

Consolidated interim financial statements  
as at 30 June 2013

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## Directors and officers (Banco di Desio e della Brianza S.p.A.)

### Board of directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado*
<u>Chief Executive Officer</u>	Tommaso Cartone*
<u>Board Members</u>	Egidio Gavazzi* Luigi Gavazzi Paolo Gavazzi Guido Pozzoli* Cristina Finocchi Mahne Gerolamo Pellicanò Pier Antonio Cutellé Lorenzo Rigodanza

\* *Members of the Executive Committee*

### Board of Statutory Auditors

<u>Chairman</u>	Eugenio Mascheroni
<u>Acting Auditors</u>	Rodolfo Anghileri Marco Piazza
<u>Substitute Auditors</u>	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

### General Management

<u>General Manager</u>	Claudio Broggi
<u>Senior Deputy General Manager</u>	Luciano Colombini
<u>Deputy General Manager</u>	Marco Sala

### Financial Reporting Manager as per art. 154-bis CFA

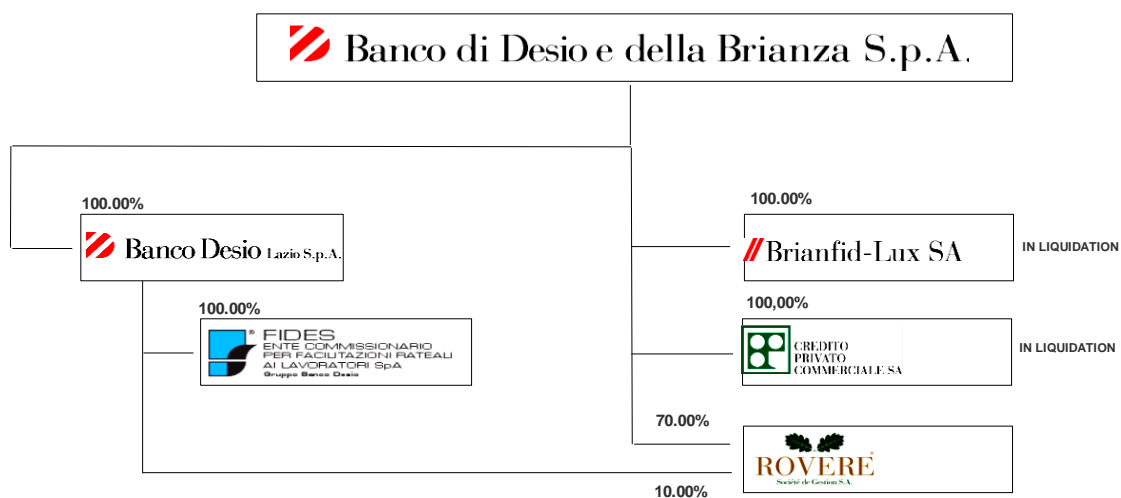
<u>Financial Reporting Manager</u>	Piercamillo Secchi
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### Independent Auditors

Deloitte & Touche S.p.A.

## Banco Desio Group

The corporate structure of Banco Desio Group to which this consolidated interim financial Report as at 30 June 2013 refers is as follows:



## Introduction

This consolidated interim financial Report as at 30 June 2013 of Banco Desio Group, which comprises the *Interim Report on Operations* and the *Condensed Interim Financial Statements*, has been prepared pursuant to art. 154-ter of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or CFA), implementing Legislative Decree no.195 of 6 November 2007 (the so-called "Transparency Directive") and prepared in accordance with International Accounting Standards as endorsed by the European Community under Regulation no. 1606 of 19 July 2002 and in particular IAS 34 - Interim Financial Statements, and also by the requirements of the Bank of Italy in its Circular no. 262 of 22 December 2005 and subsequent updates.

The *interim financial Report* is presented in a condensed form, which means that it does not include all of the disclosures required for annual financial statements. The preparation of the *condensed interim Financial Statements* also requires the use of estimates, which however does not affect the reliability.

The figures and ratios included in the interim report on operations, where due, refer to the Balance Sheet of the *condensed interim Financial Statements* and to the reclassified Income Statement, as disclosed in the appropriate paragraph, which at the time was established from the Income Statement of the *condensed interim Financial Statements*.

It should be noted that following the Bank of Italy's letter of 16.01.2013 - Protocol no.0051159/13, "Rapid preliminary investigation fees" are now classified under "Other operating charges/income" and no longer under "Commission income"; as such, the same reclassification is made as at 30.06.2012 to ensure comparability between the periods.

**Consolidated interim report on operations  
as at 30 June 2013**

## 1 - KEY FIGURES AND RATIOS

### BALANCE SHEET

<i>Amounts in thousands of Euro</i>	30.06.2013	31.12.2012	Change	
			Amount	%
Total assets	9,000,671	8,862,993	137,678	1.6%
Financial assets	1,543,517	1,165,593	377,924	32.4%
Due from banks	230,882	250,480	-19,598	-7.8%
Loans to institutional customers	136,371	337,712	-201,341	-59.6%
Loans to ordinary customers	6,689,123	6,611,433	77,695	1.2%
Property, plant and equipment	146,304	150,890	-4,586	-3.0%
Intangible assets	25,702	25,903	-201	-0.8%
Due to banks	436,969	441,677	-4,708	-1.1%
Due to customers	5,263,685	5,041,168	222,517	4.4%
Debt securities in issue and Financial liabilities measured at fair value through profit and loss	2,261,715	2,255,413	6,302	0.3%
Shareholders' equity (including Net profit/loss for the period) <sup>(1)</sup>	799,235	821,177	-21,941	-2.7%
Capital for supervisory purposes	823,921	827,661	-3,740	-0.5%
Total indirect deposits	10,469,231	10,777,507	-308,276	-2.9%

### INCOME STATEMENT <sup>(2)</sup>

<i>Amounts in thousands of Euro</i>	30.06.2013	30.06.2012	Change	
			Amount	%
Operating income	183,984	181,625	2,359	1.3%
<i>of which: Net interest income</i>	92,413	102,136	-9,723	-9.5%
Operating costs	107,238	117,926	-10,688	-9.1%
Result of operations	76,746	63,699	13,047	20.5%
Profit (Loss) from operations after tax	-5,572	15,341	-20,913	-136.3%
Non-recurring Profit (Loss) after tax	1,191	-9,868	11,059	112.1%
Profit (Loss) for the period <sup>(1)</sup>	-4,424	5,110	-9,534	-186.6%

<sup>(1)</sup> attributable to the Parent Company;

<sup>(2)</sup> from the reclassified Income Statement

**BALANCE SHEET AND INCOME STATEMENT RATIOS**

	30.06.2013	31.12.2012	Change
Capital/Total assets	8.9%	9.3%	-0.4%
Capital/Loans to customers	11.7%	11.8%	-0.1%
Capital/Due to customers	15.2%	16.3%	-1.1%
Capital/Debt securities in issue and Financial liabilities valued at fair value through profit and loss	35.3%	36.4%	-1.1%
Core capital / Weighted asset ( <i>Tier 1</i> )	12.1%	12.1%	0.0%
Total capital / Weighted asset ( <i>Total capital ratio</i> )	13.5%	13.4%	0.1%
Financial assets/Total assets	17.1%	13.2%	3.9%
Due from banks/Total assets	2.6%	2.8%	-0.2%
Loans to customers/Total assets	75.8%	78.4%	-2.6%
Loans to customers/Direct customer deposits	90.7%	95.2%	-4.5%
Due to banks/Total assets	4.9%	5.0%	-0.1%
Due to customers/Total assets	58.5%	56.9%	1.6%
Debt securities in issue and financial liabilities valued at fair value through profit and loss/Total assets	25.1%	25.4%	-0.3%
Direct customer deposits/Total assets	83.6%	82.3%	1.3%

	30.06.2013	30.06.2012	Change
Operational cost / Operational incomes (Cost / Income ratio)	58.3%	64.9%	-6.6%
Interest margin / Operating income	50.2%	56.2%	-6.0%
Result of operations / Operating income	41.7%	35.1%	6.6%
Profit (Loss) from operations after tax / Capital <sup>(3)</sup> - <i>annualised</i> <sup>(4)</sup>	-1.4%	1.9%	-3.3%
Profit (Loss) of the period / Capital <sup>(3)</sup> - (R.O.E.) <i>annualised</i> <sup>(4)</sup>	-1.1%	2.5%	-3.6%

**STRUCTURE AND PRODUCTIVITY RATIOS**

	30.06.2013	31.12.2012	Change	
			Amount	%
Number of employees	1,777	1,838	-61	-3.3%
Number of branches	185	185	-	-
<i>Amounts in thousands of Euro</i>				
Loans to customers per employee <sup>(5)</sup>	3,776	3,743	33	0.9%
Direct deposits from customers per employee <sup>(5)</sup>	4,163	3,930	233	5.9%

	30.06.2013	30.06.2012	Change	
			Amount	%
Operating income per employee <sup>(5)</sup> - <i>annualised</i>	204	196	8	4.1%
Result of operations per employee <sup>(5)</sup> - <i>annualised</i>	85	69	16	23.2%

<sup>(3)</sup> the result of the period;

<sup>(4)</sup> for the annualised figure at 30.06.2012 it is used the closing balance as at 31.12.2012;

<sup>(5)</sup> based on the number of employees calculated as the arithmetic average between the amounts at the end of the period and the end of the prior period



## 2 - THE MACROECONOMIC SCENARIO

### *International scenario*

The year 2012 has left a heavy legacy for the major industrialised countries, with a slowdown in the U.S.A. and a recession in the Eurozone deeper than expected at the year-end, which would have a negative impact on the growth forecasted for 2013. Among the more dynamic emerging markets, there is a differentiated picture in Brasil with a recovery pace of expansion, driven by internal expenditure, and in India after a minimum in the third quarter. In Russia, high consumption of foreign products and lower growth in capital investment have led to the deterioration observed in the trend rate of GDP expansion.

Now U.S.A. growth continues to be volatile but satisfactory on average. Uncertainty over fiscal policy in the U.S.A. has been dissipated to a certain extent; the financing plans of government agencies were approved at the end of March, thus removing another piece of uncertainty relating to fiscal policies, while assuming a more restrictive view compared to 2012. The monetary policy remains highly expansionary, continuing to support the realignment of household debt. The entire interest rate structure remains at all-time lows, reducing the burden of servicing debt. The high liquidity provided by Federal Reserve has been flowing in the real estate market, increasing house prices, which could have a positive wealth effect on consumer spending. The U.S. economy grew in the first quarter at an annualised rate of 2.4%; the forecast for the whole of 2013 is 1.9%. The key point of this scenario is that private demand is growing and speeding up, despite even greater fiscal restraint. In May, the unemployment rate increased slightly (+7.6% vs. +7.5% in March), interrupting the positive trend underway since September 2011. The employment rate continues to be approximately 58.6%. Still in May, consumer prices grew by just 1%, down from 1.5% the previous month and from 2% in March; the expected inflation also decreased from 2% to 1.8%.

As the debt crisis cannot be considered over, the gradual resolution of the various trouble spots that over time have affected several countries in the eye of the storm made for a significant decrease in the probability of the situation evolving into a serious crisis in Eurozone. A certain stability should have returned to the economy in the spring and it is expected to start growing again in the second semester of the year, driven first by exports and then by the construction investments, though they are still likely to be very limited. In the first quarter of 2013, the Eurozone's GDP recorded an annualised decline of -0.8%, slightly more than in 2012 (-0.5%). Industrial production has fallen by -1.6% on a trend basis. Retail sales in April fell by -1.3% in trend terms. The indicators of business confidence are still negative, though with a slight improvement. In the Eurozone, the unemployment rate for the month of April came to 12.2%, a slight increase compared to March, whereas inflation decreased sharply from the previous month. The easing of tensions on financial markets and a less restrictive fiscal policy should facilitate progressive growth in the economy over the coming year, continuing the trend seen in the latter part of the current year.

The outlook for emerging markets in the first quarter of 2013 was still uncertain; China's GDP grew by +7.7%, down from +7.9% in the last quarter of 2012. Growth in India's GDP was also decreased in the last quarter of 2012.

### *Italy*

Italy's GDP will face a decline this year not far from that in 2012, by approximately 2%, due to a first semester worse than expected. In the first quarter of the year, imports decreased by 0.9% and exports increased by 0.3%. In March 2013, the seasonally adjusted production index fell by 0.8% compared to February, while on an annual basis it fell by 5.2%. New manufacturing orders in February reported a sharp decline of 7.9% on an annual basis. In the same month, retail sales were decreased by 3% on a trend basis. The index of business confidence deteriorated in April from the previous month, while the mood of consumers showed a slight improvement. The labour market remains one of Italy's main weaknesses: in March, the unemployment rate stood at 11.5%, the

same as the previous month, but 1.1 points higher than the previous twelve months. In March, the consumer price index was down compared to February (1.8%).

In the loan sector, the trend of bank loans showed a further slight decline at the end of April; based on initial estimates, total loans to residents in Italy have recorded an annual change of -2.1% (-1.9% the previous month). Loans to households and non-financial companies are showing an annual change of -3.1%. A breakdown by maturity shows that the short-term segment has seen an annual increase of 4.9%, whereas the long-term segment has seen an annual decrease of -2.5%. The trend in loans has been strongly influenced by the severe contraction in capital investment which is showing an annualised decrease of approximately 4.9%. Interest rates on loans, with respect to total loans and new loans, are up slightly, but still very low. The weighted average interest rate on total loans to households and non-financial companies comes to 3.79%, +3 bps on the previous month and -25 bps compared to April 2012.

The annual change in domestic funding from customers of Italian banks remains positive, still supported by deposits. In fact, the observations of various components indicated that deposits from resident customers have registered a growth rate of 7.7%, while the annual change in bonds equal to -8.8%. The average remuneration of bank deposits in the first semester of the year was down slightly, despite the rise in bond yields. Government bond yields in the first semester of 2013 were also affected by the decline in recent tensions on financial markets. On the secondary market for government securities, the yield in April stood at 3.35%, 140 bps below what it was in April 2012.

### 3 - THE DISTRIBUTION NETWORK

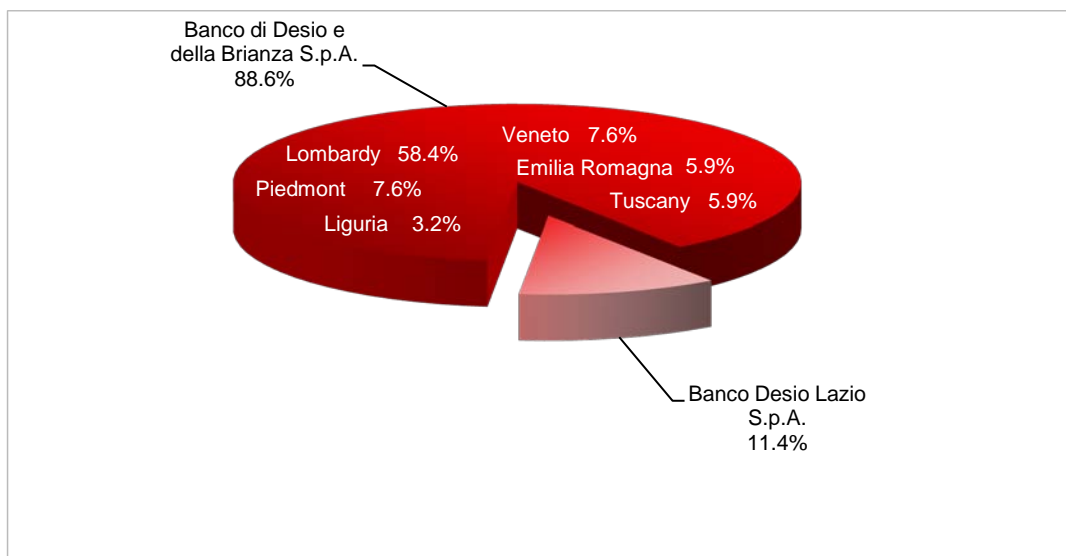
The Group's distribution network, divided into Lombardy, Emilia Romagna, Piedmont, Liguria, Tuscany, Veneto and Lazio, has a total of 185 branches at the end of the first semester, of which 164 belong to the Parent Company Banco di Desio e della Brianza S.p.A. and 21 to the subsidiary Banco Desio Lazio S.p.A., maintaining the same size and territorial breakdown already reached in 2011.

The following graph represents the percentual breakdown of the distribution network by bank and by region.

Table no. 1 - BREAKDOWN OF THE GROUP'S DISTRIBUTION NETWORK BY BANK

No. of branches	30.06.2013	Effect %
Banco di Desio e della Brianza S.p.A.	164	88.6%
Banco Desio Lazio S.p.A.	21	11.4%
<b>Group distribution network</b>	<b>185</b>	<b>100.0%</b>

Graph no. 1 - BREAKDOWN OF THE GROUP'S DISTRIBUTION NETWORK BY BANK



#### 4 - SIGNIFICANT EVENTS

##### *Approval of the Group's three-year Business plan 2013-2015*

On 20 March 2013, the Board of Directors of the Parent Company approved the Group's three-year Business plan 2013-2015, with the following key points:

- ✓ further focus on retail activity;
- ✓ revitalisation of the commercial base;
- ✓ territorial reorganization;
- ✓ careful management of credit risk;
- ✓ strong emphasis on cost;

and the following targets are expected for 2015:

- ✓ loans to customers and direct deposits more than 5% (CAGR 2013-2015);
- ✓ indirect deposits more than 3% (CAGR 2013-2015);

By the end of 2015 this level of growth is expected to result in:

- ✓ net interest and other banking income: +5% (CAGR 2013-2015);
- ✓ forecast net profit: about 40 million in 2015;
- ✓ cost/income ratio expected to be 58% at the end of 2015;
- ✓ core *tier 1* ratio over 11% and total capital ratio over 12.5% for all the years of the plan.

In an extremely difficult economic and financial environment, Banco Desio has decided to undertake a process of commercial, organisational and structural development designed to bring together all of its activities in the service

of the core business (economic support to families, individuals and small businesses in the territories in where the Group is present) in a competitive manner (i.e. giving priority to a reduction in all fixed costs).

For this reason, the following four strategic targets have been identified for the three years of the plan:

- *Commercial revitalisation* with significant investment in terms of renovation/upgrading of products and services, strong development of online services accompanied by an update of the Bank's local presence in terms of efficiency and effectiveness of customer relations; this target is expected to generate a significant increase in the customer base, volumes and in the number of transactions, with an equally significant increase in revenues, mainly from 2014 onwards;
- *Review of credit risk management* which allows, on one hand, to continue and increase the provision with regard to the economy that is reacting to the crisis and, on the other, to anticipate and prevent situations of deterioration, with an important objective to lower the cost of credit and, therefore, to reduce loan adjustments;
- *Spending review* for all administrative costs, with systematic renegotiation of supply contracts and implementation of a cost excellence centre to oversee and review the entire cost structure;
- *Resources programme* intended to pursue, on one hand, a strong reduction in labour costs on the basis of a plan to be agreed as much as possible with the Trade Unions with the establishment of a Solidarity Fund, which in the three years should be able to absorb around 100 redundancies at Head Office and the Branches, and other specific measures to reduce costs; and, on the other hand, a process of generational change that brings over time the organizational structure into line with that of the Italian banking system.

#### *Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation - Legal investigations*

With reference to Criminal Proceedings no. 22698/08 at the Office of the Public Prosecutor of Rome - regarding the subsidiaries Banco Desio Lazio S.p.A. and Credito Privato Commerciale S.A. in liquidation, pursuant to Legislative Decree no. 231/2001, which regulates the administrative liability of legal persons for offences charged against their representatives and/or employees - the preliminary hearing was held on 28 June 2013. Having rejected the request for a settlement made with the approval of the Public Prosecutor, the Judge indicted (as regards Group companies) the subsidiaries Banco Desio Lazio S.p.A. and CPC, scheduling the first hearing at 27 September 2013

The Bank will endeavour to overcome the reasons why the Judge did not permit a settlement, so the application will be resubmitted.

#### *Trade Unions Relations*

The agreement with the Trade Unions on the Resources Programme foreseen in the Group's Business Plan 2013-2015 was signed on 11 June 2013. The agreement aims to raise efficiency, support generational change and achieve structural savings that can bring personnel costs into line with the expected results of the Group and with market averages. It provides for:

- o a reduction in the workforce of 100 people through:
  - termination of employment for employees who will be entitled to a pension by 30 April 2014;
  - voluntary access to the solidarity Fund for those who will be entitled to a pension by 31 December 2018;
- o lowering of costs thanks to a reduction in overtime and better criteria for the use of time off, as well as the use of instruments of flexibility and reduction/suspension of working hours, funded in part by benefits from the solidarity fund.

At the same time, the Group has taken a commitment to reduce significantly the number of fixed-term employment, training and placement contracts by transforming them, where possible, into permanent contracts.

The estimated one-off cost of all these measures, which has been booked in the consolidated condensed interim financial statements, comes to a total of around Euro 15.6 million. In case of complete adhesion, these measures will lead to a decline in the level of personnel costs from 2016 and for the subsequent years (excluding pay rises) of around Euro 12 million compared to 2012.

#### *Chiara Assicurazioni S.p.A.*

Following authorisation by the Supervisory Authority (IVASS), the sale of 51% of the Parent Company's interest in Chiara Assicurazioni S.p.A. to Gruppo Assicurativo Helvetia was completed on 24 April 2013, effective on 1 May 2013.

As a result of this sale, the Parent Company's residual interest in Chiara Assicurazioni S.p.A. is now approximately 32.7% (having been 66.66%); consequently, leaving the Group, this Company is now an associate. Based on the consideration received of Euro 12.5 million, the capital gain realised was Euro 4.6 million.

As part of the partnership with Helvetia and the consistence with the objective of focusing more on product distribution by Group banks, it is foreseen a wider range of non-life products, as was previously the case for the life sector.

#### *Completion of the Bank of Italy's inspection*

With regard to the Bank of Italy's inspection, details of which were provided in the report on operations in the 2012 financial statements, on 23 April 2013 the members of the Board of Directors, Board of Statutory Auditors and General Management were charged with fines for a total amounting to Euro 360,000.

Due to forced solidarity, the Bank is involved out of and has exercised its right/obligation of recourse.

#### *Tax audits*

On 22 May 2013, the Guardia di Finanza (Italian Tax Police) completed their audit at the Parent Company, as already detailed in the explanatory notes to the 2012 financial statements and in the consolidated quarterly report as at 31 March 2013, with the notification of an Official Report of Findings.

Under the circumstances, for prudence sake, the Group considered it is appropriate, at this stage, to increase the provisions for risks and charges at 31.12.2012 by an additional of Euro 2.3 million, increasing them at the end of the semester to Euro 2.8 million, to cover charges that could arise, as well as the related legal expenses.

Further information on this matter is given in the section entitled "Information on risks and related hedging policy" in the condensed interim Financial Statements.

#### *Appointment of an Independent Director*

On 30 May 2013, the Board of Directors of the Parent Company approved the appointment (by co-option) of Cristina Finocchi Mahne to replace Marina Brogi, who resigned on 9 May 2013 due to new commitments that are incompatible with the position held in the Bank under the so-called "ban on interlocking directorships" (art. 36 of the "Save Italy" Decree no. 201 of 6 December 2011), having been appointed as a member of the Supervisory Board of UBI Banca Scpa.

#### *Amendments to the Articles of Association*

On 30 May 2013, the Board of Directors of the Parent Company definitively approved the changes designed to bring the Articles of Association in line with Law no. 120/2011 on gender balance on boards of directors and statutory auditors of listed companies.

#### *Succession of the General Manager as at 31 December 2013*

On 27 June 2013, the Parent Company's Board of Directors approved - as part of the succession planning of the General Manager, Mr. Claudio Broggi, whose contract will expire on 31 December 2013 - the recruiting of Mr. Luciano Colombini in the role of Senior Deputy General Manager with effect from 22 July 2013, and subsequently as General Manager when Mr. Broggi's employment is terminated. The current Deputy General Manager, Marco Sala, remains in office.

*Process of regulatory simplification adopted by Consob Resolution no. 18079 of 20 January 2012 (the so-called "opt-out")*

On 29 January 2013, Board of Directors of the Parent Company's agreed to join the "opt-out" scheme provided by arts. 70, paragraph 8, and 71, paragraph 1-bis of Consob Regulation no. 11971/99, using therefore the option to derogate from the obligations to publish the information documents foreseen in Attachment 3B of the aforementioned Consob Regulation in case of significant mergers, demergers, increases in capital by contribution in kind, acquisitions and disposals.

*Tax redemption pursuant to Legislative Decree no. 185/2008 - subsidiary Banco Desio Lazio S.p.A.*

With reference to Banco Desio Lazio S.p.A., taxation for the period has benefited from the redemption for tax purposes of the goodwill included in the carrying value of the investment in its subsidiary Fides S.p.A. and included in the Group consolidated financial statements for Euro 5.17 million, carried out pursuant to art. 15, paragraphs 10 bis and 10-ter of Legislative Decree no. 185/2008.

The positive effect on net profit for the period is Euro 0.85 million, due to the difference between the flat-rate tax paid (Euro 0.83 million) plus legal interest due (Euro 0.03 million) and the change in deferred tax assets (Euro 1.71 million).

*"Asset Bancari III" Real Estate Fund - Asset Management Company "Polis Fondi Immobiliari di Banche Popolari Sgrpa"*

On 30 May, the Board of Directors of the Parent Company approved joining the "Fondo Immobiliare Polis - Asset Bancari III", a real estate fund specialised in the management and development of properties, mostly non-commercial, resulting (for about 2/3 of the Fund) from auctions and bankruptcy procedures or used to guarantee loans of banks and/or property arising from finance leases, and (for the other 1/3 of the Fund) from non-performing loans secured by mortgages. Joining the Fund led to the transfer, in two tranches, of a total of 11 properties owned by the Bank as a result of finance lease receivables under litigation. The first contribution was made on 28 June 2013 and it involved 9 properties with a total value of about Euro 3.1 million, in addition to Euro 0.2 million in cash, against 13 shares in the fund for a total of Euro 3.25 million, corresponding to an initial participation in the Fund of approximately 8.67%. The second transfer, which involved the other 2 buildings, took place on 18 July 2013, for a total value of Euro 3.2 million, plus Euro 0.05 million in cash, against a further 13 shares, for a total of Euro 3.25 million. So, 11 properties have been transferred for a total value of approximately Euro 6.3 million, plus Euro 0.2 million in cash, in exchange for 26 shares of Euro 0.25 million each, for a total of Euro 6.5 million, corresponding to a participation in the Fund of approximately 9.85%.

## **5 - HUMAN RESOURCES**

At 30 June 2013, the Group had 1,777 employees, 61 people (3.3%) less than compared to the end of the previous year. Not considering the resources of Chiara Assicurazioni S.p.A., now no longer a subsidiary, the reduction was of 19 employees.

The following table provides a breakdown of employees by level of qualification at the end of the first semester of the year, compared to 2012.

Table no. 2 - BREAKDOWN OF GROUP EMPLOYEES BY LEVEL OF QUALIFICATION

No. of Employees	30.06.2013	Effect in %	31.12.2012	Effect in %	Change	
					Amount	Effect in %
Director	31	1.7%	34	1.8%	-3	-8.8%
Managers of the 3rd and 4th level	410	23.1%	431	23.4%	-21	-4.9%
Managers of the 1st and 2nd level	489	27.5%	493	26.8%	-4	-0.8%
Other personnel	847	47.7%	880	48.0%	-33	-3.8%
<b>Group employees</b>	<b>1,777</b>	<b>100.0%</b>	<b>1,838</b>	<b>100.0%</b>	<b>-61</b>	<b>-3.3%</b>

## 6 - RESULTS OF OPERATIONS

### 6.1 - SAVINGS DEPOSITS: CUSTOMER ASSETS UNDER ADMINISTRATION

Total customer assets under management as at 30 June 2013, equal to Euro 18 billion, show an overall decline in the first semester of around Euro 0.1 billion compared to the end of 2012, with an increase in direct deposits of Euro 0.2 billion and a reduction in indirect deposits of Euro 0.3 billion, particularly affected by the ongoing economic and financial crisis.

The composition and balances that make up this aggregate, with changes during the period, are shown in the following table.

Table no. 3 - TOTAL CUSTOMER DEPOSITS

Amounts in thousands of Euro	30.06.2013	Effect in %	31.12.2012	Effect in %	Change	
					Amount	Effect in %
Due to customers	5,263,685	29.2%	5,041,168	27.9%	222,517	4.4%
Debt securities in issue and Financial liabilities valued at fair value through profit and loss	2,261,715	12.6%	2,255,413	12.5%	6,302	0.3%
<b>Direct deposits</b>	<b>7,525,400</b>	<b>41.8%</b>	<b>7,296,581</b>	<b>40.4%</b>	<b>228,819</b>	<b>3.1%</b>
Ordinary customer deposits	7,276,528	40.4%	7,424,007	41.1%	-147,479	-2.0%
Institutional customer deposits	3,192,703	17.8%	3,353,500	18.5%	-160,797	-4.8%
<b>Indirect deposits</b>	<b>10,469,231</b>	<b>58.2%</b>	<b>10,777,507</b>	<b>59.6%</b>	<b>-308,276</b>	<b>-2.9%</b>
<b>Total customer deposits</b>	<b>17,994,631</b>	<b>100.0%</b>	<b>18,074,088</b>	<b>100.0%</b>	<b>-79,457</b>	<b>-0.4%</b>

#### Direct deposits

Direct deposits at the end of the semester has reached more than Euro 7.5 billion, with an increase of Euro 0.2 billion equal to 3.1% compared to the balance at end of 2012. Such increase was due to the growth of due to customers' balance (+4.4%) which continue to represent the most important item by 69.9% of direct deposits.

They refer to approximately Euro 5.2 billion to demand deposits, i.e. current accounts and savings deposits, and to Euro 0.1 billion to repurchase agreements and other payables.

Debt securities in issue and financial liabilities valued at fair value through profit and loss, Euro 2.3 billion, are in line with the comparative period (+0.3%) and are attributable to bonds issued and placed by the Group for Euro 2.1 billion and certificates of deposits of Euro 0.2 billion

#### *Indirect deposits*

Indirect deposits, in the difficult context of financial markets and affected by price reductions at the end of the semester, have recorded a decrease of Euro 0.3 billion at 30 June 2013, equal to 2.9% of the balance at the end of the previous year, amounting approximately to Euro 10.5 billion

Ordinary customer deposits total Euro 7.3 billion, a decrease of Euro 0.1 billion equal to 2%, which affected the performance of assets under administration (-7.1 %), partially offset by the increase in assets under management (+4.2%).

The contraction in institutional customer deposits during the period amounting approximately to Euro 0.2 billion (-4.8%).

The following table provides details of this aggregate, with an indication of the changes in the balances as at 30 June 2013 compared to the end of 2012.

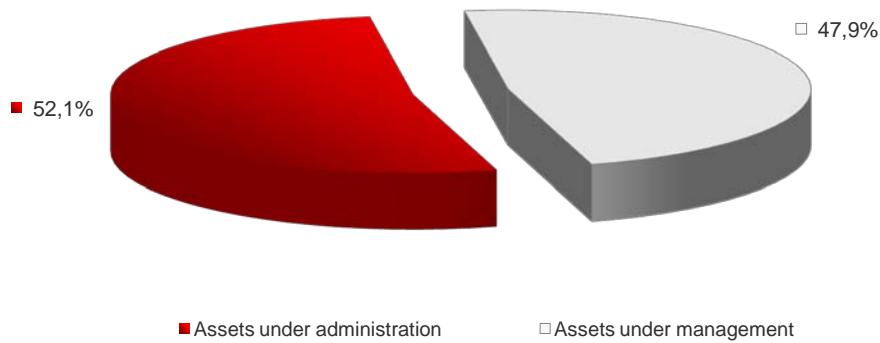
Table no. 4 - INDIRECT DEPOSITS

<i>Amounts in thousands of Euro</i>	<b>30.06.2013</b>	<b>Effect in %</b>	<b>31.12.2012</b>	<b>Effect in %</b>	<b>Change</b>	
					<b>Amount</b>	<b>Effect in %</b>
<b>Assets under administration</b>	<b>3,794,582</b>	<b>36.2%</b>	<b>4,082,638</b>	<b>37.9%</b>	<b>-288,056</b>	<b>-7.1%</b>
<b>Assets under management</b>	<b>3,481,946</b>	<b>33.3%</b>	<b>3,341,369</b>	<b>31.0%</b>	<b>140,577</b>	<b>4.2%</b>
<i>of which: Mutual funds and Sicavs</i>	876,993	8.4%	772,911	7.2%	104,082	13.5%
<i>Managed portfolios</i>	308,409	2.9%	272,126	2.5%	36,283	13.3%
<i>Bancassurance</i>	2,296,544	21.9%	2,296,332	21.3%	212	0.0%
<b>Ordinary customer deposits</b>	<b>7,276,528</b>	<b>69.5%</b>	<b>7,424,007</b>	<b>68.9%</b>	<b>-147,479</b>	<b>-2.0%</b>
<b>Institutional customer deposits</b>	<b>3,192,703</b>	<b>30.5%</b>	<b>3,353,500</b>	<b>31.1%</b>	<b>-160,797</b>	<b>-4.8%</b>
<b>Indirect deposits</b>	<b>10,469,231</b>	<b>100.0%</b>	<b>10,777,507</b>	<b>100.0%</b>	<b>-308,276</b>	<b>-2.9%</b>

The breakdown of indirect deposits from ordinary customers by sector, as graphically represented below, shows that the share of assets under management, while lower, is not very far from that of assets under administration.

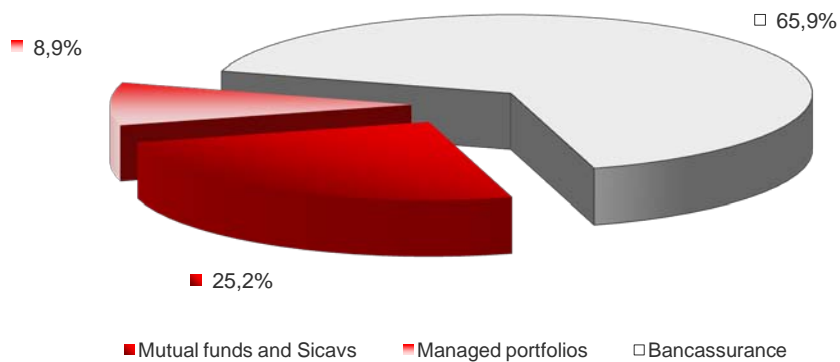


Graph no. 2 - BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AS AT 30.06.2013



The following chart on the other hand, focuses on the composition of assets under management, highlighting how the "life" bancassurance component constitutes the largest share with 65.9%.

Graph no. 3 - BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AS AT 30.06.2013



## 6.2 - LOANS TO CUSTOMERS

### 6.2.1- Institutional customers

These are represented exclusively by repurchase agreements which amounted to Euro 0.1 billion at the end of the period, down from Euro 0.3 billion at the end of 2012.

### 6.2.2- Ordinary customers

Despite a slowdown in the request for credit at system level, the total value of loans to customers as at 30 June 2013 amounted to Euro 6.7 billion, being Euro 0.1 billion more than at the end of December 2012.

The following graph shows the trend in total lending volumes in recent years, which corresponds to an average annual growth rate of 1.3% from 2011, while the changes during the semester in the captions that comprise loans are reported in the following table.

Graph no. 4 - TREND IN ORDINARY CUSTOMER LOANS IN RECENT YEARS

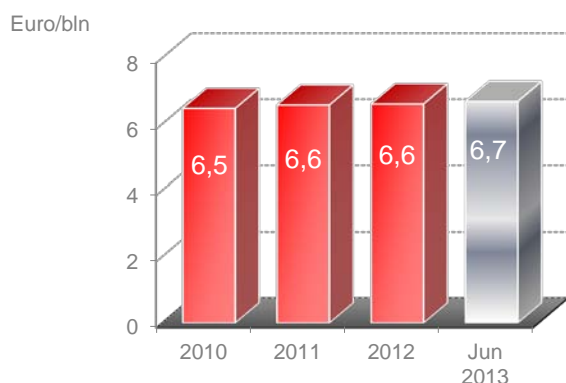


Table no. 5 - LOANS TO ORDINARY CUSTOMERS

Amounts in thousands of Euro	30.06.2013		31.12.2012		Change	
	Amount	%	Amount	%	Amount	%
Current accounts	1,508,567	22.6%	1,612,211	24.4%	-103,644	-6.4%
Repurchase agreements	7,655	0.1%		0.0%	7,655	100.0%
Mortgage loans and other medium / long-term loans	4,472,997	66.9%	4,249,912	61.1%	223,085	5.2%
Other	699,901	10.5%	749,310	11.3%	-49,409	-6.6%
<b>Loans to ordinary customers (*)</b>	<b>6,689,120</b>	<b>100.0%</b>	<b>6,611,433</b>	<b>100.0%</b>	<b>77,687</b>	<b>1.2%</b>

(\*) Net of repurchase agreements with institutional counterparties

Within the distribution of gross loans, including endorsement credits, the percentage of drawdowns by the largest customers at the end of the semester continues to reflect a high degree of risk diversification, as shown in the following table.

Table no. 6 - RATIOS OF CONCENTRATION OF CREDIT ON LARGEST CUSTOMERS

Number of customers <sup>(1)(2)</sup>	30.06.2013	31.12.2012
First 10	1.7%	1.5%
First 20	2.6%	2.4%
First 30	3.4%	3.1%
First 50	4.7%	4.4%

<sup>(1)</sup> according to the figures of the Parent Company and the subsidiary Banco Desio Lazio S.p.A.

<sup>(2)</sup> net of repurchase agreements with institutional counterparties

The total amount of net non-performing loans at the end of the semester, made up of doubtful loans, watchlist loans, past due loans or persistent breaches with continuous overruns, as well as restructured loans, result to Euro 416.5 million, net of adjustments of Euro 213.3 million. In particular, net doubtful loans totalled Euro 207.3

million, net watchlist loans Euro 152.1 million, past due loans Euro 53.7 million and restructured loans Euro 3.3 million.

The following table summarises the gross and net indicators relating to credit risk, showing figures that are generally increased compared to the end of the previous year due to a direct correlation with the prolonged economic crisis.

Table no. 7 - INDICATORS OF CREDIT RISK VERSUS CUSTOMERS

<i>% index of gross loans</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Gross non-performing loans to customers	8.50%	7.65%
<i>of which:</i>		
- gross doubtful loans	4.96%	3.80%
- gross watchlist loans	3.09%	3.08%
- gross past due loans	0.79%	0.69%
- gross restructured loans	0.05%	0.08%
<hr/>		
<i>% index of net loans</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Net non-performing loans to customers	5.83%	5.65%
<i>of which:</i>		
- net doubtful loans	3.04%	2.55%
- net watchlist loans	2.23%	2.35%
- net past due loans	0.79%	0.68%
- net restructured loans	0.05%	0.07%

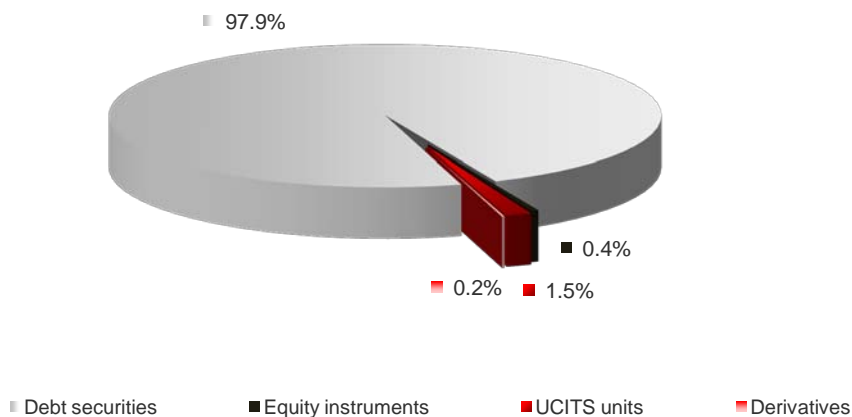
### 6.3 - THE SECURITIES PORTFOLIO AND INTERBANK POSITION

#### *Securities portfolio*

At 30 June 2013, the total financial assets of the Group amounted to Euro 1.5 billion, with an increase of Euro 0.4 billion compared to the end of the previous year.

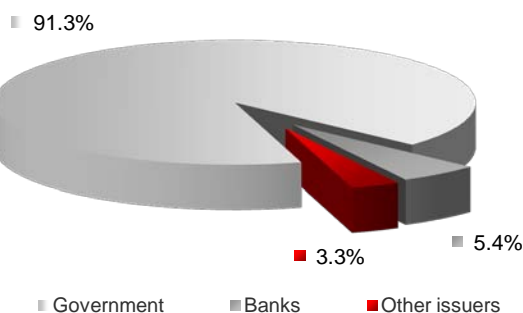
The breakdown of the portfolio by type of security is shown in the following graph, which shows that 97.9% of the total investment relates to debt securities.

Graph no. 7 - BREAKDOWN OF FINANCIAL ASSETS AS AT 30.06.2013 BY TYPE OF SECURITIES



With reference to the issuers of securities, the total portfolio at the end of the semester is made up 91.3% of government securities, 5.4% of securities issued by primary banks and the remainder by other issuers, as graphically represented below.

Graph no. 8 - BREAKDOWN OF FINANCIAL ASSETS AS AT 30.06.2013 BY TYPE OF ISSUER



Regarding the breakdown of the portfolio, which has increased by approximately 30% compared to the end of 2012, corporate bonds decreased from 16.40% to 7.38% in favour of government bonds, almost exclusively Italian. The HTM portfolio has increased by about Euro 30 million with a strategic investment in 10-year BTPs.

The positive events at the end of the previous year led to rises in the prices of peripheral Government Bonds in the first part of the current year and in this context medium/long-term positions have been appropriately lightened. Since February, new market pressures have increased the interest rate curve of peripheral Countries which made it possible to reinvest in medium/long-term BTPs, raising the duration from approximately 2 years at the end of 2012 to over 3 years.

During May, taking advantage of an overly optimistic climate, the Group reduced these investments by consolidating their result of the semester well over budget.

*Sovereign debt exposures*

Referring to document no. 2011/266 published on 28 July 2011 by the *European Securities and Markets Authority* (ESMA) concerning disclosures about sovereign risk to be included in the annual and interim reports prepared by listed companies adopting international accounting principles IAS/IFRS, positions as at 30.06.2013 are reported below, bearing in mind that, according to the guidelines of this European Supervisory Authority, "sovereign debt" should include bonds issued by central and local governments and government bodies, as well as any loans granted to them.

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

<i>Amounts in thousands of Euro</i>		Italy	Spain	30.06.2013
Financial assets held for trading	Nominal value	654		654
	Book value	726		726
Financial assets available for sale	Nominal value	1,225,000	20,000	1,245,000
	Book value	1,216,882	20,344	1,237,226
Financial assets held to maturity	Nominal value	170,000		170,000
	Book value	171,388		171,388
<b>Sovereign debt</b>	<b>Nominal value</b>	<b>1,395,654</b>	<b>20,000</b>	<b>1,415,654</b>
	<b>Book value</b>	<b>1,388,996</b>	<b>20,344</b>	<b>1,409,340</b>

Table no. 9 - SOVEREIGN DEBT: BREAKDOWN BY PORTFOLIO, ISSUER AND MATURITY

<i>Amounts in thousands of Euro</i>		Italy	Spain	30.06.2013	
				Nominal value	Book value
Financial assets held for trading	up to 1 year	110		110	110
	1 to 3 years	56		56	55
	3 to 5 years	488		488	561
	over 5 years				
	<b>Total</b>	<b>654</b>		<b>654</b>	<b>726</b>
Financial assets available for sale	up to 1 year	350,000		350,000	347,767
	1 to 3 years	420,000		420,000	412,034
	3 to 5 years	335,000	20,000	355,000	356,063
	over 5 years	120,000		120,000	121,362
	<b>Total</b>	<b>1,225,000</b>	<b>20,000</b>	<b>1,245,000</b>	<b>1,237,226</b>
Financial assets held to maturity	up to 1 year				
	1 to 3 years				
	3 to 5 years				
	over 5 years	170,000		170,000	171,388
	<b>Total</b>	<b>170,000</b>		<b>170,000</b>	<b>171,388</b>
<b>Sovereign debt</b>	<b>up to 1 year</b>	<b>350,110</b>		<b>350,110</b>	<b>347,877</b>
	<b>1 to 3 years</b>	<b>420,056</b>		<b>420,056</b>	<b>412,089</b>
	<b>3 to 5 years</b>	<b>335,488</b>	<b>20,000</b>	<b>355,488</b>	<b>356,624</b>
	<b>over 5 years</b>	<b>290,000</b>		<b>290,000</b>	<b>292,750</b>
	<b>Total</b>	<b>1,395,654</b>	<b>20,000</b>	<b>1,415,654</b>	<b>1,409,340</b>

#### *The net interbank position*

The Group's net interbank position as at 30 June 2013 has resulted negative for approximately Euro 0.2 billion, that is same as at the end of 2012.

With reference to treasury activities, the excess of the liquidity, which has remained constant since last year, was largely invested in BOT and CTZ.

#### 6.4 - SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

Shareholders' equity pertaining to the Parent Company at 30 June 2013, including net profit for the period, amounts to Euro 799.2 million, compared to Euro 821.2 million at the end of the previous year.

The following table shows the reconciliation of shareholders' equity and net result for the period of the Parent Company and the corresponding consolidated figures as at 30 June 2013, also explaining the economic and financial effects related to the liquidation of the Swiss subsidiary Credito Privato Commerciale S.A. and the Luxembourg subsidiary Brianfid-Lux S.A., on the individual figures of the Parent Company, as well as balance sheet and income statement figures arising from the consolidation of these subsidiaries on the figures at Group level.

Table no. 10 - RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET RESULT OF THE PARENT COMPANY WITH THE CONSOLIDATED FIGURES AS AT 30.06.2013.

<i>Amounts in thousands of Euro</i>	<b>Shareholders' equity</b>	<b><i>of which: net profit (loss) for the period</i></b>
<b>Parent Company balances as at 30 June 2013</b>	<b>759,838</b>	<b>-1,220</b>
Effect of consolidation of subsidiaries	38,343	-113
- of which: attributable to the consolidation of Credito Privato Commerciale S.A. in liquidation	1,427	-3,349
- of which: attributable to the consolidation of Brianfid-Lux S.A. in liquidation	989	989
Effect of valuation and net equity of associates	1,055	1,730
Dividends collected during the period	-	-4,846
Other changes	-	25
<b>Consolidated balances as at 30 June 2013</b>	<b>799,236</b>	<b>-4,424</b>

Shareholders' equity calculated in accordance with current regulatory requirements amounts to Euro 823.9 million (Euro 827.7 million in December 2012) and consists of Tier 1 capital of Euro 740.4 million (compared to Euro 748.6 million at the end of 2012) and additional capital of Euro 83.5 million (compared to Euro 79.1 million at the end of 2012) for revaluation reserves and subordinated liabilities. The amounts to be deducted amount to Euro 7.3 million and are attributable to investments in financial and insurance institutions.

The capital ratio *Tier 1*, which is composed of core capital/Risk-weighted assets, is unchanged compared to the end of 2012 at 12.1%, and coincides with Core Tier 1, whereas the *Total capital ratio* corresponding to the report between total capital and risk-weighted assets, has increased to 13.5% from a comparative figure of 13.4%.

## 6.5 - RECLASSIFIED INCOME STATEMENT

To allow readers to see figures that better reflect the results of operations, it is prepared a reclassified version of the income statement with respect to the one in the condensed interim Financial Statements, which forms the basis of the following comments.

The presentation criteria for this statement are as follows:

- the "Result of operations" has been split into its two component parts, namely "Operating income" and "Operating costs";
- "Profit (Loss) for the period" has been split between "Profit (Loss) from operations after taxes" and "Non-recurring Profit (Loss) after tax";
- the "Result of insurance operations" includes the following income of Chiara Assicurazioni for the comparative period: net interest (captions 10 and 20), net premiums (caption 150), gain (loss) on disposal or repurchase of financial assets available for sale (caption 100), other operating income/expenses (caption 220) and net other insurance income/expense (caption 160);
- "Operating income" also includes the balance of caption 220 "Other operating income/expense", net of recoveries of tax duties on current accounts and securities deposit accounts of customers and flat-rate tax on medium/long-term loans, as well as amortisation of leasehold improvements, reclassified respectively as a reduction to caption 180b) "Other administrative expenses" and as an increase in caption 210 "Net adjustments to intangible assets" included in "Operating expenses";
- the share of profits for the period relating to investments in associated companies is reclassified from caption 240 "Profit (loss) from equity investments" to Profit from associates;
- the balance of caption 100a) "Gains (losses) on disposal or repurchase of loans" of "Operating income" is reclassified to the appropriate caption "Gains (losses) on disposal or repurchase of loans" after "Operating profit";
- provisions relating to revocation actions on claims in dispute are reclassified from caption 190 "Net provisions for risks and charges" to caption 130a) "Net impairment adjustments to loans", both captions coming after the "Result of operations";
- the provisions/uses of provisions for risk on extraordinary transactions are reclassified from caption 190 "Net provisions for risks and charges" or other related captions to "Extraordinary provisions for risks and charges/other provisions";
- the tax effect on non-recurring Profit (Loss) is reclassified from caption 290 "Income tax for the period on current operations" to "Income taxes on non-recurring items."

As shown in the following table, which shows the reclassified income statement with comparative figures from the previous period, the first semester of the year closed with a net loss pertaining to the Parent Company of Euro 4.4 million. This result was affected by higher adjustments to loans (from Euro 31.4 million to Euro 69.8 million) and one-off provisions to the Staff Solidarity Fund of Euro 15.6 million, resulting from implementation of the Group's Business Plan 2013-2015.

Table no. 11 - RECLASSIFIED INCOME STATEMENT

Captions				Change	
<i>Amounts in thousands of Euro</i>		30.06.2013	30.06.2012	Amount	%
10+20	Net interest income	92,413	102,136	-9,723	-9.5%
70	Dividends and similar income	117	43	74	172.1%
	Profit from associates	372	1,879	-1,507	-80.2%
40+50	Net commission income	53,191	52,821	370	0.7%
80+90+100+110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities valued at fair value through profit and loss	28,200	11,736	16,464	140.3%
150+160	Result of insurance operations	0	6,472	-6,472	-100.0%
220	Other operating income/expense	9,691	6,538	3,153	48.2%
	<b>Financial income</b>	<b>183,984</b>	<b>181,625</b>	<b>2,359</b>	<b>1.3%</b>
180 a	Personnel costs	-68,573	-77,710	9,137	-11.8%
180 b	Other administrative costs	-34,009	-33,939	-70	0.2%
200+210	Net adjustments to property, plant and equipment and intangible assets	-4,656	-6,277	1,621	-25.8%
	<b>Operating costs</b>	<b>-107,238</b>	<b>-117,926</b>	<b>10,688</b>	<b>-9.1%</b>
	<b>Result of operations</b>	<b>76,746</b>	<b>63,699</b>	<b>13,047</b>	<b>20.5%</b>
130 a	Net impairment adjustments to loans	-69,804	-31,411	-38,393	122.2%
130 d	Net impairment adjustments to other financial assets	-121	-16	-105	656.3%
190	Net provisions for risks and charges	-3,265	-1,526	-1,739	114.0%
	<b>Profit (Loss) from operations before tax</b>	<b>3,556</b>	<b>30,746</b>	<b>-27,190</b>	<b>-88.4%</b>
290	Income taxes on current operations	-9,128	-15,405	6,276	-40.7%
	<b>Net profit (loss) from operations after tax</b>	<b>-5,572</b>	<b>15,341</b>	<b>-20,913</b>	<b>-136.3%</b>
240+270	Profit (Loss) from investments and disposal of investments	11,792	0	11,792	
260	Adjustments to goodwill	0	-15,497	15,497	-100.0%
	Extraordinary provisions for risks and charges/other provisions	-15,598	4,900	-20,498	-418.3%
	<b>Non-recurring Profit (Loss) before tax</b>	<b>-3,806</b>	<b>-10,597</b>	<b>6,791</b>	<b>64.1%</b>
	Income taxes from non-recurring items	4,997	729	4,268	585.7%
	<b>Non-recurring Profit (Loss) after tax</b>	<b>1,191</b>	<b>-9,868</b>	<b>11,059</b>	<b>112.1%</b>
320	<b>Profit (Loss) for the period</b>	<b>-4,381</b>	<b>5,473</b>	<b>-9,854</b>	<b>-180.0%</b>
330	Profit (Loss) for the period attributable to minority interests	-43	-363	320	-88.2%
340	<b>Profit (Loss) for the period attributable to Parent Company</b>	<b>-4,424</b>	<b>5,110</b>	<b>-9,534</b>	<b>-186.6%</b>

In order to facilitate the reconciliation of the reclassified income statement with the financial statements, a reconciliation that shows the numbers corresponding to the aggregated captions and reclassified balances is shown below for each period.



Table no. 12 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 30.06.2013

Captions		As per financial statements 30.06.2013	Reclassifications					Income taxes	Reclassified income statements 30.06.2013
Amounts in thousands of Euro			Result of insurance operations	Recovery of taxes	Profit from associates	Amortisation of leasehold improvements	Provisions for risks and charges/ot her provisions		
10+20	Net interest income	92,382	0				31	92,413	
70	Dividends and similar income	117						117	
	Profit from associates			372				372	
40+50	Net commission income	53,191						53,191	
80+90+100+110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities valued at fair value through profit and loss	28,200	0					28,200	
150+160	Result of insurance operations	0	0					0	
220	Other operating income/expense	18,074	0	-9,688		1,305		9,691	
	<b>Financial income</b>	<b>191,964</b>	<b>0</b>	<b>-9,688</b>	<b>372</b>	<b>1,305</b>	<b>0</b>	<b>183,984</b>	
180 a	Personnel costs	-84,171					15,598	-68,573	
180 b	Other administrative costs	-43,697		9,688				-34,009	
200+210	Net adjustments to property, plant and equipment and intangible assets	-3,351				-1,305		-4,656	
	<b>Operating costs</b>	<b>-131,219</b>	<b>0</b>	<b>9,688</b>	<b>0</b>	<b>-1,305</b>	<b>15,598</b>	<b>-107,238</b>	
	<b>Result of operations</b>	<b>60,745</b>	<b>0</b>	<b>0</b>	<b>372</b>	<b>0</b>	<b>15,598</b>	<b>76,746</b>	
130 a	Net impairment adjustments to loans	-69,864					60	-69,804	
130 d	Net impairment adjustments to other financial assets	-121						-121	
190	Net provisions for risks and charges	-3,205					-60	-3,265	
	<b>Profit (Loss) from operations before tax</b>	<b>-12,445</b>	<b>0</b>	<b>0</b>	<b>372</b>	<b>0</b>	<b>15,598</b>	<b>3,556</b>	
290	Income taxes on current operations	-4,100					-5,028	-9,128	
	<b>Profit (Loss) from operations after tax</b>	<b>-16,545</b>	<b>0</b>	<b>0</b>	<b>372</b>	<b>0</b>	<b>15,598</b>	<b>-5,572</b>	
240+270	Profit (Loss) from investments and disposal of investments	12,164			-372			11,792	
260	Adjustments to goodwill							0	
	Extraordinary provisions for risks and charges/other provisions						-15,598	-15,598	
	<b>Non-recurring Profit (Loss) before tax</b>	<b>12,164</b>	<b>0</b>	<b>0</b>	<b>-372</b>	<b>0</b>	<b>-15,598</b>	<b>-3,806</b>	
	Income taxes from non-recurring items						4,997	4,997	
	<b>Non-recurring profit (loss) after tax</b>	<b>12,164</b>	<b>0</b>	<b>0</b>	<b>-372</b>	<b>0</b>	<b>-15,598</b>	<b>1,191</b>	
320	<b>Profit (Loss) for the period</b>	<b>-4,381</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,381</b>	
330	<b>Profit (Loss) for the period attributable to minority interests</b>	<b>-43</b>						<b>-43</b>	
340	<b>Profit (Loss) for the period attributable to Parent Company</b>	<b>-4,424</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,424</b>	

**Table no. 13 - RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS AND THE RECLASSIFIED INCOME STATEMENT AS AT 30.06.2012**

Captions	As per financial statements	Reclassifications						Reclassified income statement
		Result of insurance operations	Recovery of taxes	Profit from associates	Amortisation of leasehold improvements	Provisions for risks and charges/other provisions	Income taxes	
<i>Amounts in thousands of Euro</i>	30.06.2012							30.06.2012
10+20	Net interest income	102,891	-755					102,136
	Dividends and similar income	43						43
	Profit from associates			1,879				1,879
40+50	Net commission income	52,821						52,821
80+90+100+110	Net income from trading, hedging and disposal/repurchase of financial assets and liabilities valued at fair value through profit and loss	11,728	8					11,736
150+160	Result of insurance operations	5,769	703					6,472
220	Other operating income/expense	11,110	44	-5,985	1,369			6,538
	<b>Financial income</b>	<b>184,362</b>	<b>0</b>	<b>-5,985</b>	<b>1,879</b>	<b>1,369</b>	<b>0</b>	<b>181,625</b>
180 a	Personnel costs	-77,710						-77,710
180 b	Other administrative costs	-39,924		5,985				-33,939
200+210	Net adjustments to property, plant and equipment and intangible assets	-4,908			-1,369			-6,277
	<b>Operating costs</b>	<b>-122,542</b>	<b>0</b>	<b>5,985</b>	<b>0</b>	<b>-1,369</b>	<b>0</b>	<b>-117,926</b>
	<b>Result of operations</b>	<b>61,820</b>	<b>0</b>	<b>0</b>	<b>1,879</b>	<b>0</b>	<b>0</b>	<b>63,699</b>
130 a	Net impairment adjustments to loans	-31,049				-362		-31,411
130 d	Net impairment adjustments to other financial assets	-16						-16
190	Net provisions for risks and charges	3,012				-4,538		-1,526
	<b>Profit (Loss) from operations before tax</b>	<b>33,767</b>	<b>0</b>	<b>0</b>	<b>1,879</b>	<b>0</b>	<b>-4,900</b>	<b>30,746</b>
290	Income taxes on current operations	-14,676					-729	-15,405
	<b>Profit (Loss) from operations after tax</b>	<b>19,091</b>	<b>0</b>	<b>0</b>	<b>1,879</b>	<b>0</b>	<b>-4,900</b>	<b>15,341</b>
240+270	Profit (loss) from investments and disposal of investments	1,879			1,879			0
260	Adjustments to goodwill	-15,497						-15,497
	Extraordinary provisions for risks and charges/other provisions					4,900		4,900
	<b>Non-recurring Profit (Loss) before tax</b>	<b>-13,618</b>	<b>0</b>	<b>0</b>	<b>1,879</b>	<b>0</b>	<b>4,900</b>	<b>-10,597</b>
	Income taxes on non-recurring items						729	729
	<b>Non-recurring profit (loss) after tax</b>	<b>-13,618</b>	<b>0</b>	<b>0</b>	<b>1,879</b>	<b>0</b>	<b>4,900</b>	<b>-9,868</b>
320	<b>Profit (Loss) for the period</b>	<b>5,473</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,473</b>
330	<b>Profit (Loss) for the period attributable to minority interests</b>	<b>-363</b>						<b>-363</b>
340	<b>Profit (Loss) for the period attributable to Parent Company</b>	<b>5,110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,110</b>

Based on the above, the breakdown and changes in the main reclassified Income Statement captions are summarised below.

#### Operating income

Revenue items characteristic to operational management have recorded an increase of Euro 2.4 million equal to 1.3% compared to the prior period, increasing to Euro 184 million. The positive trend is attributable to the higher contribution of Euro 16.5 million of *net results from trading, hedging and disposal/repurchase of loans, financial assets and liabilities*, for Euro 3.2 million to the growth in *other operating income/expenses* (+48.2%), of which Euro 1.3 million as a capital gain realised on the sale of the building belonging to the subsidiary Brianfid-Lux in liquidation, and Euro 0.4 million from the increase in *net commission income* (+0.7%); on the other hand, the following captions have decreased: *net interest income* by Euro 9.7 million (-9.5%), *result of insurance operations* by Euro 6.5 million (due to the exit from the Group of Chiara Assicurazioni S.p.A., which became an associate as described in paragraph 4 "Significant events") and *profit from associates* by Euro 1.5 million, due to the absence of the share of profit for the period of the former associate Chiara Vita S.p.A.

With the help of the following table, which shows the breakdown of *net commission income* by type, it is worth noting the increase in commission for the distribution of insurance products and the decline in the captions relating to the financial instruments, which have been more affected by the crisis.

Table no. 14 - BREAKDOWN OF NET COMMISSION INCOME BY TYPE OF SERVICE

<i>Amounts in thousands of Euro</i>	30.06.2013	Effect in %	30.06.2012	Effect in %	Change	
					Amount	Effect in %
Collection and payment services	9,342	17.6%	9,295	17.6%	47	0.5%
Placement, custody and administration of securities	2,850	5.4%	3,111	5.9%	-261	-8.4%
Trading in financial instruments	70	0.1%	753	1.4%	-683	-90.7%
Managed portfolios and order taking	5,850	11.0%	6,225	11.8%	-375	-6.0%
Distribution of insurance products	3,961	7.4%	2,931	5.6%	1,030	35.1%
Maintenance and management of current accounts	25,346	47.6%	24,942	47.2%	404	1.6%
Other commissions	5,772	10.9%	5,564	10.5%	208	3.7%
<b>Net commissions</b>	<b>53,191</b>	<b>100.0%</b>	<b>52,821</b>	<b>100.0%</b>	<b>370</b>	<b>0.7%</b>

#### *Operating costs*

*Operating costs*, which include *personnel costs*, *other administrative expenses* and *net adjustments to property, plant and equipment and intangible assets*, show an overall balance of Euro 107.2 million, a decrease of Euro 10.7 million (-9.1%) on the first semester of 2012; the trend is primarily attributable to personnel costs, which have fallen by Euro 9.1 million (of which Euro 1.9 million is attributable to the exit from the Group of Chiara Assicurazioni S.p.A.).

#### *Result of operations*

The result of operations at the end of the first semester therefore comes to Euro 76.8 million, an increase of 20.5% on the first semester of last year, i.e. about Euro 13 million.

#### *Net profit (loss) from operations after tax*

*Net impairment adjustments to loans* amount to Euro 69.8 million, with higher adjustments of Euro 38.4 million with respect to the comparative period, *net provisions for risks and charges* Euro 3.3 million and *income taxes on current operations for the year* equal Euro 9.1 million, leading to a *loss from operations after tax* of Euro 5.6 million, compared to a profit of Euro 15.3 million in the first semester of 2012 (-136.3%).

#### *Non-recurring Profit (Loss) from operations after tax*

*Non-recurring profit after tax* amounts to Euro 1.2 million and consists of the gain realised by the price adjustment on the sale in late 2012 by the Parent Company of the residual 30% of the former associate Chiara Vita S.p.A.,

amounting to Euro 5.9 million, the capital gain realised on the sale of a controlling interest in Chiara Assicurazioni S.p.A. (from 66.66% to 32.7%), amounting to Euro 4.6 million (as described in paragraph 4 "Significant events"), together with the impact on the income statement of the change in the method of consolidation of this company, which has become an associate (Euro 1.3 million). In addition, there is the estimated impact of one-off charges on all the actions on human resources involved in implementation of the Group's Business Plan 2013-2015 (in accordance with the Trade Union agreements explained in paragraph 4 "Significant events"), which total 15.6 million before tax, the tax effect on these amounts, on the capital gains referred to above, as well as the tax exemption pursuant to Legislative Decree no.185/2008, for the subsidiary Banco Desio Lazio S.p.A., of the goodwill included in the carrying value of the investment in Fides S.p.A. and recorded in the Group consolidated financial statements (as explained in paragraph 4 "Significant events"), for Euro 0.9 million, for a further total net contribution to this aggregate of approximately Euro 5 million.

On the other hand, the balance at the end of the first semester of last year was negative by Euro 9.9 million, due to the impact of Euro 15.5 million attributable to the elimination of goodwill of the Swiss subsidiary Credito Privato Commerciale S.A. in liquidation, the partial release of Euro 4.9 million of the provision created in late 2008 to cover the partial risk of auditing of the price received for the sale of 70% of Chiara Vita S.p.A. by the Parent Company, and the positive effect of Euro 0.7 million for the tax exemption purposes, pursuant to art. 15, paragraph 10 of Legislative Decree 185/2008, of the goodwill recognised by the Parent Company on the merger of Banco Desio Toscana S.p.A.

#### *Profit (Loss) of the period attributable to the Parent Company*

The total of *profit (loss) from operations after tax and non-recurring profit (loss) after tax* determines the *loss for the year attributable to the Parent Company* at 30 June 2013 of 4.4 million euro, compared to a positive result in the comparative period of Euro 5.1 million (-186.6%).

## **7 - SIGNIFICANT SUBSEQUENT EVENTS**

No particularly significant events have taken place since the end of the period.

## **8 - OTHER INFORMATION**

### **8.1 - RATINGS**

On 26 July 2013, as part of a rating survey involving several banks, Fitch Ratings confirmed the ratings of Banco di Desio e della Brianza S.p.A., as below:

- Long Term Issuer Default Rating: confirmed at "BBB+"
- Short Term Issuer Default Rating: confirmed at "F2"
- Viability rating: confirmed at "bbb+"
- Support Rating: confirmed at "4"
- Support Rating Floor: confirmed at "B+"
- Negative outlook

These ratings reflect the Bank's robust performance despite the persistent macroeconomic difficulties. Our prudent lending policy and diversified loan portfolio were both judged positively. During the recession, the deterioration in our asset quality was lower than that of our main competitors. In addition, there is the positive contribution of a large and stable share of customer deposits, an extremely low use of funding on the interbank market and a healthy level of capitalisation.

The IDR rating and outlook are at the same levels as the Sovereign State. Fitch has specified that a downgrade of the sovereign rating could lead to the ratings of Banco di Desio e della Brianza also being downgraded.

## 8.2 - EXISTENCE OF THE CONDITIONS OF ARTS. 36 AND 37 OF "CONSOB'S MARKET REGULATIONS"

The conditions laid down in arts. 36 and 37 of "Consob's Market Regulations" (Resolution 16191 of 29 October 2007) continue to apply, in this case with reference to the "non-EU" company CPC S.A. in liquidation, which is controlled by the Parent Company, and to Brianza Unione di Luigi Gavazzi & C. S.p.a., the holding company of the Parent Company, as reported in the Group's "Annual Report on Corporate Governance and Corporate Structure" required by art. 123-bis of the CFA and made available on the website [www.bancodesio.it](http://www.bancodesio.it), Banco Desio - Corporate Governance Section.

## 8.3 - TRANSACTIONS WITH RELATED PARTIES

For a description of the procedures governing transactions with related parties, please refer to section 5 of the Annual Report on Corporate Governance, which is available on the Group's website pursuant to art. 123-bis of the CFA. These procedures and the related updates - carried out within 30 June with regard to decision-making procedures in accordance with the supervisory guidelines on risk activities and conflicts of interest in respect of the so-called "Related parties", issued by the Bank of Italy pursuant to art. 53 of the CBA - are also available in the "Corporate Governance" section of the Group's website as well as on that of the subsidiary Banco Desio Lazio S.p.A. for the provisions specifically applicable to it. For further information, please refer to the specific section of the *condensed interim Financial Statements*.

## 8.4 - INFORMATION ON INCENTIVE PLANS (STOCK OPTIONS AND STOCK GRANTS)

### *Stock options*

The incentive plans in the form of stock options outstanding at the end of the semester relate to those activated during 2008, involving shares of the indirect subsidiary FIDES S.p.A. (shares already held by Banco Desio Lazio S.p.A.). For further information, please refer to the specific section of the *condensed interim Financial Statements*.

### *Stock grants*

The incentive plans in the form of stock grants outstanding at the end of the semester relate to those for the three-year period 2011-2013 activated in 2011 in accordance with the supervisory provisions in matters of remuneration and incentive systems issued by the Bank of Italy on 30 March 2011 involving a bonus allocation of ordinary shares of the Parent Company Banco di Desio e della Brianza S.p.A. in favour of Group management, approved by the Ordinary Shareholders' Meeting on 29 November 2011.

A more detailed information can be found in the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter of the CFA.

## **9 - OUTLOOK FOR THE REST OF 2013 AND PRINCIPAL RISKS AND UNCERTAINTIES**

The persistence of the crisis in Italy and its profound effect on local economies did not allow the achievement of the expected results in terms of cost of credit for the period, which makes it that much harder to meet the Group's profit targets for the current year. The second semester will still be affected by the continuity of the recessionary effects of the crisis on people's appetite for business investment and household consumption. However, we can confirm that the widespread measures to re-launch the Group's competitiveness and to reduce costs initiated by the Business Plan for 2013-2015 will begin to unfold with positive effects during the course of next year, at the same time that the economy is expected to recover.

Regarding the principal risks and uncertainties, it should be noted that this Report and, more generally, the consolidated interim financial Report as at 30 June 2013 has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future.

The paragraph on the macroeconomic scenario explains the trend of the world economy and financial markets with the principal risks that they involve, while the controls over the Bank's operations and the various types of risk are described in detail in the section "Information on risks and related hedging policy" in the condensed interim financial statements. Further information on these controls are contained in the Annual Report on Corporate Governance which is available on the Group's website pursuant to art. 123-bis of the CFA.

*Desio, 8 August 2013*

The Board of Directors  
Banco di Desio e della Brianza S.p.A.

**CONSOLIDATED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
as at 30 June 2013**

## **FINANCIAL STATEMENTS**



## Consolidated Balance Sheet

### Assets

Assets' items	30.06.2013	31.12.2012	Change	
			amount	%
10 Cash and cash equivalents	25,615	81,248	(55,633)	-68.5%
20 Financial assets held for trading	3,108	4,320	(1,212)	-28.1%
40 Financial assets available for sale	1,358,068	1,009,410	348,658	34.5%
50 Financial assets held to maturity	182,341	151,863	30,478	20.1%
60 Due from banks	230,882	250,480	(19,598)	-7.8%
70 Loans to customers	6,825,499	6,949,145	(123,646)	-1.8%
80 Hedging derivatives	7,193	9,005	(1,812)	-20.1%
100 Equity investments	7,401	1,227	6,174	503.2%
120 Property, plant and equipment	146,304	150,890	(4,586)	-3.0%
130 Intangible assets	25,702	25,903	(201)	-0.8%
of which:				
- <i>goodwill</i>	23,533	23,533	-	-
140 Tax assets	74,518	51,715	22,803	44.1%
a) current	27	1,684	(1,657)	-98.4%
b) deferred	74,491	50,031	24,460	48.9%
- <i>other than Law 214/2001</i>	15,255	8,796	6,459	73.4%
- <i>of which Law 214/2011</i>	59,236	41,235	18,001	43.7%
150 Non-current assets and disposal groups held for sale		72,420	(72,420)	-100.0%
160 Other assets	114,040	105,367	8,673	8.2%
<b>Total assets</b>	<b>9,000,671</b>	<b>8,862,993</b>	<b>137,678</b>	<b>1.6%</b>

### Liabilities

Liabilities' and shareholders' equity's items	30.06.2013	31.12.2012	Change	
			amount	%
10 Due to banks	436,969	441,677	(4,708)	-1.1%
20 Due to customers	5,263,685	5,041,168	222,517	4.4%
30 Debt securities in issue	2,224,204	2,217,881	6,323	0.3%
40 Financial liabilities held for trading	786	517	269	52.0%
50 Financial liabilities measured at fair value through profit and loss	37,511	37,532	(21)	-0.1%
60 Hedging derivatives	3,096	6,696	(3,600)	-53.8%
80 Tax liabilities	22,148	14,320	7,828	54.7%
a) <i>current</i>	11,305	772	10,533	1364.4%
b) <i>deferred</i>	10,843	13,548	(2,705)	-20.0%
90 Liabilities associated with groups of assets held for sale		51,399	(51,399)	-100.0%
100 Other liabilities	151,652	178,269	(26,617)	-14.9%
110 Provision for termination indemnities	23,657	24,392	(735)	-3.0%
120 Provisions for risks and charges:	37,565	20,951	16,614	79.3%
a) <i>pensions and similar commitments</i>	105	170	(65)	-38.2%
b) <i>other provisions</i>	37,460	20,781	16,679	80.3%
140 Valuation reserves	17,879	28,173	(10,294)	-36.5%
170 Reserves	701,931	688,953	12,978	1.9%
180 Share premium reserve	16,145	16,145		
190 Share capital	67,705	67,705		
210 Minority interests (+/-)	162	7,014	(6,852)	
220 Profit (Loss) for the period	(4,424)	20,201	n.s.	n.s.
<b>Total liabilities and shareholders' equity</b>	<b>9,000,671</b>	<b>8,862,993</b>	<b>137,678</b>	<b>1.6%</b>

## Consolidated Income Statement

Captions	30.06.2013	30.06.2012	Change	
			amount	%
10 Interest and similar income	156,640	166,536	(9,896)	-5.9%
20 Interest and similar expense	(64,258)	(63,645)	(613)	1.0%
<b>30 Net interest income</b>	<b>92,382</b>	<b>102,891</b>	<b>(10,509)</b>	<b>-10.2%</b>
40 Commission income	61,838	59,674	2,164	3.6%
50 Commission expense	(8,647)	(6,853)	(1,794)	26.2%
<b>60 Net commission income</b>	<b>53,191</b>	<b>52,821</b>	<b>370</b>	<b>0.7%</b>
70 Dividends and similar income	117	43	74	172.1%
80 Net trading income	934	1,018	(84)	-8.3%
90 Net hedging gains (losses)	(151)	(644)	493	-76.6%
100 Gains (losses) on disposal or repurchase of:	27,972	13,652	14,320	104.9%
<i>b) financial assets available for sale</i>	28,158	13,164	14,994	113.9%
<i>d) financial liabilities</i>	(186)	488	(674)	-138.1%
110 Net results on financial assets and liabilities measured at fair value	(555)	(2,298)	1,743	-75.8%
<b>120 Net interest and other banking income</b>	<b>173,890</b>	<b>167,483</b>	<b>6,407</b>	<b>3.8%</b>
Net impairment adjustments to:	(69,985)	(31,065)	(38,920)	125.3%
<i>a) loans</i>	(69,864)	(31,049)	(38,815)	125.0%
130 <i>d) other financial transactions</i>	(121)	(16)	(105)	656.3%
<b>140 Net profit from financial activities</b>	<b>103,905</b>	<b>136,418</b>	<b>(32,513)</b>	<b>-23.8%</b>
150 Premiums		14,402	(14,402)	-100.0%
160 Net other insurance income/expense		(8,633)	8,633	100.0%
<b>170 Net profit from financial and insurance activities</b>	<b>103,905</b>	<b>142,187</b>	<b>(38,282)</b>	<b>-26.9%</b>
Administrative costs:	(127,868)	(117,634)	(10,234)	8.7%
<i>a) personnel costs</i>	(84,171)	(77,710)	(6,461)	8.3%
180 <i>b) other administrative costs</i>	(43,697)	(39,924)	(3,773)	9.5%
190 Net provisions for risks and charges	(3,205)	3,012	(6,217)	-206.4%
200 Net adjustments to property, plant and equipment	(2,893)	(3,692)	799	-21.6%
210 Net adjustments to intangible assets	(458)	(1,216)	758	62.3%
220 Other operating charges/income	18,074	11,110	6,964	62.7%
<b>230 Operating costs</b>	<b>(116,350)</b>	<b>(108,420)</b>	<b>(7,930)</b>	<b>-7.3%</b>
240 Profit (Loss) from equity investments	12,164	1,879	10,285	547.4%
260 Adjustments to goodwill		(15,497)	15,497	-100.0%
<b>280 Profit (Loss) from current operations before tax</b>	<b>(281)</b>	<b>20,149</b>	<b>(20,430)</b>	<b>101.4%</b>
290 Income taxes on current operations	(4,100)	(14,676)	10,576	72.1%
<b>300 Profit (Loss) from current operations after tax</b>	<b>(4,381)</b>	<b>5,473</b>	<b>(9,854)</b>	<b>-180.0%</b>
<b>320 Profit (Loss) for the period</b>	<b>(4,381)</b>	<b>5,473</b>	<b>(9,854)</b>	<b>-180.0%</b>
330 Profit (Loss) attributable to minority interests	(43)	(363)	320	88.2%
<b>340 Profit (Loss) attributable to the Parent Company</b>	<b>(4,424)</b>	<b>5,110</b>	<b>(9,534)</b>	<b>-186.6%</b>

## Statement of consolidated comprehensive income

Items	30.06.2013	30.06.2012
<b>10. Net profit (loss) for the period</b>	<b>(4,381)</b>	<b>5,473</b>
<b>Other elements of income, net of income taxes without reversal to income statement</b>		
20. Property, plant and equipment		
30. Intangible assets		
40. Actuarial gains (losses) on defined-benefit pension plans	415	(937)
50. Non-current assets held for sale		
60. Portion of the valuation reserves of the equity investments carried at equity		
<b>Other elements of income, net of income taxes with reversal to income statement</b>		
70. Foreign investment hedges		
80. Exchange differences	(347)	252
90. Cash-flow hedges		
100. Financial assets available for sale	(10,630)	6,709
110. Non-current assets held for sale		
120. Portion of the valuation reserves of the equity investments carried at equity	170	3,238
<b>130. Total other elements of income, net of income taxes</b>	<b>(10,392)</b>	<b>9,262</b>
<b>140. Total comprehensive income (Items 10+110)</b>	<b>(14,773)</b>	<b>14,735</b>
150. Total comprehensive income attributable to minority interests	55	(738)
<b>160. Total consolidated comprehensive income attributable to Parent Company</b>	<b>(14,718)</b>	<b>13,997</b>

**Statement of changes in Shareholders' Equity as at 30.06.2013**

	Balance at 31.12.2012	Changes in opening balances	Balance at 1.01.2013	Allocation of prior year results		Changes during the year							Group shareholders' equity at 30.06.2013	Minority interests at 30.06.2013
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity					Comprehensive income at 30.06.2013		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares			
Share capital:														
a) ordinary shares	65,078		65,078				(4,138)						60,840	100
b) other shares	6,865		6,865										6,865	
Share premium reserve	16,355		16,355				(210)						16,145	
Reserves:	-													
a) from profits	680,926		680,926	16,220	(2,735)	(2,355)							692,037	19
b) other	9,640		9,640								254		9,894	
Valuation reserves:	28,271		28,271								(10,392)		17,879	
Equity instruments														
Treasury shares														
Net profit (loss) for the period	21,056		21,056	(16,220)	(4,836)						(4,381)	(4,424)	43	
<b>Group shareholders' equity</b>	<b>821,177</b>		<b>821,177</b>	<b>(4,836)</b>	<b>(2,641)</b>						<b>254</b>	<b>(14,718)</b>	<b>799,236</b>	
<b>Minority interests</b>	<b>7,014</b>		<b>7,014</b>		<b>(94)</b>	<b>(6,703)</b>					<b>(55)</b>		<b>162</b>	

**Statement of changes in Shareholders' Equity as at 30.06.2012**

	Balance at 31.12.2011	Changes in opening balances	Balance at 1.01.2012	Allocation of prior year results		Changes during the year							Group shareholders' equity at 30.06.2012	Minority interests at 30.06.2012
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity					Comprehensive income at 30.06.2012		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares			
Share capital:														
a) ordinary shares	64,077		64,077										60,840	3,237
b) other shares	6,865		6,865										6,865	
Share premium reserve	16,355		16,355										16,145	210
Reserves:														
a) from profits	648,361		648,361	31,654	(1,117)								676,373	2,525
b) other	9,292		9,292							164			9,456	
Valuation reserves:	(15,475)		(15,475)									9,262	(5,689)	(524)
Equity instruments														
Treasury shares														
Net profit (loss) for the period	45,891		45,891	(31,654)	(14,237)							5,473	5,110	363
<b>Group shareholders' equity</b>	<b>770,926</b>		<b>770,926</b>	<b>(13,949)</b>	<b>(2,038)</b>					<b>164</b>	<b>13,997</b>	<b>769,100</b>		
<b>Minority interests</b>	<b>4,440</b>		<b>4,440</b>	<b>(288)</b>	<b>921</b>						<b>738</b>	<b>5,811</b>		

## Consolidated cash flow statement

A. OPERATING ACTIVITIES	Amount	
	30.06.2013	30.06.2012
<b>1. Cash flow generated from operations</b>	<b>82,697</b>	<b>63,424</b>
- interest received (+)	156,530	166,785
- interest paid (-)	(64,155)	(63,095)
- dividends and similar income (+)	117	43
- net commissions (+/-)	54,024	56,232
- personnel costs (-)	(79,775)	(73,242)
- net premiums received (+)	-	14,402
- other insurance income/expense (+/-)	-	(8,633)
- other costs (-)	(37,679)	(39,851)
- other revenues (+)	57,735	25,459
- taxation (-)	(4,100)	(14,676)
- costs/revenues for disposal groups, net of tax effect (+/-)	-	-
<b>2. Cash flow generated (absorbed) by financial assets</b>	<b>(314,544)</b>	<b>(381,023)</b>
- financial assets held for trading	1,969	11,879
- financial assets measured at fair value through profit and loss	-	-
- financial assets available for sale	(358,684)	(252,931)
- loans to customers	49,216	(41,480)
- due from banks: on demand	23,481	5,320
- due from banks: other receivables	(3,883)	(99,190)
- other assets	(26,643)	(4,621)
<b>3. Cash flow generated (absorbed) by financial liabilities</b>	<b>203,278</b>	<b>331,371</b>
- due to banks: on demand	8,070	13,453
- due to banks: other debts	(12,778)	179,580
- due to customers	222,517	525,807
- debt securities in issue	8,736	(372,104)
- financial liabilities held for trading	(257)	(782)
- financial liabilities measured at fair value through profit and loss	(60)	(52,626)
- other liabilities	(22,950)	38,043
<b>Net cash flow generated/absorbed by operating activities (A)</b>	<b>(28,569)</b>	<b>13,772</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash flow generated by:</b>	<b>9,993</b>	<b>32</b>
- sale of equity investments	7,718	-
- dividends collected on equity investments	-	-
- sale/redemption of financial assets held to maturity	157	-
- sale of property, plant and equipment	2,118	32
- sale of intangible assets	-	-
- sale of lines of business	-	-
<b>2. Cash flow absorbed by:</b>	<b>(31,366)</b>	<b>(2,723)</b>
- purchase of equity investments	(49)	-
- purchase of financial assets held to maturity	(30,635)	-
- purchase of property, plant and equipment	(425)	(1,830)
- purchase of intangible assets	(257)	(893)
- purchase of lines of business	-	-
<b>Net cash flow generated/absorbed by investing activities (B)</b>	<b>(21,373)</b>	<b>(2,691)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividends distributed and other allocations	(5,691)	(14,898)
<b>Net cash flow generated/absorbed by financing activities (C)</b>	<b>(5,691)</b>	<b>(14,898)</b>
<b>NET CASH GENERATED (ABSORBED) IN THE PERIOD (A+B+C)</b>	<b>(55,633)</b>	<b>(3,817)</b>

**Reconciliation**

<b>Captions</b>	2013	2012
Cash and cash equivalents at beginning of period	81,248	31,983
Total net cash flow generated / absorbed during the year	(55,633)	(3,817)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of period	25,615	28,166

## Consolidated Income Statement – quarterly development

Captions	2nd quarter 2013	1st quarter 2013	2nd quarter 2012	1st quarter 2012
10 Interest and similar income	78,967	77,673	82,970	83,566
20 Interest and similar expense	(31,806)	(32,452)	(32,321)	(31,324)
<b>30 Net interest income</b>	<b>47,161</b>	<b>45,221</b>	<b>50,649</b>	<b>52,242</b>
40 Commission income	33,820	28,018	30,256	29,418
50 Commission expense	(4,529)	(4,118)	(4,104)	(2,749)
<b>60 Net commission income</b>	<b>29,291</b>	<b>23,900</b>	<b>26,152</b>	<b>26,669</b>
70 Dividends and similar income	117	-	42	1
80 Net trading income	529	405	(188)	1,206
90 Net hedging gains (losses)	(494)	343	(471)	(173)
100 Gains (losses) on disposal or repurchase of:	16,105	11,867	2,918	10,734
<i>b) financial assets available for sale</i>	16,236	11,922	2,747	10,417
<i>d) financial liabilities</i>	(131)	(55)	171	317
Net results on financial assets and liabilities measured at fair value	(787)	232	275	(2,573)
<b>120 Net interest and other banking income</b>	<b>91,922</b>	<b>81,968</b>	<b>79,377</b>	<b>88,106</b>
130 Net impairment adjustments to:	(45,944)	(24,041)	(15,144)	(15,921)
<i>a) loans</i>	(45,942)	(23,922)	(15,139)	(15,910)
<i>d) other financial assets</i>	(2)	(119)	(5)	(11)
<b>140 Net profit from financial activities</b>	<b>45,978</b>	<b>57,927</b>	<b>64,233</b>	<b>72,185</b>
150 Net premiums	-	-	6,553	7,849
160 Net other insurance income/expense	-	-	(3,945)	(4,688)
<b>170 Net profit from financial and insurance activities</b>	<b>45,978</b>	<b>57,927</b>	<b>66,841</b>	<b>75,346</b>
180 Administrative costs:	(72,652)	(55,216)	(62,273)	(55,361)
<i>a) personnel costs</i>	(49,736)	(34,435)	(40,763)	(36,947)
<i>b) other administrative costs</i>	(22,916)	(20,781)	(21,510)	(18,414)
190 Net provisions for risks and charges	(2,560)	(645)	(1,980)	4,992
200 Net adjustments to property, plant and equipment	(1,383)	(1,510)	(2,008)	(1,684)
210 Net adjustments to intangible assets	(234)	(224)	(823)	(393)
220 Other operating charges/income	10,617	7,457	6,708	4,402
<b>230 Operating costs</b>	<b>(66,212)</b>	<b>(50,138)</b>	<b>(60,376)</b>	<b>(48,044)</b>
240 Profit (loss) from equity investments	12,164	-	1,125	754
260 Adjustments to goodwill	-	-	(15,497)	-
<b>280 Profit (Loss) from current operations before tax</b>	<b>(8,070)</b>	<b>7,789</b>	<b>(7,907)</b>	<b>28,056</b>
290 Income taxes on current operations	1,873	(5,973)	(5,086)	(9,590)
<b>300 Profit (Loss) from current operations after tax</b>	<b>(6,197)</b>	<b>1,816</b>	<b>(12,993)</b>	<b>18,466</b>
Profit (Loss) after tax of the groups of assets held for sale	(1,532)	1,532	368	(368)
<b>320 Profit (Loss) for the period</b>	<b>(7,729)</b>	<b>3,348</b>	<b>(12,625)</b>	<b>18,098</b>
330 Profit (Loss) attributable to minority interests	296	(339)	(52)	(311)
<b>340 Profit (Loss) for the period attributable to Parent Company</b>	<b>(7,433)</b>	<b>3,009</b>	<b>(12,677)</b>	<b>17,787</b>



## **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

## BASIS OF PRESENTATION AND SCOPE OF CONSOLIDATION

### GENERAL INFORMATION

#### Section 1 - Declaration of compliance with International Accounting Standards

These interim condensed consolidated financial statements of the Banco Desio Group have been prepared pursuant to art. 154 of Legislative Decree no. 58/1998 and in accordance with the applicable international accounting standards recognised within the European Community (EC) pursuant to European Parliament and European Council dated on 19 July 2002 and in particular IAS 34 – *Interim Financial Statements*, and the enabling regulations issued pursuant to art 9 of Legislative Decree no. 38/2005.

The main accounting policies adopted in preparing the interim condensed consolidated financial statements are set out below. They do not differ from those used for the preparation of the year-end consolidated financial statements.

#### Section 2 - Basis of preparation

The interim condensed consolidated financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, the quarterly development income statement and the explanatory notes, which provide the information on fair value, the details of the main balance sheet and income statement captions, information on risks and hedging policies, information on shareholders' equity, information on transactions with related parties, information on equity-based payments and segment information. The interim condensed consolidated financial statements are also accompanied by the interim consolidated report.

The interim condensed consolidated financial statements have been prepared for clarification and give a true and fair view of the balance sheet, financial position and results of operations for the period of Banco di Desio e della Brianza and its subsidiaries.

The accounting policies are consistent with those used for the preparation of the consolidated financial statements at the end of the previous year as, even with the voluntary liquidation of two foreign subsidiaries (which did not result in losing control over them), the going-concern assumption is still undoubtedly valid for the Banco Desio Group as a whole. This means that the preparation of the consolidated financial information Group accounting principles have to be applied (in line with the going-concern assumption) also to the companies in voluntary liquidation.

The financial statements used for the preparation of the interim condensed consolidated financial statements are those prepared by the Subsidiaries, as at 30 June 2013, adjusted where necessary to comply with the IAS/IFRS adopted by the Parent Company.

In recording transactions and other corporate events, preference has been given to substance over form.

The document is prepared in accordance with the accrual basis, using the historical cost, adjusted in relation to the valuation of financial assets held for trading, financial assets available for sale, financial assets designated at *fair value* through profit and loss and all outstanding derivative contracts, which were assessed in accordance with "*the fair value*" or "*value equo*" principle.

The book value of liabilities, which are subject to hedging transactions, are adjusted to take account of changes in fair value attributable to the risk being hedged.

As foreseen by IAS 39, financial instruments are also measured using the fair value option, which makes it possible to designate financial assets and liabilities at fair value with an impact on the income statement when this produces more meaningful information, reduces the complexity or leads to a more reliable measurement.

The financial statements and explanatory notes have been prepared taking into account the rules for preparation published by the Bank of Italy with Circular no. 262 of 22 December 2005 and subsequent updates, also considering any other amendments that came into force in the relevant accounting standards.

Figures are expressed in thousands of Euro.

### Section 3 - Scope of consolidation and methodology

#### 1. Investments in subsidiaries and companies under joint control (consolidated on a proportional basis)

Name	Head office	Type of relationship (1)	Participation ratio	
			Investment company	Shares %
<b>A. Companies</b>				
<b>A.1 Companies fully consolidated</b>				
Banco Desio Lazio S.p.A.	Rome	1	Banco Desio	100.000
Fides S.p.A.	Rome	1	Banco Desio Lazio	100.000
Rovere Société de Gestion S.A.	Luxembourg	1	Banco Desio	70.000
		1	Banco Desio Lazio	10.000
Brianfid-Lux S.A. in liquidation	Luxembourg	1	Banco Desio	100.000
Credito Privato Commerciale S.A. in liquidation	Lugano	1	Banco Desio	100.000

Key

(1) Type of relationship: 1 = majority of votes in the ordinary shareholders' meeting

With regard to investments subject to significant influence, the following changes took place during the first half of 2013.

- Chiara Assicurazioni S.p.A.: as a result of the partial sale of the investment share which it is referred in the "Consolidated interim report on operations", it is now held 32.665% by Banco Desio and is therefore an associated company;
- Istifid S.p.A.: the investment share has increased from 28.961% to 29.943%.

#### 2. Other information

The consolidation principles are applied as follows:

- *subsidiaries*: assets, liabilities, shareholders' equity, "off-balance sheet" transactions, costs and revenues are included in the relevant items of the consolidated financial statements on a full basis in accordance with IAS 27.  
Any positive difference emerging from a comparison of the book value of each investment and the relevant portion of the subsidiary's shareholders' equity, left over after any allocation to a specific balance sheet captions, is recognised as goodwill and subject to impairment testing;
- *associates*: investments in associates are accounted for using the equity method on the basis of IAS 28.

### Section 4 - Subsequent events

Please refer to the explanations in the Consolidated interim report on operations.

### Section 5 - Other aspects

*Use of estimates and assumptions in preparing the consolidated financial statements.*

The preparation of the condensed consolidated financial statements requires the use of estimates and assumptions that could have a significant impact on the amounts shown in the balance sheet and income statement, and on the disclosures provided in the notes.

The use of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, these estimates and assumptions may change from year to year and, therefore, it cannot be excluded that the values currently shown here may in future differ because of a change in the subjective assessments used.

The main areas in which the use of estimates and subjective assessment are applied are:

- the valuation models used for carrying out impairment tests relating to investments and to intangible assets with an indefinite useful life (goodwill);
- quantification of the losses arising from the impairment of loans and financial assets in general;
- determination of the fair value of financial instruments for disclosure purposes;
- the use of valuation models for determining the fair value of financial instruments not quoted in active markets (Level 2 and 3);
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets;
- calculating the tax liability.

The description of the accounting policies applied to balance sheet captions provides more detailed information on the assumptions and subjective assessments used in preparing the interim condensed consolidated financial statements.

#### *Domestic tax group election*

Banco di Desio e della Brianza and the Italian companies of the Group adopted the so-called "domestic tax group", governed by arts. 117-129 of the Consolidated Income Tax Law, which was introduced into tax legislation by Legislative Decree no. 344/2003. This law provides an optional system, under which the total income or tax loss of each subsidiary in the tax consolidation - together with withholdings, deductions and tax credits - is transferred to the parent company, which then calculates a single taxable income or tax loss to be carried forward and, consequently, a single tax liability/asset.

#### *Audit*

These interim condensed consolidated financial statements have been subjected to a limited audit by Deloitte & Touche S.p.A., pursuant to the resolution of the Shareholders' Meeting of 26 April 2012.

## **MAIN CAPTIONS IN THE FINANCIAL STATEMENTS**

The accounting policies explained below, which were used in preparing this document, comply with the IAS/IFRS endorsed by the European Commission and in force on the reference date, and have been applied on a going-concern basis.

For the purchase and sale of standard financial assets, i.e. contracts for which delivery is made in a period established by regulations or market conventions, reference is made to the settlement date.

### **Financial assets held for trading**

#### *Classification*

"Financial assets held for trading" (at fair value through profit or loss) include debt securities, equities, positive derivatives not used for hedging purposes and other assets that, according to the initial designation, are classified as financial instruments held for trading in the short term. Since classification derives from initial designation, subsequent transfers to other categories are generally not allowed for this category of financial assets, except as in rare circumstances specified in IAS 39.

### *Recognition*

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

### *Measurement and recognition of items affecting the income statement*

Measurement subsequent to initial recognition is at fair value, with the related effect charged to the income statement.

Equities, Italian and foreign government bonds and derivatives traded in an active market are measured at the closing price on the assessment date (*fair value Level 1*).

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

For equities and bonds not traded in an active market, the fair value is determined using valuation techniques based on objective factors observable in the market (*fair value Level 2*).

Derivative instruments that are not traded in active markets are measured using valuation techniques (*fair value Level 2 or 3*).

### *Derecognition*

Assets held for trading are derecognised when they are sold or cancelled.

## **Financial assets available for sale**

### *Classification*

The category "Financial assets available for sale" includes financial assets - excluding derivatives - not classified as loans and receivables, investments held to maturity, financial assets held for trading or designated at fair value.

They include non-controlling interests, securities and bonds held for long-term investment and mutual fund units (UCITS).

Financial assets can be transferred from "available for sale" to "held to maturity", but only in the following circumstances:

- change in the intention or ability to continue holding the asset,
- in rare cases where a reliable measurement of fair value is not available.

A transfer to "Loans and receivables" is only allowed in particular circumstances.

### *Recognition*

Initial recognition takes place on the settlement date at fair value, also taking into account the transaction costs directly related to the purchase.

### *Measurement*

Subsequent measurement to initial recognition is at fair value for the price component, whereas the interest component is calculated at the Actual Rate of Return.

For the purposes of determining fair value, the same criteria used for assets held for trading are applied.

Unquoted financial assets for which a reliable determination of fair value is not possible are carried at cost.

The fair value measurement of non-controlling interests is carried out using valuation techniques (*Level 3*). Mutual fund units (UCITS) are measured at N.A.V. at the assessment date, or at the latest available N.A.V. (*Level 1*).

At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated, taking into account whether the issuer is in financial difficulty or other similar factors. As required by IAS 39 para. 61, "significant" (higher than 50%) or "extended" (more than 24 months) write-downs are considered to be objective impairment indicators for equities.

The amount of the impairment is the difference between the asset's book value and its recoverable amount.

#### *Recognition of items affecting the income statement*

The effect of the assessment is recorded in shareholders' equity as a counterparty to the valuation reserves, net of tax, until the asset is derecognised, while the amortised cost element is charged to the income statement.

On extinction, sale, transfer to another category or detection of an impairment loss, the cumulative amount in the valuation reserve is charged to the income statement.

If impairment losses recorded in the income statement no longer apply because of subsequent revaluations, the write-back, up to the amount of such losses, is recorded in the income statement for debt securities, and in an equity reserve for capital securities.

#### *Derecognition*

Financial assets available for sale are derecognised when the assets are sold, cancelled or transferred to another category.

### **Financial assets held to maturity**

#### *Classification*

"Financial assets held to maturity" comprise financial assets quoted on an active market (*Level 1*) other than derivatives (including embedded derivatives), that have fixed or determinable contract payments and a fixed maturity, for which there is the intention and ability to hold them to maturity.

The category of financial assets held to maturity was created on the basis of specific resolutions passed by the corporate bodies, who also approve any subsequent movements on it, in compliance with IAS 39.

Transfers out of this category are permitted in certain cases, but only to "available for sale" (AFS). The inclusion of financial assets in this category is no longer permitted in the current period and the next two years in the event of sales or transfers of a not insignificant amount, excluding investments that are close to maturity and isolated events that are beyond the Bank's control. If the conditions for the use of this category are not met, the assets concerned are reclassified to financial assets available for sale (under the so-called "*tainting provision*").

#### *Recognition*

Initial recognition takes place on the settlement date at fair value, also taking into account the transaction costs directly related to the purchase.

#### *Measurement and Recognition of items affecting the income statement*

Subsequent measurements to initial recognition are recorded at amortised cost using the effective interest rate method with the counterparty going to the income statement.

At each balance sheet date, the existence of impairment losses that might have a measurable impact on estimated future cash flows is evaluated. If they exist, the impairment losses are recognised in the income statement.

Given that these are securities are quoted in active markets, the fair value shown in the notes reflects their value at market prices (*Level 1*).

#### *Derecognition*

Financial assets held to maturity are derecognised when the assets are sold, cancelled or transferred to another category.

## Loans and receivables

### *Classification*

"Loans and Receivables" include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They generally comprise transactions with customers and banks and debt securities not quoted in an active market that have similar characteristics to receivables, excluding assets held for trading and available for sale.

They also include finance lease receivables.

Transfers from "Financial assets available for sale" and "Financial assets held for trading" are only allowed in particular circumstances, as specified in IAS 39.

### *Recognition*

Loans and receivables are recognised at the issue date at fair value, including transaction costs and directly attributable fees, which is usually equal to the amount paid out.

### *Measurement*

Subsequent measurements to the initial recognition are carried out at amortised cost using the effective interest rate.

The amortised cost is equal to the initial value net of any principal repayments, plus or minus adjustments and write-backs and the amortisation of the difference between the amount paid and the amount repayable at maturity.

The effective interest rate is the rate that makes the present value of future cash flows equal to the amount of the loan issued, adjusted by directly attributable costs or revenues.

Loans are assessed periodically and split between "performing" and "non-performing", depending on the degree of impairment of the loan.

Non-performing loans include the various categories of impaired loans established by the Bank of Italy: doubtful loans, watchlist loans, restructured loans and past due loans.

The transfer from performing to non-performing occurs when there is objective evidence of impairment.

The loan portfolio is subject to periodic review at least at every annual or interim balance sheet date to identify and determine any objective impairment. This is done taking into account the specific solvency situation of each debtor, as well as the local or national economic conditions relating to the debtor's business sector.

"Performing" loans have been evaluated on a collective basis by dividing them into classes of risk, determining the Expected Loss (EL) by applying the Probability of Default (PD) produced by the Credit Rating System (CRS) model, and the loss that would be incurred in the event of default (*Loss Given Default* - LGD) derived from the historical-statistical analysis of doubtful and watchlist loans. The expected loss takes into account the deterioration of loans that has taken place at the reporting date, but for which the amount is not yet known at the time of the assessment, in order to shift the valuation model from the concept of "expected loss" to that of "latent loss".

Specific analyses are carried out for exposures of significant amounts.

This methodology has been adopted in order to converge with the assessment criteria provided by the Basel Agreement regarding capital requirements (Basel 2).

"Non-performing" loans include all receivables for which there is objective evidence of impairment, measured as the difference between the book value and the present value of future estimated cash flows, discounted at the original effective interest rate. The evaluation is analytical, and takes account of the presumed possibility of recovery, the expected timing of collection, and outstanding guarantees.

Interest on arrears accrued on impaired assets are only recorded in the financial statements once it has been collected.

The value of loans to non-residents is adjusted on a general basis in relation to the difficulties in servicing debt by the Countries of residence.

The *fair value* of loans is calculated solely for the purpose of disclosure in the notes of any "performing" loans within the short term. "Non-performing" loans already evaluated analytically and their short-term positions are

shown at book value, which represents a reasonable approximation of their *fair value*.

*Fair value* is based on future cash flows according to the contract, using a risk-free discount rate and taking into consideration the credit risk in terms of PD and LGD detected by the CRS model (*Level 3*).

#### *Derecognition*

Loans are only derecognised if their sale involved the transfer of essentially all the risks and benefits associated with the loan. Conversely, if a significant part of the risks and benefits relating to loans that have been sold are retained, then they continue to be reported as assets in the balance sheet, even if formally ownership of the loans has been transferred.

Even if the transfer of essentially all the risks and benefits cannot be demonstrated, loans are derecognised if no form of control over them has been retained. By contrast, the partial or total retention of such control means that the related loans are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the loans sold and to changes in their cash flows.

Lastly, loans sold are derecognised if there is retention of the contractual rights to collect the related cash flows, with a parallel commitment to pay all such flows, and only these, to third parties.

#### *Recognition of items affecting the income statement*

Valuation at amortised cost generates in the income statement a deferral of the transaction costs and ancillary revenues over the life of the financial asset, rather than impacting the income statement on initial recognition.

Interest on arrears is only recorded in the income statement when collected.

The interest that accrues over time as an effect of discounting impaired loans is recognised in the income statement under write-backs.

The effects of analytical and general assessments are recognised in the income statement.

The original value of the loan is reinstated when the reasons for the write-down cease to apply, recognising the effects in the income statement.

### **Hedging transactions**

#### *Classification*

Hedging transactions are intended to offset certain risks of potential loss on financial assets or liabilities through specific financial instruments, the use of which is intended to cushion the effects on the income statement of the securities being hedged.

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

#### *Recognition*

The recognition of hedging transactions assumes:

- the involvement of external counterparties;
- a specific designation and identification of financial hedging and hedged instruments used for the transaction;
- definition of the risk management objectives being pursued, specifying the nature of the risk being hedged;
- passing the effectiveness test at the beginning of the hedging relationship and prospectively, with specific measurement procedures and frequency;
- preparation of formal documentation of the hedging relationship.

#### *Measurement and recognition of items affecting the income statement*

The fair value of hedging financial instruments not quoted in an active market is determined using valuation models for estimating and discounting future cash flows (*Level 3*).

The counterparties of the changes in the fair value of hedging derivatives and of the financial instruments being



hedged (to the extent attributable to the hedged risk) are recorded in the income statement.

Such offsetting is booked through the recognition in the income statement under item 90 "Net hedging gains (losses)" of changes in the value of both the hedged element (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference, which represents the ineffective portion of the hedge, determines the consequent net economic effect.

A hedging transaction is defined as effective if the changes in fair value (or cash flows) of the hedging instrument offset the changes in the financial instrument being hedged within the 80%-125% interval as required by IAS 39.

Effectiveness tests are performed at each annual or interim balance sheet date, both in retrospective terms, to measure the actual results, and in prospective terms, to demonstrate the expected efficacy for future periods.

If the tests do not confirm the effectiveness of the hedge and, depending on corporate policy, hedge accounting is interrupted from that moment, the hedging derivative is reclassified under trading instruments and the hedged instrument reacquires the method of valuation corresponding to its classification in the financial statements.

#### *Derecognition*

The recognition of hedging transactions is interrupted when it no longer meets the criteria of effectiveness, when they are revoked, when the hedging instrument or the hedged instrument expire, or when they are cancelled or sold.

If the instrument being hedged is subject to valuation at amortised cost, the difference between the fair value determined at the date of *discontinuing* (interruption of the hedging relationship) and the amortised cost is spread over its residual life.

### **Equity investments**

#### *Classification*

This item includes investments in associates, as defined in IAS 28. Other equity investments are booked in accordance with IAS 39. They are classified as financial assets available for sale and follow the measurement criteria provided for that class of financial assets.

#### *Recognition*

Equity investments are recognised on the settlement date. Initial recognition is at cost, including directly attributable ancillary costs.

#### *Measurement*

For measurement subsequent to initial recognition the equity method is applied, whereby the initial carrying value is adjusted to reflect the share of the associate's equity pertaining to the Parent Company.

At each annual or interim balance sheet date, tests are carried out to see if there is objective evidence that the investment has suffered an impairment loss.

Impairment occurs when the carrying amount of the asset exceeds its recoverable value, this being the greater of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between independent parties, net of disposal costs) and its value in use (i.e. the present value of the cash flows expected to be derived from continuing use and disposal of the asset at the end of its useful life).

If the recoverable amount is lower than the carrying amount, the difference is charged to the income statement.

#### *Recognition of items affecting the income statement*

Caption 240 "Profit (loss) from equity investments" comprises the profit of the year of the associates.

#### *Derecognition*

Equity investments are derecognised when the contractual rights on cash flows from financial assets expire or when they are sold, substantially transferring all the risks and benefits of ownership.

### **Property, plant and equipment**

#### *Classification*

Property, plant and equipment include buildings, land, equipment, furniture and fittings and other office equipment. These are operating assets used to provide services.

Property, plant and equipment are recognised in the financial statements when their cost can be reliably measured and it is probable that economic benefits will derive from them in the future.

#### *Recognition*

Property, plant and equipment are initially recorded at purchase price, including all attributable costs of purchasing and bringing the asset to working condition.

On first-time adoption of IAS/IFRS, we made use of the exemption provided by art. 16 of IFRS 1, opting to assess property at fair value as the deemed cost at 1 January 2004. After that date, buildings have been valued at cost.

Extraordinary maintenance costs are capitalised and allocated to the assets to which they relate. Routine maintenance costs are charged directly to the income statement.

In application of IAS 17, financial leases are recognised in the financial statements in accordance with the financial method. Assets leased to others are therefore shown under receivables.

#### *Measurement*

Property, plant and equipment are shown at purchase cost, including ancillary expenses, less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis at rates that reflect the residual useful life of the assets. Exceptions are made for land and works of art, which are not subject to depreciation because of the uncertainty of their useful life, and in view of the fact that normally their value is unlikely to fall over time. Extraordinary maintenance costs are capitalised and depreciated over the residual useful life of the assets to which they relate.

Impairment tests are performed on an annual basis. If it is ascertained that the carrying amount of an asset is higher than its recoverable value, the carrying amount is adjusted as appropriate in the income statement.

#### *Recognition of items affecting the income statement*

Depreciation, amortisation and impairment losses, if any, are recognised in the income statement as net adjustments to property, plant and equipment.

#### *Derecognition*

Property, plant and equipment are derecognised on disposal.

### **Intangible assets**

#### *Classification*

Intangible assets include goodwill, compensation for abandonment of leasehold premises and software purchase costs.

Leasehold improvements are recognized to other assets.

#### *Recognition*

Goodwill is the positive difference between the purchase cost and the fair value of assets and liabilities acquired in business combinations. It is recognized to intangible assets when it is actually representative of future economic benefits generated by the assets acquired.

Other intangible assets are stated at cost and are only recognised if they meet the requirements of being independently identifiable and being separated from goodwill, of probable realisation of future economic benefits and reliable measurability of cost.

#### *Measurement*

Intangible assets are recognised in the balance sheet at purchase cost, including ancillary charges, less the amount of accumulated amortisation and impairment losses, if any.

Amortisation is calculated on a straight-line basis at rates that reflect the residual useful life of the asset in question.

Goodwill is not amortised as it is considered to have an indefinite useful life; instead, it is subjected annually to an impairment test. The cash-generating unit to which the goodwill was allocated is identified for this purpose. The amount of any impairment loss is determined as the amount by which the goodwill's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of the cash-generating unit's fair value, net of any selling costs, or its related value in use.

Any impairment write-downs are charged to the income statement, with no possibility of a subsequent write-back.

Compensations for abandonment of leasehold premises are amortised at rates based on the duration of the lease contract (renewal included).

#### *Recognition of items affecting the income statement*

Amortisation and impairment losses, if any, are recognised in the income statement as net adjustments of intangible assets.

Adjustments to leasehold improvements are recognised in the income statement under other operating charges.

#### *Derecognition*

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

### **Non-current assets and groups of assets held for sale**

#### *Classification*

These captions include non-current assets and groups of assets held for sale, when the book value will be recovered principally through a sale transaction that is considered highly probable, rather than through continued use.

#### *Recognition*

The assets and groups of assets held for sale are measured at the time of initial recognition at the lower of book value and fair value less costs to sell.

#### *Measurement and recognition of items affecting the income statement*

Subsequent to initial recognition, non-current assets and disposal groups held for sale are valued at the lower of book value and fair value less costs to sell. The related income and expenses (net of tax) are shown in a separate item in the income statement when they relate to discontinued operations.

When assets are classified as non-current assets held for sale, the depreciation process, if still underway, is interrupted.

#### *Derecognition*

Non-current assets and groups of assets held for sale are eliminated from the balance sheet on disposal.

**Current and deferred taxation**

Income taxes for the period are calculated by estimating the amount of tax due according to the accrual principle. In addition to current taxes, calculated according to current tax rules, deferred taxation, arising as a result of timing differences between the amounts recorded in the financial statements and the corresponding tax values, is also recognised. Taxes therefore reflect the balance of current and deferred taxation on income for the period.

Tax assets and liabilities include the tax positions of the individual companies of the Group. Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that there will be sufficient future taxable income to recover the asset. They are shown in the balance sheet under caption 140 "Deferred tax assets".

Conversely, deferred tax liabilities are shown on the liabilities side of the Balance Sheet under caption 80 "Deferred tax liabilities".

Current taxes not yet paid at the balance sheet date are included in "Current tax liabilities". If the payment for current taxes exceeds the related tax liability this excess is accounted under "Current tax assets" of the Balance Sheet,

Tax assets and liabilities are booked to shareholders' equity if relating to transactions that were recognised directly in equity.

**Provisions for risks and charges****- Provision for termination indemnities***Measurement*

The provision for termination indemnities is recorded in the financial statements using actuarial techniques.

The evaluation is carried out by independent external actuaries according to the accrued benefit method, using the Projected Unit Credit Method. This amount represents the present value, calculated from a demographic/financial point of view, of benefits payable to employees (termination indemnities) for the period of service already accrued, which is obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the valuation date, taking into account the likelihood of resignations and requests for advances.

*Recognition of items affecting the income statement*

The provision for termination indemnities arising from the actuarial valuation, as allowed by IAS 19, is recorded as a contra-entry to the valuation reserves for the component of actuarial gains (losses) and as a contra-entry in the income statement under provisions for other components such as accrued interest due to the passage of time (discounting) and the adjustment of values at 31.12.2006 as a result of the pension reform introduced by the 2007 Finance Law.

**- Other provisions***Classification*

Provisions for risks and charges include provisions made to cover ongoing obligations that are the result of past events, for the settlement of which it is probable that there will be an outflow of resources that can be reliably estimated.

Provisions represent the best estimate of the future cash flows needed to settle the obligation at the balance sheet date.

*Measurement*

In cases where the effect of time is a significant factor, the amounts provided are discounted, taking into account when the obligation is likely to fall due. The discount rate reflects the current value of money, taking into consideration the risks specific to the liability.

The evaluation of long-service bonuses to employees is made by independent external actuaries and follows the same logic as described above for calculating the Provision for Termination Indemnities.

#### *Recognition of items affecting the income statement*

Provisions are charged to the income statement. An exception is made for the amounts set aside for bonuses to employees, which are booked as a contra-entry to valuation reserves.

The effects arising from the passage of time for the discounting of future cash flows are recorded in the income statement under provisions.

#### **Debts and debt securities in issue**

##### *Classification*

This includes various forms of funding put in place by Banco Desio: amounts due to banks, amounts due to customers, bonds and certificates of deposit issued by the Bank.

##### *Recognitions*

Recognition of these financial liabilities takes place on receipt of the amounts collected or on issue of the debt securities. Recognition is at fair value, equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual issue.

##### *Measurement and recognition of items affecting the income statement*

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

Financial liabilities without repayment plans are valued at cost.

Financial liabilities subject to fair value hedges follow the same measurement criteria as the hedging instrument, being limited to changes in the fair value since designation of the hedge, with the contra-entry going to the income statement. The fair value of hedged instruments is determined with valuation techniques using elements present in the market (*Level 2*).

If the hedging relationship is interrupted, the difference between the fair value determined at the *discontinuing* date and the amortised cost is recognised in the income statement over the residual life of the financial instrument.

Securities issued are shown net of any repurchases.

##### *Derecognition*

Payables and outstanding securities are derecognised on maturity, termination or sale.

For outstanding securities, the amount subject to repurchase has been substantially extinguished. The replacement of own securities previously repurchased is considered as a new issue at the sale value.

#### **Financial liabilities held for trading**

##### *Classification*

This caption includes trading derivatives with a negative fair value.

##### *Recognition*

Liabilities held for trading are recorded at fair value.

##### *Measurement and recognition of items affecting the income statement*

Financial liabilities held for trading are measured at fair value, booking the effects to the income statement. Derivative instruments traded in active markets are valued at the closing price on the valuation date (*Level 1*). Derivative instruments that are not traded in active markets are priced by using valuation techniques (*Level 3*).

#### *Derecognition*

Financial liabilities are derecognised on disposal, expiration or termination.

### **Financial liabilities measured at fair value through profit and loss**

#### *Classification*

This caption includes financial liabilities designated at fair value through profit and loss by reflecting the effects on income statement.

In particular, this caption refers to the application of the *fair value option* for financial liabilities subject to "natural hedging", designed to achieve a better balance of the effects of measuring financial assets and liabilities on the income statement.

Financial liabilities may be designated at fair value through the income statement in the following cases:

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

This category comprises bonds issued with an embedded derivative or financial hedge.

#### *Recognition*

Recognition is at fair value, equal to the amount received, or at the issue price, adjusted for any costs or income directly attributable to the individual issue.

#### *Measurement and recognition of items affecting the income statement*

These are recorded at fair value, with the effects charged to the income statement.

The fair value is determined through valuation techniques using observable elements in active markets (*Level 2*). The methodology is that of discounting cash flows using a zero coupon curve based on elements available in the market, and applying a credit spread calculated using the euro swap curve and the yield curve for bonds issued by European banks with ratings equal to that of Banco Desio (*Level 2*). For subordinated bonds, a specific adjustment factor is also considered.

#### *Derecognition*

Financial liabilities measured at fair value are derecognised on disposal, expiration or termination.

Repurchases of own issues substantially lead to the termination of the part subject to repurchase. The replacement of own securities previously repurchased is considered as a new issue at the sale value.

### **Currency transactions**

#### *Recognition*

Currency transactions are recorded at the time of settlement by converting them into euro at the exchange rate ruling on the transaction date.

#### *Measurement*

At period end, foreign currency balances are measured as follows:

- monetary items: conversion at the exchange rate ruling at the balance sheet date;
- non-monetary items measured at cost: converted at the exchange rate ruling at the transaction date;
- non-monetary items measured at fair value: conversion at the exchange rate ruling at the balance sheet date.

#### *Recognition of items affecting the income statement*

For monetary items, the effect of the measurements is recognised in the income statement.

For non-monetary items with recognition of gains and losses in the income statement, exchange differences are also recognised in the income statement; if gains and losses are recognised in shareholders' equity, any exchange differences are also booked to equity.

#### **Insurance assets and liabilities**

Insurance assets and liabilities recorded in the Group's consolidated financial statements derive exclusively from line-by-line consolidation of Chiara Assicurazioni S.p.A. and refer to contracts that, based on the requirements of IFRS 4, are classified as insurance contracts, as well as investment contracts with a Discretionary Participation Feature (DPF).

Technical reserves represent contractual obligations arising in relation to the insurance contracts that have been written. They are recognised when policies are stipulated and renewed and are sufficient to provide prudently estimated commitments, to the extent that they can reasonably be foreseen.

They consist of:

##### *Assets:*

- reserves carried by reinsurers: these represent the portion of technical liabilities that have been transferred under reinsurance agreements. Their assessment reflects the same parameters used to calculate the reserve for risks assumed (so-called "direct work").

##### *Liabilities:*

- mathematical reserves: these are calculated on the basis of appropriate actuarial assumptions for mortality, able to discount any unfavourable variances that might take place subsequently; they include contract revaluations and are, in any case, not less than the surrender value;
- reserves for outstanding claims: these represent the amount needed to pay during the next half-year the surrenders and claims already notified in the first half of the year;
- technical reserves with investment risk borne by the policyholders: these are proportionate to the value of the shares of internal funds, which are partially linked to the performance of certain products (such as the Supplementary Pension Fund- SPF);
- other technical reserves: these are made up of reserves for future operating expenses, estimated in accordance with art. 25, paragraph 8 of Legislative Decree no. 174/1995.

#### **Other information**

##### *Valuation reserves*

This caption includes valuation reserves of financial assets available for sale, derivative contracts to hedge cash flows, valuation reserves created under special laws in past years and reserves for the actuarial valuation of employee benefits under IAS 19. They also include the effects of the application of fair value as the deemed cost of property, plant and equipment upon first-time adoption of IAS/IFRS.

##### *Recognition of costs and revenues*

Revenues are recognised when they are earned or, in any case, when it is probable that benefits will be received and these benefits can be reliably measured. In particular:

- interest expense is recognised on a pro-rata basis at the contractual interest rate or, in the case of application of amortised cost, at the effective interest rate. The caption "interest income (expense)" also includes positive (negative) differentials or margins on financial derivatives accrued at the date of the financial statements:
  - a) hedging assets and liabilities that generate interests;
  - b) classified in the Balance Sheet in the trading portfolio, but operationally linked to financial assets and/or liabilities measured at fair value (*fair value option*);
  - c) operationally linked to assets and liabilities classified at the portfolio held for trading and providing for the

- settlement of differentials or margins on several maturities;
- default interest, which may be provided by contract, is recognised in the Income Statement only when actually collected;
  - dividends are recognised in the Income Statement when distribution has been approved;
  - commissions income from services are recognised based on contractual agreements during the period in which the services are rendered;
  - revenues from trading in financial instruments, determined by the difference between the transaction price and the fair value of the instrument, are booked to the Income Statement on recognition of the transaction, if the fair value can be determined with reference to parameters or recent transactions observable in the same market in which the instrument is traded. If these values cannot easily be determined or have a reduced level of liquidity, the financial instrument is recognised for an amount equal to the transaction price, net of the trading margin; the difference with respect to the fair value is booked to the Income Statement over the duration of the transaction through a progressive reduction in the valuation model of the corrective factor linked to the reduced liquidity of the instrument;
  - gains/losses from trading in financial instruments are recognised in the Income Statement on completion of the sale, based on the difference between the consideration paid or received and the carrying amount of the instruments;
  - revenues from the sale of non-financial assets are recognised on completion of the sale, unless most of the risks and benefits associated with the asset have been retained.

Expenses are recognised in the Income Statement in the periods when the related revenues are accounted.

If costs and revenues can be associated in a generic and indirect way, costs are allocated systematically to several periods with rational procedures.

Costs that cannot be associated with income are booked immediately to the Income Statement.

#### *Finance leases*

Assets leased to others under finance leases are shown as receivables, for an amount equal to the net investment of the lease. The recognition of financial income reflects a constant periodic rate of return.

#### *Transactions with equity-based payments*

Transactions with equity-based payments for the benefit of Group employees can be settled:

- in cash ("cash-settled") and then recognised in the income statement on the basis of the amount accrued at the period end, also taking into account the likelihood that the charge is paid at the date that the options are exercised;
- with equity instruments ("equity-settled"), then valued using the Black and Scholes model and recognised in the income statement on the basis of the portion attributable at period-end and, as the contra-entry, the recording of an equity reserve.



## **Information on fair value**

This section provides the information on transfers of financial instruments under IAS 39 and the fair value disclosures required by IFRS 13.

The fair value is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date, regardless of whether that price is directly observable or is estimated using a valuation technique.

The purpose of the fair value is therefore to estimate the price at which the transaction would take place between market participants at current market conditions at the valuation date.

When a price is not detectable for the same asset or a liability, the fair value is estimated by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The input data should be those that market participants would use in determining the price of the asset and liabilities.

The inputs of valuation techniques to measure the fair value are classified according to the following hierarchy:

Level 1 inputs: these are prices quoted (unadjusted) in active markets<sup>1</sup> for identical assets or liabilities that the entity can access at the measurement date. A price quoted in an active market provides the most reliable evidence of fair value and, when available, should be used without any adjustments.

The emphasis is on the determination of the following elements:

- ✓ the principal market<sup>2</sup> for the asset or liability or, in the absence of a principal market, the most advantageous market<sup>3</sup> for the asset or liability;
- ✓ the ability of the entity to carry out a transaction in the asset or liability at the price of that market on the valuation date.

Level 2 inputs: these are inputs that are directly or indirectly observable for the asset or liability. They include:

- ✓ quoted prices for similar assets or liabilities in active markets;
- ✓ quoted prices for identical or similar assets or liabilities in markets that are not active;
- ✓ inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals
  - implied volatilities
  - credit spreads
- ✓ inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Level 3 inputs: these are unobservable inputs for the asset or the liability. Use of these inputs, including those from internal sources, is allowed if there is no observable market information to help make estimates; they should reflect the assumptions that market participants would make in determining the price.

#### *Transfers between portfolios*

The amendments to IAS 39 and IFRS 7 "Reclassification of financial assets" approved by the IASB in 2008 allow companies to reclassify certain financial assets out of "assets held for trading" and "assets available for sale" after initial recognition.

In particular, it is possible to reclassify:

- financial assets held for trading or available for sale that would have met the definition provided by the International Accounting Standards for the loan portfolio (if such assets were not classified as held for trading or available for sale at initial recognition) if the entity has the intention and ability to hold them for the foreseeable future or until maturity;
- financial assets held for trading that at the time they were recorded did not meet the definition of receivables, but "only in rare circumstances".

No Group company has made reclassifications between portfolios.

<sup>1</sup> Active market: a market in which transactions in the asset or liability concerned take place with sufficient frequency and volumes to provide useful information for the determination of the price on an ongoing basis.

<sup>2</sup> Principal Market: the market with the greatest volume and level of activity for the asset or liability

<sup>3</sup> Most Advantageous Market: the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability

*Fair value hierarchy*

IFRS 13 provides for the classification of instruments measured at fair value according to the observability of the inputs used for their valuation. Financial instruments are classified as follows:

- ✓ with prices quoted in an active market (Level 1);
- ✓ using valuation techniques (Level 2 and 3):
  - in the case of an active market in which one is unable to carry out a transaction at the price of that market on the valuation date;
  - without an active market.

*Accounting portfolios: breakdown by level of fair value*

Financial Assets/Liabilities measured at fair value	30.06.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	1,175	1,933		1,877	2,443	
2. Financial assets valued at fair value through profit and loss						
3. Financial assets available for sale	1,240,268	111,179	6,621	876,162	126,621	6,627
4. Hedging derivatives		7,193			9,005	
<b>Total</b>	<b>1,241,443</b>	<b>120,305</b>	<b>6,621</b>	<b>878,039</b>	<b>138,069</b>	<b>6,627</b>
1. Financial liabilities held for trading	141	645		34	483	
2. Financial liabilities valued at fair value through profit and loss		37,511			37,532	
3. Hedging derivatives		3,096			6,696	
<b>Total</b>	<b>141</b>	<b>41,252</b>	<b>-</b>	<b>34</b>	<b>44,711</b>	<b>-</b>

Investments valued on the basis of unobservable inputs (Level 3) are a very limited share of financial assets measured at fair value (0.48% compared with 0.65% at the year-end 2012).

These investments, which are all classified as financial assets available for sale, are represented entirely by minority interests.

*Changes in financial assets at fair value (level 3)*

	Financial assets			
	held for trading	valued at fair value through profit and loss	available for sale	hedging
<b>1. Opening balance</b>			<b>6,627</b>	
<b>2. Increases</b>			<b>49</b>	
2.1 Purchases				
2.2 Profits posted to:				
2.2.1 Income statement			49	
- of which: Capital gains				
2.2.2 Shareholders' equity				
2.3 Transfers from other levels				
2.4 Other increases				
<b>3. Decreases</b>			<b>55</b>	
3.1 Sales				
3.2 Redemptions			55	
3.3 Losses posted to:				
3.3.1 Income statement				
- of which: Capital losses				
3.3.2 Shareholders' equity				
3.4 Transfers to other levels				
3.5 Other decreases				
<b>4. Closing balance</b>			<b>6,621</b>	

The caption "2.2.1 Income statement" shows the profit realised on partial reimbursement of Lehman securities.

*Changes in financial liabilities at fair value (Level 3)*

No change.

*Accounting portfolios valued at fair value - migration between levels of the fair value hierarchy (level 1 and level 2)*

Changes in the first half of 2013		
	level 1	level 2
Financial assets available for sale		
transfers from level 1		15,996
transfers from level 2		

*Additional information on fair value*

The following are the disclosures required by IFRS 13 for accounting portfolios measured at fair value on a recurring basis. For financial instruments such as equities and Italian government bonds, listed on regulated markets, the fair value is the market price of the principal market or, in its absence, the most advantageous market. For Collective Investment Undertakings (UCITS), including hedge funds, the fair value is the latest net asset value (NAV) disclosed to the public.

For financial instruments such as Italian bonds other than government bonds, foreign non-government bonds, foreign government and supranational bonds, bonds issued by the Group, over-the-counter (OTC) derivatives in euro and foreign currencies, the fair value is determined by a valuation technique.

The fair value is determined according to a specific hierarchy that uses a valuation price from an external information provider; if this is absent or not significant, a price calculated using internal valuation techniques, in line with the methods commonly used by market operators.

In order to consider the credit quality of the counterparty, as a factor that might influence the determination of the price, an adequate credit value adjustment (C.V.A.) designed to consider the credit risk inherent in a breach of contract by the counterparty is applied to the positive net exposure of OTC financial derivatives; for bonds issued by the Group its own risk of default is taken into account (own credit adjustment - OCA).

The other information required by IFRS 13 on sensitivity and unobservable inputs used to determine Level 3 fair value are not provided given the nature and immateriality of Level 3 items.

*Information on "day one profit/loss"*

In relation to the Group's operations and on the basis of internal methodologies for assessment currently in use, differences between the transaction price and the initial value of the financial assets and liabilities recorded (the so-called "day one profit/loss") have not been recognised.

**Main balance sheet and  
income statement captions**

## ASSETS

### Cash and cash equivalents (caption 10)

	30.06.2013	31.12.2012
a) Cash	25,615	38,374
b) Demand deposits with Central Banks	-	42,874
<b>Total</b>	<b>25,615</b>	<b>81,248</b>

### Financial assets held for trading (caption 20)

Breakdown by sector

Captions/Amounts	30.06.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1. Debt securities	726			1,834		
1.1 Structured securities						
1.2 Other debt securities	726			1,834		
2. Equity instruments						
3. U.C.I.T.S. units						
4. Financing						
4.1 Repurchase agreements						
4.2 Other						
<b>Total (A)</b>	<b>726</b>			<b>1,834</b>		
<b>B. Derivatives:</b>						
1. Financial derivatives:	449	1,933		43	2,443	
1.1 for trading	449	500		43	317	
1.2 connected with the fair value option		1,433			2,126	
1.3 other						
2. Credit derivatives						
2.1 for trading						
2.2 connected with the fair value option						
2.3 other						
<b>Total (B)</b>	<b>449</b>	<b>1,933</b>		<b>43</b>	<b>2,443</b>	
<b>Total (A+B)</b>	<b>1,175</b>	<b>1,933</b>		<b>1,877</b>	<b>2,443</b>	

*Breakdown by borrower/issuer*

Captions/Amounts	Total 30.06.2013	Total 31.12.2012
<b>A. CASH ASSETS</b>		
<b>1. Debt securities</b>	<b>726</b>	<b>1,834</b>
a) Government and Central Banks	726	1,834
b) Other public entities		
c) Banks		
d) Other issuers		
<b>2. Equity instruments</b>	-	-
a) Banks		
b) Other issuers	-	-
- insurance companies		
- financial companies		
- non-financial companies		
- other		
<b>3. UCITS units</b>		
<b>4. Loans</b>	-	-
a) Government and Central Banks		
b) Other public entities		
c) Banks		
d) Other parties		
<b>Total A</b>	<b>726</b>	<b>1,834</b>
<b>B. DERIVATIVES</b>		
a) Banks		
- fair value	2,119	2,317
b) Customers		
- fair value	263	169
<b>Total B</b>	<b>2,382</b>	<b>2,486</b>
<b>Total (A+B)</b>	<b>3,108</b>	<b>4,320</b>



**Financial assets available for sale** (caption 40)

*Breakdown by sector*

Captions/Amounts	30.06.2013			31.12.2012		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,216,881	111,179	93	854,643	126,621	99
1.1 Structured securities		1,905	-		1,910	
1.2 Other debt securities	1,216,881	109,274	93	854,643	124,711	99
2. Equity instruments	339	-	6,528	410	-	6,528
2.1 Valued at fair value	339		4,951	410		4,951
2.2 Valued at cost			1,577			1,577
3. UCITS units	23,048			21,109		
4. Loans	-					
<b>Total</b>	<b>1,240,268</b>	<b>111,179</b>	<b>6,621</b>	<b>876,162</b>	<b>126,621</b>	<b>6,627</b>

"Equities" consist of equity investments in companies with voting rights of less than 20% of the share capital of companies that are not strategic investments for the Group.

*Breakdown by borrower/issuer*

Captions/Amounts	30.06.2013	31.12.2012
<b>1. Debt securities</b>	<b>1,328,153</b>	<b>981,363</b>
a) Government and Central Banks	1,237,226	805,054
b) Other public entities		
c) Banks	71,240	149,693
d) Other issuers	19,687	26,616
<b>2. Equity instruments</b>	<b>6,867</b>	<b>6,938</b>
a) Banks		
b) Other issuers:	6,867	6,938
- insurance companies		
- financial companies	1,534	1,534
- non-financial companies	5,333	5,404
- other		
<b>3. U.C.I.T.S units</b>	<b>23,048</b>	<b>21,109</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Government and Central Banks		
b) Other public entities		
c) Banks		
d) Other parties	-	
<b>Total</b>	<b>1,358,068</b>	<b>1,009,410</b>

**Financial assets held to maturity (caption 50)**

*Breakdown by sector*

Type of transaction/Amounts	30.06.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debt securities	182,341	172,899	10,120		151,863	153,539		
1.1 Structured securities								
1.2 Other debt securities	182,341	172,899	10,120		151,863	153,539		
2. Financing					-			
<b>Total</b>	<b>182,341</b>	<b>172,899</b>	<b>10,120</b>		<b>151,863</b>	<b>153,539</b>		

*Breakdown by borrower/issuer*

Type of transaction/Amounts	30.06.2013	31.12.2012
<b>1. Debt securities</b>	<b>182,341</b>	<b>151,863</b>
a) Government and Central Banks	171,388	140,485
b) Other public entities		
c) Banks	10,126	10,119
d) Other issuers	827	1,259
<b>2. Loans</b>	-	-
a) Government and Central Banks		
b) Other public entities		
c) Banks		
d) Other parties		
<b>Total</b>	<b>182,341</b>	<b>151,863</b>
<b>Total fair value</b>	<b>183,019</b>	<b>153,539</b>

**Due from banks (caption 60)**

*Breakdown by sector*

Type of transaction/Amounts	30.06.2013	31.12.2012
<b>A. Due from Central Banks</b>	<b>33,676</b>	<b>11,766</b>
1. Restricted deposits		
2. Reserve requirement	33,676	11,766
3. Repurchase agreements		
4. Other		
<b>B. Due from banks</b>	<b>197,206</b>	<b>238,714</b>
1. Current accounts and demand deposits	93,553	117,033
2. Restricted deposits	78,627	96,151
3. Other loans:	7	73
3.1 repurchase agreements	-	
3.2 finance leases		
3.3 other	7	73
4. Debt securities	25,019	25,457
4.1 Structured securities	25,019	25,457
4.2 Other debt securities	-	
<b>Total (book value)</b>	<b>230,882</b>	<b>250,480</b>
<b>Total (fair value)</b>	<b>230,881</b>	<b>250,480</b>

**Loans to customers (caption 70)**

*Breakdown by sector*

Type of transaction/Amounts	30.06.2013			31.12.2012		
	Performing loans	Non-performing loans		Performing loans	Non-performing loans	
		Purchased	Other		Purchased	Other
1. Current accounts	1,375,166		133,401	1,491,262		120,949
2. Repurchase agreements	144,034			337,712		
3. Mortgage loans	3,304,700		245,784	3,118,075		230,154
4. Credit cards, personal loans and assignments of one-fifth of salary	395,933		5,887	351,287		6,714
5. Finance leases	493,246		27,447	514,553		29,129
6. Factoring	16,462		356	14,207		316
7. Other loans	656,685		3,662	707,243		5,144
8. Debt securities	22,736			22,400		
8.1 Structured securities						
8.2 Other debt securities	22,736			22,400		
<b>Total (book value)</b>	<b>6,408,962</b>		<b>416,537</b>	<b>6,556,739</b>		<b>392,406</b>
<b>Total (fair value)</b>	<b>6,833,158</b>		<b>416,537</b>	<b>6,957,410</b>		<b>392,407</b>

"Repurchase agreements" are exclusively for investing surplus liquidity with institutional counterparties.

The amount shown in caption 8.2 "Other debt securities" reflects the value of capitalisation policies. As regards non-performing loans, additional details are provided in the section entitled "Information on risks and related hedging policy" to supplement the information already provided in the interim financial report.

*Breakdown by borrower/issuer*

Type of transaction/Amounts	30.06.2013		31.12.2012	
	Performing loans	Non-performing loans Purchased Other	Performing loans	Non-performing loans Purchased Other
<b>1. Debt securities:</b>	<b>22,736</b>		<b>22,400</b>	
a) Governments	-		-	
b) Other public entities				
c) Other issuers	22,736		22,400	
- non-financial companies				
- financial companies				
- insurance companies	22,736		22,400	
- other				
<b>2. Loans to:</b>	<b>6,386,226</b>	<b>416,537</b>	<b>6,534,339</b>	<b>392,406</b>
a) Governments				
b) Other public entities				
c) Other parties	6,386,226	416,537	6,534,339	392,406
- non-financial companies	4,125,191	304,648	4,101,343	280,555
- financial companies	212,012	988	435,475	404
- insurance companies	3,517		2,779	
- other	2,045,506	110,901	1,994,742	111,447
<b>Total</b>	<b>6,408,962</b>	<b>416,537</b>	<b>6,556,739</b>	<b>392,406</b>

**Hedging derivatives (caption 80)**

Breakdown by type and level

	30.06.2013				31.12.2012			
	fair value			NV	fair value			NV
	L1	L2	L3		L1	L2	L3	
<b>A) Financial derivatives</b>	<b>7,193</b>			<b>231,637</b>	<b>9,005</b>			<b>216,637</b>
1) Fair value	7,193			231,637	9,005			216,637
2) Cash flows								
3) Foreign investments								
<b>B) Credit derivatives</b>								
1) Fair value								
2) Cash flows								
<b>Total</b>	<b>7,193</b>			<b>231,637</b>	<b>9,005</b>			<b>- 216,637</b>

**Key:**

NV = - notional value

**Equity investments** (caption 100)

*Equity investments in companies subject to significant influence: disclosure of holding*

Name	Head office	Nature of holding	
		Parent company	% held
Associates (subject to significant influence)			
Chiara Assicurazioni S.p.A.	Desio	Banco Desio Brianza	32.665
Istifid S.p.A.	Milan	Banco Desio Brianza	29.943

*Equity investments in companies subject to significant influence: accounting information*

Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Book value
Associates (subject to significant influence)					
Chiara Assicurazioni S.p.A.	73,023	28,042	2,301	20,394	7,416
Istifid S.p.A.	7,250	5,112	212	3,875	932
<b>Total</b>	<b>80,273</b>	<b>33,154</b>	<b>2,513</b>	<b>24,269</b>	<b>8,348</b>

With the exception of book value, the other figures refer to the 2012 financial statements.

According to the requirements of IAS 36 and considering the information contained in the joint document of Bank of Italy/Consob/Isvap of 3 March 2010, an *impairment test on equity investments* was planned to be carried out for financial statement purposes as at 31 December 2012.

Impairment testing is designed to check that the carrying amount of equity investments does not exceed their recoverable amount, defined as the higher of fair value that can be derived from continued use (*value in use*) and the potential selling price in the market (fair value less costs to sell or exchange value) of the investment.

For further information on the *impairment testing* of equity investments, please refer to the explanatory Notes to the consolidated financial statements at 31 December 2012.

The verification carried out for the period ended 30 June 2013 on the two investments in associates, Istifid S.p.A. and Chiara Assicurazioni S.p.A., (treated in the financial statements at 31 December 2012 in accordance with IFRS 5) did not reveal any signs of probable sudden impairment losses.

In particular, as a criterion to estimate the recoverable amount of equity investments, reference was made to the selling price of the shares based on transactions that took place during the semester.

As a result of this analysis, no equity investments were written down in the interim consolidated financial report as at 30 June 2013.

**Property, plant and equipment** (caption 120)

Breakdown of assets valued at cost

Assets/Amounts	30.06.2013	31.12.2012
<b>A. Assets used in business</b>		
<b>1.1 owned</b>	<b>146,298</b>	<b>150,884</b>
a) land	41,621	42,932
b) property	88,573	90,299
c) furniture	6,771	7,392
d) electronic systems	1,981	2,307
e) other	7,352	7,954
<b>1.2 purchased under finance leases</b>	-	-
a) land		
b) property		
c) furniture		
d) electronic systems		
e) other		
<b>Total A</b>	<b>146,298</b>	<b>150,884</b>
<b>B. Investment property</b>		
<b>2.1 owned</b>	<b>6</b>	<b>6</b>
a) land	6	6
b) property		
<b>2.2 purchased under finance leases</b>	-	-
a) land		
b) property		
<b>Total B</b>	<b>6</b>	<b>6</b>
<b>Total (A+B)</b>	<b>146,304</b>	<b>150,890</b>

**Intangible assets** (caption 130)

Breakdown by type

Assets/Amounts	30.06.2013		31.12.2012	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
<b>A.1 Goodwill</b>		23,533		23,533
<b>A.2. Other intangible assets</b>	2,169		<b>2,370</b>	
A.2.1 Carried at cost:	2,169		2,370	
a) Intangible assets generated internally				
b) Other assets	2,169		2,370	
A.2.2 Carried at fair value:	-		-	
a) Intangible assets generated internally				
b) Other assets	-		-	
<b>Total</b>	<b>2,169</b>	<b>23,533</b>	<b>2,370</b>	<b>23,533</b>

According to the requirements of IAS 36 and considering the information contained in the joint document of Bank of Italy/Consob/Isvap of 3 March 2010, an *impairment test* on *Cash Generating Units* (CGU) was planned to be carried out for financial statement purposes as at 31 December 2012, which for the Group of Banco Desio coincides with the *legal entity*.

Impairment testing is designed to check that the carrying amount of the CGU does not exceed its recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the CGU.

For further information on the impairment testing of CGUs, please refer to the explanatory Notes to the consolidated financial statements at 31 December 2012.

The verification carried out for the period ended 30 June 2013 on the two CGUs did not reveal any signs of probable sudden impairment losses.

In particular, in order to verify the possible existence of conditions that would have required the impairment tests to be repeated at the date of this financial report, monitoring was carried out on some qualitative and quantitative indicators of presumed impairment for each CGU, or *legal entity*, as well as for the Banco Desio Group as a whole (level 2 test, again considering the market capitalisation). The analysis of trigger events was carried out for the main assumptions considered in the context of the *impairment tests* carried out for financial statement purposes as at 31 December 2012. These were identified with particular reference to the net result for the period in relation to the forecasts, the development of loans in terms of RWA, capital ratios and the cost of capital (Ke). For the foreign subsidiaries Brianfid-Lux S.A. in liquidation and Credito Privato Commerciale S.A. in liquidation, account has been taken of their satisfactory performance, which is in line with the plans of their liquidation procedures during the semester.

As a result of this analysis, no trigger events were identified, neither for the CGUs nor for the Group, such as to require a repeat of the *impairment tests*, nor any write-downs in the interim consolidated financial report as at 30 June 2013.

**Tax assets and liabilities** (asset caption 140 and liability caption 80)

**Deferred tax assets: breakdown**

temporary differences	ires	irap	30.06.2013	31.12.2012
<b>a) with contra-entry to the Income Statement</b>				
write-down of loans to customers deductible on a straight-line basis	56,186		56,186	39,825
general allowance for doubtful accounts	305			305
write-down of loans to customers outstanding at 31.12.1994	9		9	9
step-up of tax basis of goodwill	2,537	514	3,051	1,412
statutory depreciation of property, plant and equipment	116		116	148
provision for guarantees and commitments and country risk	504		504	470
provisions for personnel costs	5,626		5,626	1,488
provision for lawsuits	1,623		1,623	1,498
provision for claw-backs	529		529	617
provision for sundry charges	130		130	136
tax provision for termination indemnities	303		303	304
other general expenses deductible in the following year	56		56	113
other	1		1	1
<b>Total a)</b>	<b>67,925</b>	<b>514</b>	<b>68,439</b>	<b>46,326</b>
<b>b) with contra-entry to shareholders' equity</b>				
tax provision for termination indemnities	503		503	597
write-down of securities classified as AFS	4,596	953	5,549	3,108
<b>Total b)</b>	<b>5,099</b>	<b>953</b>	<b>6,052</b>	<b>3,705</b>
<b>Total</b>	<b>73,024</b>	<b>1,467</b>	<b>74,491</b>	<b>50,031</b>

**Deferred tax liabilities: breakdown**

temporary differences	ires	irap	30.06.2013	31.12.2012
<b>a) with contra-entry to the Income Statement</b>				
tax depreciation of buildings	7,058	982	8,040	8,083
tax depreciation of property, plant and equipment		19	19	22
tax amortisation of goodwill	848	172	1,020	949
tax amortisation of deferred charges (software)	2	6	8	8
tax depreciation as per art. 106, paragraph c.3	272		272	279
tax provision for termination indemnities			-	1
<b>Total a)</b>	<b>8,180</b>	<b>1,179</b>	<b>9,359</b>	<b>9,342</b>
<b>b) with contra-entry to Shareholders' Equity</b>				
revaluation of AFS securities	1,059	214	1,273	3,996
revaluation of equity investments	2	9	11	11
tax provision for termination indemnities	200		200	199
<b>Total b)</b>	<b>1,261</b>	<b>223</b>	<b>1,484</b>	<b>4,206</b>
<b>Total</b>	<b>9,441</b>	<b>1,402</b>	<b>10,843</b>	<b>13,548</b>



**Other assets** (caption 160)

Breakdown

	<b>30.06.2013</b>	<b>31.12.2012</b>
Tax credits		
- capital portion	7,523	7,715
Amounts recoverable from the Tax Authorities for advances paid	22,653	7,649
Withholding tax credits	5	5
Cheques negotiated to be cleared	18,833	26,352
Guarantee deposits	2	2
Invoices issued to be collected	858	399
Debtors for securities and coupons to be collected by third parties	230	106
Items being processed and in transit with branches	24,388	28,009
Currency spreads on portfolio transactions	355	294
Investments of the supplementary fund for termination indemnities	568	610
Leasehold improvement expenditure	20,453	21,735
Accrued income and prepaid expenses	2,848	813
Other items	15,324	11,678
<b>Total</b>	<b>114,040</b>	<b>105,367</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Due to banks (caption 10)

#### Breakdown

Type of transaction/Amounts	30.06.2013	31.12.2012
<b>1. Due to Central Banks</b>	<b>404,658</b>	<b>403,298</b>
<b>2. Due to banks</b>	<b>32,311</b>	<b>38,379</b>
2.1 Current accounts and demand deposits	27,530	19,458
2.2 Restricted deposits	4,567	18,546
2.3 Financing		
2.3.1 <i>Repurchase agreements</i>		
2.3.2 <i>Other</i>		
2.4 Payables for commitments to repurchase own equity instruments		
2.5 Other payables	214	375
<b>Total</b>	<b>436,969</b>	<b>441,677</b>
<b>Fair value</b>	<b>436,969</b>	<b>441,677</b>

### Due to customers (caption 20)

#### Breakdown

Type of transaction/Amounts	30.06.2013	31.12.2012
1. Current accounts and demand deposits	4,462,056	4,187,598
2. Restricted deposits	743,098	685,402
3. Loans	23,559	146,050
3.1 <i>repurchase agreements</i>	13,021	132,087
3.2 <i>other</i>	10,538	13,963
4. Payables for commitments to repurchase own equity instruments		
5. Other payables	34,972	22,118
<b>Total</b>	<b>5,263,685</b>	<b>5,041,168</b>
<b>Fair value</b>	<b>5,263,676</b>	<b>5,041,168</b>

Sub-caption 3.1 "*repurchase agreements*" at the end of last year included transactions with an institutional counterparty for a total of Euro 125.3 million.

**Debt securities in issue (caption 30)**

*Breakdown*

Type of security/Amounts	30.06.2013				31.12.2012			
	book value	fair value			book value	fair value		
		level 1	level 2	level 3		level 1	level 2	level 3
<b>A. Securities</b>								
1. Bonds	2,001,045	1,977,596			1,965,860	1,940,018		
1.1 structured	51,940	51,427			51,976	51,006		
1.2 other	1,949,105	1,926,169			1,913,884	1,889,012		
2. Other securities	223,159	223,159			252,021	252,021		
2.1 structured								
2.2 other	223,159	223,159			252,021	252,021		
<b>Total</b>	<b>2,224,204</b>	<b>2,200,755</b>			<b>2,217,881</b>	<b>2,192,039</b>		

**Financial liabilities held for trading (caption 40)**

*Breakdown*

Type of transaction/Members of the group	Total 30.06.2013					Total 31.12.2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. Cash liabilities</b>										
1. Due to banks										
2. 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										
<b>Total A</b>										
<b>B. Derivatives</b>										
1. Financial derivatives		141	468			34	307			
1.1 For trading		141	468			34	307			
1.2 Connected with the fair value option										
1.3 Other										
2. Credit derivatives			177				176			
2.1 For trading			177				176			
2.2 Connected with the fair value option										
2.3 Other										
<b>Total B</b>	x	141	645	x	x	34	483	x		x
<b>Total (A+B)</b>	x	141	645	x	x	34	483	x		x

**Financial liabilities measured at fair value through profit and loss** (caption 50)

*Breakdown*

	30.06.2013					31.12.2012				
	NV	fair value			FV*	NV	fair value			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks										
1.1 Structured										
1.2 Other										
2. Due to customers										
2.1 Structured										
2.2 Other										
3. Debt securities	37,800		37,511		39,806	37,800		37,532		40,403
3.1 Structured	37,800		37,511			37,800		37,532		
3.2 Other										
<b>Total</b>	<b>37,800</b>		<b>37,511</b>		<b>39,806</b>	<b>37,800</b>		<b>37,532</b>		<b>40,403</b>

**Hedging derivatives** (caption 60)

*Breakdown by type of contract and underlying assets*

	30.06.2013				31.12.2012					
	Fair value			NV	Fair value			NV		
	L1	L2	L3		L1	L2	L3			
<b>A. Financial derivatives</b>		<b>3,096</b>		-	<b>15,000</b>		<b>6,696</b>		-	<b>65,000</b>
1) Fair value		3,096			15,000		6,696			65,000
2) Cash flows										
3) Foreign investments										
<b>B. Credit derivatives</b>										
1) Fair value										
2) Cash flows										
<b>Total</b>		<b>3,096</b>		-	<b>15,000</b>		<b>6,696</b>		-	<b>65,000</b>

**Other liabilities** (caption 100)

Breakdown

	Total 30.06.2013	Total 31.12.2012
Due to tax authorities	1,775	765
Amounts payable to tax authorities on behalf of third parties	30,172	13,028
Social security contributions to be paid	4,691	5,132
Dividends due to shareholders	14	13
Suppliers	7,406	12,632
Amounts available to customers	12,139	12,906
Interest and fees to be credited		543
Payments against bill instructions	467	858
Early payments on loans not yet due	87	260
Items being processed and in transit with branches	18,258	14,380
Currency differences on portfolio transactions	3,817	53,049
Due to personnel	2,668	2,664
Sundry creditors	59,956	56,091
Provisions for guarantees given and commitments	1,834	1,712
Accrued expenses and deferred income	7,564	2,045
Other items	804	2,191
<b>Total</b>	<b>151,652</b>	<b>178,269</b>

**Provisions for risks and charges** (caption 120)

Breakdown

Items/Components	30.06.2013	31.12.2012
1. Provisions for retirement benefits	105	170
2. Other provisions for risks and charges	37,460	20,781
2.1 legal disputes	10,114	10,626
2.2 personnel expenses	22,688	8,197
2.3 other	4,658	1,958
<b>Total</b>	<b>37,565</b>	<b>20,951</b>

**Group Shareholders' Equity (captions 140, 160, 170, 180, 190, 200 and 220)**

*Share capital and treasury shares: breakdown*

Captions/Amounts	30.06.2013	31.12.2012
<b>Share capital</b>	<b>67,705</b>	<b>67,705</b>
- ordinary shares	60,840	60,840
- other shares	6,865	6,865
<b>Treasury shares</b>	-	-
- ordinary shares		
- other shares		
<b>Total</b>	<b>67,705</b>	<b>67,705</b>

**Minority interests (caption 210)**

*Breakdown*

Captions/Amounts	Banking Group	Insurance companies	30.06.2013	31.12.2012
1. Share capital	100		100	4,238
2. Share premium reserve			-	210
3. Reserves	19		19	1,613
4. Treasury shares				-
5. Valuation reserves			-	98
6. Equity instruments				-
7. Profit (Loss) for the period attributable to minority interests	43		43	855
<b>Total</b>	<b>162</b>	-	<b>162</b>	<b>7,014</b>

The insurance component at the end of 2012 amounted to Euro 6,799 thousand.

## INCOME STATEMENT

### Interest income (caption 10)

#### Breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	30.06.2013	30.06.2012
1. Financial assets held for trading	27		414	441	900
2. Financial assets measured at fair value through profit and loss					
3. Financial assets available for sale	12,769			12,769	14,742
4. Financial assets held to maturity	3,201			3,201	2,390
5. Due from banks	443	553	-	996	1,660
6. Loans to customers	336	136,687		137,023	145,703
7. Hedging derivatives			2,206	2,206	1,110
8. Other assets			4	4	31
<b>Total</b>	<b>16,776</b>	<b>137,240</b>	<b>2,624</b>	<b>156,640</b>	<b>166,536</b>

The total as at 30.06.2012 included total interest of Euro 720 thousand related to Chiara Assicurazione S.p.A., a company that was still a subsidiary as of that date.

#### Differentials on hedging transactions

Captions	30.06.2013	30.06.2012
A. Positive differentials on hedging transactions	3,390	3,410
B. Negative differentials on hedging transactions	(1,184)	(2,300)
<b>C. Balance (A-B)</b>	<b>2,206</b>	<b>1,110</b>

### Interest expense (caption 20)

#### Breakdown

Captions/Technical forms	Payables	Securities	Other transactions	30.06.2013	30.06.2012
1. Due to central banks	(1,361)			(1,361)	(1,683)
2. Due to banks	(63)			(63)	(513)
3. Due to customers	(32,783)			(32,783)	(28,901)
4. Debt securities in issue		(29,441)		(29,441)	(31,438)
5. Financial liabilities held for trading				-	
6. Financial liabilities valued at fair value through profit and loss		(579)		(579)	(1,110)
7. Other liabilities and provisions			(31)	(31)	
8. Hedging derivatives				-	
<b>Total</b>	<b>(34,207)</b>	<b>(30,020)</b>	<b>(31)</b>	<b>(64,258)</b>	<b>(63,645)</b>

**Commission income (caption 40)**

*Breakdown*

Type of service/Amounts	30.06.2013	30.06.2012
a) guarantees given	1,154	1,129
b) credit derivatives		
c) management, brokerage and consulting services:	14,227	14,655
1. trading in financial instruments	100	897
2. trading in foreign exchange	581	566
3. managed portfolios	1,109	1,849
3.1 <i>individual</i>	760	1,492
3.2 <i>collective</i>	349	357
4. custody and administration of securities	860	1,264
5. custodian bank		
6. placement of securities	2,617	2,494
7. order taking	4,741	4,376
8. advisory services	-	-
8.1 regarding investments		
8.2 regarding financial structuring		
9. distribution of third-party services	4,219	3,209
9.1. managed portfolios	215	232
9.1.1 <i>individual</i>	215	232
9.1.2 <i>collective</i>	-	-
9.2. insurance products	3,961	2,931
9.3. other products	43	46
d) collection and payment services	10,802	10,676
e) servicing related to securitisation		
f) services for factoring transactions	75	53
g) tax collection services		
h) management of multilateral trading systems		
i) maintenance and management of current accounts	25,346	24,942
j) other services	10,234	8,219
<b>Total</b>	<b>61,838</b>	<b>59,674</b>



**Commission expense** (caption 50)

*Breakdown*

Type of service/Amounts	30.06.2013	30.06.2012
a) guarantees received	(19)	(9)
b) credit derivatives		
c) management and brokerage services:	(657)	(791)
1. trading in financial instruments	(30)	(144)
2. trading in foreign exchange		
3. portfolio management	-	-
3.1 own portfolio		
3.2 third-party portfolio		
4. custody and administration of securities	(627)	(647)
5. placement of financial instruments		
6. offer of securities, financial products and services through financial promoters	-	-
d) collection and payment services	(1,460)	(1,381)
e) other services	(6,511)	(4,672)
<b>Total</b>	<b>(8,647)</b>	<b>(6,853)</b>

**Dividends and similar income** (caption 70)

*Breakdown*

Caption/Income	30.06.2013		30.06.2012	
	Dividends	Income from U.C.I.T.S. shares	Dividends	Income from U.C.I.T.S. shares
A. Financial assets held for trading				
B. Financial assets available for sale	117		43	
C. Financial assets measured at fair value through profit and loss				
D. Equity investments	-			
<b>Total</b>	<b>117</b>	<b>-</b>	<b>43</b>	<b>-</b>

**Net trading income** (caption 80)

*Breakdown*

Transactions/Income components	Capital gains	Trading profits	Capital losses	Trading losses	Net result	Net result
					30.06.2013	30.06.2012
<b>1. Financial assets held for trading</b>	-	215	(8)	(26)	<b>181</b>	<b>315</b>
1.1 Debt securities		161	(8)	(25)	128	385
1.2 Equity instruments					-	(129)
1.3 U.C.I.T.S. shares						
1.4 Loans						
1.5 Other		54		(1)	53	59
<b>2. Financial liabilities held for trading</b>						
2.1 Debt securities						
2.2 Payables						
2.3 Other						
<b>3. Other financial assets and liabilities: exchange differences</b>					<b>434</b>	<b>602</b>
<b>4. Derivatives</b>	<b>473</b>		<b>(174)</b>		<b>319</b>	<b>101</b>
4.1 Financial derivatives:	473		(174)		319	101
- on debt securities and interest rates	459		(174)		285	87
- on equities and equity indices	14				14	6
- on currency and gold					20	8
- other						
4.2 Credit derivatives						
<b>Total</b>	<b>473</b>	<b>215</b>	<b>(182)</b>	<b>(26)</b>	<b>934</b>	<b>1,018</b>

**Net hedging gains (losses)** (caption 90)

*Breakdown*

Income item/Amounts	30.06.2013	30.06.2012
<b>A. Income relating to:</b>		
A.1. Fair value hedges	3,968	1,983
A.2. Hedged financial assets (fair value)	48	
A.3 Hedged financial liabilities (fair value)	2,517	5
A.4 Cash flow hedges		
A.5 Foreign currency assets and liabilities		
<b>Total income from hedging activity (A)</b>	<b>6,533</b>	<b>1,988</b>
<b>B. Charges relating to:</b>		
B.1. Fair value hedges	(4,999)	(272)
B.2 Hedged financial assets (fair value)	(1,685)	(818)
B.3 Hedged financial liabilities (fair value)		(1,542)
B.4 Cash flow hedges		
B.5 Foreign currency assets and liabilities		
<b>Total charges from hedging activity (B)</b>	<b>(6,684)</b>	<b>(2,632)</b>
<b>C. Net hedging gains (losses)</b>	<b>(151)</b>	<b>(644)</b>

**Gains (losses) on disposal or repurchase** (caption 100)

*Breakdown*

Caption/Income items	30.06.2013			30.06.2012		
	Gains	Losses	Net result	Gains	Losses	Net result
<b>Financial assets</b>						
1. Due from banks			-			-
2. Loans to customers			-			-
3. Financial assets available for sale	31,883	(3,725)	28,158	20,875	(7,711)	13,164
3.1 Debt securities	31,228	(3,628)	27,600	20,193	(7,703)	12,490
3.2 Equity instruments	-	(1)	(1)	11	(8)	3
3.3 U.C.I.T.S. shares	655	(96)	559	671	-	671
3.4 Loans						
4. Financial assets held to maturity						
<b>Total assets</b>	<b>31,883</b>	<b>(3,725)</b>	<b>28,158</b>	<b>20,875</b>	<b>(7,711)</b>	<b>13,164</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Debt securities in issue	98	(284)	(186)	492	(4)	488
<b>Total liabilities</b>	<b>98</b>	<b>(284)</b>	<b>(186)</b>	<b>492</b>	<b>(4)</b>	<b>488</b>

**Net results on financial assets and liabilities measured at fair value** (caption 110)

Net change in value of financial assets and liabilities measured at fair value: breakdown

Transactions/Income components	Capital gains	Gains on disposal	Capital losses	Losses on disposal	Net result	Net result
					30.06.2013	30.06.2012
<b>1. Financial assets</b>	-	-	-	-	-	-
1.1 Debt securities						
1.2 Equity instruments						
1.3. U.C.I.T.S. shares						
1.4 Loans						
<b>2. Financial liabilities</b>	<b>35</b>	<b>11</b>	<b>(74)</b>	<b>(1)</b>	<b>(29)</b>	<b>(2,449)</b>
2.1 Debt securities	35	11	(74)	(1)	(29)	(2,449)
2.2 Due to banks						
2.3 Due to customers						
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>						
<b>4. Credit and Financial Derivatives</b>	<b>20</b>		<b>(546)</b>		<b>(526)</b>	<b>151</b>
<b>Total</b>	<b>55</b>	<b>11</b>	<b>(620)</b>	<b>(1)</b>	<b>(555)</b>	<b>(2,298)</b>

Net impairment adjustments (caption 130)

Net impairment adjustments to loans and advances

Transactions/Income components	Write-downs			Write-backs			30.06.2013	30.06.2012
	Specific		Portfolio	Specific		Portfolio		
	Write-offs	Other		interest	other write-backs			
<b>A. Loans to banks</b>								
- loans								
- debt securities								
<b>B. Loans to customers</b>	<b>(4,161)</b>	<b>(78,843)</b>	<b>(263)</b>	<b>4,381</b>	<b>8,412</b>	<b>610</b>	<b>(69,864)</b>	<b>(31,049)</b>
Impaired loans acquired								
- loans								
- debt securities								
Other receivables	(4,161)	(78,843)	(263)	4,381	8,412	610	(69,864)	(31,049)
- loans	(4,161)	(78,843)	(263)	4,381	8,412	610	(69,864)	(31,049)
- debt securities								
<b>C. Total</b>	<b>(4,161)</b>	<b>(78,843)</b>	<b>(263)</b>	<b>4,381</b>	<b>8,412</b>	<b>610</b>	<b>(69,864)</b>	<b>(31,049)</b>

*Net impairment adjustments to other financial transactions:*

Transactions/Income components	Write-downs			Write-backs				30.06.2013	30.06.2012
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		interest	other write-backs	interest	other write-backs		
A. Guarantees given	-	(95)	(184)		137		21	(121)	(16)
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions									
<b>E. Total</b>	<b>-</b>	<b>(95)</b>	<b>(184)</b>	<b>-</b>	<b>137</b>	<b>-</b>	<b>21</b>	<b>(121)</b>	<b>(16)</b>

**Administrative expenses** (caption 180)

*Personnel costs*

Type of expense/Sectors	30.06.2013	30.06.2012
1) Employees	(81,658)	(72,741)
a) wages and salaries	(45,971)	(48,100)
b) social security charges	(11,972)	(12,433)
c) termination indemnities	-	(14)
d) pension expenses	(393)	(459)
e) provision for termination indemnities	-	-
f) provision for post-retirement benefits and similar commitments:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(4,260)	(4,937)
- defined contribution	(4,260)	(4,937)
- defined benefit	-	-
h) equity-based payments	(175)	(87)
i) other personnel benefits	(18,887)	(6,711)
2) Other active employees	(591)	(1,294)
3) Directors and auditors	(1,919)	(3,675)
4) Retired personnel	-	-
5) Recovery of cost of employees seconded to other companies	-	-
6) Reimbursement of cost of third-party employees seconded to the Company	(3)	-
<b>Total</b>	<b>(84,171)</b>	<b>(77,710)</b>

The caption "Other personnel benefits" includes the provision for redundancies of 15,598 thousands euro; net of this provision, personnel costs would have amounted to 68,573 thousand euro.

The total of the caption as at 30.06.2012 included 1,920 thousand euro of expenses related to Chiara Assicurazioni S.p.A.

*Average number of employees by level: banking group*

	30.06.2013	30.06.2012
<b>Employees</b>	<b>1,780</b>	<b>1,859</b>
a) managers	29	34
b) middle managers	904	931
c) other personnel	847	894
<b>Other personnel</b>	<b>18</b>	<b>38</b>

At 30.06.2012 this caption also included 42 members of staff of Chiara Assicurazioni, made up of 38 employees and 4 other personnel.

*Other administrative costs*

	30.06.2013	30.06.2012
indirect taxes		
- stamp duty	(8,536)	(5,594)
- other	(2,360)	(1,803)
IT expenses	(5,624)	(5,791)
lease of property and other assets	(5,838)	(6,639)
maintenance of buildings, furniture and equipment	(1,656)	(1,825)
post office and telegraph	(1,190)	(1,241)
telephone and data transmission	(1,734)	(1,179)
electricity, heating, water	(1,947)	(1,983)
cleaning services	(625)	(647)
printed matter, stationery and consumables	(405)	(1,036)
transport costs	(381)	(516)
surveillance and security	(665)	(806)
advertising	(342)	(557)
information and surveys	(690)	(1,213)
insurance premiums	(586)	(576)
legal fees	(2,873)	(1,905)
expenses for professional services	(5,359)	(1,901)
various contributions and donations	(38)	(54)
sundry expenses	(2,848)	(4,658)
<b>Total</b>	<b>(43,697)</b>	<b>(39,924)</b>

At 30.06.2012 the amount attributable to Chiara Assicurazioni S.p.A. amounted to Euro 1,148 thousands.

**Net provisions for risks and charges** (caption 190)

Type of provision/Amounts	30.06.2013	30.06.2012
charges for legal disputes	(827)	(1,887)
other charges	(2,378)	4,899
<b>Total</b>	<b>(3,205)</b>	<b>3,012</b>

**Net adjustments to property, plant and equipment** (caption 200)

*Breakdown*

Assets/Income items	Depreciation	Impairment adjustments	Write-backs	Net result	Net result
				30.06.2013	30.06.2012
A. Property, plant and equipment					
A.1 owned	(2,893)			(2,893)	(3,692)
- for business purposes	(2,893)			(2,893)	(3,692)
- for investment purposes					
A.2 held under finance leases					
- for business purposes					
- for investment purposes					
<b>Total</b>	<b>(2,893)</b>	<b>-</b>	<b>-</b>	<b>(2,893)</b>	<b>(3,692)</b>

**Net adjustments to intangible assets** (caption 210)

*Breakdown*

Assets/Income items	Amortisation	Impairment adjustments	Write-backs	Net result	Net result
				30.06.2013	30.06.2012
A. Intangible assets					
A.1 Owned	(458)			(458)	(1,216)
- generated internally				-	-
- other	(458)			(458)	(1,216)
A.2 Held under finance leases				-	-
<b>Total</b>	<b>(458)</b>	<b>-</b>	<b>-</b>	<b>(458)</b>	<b>(1,216)</b>

The amount attributable to Chiara Assicurazioni S.p.A. as of 30.06.2012 amounted to Euro 365 thousand.

**Other operating charges/income** (caption 220)

*Other operating charges*

Income item/Amounts	30.06.2013	30.06.2012
amortisation of leasehold improvements	(1,319)	(1,408)
losses on disposal of property, plant and equipment	(13)	(20)
charges on non-banking services	(430)	(599)
<b>Total</b>	<b>(1,762)</b>	<b>(2,027)</b>



### Other operating income

Income item/Amounts	30.06.2013	30.06.2012
recovery of taxes from third parties	9,942	6,012
recovery of deposit and current account expenses	5,185	3,704
other cost recoveries	2,908	2,554
gains on disposal of property, plant and equipment	1,493	17
other	308	850
<b>Total</b>	<b>19,836</b>	<b>13,137</b>

### Profit (loss) from equity investments (caption 240)

Income item/Amounts	30.06.2013	30.06.2012
<b>A. Income</b>	<b>12,164</b>	<b>1,879</b>
1. Revaluations	372	1,879
2. Gains on disposal	11,792	
3. Write-backs		
4. Other income		
<b>B. Losses</b>		
1. Write-downs		
2. Impairment write-downs		
3. Losses on disposal		
4. Other losses		
<b>Net result</b>	<b>12,164</b>	<b>1,879</b>

### Income taxes for the year on continuing operations (caption 290)

Income items/Segments	30.06.2013	30.06.2012
1. Current taxes (-)	(26,213)	(21,501)
2. Change in prior period income taxes (+/-)	(13)	23
3. Reduction in current taxes (+)	44	
3bis Reduction in current taxes for tax credits under Law 214/2011		
4. Change in deferred tax assets (+/-)	22,100	6,803
5. Change in deferred tax liabilities (+/-)	(18)	(1)
<b>6. Income taxes for the period (-)</b>	<b>(4,100)</b>	<b>(14,676)</b>

At 30.06.2012 the total tax attributable to Chiara Assicurazioni S.p.A. amounted to 816 thousands euro.

## **Information on risks and related hedging policy**

## SECTION 1 - RISKS FACED BY THE BANKING GROUP

### 1.1 CREDIT RISK

#### Qualitative information

##### 1. General aspects

The Group's lending activity has developed according to the guidelines of the Business Plan, addressed to local economies primarily in the retail, *small business and small SME markets*. To a lesser extent, our lending activity is directed towards the corporate market.

The activities aimed at individual customers, small businesses (artisans, family businesses and professionals), medium and large companies and customers in the financial sector, mainly include the following products: loans and deposits in any form; financial, banking and payment services; documentary credit; leasing and factoring; financial, insurance and asset management products; debit and credit cards.

Trade policy is pursued through the peripheral branch network, both in the geographical areas where the Group has traditionally been present, in order to consolidate its position on an ongoing basis, and in new markets where branches have been opened more recently with the aim of gaining new market shares and to facilitate the growth of business volume.

##### 2. Credit risk management policies

###### 2.1. Organisational aspects

Factors that generate credit risk involve the possibility that an unexpected change in the creditworthiness of a counterparty in respect of which there is an exposure, might generate a corresponding unexpected change in the market value of the credit position. It follows that not only the possibility of a counterparty's insolvency, but also a simple deterioration of its creditworthiness has to be considered a manifestation of credit risk.

The Group's organisational structure provides for adequate monitoring and management of credit risk, in a logic of separation between business and control functions.

The Parent Company's Board of Directors has exclusive power to lay down the guidelines that have an impact on the running of the Group's affairs. As regards internal controls, the Board of Directors approves the strategic direction and policies for risk management, as well as the organisational structure of the Bank.

The Parent Company's Board of Directors lays down the ways in which each subsidiary has to implement the various levels of control, taking into account the nature and size of the subsidiary's activity and its location; The Board of Directors also identifies the functions of the Parent Company that are responsible for specific control mechanisms, establishing suitable information flows.

###### 2.2 Systems for managing, measuring and monitoring credit risk

Systems for managing, measuring and monitoring credit risk are developed in an organisational context that involves the whole cycle of the credit process, from initial inquiry and periodic review to final withdrawal and recovery.

These risk management, measurement and monitoring systems are performed by a specialist department at the Parent Company, where certain functions outsourced by subsidiaries have been centralised.

For management purposes, the Banco Desio Group uses an *internal rating* model (*CRS - Credit Rating System*) that is able to classify each counterparty in risk classes that reflect a similar probability of default. This system, which was developed within the Parent Company as part of the procedures made available by the IT outsourcer, is an analytical model for measuring default risk using methods of statistical inference based on the subjective (or conditional probability) theory. Application of this model makes it possible to assign a rating based on the sources of information used and the segment to which the borrower belongs (retail/corporate); in particular, the criteria for the segmentation of counterparties are chosen taking into account the borrower's sector, legal form and turnover (if any). There are eight rating classes for performing counterparties (from AAA to CC), while there are three for non-performing loans (past due, watchlist and doubtful loans).

For the purpose of calculating the capital requirement for credit risk, the Group follows the rules provided in the regulations for the standardised approach.

### **2.3 Credit risk mitigation techniques**

As part of the process leading up to the provision of credit, whenever possible, the Group acquires real and/or personal guarantees in order to mitigate risk, even if the requirements appear to be satisfied.

For all loans, the main type of real guarantee is the mortgage, primarily related to the technical form of mortgage loans (particularly on residential properties). To a lesser extent, there are also pledges on securities and/or cash.

Guarantees received by the Group are drawn up on contractual forms in line with industry standards and the law, and are approved by the relevant corporate functions. The process of collateral management provides for monitoring and specific controls to check their eligibility, in line with the requirements of the new regulations.

To date, the Group does not use credit derivatives to hedge or transfer credit risk and has not carried out any direct securitisations.

### **2.4 Impaired financial assets**

Loans are classified as doubtful when, in the light of objective evidence collected by the relevant offices, the customer proves to be unable to meet its commitments and is therefore in a state of insolvency, even if this has not yet been declared by the court.

Loans are classified as *watchlist* taking into account the impossibility of an amicable settlement, the failure to meet the agreed repayment plans and the need to request timely court interventions in order to monitor the loans effectively.

In any case, watchlist loans include exposures with specific characteristics explained in the supervisory instructions.

To be classified under restructured loans, whether for cash or "off-balance sheet items", the Group complies with the supervisory requirements by analytically assessing the presence of the conditions as provided by the regulations.

Regarding past due or overdue loans as defined by the Supervisory Authority, they are constantly monitored by the relevant departments through the use of specific IT procedures.

As for the criteria and procedures for evaluating the appropriateness of adjustments, they are based on objectivity and prudence.

The expected loss is, in fact, the synthesis of several elements derived from various (internal and external) assessments about the compliance principal debtor's assets and those of any guarantors. Monitoring of the expected loss is constant and organic and, in any case, compared to the development of the individual position. The time element linked to the present value of impaired loans is determined by specific assessments carried out for each type of asset, drawn up on the basis of information relating to the individual legal jurisdiction.

**Quantitative information**

**Credit quality**

*Distribution of credit exposure by portfolio and quality of lending (book values)*

Portfolio/Quality	Banking Group					Other businesses		Total
	Doubtful loans	Watchlist loans	Restructured loans	Past due loans	Other assets	Non-performing	Other	
1. Financial assets held for trading					3,108			<b>3,108</b>
2. Financial assets available for sale	93				1,328,060			<b>1,328,153</b>
3. Financial assets held to maturity					182,341			<b>182,341</b>
4. Due from banks					230,882			<b>230,882</b>
5. Loans to customers	207,323	152,188	3,328	53,698	6,408,962			<b>6,825,499</b>
6. Financial assets measured at fair value through profit and loss					-		-	-
7. Financial assets being sold							-	-
8. Hedging derivatives					7,193			<b>7,193</b>
<b>Total as at 30.06.2013</b>	<b>207,416</b>	<b>152,188</b>	<b>3,328</b>	<b>53,698</b>	<b>8,160,546</b>	-	-	<b>8,577,176</b>
<b>Total as at 31.12.2012</b>	<b>177,127</b>	<b>163,294</b>	<b>5,043</b>	<b>47,042</b>	<b>7,953,670</b>	-	<b>45,190</b>	<b>8,391,366</b>

*Distribution of credit exposures by portfolio and quality of lending (gross and net values)*

Portfolio/Quality	Non-performing loans			Gross exposure	Performing loans		Net exposure	Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure		General portfolio adjustments	Net exposure		
<b>A. Banking group</b>								
1. Financial assets held for trading				3,108			3,108	<b>3,108</b>
2. Financial assets available for sale	93		93	1,328,060			1,328,060	<b>1,328,153</b>
3. Financial assets held to maturity				182,341			182,341	<b>182,341</b>
4. Due from banks				230,882			230,882	<b>230,882</b>
5. Loans to customers	629,802	- 213,265	416,537	6,450,097	- 41,135		6,408,962	<b>6,825,499</b>
6. Financial assets measured at fair value through profit and loss								
7. Financial assets being sold								
8. Hedging derivatives				7,193			7,193	<b>7,193</b>
<b>Total A</b>	<b>629,895</b>	<b>- 213,265</b>	<b>416,630</b>	<b>8,201,681</b>	<b>- 41,135</b>		<b>8,160,546</b>	<b>8,577,176</b>
<b>B. Other companies included in consolidation</b>								
1. Financial assets held for trading								-
2. Financial assets available for sale								
3. Financial assets held to maturity								
4. Due from banks								
5. Loans to customers								
6. Financial assets measured at fair value through profit and loss								
7. Financial assets being sold								
8. Hedging derivatives								
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at 30.06.2013</b>	<b>629,895</b>	<b>- 213,265</b>	<b>416,630</b>	<b>8,201,681</b>	<b>- 41,135</b>		<b>8,160,546</b>	<b>8,577,176</b>
<b>Total as at 31.12.2012</b>	<b>546,569</b>	<b>- 154,063</b>	<b>392,506</b>	<b>8,040,446</b>	<b>- 41,586</b>		<b>7,998,860</b>	<b>8,391,366</b>

*Detailed information on performing loans*

Portfolio/Quality	Exposures subject to renegotiation					Other exposures					TOTAL net exposure
	Past due				Not yet due	Past due				Not yet due	
	less than 3 months	3 to 6 months	6 to 12 months	beyond 1 year		less than 3 months	3 to 6 months	6 to 12 months	beyond 1 year		
1. Financial assets held for trading										3,108	<b>3,108</b>
2. Financial assets available for sale										1,328,060	<b>1,328,060</b>
3. Financial assets held to maturity										182,341	<b>182,341</b>
4. Due from banks										230,882	<b>230,882</b>
5. Loans to customers	13,541	-			189,225	293,895	19,095	6,933	18,033	5,868,240	<b>6,408,962</b>
6. Financial assets measured at fair value through profit and loss											
7. Financial assets being sold											
8. Hedging derivatives										7,193	<b>7,193</b>
<b>TOTAL</b>	<b>13,541</b>				<b>189,225</b>	<b>293,895</b>	<b>19,095</b>	<b>6,933</b>	<b>18,033</b>	<b>7,619,824</b>	<b>8,160,546</b>

*Distribution of cash and "off-balance sheet" exposures by external rating class (book values)*

Based on the compilation rules set by the Bank of Italy, the table in question has not been completed because the amount of exposures with external ratings is not significant.

*Distribution of cash and "off-balance sheet" exposures by internal rating class*

The Group does not use internal rating models for the determination of capital requirements.

As explained in the section on qualitative information (paragraph 2.2), under the procedures provided by the IT outsourcer, a rating model aimed at assessing retail customers (individual consumers and small businesses) and Corporate customers (companies with turnover higher than Euro 1 million) has been developed for management purposes.

The following table shows performing loans belonging to the above categories with the proportion of each rating class to the overall exposure.

Exposures at 30.06.2013	Internal rating class			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash exposure	36.0%	44.5%	19.5%	100.0%
Off-balance sheet exposures	36.1%	57.2%	6.7%	100.0%

*Major risks*

With reference to current supervisory regulations, the situation as at 30 June 2013 is reported below

Description	Nominal Amount	Weighted amount	Number of positions
Major risks	1,474,826	0	1

The position with zero weighting relates to exposures to the Italian Government for securities held in portfolio.



## 1.2 MARKET RISK

### 1.2.1 Interest rate risk and price risk - Trading portfolio reported for Supervisory purposes

#### Qualitative information

##### A. General aspects

Unexpected changes in market interest rates, in the presence of differences in maturities and in the timing of interest rate reviews for assets and liabilities, result in a change in the net interest flow and therefore in net interest income (or "interest margin"). In addition, these unexpected fluctuations expose the bank to changes in the economic value of assets and liabilities.

The information in this section refers only to Italian Group companies, as the assets held by the other companies are not significant.

In the year just ended, the Group adopted a strategy to consolidate a return in line with budget, while maintaining a low risk profile through a low portfolio duration.

##### B. Management processes and measurement methods of interest rate risk and price risk

In carrying out its responsibilities for management and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., as the Parent Company, issued specific rules on the various levels of controls to all companies in the Banking Group.

The day-to-day activity of the Parent Company's Finance Department is directed only to the Italian Group companies and is monitored by the internal control system both with reference to the operating limits (in terms of size and breakdown by type of security) and with reference to both interest rate and price risk. In particular, duration limits are set in order to mitigate interest rate risk. General Management is informed on a daily basis about operations and the size of the portfolios, as well as about any operational limits that have been reached. Together with the above controls, the Group also uses internal models, assigning the monitoring and measurement of interest rate and price risk to the Parent Company's risk management function, which operates in complete autonomy from both the operational areas and the subsidiaries.

This activity is carried out only for the Italian Group companies, which cover almost all of the trading portfolio for supervisory purposes.

For the quantification of generic risks, the Group has adopted a model based on the concept of Value at Risk (V.a.R.) in order to express synthetically and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and at a specific confidence level under normal market conditions. This method has the advantage of allowing the aggregation of positions involving heterogeneous risk factors; it also provides a concise number which, being expressed in monetary terms, is easily used by the organisational structure involved. The model is parametric of a variance-covariance type for linear tools with an approximation of the delta-gamma type for optional instruments, and uses a confidence interval of 99% with a time period equivalent to 10 days, in line with the recommendations set out by the Basel Committee. The model covers the assets, in terms of financial instruments, included in both the management and trading portfolios, as defined in the rules governing supervisory reports and subject to the capital requirements for market risks.

The model uses matrices that contain the standard deviations of each risk factor (interest rates, exchange rates and prices) and their correlations. The calculation of the volatilities and correlations is based on the modelling assuming normality in the daily logarithmic returns of the risk factors, using an exponential weighting based on a decay factor with a time interval of 250 observations. The application used to calculate the V.a.R. is ALMpro, while the financial information needed to determine V.a.R. (volatility, correlations, term structure of interest rates, exchange rates, equity indices and benchmark indices) are provided by RiskSize.

To date, currency and interest rate derivatives and options on equities and indices entered into for trading purposes are excluded from the analysis; in any case, they are treated in the same way as brokerage. The V.a.R. of equities is measured by taking into account the relationship (so-called "beta coefficient") that exists between the performance of an individual instrument to that of its benchmark index (equity index or benchmark index for mutual funds).

Stress tests are carried out through parallel shifts in the yield curve, assuming variations of +/-100 basis points only for positions that are sensitive to interest rates; studies that will enable us to carry out "backtesting" analysis are currently underway.

Trading is subject to operating limits established by the Parent Company's Board of Directors for each level of delegation in terms of portfolio size, duration and V.a.R. Given the composition of the portfolio, these operating limits are only present in the Parent Company. A specific reporting system is the tool used to provide adequate

information to the organisational units involved. The content and frequency of reports depend on the objectives assigned to each participant in the process.

The internal model is not used in the calculation of capital requirements for market risk.

## Quantitative information

### ***Trading portfolio for supervisory purposes: internal models and other methodologies for the sensitivity analysis***

The monitoring carried out in the first half of 2013 on the "trading portfolio for supervisory purposes" of the Parent Company and the Italian banking system shows a structure with limited market risks. Given the Group's policy of underweighting price risk, almost all of the "trading portfolio for supervisory purposes" is exposed to interest rate risk. The Parent Company takes almost all of the interest rate and price risk, meanwhile for the Italian banking subsidiary the provision is completely marginal.

Related V.a.R. as at 28.06.2013 amounted to Euro 12 thousand, equal to 1.73% of the trading portfolio; the duration is 3 years 10 months.

The scenario analyses carried out in terms of parallel shifts in the yield curve, assuming variations of +/-100 basis points only for positions that are sensitive to interest rates and considering a positive change in interest rates, at 28.06.2013 show a negative impact of Euro 36 thousand, equal to:

- ⇒ 5.090% of the trading portfolio;
- ⇒ 0.021% of net interest and other banking income;
- ⇒ 0.004% of shareholders' equity, net of the result for the year.

## 1.2.2 Interest rate risk and price risk - Banking portfolio

### Qualitative information

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

The measurement of interest rate risk is performed by the Parent Company's risk management function. This activity is carried out for the Group's Italian banks, which cover almost all of the banking portfolio. The whole of the Group's business associated with the transformation of maturities of assets and liabilities, portfolio securities, treasury operations and the respective hedging derivatives are monitored using *Asset and Liability Management (A.L.M.)* methods via ALMpro application. Risks are measured monthly from a static perspective; the simulation form that makes it possible to monitor and manage interest rate risk from a dynamic standpoint is also active.

The static analysis currently performed allows us to measure the impact of changes in the interest rate structure expressed in terms of the change in the economic value of assets and net interest income. In this context, the results of the banking portfolio for financial statement purposes are also presented, excluding analysis of financial instruments in the trading portfolio for supervisory purposes.

The variability of net interest income, driven by positive and negative changes in interest rates over a period of 365 days, is estimated by *GapAnalysis* in order to achieve more accurate estimates.

The changes in the economic value of assets and liabilities are analysed by applying *Duration Gap and Sensitivity Analysis* approaches.

The analyses are performed through parallel *shifts* in the yield curve and specific scenarios of changes in market interest rates.

Assets in the bank book with price risk consist entirely of shares and units in mutual funds. The latter represent a marginal portion of the whole and are measured using the V.a.R. techniques as described in section 2.1.

#### **B. Fair Value hedging activities**

As part of an active and prudent management of the risks associated with operations, the Group uses exclusively fair value hedging activities only on the Italian banking entities of the Group, in order to protect the income statement from risks arising from adverse changes in Fair Value; the objective of a hedge is to offset any changes in the Fair Value of the hedged instrument with changes in the Fair Value of the hedging instrument.

Up to date, the hedged instruments relate to both assets and liabilities, the latter being exclusively comprised of bonds, while derivative instruments consisting of unquoted instruments - mainly interest rate swaps and interest rate options - are used as hedging instruments only to hedge interest rate risk.

The Parent Company has prepared a model which allows to manage hedge accounting in accordance with the rules provided by International Accounting Standards (IAS). The method used by the Parent Company for the effectiveness test is the "Dollar Offset Method" (hedge ratio) on a cumulative basis. All hedges are specific. The Group applies the Fair Value Option for certain types of bonds issued, with the aim of making the entire fair value of the financial instrument more reliable and representative.

### C. Cash flow hedging activities

The Group has not taken out any financial cash flow hedges.

### Quantitative information

#### Banking portfolio: internal models and other methodologies for the analysis of sensitivity

The Group's operational and strategic approach is to consider the volatility of the interest margin and the overall economic value.

The following table shows the results of the impact on the interest Margin - from a static perspective and in the absence of behavioural models for demand items - of the analyses carried out at 30 June 2013, assuming a parallel shift in the yield curve, and considering the time effect of re-pricing.

Risk ratios as at 30 June 2013: parallel shifts in the yield curve

	+100 bps	-100 bps
<i>% of the expected margin</i>	3.39%	-12.60%
<i>% of net interest and other banking income</i>	3.79%	-14.07%
<i>% of shareholders' equity</i>	0.82%	-3.04%

Regarding the economic value, the estimated impact of the change with the help of measurement models in a static perspective and in the absence of behavioural models for demand items, showed a risk exposure for the first half of 2013 that has been maintained at levels that do not result in significant impacts on total capital.

The following table shows the changes in the economic value analysed by applying deterministic approaches with parallel shifts of the yield curve.

Risk ratios: parallel shifts of the yield curve at 30.06.2013

	+100 bps	-100 bps
<i>% of the economic value</i>	-2.38%	2.99%

### 1.2.3 EXCHANGE RISK

#### Qualitative information

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

The Group is exposed to exchange risk as a result of its trading activities in foreign exchange markets and investment activities and fundraising with instruments denominated in a currency other than the domestic one. The Group is marginally exposed to foreign exchange risk. Regarding to only the Italian banks, forex operations are managed by the Operations Room of the Parent Company's Finance Department. Exchange rate risk is managed through "*intraday*" and "*end-of-day*" operating limits, both by currency areas and by concentration on each currency. In addition, daily and yearly *stop/loss* operating limits have been set.

##### B. Hedging of exchange risk

The Group's main objective is to manage exchange risk in a prudent manner, always taking into consideration the possibility of taking advantage of any market opportunities. Transactions that involve exchange risk assumptions are managed through appropriate *hedging* strategies.

#### Quantitative information

##### *Internal models and other methodologies for the analysis of sensitivity*

The Group's exchange risk profile is not particularly significant, given the limited foreign currency exposure of the main asset and liability items and the related hedges put in place through the use of financial derivatives.

### 1.3 LIQUIDITY RISK

#### Qualitative information

##### A. General aspects, management and measurement of liquidity risk

Liquidity risk is managed by the Parent Company's Finance Department with the aim of verifying the Group's ability to meet liquidity needs, avoiding situations of excessive and/or insufficient cash, resulting in the need to invest and/or raise funds at less favourable rates than the market. The Group's governance model is based on the Parent Company's system of centralised liquidity management on behalf of the Italian Commercial Banks, for which the Parent Company is also responsible for funding.

With reference to the Italian Commercial Banks, the activity of monitoring and periodically reporting on liquidity risk is done by the Parent Company's Risk Management Office for structural liquidity and for operating liquidity, on monthly and daily basis. They also monitor the liquidity reserve. Treasury activities consist of procuring and allocating available liquidity through the interbank market, open market operations and transactions in repurchase agreements and derivatives.

The scope of the daily report on operating liquidity refers to items with a high level of volatility and a considerable impact on the monetary base. The monitoring and control of operating limits is carried out through the acquisition of information resulting from collection and payment transactions, management of accounts for services and trading in the financial instruments held in proprietary portfolios.

The *counterbalancing capacity* model allows to integrate the report with all of the free assets that can readily be used, both to be eligible for refinancing with the ECB and to be sold. Next to the application of haircuts determined by the ECB for eligible securities, appropriate discount factors are prepared (divided by type of security, rating and currency), also for all securities not eligible, but still considered tradable if appropriately positioned in time buckets.

The liquidity reserve represents an adequate stock of high-quality, unrestricted liquid assets that are eligible with the central bank and which can be converted into cash to meet liquidity needs.

Further support for the management of liquidity risk is derived from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between assets and liabilities from medium to long term.

Operations are measured using *Asset and Liability Management (ALM)* methods through *ALMpro* application: by developing all of the cash flows generated by operations, allowing in this way to evaluate and manage in various time periods any liquidity requirement that the Bank may encounter due to imbalances between inflows and outflows.

The analysis of the overall structural liquidity is developed on monthly basis using the technique, i.e. showing imbalances by date of capital flows' liquidity over a specific time horizon.

Particular attention is paid to the *funding* policy, which is coordinated by the Parent Company's Finance Department by organising bond issues on the "retail" market and on the euromarket.

## 1.4 OPERATIONAL RISK

### Qualitative information

#### A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This last type includes losses deriving from fraud, human error, business interruption, non-availability of systems, contractual non-performance and natural catastrophes. Operational risk includes legal risk, but not strategic or reputation risks.

The Banco Desio e della Brianza Group uses the definition of operational risk given by the Parent Company within the methodological framework of reference, which is based on the definition given by the Bank of Italy in Circular 263 of 27/12/2006.

During the first semester of 2013, planning activities for the redefinition of the methodological framework used in operational risk management have been completed. In this context, based on the regulatory requirements, a specific macro-process of operational risk management, which consists of the following stages has been formalised as follows:

- Identification: recognition, collection and classification of information relating to operational risks;
- Measurement: economic measurement of operational risks linked to the Bank's operations;
- Monitoring and reporting: collection and structured organisation of the results in order to monitor the evolution of operational risk exposure;
- Mitigation and control: risk transfer and improvement of business processes.

The above steps integrate the Loss Data Collection process already active within the Group since 2007, the year in which Banco Desio e della Brianza joined the Dipo Consortium as a Group member.

As regards the management of risks impacting the Group's business continuity, in line with its model of governance and the regulations for the supervision of banking groups, it was decided to adopt a system of centralised management in the Parent Company's business continuity plan, bearing in mind that the Parent Company provides outsourced operational services, advice and assistance to its subsidiary Banco Desio Lazio on the basis of specific framework agreements.

The Banco Desio e della Brianza Group, as part of its day-to-day operations, has been involved in legal proceedings for which specific loss estimates have been made when deemed appropriate by the competent corporate functions. A summary table of legal disputes with the related provisions and evidences of the major lawsuits is shown below:

#### CLAW-BACK SUITS

Group (BdB, BdL, Fides, Brianfid, Rovere)	Number	13
	Claim	€ 5,660
	Provision	€ 2,003

## **OTHER LAWSUITS**

Group (BdB, BdL, Fides, Brianfid, Rovere)	Number	136
	Claim	€ 76,027
	Provision	€ 6,132

With reference to the information on significant lawsuits (claims higher than € 1,000,000) provided in the financial statements as at 31 December 2012, note that there have not been any negative changes.

## **JUDICIAL INQUIRIES**

Criminal proceedings (case no. 22698/08 RGNR - Public Prosecutor at the Court of Rome) against, among others, former members of Credito Privato Commerciale S.A. (CPC) and Banco Desio Lazio, in which the latter companies are accused of administrative offences under Legislative Decree no. 231/2001 in relation to offences allegedly carried out by these former officers for events dating back to 2009. Given the risk of fines, specific provisions were made at the time of the 2011 financial statements of Euro 826,100 for Banco Desio Lazio and Euro 1,626,400 for CPC, corresponding to the average between the minimum and the maximum penalty provided for under Legislative Decree no. 231/2001 for the alleged offences. The preliminary hearing was held on 28 June 2013. Having rejected the application for a settlement made with the approval of the Public Prosecutor, the Judge indicted (as regards the Group companies) the subsidiaries Banco Desio Lazio S.p.A. and CPC, scheduling the first hearing for 27 September 2013.

## **TAX LITIGATION**

In relation to the dispute with the Tax Authorities, the following is stated .

With reference to the tax assessments received by the Parent Company for 2006 (IRES, IRAP and VAT) and for 2007 (IRAP and VAT), which were disclosed in the notes of the 2012 financial statements, the appeal to the Provincial Tax Commission of Milan is scheduled on 30 September 2013 and on 7 October 2013, respectively. In relation to the 2007 assessment, on 8 April 2013 the Provincial Tax Commission of Milan has accepted the request for suspension of payment of the additional taxes assessed.

The tax inspection carried out by the Tax Police at the Parent Company, as disclosed in the notes of the 2011 and 2012 financial statements, was completed on 22 May 2013.

The irregularities pointed out in the official report of findings drawn up at the end of the inspection relate:

- for VAT purposes, as for the findings already reported for 2006 and 2007, to the failure to tax the commissions earned during 2008, 2009 and 2010 for acting as the custodian bank for various mutual funds;
- for IRES purposes, the deduction of write-downs and loan losses are considered not due as they did not pertain to the period.

As mentioned at the last Shareholders' Meeting, during the course of this inspection, the Tax Police began an audit on the foreign subsidiaries Brianfid SA in liquidation, CPC SA in liquidation and Rovere SdG.

At the end of this process, three separate reports of findings were notified on 9 May 2013 for allegedly claiming foreign status without justification.

Given all of these findings and allegations, for prudence sake, the Group considered it appropriate, at this stage, to increase the provisions for risks and charges at 31.12.2012 by an additional Euro 2,310 thousand, increasing them at the end of the semester to Euro 2,752 thousand, to cover charges that could arise, as well as the related legal expenses.

## **Quantitative information**

The number of adverse events reported by the Group during the first half of 2013 amounted to 238 (316 in the first semester of 2012). The result of the process of collecting adverse events is summarised in the table below (monetary amounts are expressed in thousands of euro):

Event type	No. events	% events	Gross loss	% of total	Net loss	% of total	Recoveries	% recoveries
INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination), involving at least one member of the bank	0	0.00%	0	0.00%	0.00	0.00%	0.00	0.00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetrated by third parties	45	18.91%	105	4.94%	71.08	3.40%	33.91	32.30%
EMPLOYMENT AND SAFETY AT WORK Losses due to actions contrary to employment laws and contracts on health and safety in the workplace, and compensation for injury or incidents of discrimination	1	0.42%	2	0.08%	1.76	0.08%	0.00	0.00%
RELATIONAL ACTIVITY CONNECTED TO CUSTOMERS, PRODUCTS AND CHANNELS Losses due to inability (not intentional or negligent) to fulfil professional commitments taken with customers (including fiduciary requirements and adequate information on investments)	23	9.66%	1,350	63.48%	1,349.70	64.51%	0.00	0.00%
DAMAGE TO ASSETS This category includes events of a natural origin or attributable to actions taken by third parties that cause damage to physical assets of the bank	8	3.36%	2	0.08%	1.66	0.08%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEM FAILURE Losses arising from a blockage of information systems or line connections	2	0.84%	1	0.06%	1.38	0.07%	0.00	0.00%
EXECUTION OF INSTRUCTIONS, DELIVERY OF PRODUCTS AND PROCESS MANAGEMENT	159	66.81%	667	31.35%	666.59	31.86%	0.06	0.01%
<b>TOTAL Gruppo Banco Desio e della Brianza</b>	<b>238</b>	<b>100.00%</b>	<b>2,126</b>	<b>100.00%</b>	<b>2,092</b>	<b>100.00%</b>	<b>34</b>	<b>1.60%</b>

The gross operating loss comes to Euro 2,126 thousand, for which prudent provisions were made during the year of Euro 1,766 thousand. After recoveries of Euro 34 thousand, net losses amount to Euro 2,092 thousand.

***Information on the consolidated shareholders' equity***



## CONSOLIDATED SHAREHOLDERS' EQUITY

### Qualitative information

The Banco Desio Group pays a lot of attention to its own capital, being well aware both of its function as a factor in defence of the trust of external funders, as it can be used to absorb losses, and of its importance for purely operational and business development purposes.

A good level of capitalisation allows us to address the question of business development with the necessary degree of autonomy and to preserve the stability of the Group.

The policy of the Parent Company, Banco Desio, is therefore to assign a considerable priority to capital to use it in the best way possible in expanding the business.

The concept of book equity used by the Group is given by the sum of the following liability captions: share capital, valuation reserves, reserves, share premium reserve and net profit (loss) for the period.

### Quantitative information

*Consolidated shareholders' equity: breakdown by business type*

Equity Captions	Banking Group	Insurance companies	Other businesses	Consolidation adjustments and eliminations	Total	of which: minority interests
Share capital	67,805				<b>67,805</b>	100
Share premium reserve	16,145				<b>16,145</b>	
Reserves	701,950	-		-	<b>701,950</b>	19
- revenue reserves:						
a) legal reserve	80,265				80,265	2
b) statutory reserve	464,250				464,250	17
c) reserve for treasury shares						
d) other	157,435				157,435	
- other:						
Equity instruments (Treasury shares)						
Valuation reserves	17,879	-		-	<b>17,879</b>	-
- financial assets available for sale	(8,794)				<b>(8,794)</b>	
- property, plant and equipment						
- intangible assets						
- foreign investment hedges						
- cash-flow hedges						
- exchange differences	4,356				<b>4,356</b>	
- non-current assets and disposal groups held for sale						
- actuarial gains (losses) on defined-benefit pension plans	(749)				<b>(749)</b>	
- shares of valuation reserves relating to investments carried at equity	170				<b>170</b>	
- special revaluation laws	22,896				<b>22,896</b>	
7. Net profit (loss) of the year pertaining to the Group and minority interests	(4,381)				<b>(4,381)</b>	43
<b>Total</b>	<b>799,398</b>	-	-	-	<b>799,398</b>	<b>162</b>

*Valuation reserves for financial assets available for sale: breakdown*

Assets/Amounts	Banking Group		Insurance companies		Other businesses		Consolidation adjustments and eliminations		30.06.2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,997	(11,315)							1,997	(11,315)
2. Equity instruments	158	(11)							158	(11)
3. UCITS units	580	(108)							580	(108)
4. Loans									-	-
<b>Total 30.06.2013</b>	<b>2,735</b>	<b>(11,434)</b>							<b>2,735</b>	<b>(11,434)</b>
Total 31.12.2012	8,247	(6,508)	97						8,344	(6,508)

## CAPITAL AND CAPITAL ADEQUACY RATIOS

### Scope of application and regulations

The scope of consolidation, defined in accordance with prudential regulations (Circulars 263 and 155 of the Bank of Italy), includes companies that have the following characteristics:

- banking, financial and product/service companies, directly or indirectly controlled by the Parent Company and consolidated on a line-by-line basis;
- companies, other than banking, financial and product/service companies, controlled directly or indirectly by the Parent Company exclusively or jointly, or subject to significant influence; the equity method is applied to these companies.

The banking and financial companies carried at equity and other qualifying companies, owned directly or indirectly by the Parent Company in excess of 10%, are deducted from regulatory capital: 50% from Tier 1 capital and the other 50% from Tier 2 capital; the difference at the date of first-time application of the equity method between the carrying amount of the investment and the corresponding share of the company's equity is all deducted from Tier 1 capital. The book value of companies other than those in banking and finance, and of banking companies with an interest equal to or less than 10%, is included in risk-weighted assets.

Within the Banking Group, there are no restrictions or impediments to the transfer of capital resources between Group companies.

### Capital for supervisory purposes

### Qualitative information

The Banco Desio Group pays a lot of attention to the concept of capital for supervisory purposes. The determination of regulatory capital is undoubtedly important given the centrality of this aggregate for the checks carried out by the authorities to ensure the stability of the banking system. In fact, upon this are based the most important instruments of control, such as the solvency ratio and minimum capital requirements for risks, the rules on risk concentration and the transformation of maturities.

As at 30 June 2013, the consolidated regulatory capital of the Banco Desio Group is as follows:

description	30.06.2013	31.12.2012
Tier 1 capital (Core capital)	740,400	748,582
Tier 2 capital (Supplementary capital)	83,521	79,079
Amounts to be deducted		
Capital for supervisory purposes	823,921	827,661

### 1. Tier 1 capital

Share capital, share premium reserve, reserves, undistributed profits of the period and innovative capital instruments are the most important elements. Negative elements, primarily consisting of intangible assets, goodwill and the deductions arising from the application of prudential filters, are subtracted from these positive elements. Tier 1 capital represents 90% of regulatory capital.

### 2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, subordinated liabilities and net capital gains on investments are the main positive elements of Tier 2 capital. The deductions foreseen by the application of prudential filters are subtracted from these positive elements. Tier 2 capital is equal to about 10% of regulatory capital.

### 3. Tier 3 capital

It is made up of the share of subordinated liabilities not calculated in Tier 2 capital because over 50% of Tier 1 capital before items to be deducted and Tier 3 subordinated liabilities. This aggregate can only be used to cover the capital requirements for market risks up to a maximum of 71.4% of such risks.

### Quantitative information

	30/06/2013	31/12/2012
<b>A. Core capital before the application of prudential filters</b>	755,654	758,643
B. Prudential filters of core capital:	- 11,613	- 2,871
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	11,613	2,871
C. Core capital gross of items to be deducted (A+B)	744,041	755,772
D. Items to be deducted from core capital	3,641	7,190
<b>E. Total core capital (Tier 1) (C-D)</b>	740,400	748,582
<b>F. Supplementary capital before the application of prudential filters</b>	87,471	87,139
G. Prudential filters for supplementary capital:	- 309	- 870
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters (-)	309	870
<b>H. Supplementary capital gross of items to be deducted (F+G)</b>	87,162	86,269
I. Items to be deducted from supplementary capital	3,641	7,190
<b>L. Total supplementary capital (Tier 2) (H-I)</b>	83,521	79,079
M. Items to be deducted from core and supplementary capital	-	-
<b>N. Capital for supervisory purposes (E+L-M)</b>	823,921	827,661
O. Third level capital	-	-
P. Capital for supervisory purposes including TIER 3 (N+O)	823,921	827,661

### Capital adequacy

#### Qualitative information

This capital structure results in the following ratios:

- core capital/risk-weighted assets	12.11%
- capital for supervisory purposes/risk-weighted assets	13.48%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates that make up the regulatory capital in order to check their consistency with the risk profile and their adequacy for the Bank's development plans.

**Quantitative information**

Description/Amounts	Unweighted amounts		Weighted amounts/ Requirements	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
<b>A. ASSETS AT RISK</b>				
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>	<b>9,019,459</b>	<b>8,673,677</b>	<b>5,468,735</b>	<b>5,535,372</b>
1. <i>STANDARDISED METHODOLOGY</i>	9,018,889	8,673,125	5,468,165	5,534,820
2. <i>METHODOLOGY BASED ON INTERNAL RATINGS</i>				
2.1 Basic				
2.2 Advanced				
3. <i>SECURITISATIONS</i>	570	552	570	552
<b>B. CAPITAL ADEQUACY REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISK</b>			<b>437,499</b>	<b>442,830</b>
<b>B.2 MARKET RISKS</b>			<b>1,678</b>	<b>1,872</b>
1. <i>STANDARDISED METHODOLOGY</i>			1,678	1,872
2. <i>INTERNAL MODELS</i>				
3. <i>CONCENTRATION RISK</i>				
<b>B.3 OPERATIONAL RISK</b>			<b>49,841</b>	<b>49,841</b>
1. <i>BASIC METHODOLOGY</i>			49,841	49,841
2. <i>STANDARDISED METHODOLOGY</i>				
3. <i>ADVANCED METHODOLOGY</i>				
<b>B.4 OTHER REQUIREMENTS</b>			0	0
<b>B.5 TOTAL PRECAUTIONARY REQUIREMENTS</b>			<b>489,018</b>	<b>494,543</b>
<b>C. RISK ASSETS AND CAPITAL ADEQUACY RATIOS</b>				
C.1 Risk-weighted assets			<b>6,112,723</b>	<b>6,181,785</b>
C.2 Core capital/Risk-weighted assets (Tier 1 capital ratio)			12.11%	12.11%
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)			13.48%	13.39%

## **Information on transactions with related Parties**

**Information on the remuneration of directors and managers**

For information on the remuneration paid to Directors and Managers with strategic responsibilities, please refer to the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter C.F.A., as well as to the subsequent section "Information on incentive plans with equity-based payments within the Group" of these notes, with reference to the Group's stock grant and stock options plans.

**Related party disclosures**

The Internal Procedure for the management of transactions with related parties and entities included in the scope of application of art. 136 of the CBA, adopted in accordance with Consob Regulation no. 17221/2010 and supplemented in accordance with the Minimum Capital Requirement in respect of risk assets and conflicts of interest with respect to the persons linked to the Bank or the Banking Group pursuant to art. 53 CBA, is explained in the Annual Report on Corporate Governance. The Procedure is published, in compliance with the cited Regulation, on the internet website [www.bancodesio.it](http://www.bancodesio.it) - "Banco Desio/Corporate Governance/Transactions With Related Parties" section.

Given that, pursuant to art. 5 of Consob Regulation no.17221/2010 and art. 154-ter of the CFA, periodic information has to be provided:

- a) on individual "significant" transactions carried out during the reference period, i.e. those transactions that, as a total, exceed the thresholds foreseen in Attachment 3 of the cited Regulation<sup>1</sup>;
- b) on other individual transactions with related parties as defined under art. 2427, second paragraph, of the Italian Civil Code, entered into during the reporting period, that have materially impacted the financial position and results of the Group;
- c) on changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the Group during the period, there have been no transactions worth mentioning.

Transactions with related parties are generally adjusted at market conditions or, where an appropriate reference to the market is not feasible (as in the case of Agreements for outsourcing services provided by the Parent Company to the subsidiaries), at conditions deemed affordable and fair, whose valuation is made in accordance with the Procedure referred to above, taking account in any case that the company is interested in carrying out the transactions.

In this context, there are no transactions outstanding at 30 June 2013 that present particular risk profiles compared with those considered part of the normal course of business or that present profiles of atypical/unusual features worthy of note.

The following paragraphs summarise - in a prudential logic of unified management of potential conflicts of interest - existing relationships with the Parent Company, subsidiary Companies and other related parties pursuant to art. 53 CBA, as well as with other parties surveyed pursuant to art. 136 CBA, art. 2391 and art. 2391-bis of the Italian Civil Code, highlighting, in particular, the balance of current account relationships of the securities portfolio at the end of the first half of 2013 and, lastly, any relationships for the provision of services or of some other nature.

**I - Parent company**

At the end of the first semester of 2013, payables (to customers) versus the Parent Company Brianza Unione di Luigi Gavazzi & C. SApA at Banco Desio amounted to Euro 124.5 million, of which Euro 122.5 million, relating to the securities portfolio. There are no outstanding payables held by the same Company.

During the semester, there were no other transactions entered into with this company (under art. 136 CBA by virtue of the positions held in it by certain officers referred to in paragraph III below)

**II – Associates**

At the end of the first semester, there is an investment in Istifid SpA that has been increased to 29.94% following the exercise of the pre-emption right on a sale made by another shareholder during the period. By virtue of that investment, Banco Desio is still the shareholder with a relative majority.

Banco Desio's contractual relations with Istifid SpA essentially consist of the provision of corporate services (keeping the shareholders' register, assistance at shareholders' meetings, advice on corporate compliance, etc.), charged at the usual cost for services of this kind.

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<sup>1</sup> with respect to the level of significance of the transactions with related parties, the Internal Procedure refers to a threshold of Euro 37.5 million (equivalent to 5% of consolidated regulatory capital recognised at the date of adoption of the Procedure)

With regard to banking services provided by Banco Desio to Istifid SpA, at the end of the period payables (to customers) amounted to Euro 100.5 million, of which Euro 40.3 million relating to securities portfolios; there are no significant payables held by the Company. Please note that the payable and receivable balances also refer to relationships maintained by Istifid SpA as part of fiduciary mandates granted by third parties

There is also an investment in Chiara Assicurazioni SpA, which was initially controlled by Banco Desio and has since become an associate with a 32.7% stake, following the sale of Banco Desio's controlling interest (which took place on 24 April 2013, effective on 1 May 2013).

At the end of the semester, payables (to customers) amounted to Euro 48.6 million, of which Euro 45.1 million relating to securities portfolios; there are no outstanding payables held by the company, which has been given a credit line of Euro 10,000.

The contractual relationships with Chiara Assicurazioni SpA maintained by Banco Desio and its subsidiary Banco Desio Lazio SpA essentially consist of contracts for the distribution of non-life insurance products.

### III - Transactions with Officers and parties related to them

As for the granting of credit lines approved in the first semester of 2013 pursuant to arts. 53 and 136 of the CBA, arts. 2391 and 2391-bis of the Civil Code, these were mainly ordinary lending transactions to Officers of the Group and/or parties related to them, in relation to which Officers (i.e. directors, statutory auditors and managers with strategic responsibilities in Banco Desio and its subsidiaries) have communicated that they are stakeholders of various kinds, by virtue of investments in subsidiaries/associates, positions held and/or other economic and family relations entertained with such parties. These relationships did not affect the application of the normal assessment criteria of creditworthiness. The total amount granted by Group banks on 27 outstanding positions as at 30 June 2013 amounted to approximately Euro 33.3 million. The related drawdowns amounted to a total of about Euro 21.9 million in loans to customers.

Transactions approved with associates referred to in paragraph II (formally approved pursuant to art. 136 CBA as a result of the positions held by certain Officers of Banco Desio) are excluded from the above total.

Note that the position of those who are Officers of subsidiaries of Banco Desio involves a sphere of activity limited to their respective companies, such as to preclude their classification as Managers of the Group with strategic responsibilities in accordance with IAS 24 and/or Consob Regulation no. 17221/2010.

As regards funding relationships held by Group banks directly with Officers, as well as parties related to them, it should also be noted that the total balances as at 30 June 2013 amounted to Euro 105.2 million in amounts due to customers (including approximately Euro 81.7 million in securities portfolios).

Details on the lending and funding relationships referred to in this paragraph are shown in the following table:

(balances at 30.06.2013 in €/million)	<i>Related parties pursuant to art. 53 CBA (other than the Parent Company and subsidiaries referred to in paragraphs I and II) (A)</i>	<i>Other subjects surveyed in accordance with art. 136 CBA, 2391 and 2391-bis of the Civil Code (B)</i>	TOTAL (A+B)
<b><u>Lending transactions:</u></b>			
Amount granted	<b>4.7</b>	<b>28.6</b>	<b>33.3</b>
Amount drawn down	<b>3.6</b>	<b>18.3</b>	<b>21.9</b>
<b><u>Funding transactions:</u></b>			
C/c and d/r amount (a)	<b>9.7</b>	<b>13.8</b>	<b>23.5</b>
Amount of securities portfolios (b)	<b>60.5</b>	<b>21.8</b>	<b>82.3</b>
Total (a+b)	<b>70.2</b>	<b>35.6</b>	<b>105.8</b>



\* \* \*

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the overall incidence of the balances shown in the previous paragraphs, in terms of equity, financial and economic results, is more or less insignificant.

## **Information on equity-based payments**

### **Stock grant plan for shares of the Parent Company**

With reference to the Stock Grant Plan for the three-year period 2011-2012-2013 involving the free allocation of ordinary shares of the Company in favour of Management of the Banco Desio Group, approved by the Ordinary Shareholders' Meeting of 29 November 2011, please refer to the "Report on the Group's Remuneration Policies" prepared in accordance with art. 123-ter C.F.A.

### **Stock Option Plan for shares of the subsidiary Fides SpA held by Banco Desio Lazio SpA**

Detailed information on the "Fides" Plan was provided in the 2008 financial statements (the year in which the Plan was activated), with suitable updates in subsequent annual financial statements and interim reports. Briefly, the Plan provides for a maximum amount of shares equal to 20% of the share capital of the subsidiary, in particular a finance company operating, as noted, in the area of loans secured by the transfer of one fifth of the salary. This maximum amount remains essentially unchanged, even after the capital increases carried out by the subsidiary during 2009 and 2010, due to additional assignments recognised to the beneficiaries such as to compensate the resulting "share dilution" charged to them as required by the Plan Regulations. The beneficiaries are made up of certain officers and employees of the Company and the Group directly and/or indirectly involved in the process of business development.

As a result of the changes already detailed in the previous financial statements, at 30 June 2013 there are still 401,509 options outstanding. The final date for exercising these options was again extended to 31 December 2013 by the Board of Directors of Banco Desio Lazio with a resolution adopted on 22 April 2013.

The strike price of Euro 7.64 per share takes into account the normal value of Euro 7.55 originally established by a specific expert appraisal, as well as subsequent ancillary charges which have increased the value of the Fides shares held by Banco Desio Lazio SpA.

The Black and Scholes model was used to value the options; the key assumptions adopted for the valuation are similar to those of the other plans described above. The unit value of each option ranges from a minimum of Euro 0.15356 to a maximum of Euro 1.03901. The value of the outstanding options amounts to a total of Euro 304,752.

## **Segment reporting**

This information has as its point of reference the organisational and management structure of the Group and the internal reporting system, on the basis of which management monitors the trend in results and makes the operational decisions about the resources to be allocated.

The Group operates by carrying out traditional banking activities, providing asset management services and offering life and non-life bancassurance products. In this context, the segment information reflects the fact that the operational structure of the commercial banks is not split into segments and/or divisions.

This chapter summarises the results of the Group's segments described below:

- *commercial bank*: this includes the activities geared to customers relating to the traditional banking activities and activities relating to the portfolio securities and the market. It also includes services, which are transversal activities carried out to support operations to ensure production efficiency and organisational consistency.
- *asset management*: this includes the activities carried out by the subsidiary Rovere SA;
- *assets in liquidation/held for sale*: this includes the results of Brianfid S.A. and Banca Credito Privato Commerciale S.A. (the figures for 2012 also relate to Chiara Assicurazioni S.p.A., which at 31.12.2012 was included in Assets held for sale).

The income statement and balance sheet figures by sector agree with the respective captions in the financial statements. Moreover, for each segment, we also provide the main balance sheet aggregates and figures for indirect deposits (under administration and management).

Income statement captions	30/06/13	Commercial bank	Asset Mng	Assets in liquidation /held for sale
Net profit from financial and insurance activities (1)	191,964	188,216	1,688	2,061
Fixed costs (2)	-131,219	-126,137	-421	-4,661
Provisions and adjustments (3)	-73,190	-73,510		320
Profits (losses) from equity investments carried at equity	12,164	12,164		
Gains (losses) on disposal of investments				
<b>Profit (loss) from current operations before tax</b>	<b>-281</b>	<b>733</b>	<b>1,267</b>	<b>-2,280</b>

(1) including other operating charges/income

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

(3) Net impairment adjustments to loans and financial assets, provisions for risks and charges, goodwill

Balance sheet captions	30/06/13	Commercial bank	Asset Mng	Assets in liquidation /held for sale
Financial assets	1,543,517	1,542,690		827
Due from banks	230,882	165,614	1,367	63,901
Loans to customers	6,825,499	6,825,099		400
Due to banks	436,969	436,969		
Due to customers	5,263,685	5,249,296		14,389
Debt securities in issue and Financial liabilities measured at fair value through profit and loss	2,261,715	2,261,715		
<b>INDIRECT DEPOSITS: UNDER ADMINISTRATION AND MANAGEMENT</b>	<b>10,469,231</b>	<b>10,371,910</b>	<b>78,377</b>	<b>18,944</b>

Income statement captions	30/06/12	Commercial bank	Asset Mng	Assets in liquidation /held for sale
Net profit from financial and insurance activities (1)	184,362	173,108	1,752	9,502
Fixed costs (2)	-122,542	-114,008	-291	-8,243
Provisions and adjustments (3)	-43,550	-42,517		-1,033
Profits (losses) from equity investments carried at equity	1,879	1,879		
Gains (losses) on disposal of investments				
<b>Profit (loss) from current operations before tax</b>	<b>20,149</b>	<b>18,462</b>	<b>1,461</b>	<b>226</b>

(1) including other operating charges/income

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

(3) Net impairment adjustments to loans and financial assets, provisions for risks and charges, goodwill

Balance sheet	30/06/12	Commercial bank	Asset Mng	Assets in liquidation /held for sale
Financial assets	1,309,023	1,261,416	100	47,507
Due from banks	382,396	260,053	1,593	120,750
Loans to customers	6,588,301	6,584,388		3,913
Due to banks	461,031	461,031		
Due to customers	4,873,513	4,762,663		110,850
Debt securities in issue and Financial liabilities measured at fair value through profit and loss	2,276,387	2,276,387		
<b>INDIRECT DEPOSITS: UNDER ADMINISTRATION AND MANAGEMENT</b>	<b>10,698,798</b>	<b>10,323,957</b>	<b>74,321</b>	<b>300,520</b>

**CERTIFICATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION No. 11971 OF  
14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS**

1. The undersigned Tommaso Cartone, Chief Executive Officer, and Piercamillo Secchi, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, do hereby certify to:
  - the adequacy in relation to the Company's features and
  - the actual applicationof the administrative and accounting procedures employed to draw up the condensed interim consolidated financial statements for the first half of 2013.
2. Evaluation of the adequacy of the administrative and accounting procedures used to draw up the condensed interim consolidated financial statements as at 30 June 2013 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistent with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organisation of the Treadway Commission, which is an internationally accepted reference framework.
3. The undersigned also certify that:
  - 3.1 The condensed interim consolidated financial statements:
    - a. were prepared according to the applicable international accounting standards recognized in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
    - b. correspond to the results of the books and accounts;
    - c. give a true and fair view of the equity, economic and financial position of the issuer and the group of companies included in the scope of consolidation.
  - 3.2 The interim report on operations includes a reliable analysis of the references to the important events that occurred in the first six months of the financial year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

*Desio, 8 August 2013*

Chief Executive Officer

*Tommaso Cartone*

Financial Reporting Manager

*Piercamillo Secchi*

## AUDITORS' REVIEW REPORT ON THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### To the Shareholders of BANCO DI DESIO E DELLA BRIANZA S.p.A.

1. We have reviewed the half-year condensed consolidated financial statements of Banco di Desio e della Brianza S.p.A. and subsidiaries (the "Banco Desio Group"), which comprise the balance sheet as of June 30, 2013, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and the related explanatory notes. Banco di Desio e della Brianza S.p.A.'s Directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-year condensed consolidated financial statements based on our review.
2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution No. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike a report on the year-end consolidated financial statements, we do not express an audit opinion on the half-year condensed consolidated financial statements.

With regard to the comparative figures related to the consolidated financial statements of the prior year are concerned, reference should be made to our auditors' report dated April 4, 2013. The half-year condensed consolidated financial statements present for comparative purposes also the corresponding data of the half-year condensed consolidated financial statements of the prior year. As described in the explanatory notes, the Directors have reclassified certain comparative data related to such financial statements, with respect to the data previously reported and reviewed by us, on which we issued our auditors' review report on August 28, 2012. These modifications to comparative data of the half-year condensed consolidated financial statements and related disclosure included in the explanatory notes have been examined by us in order to issue present report.



3. Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of Banco Desio Group as of June 30, 2013 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Maurizio Ferrero  
Partner

Milan, Italy  
August 12, 2013

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