434	19.0%
20. Amounts due to customers	4 365 019 643	3 513 235 434	851 784 209	24.2%
30. Securities issued	2 092 674 281	2 453 985 180	(361 310 899)	-14.7%
40. Financial liabilities held for trading	518 652	2 729 409	(2 210 757)	-81.0%
50. Financial liabilities at fair value through profit or loss	37 532 427	89 138 186	(51 605 759)	-57.9%
60. Hedging derivatives	6 696 123	2 683 661	4 012 462	149.5%
80. Tax liabilities	13 039 800	14 077 857	(1 038 057)	-7.4%
a) current	139 095	4 476 100	(4 337 005)	-96.9%
b) deferred	12 900 705	9 601 757	3 298 948	34.4%
100. Other liabilities	156 371 025	115 752 209	40 618 816	35.1%
110. Reserve for employee termination indemnities	23 883 340	23 090 659	792 681	3.4%
120. Reserves for risks and charges:	15 616 073	37 797 800	(22 181 727)	-58.7%
b) other reserves	15 616 073	37 797 800	(22 181 727)	-58.7%
130. Valuation reserves	23 525 191	(11 660 284)	35 185 475	-301.8%
160. Reserves	659 889 154	630 254 136	29 635 018	4.7%
170. Share premium reserve	16 145 088	16 145 088		
180. Share capital	67 705 040	67 705 040		
200. Net profit/(loss) for the period	9 204 593	43 235 279	(34 030 686)	-78.7%
Total Liabilities and shareholders' equity	**7 955 843 669**	**7 391 542 459**	**564 301 210**	**7.6%**

INCOME STATEMENT

Items	31/12/2012	31/12/2011	change absolute	change %
10. Interest income and similar revenues	284 378 781	269 063 481	15 315 300	5.69%
20. Interest expense and similar charges	(112 224 214)	(90 306 383)	(21 917 831)	24.27%
30. Net interest income	**172 154 567**	**178 757 098**	(6 602 531)	-3.69%
40. Fee and commission income	98 554 833	106 138 227	(7 583 394)	-7.14%
50. Fee and commission expense	(4 293 810)	(4 264 471)	(29 339)	0.69%
60. Net fees and commissions	**94 261 023**	**101 873 756**	(7 612 733)	-7.47%
70. Dividends and similar income	2 661 339	4 187 200	(1 525 861)	-36.44%
80. Net profits/(losses) on trading activities	3 164 109	(1 232 094)	4 396 203	-356.81%
90. Net profits/(losses) on hedging activities	(1 377 068)	(23 491)	(1 353 577)	5762.11%
100. Profit/(loss) from disposal or repurchase of:	29 300 823	3 170 521	26 130 302	824.2%
a) loans and receivables	*(1 787 517)*	*(552 267)*	*(1 235 250)*	*223.67%*
b) available-for-sale financial assets	*30 345 551*	*2 624 045*	*27 721 506*	*1056.44%*
d) financial liabilities	*742 789*	*1 098 743*	*(355 954)*	*-32.40%*
110. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(2 146 943)	2 746 116	(4 893 059)	-178.18%
120. Intermediation margin	**298 017 850**	**289 479 106**	8 538 744	2.95%
130. Net value adjustments/write-backs for	(82 572 588)	(35 268 224)	(47 304 364)	134.1%
a) loans and receivables	*(81 651 228)*	*(35 264 768)*	*(46 386 460)*	*131.54%*
b) available-for-sale financial assets	*(277 468)*		*(277 468)*	*-100.00%*
d) other financial assets	*(643 892)*	*(3 456)*	*(640 436)*	
140. Net income from banking activities	**215 445 262**	**254 210 882**	(38 765 620)	-15.25%
150. Administrative expenses:	(192 954 726)	(200 301 560)	7 346 834	-3.7%
a) personnel expenses	*(125 101 041)*	*(134 403 900)*	*9 302 859*	*-6.92%*
b) other administrative expenses	*(67 853 685)*	*(65 897 660)*	*(1 956 025)*	*2.97%*
160. Net provisions for risks and charges	9 758 317	5 900 268	3 858 049	65.39%
170. Net value adjustments to/write-backs of tangible assets	(5 764 494)	(5 937 618)	173 124	-2.92%
180. Net value adjustments to/write-backs of intangible assets	(529 479)	(584 312)	54 833	-9.38%
190. Other operating income/expenses	22 114 482	19 797 668	5 756 707	35.19%
200. Operating expenses	**(167 375 900)**	**(181 125 554)**	13 749 654	-7.59%
210. Profits/(losses) on equity investments	(25 769 978)		(25 769 978)	100.00%
250. Profits/(losses) before taxes from continuing operations	**22 299 384**	**73 085 328**	(50 785 944)	-69.49%
260. Taxes for the period on income from continuing operations	(13 094 791)	(29 850 049)	16 755 258	-56.13%
270. Net profits/(losses) after taxes from continuing operations	**9 204 593**	**43 235 279**	(34 030 686)	-78.71%
290. Net profit (loss) for the period	**9 204 593**	**43 235 279**	(34 030 686)	-78.71%

N.B. The “quick loan application commissions” recognised last year for a total of Euro 3,439,893, under item 40 “Fee and commission income” were reclassified under item 190 “Other operating (expenses)/income”. (Letter of Bank of Italy of 16 January 2013 index no. 0051159/13)

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2012	31.12.2011
10.	**Net Profit (loss) for the year**	**9,204,592**	**43,235,279**
	Other income components, net of taxes		
20.	Available-for-sale financial assets	36,560,796	(25,834,843)
30.	Tangible assets		
40.	Intangible assets		
50.	Hedging of foreign investments		
60.	Cash flow hedge		
70.	Foreign exchange differences	(174,262)	
80.	Non-current assets held for sale and discontinued operations		
90.	Actuarial gains (losses) on defined benefits plans	(1,201,059)	34,820
100.	Portion of valuation reserves of equity investments carried at equity		
110.	**Total other income components, net of taxes**	**35,185,475**	**(25,800,023)**
120.	**Total comprehensive income for the period (item 10 + 110)**	**44,390,067**	**17,435,256**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2012

	Equity as of 31.12.2011	Change in opening balances	Equity as of 01.01.2012	Allocation of result from previous period: Reserves	Allocation of result from previous period: Dividends and other allocations	Changes over the period: Changes in reserves	Changes over the period – Transactions in shareholders' equity: Issue of new shares	Changes over the period – Transactions in shareholders' equity: Purchase of treasury shares	Changes over the period – Transactions in shareholders' equity: Extraordinary distribution of dividends	Changes over the period – Transactions in shareholders' equity: Change in equity instruments	Changes over the period – Transactions in shareholders' equity: Derivatives on treasury shares	Changes over the period – Transactions in shareholders' equity: Stock options	Changes over the period: Comprehensive income for the period 31.12.2012	Equity as of 31.12.2012
Shareholders' equity:														
a) ordinary shares	60,840,000		60,840,000											60,840,000
b) other shares	6,865,040		6,865,040											6,865,040
Share premium reserve	16,145,088		16,145,088											16,145,088
Reserves:														
a) retained earnings	630,223,485		630,223,485	29,286,826										659,510,311
b) others	30,651		30,651									348,192		378,843
Revaluation reserves	(11,660,285)		(11,660,285)										35,185,476	23,525,191
Equity instruments														
Treasury shares														
Net Profit (loss) for the year	43,235,278		43,235,278	(29,286,826)	(13,948,452)								9,204,593	9,204,593
Shareholders' equity	**745,679,257**		**745,679,257**	**-**	**(13,948,452)**							**348,192**	**44,390,069**	**776,469,066**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2011

	Equity as of 31.12.2010	Change in opening balances	Equity as of 01.01.2011	Allocation of result from previous period		Changes over the period								Shareholder's equity as of 31.12.2011
							Transactions in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income as of 31.12.2011	
Share capital:														
a) ordinary shares	60,840,000		60,840,000											60,840,000
b) other shares	6,865,040		6,865,040											6,865,040
Share premium reserve	16,145,088		16,145,088											16,145,088
Reserves:														
a) retained earnings	607,276,191		607,276,191	35,145,846		(12,198,552)								630,223,485
b) others												30,651		30,651
Revaluation reserves:	14,139,739		14,139,739										(25,800,024)	(11,660,285)
Equity instruments														
Treasury shares														
Net Profit (loss) for the year	49,094,298		49,094,298	(35,145,846)	(13,948,450)								43,235,279	43,235,281
Shareholders' equity	**754,360,356**		**754,360,356**		**(13,948,450)**	**(12,198,552)**						**30,651**	**17,435,255**	**745,679,260**

The "Changes in reserves" were caused by the merger by incorporation of Banco Desio Toscana as regards a total of Euro 1,841 thousand and of Banco Desio Veneto as regards a total of Euro -14,040 thousand.
The change in reserves concerning the stock grant plant resolved upon by the Ordinary and Extraordinary Shareholders' Meeting of 29 November 2011 is shown in the "Stock options" column.

CASH FLOW STATEMENT

	31.12.2012	31.12.2011
A. OPERATIONS		
1. Management activities	**122.050.918**	**88.265.302**
- interest income earned (+)	285.359.991	268.398.303
- interest expenses paid (-)	(111.139.715)	(89.695.460)
- dividends and similar revenues (+)	38.426	1.361.732
- net commissions (+/-)	94.791.580	105.842.225
- personnel costs (-)	(124.800.012)	(134.403.900)
- other costs (-)	(62.130.035)	(57.089.696)
- other revenues (+)	53.025.474	23.702.147
- taxes and duties (-)	(13.094.791)	(29.850.049)
- costs/revenues relating to non current assets held for sale and discontinued operations, net		
2. Liquid assets generated (absorbed) by financial assets	**(578.941.536)**	**(147.253.808)**
- financial assets held for trading	9.596.831	23.086.621
- financial assets at fair value through profit or loss		
- available-for-sale financial assets	(94.130.570)	(150.034.747)
- amounts due from customers	(438.831.619)	(91.164.683)
- amounts due from banks: at sight	(49.522.859)	118.281.597
- amounts due from banks: others	(5.357.391)	(12.514.824)
- other assets	(695.928)	(34.907.772)
3. Liquid assets generated (absorbed) by financial liabilities	**527.652.246**	**95.994.506**
- amounts due to banks: at sight	(83.061.967)	(48.420.809)
- amounts due to banks: others	157.712.401	121.967.543
- amounts due to customers	851.784.209	(165.279.819)
- securities issued	(364.717.018)	442.484.353
- financial liabilities held for trading	(1.447.120)	(2.921.061)
- financial liabilities at fair value	(54.456.246)	(241.922.498)
- other liabilities	21.837.987	(9.913.202)
Net liquid assets generated (absorbed) by operations (A)	**70.761.628**	**37.005.999**
B. INVESTMENTS		
1. Liquid assets generated by	**25.552.859**	**2.909.623**
- sale of investments	22.305.003	
- dividends received from investments	2.622.913	2.825.468
- sale/redemption of financial assets held to maturity	401.144	-
- sale of tangible assets	223.800	84.155
- sale of intangible assets		
- sale of subsidiaries and business divisions		
2. Liquid assets absorbed by	**(78.045.012)**	**(25.050.202)**
- purchase of investments	(43.982.886)	(16.405.780)
- purchase of held-to-maturity financial assets	(30.116.223)	
- purchase of tangible assets	(3.374.520)	(7.738.840)
- purchase of intangible assets	(571.384)	(905.582)
- purchase of subsidiaries and business divisions		
Net liquid assets generated (absorbed) by investments (B)	**(52.492.153)**	**(22.140.579)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(13.948.452)	(13.948.452)
Net liquid assets generated (absorbed) by funding activities (C)	**(13.948.452)**	**(13.948.452)**
NET LIQUID ASSETS GENERATED(ABSORBED) DURING THE YEAR(A+B+C	**4.321.023**	**916.968**

RECONCILIATION

Financial statement items	2012	2011
Cash and cash equivalents at beginning of year	24,897,296	23,980,327
Total liquid assets generated (absorbed) during the year	4,321,023	916,968
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	29,218,319	24,897,295

Notes to the financial statements

Part A - ACCOUNTING POLICIES

A.1 – GENERAL

Section 1 – Declaration of conformity with international accounting standards

In application of Legislative Decree no. 38 of 28 February 2005, which incorporated EC Regulation no. 1606 of 19 July 2002, the financial statements of Banco di Desio e della Brianza were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the related Interpretations of the International Reporting Interpretations Committee (IFRC), in force as at 31 December 2012.

Section 2 – General accounting policies

The financial statements are made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the Directors' Report on management performance;

For the preparation of the formats in the financial statements and the contents of the notes to the financial statements, Banco applied the provisions of the Bank of Italy in its Circular Letter no. 262 of 22 December 2005 as updated on 18 November 2009. Further information requests and clarifications transmitted by the Supervisory Body were also considered.

The financial statements were drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.

The financial statements were drawn up on a going concern basis, in compliance with the matching concept and favouring, in the accounting and reporting of the management events, the principle of economic substance over form.

The amounts of the financial statements are expressed in Euro units, whereas the figures of the Notes to the financial statements are expressed – unless otherwise specified – in thousands of Euro.

Section 3 – Events subsequent to the reporting date

Reference is made to the Directors' Report.

Section 4 – Other aspects

Use of estimates and assumptions when drawing up the financial statements

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

- in the valuation models used for carrying out the impairment tests related to equity investments and intangible assets with indefinite life (goodwill);
- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of disclosures;
- the use of valuation techniques for determining the fair value of financial instruments not listed on active markets (Level 2 and 3);

- the quantification of the fund for employee termination indemnities and the provisions for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

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

Auditing

These financial statements have been audited by the company Deloitte & Touche S.p.A., pursuant to Legislative Decree no. 39 of 27 January 2010 and in implementation of the resolution taken at the meeting of 26 April 2012.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of the financial statements as at 31 December 2012, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date and have been applied on a going-concern basis.
For transactions involving the trading of standardised financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

Financial assets held for trading

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

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

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets" comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity financial assets, financial assets held for trading or financial assets at fair value through profit or loss.
They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.
Financial assets may be transferred from the "Available-for-sale" category to the "Held-to-maturity" category only

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

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

Recognition criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

Gains or losses are recorded as equity in the valuation reserve, net of tax effects, until derecognition of the asset, while the component deriving from amortised cost is instead charged to the income statement.
At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount accrued to the valuation reserve is recognised in the income statement.
When impairment losses, which have been recognised in the income statement, are balanced as a result of subsequent revaluations, the value write-back, up to the amount of these losses, is recognised in the income statement for debt securities and in an equity reserve for equity securities.

Derecognition criteria

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

Held-to-maturity financial assets

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

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

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognised in profit and loss.
Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

Derecognition criteria

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

Loans and Receivables

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

The fair value is determined through the development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in terms of PD and LGD, reported in the CRS model (Level 3).

Derecognition criteria

Loans and receivables that are assigned are only derecognised from the assets of the financial statements if the assignment has entailed the material transfer of all of the risks and benefits connected to the actual loans and receivables. However, if a substantial part of the risks and benefits relating to the assigned loans and receivables has been retained, they continue to be recorded in the assets of the financial statements, even though legally the ownership of the loan or receivable has actually been transferred.
In the event that it is not possible to ascertain whether the material transfer of the risks and benefits has taken place, the loans and receivables are derecognised from the financial statements if no type of control over them has been retained. On the other hand, if such control is retained, even partially, the loans and receivables are retained in the financial statements, to the extent of the residual involvement, which is measured by the exposure to changes in value of the assigned loans and receivables and to variations in cash flows of the same.
Finally, the transferred loans and receivables are derecognised from the financial statements in the event that the contractual rights to receive the related cash flows are retained, with the concurrent assumption of an obligation to pay these cash flows, and only these, to other parties.

Criteria for the recognition of income statement components

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

Hedging transactions

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

The fair value of hedging financial instruments, which are not listed on active markets, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).
The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately against profit and loss.
This offsetting is recognised by recording, under item 90 "Net profits (losses) on hedging activities" in the income statement, the changes in value pertaining both to the item hedged (as regards the variations produced by the underlying risk factor) and to the hedging instrument. Any difference is therefore its net economic effect.
A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging

financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.
Tests of effectiveness are performed at the close of each set of annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.
If the tests do not confirm the effectiveness of the hedge and taking account of internal policy, from that moment accounting for hedging transactions, as set out above, is suspended, the derivative hedging contract is reclassified as an instrument held for trading and the hedged financial instrument reacquires the valuation criterion that corresponds to its classification in the financial statements.

Derecognition criteria

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expires, is terminated or is sold.
If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

Equity investments

Classification criteria

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

Recognition criteria

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

Measurement criteria

After initial recognition, investments in subsidiaries and associates are valued at cost.
At the close of each set of annual or interim financial statements, any objective evidence that the equity investment has suffered an impairment is ascertained.
The impairment occurs when the asset's accounting value is greater than its recoverable value, equal to the net sales price (i.e. the amount that can be obtained from the sale of assets in a hypothetical transaction between third parties, net of the disposal costs) and the value in use (equal to the present value of expected future cash flows that could arise from permanent use and from the disposal of the asset at the end of its useful life), whichever is higher.
Any value adjustment due to impairment must be recognised in the income statement.

Criteria for the recognition of income statement components

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

Derecognition criteria

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

Tangible assets

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

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

Derecognition criteria

Tangible assets are derecognised on disposal.

Intangible assets

Classification criteria

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

Recognition criteria

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

Measurement criteria

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment loss.
Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.
Goodwill is not amortised in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). To this end, the cash-generating unit to which the goodwill is allocated is identified. The amount of the impairment loss is calculated as the difference between the carrying amount of goodwill and its recoverable amount, if lower.

The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less costs to

sell, and its value in use.
Any value adjustment due to impairment must be recognised in the income statement, without the possibility of subsequent write-backs.

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

Criteria for the recognition of income statement components

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.
Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

Derecognition criteria

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

Non-current assets held for sale and discontinued operations

Classification criteria

These items comprise non-current assets held for sale and discontinued operations when the book value will be recovered mainly through a sale transaction considered to be highly probable rather than through its continuous use.

Recognition criteria

Non-current assets held for sale and discontinued operations are measured, upon initial recognition at their book value or their fair value, whichever lower, less sale costs.

Criteria for the measurement and recognition of income statement components

After initial recognition, non-current assets held for sale and discontinued operations are measured at their book value or their fair value, whichever lower, less sale costs. The related income and charges (net of the tax effect) are recognised in the income statement in a separate item when they refer to discontinued operations.
When classifying a non-current asset among non-current assets held for sale and discontinued operations, any amortisation/depreciation process is interrupted.

Derecognition criteria

Non-current assets held for sale and discontinued operations are cancelled from the balance sheet on disposal.

Current and deferred taxes

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

Reserve for employee termination indemnities

Measurement criteria

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

Criteria for the recognition of income statement components

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

Reserves for risks and charges - Other provisions

Classification criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

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

Liabilities and securities issued

Classification criteria

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with

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

Derecognition criteria

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale.
For securities issued, the part subject to repurchase is, in essence, settled. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

Financial liabilities held for trading

Classification criteria

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

Recognition criteria

Liabilities held for trading are recognised at fair value.

Criteria for the measurement and recognition of income statement components

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

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

Classification criteria

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

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

Recognition criteria

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

Criteria for the measurement and recognition of income statement components

These are measured at fair value through profit or loss.

Fair value is determined through valuation techniques which use parameters that can be observed in active markets (Level 2). The pricing method is that of the discounted cash flows. The inputs used in the discounting rates calculation consist of a zero coupon curve (a market observable parameter) and a credit spread calculated using the euro swaps curve and the curve of the yields of the securities issued by European banks with a rating equal to that of the Bank (Level 2).
For subordinate bonds, a specific adjustment factor is also considered.

Derecognition criteria

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

Transactions in foreign currency

Recognition criteria

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

Measurement criteria

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

Criteria for the recognition of income statement components

For monetary elements, the effect of the valuation carried out is recognised in profit and loss.
For non-monetary elements whose profits and losses are recognised in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognised in equity, exchange rate differences will be recognised in equity.

Other information

Revaluation reserves

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

Costs and revenues recognition

Revenues are recognised when they are earned or, in any case, when it is probable that future benefits will be received and that these benefits can be quantified reliably. In particular:
- interest payments are recognised on a pro rata basis according to the contractual rate of interest or the actual rate in the case of the application of amortised cost. The item interest receivable (or interest payable) also includes the differentials or the positive (or negative) margins accrued from the reporting date of the financial statements in relation to financial derivative contracts:
  a) to hedge assets or liabilities that generate interest;
  b) classified in the Balance Sheet in the trading portfolio, but connected from an operational point of view to financial assets and/or liabilities measured at fair value (fair value option);
  c) connected operationally to assets and liabilities classified in the trading portfolio and that provide for the settlement of differentials or margins with several expiry dates;
- default interest, which may be provided for contractually, is accounted for in the Income Statement only when it is actually collected;
- dividends are charged to the Income Statement when a resolution is taken for their distribution;
- commission on income from services is recorded, on the basis of contractual agreements, in the period in which the actual services are provided;
- income deriving from the brokering of financial trading instruments, which is determined by the difference between the transaction price and the fair value of the instrument, is charged to the Income Statement when

the transaction is recognised, if the fair value can be determined from parameters or recent transactions that can be observed on the same market in which the instrument is traded. If these values cannot be easily obtained or if they show reduced liquidity, the financial instrument is recognised at an amount equal to the transaction price, without the sales margin; the difference against the fair value is charged to the Income Statement for the duration of the transaction with a gradual reduction, in the valuation model, of the corrective factor connected to the reduced liquidity of the instrument; profits/losses deriving from the trading of financial instruments are charged to the Income Statement when the sale is completed, on the basis of the difference between the consideration paid or collected and their carrying value;
- income deriving from the sale of non-financial assets is recognised when the sale is completed, unless the majority of the risks and benefits connected to the asset have been retained.

Costs are charged to the Income Statement in the period in which the relative income is accounted for. If the association between costs and income is generic and indirect, costs are recognised over several periods using rational procedures and on a systematic basis. Costs that cannot be linked to income are immediately charged to the Income Statement.

Finance leases

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

A.3 – INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

The amendments to IAS 39 and IFRS 7 "Reclassification of financial assets", which were approved by the IASB in 2008, allow certain financial assets to be transferred from the "held for trading" and "available for sale" portfolios after their initial recognition.
In particular, the following can be reclassified:
- those financial assets held for trading or available for sale that would have fulfilled the definition laid down by international accounting standards for the loans portfolio (if these assets had not been classified as held for trading or available for sale, respectively, when they were initially recognised) if the business has the intention and capacity to hold them for the foreseeable future or until their expiry;
- “only in rare circumstances" those financial assets held for trading that at the time of their being recorded did not fulfil the definition of loans.

A.3.2 Fair value hierarchy

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

Financial Assets/Liabilities at fair value	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,877	2,443		8,783	19	2,399
2. Financial assets at fair value						
3. Available-for-sale financial assets	873,620	123,914	6,612	630,639	232,080	6,627
4. Hedging derivatives		9,005				5,631
Total	**875,497**	**135,362**	**6,612**	**639,422**	**232,099**	**14,657**
1. Financial liabilities held for trading	34	485	-	16	16	2,697
2. Financial liabilities at fair value		37,532			89,138	
3. Hedging derivatives		6,696				2,684
Total	**34**	**44,713**	**-**	**16**	**89,154**	**5,381**

Investments measured on the basis of parameters that cannot be observed (level 3) form a particularly limited share of Financial assets measured at fair value (0.65% compared to 1.65% of last year).
The said investments, classified exclusively among "Available-for-sale financial assets" are represented almost entirely by minority investments.

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

	Financial assets			
	held for trading	at fair value	available-for-sale	hedging
1. Opening balance	**2,399**		**6,627**	**5,631**
2. Increases	**693**		**107**	**1,476**
2.1 Purchases				
2.2 Profits charged to:				
2.2.1 Income Statement			107	
- of which Capital Gains			*107*	
2.2.2 Shareholders' equity				
2.3 Transfers from other levels				-
2.4 Other increases	693			1,476
3. Decreases	**3,092**		**122**	**7,107**
3.1 Sales			15	
3.2 Redemptions			107	
3.3 Losses charged to:				
3.3.1 Income Statement	1,020			
- of which Capital Losses	*1,020*			
3.3.2 Shareholders' equity				
3.4 Transfers to other levels	534			5,263
3.5 Other decreases	1,538			1,844
4. Closing balance	**-**	**-**	**6,612**	**-**

With reference to “Financial assets held for trading”, changes are broken down as follows:
- items 2.4 “Other increases” and 3.5 “Other decreases” represent the amount of accrued liabilities and accrued income, respectively, at the end of the previous financial year;
- item 3.4 “Transfers to other levels” is related to the transfer to Level 2, as justified below.

During the year, the extrapolation techniques of the input data that can be directly observed and promptly available, commonly used by market operators, are improved; these activities allow to reclassify the fair value from Level 3 to Level 2.

Also with reference to “Hedging financial assets”, the changes in items 2.4 and 3.5 refer to accrued liabilities and accrued income, respectively, at the end of 2011.

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

	Financial liabilities		
	held for trading	at fair value	hedging
1. Opening balance	**2,697**		**2,684**
2. Increases	**170**		**142**
2.1 Issues			
2.2 Losses charged to:			
2.2.1 Income Statement			
- of which Capital Losses			
2.2.2 Shareholders' equity			
2.3 Transfers from other levels			
2.4 Other increases	170		142
3. Decreases	**2,867**		**2,826**
3.1 Redemptions			
3.2 Repurchases	-		
3.3 Profits charged to:			
3.3.1 Income Statement	661		
- of which Capital Gains	*661*		
3.3.2 Shareholders' equity			
3.4 Transfers to other levels	1,906		2,722
3.5 Other decreases	300		104
4. Closing balance	**-**	**-**	**-**

Changes in items 2.4 “Other increases” and 3.5 “Other decreases” related both to Financial liabilities held for trading and to Hedging financial assets refer to accrued income and accrued liabilities as at 31 December 2011, respectively.

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

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

Part B - INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS (caption 10)

1.1 Cash and cash equivalents: breakdown

	31.12.2012	31.12.2011
a) Cash	29,218	24,897
b) Sight deposits at Central Banks	-	
Total	**29,218**	**24,897**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING (caption 20)

2.1 Financial assets held for trading: breakdown by type

Captions/Amounts	31.12.2012			31.12.2011		
	L 1	L2	L 3	L 1	L 2	L 3
A. Cash equivalents						
1. Debt securities	1,834			8,594		
1.1 Structured securities						
1.2 Other debt securities	*1,834*			*8,594*		
2. Equity securities				166		
3. UCITS units						
4. Financing						
4.1 Repurchase agreements (assets)						
4.2 Other						
Total (A)	**1,834**	**-**	**-**	**8,760**	**-**	**-**
B. Derivative instruments:						
1. Financial derivatives:	43	2,443		23	19	2,399
1.1 Trading	*43*	*317*		*23*	*19*	*830*
1.2 Connected with the fair value option		*2,126*				*1,569*
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 connected with the fair value option						
2.5 other						
Total (B)	**43**	**2,443**	**-**	**23**	**19**	**2,399**
Total (A+B)	**1,877**	**2,443**	**-**	**8,783**	**19**	**2,399**

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

Derivative instruments under fair value option are represented by derivatives that are operationally linked to issues of bonds where the Bank implemented the "fair value option".

2.2 Financial assets held for trading: breakdown by debtor/issuer

Captions/Amounts	31.12.2012	31.12.2011
A. CASH EQUIVALENTS		
1. Debt securities	**1,834**	**8,594**
a) Governments and central banks	1,834	8,594
b) Other public entities		
c) Banks		
d) Other issuers		
2. Equity securities		**166**
a) Banks		166
b) Other issuers		
- insurance companies		
- financial institutions		
- non-financial companies		
- other		
3. UCITS units		
4. Financing		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total A	**1,834**	**8,760**
B. DERIVATIVE INSTRUMENTS		
a) Banks	2,317	1,924
- fair value	*2,317*	*1,924*
b) Customers	169	517
- fair value	*169*	*517*
Total B	**2,486**	**2,441**
Total (A+B)	**4,320**	**11,201**

2.3 Cash financial assets held for trading: annual changes

		Debt securities	Equity securities	UCITS units	Financing	2012
A.	**Opening balance**	**8,594**	**166**			**8,760**
B.	**Increases**	**309,786**	**1,495**			**311,281**
B1	Purchases	309,114	1,448			310,562
B2	Increases in fair value	163				163
B3	Other increases	509	47			556
C.	**Decreases**	**316,546**	**1,661**			**318,207**
C1	Sales	311,015	1,490			312,505
C2	Redemptions	5,492				5,492
C3	Decreases in fair value					-
C4	Transfers to other portfolios					
C5	Other decreases	39	171			210
D.	**Closing balance**	**1,834**	**-**			**1,834**

Item "B.3 Other increases" includes profits from trading activities and from redemptions for a total of Euro 536 thousand, of which Euro 489 thousand on debt securities and Euro 47 thousand on equity instruments, as well as interest accrued, inclusive of the positive issue spreads, for an aggregate of Euro 20 thousand.

On the contrary, item "C.5 Other decreases" includes losses from trading activities or from redemptions for a total of Euro 198 thousand, of which Euro 27 thousand on debt securities and Euro 171 thousand on equity instruments; and the de-recognition of interest accrued at the end of the previous year amounting to Euro 12 thousand.

The results of the fair value changes of the trading portfolio, as reported under item "B.2 Increases in fair value" are recognised in the income statement under item 80 "Net profits/(losses) on trading activities", together with profits/losses from trading or redemptions.

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE (caption 30)

This item has a balance of nil in the periods of reference

SECTION 4 - AVAILABLE-FOR FOR-SALE FINANCIAL ASSETS (caption 40)

4.1 Available-for-sale financial assets: breakdown by type

Captions/Amounts	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	852,101	123,914	99	590,503	*232,080*	110
1.1 Structured securities		*1,910*			*3,500*	
1.2 Other debt securities	*852,101*	*122,004*	*99*	*590,503*	*228,580*	*110*
2. Equity securities	410		6,513	509		6,517
2.1 Measured at fair value	*410*		*4,951*	*509*		*4,951*
2.2 Measured at cost			*1,562*			*1,566*
3. UCITS units	*21,109*			39,627		
4. Financing						
Total	**873,620**	**123,914**	**6,612**	**630,639**	**232,080**	**6,627**

The item "Equity securities" is made up of equity investments in stock companies with voting rights of less than 20% of the company's share capital and which do not represent strategic investments for the Bank.

The table below shows the breakdown by type of fund of the item "UCITS units".

	31.12.2012	31.12.2011
Equity funds	5,236	3,539
Bond funds	13,690	25,208
Flexible funds	2,083	158
Hedge funds	100	10,722
Total	**21,109**	**39,627**

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

Captions/Amounts	31.12.2012	31.12.2011
1. Debt securities	**976,114**	**822,693**
a) Governments and central banks	802,512	587,135
b) Other public entities		
c) Banks	146,986	202,912
d) Other issuers	26,616	32,646
2. Equity securities	**6,923**	**7,026**
a) Banks		
b) Other issuers	6,923	7,026
- insurance companies		
- financial institutions	1,534	*1,534*
- non-financial companies	5,389	*5,492*
- other		
3. UCITS units	**21,108**	**39,627**
4. Financing		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**1,004,145**	**869,346**

4.3 Available-for-sale financial assets: assets subject to specific hedging

Captions/Amounts	31.12.2012	31.12.2011
1. Financial assets subject to specific hedging of fair value	73,121	14,245
a) interest rate risk	*73,121*	*14,245*
b) price risk		
c) exchange risk		
d) credit risk		
e) other risk		
2. Financial assets subject to specific hedging of cash flows	-	-
a) interest rate risk		
b) exchange risk		
c) other		
Total	**73,121**	**14,245**

4.4 Available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCITS units	Loans	**2012**
A. Opening balance	**822,693**	**7,026**	**39,627**	**-**	**869,346**
B. Increases	**2,158,850**	**11**	**13,958**		**2,172,819**
B1. Purchases	2,064,751		12,000		2,076,751
B2. Increases in fair value	40,359		1,583		41,942
B3. Write-backs					
- charged to income statement					
- charged to shareholders' equity					
B4. Transfer from other portfolios	-				
B5. Other increases	53,740	11	375		54,126
C. Decreases	**2,005,429**	**114**	**32,476**	**-**	**2,038,019**
C1. Sales	1,796,239	15	31,590		1,827,844
C2. Redemptions	201,914				201,914
C3. Decreases in fair value	210		9		219
C4. Impairment write-downs	-	99	-		99
- charged to income statement		*99*			*99*
- charged to shareholders' equity					
C5. Transfers to other portfolios	-				
C6. Other decreases	7,066		877		7,943
D. Closing balance	**976,114**	**6,923**	**21,109**	**-**	**1,004,146**

Items "B.2 Increases in fair value" and "C.3 Decreases in fair value" represent capital gains/losses, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves".

In relation to the section "Debt securities", item "B.5 Other increases" includes:
. interest accrued, including the positive issue spreads and the increase in the amortised cost, for an aggregate of Euro 9.4 million, charged to the income statement under item 10 "Interest income on securities";
. income of Euro 0.7 million related to a valuation adjustment under hedge accounting, charged to the income statement under item "90 Net profits (losses) on hedging activities";
. profits from trading and redemption activities for an aggregate of Euro 43.6 million, charged to the income statement under item "100 Profit/(loss) on disposal or repurchase of financial assets available for sale";
on the contrary, item "C.6 Other decreases" includes:
. interest accrued in the previous year and the negative change of the amortised cost for an aggregate of Euro 6.9 million, charged under item 10 in the income statement;
. losses of Euro 0.004 million related to a valuation adjustment under hedge accounting, charged to the income statement under item "90 Net profits (losses) on hedging activities";
. losses from trading and redemption activities for an aggregate of Euro 0.1 million, charged under item 100 in the income statement.

In relation to the section "Equity securities", item "B.5 Other increases" represents the profit deriving from the sale of the equity investment Si.Te.Ba, whereas item "C.4 Impairment write-downs" includes the effect of the impairment on the subsidiary First Capital S.p.A.

Finally, for what concerns the section "UCITS units", the amounts under items "B.5 Other increases" and "C.6 Other decreases" represent, respectively, profit and losses on trading recorded under item 100 of the income statement.

Impairment test on financial assets available for sale

As required by the IFRS accounting standards, the financial assets available for sale were subject to an impairment test at the end of the period in order to check whether there was any negative event that could lead one to consider that the value of these assets in the financial statements was not fully recoverable.
The criteria for carrying out the impairment test on financial assets available for sale are described in the specific section of "Part A – Accounting policies" of these Notes to the Financial Statements.

SECTION 5 - HELD-TO-MATURITY FINANCIAL ASSETS (caption 50)

5.1. Held-to-maturity financial assets: breakdown by type

	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Debt securities	150,604	152,258			120,889	94,218	9,715	
1.1 Structured securities								
1.2 Other debt securities	*150,604*	*152,258*			*120,889*	*94,218*	*9,715*	
2. Financing					-			
Total	**150,604**	**152,258**			**120,889**	**94,218**	**9,715**	

5.2. Held-to-maturity financial assets: breakdown by debtor/issuer

Transaction type/Amount	31.12.2012	31.12.2011
1. Debt securities	**150,604**	**120,889**
a) Governments and central banks	140,485	110,774
b) Other public entities		
c) Banks	10,119	10,115
d) Other issuers		
2. Financing	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**150,604**	**120,889**

5.3. Held-to-maturity financial assets: subject to specific hedging

At the balance sheet date, there were no held-to-maturity financial assets subject to specific hedging

5.4 Held-to-maturity financial assets: annual changes

	Debt securities	Financing	2012
A. Opening balance	**120,889**		**120,889**
B. Increases	**31,284**		**31,284**
B1. Purchases	29,335		29,335
B2. Write-backs			
B3. Transfer from other portfolio			
B4. Other increases	1,949		1,949
C. Decreases	**(1,569)**		**(1,569)**
C1. Sales			
C.2. Redemptions			
C3. Value adjustments			
C.4 Transfers to other portfolio			
C5. Other decreases	(1,569)		(1,569)
D. **Closing balance**	**150,604**		**150,604**

Item B.4 "Other increases" is made up of Euro 1,883 thousand for accruals accrued at the end of the period and Euro 66 thousand for the portion of positive amortised cost accrued in the year, all of which was accounted for in the income statement under item "10 Interest income".

On the contrary, item "C.5. Other decreases" is made up of Euro 1,557 thousand for accruals accumulated last year and Euro 12 thousand for the negative change in the amortised cost accrued in the period; the entry in the accounts of the two elements entails a reduction in item 10 of the income statement.

SECTION 6 - AMOUNTS DUE FROM BANKS (caption 60)

6.1 Amount due from banks: breakdown by type

Transaction type/Amount	31.12.2012	31.12.2011
A. Amounts due from Central banks	**11,766**	**29,371**
1. Restricted deposits		
2. Compulsory reserve	11,766	29,371
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	**210,130**	**137,645**
1. Current accounts and demand deposits	80,850	31,328
2. Restricted deposits	96,250	73,281
3. Other financing	7,573	7,604
3.1 repurchase agreements		
3.2 finance leases		
3.3 other	*7,573*	*7,604*
4. Debt securities	25,457	25,432
4.1 Structured securities	*25,457*	*25,432*
4.2 Other debt securities	-	
Total (book value)	**221,896**	**167,016**
Total (fair value)	***221,896***	***166,580***

At the end of the year, the commitment to maintain the Compulsory reserve undertaken by Banco Desio for all the Group banks amounted to Euro 47.4 million (Euro 86.1 million in the previous year).
At the end of the year, there were no impaired assets in amounts due from banks.

The intra-group relations outstanding at the end of the year come to 29.6 million (Euro 13.2 million as at 31 December 2011), of which Euro 22.0 million for current accounts and unrestricted deposits, Euro 7.5 million for other loans and Euro 0.1 million for restricted deposits.
All relations were regulated at arm's length.

6.2 Amounts due from banks: assets subject to specific hedging

At the reference date, there were no amounts due from banks subject to specific hedging.

6.3 Amounts due from banks: finance lease

Banco Desio has no amounts due from banks in connection with finance lease transactions.

SECTION 7 - AMOUNTS DUE FROM CUSTOMERS (caption 70)

7.1 Amounts due from customers: breakdown by type

Transaction type/Amount	31.12.2012			31.12.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts	1,520,615		101,077	1,428,346		75,122
2. Repurchase agreements	337,712			3,583		
3. Mortgage loans	2,669,740		210,998	2,776,999		138,598
4. Credit cards, personal loans and loans on salary	51,844		3,537	66,941		3,875
5. Financial leases	514,553		29,129	576,355		21,272
6. Factoring	14,207		316	11,180		104
7. Other loans	646,324		4,493	645,464		5,264
8. Debt securities	22,400			21,747		
8.1 Structured securities						
8.2 Other debt securities	22,400			*21,747*		
Total (book value)	**5,777,395**		**349,550**	**5,530,615**		**244,235**
Total (fair value)	**6,123,889**		**349,550**	**5,834,472**		**244,235**

Gross loans total Euro 6,304.2 million, whereas total value adjustments amount to Euro 177.3 million.

The item "repurchase agreements" includes exclusively loans with institutional counterpart.

The amount of item 8.2) "Other debt securities" represents the counter-value of capitalisation policies.

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

The fair value of credits reflects performing loans connected with medium and long term financing, the major changes of which, compared to the accounting data, refer to mortgages estimated at Euro 2,965.9 million, finance lease of Euro 559.8 million, credit cards, personal loans and loans on salary ("cessione del quinto") of Euro 56.3 million.
Amounts due from Group Banco Desio companies amounted to Euro 259.4 million (Euro 187.9 million last year), of which Euro 229.6 million from the indirect subsidiary Fides S.p.a (Euro 187.5 million as at 31 December 2011).

7.2 Amounts due from customers: breakdown by debtor/issuer

Transaction type/Amount	31.12.2012			31.12.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**22,400**		**-**	**21,747**		**-**
a) Governments						
b) Other public entities						
c) Other issuers	22,400			21,747		
- non-financial companies						
- financial companies						
- insurance companies	*22,400*			*21,747*		
- other						
2. Loans to:	**5,754,995**		**349,550**	**5,508,868**		**244,235**
a) Governments						
b) Other public entities						
c) Other entities	5,754,995		349,550	5,508,868		244,235
- non-financial companies	*3,600,295*		*250,579*	*3,454,375*		*151,933*
- financial companies	*653,701*		*403*	*277,668*		*184*
- insurance companies	*1,719*		*-*	*1,512*		
- other	*1,499,280*		*98,568*	*1,775,313*		*92,118*
Total	**5,777,395**		**349,550**	**5,530,615**		**244,235**

7.3 Amounts due from customers: assets subject to specific hedging

At the reference date, there were no amounts due from customers subject to specific hedging.

7.4 Finance lease

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

Transaction type	31.12.2012				31.12.2011			
	Gross investment	Deferred profit	Net investment	Unsecured residual values (redemption)	Gross investment	Deferred profit	Net investment	Unsecured residual values (redemption)
Financial lease	652,785	- 124,716	528,069	77,890	736,308	- 146,549	589,759	85,794
- of which leaseback contracts	*40,032*	*- 7,726*	*32,306*	*5,815*	*50,704*	*- 10,867*	*39,837*	*7,794*
Total	**652,785**	**- 124,716**	**528,069**	**77,890**	**736,308**	**- 146,549**	**589,759**	**85,794**

Relevant period	31.12.2012 Gross investment		31.12.2012 Deferred profit	31.12.2012 Net investment	31.12.2011 Gross investment		31.12.2011 Deferred profit	31.12.2011 Net investment
- Within one year	15,598	-	321	15,277	15,986	-	369	15,617
- Between 1 and 5 years	200,947	-	15,182	185,765	225,342	-	17,166	208,176
- Beyond five years	436,240	-	109,213	327,027	494,980	-	129,014	365,966
Total	**652,785**	**-**	**124,716**	**528,069**	**736,308**	**-**	**146,549**	**589,759**

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

SECTION 8 - HEDGING DERIVATIVES (caption 80)

8.1 Hedging derivatives: breakdown by type of hedge and by level

	31.12.2012				31.12.2011			
	fair value			NV	fair value			NV
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**9,005**		**216,637**			**5,631**	**216,337**
1) Fair value		9,005		216,637			5,631	216,337
2) Cash flow								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**9,005**		**216,637**			**5,631**	**216,337**

Key:

NV = Notional value

8.2 Hedging derivatives: breakdown by portfolios hedged and by type of hedge

Transactions/Hedging type	Fair value						Cash flow		Foreign investments
	Specific					General	Specific	General	
	interest-rate risk	exchange Risk	credit risk	price risk	multiple risks				
1. Available-for-sale financial assets									
2. Loans and Receivables									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transactions									
Total assets									
1. Financial liabilities	9,005								
2. Portfolio									
Total liabilities	**9,005**								
1. Expected settlements									
2. Financial assets and liabilities portfolio									

SECTION 9 - ADJUSTMENT TO VALUES OF FINANCIAL ASSETS SUBJECT TO SPECIFIC HEDGING (caption 90)

At the reference date there were no financial assets subject to general hedging.

SECTION 10 - EQUITY INVESTMENTS (caption 100)

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

Company name	Registered offices	% ownership share	Availability of votes %
A. Wholly-owned subsidiary companies			
Banco Desio Lazio S.p.A.	*Rome*	100.000	
Rovere S.A.	*Luxembourg*	70.000	
Brianfid-Lux S.A. in liquidation	*Luxembourg*	100.000	
Credito Privato Commerciale S.A. in liquidation	*Lugano*	100.000	
Chiara Assicurazioni S.p.A. (*)	*Desio*	66.662	
C. Companies subject to significant influence			
Istifid S.p.A.	*Milan*	28.961	

(*) classified under Caption 140 "Non-current assets held for sale and discontinued operations"

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

Company name	Total assets	Total revenues	Profit (loss)	Shareholders' equity	Book value
A. Wholly-owned subsidiary companies					
Banco Desio Lazio S.p.A.	904,965	49,212	3,491	73,638	66,024
Rovere S.A.	2,452	4,640	625	1,258	350
Brianfid-Lux SA. in liquidation(1)	31,447	1,375	(525)	3,475	3,957
Credito Privato Commerciale S.A. in liquidation) (1)	96,827	4,161	(6,959)	20,007	33,593
Chiara Assicurazioni S.p.A.	73,023	28,042	2,301	20,394	15,153
Total A	**1,108,714**	**87,430**	**(1,067)**	**118,772**	**119,077**
C. Companies subject to significant influence					
Istifid S.p.A. (2)	6,035	5,267	29	3,663	883
Total C	**6,035**	**5,267**	**29**	**3,663**	**883**
Total	**1,114,749**	**92,697**	**(1,038)**	**122,435**	**119,960**

(1) figures referring to accounting statements, prepared for the purposes of the consolidated financial statements, certified by their Independent Auditors

(2) except for the book value, the other figures refer to the 2011 financial statements, last financial statements approved.

10.3 Equity investments: annual changes

	2012	2011
A. Opening balance	**124,180**	**193,447**
B. Increases	**53,908**	**16,410**
B.1 Purchases	41,983	16,406
B.2 Write-backs		
B.3. Revaluations		
B.4 Other increases	11,925	4
C. Decreases	**73,281**	**85,677**
C.1 Sales	22,547	
C.2 Value adjustments		
C.3 Other decreases	50,734	85,677
D. Closing balance	**104,807**	**124,180**
E. Total revaluations		
F. Total value adjustments		

Subitem B.1 "Purchases" refers to the following transactions:
- Credito Privato Commerciale S.A. in liquidation: subscription of 11,000 shares of nominal value 1,000 ChF each in connection with the re-establishment of the share Capital amounting to Euro 41,633 thousand;
- Rovere Societé de gestion S.A. – Luxembourg: purchase of a total of 35,000 shares, including 25,000 Class A, 5,000 Class E and 5,000 Class F, for a total amount of Euro 350 thousand.

The main allocations made under subitem B.4 "Other increases" refer to:
- Chiara Assicurazione S.p.A.: Euro 2,000 thousand, shareholders' payment on account of capital;
- Chiara Vita S.p.A.: Euro 3,529 thousand, partial use of provision for risks and charges to cover a capital loss for price adjustment for the transfer of the 70% share carried out in 2008;
  Euro 6,350 thousand, profit, including all directly related charges, from the sale of our remaining ownership share (30%);

Subitem C.1 represents the sales value of 10,253,400 shares of Chiara Vita S.p.A.

Subitem C.3 "Other decreases" includes the following changes:
- Chiara Assicurazioni S.p.A.: Euro 15,153 thousand, reclassification between "Assets being disposed of";
- C.P.C. S.A. in liquidation: Euro 7,866 thousand, write-down;
  Euro 174 thousand, currency adjustment;
- Brianfid S.A. in liquidation: Euro 24,012 thousand, write-down;
- Chiara Vita S.p.A.: Euro 3,529 thousand, price adjustment for the transfer carried out in 2008.

10.3.1 Impairment tests on equity investments

In accordance with the provisions of IAS 36 and taking account of the directions mentioned in the joint Bank of Italy, CONSOB and ISVAP document of 3 March 2010, the information concerning the impairment test carried out on equity investments held as at 31 December 2012 is shown below.

The aim of the impairment process is to check that the carrying amount of the equity investments is not higher than the related recoverable amount, intended as the value that can be derived from continued use (value in use) or the possible sale price on the market (fair value less sale costs or exchange value) of the equity investment, whichever lower.

The recoverable amount of the equity investments was determined by referring to the value in use (except for the equity investment in the associate Istifid Spa). In order to calculate the value in use, IAS 36 envisages the possibility of using the financial method known as Discounted Cash Flow (DCF). This method identifies the value in use of an equity investment, or of an enterprise, by means of the estimate of future (operating) cash flows generated by it, discounted according to an appropriate discount rate, according to the explicit time frame in which it is assumed they will be achieved.

During the usual procedure, in the case of banks we use the Free Cash Flow to Equity (FCFE), also known as Dividend Discount Model (DDM) in the Excess Capital version, which determines the value of an enterprise on the basis of future cash flows that it could be able to distribute to its shareholders, without affecting the assets required to support the expected growth and in compliance with the regulations on capital imposed by the Supervisory Authority, discounted at a rate that reflects the specific risk of the capital. Furthermore, it is noted that, albeit the expression Dividend Discount Model alludes to the word dividend, the cash flows considered by the model are not the dividends that are expected to be actually distributed to the shareholders, but rather the whole cash flows that the firm will be able to generate after taxes and interest payments to the debt holders and while being compliant with both regulatory and statutory capital requirements.

Consequently, the impairment test was carried out according to the criteria and assumptions shown below.

a) Criterion to estimate recoverable values (Impairment)

For the criterion used to estimate the recoverable value of the Equity Investment, reference is made to the so-called value in use: equity value for banks and financial intermediaries, enterprise value for non-financial companies.

Time horizon for the determination of future cash flows:

The time horizon considered is that attributable to the latest 2013-2015 business plan approved by the Directors, as well as the further development of that plan, by the Management, with projections of future results extended to encompass an explicit forecast period of 5-7 years, in order to reduce the distortions that can be associated with using the restricted time horizon of the industrial plan that, in certain historical moments – such as the current one – can be strongly affected by the economic effects of the financial and economic crisis or by extraordinary events with respect to which it is appropriate to normalize the results in order to be able to focus more precisely on the real potentials of the entity being tested in the medium to long term period.

Cash flows

When evaluating the banks and financial intermediaries, the "equity side" approach is used, as part of the DDM method, in order to calculate the equity value in that, owing to the typical banking activities of the fund (deposit/loans), it is particularly difficult to make a distinction between financial and operating debts; Moreover, in the Excess Capital version, the cash flows available for the shareholders are cash flows from which a shareholder could potentially benefit in compliance with the limits of the financial resources required by the business operation, therefore, they duly consider the absorption of the regulatory capital.

When evaluating non-financial companies, the "asset side" approach is used, as part of the DCF method, in order to calculate the enterprise value, as a result, future net cash flows (CF) are calculated on the basis of the prospective (unlevered) financial statements, that is net of financial expenses, therefore the net financial position of the company on the evaluation date is considered.

Discount rate

When evaluating banks and financial intermediaries, reference is made to the so-called cost of capital Ke (cost of equity).

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

Growth rate of the flows after the period covered by the business plan or budget:

A long-term growth rate is considered in line with the expectations of the inflation rate in the long term.

Terminal Value

It is determined by applying the formula that is associated to the traditional formula of "perpetual annuity" at the Ke rate or at the WACC rate.

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

b) Evaluation parameters used and test analysis

The main assumptions used for the impairment tests are shown below.

Legal entity	Model	Database	CAGR RWA/Assets Managed	Ke / Wacc	g	Currency	Flows of the Plan	Capital ratio
Banco Desio Lazio Spa	DDM	2013-2015 Plan extended to 2017	4.3%	9.83%	2%	€	Net Results	8% (Tier 1)
Rovere SdG Sa	DDM	2013-2015 Plan extended to 2017	3.9%	9.83%	2%	€	Net Results	(*)
CPC in Liquidation	DDM	2012-2019 Liquidator Plan	-	0.88%	-	CHF	Net Results	(*)
Brianfid-Lux in Liquidation	DDM	2013 Liquidator Plan	-	-	-	€	Net Results	(*)
Istifid Spa	-	Transaction price of MKT	-	-	-	€	-	-

(*) Complies with the forecasts/requests of their local Supervisory Authorities.

According to the impairment test carried out, there was no need to write down the above-mentioned equity investments, except for Brianfid-Lux in Liquidation, whose value recognised in the financial statements acknowledged the write-down of ca. Euro 827 thousand deriving from the impairment test carried out on the result of the plan of the costs of the liquidation that is expected to be completed by the Liquidator within the first half of 2013, as well as taking into account the implicit revaluation of the company property, net of its book value on the basis of relevant expert report.

For what concerns the equity investment in CPC in Liquidation, there was no need to make further write-downs compared to those already recognised as at 30 June 2012 (of ca. Euro 31 million), when it was held by Brianfid Lux Sa, whereas now it is directly held by Banco Desio.

It is noted that the parameters and the information considered in the development of the impairment test are affected by the economic situation and by the financial markets, and may undergo changes/variations - currently unforeseeable - with the resulting effects on the main assumption considered and therefore, potentially, also on the results that in future financial years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment test is particularly complex due to the current macroeconomic and market context and due to the resulting difficulty in making forecasts on long-term future profitability, a "stress test" is carried out to further the impairment test assuming the change in the main parameters used within the impairment test.

The table below summarises the deviations in percentage or in percentage points of the basic assumptions adopted for the various equity investments needed to make the recoverable amount equal to their book value in the financial statements. The sensitivity analysis does not include the equity investment in Brianfid Lux in Liquidation in relation to the period of a few months expected by the Liquidator for the liquidation procedure of the company.

Equity investments	Increase in p.p. of the discount rate of future cash flows (FCFE)	Decrease in p.p. of the growth rate beyond the plan for the calculation of the terminal value	Increase in the costs of the liquidation CAGR	Deviation of transaction price of MKT
Banco Desio Lazio Spa	Above 1,000	200	-	-
Rovere SdG Sa	Above 1,000	200	-	-
CPC in Liquidation (*)	- 88	-	20%	-
Istifid Spa	-	-	-	40%

(*) In the specific case, since the liquidation plan contemplates only flows of future losses, estimated by the Liquidators along the time axis expected until the closure of the company, for the sensitivity test, based on the parameter of the discount rate, this rate was decreased in order not to carry out a greater discount of the flows of expected losses due to the increase in the discount rate.

LIST OF EQUITY INVESTMENTS

(amounts in Euro units)

Equity investments	Number of shares or stakes	% ownership	Nominal value	Book value
Subsidiaries				
Banco Desio Lazio S.p.A.	47,700,000	100.000	47,700,000	66,023,848
Rovere Societé de Gestion S.A.	35,000	70.000	350,000	350,000
Brianfid-Lux S.A. in liquidation	400,000	100.000	4,000,000	3,957,373
Credito Privato Commerciale S.A. in liquidation	11,000	100.000	11,000,000	33,592,752
Total subsidiaries				**103,923,973**
Associated companies				
Istifid S.p.A (1)	419,937	28.961	419,937	883,370
Total associated companies			**419,937**	**883,370**
Assets being disposed of				
Chiara Assicurazioni S.p.A	8,273,472	66.662	8,273,472	15,153,264
Total assets being disposed of				**15,153,264**
Total equity investments				**119,960,607**

(1) of which 0.623% equal to 9,035 bare property shares

(1) of which 0.623% equal to 9,035 bare property shares

(amounts in Euro units)

Equity investments	Number of shares or stakes	% ownership	Nominal value	Book value
Other (*)				
Cedacri S.p.A.	643	5.100	643,000	4,951,100
AcomeA Sgr p.a.	50,000	9.091	500,000	1,500,000
First Capital S.p.A.	666,990	2.998	666,990	409,532
Be.Ve.Re.Co. S.r.l.	30,000	5.825	15,000	15,494
Carta Si	60,826	0.103	36,496	34,174
S.S.B. Società Servizi Bancari S.p.A.	51,491	0.030	6,694	3,640
Consorzio Bancario S.I.R. S.p.A.	882,939	0.057	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Sviluppo Brianza	1	0.698	2,462	2,613
				6,922,399

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

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

Company name	Number of shares or stakes with voting right	% ownership share with voting right	Type of ownership	Type of holding
BANCO DESIO LAZIO S.p.A.	47.700.000	100,000	owned	direct
Rovere Societé de Gestion S.A.	40.000	70,000	owned	direct
		10.000	owned	indirect through Banco Desio Lazio
FIDES S.p.A.	2.264.922	100,000	owned	indirect through Banco Desio Lazio
BRIANFID-LUX S.A. in liquidation	2.794.300	100,000	owned	direct
Credito Privato Commerciale S.A. in liquidation	11.000	100,000	owned	direct
CHIARA ASSICURAZIONI S.p.A.	6.273.600	66,662	owned	direct
ISTIFID S.p.A. (1)	419.937	28,961	owned	direct

SECTION 11 - TANGIBLE ASSETS (caption 110)

11.1 Tangible assets: breakdown of assets valued at cost

Asset / Value	31.12.2012	31.12.2011
A. Functional assets		
1.1 owned by the Bank	**141,157**	**143,771**
a) land	39,590	39,442
b) buildings	86,111	86,724
c) fixtures and fittings	6,617	7,855
d) electrical equipment	1,947	2,252
e) other	6,892	7,498
1.2 acquired under finance lease		
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
Total A	**141,157**	**143,771**
B. Tangible assets held for investment		
2.1 owned by the Bank	**6**	**6**
a) land	6	6
b) buildings		
2.2 acquired under finance lease		
a) land		
b) buildings		
Total B	**6**	**6**
Total (A + B)	**141,163**	**143,777**

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

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

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

11.2 Tangible assets: breakdown of assets at fair value or revalued

There were no tangible assets measured at fair value or revalued at the end of the period.

11.3 Tangible assets for business use: annual changes

		Land	Buildings	Fixtures and fittings	Electrical equipment	Others	2012
A.	**A. Gross opening balance**	**39,442**	**99,089**	**30,615**	**19,119**	**36,543**	**224,808**
A.1	A.1 Total net decreases in value		12,365	22,760	16,867	29,045	81,037
A.2	**A.2 Net opening balance**	**39,442**	**86,724**	**7,855**	**2,252**	**7,498**	**143,771**
B.	**Increases:**	**148**	**1,477**	**481**	**746**	**1,648**	**4,500**
B.1	Purchases	148	1,477	168	442	1,070	3,305
B.2	B2 Capitalised improvement expenses						
B.3	B3 Write-backs						
B.4	B4 Increases in fair value charged to:						
	a) shareholders' equity						
	b) income statement						
B.5	Positive exchange differences						
B.6	Transfers from assets held for investment						
B.7	Other increases			313	304	578	1,195
C.	**C. Decreases:**		**2,090**	**1,719**	**1,051**	**2,254**	**7,114**
C.1	C.1 Sales			347	304	662	1,313
C.2	C.2 Depreciations		2,090	1,372	747	1,556	5,765
C.3	C.3 Value adjustments due to deterioration charged to:						
	a) shareholders' equity						
	b) income statement						
C.4	Decreases in fair value charged to:						
	a) shareholders' equity						
	b) income statement						
C.5	Negative exchange differences						
C.6	Transfers to:						
	a) tangible assets held for investment						
	b) assets being disposed of						
C.7	Other decreases					36	36
D.	**Net Closing balance**	**39,590**	**86,111**	**6,617**	**1,947**	**6,892**	**141,157**
D.1	Total net decreases in value		14,454	23,820	17,310	30,022	85,606
D.2	**Gross closing balance**	**39,590**	**100,565**	**30,437**	**19,257**	**36,914**	**226,763**
E.	Valuation at cost						

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

Furniture, electronic systems and other tangible assets have been valued at cost.

The sale of tangible assets, of which item "C.1 Sales", led to the recognition of profits on sales of Euro 27 thousand and losses on sales of Euro 76 thousand, recognised in the income statement under item 190 "Other operating expenses/income".

With reference to item "B.7 Other increases", changes refer for:
. Euro 1,090 thousand to the restoration of the depreciation fund on assets sold, the amount of which is shown in item "C.1 Sales" gross of the depreciation fund;
. Euro 35 thousand to the reclassification of assets under the item "Fixtures and fittings" previously classified under the item "Others".

With reference to item "C.7 Other decreases", changes refer for:
. Euro 35 thousand to the reclassification under another item, as specified in the previous point;
. Euro 1 thousand to the reclassification under item "150 Other assets" of costs on third-party properties.

11.4 Tangible assets held for investment: annual changes

No changes were recorded during the period in tangible assets held for investment.

11.5 Tangible assets: commitments for purchase of tangible assets

The commitments for purchase of tangible assets amount at the end of the financial year to Euro 7,700 thousand and refer to an option for the purchase of properties.

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

(amounts in Euro units)

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

PROPERTY OWNED BY THE BANK
(excluding properties under financial lease)

location of the property		area in sq.m for office use	Net carrying amount (in thousands of EUR)
ALBINO	Viale Libertà 23/25	332	724
ARCORE	Via Casati, 7	362	584
BAREGGIO	Via Falcone, 14	200	292
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	861
BOLOGNA SANTA VIOLA	Via Della Ferriera, 4	200	1,046
BOVISIO MASCIAGO	Via Garibaldi, 8	382	445
BRESCIA	Via Verdi, 1	530	1,878
BRESCIA 1° piano	Via Verdi, 1	190	1,130
BRIOSCO	Via Trieste, 14	430	433
BRUGHERIO	Viale Lombardia, 216/218	425	1,338
BUSTO ARSIZIO	Via Volta, 1	456	1,035
CADORAGO	Via Mameli, 5	187	310
CANTU'	Via Manzoni, 41	1,749	2,310
CARATE BRIANZA	Via Azimonti, 2	773	1,023
CARUGATE	Via XX Settembre, 8	574	645
CARUGO	Via Cavour, 2	252	389
CASTELLANZA	Corso Matteotti, 18	337	439
CESANO MADERNO	Corso Roma, 15	692	918
CHIAVARI	Piazza Matteotti	68	1,050
CINISELLO BALSAMO	Via Frova, 1	729	951
CINISELLO BALSAMO	Piazza Gramsci	26	16
COLOGNO MONZESE	Via Cavallotti, 10	128	50
CUSANO MILANINO	Viale Matteotti, 39	522	715
DESIO	Piazza Conciliazione, 1	1,694	2,188
DESIO	Via Rovagnati, 1	20,032	30,027
DESIO	Via Volta	238	620
EMPOLI	Via Masini, 58	448	1,714
GARBAGNATE	Via Varese, 1	400	1,270
GIUSSANO	Via Addolorata, 5	728	972
LECCO	Via Volta	615	1,761
LEGNANO	Corso Italia, 8	1,545	2,810
LISSONE	Via San Carlo, 23	583	1,426
MEDA	Via Indipendenza, 60	678	842
MILANO	Via della Posta, 8	1,912	7,903
MILANO	Via Foppa	223	819
MILANO	Via Menotti	825	3,053
MILANO	Via Moscova	668	5,410
MILANO	Via Trau'	627	3,283
MILANO	P.za De Angeli	385	2,291
MISINTO	Piazza Mosca, 3	330	377
MODENA	Via Saragozza, 130	720	4,447
MONZA	Via Manzoni, 37	397	757
MONZA	Corso Milano, 47	2,143	4,078
MONZA	Via Rota, 66	330	576
MONZA	P.za S. Paolo	496	3,883

(continues)

location of the property		area in sq.m for office use	Net carrying amount (in thousands of EUR)
NOVA MILANESE	Piazza Marconi, 5	526	713
NOVATE MILANESE	Via Matteotti, 7	462	679
ORIGGIO	Largo Croce, 6	574	796
PADOVA	Via Matteotti, 20	550	3,605
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	619
PIACENZA	Via Vittorio Veneto,67/a	486	1,501
REGGIO EMILIA	Via Terrachini,1 ang. Via Risorgiment	713	2,767
RENATE	Piazza don Zanzi, 2	429	679
RHO	Via Martiri Libertà, 3	410	746
RUBIERA	Via Emilia Ovest, 7	310	1,447
SARONNO	Via Rimembranze, 42	530	772
SEGRATE	Via Cassanese, 200	170	303
SEREGNO	Via Trabattoni, 40	1,233	2,173
SESTO SAN GIOVANNI	Piazza Oldrini	377	834
SEVESO	Via Manzoni	382	1,137
SOVICO	Via Frette, 10	673	1,121
TORINO	Via Filadelfia, 136	370	1,752
VAREDO	Via Umberto I°, 123	501	548
VEDUGGIO	Via Vittorio Veneto, 51	257	253
VERANO BRIANZA	Via Preda, 17	322	408
VERANO BRIANZA	Via Furlanelli, 3	395	731
VIGEVANO	Via Decembrio, 21	480	2,047
VIMERCATE	Via Milano 6	338	981
Sub totale		**57,279**	**125,701**
Properties held for investment			
MEDA posto auto	Via Indipendenza, 60	15	6
Sub total		**15**	**6**
Total		**57,294**	**125,707**

11.5 Commitments for purchase of tangible assets

The commitments for purchase of tangible assets amount at the end of the financial year to Euro 7,700 thousand and refer to an option for the purchase of properties.

SECTION 12 - INTANGIBLE ASSETS (caption 120)

12.1 Intangible assets: breakdown by type of assets

Asset / Value	31.12.2012		31.12.2011	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 **Goodwill**:	x	6,958	x	6,958
A.2 **Other intangible assets:**	1,467		1,426	
A.2.1 Assets valued at cost:	1,467		1,426	
a) Intangible assets generated internally				
b) Other assets	1,467		1,426	
A.2.2 Assets at fair value:				
a) Intangible assets generated internally				
b) Other assets				
Total	**1,467**	**6,958**	**1,426**	**6,958**

Intangible assets with an indefinite useful life are subject to an impairment test at least once a year and in particular in order to draw up the financial statements or in any case when certain circumstances arise that would imply a reduction in value.

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

12.1.1 Impairment test

In accordance with the provisions of IAS 36 and taking account of the directions mentioned in the joint Bank of Italy, Consob and Isvap document of 3 March 2010, the information concerning the impairment test carried out on the Cash Generating Unit (CGU) as at 31 December 2012 is shown below.

The aim of the impairment process is to check that the carrying amount of the CGU is not higher than the related recoverable amount, intended as the value that can be derived from continued use (value in use) or the possible sale price on the market (fair value less sale costs or exchange value) of the CGU, whichever lower.

The recoverable amount of the CGU was determined by referring to the value in use. In order to calculate the value in use, IAS 36 envisages the possibility of using the financial method known as Discounted Cash Flow (DCF). This method identifies the value in use of a CGU, or of an enterprise, by means of the estimate of future (operating) cash flows generated by it, discounted according to the explicit time frame in which it is assumed they will be achieved.

During the usual procedure, in the case of banks we use the Free Cash Flow to Equity (FCFE), also known as Dividend Discount Model (DDM) in the Excess Capital version, which determines the value of an enterprise on the basis of future cash flows that it could be able to distribute to its shareholders, without affecting the assets required to support the expected growth and in compliance with the regulations on capital imposed by the Supervisory Authority, discounted at a rate that reflects the specific risk of the capital. Furthermore, it is noted that, albeit the expression Dividend Discount Model alludes to the word dividend, the cash flows considered by the model are not the dividends that are expected to be actually distributed to the shareholders, but rather the whole cash flows that the firm will be able to generate after taxes and interest payments to the debt holders and while being compliant with both regulatory and statutory capital requirements.

In the past, the CGUs were identified with the "branch network" consisting of the group of branches transferred or purchased by the Bank. Such a change must not be considered as a reorganisation of the CGUs compared to the previous financial year, resulting in the reallocation of the goodwill, whereas it is related to the circumstance that the Banking Group is able to recognise the results autonomously by means of management reporting systems for which the CGU concept corresponds to the legal entity to which it belongs.

On the other hand, the organisation of the Banking group contemplates a joint strategic direction and coordination by the Parent Company aimed at achieving the objectives of development and profitability at the level of each legal entity of the Group, that is to say, it does not contemplate the breakdown of the development and profitability targets by business unit that take into account, for example, specific business trends: retail, private, corporate finance, asset management, or specific territorial combinations: grouping of branches by geographical areas or product areas.

Consequently, all the management reporting, as well as the budgeting activity, analyses, monitors and carries out financial and income estimates at the level of legal entity.

Therefore, the impairment test was carried out directly on the Banco di Desio e della Brianza Spa legal entity according to the criteria and assumptions shown below.

a) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the goodwill belonging to the specific legal entity, reference is made to the so-called value in use: equity value for banks and financial intermediaries, enterprise value for non-financial companies.

Time horizon for the determination of future cash flows:

The time horizon considered is that attributable to the latest 2013-2015 business plan approved by the Directors, as well as the further development of that plan, by the Management, with projections of future results extended to encompass an explicit forecast period of 5-7 years, to reduce the distortions that can be associated with using the restricted time horizon of the industrial plan that, in certain historical moments – such as the current one – can be strongly affected by the economic effects of the financial and economic crisis or by extraordinary events with respect to which it is appropriate to normalize the results in order to be able to focus more precisely on the real potentials of the entity being tested in the medium to long term period.

Cash flows:

When evaluating the banks and financial intermediaries, the "equity side" approach is used, as part of the DDM method, in order to calculate the equity value in that, owing to the typical banking activities of the fund (deposit/loans), it is particularly difficult to make a distinction between financial and operating debts; Moreover, in the Excess Capital version, the cash flows available for the shareholders are cash flows from which a shareholder could potentially benefit in compliance with the limits of the financial resources required by the business operation, therefore, they duly consider the absorption of the regulatory capital.

When evaluating non-financial companies, the "asset side" approach is used, as part of the DCF method, in order to calculate the enterprise value, as a result, future net cash flows (CF) are calculated on the basis of the prospective (unlevered) financial statements, that is net of financial expenses, therefore the net financial position of the company on the evaluation date is considered.

Discount rate:

When evaluating banks and financial intermediaries, reference is made to the so-called cost of capital Ke (cost of equity).

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

Growth rate of the flows after the period covered by the business plan or budget:

A long-term growth rate is considered in line with the expectations of the inflation rate in the long term.

Terminal Value:
It is determined by applying the formula that is associated to the traditional formula of "perpetual annuity" at the Ke rate or at the WACC rate.

The equity value or the enterprise value of the legal entity, as determined on the basis of the above procedure on the date when observations are made, is then compared to the value at which the specific goodwill is entered in the financial statements, with the sole objective of verifying impairment losses (if any).

b) Evaluation parameters used and test analysis

The main assumptions used for the impairment tests are shown below.

CGU	Model	Database	CAGR RWA	Ke/Wacc	g	Flows of the Plan	Capital ratio
Banco di Desio e della Brianza SpA	DDM	2013-2015 Plan extended to 2017	4.3%	9.83%	2%	Net Results	8% (Tier 1)

According to the impairment test carried out, there is no need of any impairment of goodwill.

It is noted that the parameters and the information considered in the development of the impairment test are affected by the economic situation and by the financial markets, and may undergo changes/variations - currently unforeseeable - with the resulting effects on the main assumption considered and therefore, potentially, also on the results that in future financial years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment test is particularly complex due to the current macroeconomic and market context and due to the resulting difficulty in making forecasts on long-term future profitability, a "stress test" is carried out to further the impairment test assuming the change in the main parameters used within the impairment test.

The table below summarises the deviations in percentage or in percentage points of the basic assumptions adopted for the CGU needed to make the recoverable amount equal to the carrying amount of the goodwill in the financial statements.

CGU	Increase in p.p. of the discount rate of future cash flows (FCFE)	Flat profitability
Banco di Desio e della Brianza Spa	Above 1,000	2012 Net Result for all the years of the Plan

12.2 Intangible assets: annual changes

		Goodwill	Other intangible assets: generated internally		Other intangible assets: other		2012
			Definite duration	Indefinite duration	Definite duration	Indefinite duration	
A	**Opening balance**	**8,966**			**4,395**		**13,361**
A.1	Total net decreases in value	2,008			2,969		4,977
A.2	**Net opening balance**	**6,958**			**1,426**		**8,384**
B.	**Increases**				**570**		**570**
B.1	Purchases				570		570
B.2	Increases in internal intangible assets						
B.3	Write-backs						
B.4	Increases in fair value						
	- shareholders' equity						
	- income statement						
B.5	Positive exchange differences						
B.6	Other increases						
C	**Decreases**				**529**		**529**
C.1	Sales						
C.2	Adjustments				529		
	- Amortisation				529		
	- Write-downs						
	+ shareholders' equity						
	+ income statement						
C.3	Decreases in fair value						
	- shareholders' equity						
	- income statement						
C.4	Transfers to non-current sale and discontinued operations						
C.5	Negative exchange differences						
C.6	Other decreases						
D.	**Net Closing balance**	**6,958**			**1,467**		**8,425**
D.1	Total net adjustments	2,008			3,498		5,506
E.	**Gross closing balance**	**8,966**			**4,965**		**13,931**
F.	Valuation at cost						

SECTION 13 - TAX ASSETS AND LIABILITIES (caption 130 under assets and caption 80 under liabilities)

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

13.1 Deferred tax assets: breakdown

Temporary differences	IRES	IRAP	31.12.2012	31.12.2011
a) against Profit and Loss				
write-downs of loans to customers deductible on a straight-line basis	37,784		37,784	24,707
provisions for risks from implicit loan losses	305		305	305
write-down of loans to customers outstanding as at 31.12.1994	9		9	9
goodwill deductible for tax purposes	1,174	238	1,412	
statutory depreciation of tangible assets	125		125	161
provisions for guarantees and commitments/country risk	342		342	244
provisions for personnel charges	1,312		1,312	2,796
provisions for legal disputes	1,373		1,373	1,504
provisions for revocatory actions	617		617	924
provision for sundry charges	111		111	87
tax provision for employee termination indemnities	293		293	294
other general expenses deductible in the following accounting period	106		106	35
Total a)	**43,551**	**238**	**43,789**	**31,066**
b) against Equity				
tax provision for employee termination indemnities	585		585	556
write-down of securities classified AFS	2,484	527	3,011	17,640
write-down of equity investments			-	10
Total b)	**3,069**	**527**	**3,596**	**18,206**
Total	**46,620**	**765**	**47,385**	**49,272**

The recognition of deferred tax assets was carried out under the assumption of the probable making of future taxable income, such as to reabsorb, within the terms provided by tax regulations, the costs deriving from the removal of these activities.

13.2 Deferred tax liabilities: breakdown

Temporary differences	IRES	IRAP	31.12.2012	31.12.2011
a) against Profit and Loss				
gains on disposal of tangible assets			-	19
tax amortisation of properties	7,058	1,023	8,081	8,167
tax amortisation of tangible assets		21	21	22
tax amortisation of goodwill	488	99	587	501
tax amortisation of long-term expenses (software)	2	6	8	9
Total a)	**7,548**	**1,149**	**8,697**	**8,718**
b) against Equity				
revaluation of AFS securities	3,324	673	3,997	677
revaluation of equity investments	2	10	12	12
tax provision for employee termination indemnities	195		195	195
Total b)	**3,521**	**683**	**4,204**	**884**
Total	**11,069**	**1,832**	**12,901**	**9,602**

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

	2012	2011
1. Initial amount	**31,066**	**27,040**
2. Increases	**17,755**	**8,500**
2.1 Deferred tax assets recognised during the year	17,321	6,366
a) from previous years		
b) due to adoption of different accounting standards		
c) write-backs		
d) other	*17,321*	*6,366*
2.2 New taxes or increases in tax rates		
2.3 Other increases	434	2,134
3. Decreases	**5,032**	**4,474**
3.1 Deferred tax assets cancelled during the year	5,032	3,752
a) reversals	*5,032*	*3,752*
b) write-downs due to irrecoverability		
c) different accounting standards		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases		722
a) transformation in tax credits set forth in Italian L. 214/2011		
b) others		722
4. Final amount	**43,789**	**31,066**

Subitem 2.1 "Deferred tax assets recognised during the financial year - others" includes deferred tax assets totalling Euro 1,412 thousand, recognised as a result of the redemption set forth in Article 15, paragraph 5 of Italian Law Decree no. 185/2008, of the goodwill recognised as Balance Sheet Assets against the merger of Banco Desio Toscana S.p.A.

Subitem 2.3 "Other increases" concerns the allocation of deferred tax credits due to the effect of recalculating the deferred tax assets determined while preparing the tax return, mainly of entries related to the write-down of loans and receivables

13.3.1 Change in deferred tax assets set forth in Italian Law 214/2011 (against profit and loss)

	2012	2011
1. Initial amount	**24,707**	**22,610**
2. Increases	**16,100**	**3,534**
3. Decreases	**1,611**	**1,437**
3.1 reversals	1,611	1,437
3.2 Transformation in tax credits		
a) from losses for the year		
b) from tax losses		
3.3 Other decreases		
4. Final amount	**39,196**	**24,707**

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

	2012	2011
1. Initial amount	**8,718**	**8,459**
2. Increases	**86**	**374**
2.1 Deferred tax liabilities recognised during the year	86	86
a) from previous years		
b) due to adoption of different accounting standards		
c) other	*86*	*86*
2.2 New taxes or increases in tax rates		162
2.3 Other increases		126
3. Decreases	**107**	**115**
3.1 Deferred tax liabilities cancelled during the year	107	115
a) reversals	*107*	*115*
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in tax rates		
3.3 Other decreases		
4. Final amount	**8,697**	**8,718**

13.5 Change in deferred tax assets (against equity)

	2012	2011
1. Initial amount	**18,206**	**4,789**
2. Increases	117	14,457
2.1 Deferred tax assets recognised during the year	117	14,359
a) from previous years		
b) due to adoption of different accounting standards		
c) other	117	14,359
2.2 New taxes or increases in tax rates		79
2.3 Other increases		19
3. Decreases	14,727	1,040
3.1 Deferred tax assets cancelled during the year	14,727	1,040
a) reversals	14,727	1,040
b) write-downs due to irrecoverability		
c) due to adoption of different accounting standards		
c) other		
3.2 Decreases in tax rates		
3.3 Other decreases		
4. Final amount	**3,596**	**18,206**

13.6 Change in deferred tax liabilities (against equity)

	2012	2011
1. Initial amount	**884**	**375**
2. Increases	3,994	688
2.1 Deferred tax liabilities recognised during the year	3,994	686
a) from previous years		
b) due to adoption of different accounting standards		
c) other	3,994	686
2.2 New taxes or increases in tax rates		2
2.3 Other increases		
3. Decreases	674	179
3.1 Deferred tax liabilities cancelled during the	674	179
a) reversals	674	179
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in tax rates		
3.3 Other decreases		
4. Final amount	**4,204**	**884**

13.7 Other information

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

Advances for current taxes

Captions	31.12.2012	31.12.2011
IRES	1,364	
IRAP		
Total	**1,364**	**-**

Current tax liabilities

Captions	31.12.2012	31.12.2011
IRES		2,531
IRAP	139	1,945
Total	**139**	**4,476**

SECTION 14 - NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES (caption 140 under assets and caption 90 under liabilities)

14.1 Non-current assets held for sale and discontinued operations: breakdown by type of assets

	31.12.2012	31.12.2011
A. **Individual assets**		
A.1 Financial assets		
A.2 Equity investments	15,153	
A.3 Tangible assets		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A	15,153	-
B. **Asset groups (discontinued operations)**		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value through profit or loss		
B.3 Available-for-sale financial assets		
B.4 Held-to-maturity investments		
B.5 Amounts due from banks		
B.6 Amounts due from customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
Total B	-	-
C Liabilities associated with individual assets being disposed of		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C	-	-
D Liabilities associated with discontinued operations		
D.1 Amounts due to banks		
D.2 Amounts due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Provisions		
D.7 Other liabilities		
Total D	-	-

The equity investment item refers to the book value of the subsidiary Chiara Assicurazioni S.p.A.

The measurement of non-current assets at the cost or sale price, whichever lower, did not entail any write-down.

SECTION 15 - OTHER ASSETS (caption 150)

15.1 Other assets: breakdown

	31.12.2012	31.12.2011
Tax credits		
. Capital quota	7,087	414
Amounts due from tax authorities for paid advances	6,336	9,170
Traded cheques to be settled	22,299	20,912
Invoices issued to be collected	30	792
Accounts receivable for third-party securities and coupons to be collected	96	49
Items in progress and transit accounts with branches	23,998	23,887
Currency spreads on portfolio transactions		48
Investments in supplementary termination indemnities for personnel	610	674
Leasehold improvements	18,994	20,496
Accrued income and prepaid expenses	722	1,440
Other items	11,238	14,219
Total	**91,410**	**92,101**

The change in the subitem "Tax credits – principal" mainly concerns:

. the tax credit of Euro 6,501 thousand deriving from the deductibility for IRES purposes of the IRAP due in relation to expenses for employees and similar. Article 4, paragraph 12, of Italian Legislative Decree No. 16/2012 (the so-called Simplification Decree) extended this deductibility also to the financial years before 2012 (for which the terms set forth in Article 38 Italian Presidential Decree No. 602/1973 are still pending);

. the increase in VAT credit concerning the leasing of Euro 169 thousand.

The change in the item "Amounts due from tax authorities for paid advances" mainly refers to the decrease of Euro 2,766 thousand of the amount due for pre-paid stamp duty, due to the different method of payment of the tax, established by law.

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

The item includes assets, almost exclusively for invoices to be settled by or issued to other companies in the Group, for a total amount of Euro 1,325 thousand (Euro 1,314 thousand at the end of last year).

The most significant posting among "Other entries" is Loans and Receivables to be collected totalling Euro 7,062 thousand.

LIABILITIES

SECTION 1 - AMOUNTS DUE TO BANKS (caption 10)

1.1 Amounts due to banks: breakdown by type

Transaction type/Amount	31.12.2012	31.12.2011
1. Amounts due to central banks	**403,297**	**200,051**
2. Amounts due to banks	**64,726**	**193,322**
2.1. Current accounts and unrestricted deposits	18,796	101,858
2.2 Restricted deposits	45,922	62,187
2.3 Financing		29,271
2.3.1 Reverse repos		*29,271*
2.3.2 Other		
2.4 Commitments for repurchases of own equity instruments		
2.5 Other amounts due	8	6
Total	**468,023**	**393,373**
Fair value	**468,023**	**393,373**

Intra-group relations at the end of the financial year amounted to Euro 37.2 million (Euro 136.9 million at the end of the previous period).

All relations were regulated at arm's length.

1.2 Breakdown of caption 10 "Amounts due to banks": subordinated debts

Banco Desio had no subordinated debts due to banks at the reference dates.

1.3 Breakdown of caption 10 "Amounts due to banks": structured debts

Banco Desio had no structured debts due to banks at the reference dates.

1.4 Amounts due to banks subject to specific hedging

Banco Desio had no amounts due to banks subject to specific hedging at the reference dates.

1.5 Amounts due for finance leases

Banco Desio had no finance lease contracts in place with banks at the reference dates.

SECTION 2 - AMOUNTS DUE TO CUSTOMERS (caption 20)

2.1 Amounts due to customers: breakdown by type

Transaction type/Amount	31.12.2012	31.12.2011
1. Current accounts and unrestricted deposits	3.558.968	3.347.036
2. Restricted deposits	640.812	102.439
3. Financing	146.050	35.374
3.1 Reverse repos	*132.087*	*11.514*
3.2 Other	*13.963*	*23.860*
4. Commitments for repurchases of own equity instruments		
5. Other amounts due	19.190	28.386
Total	**4.365.020**	**3.513.235**
Fair value	***4.365.020***	***3.513.235***

The subitem 3.1 “reverse repurchase agreements” includes operations carried out with Cc&g of Euro 125.3 million.

Item "Other amounts due" includes Euro 18.5 million of bank drafts and Euro 0.5 million of non-transferable cheques (with an amount of Euro 27.8 million for bank drafts and Euro 0.6 million for non-transferable cheques respectively at the end of 2011).

All payables due to Group companies were serviced at market rates and totalled Euro 3.1 million (Euro 2.1 million at the end of last year).

2.2 Breakdown of caption 20 "Amounts due to customers: subordinated debts

Banco Desio had no subordinated debts due to customers at the reference dates.

2.3 Breakdown of caption 20 "Amounts due to customers": structured debts

Banco Desio had no structured debts due to customers at the reference dates.

2.4 Amounts due to customers subject to specific hedging

Banco Desio had no amounts due to customers in connection with finance leases at the reference dates.

2.5 Amounts due for finance leases

Banco Desio had no amounts due to customers in connection with finance lease transactions at the reference dates.

SECTION 3 - SECURITIES ISSUED (caption 30)

3.1 Securities issued: breakdown by type

Security type/Amount	31.12.2012				31.12.2011			
	book value	fair value			book value	fair value		
		L 1	L 2	L 3		L 1	L 2	L 3
A. Securities								
1. Bonds	1,846,667		1,821,460		2,078,301		1,987,021	
1.1 structured	*51,976*		*51,006*		*47,071*		*42,371*	
1.2 other	*1,794,691*		*1,770,454*		*2,031,230*		*1,944,650*	
2. Other securities	246,007		246,007		375,684		375,684	
2.1 structured								
2.2 other	*246,007*		*246,007*		*375,684*		*375,684*	
Total	**2,092,674**		**2,067,467**		**2,453,985**		**2,362,705**	

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

The item "A.2.2 Other Securities – Other" is made up of deposit certificates and the relative amounts accrued, Euro 237.3 million of which was issued on a short-term basis and Euro 8.6 million on a longer-term basis.

3.2 Breakdown of caption 30 "Securities issued": subordinated securities

Bonds	31.12.2012	31.12.2011
due 01.06.2012		12,967
due 03.06.2013	12,994	12,811
due 04.05.2014	29,991	29,890
due 15.12.2014	29,970	29,982
due 01.12.2015	12,991	13,008
due 29.12.2016	13,001	13,002
due 15.06.2017	13,015	
Total	**111,962**	**111,660**

During the year, the Bank issued a subordinated debenture loan named "Banco di Desio e della Brianza 15/06/2012-15/06/2017 variable rate subordinated lower tier II" whose characteristics are summarised below:

- total nominal value: Euro 13,000,000, divided into 13,000 bonds with a nominal value of Euro 1,000 each;
- issue price of bonds: equal to 100% of the nominal value, i.e. Euro 1,000;
- duration: 5 years, expiry date 15/06/2017;
- indexation ratio and record date: 3-month Euribor, taken on the fifth last working day prior to the start of the relevant coupon entitlement;

- spread: the indexation parameter will be increased by a spread equal to 250 basis points;
- coupon payment frequency: coupons will be paid on a quarterly basis on 15/03, 15/06, 15/09 and 15/12 of each year;
- redemption price and procedures: redemptions will be made at a percentage equal to 100% of the nominal value, in one single payment, on 15/06/2017. Bonds will no longer bear interest on the date of redemption.
- early redemption: no early redemptions of bonds or repayments by amortisation, are envisaged;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed, on account of capital and residual interest, only after all other creditors, not equally subordinated, have been paid off.

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

3.3 Securities issued: securities subject to specific hedging

Security type / Amount	31.12.2012	31.12.2011
1. Debt securities subject to fair value hedging	224,858	222,675
a) interest rate risk	*224,858*	*222,675*
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		
Total	**224,858**	**222,675**

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING (caption 40)

4.1 Financial liabilities held for trading: breakdown by type

Transaction type/Amount	31.12.2012					31.12.2011				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivative instruments										
1. Financial derivatives		34	309				16	16	792	
1.1 Trading		*34*	*309*				*16*	*16*	*792*	
1.2 Connected with the fair value option										
1.3 Other										
2. Credit derivatives			176						1,905	
2.1 Trading			*176*						*1,905*	
2.2 Connected with the fair value option										
2.3 Other										
Total B		**34**	**485**				**16**	**16**	**2,697**	
Total (A + B)		**34**	**485**				**16**	**16**	**2,697**	

Legend

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

NV = nominal or notional value

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

"Financial derivatives for trading" include a total of Euro 2 thousand (the amount was Euro 161 thousand at the end of last year) in transactions with Group companies.

4.2 Breakdown of caption 40 "Financial liabilities held for trading": subordinated debts

Banco Desio had no subordinated financial debts held for trading at the reference dates.

SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (caption 50)

5.1 Financial liabilities at fair value through profit or loss: breakdown by type

Transact ion type / Amount	Total 31.12.2012					Total 31.12.2011				
	NV	fair value			FV*	NV	fair value			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
1. Amounts due to banks										
1.1 Structured										
1.2 Other										
2. Amounts due to customers										
2.1 Structured										
2.2 Other										
3. Debt securities	37,800		37,532		40,403	92,095		89,138		94,630
3.1 Structured	*37,800*		*37,532*			*37,850*		*34,306*		
3.2 Other	-		-			*54,245*		*54,832*		
Total	**37,800**		**37,532**		**40,403**	**92,095**		**89,138**		94,630

Legend

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

Financial liabilities measured at fair value refer to bond issues hedged with derivative instruments.

5.2 Breakdown of caption 50 "Financial liabilities at fair value through profit or loss": subordinated debts

Banco Desio had not issued any subordinated debenture stock at the reference dates that could be classified in financial liabilities at fair value through profit or loss.

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

	Amounts due to banks	Amounts due to customers	Securities issued	**2012**
A. **Opening balance**			**89,138**	**89,138**
B. **Increases**			**6,895**	**6,895**
B1. Issues				
B2. Sales			3,063	3,063
B3. Increases in fair value			2,850	2,850
B4. Other increases			982	982
C. **Decreases**			**58,501**	**58,501**
C1. Purchases			3,624	3,624
C2. Redemptions			53,691	53,691
C3. Decreases in fair value				
C4. Other decreases			1,186	1,186
D. **Closing balance**			**37,532**	**37,532**

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

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

Item "B.4 Other increases" includes interest accrued at the end of the year and the positive issue spreads for a total amount of Euro 887 thousand and losses on trading of Euro 96 thousand.

Item "C.4 Other decreases" is made up of the de-recognition of interest accrued at the end of the previous year, for a total amount of Euro 1,151 thousand and profits on redemption of Euro 35 thousand.

SECTION 6 - HEDGING DERIVATIVES (caption 60)

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

	31.12.2012				31.12.2011			
	Fair value			NV	Fair value			NV
	L 1	L 2	L 3		L 1	L 2	L 3	
A) Financial derivatives:		**6,696**		**65,000**			**2,684**	**15,000**
1) Fair value		6,696		65,000			2,684	15,000
2) Cash flows								
3) Foreign investments								
2. Credit derivatives:								
1) Fair value								
2) Cash flows								
Total A		**6,696**		**65,000**			**2,684**	**15,000**

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

Transactions/ Hedging type	Fair value						Cash flows		Foreign investments
	Specific								
	interest-rate risk	exchange Risk	credit risk	price risk	multiple risks	Generic	Specific	Generic	
1. Available-for-sale financial assets	6,696								
2. Loans and receivables									
3. Held-to-maturity financial assets									
4. Portfolio									
5. Other transactions									
Total assets	**6,696**	-	-	-	-	-	-	-	-
1. Financial liabilities									
2. Portfolio									
Total liabilities	-	-	-	-	-	-	-	-	-
1. Expected settlements									
2. Financial assets and liabilities portfolio									

SECTION 7 - ADJUSTMENT TO VALUES OF FINANCIAL LIABILITIES SUBJECT TO GENERAL HEDGING (caption 70)

Banco Desio had no financial liabilities subject to general hedging at the reference dates.

SECTION 8 - TAX LIABILITIES (caption 80)

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

SECTION 9 - LIABILITIES ASSOCIATED WITH ASSETS BEING DISPOSED OF (caption 90)

Banco Desio had no liabilities associated with assets for disposal at the reference dates.

SECTION 10 - OTHER LIABILITIES (caption 100)

10.1 Other liabilities: breakdown

	Total 31.12.2012	Total 31.12.2011
Due to tax authorities	151	74
Amounts due to tax authorities on account of third parties	11,815	14,825
Social security contributions to be reversed	4,616	4,649
Due to shareholders on account of dividends	13	15
Suppliers	11,481	12,511
Amounts available for customers	11,084	9,493
Interest and fees to be credited	516	202
Payments against disposals on bills	376	434
Advance payments on expiring loans	259	281
Unprocessed transactions and amounts in transit with branches	12,043	9,165
Currency spreads on portfolio transactions	49,251	6,556
Amounts due to personnel	2,410	2,343
Other accounts payable	49,372	52,282
Provisions for guarantees and commitments	1,240	886
Accrued liabilities and deferred income	1,744	2,036
Total	**156,371**	**115,752**

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

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

This item includes a total of Euro 12 thousand in liabilities towards companies of the Group (Euro 27 thousand at end of the previous period).

The main entries forming the item “Other accounts payable” concern: bank transfers sent to be settled of Euro 22,721 thousand, other accounts payable for currency trading of Euro 9,265 thousand, accounts payable for withdrawn bills of Euro 8,223 thousand, debt for price adjustment for the transfer of Chiara Vita of Euro 3,529 thousand, amounts payable to the staff of Euro 2,194 thousand.

SECTION 11 - PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES (caption 110)

11.1 Provisions for employee termination indemnities: annual changes

	2012	2011
A. Opening balance	**23,091**	**23,151**
B. Increases	**2,532**	**1,885**
B.1 Provisions during the year	982	1,217
B.2 Other increases	1,550	668
C. Decreases	**1,740**	**1,945**
C.1 Amounts paid	1,740	1,764
C.2 Other decreases	-	181
D. Closing balance	**23,883**	**23,091**

The amount payable actually accrued at the end of the financial year is equal to Euro 25.4 million (the aggregated amount was Euro 26.2 million at the end of last year).

11.2 Other information

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

Demographic assumptions
The following assumptions were made:
- as regards death probabilities, those determined by the General Accounting Office (*Ragioneria Generale dello Stato*) and named RG48, as broken down by gender;
- as regards the time of retirement, for the assets in general, the attainment of the first of the pension requirements valid for the Compulsory General Insurance was assumed;
- as regards the probabilities of leaving employment for reasons other than death, based on internal statistics, an annual frequency of 2.5% was assumed;
- as regards the probabilities of incapacity, those adopted in the INPS model for projections to 2010, broken down by gender;
- as regards the probabilities of advances, a year-by-year value of 4.00 was supposed.

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

. annual technical discount rate	3.25%
. annual rate of inflation	2.00%
. overall annual rate of salary increase	3.00%
. annual rate of increase of TFR	3.00%

As regards the discount rate, such parameter was determined taking in consideration the index IBoxx Eurozone Corporates A with duration 10+(last year iBoxx Eurozone Corporates AA 7-10).

The reason for changing the parameter, adopted by the actuary, derives from the fact that, following the financial market crisis, several listed companies were downgraded, as a result, the number of securities included in the index parameter previously used decreased significantly. For this reason, in December, the National Association of Actuaries, with Index no. 170/2012, recommended, for the measurements as at 31 December 2012, the use of discount rates relating to European bonds equal to or greater than those defined by rating A. The new index refers to 41 securities (compared to only 8 securities of the previous index) with a duration, at the reporting date, of 10.45 years, very close to the duration of the Banco Desio Group of around 10 years.
The effect of the change entailed lower amounts set aside for employee termination indemnities and for seniority bonuses, and as a result, higher Revaluation reserves, for a total of Euro 1,201 thousand.

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES (caption 120)

12.1 Provisions for risks and charges: breakdown

	31.12.2012	31.12.2011
1. Company pension funds		
2. Other provisions for risks and charges	15,616	37,798
2.1 legal disputes	*7,239*	*8,830*
2.2 personnel charges	*7,512*	*12,868*
2.5 other	*865*	*16,100*
Total	**15,616**	**37,798**

The item "legal disputes" includes the provisions for disputes in progress and the relative expenses; Euro 4,994 thousand pertains to lawsuits (Euro 5,469 thousand last year) and Euro 2,244 thousand to bankruptcy claw-back actions (Euro 361 thousand last year).
For more details on disputes in progress, reference is made to “Part E – “Information on Risks and the Related Hedging Policies”.

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

The item "other" includes amounts set aside as follows:
. Euro 462 thousand, to deal with the tax dispute;
. Euro 403 thousand, to deal with charges for operating risks, if any.

The item "other" recorded also the release of Euro 15.4 million for the provision set aside to cover the risk of partial revision of the price collected on the sale of 70% of Chiara Vita s.p.a.

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other funds	2012
A. Opening balance		**37,798**	**37,798**
B. Increases		**5,656**	**5,656**
B.1 Provisions during the year		5,478	5,478
B.2 Changes due to the elapsing of time		178	178
B.3 Changes due to discount rate adjustments			
B.4 Other increases			
C. Decreases		**27,838**	**27,838**
C.1 Use during the year		27,269	27,269
C.2 Changes due to discount rate adjustments			
C.3 Other decreases		569	569
D. Closing balance		**15,616**	**15,616**

The item B.1 "Provisions during the year" includes:
. Euro 2.0 million for lawsuits and claw-back actions;
. a total of Euro 3.2 million for personnel charges;
. Euro 0.2 million for tax dispute and operating risks.

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

The "uses during the year" (item C.1) refer to:

. special fund set aside for the review of the transfer price of Chiara Vita S.p.A. of Euro 15.4 million;
. Euro 8.0 million for personnel charges;
. Euro 3.8 million for lawsuits and claw-back actions;
. Euro 0.1 million for operating risks.

The reversal of provisions for employee bonuses not due is recognised in Item C.3 “Other decreases”.

12.3 Defined benefit company pension funds

The item contains no balances.

12.4 Provisions for risks and charges - Other provisions

The breakdown of the item "Other funds" was already provided in section 12.1

SECTION 13 - REDEEMABLE SHARES (caption 140)

There were no balances in this item at the financial statements date.

SECTION 14 - BANK'S SHAREHOLDERS' EQUITY (captions 130, 150, 160, 170, 180, 190 and 200)

14.1 Capital and treasury shares: breakdown

Caption/Value	31.12.2012	31.12.2011
Share capital	67,705	67,705
Treasury shares	-	-
Total	**67,705**	**67,705**

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

The Bank does not hold, nor has it held in the course of the year, treasury shares.

14.2 Capital - Number of shares: annual changes

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

14.3 Capital: other information

There is no other information to report.

14.4 Profit reserves: other information

In compliance with the provisions of article 2427, paragraph 1, n: 7-bis) of the Italian Civil Code, please see below a summary of the Net Equity items divided according to their origin and indicating the possibility for use and for distribution, as well as their use in the three previous financial years.

	31.12.2012	Possibility of use	Amount available	Uses in the last three periods	
				To cover losses	Other uses
Share Capital	67,705	-	-	-	-
Share premium reserve	16,145	A,B,C (1)	16,145		
Legal reserve	79,342	A, B (2)			
Statutory reserve	460,264	A,B,C	460,264		
Reserve for stock grant/option plans	899	A			
Reserves from merger surpluses/deficits	(6,203)				
Revaluation reserves:					
Valuation reserve	1,931	(3)			
. actuarial appraisal of the Employee Severance Indemnities	(1,127)	(3)			
. special revaluation laws	22,199	A,B (4)			
. revaluation reserve Italian L. 413/1991	697	A,B,C			
. foreign exchange differences	(174)				
Reserves from transition to IAS	123,356	(5)			
Other	2,231	A,B,C	2,231		
Total	**767,265**		**478,640**		

Key: A = for capital increase B = for loss coverage C= for distribution to shareholders

(1) Share premium reserve, pursuant to article 2431 of the Italian Civil Code, is considered to be non-distributable for the portion necessary to replenish, as per minimum legal requirements, the Legal Reserve (one fifth of the Share Capital)

(2) This may be used for capital increases only for the portion that exceeds one fifth of the share capital

(3) Unavailable reserve pursuant to article 6 of Legislative Decree no. 38/2005

(4) Reserve set up at the time of the first adoption of IAS/IFRS, as a result of the measurement of tangible assets at "presumed cost", as required by the "IAS decree"

(5) Reserves for adoption of IAS/IFRS comply with the provisions under article 7 of Legislative Decree 38/2005

14.5 Equity instruments: breakdown and annual changes

None.

14.6 Other information

There is no other information to report.

OTHER INFORMATION

1. Guarantees granted and commitments

Transactions	31.12.2012	31.12.2011
1) Financial guarantees granted	**11,818**	**13,207**
a) Banks	9,045	8,241
b) Customers	2,773	4,966
2) Commercial guarantees granted	**194,349**	**187,163**
a) Banks	12,233	10,961
b) Customers	182,116	176,202
3) Irrevocable commitments to grant finance	**189,368**	**138,742**
a) Banks	87,843	12,529
i) certain to be called on	*87,843*	*12,529*
ii) not certain to be called on		
b) Customers	101,525	126,213
i) certain to be called on	*11,235*	*12,719*
ii) not certain to be called on	*90,290*	*113,494*
4) Underlying commitments to credit derivatives: hedging sales	**25,000**	**25,000**
5) Assets lodged to guarantee minority interest	**1,541**	**1,521**
6) Other commitments		
Total	**422,076**	**365,633**

2. Assets lodged to guarantee own liabilities and commitments

Portfolios	31.12.2012	31.12.2011
1. Financial assets held for trading		6,049
2. Financial assets valued at fair value		
3. Available-for-sale financial assets	555,355	329,669
4. Held-to-maturity financial assets	85,757	10,115
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

4. Administration and dealing on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	**118,164**
a) purchase	53,946
1. settled	*48,951*
2. not settled	*4,995*
b) sale	64,218
1. settled	*57,444*
2. not settled	*6,774*
2. Portfolio management	**859,527**
a) individual	270,911
b) collective	588,616
3. Securities safekeeping and administration	**9,809,014**
a) third-party securities held on deposit in connection with depositary bank's services (excluding portfolio management)	
1. securities issued by the bank preparing the accounts	
2. other securities	
b) other third-party securities held on deposit (excluding portfolio management): others	8,627,852
1. securities issued by the bank preparing the accounts	2,077,159
2. other securities	6,550,693
c) third-party securities deposited with third parties	8,376,531
d) own securities deposited with third parties	1,181,162
4. Other transactions	-

Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 - INTEREST (captions 10 and 20)

1.1 Interest income and similar revenues: breakdown

Caption/Technical forms	Debt securities	Loans	Other transactions	31.12.2012	31.12.2011
1. Financial assets held for trading	551		922	**1,473**	5,624
2. Financial assets valued at fair value					-
3. Available-for-sale financial assets	28,194			**28,194**	20,849
4. Held-to-maturity financial assets	5,247			**5,247**	4,683
5. Amounts due from banks	906	1,939		**2,845**	4,015
6. Amounts due from customers	652	242,646		**243,298**	232,293
7. Hedging derivatives			3,246	**3,246**	1,532
9. Other assets			76	**76**	67
Total	**35,550**	**244,585**	**4,244**	**284,379**	**269,063**

Interest on "amounts due from customers" is recognised net of any default interest accrued in the financial year on impaired assets, since such interest is included in the balance sheet only after its collection. Interest of this nature amounts to Euro 4.7 million overall.

On the other hand, a total of Euro 382 thousand (Euro 686 thousand at the end of 2011) was accounted for in the item for interest collected during the year, of which Euro 315 thousand referred to previous financial years (Euro 591 thousand last year).

This item includes interest paid by Banks and other Companies of the Group of Euro 7.3 million (Euro 5.1 million at the end of last year) of which Euro 7.1 million on amounts due from Fides S.p.A.

The item “Other assets – Other transactions” includes interests on further advance payments for proxies of Euro 69 thousand.

1.2 Interest income and similar revenues: differentials on hedging transactions

Caption/Value	31.12.2012	31.12.2011
A. Positive differentials on hedging transactions:	7,517	5,416
B. Negative differentials on hedging transactions:	(4,271)	(3,884)
C. Balance (A-B)	**3,246**	**1,532**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

Technical forms	31.12.2012	31.12.2011
Amounts due from banks	390	470
Amounts due from customers	895	634
Totale	**1,285**	**1,104**

1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under "Amounts due from customers - Loans", amount to Euro 16.3 million (Euro 20.0 million last year); these include Euro 15.4 million related to indexed contracts, of which Euro 0.8 million on leaseback contracts (in 2011 respectively Euro 18.5 million on indexed contracts, of which Euro 0.9 million on leaseback contracts).

Financial profits pertaining to subsequent years amount to Euro 124.7 million, of which Euro 7.7 million on leaseback contracts (Euro 146.5 million and Euro 10.9 million last year, respectively).

1.4 Interest expense and similar charges: breakdown

Caption/Technical forms	Debts	Securities	Other transactions	Total 31.12.2012	Total 31.12.2011
1. Amounts due to central banks	(3,247)			**(3,247)**	(802)
2. Amounts due to banks	(2,157)			**(2,157)**	(4,146)
3. Amounts due to customers	(48,285)			**(48,285)**	(28,501)
4. Securities issued		(56,839)		**(56,839)**	(48,617)
5. Financial liabilities held for trading					
6. Financial liabilities at fair value		(1,696)		**(1,696)**	(8,218)
7. Other liabilities					(22)
8. Hedging derivatives					
Total	**(53,689)**	**(58,535)**	**-**	**(112,224)**	**(90,306)**

The item includes interest paid by Banks and other Companies of the Group of Euro 1.6 million (Euro 2.6 million at the end of last year).

1.5 Interest expense and similar charges: differentials on hedging transactions

Details are shown in item 1.2 above.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

Caption/Technical forms	31.12.2012	31.12.2011
Amounts due to banks	(390)	(311)
Amounts due to customers	(895)	(33)
Securities issued		
Totale	**(1,285)**	**(344)**

1.6.2 Interest expense on finance lease liabilities

No such operations in Banco Desio.

SECTION 2 - NET FEE AND COMMISSION INCOME (caption 40 and 50)

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 31.12.2012	Total 31.12.2011
a) Guarantees given	1,912	1,914
b) Credit derivatives		
c) Management, trading and consultancy services:	27,680	28,576
1. Trading of financial instruments	-	-
2. Currency trading	1,013	1,043
3. portfolio management	2,433	2,340
3.1. Individual	*1,717*	*1,632*
3.2. Collective	*716*	*708*
4. Securities safekeeping and administration	1,660	1,759
5. Depositary bank		
6. Securities placement	6,559	6,779
7. Order receipt and transmission	8,077	7,691
8. Consultancy services		
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	7,938	8,964
9.1. portfolio management	456	477
9.1.1. Individual	*456*	*477*
9.1.2. Collective		
9.2. Insurance products	7,349	8,153
9.3. Other products	133	334
d) Collection and payment services	18,693	18,817
e) Servicing for securitisation operations		
f) Factoring transaction services	116	97
g) Tax collection services		
h) multi-lateral trading systems management		
i) Holding and managing current accounts	45,769	52,177
j) Other services	4,385	4,557
Total	**98,555**	**106,138**

Commission paid by Group Companies amounted to a total of Euro 4.1 million (Euro 5.0 million at the end of the last year).

2.2 Fee and commission income: product and service distribution channels

Channels/Amounts	31.12.2012	31.12.2011
a) Bank branches:	**16,930**	**18,083**
1. portfolio management	2,433	2,340
2. securities placement	6,559	6,779
3. third-party services and products	7,938	8,964
b) Door-to-door sale:		
1. portfolio management		
2. securities placement		
3. third-party services and products		
c) Other distribution channels:		
1. portfolio management		
2. securities placement		
3. third-party services and products		

In the current financial year, fees paid to us by Group companies in relation to placement of securities and third party services and products amount to a total of Euro 4.0 million (Euro 4.8 million last year).

2.3 Fee and commission expense: breakdown

Type of service / Amount	31.12.2012	31.12.2011
a) Guarantees received	(36)	(17)
b) Credit derivatives		
c) Management and dealing services:	(1,228)	(1,264)
1. trading of financial instruments	(32)	(26)
2. currency trading		
3. portfolio management		
3.1 own portfolio		
3.2 delegated by third parties		
4. securities safekeeping and administration	(1,150)	(1,238)
5. placement of financial instruments	(46)	
6. door-to-door sale of financial instruments, products and services		
d) Collection and payment services	(2,386)	(2,304)
e) Other services	(644)	(679)
Total	**(4,294)**	**(4,264)**

The figure for debit commission paid to Group companies amounted to Euro 62 thousand (Euro 10 thousand last year).

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES (caption 70)

3.1 Dividends and similar revenues: breakdown

Caption / Revenues	31.12.2012		31.12.2011	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-		5	
B. Available-for-sale financial assets	38		170	
C. Financial assets valued at fair value			-	
D. Equity investments	2,623		4,012	
Total	**2,661**		**4,187**	

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

Banco Desio Lazio	euro 2,290 thousand	(previously Euro 2,146 thousand)
Chiara Assicurazioni	euro 333 thousand	(previously Euro 533 thousand)

SECTION 4 - PROFITS (LOSSES) ON TRADING (caption 80)

4.1 Profits/(losses) on trading: breakdown

Transaction / Income component	Capital gains	Profits on trading	Capital losses	Losses on trading	Net income 31.12.2012	Net income 31.12.2011
1. Financial assets held for trading	**163**	**650**		**(198)**	**615**	**(26)**
1.1 Debt securities	163	489		(27)	625	100
1.2 Equity securities		47		(171)	(124)	(255)
1.3 UCITS units						
1.4. Loans						
1.5 Other		114			114	129
2. Financial liabilities held for trading						
2.1 Debt securities						
2.2 Debts						
2.3 Other						
3. Other financial assets and liabilities: foreign exchange differences	x	x	x	x	**825**	**440**
4. Derivative instruments	**1,811**	**256**	**(87)**	**(253)**	**1,724**	**(1,646)**
4.1 Financial derivatives:						
- on debt securities and interest rates	1,810	256	(87)	(253)	1,726	(1,651)
- on equity securities and stock	1				1	(17)
- on currencies and gold	x	x	x	x	(3)	22
- other						
4.2 Credit derivatives						
Total	**1,974**	**906**	**(87)**	**(451)**	**3,164**	**(1,232)**

SECTION 5 - NET PROFITS/(LOSSES) ON HEDGING ACTIVITIES (caption 90)

5.1 Net profits/(losses) on hedging activities: breakdown

Income component/Amount	31.12.2012	31.12.2011
A. Income relating to:		
A.1 Fair value hedging derivatives	4,580	6,651
A.2 Hedged financial assets (fair value)	743	1,383
A.3 Hedged financial liabilities (fair value)	61	
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
Total income from hedging activities	**5,384**	**8,034**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(4,331)	(1,507)
B.2 Hedged financial assets (fair value)	(48)	
B.3 Hedged financial liabilities (fair value)	(2,382)	(6,550)
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
Total charges from hedging activities	**(6,761)**	**(8,057)**
C. Net profits/(losses) on hedging activities	**(1,377)**	**(23)**

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

SECTION 6 - PROFITS (LOSSES) ON DISPOSAL/REPURCHASE (caption 100)

6.1 Profits (losses) on disposal/repurchase: breakdown

Caption/Income component	31.12.2012			31.12.2011		
	Profit	Loss	Net result	Profit	Loss	Net result
Financial assets						
1. Amounts due from banks			-			
2. Amounts due from customers	46	(1,834)	(1,788)	34	(586)	(552)
3. Available-for-sale financial assets	46,046	(15,700)	30,346	5,383	(2,759)	2,624
3.1 Debt securities	*44,725*	*(14,780)*	*29,945*	*4,998*	*(2,750)*	*2,248*
3.2 Equity securities	*11*	*-*	*11*	*200*	*(2)*	*198*
3.3 UCITS units	*1,310*	*(920)*	*390*	*185*	*(7)*	*178*
3.4 Loans						
4. Held-to-maturity financial assets						
Total assets	**46,092**	**(17,534)**	**28,558**	**5,417**	**(3,345)**	**2,072**
Financial liabilities						
1. Amounts due to banks						
2. Amounts due to customers						
3. Securities issued	792	(49)	**743**	1,114	(15)	1,099
Total liabilities	**792**	**(49)**	**743**	**1,114**	**(15)**	**1,099**

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

Profits/losses from disposal/repurchase of available-for-sale financial assets represent the impact of the sales for the year on the income statement, including the release of the related valuation reserves, gross of tax effect. Profits related to the transfer of UCITS units also include tax credits.

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

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

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

Transaction/ Income component	Capital gains	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2012	Net income 31.12.2011
1. Financial assets						
1.1 Debt securities						
1.2 Equity securities						
1.3 UCITS units						
1.4. Loans						
2. Financial liabilities		**36**	**(2,851)**	**(96)**	**(2,911)**	**5,993**
2.1 Debt securities		36	(2,851)	(96)	(2,911)	5,993
2.2 Amounts due to banks						
2.3 Amount due to customers						
3. Financial assets and liabilities: foreign exchange differences					**-**	**-**
4. Credit and financial derivatives	**1,362**		**(598)**		**764**	**(3,247)**
Total	**1,362**	**36**	**(3,449)**	**(96)**	**(2,147)**	**2,746**

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

Section 8 - NET LOSSES/RECOVERIES ON IMPAIRMENT (caption 130)

8.1 Net impairment losses on loans: breakdown

Transaction/ Income component	Impairment losses			Recoveries				31.12.2012	31.12.2011
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		Due to interest	Other recoveries	Due to interest	Other recoveries		
A. Amounts due from banks									**11**
- loans									11
- debt securities									
B. Amounts due from customers	**(16,251)**	**(73,165)**	**(9,648)**	**6,653**	**10,760**			**(81,651)**	**(35,276)**
Impaired loans purchased									
- loans									
- debt securities									
Other	(16,251)	(73,165)	(9,648)	6,653	10,760			(81,651)	
- loans	(16,251)	(73,165)	(9,648)	6,653	10,760			(81,651)	(35,276)
- debt securities								-	
C. Total	**(16,251)**	**(73,165)**	**(9,648)**	**6,653**	**10,760**			**(81,651)**	**(35,265)**

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

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

- to non-performing loans Euro 30.3 million (previously Euro 21.2 million);
- to problem loans Euro 40.5 million (previously Euro 19.9 million);
- **to** restructured loans Euro 0.2 million (previously Euro 0.1 million);
- to default loans Euro 2.1 million (previously Euro 1.1 million).

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

As regards specific recoveries, "other recoveries" refer:

- to transactions amortised in previous years Euro 0.9 million (previously 2.3 million);
- to collections of previously devalued credits Euro 4.2 million (previously 6.1 million);
- to recoveries from valuations Euro 5.6 million (previously 4.0 million).

8.2 Net impairment losses on financial assets available for sale: breakdown

Transaction/ Income component	Impairment losses		Recoveries		**Total**	**Total**
	Specific		Specific			
	write-offs	other	due to interest	other recoveries	31.12.2012	31.12.2011
A. Debt securities					-	
B. Equity securities		(277)			(277)	
C. UCITS units					-	
D. Financing to banks					-	
E. Financing to customers					-	
F. Total		**(277)**			**(277)**	

8.3 Net impairment losses on held-to-maturity financial assets: breakdown

There were no net impairment losses at the end of the period on held-to-maturity financial assets.

8.4 Net impairment losses on other financial transactions: breakdown

Transaction/ Income component	Impairment losses			Recoveries				31.12.2012	31.12.2011
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		Due to interest	Other recoveries	Due to interest	Other recoveries		
A. Guarantees given	(289)	(97)	(333)		75		-	(644)	(3)
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
E. Total	**(289)**	**(97)**	**(333)**		**75**		**-**	**(644)**	**(3)**

The amount under the item "Write-offs" refers to the intervention resolved by the Interbank Fund for the Protection of Deposits in favour of Banca Network Investimenti in l.c.a.

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

SECTION 9 - ADMINISTRATIVE COSTS (caption 150)

9.1 Personnel costs: breakdown

Type of costs/Amount	31.12.2012	31.12.2011
1) Employees	(119,894)	(128,732)
a) wages and salaries	(83,570)	(84,692)
b) social security charges	(20,958)	(22,048)
c) provision for employee termination indemnities		
d) social security costs		
e) provisions for termination indemnities	(937)	(1,200)
f) accruals to pension funds and similar funds:		
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social security funds:	(8,222)	(9,705)
- defined contribution	(8,222)	(9,705)
- defined benefit		
h) costs arising from payment agreements based on own financial instruments	(167)	(62)
i) other benefits in favour of employees	(6,040)	(11,025)
2) Other personnel in active employment	(1,332)	(1,649)
3) Directors and statutory auditors	(4,102)	(4,127)
4) Staff pensioned off		
5) Recoveries of expenses for staff seconded to other companies	227	104
6) Refund of expenses for third-party employees seconded to the company		
Total	**(125,101)**	**(134,404)**

9.2 Average number of employees by category

	31.12.2012	31.12.2011
Employees	**1,592**	**1,607**
a) Executives	28	28
b) Managers	843	844
c) Remaining employees	721	735
Other personnel	**22**	**25**

9.3 Corporate defined-benefit pension funds: total costs

None.

9.4 Other employee benefits

	31.12.2012	31.12.2011
provisions for sundry costs	(2,902)	(7,956)
social security contribution	(1,233)	(1,136)
training and education expenses	(163)	(371)
non-monetary benefits to employees	(201)	(116)
other	(1,541)	(1,446)
Total	**(6,040)**	**(11,025)**

The item “others” includes the cost for the canteen service totalling Euro 1,533 thousand.

9.5 Other administrative costs: breakdown

	31.12.2012	31.12.2011
indirect taxes and duties		
- stamp duties	(11,977)	(10,063)
- other	(3,559)	(3,286)
other costs		
- information technology charges	(9,180)	(8,067)
- property/equipment lease	(9,693)	(9,893)
- maintenance of real and personal properties and plant	(3,491)	(3,256)
- postal and telegraphic charges	(1,801)	(2,107)
- telephone, data transmission charges	(4,513)	(5,060)
- electric power, heating, water	(3,542)	(3,109)
- cleaning services	(1,060)	(1,086)
- printing, stationery and consumables expenses	(1,555)	(1,161)
- transport costs	(677)	(696)
- surveillance and security	(1,284)	(1,352)
- advertising	(919)	(1,020)
- information and certificates	(859)	(933)
- insurance premiums	(921)	(860)
- legal expenses	(4,000)	(4,866)
- professional consulting expenses	(3,603)	(2,891)
- contributions and donations	(127)	(163)
- other expenses	(5,093)	(6,029)
Total	**(67,854)**	**(65,898)**

This item includes the fees paid to the firm Deloitte & Touche S.p.A. for the following services rendered to Banco.

Type of services	Subject providing the service	2012 fees
Audit	Deloitte & Touche	125
Certification services		
Tax advisory services		
Other services: agreed procedures		

It also includes fees paid to PricewaterhouseCoopers S.p.A totalling Euro 30 thousand related to services rendered in the first quarter of 2012.

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES (caption 160)

10.1 Net provisions for risks and charges: breakdown

Type of costs/Amount	31.12.2012	31.12.2011
charges for legal disputes	(1,948)	(1,413)
sundry charges	11,706	7,313
Total	**9,758**	**5,900**

The item "sundry charges" includes income in connection with the release of Euro 11,855 thousand related to the provision set aside at the end of 2008 to cover the risk of partial revision of the price collected on the sale of 70% of Chiara Vita S.p.A.; in addition to charges in connection with operating risks of Euro 86 thousand and tax dispute of Euro 62 thousand.

For more details on legal disputes and additional operating risks, reference is made to the special section of “PART E – Information on risks and the related hedging policies”.

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

SECTION 11 - NET ADJUSTMENTS TO/RECOVERIES ON TANGIBLE ASSETS (caption 170)

11.1 Net adjustments to/recoveries on tangible assets: breakdown

Asset / Income component	Depre-ciation	Impairment losses	Recoveries	Net income 31.12.2012	Net income 31.12.2011
A. Tangible assets					
A.1 owned	(5,764)			(5,764)	(5,938)
- for business use	(5,764)			(5,764)	(5,938)
- for investment					
A.2 leased					
- for business use					
- for investment					
Total	**(5,764)**			**(5,764)**	**(5,938)**

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

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

SECTION 12 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS (caption 180)

12.1 Net adjustments to/recoveries on intangible assets: breakdown

Asset / Income component	Amortisation	Impairment losses	Recoveries	Net income 31.12.2012	Net income 31.12.2011
A. Intangible assets					
A.1 owned	(529)			(529)	(584)
- generated internally					
- other	(529)			(529)	(584)
A.2 leased					
Total	**(529)**			**(529)**	**(584)**

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

SECTION 13 - OTHER OPERATING INCOME (EXPENSES) (caption 190)

13.1 Other operating expenses: breakdown

Type of costs/Amount	31.12.2012	31.12.2011
amortisation of costs for leasehold improvements	(2,277)	(2,606)
losses on disposal of tangible assets	(76)	(26)
charges on non-banking services	(576)	(524)
Total	**(2,929)**	**(3,156)**

The most significant entries of the item “charges on non-banking services” concern: excesses for robberies and fraudulent withdrawals for a total of Euro 136 thousand, sundry extraordinary expenditure that cannot be classified under other items of Euro 209 thousand, adjustment of revenues from previous financial years of Euro 60 thousand, various transactions of Euro 133 thousand.

13.2 Other operating income: breakdown

Type of revenue/Amount	31.12.2012	31.12.2011
recovery of taxes from third parties	12,982	11,468
recovery of expenses	7,125	5,247
rentals receivable	5	5
other recoveries of expenses	3,044	4,225
profits from disposal of tangible assets	26	48
others	1,861	1,961
Total	**25,043**	**22,954**

The item “recovery of expenses” mainly includes le quick loan application commissions of Euro 5,402 thousand and recovery of expenses for sundry communications to customers of Euro 1,680 thousand.

The item “other recoveries of expenses” includes in particular recoveries relating to various loan application expenses of Euro 1,626 thousand, recovery of mortgage application assessment expenses of Euro 549 thousand, recovery of sundry expenses relating to lease applications of Euro 800 thousand.

With reference to the item “others”, the main component refers to revenues for services rendered to subsidiaries of Euro 1,134 thousand (Euro 1,088 thousand last year) and to associated company of Euro 500 thousand (amount unchanged from last year).

SECTION 14 - PROFITS (LOSSES) ON EQUITY INVESTMENTS (caption 210)

14.1 Profits (losses) on equity investments: breakdown

Income component / Values	31.12.2012	31.12.2011
A. Income		-
1. Revaluations		
2. Profits on disposal	6,108	
3. Write-backs		
4. Other		
B. Charges		
1. Write-downs	(31,878)	
2. Impairment losses		
3. Losses on disposal		
4. Other		
Net result	**(25,770)**	

The item “Profits on disposal” represents the capital gain, net of directly attributable costs, recorded with the sale of the remaining 30% equity investment held in Chiara Vita s.p.A.

The item “Write-downs” refers for around Euro 31 million to C.P.C. in liquidation and Euro 0.8 million to Brianfid-Lux in liquidation.

SECTION 15 - NET PROFITS (LOSSES) FROM TANGIBLE AND INTANGIBLE ASSETS AT FAIR VALUE (caption 220)

Banco Desio has no tangible or intangible assets valued at fair value.

SECTION 16 - IMPAIRMENT OF GOODWILL (caption 230)

The results of the impairment tests of goodwill recorded in the financial statements did not entail the recording of any impairment.
For what concerns the method used for carrying out the tests, reference is made to the comment of Section 12 “Intangible assets” of the balance sheet assets.

SECTION 17 - PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS (caption 240)

There was no profit (loss) on disposal of investments during the period.

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS (caption 260)

18.1 Taxes on income from continuing operations: breakdown

Income component/Amount	31.12.2012	31.12.2011
1. Current taxes (-)	(31,998)	(31,919)
2. Changes in current taxes of previous years (+/-)	6,593	311
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	12,289	1,894
5. Changes in deferred tax liabilities (+/-)	21	(136)
6. Taxes for the year	**(13,095)**	**(29,850)**

The tax redemption, pursuant to Article 15, paragraph 10, of Italian law Decree no. 185/2008, of the goodwill recognised as assets in the balance sheet in connection with the merger of Banco Desio Toscana S.p.A., resulted in a positive effect on the profit for the period of Euro 729 thousand, due to the difference between the substitute tax paid of Euro 683 thousand (set forth in item 1) and the change in the deferred tax assets of Euro 1,412 thousand (set forth in item 4).

Item 2 "Changes in current taxes of previous periods" recorded the following changes:

- increase of Euro 6,501 thousand due to the recognition of the tax credit deriving from the deductibility for IRES purposes of the IRAP due in relation to expenses for employees and similar. Article 4, paragraph 12, of Italian Legislative Decree No. 16/2012 (the so-called Simplification Decree) extended this deductibility also to the tax years before 2012 (for which the terms set forth in Article 38 Italian Presidential Decree No. 602/1973 is still pending);
- increase of Euro 92 thousand for additional current taxes allocated as at 31 December 2011.

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

	IRES		IRAP	
Profit before taxes	22,299		22,299	
Non-deductible costs for IRAP purposes			267,384	
Non-taxable revenues for IRAP purposes			(45,038)	
Sub-Total	22,299		244,645	
Theoretical tax charge 27.5% Ires - 5.75% Irap		**(6,132)**		**(13,627)**
Temporary taxable differences over subsequent years	(261)		(261)	
Temporary deductible differences over subsequent years	57,852			
Reversal of temporary differences from previous financial years	(18,219)		1,527	
Differences not to be reversed in subsequent years	10,014		(37,634)	
Taxable income	71,685		208,277	
Current taxes for the period 27.5% Ires - 5.57% Irap		**(19,714)**		**(11,601)**

The overall effective tax charges of Euro 31,315 thousand, together with the substitute tax of Euro 683 thousand related to the redemption set forth in Article 15, paragraph 10, of Italian Law Decree no. 185/2008, is equal to what is shown in item “1. Current taxes” of previous table 18.1.

SECTION 19 - GAINS (LOSSES) ON GROUPS OF ASSETS BEING DISPOSED OF, NET OF TAXES (caption 280)

19.1 Gains (losses) on groups of assets/liabilities being disposed of, net of taxes: breakdown

There were no gains/losses on groups of assets/liabilities for disposal at the end of the period.

19.2 Breakdown of income taxes on groups of assets/liabilities being disposed of.

There were no income taxes on groups of assets/liabilities for disposal at the end of the period.

SECTION 20 - OTHER INFORMATION

There is no other information to report in this section.

SECTION 21 - EARNINGS PER SHARE

21.1 Average number of diluted-capital ordinary shares

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

21.2 Other information

Basic earnings per share

	Categories of shares		Net profit/(loss) for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	4,258,800	576,927	
Retained earnings	3,847,637	521,228	
	8,106,437	1,098,155	9,204,592
Average number of outstanding ordinary shares: Categories: Ordinary shares 117,000,000 Savings shares 13,202,000			
Earnings per share - Basic:	**0.069**	**0.083**	

PART D – COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

Items		Gross amount	Income tax	Net amount
10.	**Profit (loss) for the period**	**X**	**X**	**9 205**
	Other income components			
20.	Financial assets available for sale:	54 546	(17 985)	36 561
	a) fair value changes	11 859	(3 922)	7 937
	b) reversal to the income statement	12 822	(4 187)	8 635
	- value adjustments due to deterioration	178	(10)	168
	- profits/losses on disposal	12 644	(4 177)	8 467
	c) other changes	29 864	(9 876)	19 988
30.	Tangible assets			
40.	Intangible assets			
50.	Foreign investments hedges:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
60.	Cash flow hedges:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
70.	Foreign exchange differences:	(174)		(174)
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes	(174)		(174)
80.	Non-current assets held for sale:			
	a) fair value changes			
	b) reversal to the income statement			
	c) other changes			
90.	Actuarial Profit(Loss) on defined benefits plans	(1 657)	456	(1 201)
100.	Share of revaluation reserves relating to equity investments recognised under equity:			
	a) fair value changes			
	b) reversal to the income statement			
	- value adjustments due to deterioration			
	- profits/losses on disposal			
	c) other changes			
110.	**Total other comprehensive income (net of tax)**	**52 715**	**(17 529)**	**35 186**
120.	**Total comprehensive income for the period (Item 10 + 110)**	**X**	**X**	**44 391**

PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 – CREDIT RISK

Qualitative information

1. General aspects

Banco di Desio e della Brianza's lending activity is consistent with the management policies outlined in the latest Business Plan: directed at local economies and mainly carried on in the retail, small business and small-to medium enterprise markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (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.
The marketing strategy is pursued through the peripheral branch network and in the geographical areas in which the Bank has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.
As for the risk appetite policy, one of the main principles underlying the management and formulation of strategic decisions has historically been represented by the effective and precise monitoring of exposure quality. As a consequence, all policies are aimed at maintaining the high level of receivable quality while also keeping business objectives in mind.
For some specific products (targeted personal loans, leasing), activities are also conducted by means of authorised operators.

2. Policies for the management of credit risks

2.1 Organisational aspects

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

- the Loans Department (for the ordinary credit and for medium-to-long term, para-banking and consumer credit) standardises the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk and Litigation Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality; the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim

of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;

- the Internal Audit department, assesses the efficiency and reliability of the entire internal control system and checks, inter alia, that lending is carried out in accordance with the rules;
- the duty of the Risk Management Office is to develop credit risk models and measurement methodologies by drawing up periodic reports; the analyses produced mainly regard the evolution of the credit risk attached to the overall credit portfolio and/or to individual fractions of the portfolio entailing other particular credit risks.

2.2 Management, measurement and control systems

The credit risk management, measurement and control systems are developed in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to the periodical review and the final phase of revocation and recovery.
During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower's structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.
The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to a series of controls, including points awarded on the basis of a scoring system.
In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of the collaterals. Creditworthiness of borrowers is thoroughly assessed with particular emphasis on the financial needs of the customers. Specifically, the Bank puts effort in identifying the most appropriate product for each customer.
The risk involved in lending is analysed and monitored by the Risk and Litigation Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are clustered according to the analysis of the trend of relationships and of the central risk office through dedicated procedures. This examination allows to separate between regular customers and those that show anomalies.
When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified as under control or in loans to reverse with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk and Litigation Performance Control Department.
The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to available sources of information.
The Bank adopts, for management purposes, in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System) developed within the Parent Company, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). This model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non-performing loans (expired, problem and non-performing loans).
The Bank follows the rules laid down by the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

2.3 Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.
A prudential spread is applied to collaterals. It varies according to the degree of risk inherent to the assets pledged, which are monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by Internal regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal guarantees consist for the most part of performance bonds granted by both individuals and companies. The valuation of such guarantees is always based upon an assessment of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.
The guarantees received by the Bank are drawn up on standardized contractual forms, compliant with the industry standards and based on case law guidelines and approved by the competent corporate departments. Guarantees are subjected to periodic monitoring in accordance with new regulation; particular care is used to perform eligibility tests.
To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4 Impaired financial assets

The transfer to the non-performing loan category takes place when, in the light of the information available to the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even when not declared by a court.
Loans to customers are classified as problem loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively.
In any case, problem loans include exposures with specific characteristics described by the supervisory provisions.
As to the classification under restructured loans, either cash or "off-balance sheet", the Bank complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.
Positions that are overdue are kept under constant review by the Risk and Litigation Performance Control Department with the help of specific computerised procedures.
Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.
In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out on the basis of the information relating to the various court districts.

Quantitative information

A. Credit quality

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

A.1.1 Loans: breakdown by portfolio and credit quality (book values)

Portfolio / Quality	Non-performing loans	Problem loans	Restructured Loans	Expired loans	Other assets	Total
1. Financial assets held for trading					4,320	4,320
2. Available for-sale financial assets	99				976,015	976,114
3. Held-to-maturity financial assets					150,604	150,604
4. Amounts due from banks					221,896	221,896
5. Amounts due from customers	164,793	145,524	5,043	34,190	5,777,395	6,126,945
6. Financial assets valued at fair value						
7. Financial assets being disposed of						
8. Hedging derivatives					9,005	9,005
Total 31/12/2012	**164,892**	**145,524**	**5,043**	**34,190**	**7,139,235**	**7,488,884**
Total 31/12/2011	**117,077**	**94,748**	**3,921**	**28,600**	**6,657,768**	**6,902,114**

A.1.2 Loans: breakdown by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Performing loans			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				4,320		4,320	4,320
2. Available for-sale financial assets	99		99	976,015		976,015	976,114
3. Held-to maturity financial assets				150,604		150,604	150,604
4. Amounts due from banks				221,896		221,896	221,896
5. Amounts due from customers	490,728	(141,178)	349,550	5,813,477	(36,082)	5,777,395	6,126,945
6. Financial assets valued at fair value through profit or loss							
7. Financial assets being disposed of							
8. Hedging derivatives				9,005		9,005	9,005
Total 31/12/2012	**490,827**	**(141,178)**	**349,649**	**7,175,317**	**(36,082)**	**7,139,235**	**7,488,884**
Total 31/12/2011	**346,896**	**(102,550)**	**244,346**	**6,684,342**	**(26,574)**	**6,657,768**	**6,902,114**

A.1.2.1 Detailed information on performing loans

Portfolio / Quality	Exposure subject to renegotiation					Other exposures					Total net exposure
	Expired					Expired					
	less than 3 months	between 3 months and 6 months	between 6 months and 1 year	beyond 1 year	Unexpired	less than 3 months	between 3 months and 6 months	between 6 months and 1 year	beyond 1 year	Unexpired	
1. Financial assets held for trading										4,320	**4,320**
2. Available-for-sale financial assets										976,016	**976,016**
3. Held-to-maturity financial assets										150,604	**150,604**
4. Amounts due from banks										221,896	**221,896**
5. Amounts due from customers	41,162	1,382			511,876	240,291	8,205	2,203	105	4,972,171	**5,777,395**
6. Financial assets valued at fair value											
7. Financial assets held for sale and disposed operations											
8. Hedging derivatives										9,005	**9,005**
Total 31/12/2012	**41,162**	**1,382**			**511,876**	**240,291**	**8,205**	**2,203**	**105**	**6,334,012**	**7,139,236**

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

Type of exposure/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans	-	-	-	-
b) Problem loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Other assets	379,001	-	-	379,001
Total A	**379,001**	**-**	**-**	**379,001**
B. Off-balance sheet loans				
a) Impaired	-	-	-	-
b) Other	37,659		-	37,659
Total B	**37,659**	**-**	**-**	**37,659**
Total (A+B)	**416,660**	**-**	**-**	**416,660**

"Cash loans" include all cash financial assets with banks, whatever the accounting allocation portfolio (trading, available for sale, held to maturity, loans, etc.).
"Off-balance sheet loans" include all financial transactions other than cash transactions (guarantees, commitments, derivatives, etc.), which involve the taking of a credit risk, whatever the purposes of the transactions (trading, hedging, etc.).

A.1.4 Cash and off-balance sheet loans to banks: change in impaired loans - gross

None at the reference date.

A.1.5 Cash and off-balance sheet loans to banks: changes in overall impairments

None at the reference date.

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

Type of exposure/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans				
a) Non-performing loans	252,972	(88,080)	-	164,892
b) Problem loans	195,874	(50,350)	-	145,524
c) Restructured loans	5,616	(573)	-	5,043
d) Expired loans	36,365	(2,175)	-	34,190
e) Other assets	6,784,825	-	(36,082)	6,748,743
Total A	**7,275,652**	**(141,178)**	**(36,082)**	**7,098,392**
B. Off-balance sheet loans				
a) Impaired	4,822	(117)	-	4,705
b) Other	396,163		(1,123)	395,040
Total B	**400,985**	**(117)**	**(1,123)**	**399,745**
Total (A+B)	**7,676,637**	**(141,295)**	**(37,205)**	**7,498,137**

"Cash loans" include all cash financial assets with customers, whatever the accounting allocation portfolio (trading, available for sale, held to maturity, loans, etc.).
"Off-balance sheet loans" include all financial transactions other than cash transactions (guarantees, commitments, derivatives, etc.), which involve the taking of a credit risk, whatever the purposes of the transactions (trading, hedging, etc.).

A.1.7 Cash loans to customers: change in impaired loans - gross

Causes/Categories	Non-performing loans	Problem loans	Restructured Loans	Expired loans
A. Opening gross exposure	**190,148**	**122,675**	**4,361**	**29,712**
- of which: loans sold but not written off				
B. Increases	**110,230**	**220,195**	**4,846**	**150,957**
B.1 from performing loans	14,342	129,301	487	144,456
B.2 transfers from other categories of impaired loans	88,991	57,627	983	713
B.3 other increases	6,897	33,267	3,376	5,788
C. Decreases	**47,406**	**146,996**	**3,591**	**144,304**
C.1 to performing loans		15,633	577	67,243
C.2 write-offs	34,522	1,580		
C.3 collections	12,724	39,638	1,046	20,860
C.4 arising from sales	160			
C.5 transfers to other categories of impaired loans		90,145	1,968	56,201
C.6 Other decreases				
D. Closing gross exposure	**252,972**	**195,874**	**5,616**	**36,365**
- of which: loans sold but not written off				

A.1.8 Cash loans to customers: change in overall impairments

Causes/Categories	Non performing loans	Problem loans	Restructured Loans	Expired loans
A. Total opening adjustments	**73,071**	**27,927**	**440**	**1,112**
- of which: loans sold but not written off				
B. Increases	**60,288**	**42,402**	**236**	**2,158**
B.1 impairment losses	45,106	41,998	236	2,076
B.1. bis Losses on disposal (+)	1,834			
B.2 transfers from other categories of impaired loans	13,348	404		82
B.3 other increases				
C. Decreases	**45,279**	**19,979**	**103**	**1,095**
C.1 write-backs due to valuation	8,888	2,960	71	353
C.2 write-backs due to collection	1,823	2,217	32	130
C.2 bis Profits on disposal (-)	46			
C.3 write-offs	32,688	1,580		
C.4 transfer to other categories of impaired loans		13,222		612
C.5 other decreases	1,834			
D. Total closing adjustments	**88,080**	**50,350**	**573**	**2,175**
- of which: loans sold but not written off				

A.2 Breakdown of exposures based on external ratings

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

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

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

The Bank does not use internal rating models for the determination of capital requirements.
As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company has developed, for management purposes, a rating model aimed at assessing retail clients (private consumers and micro enterprises) and Corporate clients (enterprises with a turnover of over Euro 1 million).

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

Loans at 31.12.2012	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	35.5%	44.7%	19.8%	100%
Off-balance sheet loans	60.4%	30.2%	9.4%	100%

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Secured loans to banks

	Net exposure amount	Collaterals				Personal guarantees									Total
						Credit derivatives					Unsecured loans				
							Other derivatives								
		Properties: mortgages	Properties: financial leases	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured cash loans															
1.1 fully secured	4 352 121	6 086 514	415 058	527 826	388 858								1 393	3 581 818	**11 001 467**
- of which impaired	*288 529*	*523 595*	*29 617*	*2 287*	*16 189*								*40*	*544 944*	***1 116 672***
1.2 partially secured	127 846	6 787		27 230	12 173								320	50 424	**96 934**
- of which impaired	*7 109*	*103*		*295*	*693*									*6 476*	***7 567***
2. Secured "off-balance sheet" loans:															
2.1 fully secured	111 080	10 538		13 461	8 454								1 644	115 117	**149 214**
- of which impaired	*2 512*				*97*									*3 495*	***3 592***
2.2 partially secured	23 019			5 333	2 038									5 208	**12 579**
- of which impaired	*9*			*2*										*9*	***11***

B. Breakdown and concentration of loans

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

Exposures / Counterparties	Governments			Other public entities			Financial institutions			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash loans																		
A.1 Non-performing loans							114	(2)					128 479	(74 866)		36 299	(13 212)	
A.2 Problem loans							386	(220)					97 191	(38 061)		47 947	(12 069)	
A.3 Restructured loans													5 043	(573)				
A.4 Expired loans							1						19 867	(1 474)		14 322	(701)	
A.5 Other loans	944 833						662 952		(315)	24 654			3 617 024		(32 347)	1 499 280		(3 420)
Total A	944 833						663 453	(222)	(315)	24 654			3 867 604	(114 974)	(32 347)	1 597 848	(25 982)	(3 420)
B. Off-balance sheet loans																		
B.1 Non-performing loans													299	(19)				
B.2 Problem loans													3 905	(97)		425	(1)	
B.3 Other impaired assets													74			2		
B.4 Other loans	106 597						1 700		(19)	568		(3)	254 606		(1 031)	24 801		(70)
Total B	106 597						1 700		(19)	568		(3)	258 884	(116)	(1 031)	25 228	(1)	(70)
Total 2012 (A+B)	1 051 430						665 153	(222)	(334)	25 222		(3)	4 126 488	(115 090)	(33 378)	1 623 076	(25 983)	(3 490)
Total 2011	731 505						298 802	(134)	(181)	23 728		(2)	3 894 859	(69 738)	(22 441)	1 897 707	(32 773)	(4 696)

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

Exposures / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans	164,793	(88,080)			99					
A.2 Problem loans	145,524	(50,350)								
A.3 Restructured loans	5,043	(573)								
A.4 Expired loans	34,190	(2,175)								
A.5 Other loans	6,692,203	(35,958)	54,422	(124)	1,959		159			
TOTAL A	**7,041,753**	**(177,136)**	**54,422**	**(124)**	**2,058**		**159**			
B. Off-balance sheet loans										
B.1 Non-performing loans	299	(19)								
B.2 Problem loans	4,330	(98)								
B.3 Other impaired assets	76									
B.4 Other loans	388,166	(1,078)	1		105	(45)				
TOTAL B	**392,871**	**(1,195)**	**1**		**105**	**(45)**				
TOTAL 2012 (A + B)	**7,434,624**	**(178,331)**	**54,423**	**(124)**	**2,163**	**(45)**	**159**			
TOTAL 2011	**6,835,217**	**(129,857)**	**9,644**	**(108)**	**1,570**		**170**			

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

Exposures / Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	337,078		40,013		624		162		1,124	
TOTAL	**337,078**		**40,013**		**624**		**162**		**1,124**	
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	31,104		6,379						176	
TOTAL	**31,104**		**6,379**						**176**	
TOTAL 2012 (A + B)	**368,182**		**46,392**		**624**		**162**		**1,300**	
TOTAL 2011	**363,453**		**41,958**		**509**		**170**	**(36)**	**129**	**(9)**

B.4 Large risks

With reference to the supervisory regulations in force, two positions were recognised for a total nominal amount, including guarantees and commitments issued, of Euro 1,340.5 million, and for a weighted total of nil.
Below is the breakdown of the three positions:

(in millions of Euro)

	nominal amounts	weighted amounts
. relations with Group companies:	436.5	0
. Treasury Ministry:	904.0	0

C. Securitisation transactions and asset disposal

C.1 Securitisation transactions

Quantitative information

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

Underlying asset quality / Exposures	Cash loans						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:																		
a) Impaired																		
b) others																		
B. With third-party underlying assets:																		
a) Impaired																		
b) others	552	552																

C.1.2 Loans arising from the main "Bank" securitisation transactions divided by type of securitised assets and by type of exposure

None.

C.1.3 Loans arising from main "third party" securitisation transactions divided by type of securitised assets and of loan

Type of underlying assets / Exposures	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	of which impairments/ write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs	Book value	of which impairmen ts/write-backs
A.1 F.I.P. 26.04.25With own underlying assets:																		
Properties	552																	

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

Exposure / Portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	31/12/2012	31/12/2011
1. Cash loans							
- "Senior"			552			552	721
- "Mezzanine"							
- "Junior"							
2. Off-balance sheet loans							
- "Senior"							
- "Mezzanine"							
- "Junior"							

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

	Financial assets held for trading			Financial assets valued at fair value			Available for-sale financial assets			Held-to maturity financial assets			Amount due from banks			Amount due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	**31/12/2012**	**31/12/2011**
A. Cash assets																				
1. Debt securities							117,191			15,162									**132,353**	**41,108**
2. Equity securities																				
3. U.C.I.T.S.																				
4. Loans																				
B. Derivative instruments																				
Total 31/12/2012							**117,191**			**15,162**									**132,353**	
- of which impaired																				
Total 31/12/2011	**6,049**						**35,059**													**41,108**
- of which impaired																				

Key:
A = Transferred financial assets which are fully recognised (book value)
B = Transferred financial assets which are partially recognised (book value)
C = Transferred financial assets which are partially recognised (full value)

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

Liabilities/Assets portfolio	Financial assets held for trading	Financial assets valued at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Amount due from banks	Amount due from customers	**Total**
1. Amounts due to customers							
a) corresponding to fully recorded assets			116,782	15,304			**132,086**
b) corresponding to partially recorded assets							
2. Amounts due to banks							
a) corresponding to fully recorded assets							
b) corresponding to partially recorded assets							
Total 31/12/2012			**116,782**	**15,304**			**132,086**
Total 31/12/2011	**6,048**					**34,737**	**40,785**

SECTION 2 - MARKET RISKS

2.1 Interest rate risk and price risk- regulatory trading portfolio

Qualitative information

A. General aspects

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

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

Trading activity by the Finance Department are monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are set in order to limit interest rate risk. The Bank carries out both hedging and trading transactions and has established stop-loss limits on high-volatility financial instruments such as derivatives and equity. On a daily basis, the Head Office is informed with operations and amounts in portfolios, as well as when operating limits have been reached.

Together with the abovementioned controls, the Bank has implemented internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit, which operates completely independently with respect to operational offices.
In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
This is a parametric model of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.
The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations.
The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.
To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.
The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities that will lead to the implementation of "back-testing" analysis are being performed.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and price risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The results of the monitoring are in any event given daily to the Finance Department Manager and to the top Management. Given the market turbulence that characterised the 2012 financial year, the overall V.a.R limits relating to the "managed portfolio" were exceeded in the period of reference, although they still fell within the delegated limits.

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

Quantitative information

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

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 anc 5 years	Between 5 years and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets		*1 004*	*14*	*20*	*777*			
1.1 Debt securities		*1 004*	*14*	*20*	*777*			
- with an option for early redemption								
- other		1 004	14	20	777			
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*228 068*	*84 665*	*2 347*	*2 884*	*37 804*		
3.1 With underlying security		*127 184*	*83 039*	*2 347*	*2 884*	*37 804*		
- Options								
+Long positions								
+Short positions								
- Other derivatives		*127 184*	*83 039*	*2 347*	*2 884*	*37 804*		
+Long positions		39 137	82 604	2 316	2 721			
+Short positions		88 047	435	31	163	37 804		
3.2 With no underlying security		*100 884*	*1 626*					
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		*100 884*	*1 626*					
+ Long positions		51 568	813					
+ Short positions		49 316	813					

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*62,464*	*1,200*					
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*62,464*	*1,200*					
- Options								
+Long positions								
+Short positions								
- Other derivatives		*62,464*	*1,200*					
+Long positions		31,177	600					
+Short positions		31,287	600					

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 anc 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*12,780*						
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*12,780*						
- Options								
+Long positions								
+Short positions								
- Other derivatives		*12,780*						
+Long positions		6,361						
+Short positions		6,419						

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 anc 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*180*						
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*180*						
- Options								
+Long positions								
+Short positions								
- Other derivatives		*180*						
+Long positions		19						
+Short positions		161						

Currency of denomination: **Australian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*3,511*						
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*3,511*						
- Options								
+Long positions								
+Short positions								
- Other derivatives		*3,511*						
+Long positions		1,755						
+Short positions		1,756						

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*13,911*	*352*					
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*13,911*	*352*					
- Options								
+Long positions								
+Short positions								
- Other derivatives		*13,911*	*352*					
+Long positions		6,952	176					
+Short positions		6,959	176					

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2. Cash liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives		*7,754*						
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security		*7,754*						
- Options								
+Long positions								
+Short positions								
- Other derivatives		*7,754*						
+Long positions		2,915						
+Short positions		4,839						

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

Monitoring effected on the "regulatory trading portfolio" during the 2012 financial year showed a structure with limited market risk. Given the policy implemented by the Group to underestimate price risks, the "regulatory trading portfolio" is almost entirely exposed to the interest rate risk.

VaR at 31 December 2012 is Euro 8 thousand with a percentage of less than 0.50% of the trading portfolio and a duration of 2.81.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates, as at 31 December 2012, show - considering the positive variation in rates - a negative impact of Euro 58 thousand, equal to:

- ⇒ 0.43 % of trading portfolio;
- ⇒ 0.02 % of business margin;
- ⇒ 0.26 % of net income for the period;
- ⇒ 0.01 % of shareholders' equity, net of the result for the period.

2.2 Interest rate risk and price risk – banking portfolio

Qualitative information

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

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

B. Fair Value hedge

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

C. Cash Flow hedge

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

Quantitative information

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

Currency of denomination: **Euro**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with an option for early redemption		25,387			2,141	2,274	534	
- other	48,051	361,185	216,537	42,282	257,469	218,717		
1.2 Financing to banks	39,297	56,787						
1.3 Financing to customers								
- Current account	962,013	535,235	964	87,410	35,085	257		
- other loans								
- with an option for early redemption	46,190	2,371,340	91,651	186,833	138,858	21,689	1,228	
- other	139,564	1,265,720	29,657	49,886	112,166	1,426	168	
2. Cash liabilities								
2.1 Due to customers								
- Current account	2,833,415	1,144,247	84,388	48,409				
- other								
- with an option for early redemption								
- other	56,871	132,095	11	3				
2.2 Due to banks								
- Current account	8,725							
- other	260	403,298						
2.3 Debt securities								
- with an option for early redemption				29,487				
- other	2,296	611,514	261,663	859,841	386,878			
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 With no underlying security								
- Options								
+ Long positions		20,995	25,125	37,027	310,521	46,839	45,580	
+ Short positions	18,801	399,809	9,276	4,257	53,943			
- Other derivatives								
+ Long positions		72,900	5,000	47,420	174,217	20,000		
+ Short positions		247,117	72,420					
4. Other "Off -balance" sheet transactions								
+ Long positions	58,631							
+ Short positions	58,631							

Currency of denomination: **US Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**8,255**	**65,377**	**224**					
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	8,254	46,860						
1.3 Financing to customers	1	18,517	224					
- Current account	1							
- other loans								
- with an option for early redemption								
- other		18,517	224					
2. Cash liabilities	**39,141**	**33,869**						
2.1 Amounts due to customers	31,021	3,533						
- Current account	31,021	3,533						
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks	8,120	30,336						
- Current account	8,120							
- other		30,336						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions		88						
+Long positions		44						
+Short positions		44						

Currency of denomination: **UK Pound Sterling**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**2,985**	**1,860**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	2,466	1,719						
1.3 Financing to customers	519	141						
- Current account	519							
- other loans								
- with an option for early redemption								
- other		141						
2. Cash liabilities	**3,061**	**1,705**						
2.1 Amounts due to customers	2,865							
- Current account	2,865							
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks	196	1,705						
- Current account	196							
- other		1,705						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions								
+Long positions								
+Short positions								

Currency of denomination: **Swiss Franc**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**3,907**	**5,086**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	3,907	2,651						
1.3 Financing to customers		2,435						
- Current account								
- other loans								
- with an option for early redemption								
- other		2,435						
2. Cash liabilities	**6,522**	**2,319**						
2.1 Amounts due to customers	6,245							
- Current account	6,245							
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks	277	2,319						
- Current account	277							
- other		2,319						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions								
+Long positions								
+Short positions								

Currency of denomination: **Australian Dollar**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**277**							
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	277							
1.3 Financing to customers								
- Current account								
- other loans								
- with an option for early redemption								
- other								
2. Cash liabilities	**277**							
2.1 Amounts due to customers	233							
- Current account	233							
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks	44							
- Current account	44							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions								
+Long positions								
+Short positions								

Currency of denomination: **Japanese Yen**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**165**	**4,654**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	165							
1.3 Financing to customers		4,654						
- Current account								
- other loans								
- with an option for early redemption								
- other		4,654						
2. Cash liabilities	**37**	**4,843**						
2.1 Amounts due to customers	37							
- Current account	37							
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks		4,843						
- Current account								
- other		4,843						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions								
+Long positions								
+Short positions								

Currency of denomination: **Other currencies**

Type/Residual maturity	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
1. Cash assets	**4,592**	**96**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Financing to banks	4,592							
1.3 Financing to customers		96						
- Current account								
- other loans								
- with an option for early redemption								
- other		96						
2. Cash liabilities	**2,726**	**3**						
2.1 Amounts due to customers	2,653							
- Current account	2,653							
- other								
- with an option for early redemption								
- other								
2.2 Amounts due to banks	73	3						
- Current account	73							
- other		3						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
3.2 With no underlying security								
- Options								
+Long positions								
+Short positions								
- Other derivatives								
+Long positions								
+Short positions								
4. Other off-balance-sheet transactions								
+Long positions								
+Short positions								

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

This operational and strategic approach of the Bank is directed at considering the volatility of interest margins and of total economic value.
The table below shows the results of the impact on the interest margin, from a fixed perspective and in the absence of behavioural models for the items at sight, of the analyses carried out at 31 December 2012 in the event of a parallel variation in the interest rate curve and considering the time effect of repricing of the items.

Risk indices: parallel shifts of the rates curve as of 31 December 2012.

	+100 bp	*-100 bp*
% on the expected margin	*5.83%*	*-13.32%*
% on the business margin	*3.26%*	*-7.43%*
% on the result for the period	*26.79%*	*-61.17%*
% of net equity	*0.78%*	*-1.79%*

As regards economic value the impact, estimated using measurement models with a fixed perspective and in the absence of behavioural models for the items at sight, has shown a risk exposure for 2012 that has remained at levels that do not involve significant shifts in the interest rate curve.
The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve as of 31 December 2012.

	+100 bp	*-100 bp*
% of economic value	*-1.30%*	*1.87%*

2.3 EXCHANGE RISK

Qualitative information

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

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

- transactions on the domestic and foreign currency, exchange rate and currency deposits markets;
- trading spot and forward contracts on its own behalf and for customers;

- forward and deposit transactions in foreign currencies with resident and non-resident counter-parties.

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

B. Exchange rate hedge

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

Quantitative information

1: Breakdown of assets, liabilities and derivatives by currency of denomination

Captions	Currencies					
	US Dollar	UK Pound Sterling	Japanese Yen	Australian Dollar	Swiss Franc	Other currencies
A. Financial assets	**73 857**	**4 843**	**4 819**	**277**	**8 993**	**4 688**
A.1 Debt securities						
A.2 Equity securities						
A.3 Financing to banks	55 115	4 184	165	277	6 558	4 592
A.4 Financing to customers	18 742	659	4 654		2 435	96
A.5 Other financial assets						
B. Other assets	**438**	**229**	**22**	**41**	**153**	**112**
C. Financial liabilities	**73 009**	**4 767**	**4 880**	**277**	**8 842**	**2 729**
C.1 Amounts due to banks	38 455	1 902	4 843	44	2 597	76
C.2 Amounts due to customers	34 554	2 865	37	233	6 245	2 653
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities	**705**	**11**			**26**	**40**
E. Financial derivatives	**112**	**58**	**7**	**1**	**142**	**1 924**
- Options						
+ Long positions						
+ Short positions						
- Other derivatives	112	58	7	1	142	1 924
+ Long positions	31 774	6 361	7 128	1 755	19	2 916
+ Short positions	31 886	6 419	7 135	1 756	161	4 840
Total assets	**106 069**	**11 433**	**11 969**	**2 073**	**9 165**	**7 716**
Total liabilities	**105 600**	**11 197**	**12 015**	**2 033**	**9 029**	**7 609**
Imbalance	**469**	**236**	**(46)**	**40**	**136**	**107**

2. Internal models and other methods for sensitivity analysis

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

2.4 DERIVATIVE INSTRUMENTS

A. Financial derivatives

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

Underlying assets/Type of derivatives	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates			32 000	
a) Options			1 000	
b) Swap			31 000	
b) Forward				
c) Futures				
e) Other				
2. Equity securities and stock indexes		15		39
a) Options		15		39
b) Swap				
b) Forward				
c) Futures				
e) Other				
3. Currencies and gold	93 798		63 669	
a) Options				
b) Swap				
b) Forward	93 798		63 669	
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
Total	93 798	15	95 669	39
Average values	5 293	15	37 604	39

A.2 Banking portfolio: period-end notional values

A.2.1 Hedging instruments

Underlying assets/Type of derivatives	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	281 637		231 637	
a) Options				
b) Swap	281 637		231 637	
b) Forward				
c) Futures				
e) Other				
2. Equity securities and stock indexes				
a) Options				
b) Swap				
b) Forward				
c) Futures				
e) Other				
3. Currencies and gold				
a) Options				
b) Swap				
b) Forward				
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
Total	**281 637**		**231 637**	
Average values	**239 970**		**208 299**	

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	103 700		158 816	
a) Options	65 800		65 800	
b) Swap	37 900		93 016	
b) Forward				
c) Futures				
e) Other				
2. Equity securities and stock indexes				
a) Options				
b) Swap				
b) Forward				
c) Futures				
e) Other				
3. Currencies and gold				
a) Options				
b) Swap				
b) Forward				
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
Total	**103 700**		**158 816**	
Average values	**103 700**		**158 816**	

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

Portfolios/Type of derivative	*Positive fair value*			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	309	15	831	14
a) Options		15		14
b) Interest rate swap			189	
c) Cross currency swap				
d) Equity swap				
e) Forward	309		642	
f) Futures				
g) Other				
B. Banking portfolio - hedging	9 005		5 631	
a) Options				
b) Interest rate swap	9 005		5 631	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Other				
C. Banking portfolio - Other derivatives	2 125		1 569	
a) Options				
b) Interest rate swap	2 125		1 569	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Other				
Total	**11 439**	**15**	**8 031**	**14**

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

Portfolios/Type of derivative	*Negative fair value*			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	300		791	
a) Options				
b) Interest rate swap			159	
c) Cross currency swap				
d) Equity swap				
e) Forward	300		632	
f) Futures				
g) Other				
B. Banking portfolio - hedging	6 696		2 684	
a) Options				
b) Interest rate swap	6 696		2 684	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Other				
C. Banking portfolio - Other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Other				
Total	**6 996**		**3 475**	

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

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2) Equity securities and stock indexes							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional value			47 025	32 882		7 577	6 314
- positive fair value			159	31		117	3
- negative fair value			148	84		41	28
- future exposure			470	329		76	63
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

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

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value			14 617				
- positive fair value			940				
- negative fair value							
- future exposure			73				
2) Equity securities and stock indexes							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

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

Contracts which fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value			370 720				
- positive fair value			10 190				
- negative fair value			6 696				
2) Equity securities and stock indexes							
- notional value							
- positive fair value							
- negative fair value							
3) Currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
4) Other values							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual maturity of OTC financial derivatives: notional values

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio	93 798			93 798
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and stock indexes				
A.3 Financial derivatives on currencies and gold	93 798			93 798
A.4 Financial derivatives on other instruments				
B. Banking portfolio	125 320	240 017	20 000	385 337
B.1 Financial derivatives on debt securities and interest rates	125 320	240 017	20 000	385 337
B.2 Financial derivatives on equity securities and stock indexes				
B.3 Financial derivatives on currencies and gold				
B.4 Financial derivatives on other instruments				
Total 31/12/2012	**219 118**	**240 017**	**20 000**	**479 135**
Total 31/12/2011	**(203 685)**	**(236 637)**	**(45 800)**	**(486 122)**

B. Credit derivatives

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

Categories of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on more than one subjects	on a single subject	on more than one subjects
1. Hedging purchases				
a) Credit default products				
b) Credit spread products				
c) Total rate of return swap				
d) Other				
TOTAL 31/12/2012				
AVERAGE VALUES				
TOTAL 31/12/2011				
2. Hedging sales				
a) Credit default products	25 000			
b) Credit spread products				
c) Total rate of return swap				
d) Other				
TOTAL 31/12/2012	25 000			
AVERAGE VALUES	25 000			
TOTAL 31/12/2011	25 000			

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

Portfolios/Type of derivative	*Negative fair value*	
	31/12/2012	31/12/2011
A. Regulatory trading portfolio	176	1 906
a) Credit default products	176	1 906
b) Credit spread products		
c) Total rate of return swap		
d) Other		
B. Banking portfolio		
a) Credit default products		
b) Credit spread products		
c) Total rate of return swap		
d) Other		
Total	176	1 906

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

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Hedging purchase							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2) Hedging sales							
- notional value			25 000				
- positive fair value							
- negative fair value			176				
- future exposure			(2 500)				
Banking portfolio							
1) Hedging purchase							
- notional value							
- positive fair value							
- negative fair value							
2) Hedging sales							
- notional value							
- positive fair value							
- negative fair value							

B.6 Residual maturity of credit derivatives: notional values

Underlying instruments / Residual maturity	Up to 1 year	Betw een 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio		25 000		25 000
A.1 Derivatives on loans w ith "qualified" "reference obligation"		25 000		25 000
A.2 Derivatives on loans w ith "non-qualified" "reference obligation"				
B. Banking portfolio				
B.1 Derivatives on loans w ith "qualified" "reference obligation"				
A.2 Derivatives on loans w ith "non-qualified" "reference obligation"				
Total 31/12/2012		**25 000**		**25 000**
Total 31/12/2011		**25 000**		**25 000**

SECTION 3 - LIQUIDITY RISK

Qualitative information

A General aspects, management procedures and methods of measuring liquidity risks

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

Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.
In 2012 the Bank estimated the impact of the new indicators introduced by the quantitative rules – calculation of the LCR (Liquidity Coverage ratio) and of the NSFR (Net Stable Funding Ratio) – in order to prepare the appropriate checks also in consideration of the adjustments necessary for adopting the new rules issued by the Bank of Italy governing prudential supervision.

Quantitative information

1. *Breakdown by contractual residual maturity of financial assets and liabilities*

Currency of denomination: **Euro**

Items/time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*1 170 373*	*356 388*	*156 184*	*768 507*	*484 575*	*238 592*	*354 326*	*2 240 172*	*1 796 924*	*13 843*
A.1 Government securities	815		90 000	1 260	5 449	5 495	8 544	566 574	282 000	
A.2 Other debt securities	33		5	4 168	20 374	18 609	30 573	141 550	20 970	2 099
A.3 UCITS units	21 109									
A.4 Financing	*1 148 416*	*356 388*	*66 179*	*763 079*	*458 752*	*214 488*	*315 209*	*1 532 048*	*1 493 954*	*11 744*
- Banks	61 262	1	20 024	5 012	20 043	7 500				11 744
- Customers	1 087 154	356 387	46 155	758 067	438 709	206 988	315 209	1 532 048	1 493 954	
Cash liabilities	*2 908 009*	*194 419*	*501 928*	*417 677*	*475 420*	*377 450*	*401 077*	*1 605 458*	*2 797*	
B.1 Deposits and current accounts	*2 886 226*	*59 435*	*489 125*	*302 483*	*245 966*	*135 311*	*55 915*	*3*		
- Banks	10 086		6 718							
- Customers	2 876 140	59 435	482 407	302 483	245 966	135 311	55 915	3		
B.2 Debt securities	2 585	9 663	11 798	113 588	225 632	238 694	342 046	1 197 529	2 797	
B.3 Other liabilities	19 198	125 321	1 005	1 606	3 822	3 445	3 116	407 926		
"Off -balance" sheet transactions	*55 002*	*135 167*	*1 123*	*81 309*	*12 404*	*86 063*	*8 655*	*33 323*	*57 383*	*7 610*
C.1 Financial derivatives with capital exchange		*135 167*	*1 123*	*80 845*	*10 879*	*84 932*	*2 340*	*3 039*	*35 000*	
- Long positions		44 067	577	40 412	5 595	83 734	2 309	2 827		
- Short positions		91 100	546	40 433	5 284	1 198	31	212	35 000	
C.2 Financial derivatives without capital exchange				*464*	*1 525*	*871*	*4 415*			
- Long positions				464	1 411	840	3 520			
- Short positions					114	31	895			
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance	*54 826*					*260*	*1 900*	*30 284*	*22 383*	*7 610*
- Long positions						260	1 900	30 284	22 383	3 805
- Short positions	54 826									3 805
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with capital exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without capital exchange	*176*									
- Long positions										
- Short positions	176									

Currency of denomination: **US Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*8,255*	*24,269*	*2,580*	*33,518*	*5,294*	*250*				
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*8,255*	*24,269*	*2,580*	*33,518*	*5,294*	*250*				
- Banks	8,254	24,259	11	22,581	48					
- Customers	1	10	2,569	10,937	5,246	250				
Cash liabilities	*39,141*			*14,648*	*19,265*					
B.1 Deposits and current accounts	*39,141*			*14,648*	*19,265*					
- Banks	8,120			11,393	18,984					
- Customers	31,021			3,255	281					
B.2 Debt securities										
B.3 Other liabilities										
"Off -balance" sheet transactions		*3,408*	*1,106*	*49,021*	*9,014*	*1,200*				
C.1 Financial derivatives with underlying asset exchange		*3,320*	*1,106*	*49,021*	*9,014*	*1,200*				
- Long positions		1,605	538	24,526	4,507	600				
- Short positions		1,715	568	24,495	4,507	600				
C.2 Financial derivatives without underlying asset exchange										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance		*88*								
- Long positions		44								
- Short positions		44								
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without underlying asset exchange										
- Long positions										
- Short positions										

Currency of denomination: **UK Pound Sterling**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*2,985*		*61*	*1,783*	*18*					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*2,985*		*61*	*1,783*	*18*					
- Banks	2,466			1,720	-					
- Customers	519		61	63	18					
Cash liabilities	*3,061*			*1,706*						
B.1 Deposits and current accounts	*3,061*			*1,706*						
- Banks	196			1,706						
- Customers	2,865									
B.2 Debt securities										
B.3 Other liabilities										
"Off -balance" sheet transactions		*404*		*12,376*						
C.1 Financial derivatives with underlying asset exchange		*404*		*12,376*						
- Long positions		173		6,188						
- Short positions		231		6,188						
C.2 Financial derivatives without underlying asset exchange										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without underlying asset exchange										
- Long positions										
- Short positions										

Currency of denomination: **Swiss Franc**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*3,907*	*2,651*	*894*	*963*	*610*					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*3,907*	*2,651*	*894*	*963*	*610*					
- Banks	3,907	2,651								
- Customers			894	963	610					
Cash liabilities	*6,522*		*2,320*							
B.1 Deposits and current accounts	*6,522*		*2,320*							
- Banks	277		2,320							
- Customers	6,245									
B.2 Debt securities										
B.3 Other liabilities										
"Off -balance" sheet transactions		*180*								
C.1 Financial derivatives with underlying asset exchange		*180*								
- Long positions		19								
- Short positions		161								
without underlying asset exchange										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without underlying asset exchange										
- Long positions										
- Short positions										

Currency of denomination: **Australian Dollar**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*277*									
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*277*									
- Banks	277									
- Customers										
Cash liabilities	*277*									
B.1 Deposits and current accounts	*277*									
- Banks	44									
- Customers	233									
B.2 Debt securities										
B.3 Other liabilities										
"Off -balance" sheet transactions		*213*		*3,300*						
C.1 Financial derivatives with underlying asset exchange		*213*		*3,300*						
- Long positions		106		1,650						
- Short positions		107		1,650						
C.2 Financial derivatives without underlying asset exchange										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without underlying asset exchange										
- Long positions										
- Short positions										

Currency of denomination: **Japanese Yen**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*165*		*2,869*	*1,742*	*118*					
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*165*		*2,869*	*1,742*	*118*					
- Banks	165									
- Customers			2,869	1,742	118					
Cash liabilities	*37*		*4,844*							
B.1 Deposits and current accounts	*37*		*4,844*							
- Banks			4,844							
- Customers	37									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance" sheet transactions		*329*		*13,582*		*352*				
C.1 Financial derivatives with underlying asset exchange		*329*		*13,582*		*352*				
- Long positions		161		6,791		176				
- Short positions		168		6,791		176				
C.2 Financial derivatives without underlying asset exchange										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant finance										
- Long positions										
- Short positions										
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- Long positions										
- Short positions										
C.8 Credit derivatives without underlying asset exchange										
- Long positions										
- Short positions										

Currency of denomination: **Other currencies**

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
Cash assets	*4,592*		*97*							
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Financing	*4,592*		*97*							
- Banks	4,592									
- Customers	-		97							
Cash liabilities	*2,726*			*3*						
B.1 Deposits and current accounts	*2,726*			*3*						
- Banks	73			3						
- Customers	2,653									
B.2 Debt securities										
B.3 Other liabilities										
"Off -balance" sheet transactions		*3,908*		*2,424*	*1,422*					
C.1 Financial derivatives with underlying asset exchange		*3,908*		*2,424*	*1,422*					
- long positions		992		1,212	711					
- short positions		2,916		1,212	711					
C.2 Financial derivatives without underlying asset exchange										
- long positions										
- short positions										
C.3 Deposits and financing to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions										
C.5 Financial guarantees granted										
C.6 Financial guarantees received										
C.7 Credit derivatives with underlying asset exchange										
- long positions										
- short positions										
C.8 Credit derivatives without underlying asset exchange										
- long positions										
- short positions										

SECTION 4 - OPERATING RISK

Qualitative information

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

By Operating risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operating risk includes legal risk but does not include those relating to strategy or reputation (Bank of Italy – circular no. 263 of 27 December 2006).

Banco Desio Brianza uses the definition of operating risk given by the Parent Company within the relevant methodological framework that adopts the definition given by the Bank of Italy in its circular letter no. 263 of 27 December 2006.

Banco Desio has long implemented a structured process for the gathering of adverse events that might generate operating losses. This process involves all the structures of the Bank, the results are sent to DIPO to which Banco Desio adheres as Group since 2007.

A reporting system was implemented for detrimental events recorded in the Corporate Operating Losses Database (DBPOA). This system has the capacity to provide top management with all the information (overall and detailed) available regarding such events at set intervals: the number of events, the amounts of gross losses and of losses net of any recovery by business line concerned. During the second half of 2012, a specific project work was started aimed at the adjustment of the methods for identifying, assessing, monitoring and managing operating risks. This project will end during the first half of 2013.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 "Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality", the Bank adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies.
The organisational model under review was adjusted and revised thoroughly during 2012.

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

The various corporate functions guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Bank at the end of the financial year consist in disputes regarding bankruptcy claw-back actions, damages on investment services, disputes for usury and compound interest.

Banco Desio e della Brianza, as part of its operations, was involved in legal proceedings in the presence of which, if deemed appropriate by the competent company departments, specific loss forecasts are considered. The tables summarising ongoing disputes with related provisions and the evidence of the main disputes are shown.

CLAW-BACK ACTIONS

Number	15
Relief sought	6,458,452
Provisions	2,387,951

OTHER ACTIONS

Number	92
Relief sought	€ 61,048,507
Provisions	€ 4,263,875

IMPORTANT LAWSUITS (RELIEF SOUGHT HIGHER THAN EURO 1,000,000)

- Plaintiff FAIRFIELD: relief sought Euro 2,692,000. The legal proceedings started by the Fairfield Sentry Limited Fund before the United States Bankruptcy Court Southern District of New York towards Banco di Desio e della Brianza S.p.A. in its capacity as custodian bank of a mutual fund managed by the Italian asset management company. The legal action is aimed at the recovery of payments made between 2005 and 2008 totalling US$ 3,853,221.77 from the Fairfield Fund (going into liquidation following the well-known events that involved Bernard L. Madoff) in favour of the Bank (as custodian bank) on behalf of the said mutual fund. The Bank acted as a merely interposed subject in the relation between Fairfield Funds and the said fund.

- Dispute with a counterparty: relief sought € 1,103,000. This is a claw-back action whose subject matter is the revocation of the payment of the consideration for the purchase of an asset owned by the Bank leased to the counterparty (transfers in a/c were also withdrawn). The receiver argues that the payments were made with anomalous means of payment. As things stand, the case is dealt with before the Court of first instance. Moreover, there are elements that suggest a fully favourable outcome for the Bank.

- Dispute with a counterparty: relief sought € 1,150,000. We have a mortgage loan contract and an a/c. An injunction was issued by which the counterparty was enjoined to pay the a/c debit balance; injunction opposed at the same time with counterclaim for a total amount of € 1,150,000.00. During the legal proceedings, the court-appointed expert reported the proper operation of the Bank in the management of the payments of the loan instalments. The judgement of the first instance, in favour of the Bank, is appealed. The judges convened in the Court of Appeal decided to reject appeal made by the counterparty and to fully accept the defensive reasons of the Bank. However, the bank will appear before the court (next hearing October 2014). The attachment of land on the assets subject matter of the mortgage loan is in progress (an asset on which a mortgage was recorded by order of the court as a guarantee for the expenses paid in the judgment of first instance).

- Dispute with a counterparty: relief sought € 1,000,000. The bankruptcy formulated the request for claw-back action to a third-party factoring company to which Desio Brianza Factoring had transferred with recourse the factoring contract with the counterparty. The Bank intervened voluntarily in the judgement in support of the factoring company. The Court of first instance rejected the bankruptcy petitions, upholding the arguments of the Bank, making sure that the factoring contract could be opposed to the bankruptcy. The appeal launched only against the company ended again with its victory. Finally, an appeal was lodged before the Court of Cassation. The judgment is pending before the Supreme Court with no. 13137/06 R.G . – pending the fixing of the hearing.

- Plaintiff Formenti Seleco S.p.A. under extraordinary administration: relief sought € 2,000,000. By means of a petition, Formenti Seleco summoned Banco Desio before the court in order to obtain the declaration of ineffectualness with regard to the creditors of the remittances carried out on the current account of the company in the year before the issue of the insolvency order. The Court of first instance upheld partially the bankruptcy petitions, by ordering to return the lesser sum than the relief sought. Formenti Seleco S.p.A. launched an appeal. In fact, the judgement limited the suspect period for the knowledge of the state of insolvency only to the 4 previous months instead of all the year before the filing of the insolvency order of Formenti Seleco. With entry of appearance duly lodged, the Bank requested the dismissal of action and, as a reversal of the judgement, rejected any adverse claim. The case was remanded to 6 November 2014 on which a final judgement will be passed.

- Plaintiff Formenti Seleco S.p.A. under extraordinary administration: relief sought € 45,608,320. By means of a petition, Formenti Seleco under extraordinary administration brought legal proceedings against Banco di Desio and other 18 credit institutions, with which it had current account relations in order to hear them being ordered, jointly and severally, to pay the amount of Euro 45,608,320.00 for damages for abusive lending and, in the alternative, individually and exclusively, for damages attributable to each defendant. The Bank appeared before the court. With judgement of 2011, the Court declared the lack of capacity of the plaintiff, covering the proceeding costs. By means of a petition, Formenti Seleco S.p.a.

launched an appeal against the aforesaid judgement, re-proposing substantially the same arguments carried out in the judgement of first instance. Duly appearing before the court, the case was remanded to 2 October 2014 on which a final judgement will be passed.

TAX DISPUTE

With reference to the dispute with the Tax Authorities, the following is pointed out.

With reference to the notices of assessment related to the 2006 financial year, which were disclosed in the notes to the 2011 financial statements, since no tax assessment settlement proposal was formalised by the Tax Authorities, the Bank appealed to the relevant Provincial Tax Commission. The hearing, initially fixed on 4 March 2013, was adjourned to 30 September 2013.

On 19 December 2012 the Regional Tax Office of Lombardy provided the Bank with notice of a tax assessment relating to the 2007 financial year and concerning the IRES, IRAP and VAT taxes.

The findings regarding the IRES and IRAP taxes result from the investigation started in October 2012 by the Inland Revenue concerning the treatment of write-downs and write-backs on loans subject matter of analytical assessments. The irregularity found concerns write-backs on loans “due to valuation" requalified as write-backs on loans “due to collection”.

The irregularity found for VAT purposes refers, as for the 2006 tax year, to the failure to subject to VAT the fees received for the activity carried out by the custodian bank of mutual investment funds. These fees, charged to the management company with the application of a VAT exemption, ought to have been subject to VAT of 20% in the opinion of the Tax Authority.

As a result of the adjustments, the office imposed the penalties detailed below on the Bank:

	Higher tax	interests	penalties	Total
Ires	30	5	30	65
Irap	5	1		6
Vat	1,245	196	4,935	6,376
Total	1,280	202	4,965	6,447

With reference to the notice of assessment for IRES purposes, the Bank complied with the settlement proposal and paid the tax, interests and penalty reduced to one-sixth.
Whereas the notice of assessment for IRAP and VAT purposes was immediately challenged by appealing to the Provincial Tax Commission of Milan, by requesting also the collection of additional taxes assessed.

* * *

In connection with the aforesaid assessments issued for IRES and IRAP purposes for the 2006 and 2007 tax periods, an additional provision was made to the provision for risks and charges as at 31 December 2011 (Euro 400 thousand) of Euro 62 thousand to cover the additional taxes, interests and penalties due. In particular, the following elements were set aside:

- Euro 42 thousand with reference to the 2006 notice of assessment, due to the updating of interests accrued during 2012 and the additional penalties due to a settlement before the court with the Inland Revenue;
- Euro 20 thousand with reference to the IRES 2007 notice of assessment, for additional taxes, interests and penalties due for the settlement pursuant to Article 15, Italian legislative decree no. 218/1997 of the assessment.

No provision was deemed necessary, either by way of tax or by way of penalties and interests, with reference to the assessments for VAT purposes, taking into account: (i) the amendment to Article 60, paragraph 7, of Italian Presidential Decree no. 633/1972, which recognises in favour of the taxpayer the exercise of the right of recourse on the additional tax paid as a result of the assessment; (ii) the recent judgement of the Provincial Tax Commission of Milan made in a similar case in which the penalties ceased to apply due to a clear uncertainty of the matter.

Tax audits in progress

It should be noted that the tax audit of the Italian Tax Police, which is disclosed in the notes to the 2011 financial statements, is still in progress and that it was extended also for VAT purposes for the years from 2006 to 2010.

Quantitative information

The number of adverse events detected, and recognised in the accounts, by Banco Desio Brianza in 2012 totalled 581 events. The result of the process for the gathering of adverse events is summarised in the table below (expressed in thousands of Euros):

Type of event	No. of Events	% of events	Gross loss	% on total	Net loss	% on total	Recoveries	% recoveries
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving a least one internal member of the bank	3	0.52%	83.87	3.04%	84	3.10%	-	0.00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	76	13.08%	516.39	18.70%	473	17.46%	44	8.49%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments)	47	8.09%	656.64	23.78%	657	24.25%	-	0.00%
DAMAGES TO ASSETS This category includes natural events or those events that might be connected to any action carried out by external persons causing damages to the tangible assets of the bank.	18	3.10%	65.52	2.37%	56	2.07%	9	14.41%
BUSINESS INTERRUPTION AND SYSTEM MALFUNCTIONS Losses generated by any block of information systems or of line connections.	11	1.89%	13.24	0.48%	13	0.49%	-	0.00%
EXECUTION OF DIRECTIONS, SUPPLY O PRODUCTS AND MANAGEMENT OF THE PROCESSES	426	73.32%	1,425.09	51.62%	1,425	52.63%	0	0.02%
TOTAL	**581**	**100.00%**	**2,761**	**100.00%**	**2,707**	**100.00%**	**54**	**1.94%**

Gross operating loss is equal to Euro 2,761 thousand; in relation to it, prudential provisions were set aside for Euro 1,617 thousand during the year. The gross losses paid out were recovered for Euro 54 thousand, thus reporting a net loss of Euro 2,707 thousand.

Part F – INFORMATION ON EQUITY

Section 1 – The Bank's shareholders' equity

A. Qualitative information

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

B. Quantitative information

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

	31/12/2012	31/12/2011
1. Share capital	67 705	67 705
2. Share premium reserve	16 145	16 145
3. Reserves	659 889	630 254
- retained earnings		
a) legal	79 342	75 019
b) statutory	460 784	435 821
c) treasury shares		
d) other	23 571	23 571
e) advances on dividends		
- other	96 192	95 843
4. Equity instruments		
5. Treasury shares		
6. Valuation reserves		
- Available-for-sale financial assets	1 931	(34 630)
- Tangible assets		
- Intangible assets		
- Foreign investment hedge		
- Exchange rate differences		
- Foreign exchange differences	(174)	
- Non-current assets held for sale		
- Actuarial Profit (Loss) on defined benefits plans	(1 127)	74
- Share of valuation reserves relating to equity investments recognised under equity:		
- Special revaluation laws	22 896	22 896
7. Net Profit (loss) for the year	9 205	43 235
Total	**776 470**	**745 679**

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

Assets / Amounts	31/12/2012		31/12/2011	
	Positive reserves	Negative reserves	Positive reserves	Negative reserves
1. Debt securities	7,340	(6,246)	738	(35,581)
2. Equity securities	158		158	(168)
3. UCITS units	749	(70)	631	(408)
4. Financing				
Total	**8,247**	**(6,316)**	**1,527**	**(36,157)**

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

	Debt securities	Equity securities	UCITS units	Financing
1. Opening balance	**(34,843)**	**(10)**	**223**	
2. Increases	**36,847**	**168**	**1,088**	
2.1 Fair value increases	7,339		745	
2.2 Reversal of negative reserves to the income statement	9,834	168	28	
- from deterioration		168		
- from disposal	9,834		28	
2.3 Other increases	19,674		315	
3. Decreases	**910**		**632**	
3.1 Fair value decreases	141		5	
3.2 Adjustments from deterioration				
3.3 Reversal of positive reserves to the income statement: from disposal	769		626	
3.4 Other decreases			1	
4. Closing balance	**1,094**	**158**	**679**	

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A. Qualitative information

The Board of Directors also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banks. The 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. In compliance with European Directives, the regulations specify the method for the calculation of regulatory capital. This is made up of the sum of Tier 1 capital - which is allowed into the calculation without any limitation - and the Tier 2 capital, which is allowed within the maximum limit of Tier 1 capital. The following are deducted from this sum: equity investments, hybrid equity instruments and subordinated assets, held in other banks and finance companies.

As of 31 December 2012, the bank's regulatory capital is made up as follows:

Description	Amount
Tier 1 capital	728,794
Tier 2 capital	73,643
Deductions	
Regulatory capital	802,437

1. Tier 1 capital

Share capital, share premiums, reserves, and undistributable earnings for the period and innovative equity instruments are the most significant elements of the capital. From these positive elements, any negative element is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deduction resulting from the application of prudential filters.

Tier 1 capital accounts for about 91% of the Regulatory Capital.

2. Tier 2 capital

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

Tier 2 capital accounts for about 9% of the Regulatory Capital.

3. Tier 3 capital

This is made up of the portion of Tier 2 subordinated liabilities that cannot be calculated in Tier 2 because they exceed 50% of the core capital before deductions and by Tier 3 subordinated liabilities. This total can be used only to cover the capital requirements for the market risks up to a maximum amount of 71.4% of the same.

Banco Desio has no Tier 3 capital.

B. Quantitative information

	31.12.2012	31.12.2011
A. Tier 1 capital before the application of prudential filters	**739,683**	**735,007**
B. Prudential filters of the Tier 1 capital:	- 2,871	- 40,334
B1- positive Ias/Ifrs prudential filters (+)	-	-
B2- negative Ias/Ifrs prudential filters (-)	2,871	40,334
C. Tier 1 capital gross of deductions (A+B)	736,812	694,673
D. Deductions from the Tier 1 capital	8,018	22,009
E. Total Tier 1 capital (TIER 1) (C-D)	**728,794**	**672,664**
F. Tier 2 capital before the application of prudential filters	**82,627**	**90,308**
G. Prudential filters for Tier 2 capital:	- 965	- 106
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	965	106
H. Tier 2 capital gross of deductions (F+G)	**81,662**	**90,202**
I. Deductions from the Tier 2 capital	8,018	22,009
L. Total Tier 2 capital (TIER 2) (H-J)	**73,643**	**68,193**
M. Deductions from Tier 1 and Tier 2 capital	-	16,197
N. Regulatory capital (E+ L - M)	**802,437**	**724,660**
O. Tier 3 capital	**-**	**-**
P. Regulatory Capital including TIER 3 (N + O)	**802,437**	**724,660**

2.2 Capital adequacy

A. Qualitative information

The Prudential Supervision provisions provide for banks to retain a minimum amount of the Total Regulatory Capital equal to 8% of the risk-weighted assets as a whole (credit and counterpart, market, operational risk). This requirement is reduced by 25% for institutes belonging to Banking Groups that respect the limit of 8% at consolidated level. The rules for determining the overall capital requirement and the capital structure of the Bank provide the following ratios at 31 December 2012:

- Tier 1 capital / risk-weighted assets (1) 18.27 % ex 17.40%
- Regulatory capital / risk-weighted assets (1) 20.11 % ex 18.36%

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

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

B. Quantitative information

Prudential ratios

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**7,809,386**	**7,500,175**	**4,786,893**	**4,752,936**
1. STANDARD METHODOLOGY	7,808,834	7,499,454	4,786,341	4,752,576
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS	552	721	552	360
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISKS			**382,951**	**380,235**
B.2 MARKET RISK			**108**	**137**
1. STANDARD METHODOLOGY			108	137
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
B.3 OPERATIONAL RISK			**42,476**	**40,652**
1. BASE METHODOLOGY			42,476	40,652
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
B.4 OTHER PRUDENTIAL REQUIREMENTS				
B.5 OTHER CALCULATION ELEMENTS			(106,384)	(105,256)
B.6 TOTAL PRUDENTIAL REQUIREMENTS			**319,151**	**315,768**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			**3,989,388**	**3,947,100**
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			18.27%	17.04%
C.3 Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)			20.11%	18.36%

PART H - TRANSACTIONS WITH RELATED PARTIES

1 - Information on remuneration paid to directors and managers

For information on fees due to Directors and Executives with strategic responsibilities, please refer to the "Report on Group Remuneration Policies", drafted in accordance with art. 123-ter of the Consolidated Law on Finance, and the chapter "Information on incentive plans with share-based payments within the Group" in the consolidated notes to the financial statements, with reference to stock grant plans and stock option plans in place within the Group.

2 - Information on transactions with related parties

The Internal Procedure for the management of transactions with related parties and parties included in the scope of application of Article 136 of the Consolidated Banking Act, adopted pursuant to Consob Regulation no. 17221/2010 and supplemented in compliance with the Prudential Supervisory Provisions on risk assets and conflicts of interest towards parties related to the Bank or to the Banking Group pursuant to Article 53 of the Consolidated Banking Act, is described in the Annual Report on Corporate Governance The procedure itself is published, in compliance with the abovementioned Regulation, on the website www.bancodesio.it – section "Banco Desio / Corporate Governance / Transactions with Related Parties".

Considering that, pursuant to article 5 of the Regulation itself and article 154- ter of the Consolidated Act on Finance referred to by the same, periodical information is to be provided regarding:
a) the individual "most significant" transactions entered into in the reporting period, these being the transactions that exceed, also on a cumulative basis, the thresholds envisaged in Annexe 3 to the abovementioned Regulation[1];
b) any other individual transaction with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, entered in the relevant period, which have significantly affected the financial position or results of Banco Desio;
c) any change in or development of transactions with related parties described in the last annual report that have had a significant effect on the financial position or results of Banco Desio in the reporting period,
it is noted that on 8 June 2012, the CPC company was placed in voluntary liquidation and that in order to allow the continuation of the voluntary liquidation proceedings in compliance with the equity requirements set forth by Swiss regulatory legislation, the recapitalisation, amounting to around Euro 42 million, of CPC - whose controlling interest on 14 September 2012 was reallocated from Brianfid-Lux S.A. to the Bank - was approved by the Board of Directors after a binding favourable opinion expressed by the Committee for Transactions with Related Parties.
It is also noted that on 14 December 2012, the aforesaid Brianfid was placed in voluntary liquidation and that, on the same date, the transfer to the Bank of the entire equity investment held by Brianfid in Rovere Société de Gestion was completed.
For further details, reference is made to Par. 3.2 "Major corporate events" of the Report on Operations.

Relations with external related parties are generally settled at market conditions and, where the market is not a satisfactory reference (as in the instance of the Agreements for outsourcing services provided to subsidiaries by the Parent Company), at advantageous and correct conditions, that are valued in compliance with the Procedures above, in any case taking account of the company's interest in performing the transactions.
In this context, as of 31 December 2012, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.
The following paragraphs summarise the relations by counterparty category (Parent Company, Subsidiaries, Associates, Representatives and parties connected to these), highlighting in particular current account and security account balances at the end of the period and, finally, any supplier relations of a different type.

In this context, also note – according to a single management approach of potential conflicts of interest – those transactions that are effected pursuant to article 136 of the Consolidated Banking Law and which, in any case, do not fall within the scope of transactions with related parties pursuant to Consob Regulation

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

no. 17221/2010 (or, in short, of article 2391-bis of the Italian Civil Code by virtue of which this Regulation has been issued) and/or of the said Prudential Supervisory Provisions on risk assets and conflicts of interest towards parties related to the Bank or to the Banking Group pursuant to Article 53 of the Consolidated Banking Act (mainly with reference to the following subjects: Representatives of companies owned by Banco Desio; their close relatives; companies with which the representatives of the Group hold offices of director/statutory auditor in the absence of relationships of control/association).

I - Parent Company

At the end of the year, the amounts due (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA by Banco Desio totalled Euro 129.1 million, of which Euro 127.2 million related to security portfolios. The company has no debt exposure.

During the year, there were no other transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph IV below).

II - Subsidiaries

The table below summarises significant transactions with the subsidiary companies approved by the Board of Directors during the year and in the board meetings prior to the approval of the financial statements at 31 December 2012, within the abovementioned Procedure:

Type of Transaction	Amounts/economic conditions (Euro)	Counterparty
Group Integrated Treasury	Review of conditions	Banco Desio Lazio SpA Fides SpA Chiara Assicurazioni SpA Brianfid_LUX Sa in liquidation Credito Privato Commerciale Sa in liquidation
Review of the Master Agreement for the supply of technical-administrative services (year 2012)	Total annual fee in favour of the Parent Company 653,500	Banco Desio Lazio SpA Fides SpA Chiara Assicurazioni SpA
Capital strengthening	Non-interest bearing capital contribution payment of 2 million (subsequently converted in share capital)	Chiara Assicurazioni SpA
Financing current account – renewal	50,000,000	Banco Desio Lazio SpA
Credit line for commercial banking transactions – renewal	5,000,000	Banco Desio Lazio SpA
Credit line for surety issued for commercial transactions	6,500,000	Banco Desio Lazio SpA
Tax consolidation	Renewal for the 2012-2014 three-year period (10% retrocession of tax benefits)	Fides SpA
Issue of surety in favour of INPS	68,000	Banco Desio Lazio SpA
Credit line for surety issued for commercial transactions	3,000,000	Banco Desio Lazio SpA
Credit line for ordinary current account overdraft	Increase from 220,000,000 to 240,000,000	Fides SpA
Integrated Treasury	Review of conditions	Fides SpA

Review of the Master Agreement for the supply of technical-administrative services (year 2013)	Total annual fee in favour of the Parent Company 663,700	Banco Desio Lazio SpA Fides SpA Chiara Assicurazioni SpA

The amount of assets/liabilities, as well as guarantees/commitments and revenues/charges, resulting from relations with the aforesaid companies, is shown in paragraph 9.4 of the Report on Operations under the item "Subsidiaries".

III – Associated companies

At the end of the year, there was one associated company, Istifid S.p.A., in which an interest of 28.961% was retained (which may increase up to a maximum of 31% due to the exercise of the pre-emption right on a transfer operation started by another shareholder) by virtue of which Banco Desio stands currently as a relative majority shareholder.

The contractual relations maintained by Banco Desio with Istifid SpA consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc.) which are charged at the usual costs for such services. As regards the banking services provided by Banco Desio to Istifid SpA, at the end of the year, the balance of payables (to customers) was about Euro 142.1 million, about Euro 83.1 million of which from the securities portfolio; the company has no exposure to debt.
It is clarified that these amounts payable and receivable also refer to relations maintained by Istifid SpA as part of fiduciary mandates granted by third parties

For completeness, it is noted that on 21 December 2012, Banco Desio signed the final contract for the sale to Helvetia of the remaining 30% equity investment held in Chiara Vita.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid company is shown in paragraph 9.4 of the Report of Operations under the item "Companies subject to significant influence".

IV - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved in 2012 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives (by such is meant the directors, auditors and managers with strategic responsibilities in the Bank and in the companies with a control relationship) stated that they had interests of various kinds by virtue of stakes held of a controlling/associate nature, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted in the 33 positions existing as at 31 December 2012 is equal to Euro 31.1 million and the relative uses totalled about Euro 20.6 million. The figures above do not include outstanding transactions with the associate companies mentioned in point III above (officially treated pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

As regards deposit relations held by the Bank directly with the Representatives, as well as with parties connected to these it is also worth noting that the debit as at 31 December 2012 amounted to about Euro 91.3 million in amounts due to customers (inclusive of Euro 75.6 million in security accounts).

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

The abovementioned calculations exclude the transactions and balances referring to the parent company and the associate company as per paragraphs II and III above (even though they fall within the scope of article 136 of the TUB [Consolidated Banking Act] as a result of the roles held there by a number of Representatives of the Bank).

The table below reports the breakdown of the aforesaid credit line and borrowing relationships as described in this paragraph:

(balances at 31 December 2012 - €/mil.)	Subjects "art. 136 of Consolidated Banking Act" that fall within the scope of related parties "article 2391-bis of the Italian Civil Code" and/or of the related parties art. 53 Consolidated Banking Act (e.g.: Representatives of "Banco Desio" or of "Brianza Unione"; their close relatives; related companies in a control/association relationship) (A)	Subjects "art. 136 of Consolidated Banking Act" that do not fall within the scope of related parties "article 2391-bis of the Italian Civil Code" and/or of the related parties art. 53 Consolidated Banking Act (e.g.: Representatives of subsidiaries of "Banco Desio"; their close relatives; companies in which the Representatives of the Group hold offices of director/statutory auditor where there is no relationship of control/association) (B)	TOTAL (A+B)
Credit line transactions:			
Amount granted	5.9	25.2	31.1
Amount used	4.9	15.7	20.6
Borrowing transactions:			
Current account and savings deposit amount (a)	7.9	7.8	15.7
Amount of securities accounts (b)	66.9	8.7	75.6
Total (a+b)	74.8	16.5	91.3

Certification pursuant to Article 154-bis of Italian Legislative Decree 58/98

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/98

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

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

   of the administrative and accounting procedures for the preparation of the financial statements in 2012.

2. The evaluation of the adequacy of the administrative and accounting procedures employed to prepare the financial statements as at 31 December 2012 was based on methods defined by Banco di Desio e della Brianza S.p.A., consistently with the Internal Control Integrated Framework model, issued by the *Committee of* Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.

3. The undersigned also certify that:

   3.1 the financial statements:

   a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, the applicable provisions set forth in the Italian Civil Code, Italian Legislative Decree no. 38 of 28 February 2005 and administrative provisions issued by the Bank of Italy;

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

   c. give a true and fair representation of the equity, economic and financial position of the issuer

   3.2 the report on operations includes a reliable analysis of the business trend and operating result as well as of the situation of the issuer, together with a description of the main risks and uncertainties they incur.

Desio, 20 March 2013

The Managing Director	The Manager responsible for preparing the company financial reports
Tommaso Cartone	*Piercamillo Secchi*