



Banco Desio

**ANNUAL REPORT
ON
CORPORATE GOVERNANCE
AND THE OWNERSHIP SET-UPS
OF THE GROUP
PURSUANT TO ARTICLE 123 BIS OF THE CFL.**

2010 ACCOUNTING PERIOD

(BoD held on 22 March 2011)

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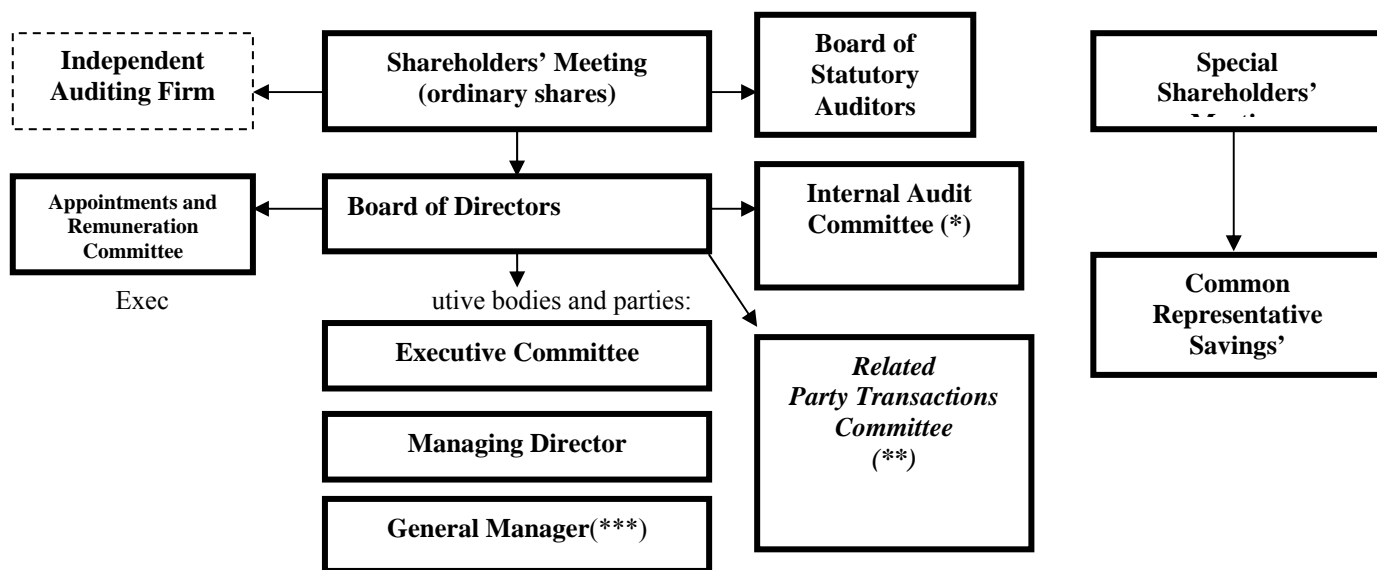
MAIN DEFINITIONS

CBL: Consolidated Banking Law – Italian Legislative Decree No. 385/1993 and subsequent amendments and additions.
CFL: Consolidated Finance Law - Italian Legislative Decree No. 58/1998 and subsequent amendments and additions.
Company representatives: the Directors, the standing and alternate Auditors, the General Manager and the Deputy General Manager/s.
Executives with strategic responsibilities: the Deputy General Manager.
Appointed Executive: the Executive appointed to draw up the accounting documents as disciplined by Article 154 *bis* of the CFL.
Italian Subsidiary Banks: Banco Desio Lazio SpA, Banco Desio Toscana SpA, Banco Desio Veneto SpA (hereinafter for the sake of brevity “B.D. Lazio”, etc., etc.)
Italian Group Banks: the Group Parent (Banco di Desio e della Brianza SpA or in short “Banco Desio”) and the Italian Subsidiary Banks as defined above.
Banking Group: the Banking Group as defined by the CBL, including Banco Desio (Group Parent) and the subsidiary banking and finance companies, therefore excluding the insurance companies.
Group: the corporate Group including Banco Desio (Group Parent) and all the subsidiary companies.
Supervisory Body: the Bank of Italy and Consob.

1 – GENERAL INTRODUCTORY REMARKS ON THE CORPORATE GOVERNANCE SYSTEM

1.1 Preliminary remarks on the current set-up

During 2010, **no significant change took place with regard to the essential profile** within the overall corporate governance structure of Banco Desio and the Group, with the exception of the establishment of the Related Party Transactions Committee. In detail, the Bank’s systematic structure can still be illustrated by means of the following layout:



Key: the arrows indicate the appointment relationships between the main bodies (you are hereby reminded that the BoD is also responsible for appointing the Deputy General Manager, the Appointed Executive and the Heads of the Internal Audit Divisions)

(*) the Internal Audit Committee also performs the tasks of the Supervisory Body established in pursuance of Italian Legislative Decree No. 231/2001 – In detail, see paragraph 7

(**) the Related Party Transactions Committee was established by Board of Directors resolution dated 11 November 2010, in compliance with Consob Resolution no. 17221/2010 – In detail, see paragraph 5 below

(***) As specified in Table 1, attached, the person who holds the office of General Manager changed on 23 September 2010

The division of the functions between the Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors and the Independent Auditing Firm is disciplined by legal and supervisory legislation, to which the Articles of Association refer.

With regard to the general aspects, the division of the functions between:

- i) Senior bodies (Board of Directors, Advisory/Proposal-making committees, Executive Committee);
- ii) Executive parties (Managing Director and General Manager);
- iii) Technical/Operating Committees¹;
- iv) Heads of the Internal Auditing Divisions;
- v) Appointed Executive;

is disciplined, in observance of the legal, supervisory and Article of Association restrictions, Group and Corporate Bodies' Internal Regulations (for the sake of brevity "Internal Regulations"), according to criteria which will be detailed in the following sections. With regard to the specific aspects not analyzed by the Internal Regulations, reference is made to the "Organizational Structure and Description of the Functions", "Consolidated Laws" regarding function/process, the "Internal Procedures" and the "Policy", documents also approved by the Board of Directors.

With regard to the other internal legislative sources fully or partly inherent to the matters forming the subject of this Report, the following are indicated:

1. the General Shareholders' Meeting Regulations (see paragraph 10 below);
2. the Internal Procedure regarding Corporate Information ("Corporate Information Procedure"), containing – among other things – the provisions for the handling of privileged information and the register of the individuals who have access to the same, as well as for the communication of Internal Dealing transactions;
3. the Internal Procedure for the handling of the transactions pursuant to Article 136 of the CBL and with Related Parties, substituted from 1 December 2010 by the "Internal Procedure for Transactions with Related Parties, Connected Parties and Article 136 of the CBL" approved by the Board of Directors on 25 November 2010 in compliance with Consob Regulation no. 17221/2010 (see paragraph 5 below);
4. the "Policy" containing the general rules for the handling of conflicts of interest regarding investment services, which the procedures used to identify the types of conflict of interest, potential or otherwise, in relation to the provision of any investment service or activity, related service, etc. make reference to, by way of implementation of the provisions acknowledging the MIFID Directive, (see paragraph 5 below).
5. the "Policy" containing the general rules for governing "personal transactions"² in relation to investment services, and by way of implementation of the provisions acknowledging the MIFID Directive

* * *

In the illustration, the traditional layout was maintained (compliant, as far as possible, with the guidelines recommended originally by Borsa Italiana S.p.A. and Assonime).

With regard to the experimental Report format disclosed by Borsa Italiana, account was in any event taken of the main indications formulated by the same, supplementing the traditional layout with the majority of the information suggested. In

¹ The advisory /proposal-making Committees (Appointments and Remuneration Committee, Internal Audit Committee, Related Party Transactions Committee) and the Executive Committee are made up exclusively of members of the BoD, while the Technical/Operating Committees (Risks Committee, Credit Facilities Committee, Finance Committee) are made up of Executive Parties (MD and GM) and the Heads of specific corporate divisions

² Personal Transaction is understood, for the specific purposes of the aforementioned "Policy", as a trade in a financial instrument effected by or on behalf of a Relevant Person, where at least one of the following criteria is met:

- a. the Relevant Person is acting outside the scope of the activities he carries out in his capacity as a Relevant Person;
- b. the trade is carried out for the account of any of the following persons:
 - i. the Relevant Person;
 - ii. any person with whom the Relevant Person has a "Family Relationship" or "Close Links" ;
 - iii. a person whose relationship with the Relevant Person is such that the Relevant Person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

A Relevant Person shall mean persons belonging to one of the following categories relating to each Group Company:

- a) members of the "Corporate Bodies" (understood, also hereafter, as the Board of Directors and the Board of Statutory Auditors);
- b) shareholders who possess a significant equity investment in the Parent Company or in Group Companies;
- c) executives (including, also hereafter, the General Manager);
- d) employees;
- e) temporary workers and project-based contractors who participate in the provision of investment services and the exercise of investment activities;
- f) the individual persons who directly participate in the provision of services to the Parent Company and Group Companies based on an outsourcing agreement regarding the provision of investment services and related services.

Persons with whom the Relevant Person has a Family Relationship are intended as:

- a. the (not legally separated) spouse or the common law spouse of the Relevant Person;
- b. the children of the Relevant Person ;
- c. any other relative of the Relevant Person to the fourth degree (i.e. parents, grandparents, great-grandparents, grandchildren, first cousins, aunts, uncles and great-aunts and great-uncles) who has shared the same households as the Relevant Person for at least one year on the date of the Personal Transaction.

Parties with which the Relevant Person has Close Links means one or more individual or legal persons linked to a Relevant Person by:

- a) an equity investment (which means ownership, direct or by way of control, of 20% or more of voting rights or capital of an undertaking);
- b) control.

detail, for the purpose of a complete comparison between that proposed by the experimental Borsa Italiana format and the action adopted by Banco Desio, the attached Table 4 was more fully detailed, containing the summary outline of acknowledgement of the recommendations of the Code of Conduct for Listed Companies as per paragraph 2.2³ below (for the sake of brevity, “the Code of Conduct”).

This Report:

- has been drawn up in pursuance of Article 123 bis of the CFL, as amended by Italian Legislative Decree No. 173/2008, which lays down a series of information on the ownership set-ups, the corporate governance practices, the risk management and internal audit systems relating to the financial disclosure process, the composition and functioning of the general meeting, board and audit bodies; the independent auditing firm is required to express a consistency opinion on certain information required;
- has been approved by the BoD, subject to the assessment of the Independent Directors as per Article 3.C.6 of the Code of Conduct as assimilated in the Internal Regulations⁴. This assessment is attached to said Report (Attachment A);
- is published, albeit as a separate document, together with the Report on Operations, which moreover also contains the due references. Like wise, it contains references to the financial statement documentation (Notes to the Consolidated Financial Statements, Report on Operations, etc.), for the information contained therein which otherwise would be duplicated.

1.2 Guidelines for the corporate governance system in light of the Supervisory Provisions (“Corporate Governance Project”)

As known, already during 2008 the Bank of Italy issued supervisory provisions concerning the organization and corporate governance of banks (hereinafter, “the Bank of Italy Instruction” or, more briefly, “the Instruction”⁵, which discipline the role of the functioning of the management and audit bodies, submitting effective identification – as part of the applicative lines outlined by the Supervisory Authority – of the most suitable solutions for achieving, on a proportional basis, the related general principles (including Code of Conduct, as specifically referred to in the introductory section), for the autonomy of the intermediaries.

The corporate governance system deriving from the adaptation measures implemented from 2009 (focused on maintaining the traditional management and audit model and streamlining certain functioning mechanisms of the model) features three levels or regulations, i.e. the Articles of Association, Internal Regulations, and Consolidated Internal Audit System Law. The important points of these regulations are summarised below:

1.2.1. Articles of Association

Duties and powers of the corporate bodies

A.1 Board of Directors

The body which is tasked with strategic supervision is first and foremost reserved the decisions concerning strategic policies and transactions as well as the industrial and financial plans; this provision is included in both the Articles of Association of the Group Parent and in the Articles of Association of the Italian Subsidiary banks (for further details also see section 3 below).

Among the powers which cannot be delegated, the BoD is responsible for the appointment of the heads of the internal auditing and compliance divisions and the definition of the essential elements of the overall architecture of the internal audit system⁶ (subject to the favourable opinion of the Board of Statutory Auditors), this provision is included in the Articles of Association of all the Group’s Italian Subsidiary Banks (even if in the subsidiary companies it effectively refers to functions performed by the Group Parent by virtue of outsourcing agreements).

³ Code of Conduct for Listed Companies – Borsa Italiana – 2006 Edition

⁴ The Independent Directors meet at least once a year in the absence of the other Directors (as a rule at the time of the approval of the Annual Corporate Governance Report and for the purpose of expressing their opinion on the aspects they are responsible for).

⁵ Bank of Italy Instruction dated 4 March 2008 (hereinafter “the Instruction”) also available on the website: www.bancaditalia.it, where other supervisory provisions mentioned in this Report can also be found

⁶ Among the “essential elements of the overall architecture of the system of controls”, section 2.2 of the Bank of Italy Instructions indicates “powers, responsibilities, information flows, handling of conflicts of interest”: in our case, this involves submitting the board resolution pertaining to the Internal Regulations and the Consolidated Internal Audit System Law for the favourable opinion of the Board of Statutory Auditors, as well as – at least in the guidelines – the internal Procedures concerning: corporate information; transactions as per “Article 136 of the CBL” and with related parties; conflicts of interest concerning investment services.

A.2 Board of Statutory Auditors

The body with auditing functions oversees the observance of the legal, regulatory and Article of Association provisions, the correct administration, and the adequacy of the organizational accounting set-ups of the bank. Due to the importance which these tasks have for supervisory purposes, the CBL (Article 52) has prepared a functional connection mechanism with the Supervisory Authority: the auditing body must promptly inform the Bank of Italy of all the events or acts which it becomes aware of which may represent an irregularity in the management of the banks or a violation of the norms disciplining banking activities. For such purposes, the bank's Articles of Association assign the Board of Statutory Auditors the related duties and powers, which are illustrated in full, according to the structure indicated in section 2.2 of the Bank of Italy, taking account of the provisions set forth by the Legislative Decree no. 39/2010 on the matter of external auditing: i) in said Articles of Association with respect to the general principles; ii) in the Internal Regulations and, more specifically, in the Consolidated Internal Audit System Law, with regard to the applicative policies (for greater details also see sections 1.2.2., 1.2.3, 7 and 9 below).

B. Composition of the corporate bodies

With regard to the Group Parent, as is known, the discipline of the "list voting" is in force for the election of the members of the BoD and the Board of Statutory Auditors, already introduced in the Articles of Association, by virtue of article 147-ter and article 148 of the CFL. For details, see sections 3 and 9 below.

In the Articles of Association of the Italian Subsidiary Banks, as well as that of the Group Parent the figure of the "independent directors" was introduced, based on similar requirements.

C. Remuneration and incentive mechanisms.

With regard to all the Italian Group Banks, a concise indication is provided of the matters envisaged by section 4 of the Bank of Italy Instruction: i) in the Articles of Association with respect to the general principles, where the ordinary shareholders' meeting, besides establishing the fees due to the bodies the same has appointed, approves the remuneration policies, including the plans based on financial instruments; ii) in the Internal Regulations with regard to the applicative policies (for greater details also see section 6 below).

1.2.2. Internal Regulations

With regard to the regulatory provisions which present aspects of complementarity with respect to the Article of Association provisions as per the previous paragraph 1.2.1, the Internal Regulations of all the Italian Group Banks acknowledge the applicative policies of the Bank of Italy Instruction as per points A.2) Board of Statutory Auditors and C) Remuneration and incentive mechanisms (for further details also see section 6 below).

With reference to point B) Composition of the corporate bodies, the general limits are extended to the Internal Regulations of the Italian Subsidiary Banks on the accumulation of the office of Director and Statutory Auditor respectively, similar in part to those already adopted, by law and/or due to self-governance, within the Group Parent (for further details also see sections 3 and 9 below). It is also established, within the Internal Regulations of all the Italian Group Banks, that the Statutory Auditors can not undertake offices in bodies other than the Board of Statutory Auditors within other Group companies, as well as with companies in which Banco Desio directly or indirectly holds a strategic investment⁷.

In conclusion, with regard to the regulatory provisions which present aspects of complementarity with respect to the Consolidated Internal Audit System Law as paragraph 1.2.3 below, in the Internal Regulations of all the Italian Group Banks there are the elements necessary for outlining the perimeter of the audit activities in the broadest sense which each senior body (BoD, Board of Statutory Auditors, Internal Audit Committee) and the executive parties (Managing Director and General Manager) are responsible for.

In relation to the above, an article dedicated to the Board of Statutory Auditors has been included in the Internal Regulations of all the Italian Group Banks.

In this regard, it is noted that, following the entry into force in 2010 of Legislative Decree no. 39 on external auditing, a general reference to the provisions of this Decree was included in the Articles of Association, regarding the tasks of the Board of Statutory Auditors in terms of internal control and auditing⁸, while the resulting specific amendments to be made to the Internal Regulations and the Consolidated Internal Audit System Law, in order to suitably coordinate the governance

⁷ As indicated by section 2.2.e) of the Bank of Italy Instruction, "strategic" for such purposes is understood to mean the equity investment which is at least equal to 10% of the share capital or the voting rights during ordinary shareholders' meetings of the investee company and 5% of the consolidated regulatory capital of the banking group.

⁸ Board resolution taken by way of notary deed on 27 January 2011 (pursuant to Article 19, paragraph 3 of the Articles of Association and Article 2365, paragraph 2 of the Italian Civil Code), by way of Bank of Italy assessment order pursuant to Article 56 of the CBL

of the Board of Statutory Auditors with that of the Internal Audit Committee (reducing the overlapping of responsibilities between auditing bodies to a minimum) are still being assessed.

With reference to the role of the Chairman of the Board of Directors, who according to the general principles expressed in the same Instruction, performs an important role for the purpose of encouraging internal dialogue and ensuring the balancing of the powers, in the Internal Regulations of all the Italian Group Banks it is specified that “the Chairman furthers the effective functioning of the corporate governance system, guaranteeing the balance of powers with respect to the Managing Director and any other executive Directors, as well as the General Manager; for such purposes, the Chairman sets himself as the spokesperson of the Board of Statutory Auditors and the advisory/proposal-making Committees established within the Board of Directors”.

In accordance with the matters specified by the same Bank of Italy in the memo of clarification dated 27 February 2009, it is also made clear that the Chairman (except in particularly urgent cases when he can by way of exception adopt - as per the Articles of Association – decisions which are the Board’s) has a non-executive role and does not carry out management functions, not even *de facto*.

1.2.3. Consolidated Internal Audit System Law

1.2.3.1 - GENERAL STANDARDS OF THE INTERNAL AUDIT SYSTEM

The Internal Audit System is made up of a series of rules, procedures and organizational structures which aim to ensure the observance of the corporate strategies and the achievement of the following ends:

- *compliance* of the operations with respect to the corporate strategies and the norms within and outside the company;
- *performance* in terms of optimization of the processes, also by means of the correct allocation of the resources and the informed undertaking of the risks;
- *safeguarding* of the value of the assets and of the income flow;
- *information*, so as to guarantee the quality and integrity of the significant information for the internal decision-making processes and the external context;
- *improvement*, so as to guarantee on-going corrective action for the elimination of the shortfalls and the consistent evolution of the organizational safeguards with respect to the corporate strategies and the reference context.

Irrespective of the organizational structures involved, three types of controls can be identified:

- *line controls*: these involve a series routine checks carried out by the same production structures or incorporated in the procedures (also IT based), or carried out within the sphere of the back-office activities.
- *controls on the risk management*: these are controls which have the aim of contributing towards the definition of risk gauging methods, checking the observance of the limits assigned to the various operating divisions and the consistency of the operations of the individual production areas with the risk/return objectives assigned for the individual types of risk, as well as ensuring compliance with reference legislation.
- *internal auditing activities*: these are activities aimed at identifying anomalous trends, violations of the procedures and the regulations, as well as assessing the functioning of the complex Internal Audit System.

With reference to the Group’s Internal Audit System, the Group Parent, as part of the Group’s management and coordination activities, exercises:

- a) *strategic control* on the evolution of the various areas of activities where the group operates and the impending risks on the portfolio of activities carried out;
- b) *management control* aimed at ensuring the maintenance of the economic, financial and equity balance conditions both of the individual companies and the group in its entirety;
- c) *technical-operating control* aimed at evaluating the various risk profiles contributed to the group by the individual subsidiaries.

For further details on the individual bodies and divisions operating within the Internal Audit System, reference should be made to paragraph 1.2.3.2 below.

The general principles expressed are also valid for the Italian Subsidiary Banks, as well as for the other subsidiary companies, with the due limitations and adaptations laid down by the organizational and operating peculiarities which the same entities present according to their sector of activities (banking, financial, insurance, etc.) or of their local legal system (Italian, Luxembourgian, Swiss, etc.).

1.2.3.2 BODIES AND ROLES OF THE INTERNAL AUDIT SYSTEM

In line with the Bank of Italy's supervisory provisions and the standards envisaged by the Code of Conduct, the Internal Audit System is made up of the following bodies and roles to which the main responsibilities regarding internal auditing indicated below are assigned:

GOVERNANCE⁹ AND AUDIT BODIES

- **Board of Directors**, which within the sphere of its most extensive governance responsibilities, also a Group level, approves the strategic guidelines, the risk management policies and the structure of the company and Group internal audit systems;
- **Board of Statutory Auditors**, which, as the body with audit functions, **oversees** the observance of the legal, regulatory and Article of Association provisions, the correct management, the adequacy of the organizational and accounting set-ups of the Bank;
- **Internal Audit Committee**, which
 - **in its guise as proposal-making/advisory body**, assists the Board of Directors with the performance of the tasks it is assigned with regard to the Internal Audit System and, in particular, in relation to the **assessment** of the degree of efficiency and adequacy of said System;
 - **in its guise as Supervisory Body pursuant to Italian Legislative Decree No. 231/2001** of Banco Desio **oversees** the functioning and observance of the 231 Organizational Model and sees to its updating.

As for the process of implementing the provisions regarding internal control and auditing introduced in 2010 by Legislative Decree no. 39, refer to that set forth above in paragraph 1.2.2.

MANAGING DIRECTOR, GENERAL MANAGER AND RISKS COMMITTEE

- **Managing Director**, who – within the sphere of his widest management responsibilities – is due the task of supervising the implementation of the policies and guidelines established by the Board of Directors with regard to Group risk management and internal auditing;
- **General Manager**, who - within the sphere of his widest management responsibilities - is due the task of drawing up, in his capacity as party appointed with personnel management and organization and running of the corporate structures, the measures necessary for ensuring the maintenance of an efficient and effective system of internal controls in keeping with the risks associated with corporate operations;
- **Risks Committee**¹⁰, in the guise of a technical-operating committee, which is due the task of supporting the Managing Director and the General Manager in the activities for the definition and supervision of the policies and the Group risk management systems.

INTERNAL AUDIT DIVISIONS/ROLES

- **Appointed Executive**, who is responsible – in pursuance of Article 154 *bis* of the CFL – for the task of defining and maintaining a Group organizational and **financial disclosure control** model, aimed at ensuring the reliability and integrity of the accounting and operating information; additional information on the main features of the risk management and internal audit systems existing in relation to this process, is provided – in pursuance of Article 123 *bis* section 2 – in paragraph 7 below;
- **Compliance Division**, which is assigned the task of **handling and overseeing**, at Group level, the risk of non-compliance with the regulations;
- **Risk Management Division**, which is responsible for the task of **gauging and monitoring** the Group's exposure to the different types of risk, in particular market, credit, rate, liquidity and operating risks;
- **Internal Audit Division**, which is responsible for the task of **checking** that the corporate and Group Internal Audit System, in its entirety, is adequate and functions.

OTHER CORPORATE DIVISIONS

- **Heads of the corporate organizational units** (Departments, Areas, Offices, Sectors, Branches, etc.) who are responsible for the task of ensuring the implementation of the line controls envisaged or necessary for the effective supervision of the risks associated with the operations entered into within the sphere of the respective organizational units

2 – GENERAL INFORMATION ON THE OWNERSHIP SET-UPS AND ON OTHER CORPORATE ASPECTS.

⁹ The concept of “governance” refers to the definitions of “strategic supervision” and “management” pursuant to the Bank of Italy Instruction dated 4 March 2008 on corporate governance

ON COMPLIANCE WITH A CODE OF CONDUCT AND ON THE GROUP STRUCTURE

This paragraph contains the information on the ownership set-ups and on the corporate aspects pursuant to Article 123 bis of the CFL, as well as on the Group structure and the management and coordination activities, according to the various banking and statutory rules. Unless specified otherwise, the information listed below refers to all the Italian Group Banks.

2.1 OWNERSHIP SET-UPS AND OTHER CORPORATE ASPECTS OF BANCO DESIO (Article 123 bis of the CFL, section 1)

a) Structure of the share capital

Banco Desio's share capital, fully subscribed and paid-in, is made up of a total of 130,202,000 shares (with a par value of Euro 0.52 each), of which 117,000,000 ordinary shares (around 90% of the total) and 13,202,000 non-convertible savings shares (around 10% of the total).

The ordinary shares, listed since 1995 in the MTA (On-line Equity Market), grant the holders the rights and obligations envisaged by current legislation (in particular, the right to profits and the voting right pursuant to Articles 2350 and 2351 of the Italian Civil Code), without Articles of Association exceptions or limitations.

The non-convertible savings shares, issued at the time of the share capital increase and listed on the MTA in 1999, have the following specific features, established by special legislation (Article 145 of the CFL) and by the Articles of Association:

- they lack the right to vote during ordinary and extraordinary shareholders' meetings;
- they can be bearer shares, except for those possibly held by the Representatives;
- they are not convertible, on an optional basis, into ordinary shares;
- they have a preference with regard to the allocation of the profit for the year, which must never be less than 7% of their par value and must in total be 20% higher with respect to that due to the ordinary shares;
- in the event the company is wound up, they have a pre-emption with regard to the reimbursement of the capital for their entire par value;
- in the event of exclusion from trading of the ordinary and savings shares, these savings shares automatically change into shares with a limited right to vote for the resolutions adopted by the extraordinary shareholders' meeting, without prejudice to the equity privileges indicated above.

With regard to the organization of the category, reference should be made to paragraph 11.

Other specific categories of shares or financial instruments sharing in the profit endowed with specific equity or administrative rights have not been issued nor is the faculty to issue the same envisaged by the Articles of Association.

Financial instruments which give the right to subscribe newly-issued shares have not been issued, and no deferred or delegated share capital increases have been authorized, nor are there any share-based incentive plans which involve increases, including bonus, in Banco Desio's share capital. Plans of this type are furthermore still in existence – as they have a residual maturity which will terminate during 2011 – for the subsidiaries Banco Desio Veneto SpA, Chiara Assicurazioni SpA and Fides SpA (for detailed disclosure on the Stock Option Plans existing on shares of subsidiary companies, reference should be made to Part I of the Notes to the Consolidated Financial Statements).

b) Restriction on the transfer of shares

No voluntary or Article of Association restrictions on the circulation of the shares are envisaged, such as limits to the possession of shareholdings or approval clauses. Furthermore, the undertaking of equity investments in the banks' share capital which involve the exceeding of specific percentage thresholds is subject to the restrictions established by the CBL and the Supervisory Provisions.

c) Significant investments

The shareholders who hold equity investments in Banco Desio of over 2% were as follows as of 31 December 2010:

- with regard to the share capital represented by a total of 117,000,000 ordinary shares:

- Brianza Unione di Luigi Gavazzi & C. S.A.p.A.	52.26% (controlling interest)
- Avocetta S.p.A.	8.60%
- Pia Lado (of which 5.86% via Vega Finanziaria S.p.A.)	7.40%
- Gerolamo Gavazzi (of which 2.25% via Averla S.p.A.)	2.61%

- with regard to the share capital represented by a total of 13,202,000 savings shares:

- Brianza Unione di Luigi Gavazzi & C. S.a.p.a.	42.42%
- Avocetta S.p.A.	10.62%
- Pia Lado (of which 5.20% via Vega Finanziaria S.p.A.)	6.56%
- Gerolamo Gavazzi (of which 3.42% via Averla S.p.A.)	3.79%

The information on significant investments was essentially acquired on the basis of the registration in the Shareholders' Register, as well as the indications received by the company in accordance with Article 114, section 7 of the CFL (Internal Dealing) and Article 120 of the CFL (Ownership set-ups)

d) Securities which grant special control rights

No securities have been issued which grant special control rights.

e) Shareholdings of employees: voting procedure

No employee shareholding systems are envisaged on Banco Desio shares. For detailed disclosure on the Stock Option Plans existing on shares of subsidiary companies, reference should be made to Part I of the Notes to the Consolidated Financial Statements.

f) Restrictions on the right to vote

Restrictions on the right to vote are not envisaged, except for the above limitation regarding savings shares and without prejudice to the other restrictions envisaged by *ad hoc* legislation (for example: failure to acquire authorization for the purchase of significant investments, inexistence of the good standing requisites of those investing in the share capital, failure to fulfil specific disclosure obligations vis-à-vis the Bank of Italy and Consob, etc.).

g) Agreements between shareholders

There are no shareholders' or corporate agreements between shareholders, as envisaged by current provisions (Article 20 of the CBL and Article 122 of the CFL).

h) Change of control clauses

Banco Desio and/or its subsidiaries do not have any significant agreements outstanding, whose efficacy is subordinate, or which change or cease in the event of any change in the control of the Bank.

i) Indemnity paid to directors in the event of early termination of the relationship

In compliance also with the requirements of **Consob Communication DEM 11012984 of 24 February 2011**, the following is specified:

- a) existence of the agreements indicated in Article 123-bis, section 1, i), of the CFL**
as previously noted in the Report on Remuneration Policies approved by the Shareholders' Meeting on 29 April 2010, on appointing the Managing Director on 28 April 2008, an agreement of this type was entered into, with a term of three years, which, however, expires with the approval of the financial statements as at 31 December 2010;
- b) criteria used in order to determine the indemnity in favour of each director, member of the control body or supervisory council**
the indemnity owed for such purpose to the Managing Director is equal to the difference between the fees received at the termination of office and that still accruing up to the expiry of the three-year period;
- c) any effects generated by the termination of the relationship on the rights assigned according to share-based or cash payment incentive plans**
with regard to the existing incentive plans on shares issued by subsidiaries (as described in further detail in Part I of the Notes to the Consolidated Financial Statements), the Managing Director shall forfeit his option rights in the event of termination with just cause or due to deeds or facts attributable to the same or in the event of dismissal not for the purpose of receiving a pension or invalidity allowance, or in the event the party carries out activities in competition with those carried out by the Group;
- d) the cases in which the right to indemnity accrues**
the indemnity pursuant to point b) shall accrue in the event of termination of the employment relationship by order of the company, unless said order is the result of a serious offence attributable to the Managing Director, with regard to cases of negligence and wilful misconduct;
- e) the existence of any agreements which envisage the assignment or the retention of non-monetary benefits for parties who have terminated their office ("post retirement perks") or the stipulation of post-retirement consulting contracts**
no agreements of this type exist in relation to Directors;
- f) the existence of any agreements which envisage remuneration for non-competition clauses**
no agreements of this type exist in relation to Directors

For additional information pertaining to the directors' remuneration, see paragraph 6 below.

l) Appointment and replacement of directors and Statutory auditors and Article of Association amendments

As from the 2008 accounting period, the appointment of Banco Desio's BoD has been disciplined by the new procedure, assimilated within the Articles of Association, by way of implementation of Article 147-ter and Article 148 of the CFL.

The BoD is made up of a minimum of 8 and a maximum of 11 members, according to the decisions of the Shareholders' Meeting, and is appointed by means of "majority" list voting which, in the event of the presentation of two or more lists of candidates, envisages the appointment of all the directors less one from the list which obtained the greatest number of votes expressed during the shareholders' meeting (majority list); one director is appointed from the minority list which has obtained the greatest number of votes expressed after the majority list, provided that the number of votes is at least equal to half of the quorum necessary for the presentation of the lists and on condition that the minority list is not linked to the shareholders who have presented or voted for the majority list.

These lists can be presented by shareholders who are the owners of ordinary shares equal to at least 2.5% of the share capital represented by ordinary shares and they must be presented at least 25 days before the Shareholders' Meeting, accompanied by:

- the documentation proving the identity of the shareholders and their legitimate right to present the list;
- the individual declarations of acceptance of the candidature and possession of the prescribed requisites including independence requisites, as well as the Curriculum Vitae of the candidates;
- the declarations, of the shareholders who present the minority lists, of the absence of any link with the majority shareholders.

In the event the director appointed from the minority list falls from office, the BoD is obliged to co-opt, where possible, a non-elected candidate present on the same list. In any event, during the Shareholders' Meeting called to resolve on the replacement of the directors appointed by the minorities, the candidatures can only be presented by other shareholders not linked to those who have presented and voted for the majority list at the time of appointment of the BoD and the appointment of the director takes place by means of a related majority.

With regard to the Board of Statutory Auditors, a similar procedure applies with the following changes:

- two standing auditors and two alternate auditors are appointed from the majority list;
- a standing auditor, who will take on the office of Chairman, and an alternate auditor, are appointed from the first minority list not linked to the majority shareholders, irrespective of the number of votes obtained.
- in the event that in the 25 days prior to the shareholders' meeting, just the majority list has been duly presented, the deadline for the filing of the minority lists is extended by 3 days and the presentation quorum is halved.

Amendments to the Articles of Association are the exclusive responsibility of the Extraordinary Shareholders' Meeting, except in those cases where the law and the Articles of Association permit approval by the BoD. In any event, the Article of Association amendments are subject to the prior assent of the Bank of Italy. For further information relating to the management body and the auditing body, see sections 3 and 9 below.

m) Powers pursuant to Article 2443 of the Italian Civil Code and authorizations to purchase own shares

No powers have been granted to Banco Desio's BoD for increasing the share capital as per Article 2443 of the Italian Civil Code, nor for issuing financial instruments sharing in the profits. For detailed disclosure on the Stock Option Plans existing on shares of subsidiary companies, reference should be made to Part I of the Notes to the Consolidated Financial Statements. There are no General meeting authorizations for the purchase of own shares in force.

2.2. COMPLIANCE WITH A CODE OF CONDUCT REGARDING CORPORATE GOVERNANCE (Article 123 bis, section 2, letter a of the CFL)

As already illustrated in the previous Reports, Banco Desio, despite having the special norms of the Banking Legislation and especially the afore-mentioned Supervisory Provisions as its main reference, complies with the Code of Conduct for Listed Companies as from its first issue by Borsa Italiana. In detail, the last edition of the Code in force as from 2006 was adopted on a generalized basis, with the exception of certain criteria of a circumscribed nature which it was considered necessary or appropriate not to assimilate fully. For detailed information on the state of compliance with the individual recommendations of the Code, reference should be made to Table 4. The Code can be found on the website: www.borsaitaliana.it.

Additional information laid down by Article 123 bis, section 2 of the CFL, referring to financial disclosure (letter b), the functioning of shareholders' meetings and dealings with the shareholders (letter c) and the composition/functioning of the management and audit bodies (letter d) is provided, specifically, in sections 3, 7, 9 and 10 below.

2.3. GROUP STRUCTURE AND MANAGEMENT AND COORDINATION ACTIVITIES

Banco Desio is the Group Parent of the **banking group** with the same name, pursuant to Articles 60 and 61 of the CBL, which with reference to 28 February 2011 included the following companies:

Banco Desio e della Brianza SpA	Parent bank
Banco Desio Lazio SpA	Wholly-owned subsidiary bank (100%)
Banco Desio Toscana SpA	Wholly-owned subsidiary bank (100%)
Banco Desio Veneto SpA	Wholly-owned subsidiary bank (100%)

Fides SpA	Finance company enrolled in the list pursuant to Article 106 of the CBL, indirectly controlled via Banco Desio Lazio (100%)
Brianfid Lux SA	Directly controlled Luxembourg-based investment company (100%)
CPC Lugano SA	Swiss bank indirectly controlled via Brianfid (100%)
Rovere Società di Gestione SA	Luxembourg-based investment company indirectly controlled via Brianfid (50%) and via the afore-mentioned Italian Subsidiary Banks (10% each), for a total holding of 80%

Banco Desio exercises management and co-ordination activities over these companies, both according to current banking supervisory provisions and in accordance with Article 2497 *et seq.* of the Italian Civil Code. In detail, as per Article 61 of the CBL, the Group Parent exercises control at the following levels over the Italian Subsidiary Banks, as well as over the Italian and foreign banking and financial entities included within the scope of the banking group (Fides SpA, Brianfid-Lux SA, Rovere Società di Gestione SA, Credito Privato Commerciale SA): i) strategic, mainly by virtue of the predominance of its Representatives within the BODs of said subsidiaries; ii) management, mainly by virtue of a consolidated performance monitoring system on all the subsidiaries; iii) technical-operating, which in the Italian subsidiary companies mainly takes place by virtue of a significant centralization of key functions, particularly internal auditing, within Banco Desio. With regard to the afore-mentioned Luxembourg and Swiss subsidiaries (which overall are not particularly significant in terms of size and/or risk), the Group adopts essentially uniform governance set-ups, characterized by: i) the predominance of representatives placed by said Group within the Board of Directors; ii) the presence of External Auditors belonging to the same international network as the independent auditing firm operating c/o of said Italian Group Banks or in any event to leading entities within the sphere of this network; iii) the existence of connections between the internal audit divisions of the Group Parent and the corresponding divisions of the individual subsidiaries; these connections operate on an on-going basis, albeit in observance of the limits set by local banking and finance regulations. In this context, the governance system of the foreign subsidiaries is enhanced by the sub-holding roles assigned to Brianfid-Lux SA.

Banco Desio also directly controls **Chiara Assicurazioni S.p.A.**, an insurance company operating in the non-life business sector, excluded from the scope of the banking group (since it is subject to the supervisory legislation on insurance companies), but which is also subject to the management and co-ordination of Banco Desio, as per statutory provisions. Chiara Assicurazioni S.p.A.'s share capital is **62.436%** owned by Banco Desio. The remaining holdings are held by 4 Italian banks consistent in size with Banco Desio, as well as by a group operating at national level in the loan brokerage sector (via shareholdings ranging between around 5% and 10%).

Brianza Unione di Luigi Gavazzi & C. S.A.p.A., a holding company whose main purpose is the management of the controlling equity investment Banco Desio is the party which exercises control over said Bank according to applicable laws (Article 2359 of the Italian Civil Code and Article 23 of the CBL). As a result of an express Article of Association provision, however, **it does not exercise management and co-ordination activities** over Banco Desio and its subsidiaries, either on the basis of banking legislation or on the basis of statutory provisions.

Brianza Unione di Luigi Gavazzi & C. S.A.p.A. does not hold any other controlling interests.

In conclusion, Banco Desio also holds two associated investments:

- Chiana Vita S.p.A. (former Group insurance company which is a life insurer) via a holding of 30%, against the controlling interest currently held by the Helvetia Group;
- Istifid S.p.A. (trust company) via a holding of around 28%, by virtue of which Banco Desio currently sets itself as the related majority shareholder.

CPC Lugano, currently the only subsidiary with registered offices in a non-EU nation, observes the transparency conditions laid down by Article 36 of the Consob Market Regulations (Reg. 16191/2007). In detail, with reference to the Swiss subsidiary, Banco Desio: makes the accounting schedules drawn up for the purposes of the consolidated financial statements available to the general public (via a link between its web site and that of the subsidiary), schedules which include at least the balance sheet and income statement; acquires the documentation pertaining to the Articles of Association, the composition and powers of the corporate bodies; ensures that the subsidiary company provides the auditor of the parent company with all the information necessary for carrying out the accounting audit as well as puts together an administrative-accounting system suitable for making sure that the parent company and the auditor receive the necessary information for the preparation of the consolidated financial statements.

The Group structure set forth above may undergo some changes during 2011 in relation to the corporate structure of the Italian banking networks, as part of a Group reorganisation, which will, in any event, be disclosed to the public in the Report on Operations and/or in other specific corporate documents.

3 – BOARD OF DIRECTORS

The information included in this paragraph has also been provided in compliance with Article 123 bis, section 2 letter d of the CFL

3.1 Composition and requisites

Banco Desio's Board of Directors in office is made up of 11 directors, was appointed by the Shareholders' Meeting held on 28 April 2008, using the list voting mechanism pursuant to paragraph 2.1.1) above, and falls from office with the shareholders' meeting held for the approval of the financial statements as at 31 December 2010. On the occasion of the aforementioned Shareholders' Meeting, the BoD appointed a second Deputy Chairman.

The composition of the BoD, together with the other information on the structure of the Management Body and the Committees, is included in the attached Table 1.

On the basis of the special reference legislation for banks with listed shares, the directors must possess the specific good standing and professionalism requisites, otherwise they will lose their office; in detail, with regard to professionalism, at least three years of experience in at least one of the following areas is required:

- a) management, audit or executive activities within companies;
- b) professional activities with regard to matters pertaining to the banking, financial, insurance sectors or functional with regard to the bank's activities;
- c) a university lecturing position in the law or economics faculties;
- d) public administrative or executive functions pertaining to the lending sector or which involve the management of economic-financial resources.

With regard to the office of Chairman, the afore-mentioned experience must cover at least five years; with regard to the offices of Managing Director and General Manager, specific expertise in matters pertaining to the lending sector is required, gained in positions of adequate responsibility for at least five years.

Checking of the requisites of the Representatives is the responsibility of the Board of Directors, within 30 days of appointment, by means of procedure established by the Bank of Italy's Supervisory Provision; in short, possession of the requisites is checked and resolved by the BoD having consulted the Board of Statutory Auditors (subject to specific checking by said Board¹¹), for each individual representative, involving the abstention of the party concerned, on the basis of suitable documentation produced by said Representatives (examples: certificates, declarations, curricula vitae, affidavits or similar, declarations made by companies/bodies they belong to, etc.).

The information on the personal and professional characteristics of the directors is published at the time of the presentation of the lists for the renewal of the corporate offices, in compliance with current Consob regulations (for greater details, see paragraph 3.5 below).

3.2 Independent Directors

Of the 11 Banco Desio Directors in office, 4 (including 1* candidate from the minority list as per the law) are qualified as independent, according to the specific provisions of Articles 147 *ter* and 148 of the CFL (also formalized in the Articles of Association, in compliance with the Bank of Italy memo of clarification dated 27 February 2009) as well as according to the standards of the Code of Conduct (with exception to the criteria of "nine years" permanence in the BoD which, due to the reasons indicated in attached Table 4 in compliance with the resolution adopting the Code adopted on 22 February 2007, is not however considered in itself to be indicative of the lack of the independence requisite). The assessment of the independence is subject to the resolution of the BOD and specific checking by the Board of Statutory Auditors, examining the individual positions of the directors on the basis of suitable documentation available to the company or disclosure made by the party concerned, who abstains from voting.

The checks are envisaged after appointment, as well as when establishing Committees which require the participation of a certain number of Independent Directors, at the time of approval of this Report and/or each time the BoD considers it appropriate in relation to any occurrence of situations which may change the qualification of independence or otherwise relating to one or more directors.

The Directors who are currently in possession of the independence requisites (all in accordance with both the CFL and the Code of Conduct with the exception of the afore-mentioned "nine year" aspect) are listed below:

- Prof. Francesco Cesarini	(in office since 25 Jan. 2007)
- * Pier Antonio Cutellè (Lawyer)	(“ 28 Apr. 2008)
- Prof. Luigi Guatri	(“ 29 Apr. 1988)
- Gerolamo Pellicanò (Lawyer)	(“ 30 Apr. 2002)

The latest check of these requirements was carried out on establishment of the Related Party Transactions Committee (in the Board meeting of 11 November 2010). Considering the short period of time since the last check and the now imminent renewal of the corporate offices, the next check will be performed following the appointment of the members of the Board

¹¹ With regard to the specific assessment of the Board of Statutory Auditors regarding the requisites of the Directors and the Statutory Auditors, also see section 9 below.

of Directors and the related Committees, within the following 30 days (indicatively, at the Board meeting of 12 May 2011), without prejudice to the fact that each of the candidates for the office of Independent Director must certify their possession of at least the requirements set forth in the CFL in the phase of submitting lists pursuant to the previous paragraph 2.1.1)

The Independent Directors, besides taking part in the board's work as well as the activities of the advisory/proposal-making Committees they respectively belong to (in other words the Internal Audit Committee and the Appointments and Remuneration Committee, which they are the majority component of, as well as, from 25 November 2010, the Related Party Transactions Committee, fully comprised of the same), met on 22 March 2011, to express their opinion on the aspects of this Report in as far as they are responsible and, therefore, on the coherence of the general trend of the board's work and the activities of the afore-mentioned Committees, in particular with respect to the role which the Code assigned, within the sphere of the non-executive members, especially to these Directors¹². This **assessment**, positive overall, is attached to the Report (**Attachment A**)

Moreover, the Independent Directors met on 22 June 2010 and on 15 October 2010, in order to examine the progress of Consob and Bank of Italy regulations (the latter is still under consultation at of today) on the matter of related parties, as well as the subsequent analysis and implementation by the corporate structure, which resulted in the adoption of the new Internal Procedure pursuant to paragraph 5 below.

3.3 Functioning

As a rule, Banco Desio's Board of Directors meets monthly; during 2010, a total of 15 meetings were held, the majority of which scheduled at the beginning of the year; with regard to 2011, 14 have been scheduled, including 3 in the first three months. The dates of those relating to the approval of the periodic reports (draft financial statements and consolidated financial statements, interim and quarterly financial reports) have been made public, in January, within the context of the Annual Calendar of Corporate Events, in compliance with stock exchange legislation. The publication of the *Corporate Calendar* falls within the sphere of a more extensive process for the scheduling of the board's work for all the Group companies, which sees the involvement of the same BoDs of the Group Parent and the subsidiaries, for the purpose of optimizing the activities of the corporate bodies on a consistent basis with the general principles of efficiency and effectiveness established by both the Code of Conduct and the Bank of Italy Instruction. The internal regulations concerning the information flows between the corporate bodies and within the same aspire to the same principles, aimed at ensuring a circulation of information consistent with the need of the Directors and Statutory Auditors to act in an informed manner and, at the same time, with the need to maintain organizational safeguards so as to avoid the risk of the improper use of confidential information.

In accordance with the matters established by the Articles of Association and by the Corporate Information Procedure, which complies with the matters established by the Bank of Italy Instruction relating to the information flows, the meetings of the BoD are called by the Chairman by means of notice made at least 5 days in advance and containing the list of the matters to be dealt with; the documentation relating to the matters on the agenda is made available to the directors and the statutory auditors, as a rule, at least two hours before the time fixed for the meeting. In particular, the documentation concerning matters of importance (such as, for example, the approval of the periodic accounts, the proposals pertaining to any extraordinary transactions and in general the transactions subject to examination by the Supervisory Authority), is forwarded, as a rule, together with the notice of calling or, in any event, in the days prior to the meeting.

The confidentiality restrictions regarding the documentation and the information subject to board resolution are decreed – on a consistent basis with the discipline of market abuse – also by the Corporate Information Procedure, for the directors, statutory auditors, external auditors and for all the employees who enter in to possession of potentially price sensitive documentation and information. In this context, particular provisions discipline access to the minutes of the Board meetings. (For further details on this Procedure, also see paragraph 8 below).

3.4 Powers

The BoD is vested with all the powers of ordinary and extraordinary business, except for the faculties reserved for the shareholders in general meeting by the legal and/or supervisory provisions; in addition to the functions which cannot be delegated, decisions concerning the following matters are reserved by the Articles of Association for the exclusive competence of the BoD, also in accordance with the matters laid down by the Supervisory Provisions:

¹² For practicality's sake, an extract from the Comments on Standard No. 2 of the Code is presented: "... the importance that the board, when carrying out its strategic policy and assessment tasks, is effectively able to express authoritative opinions, ... The non-executive member has the primary role of providing a significant contribution to the performance of these tasks. In detail, the non-executive directors enhance the board discussions with expertise formed outside the company, of a general strategic or specific technical nature. These skills make it possible to analyze the various subjects being discussed from different points of view and, therefore, contribute towards stimulating the dialogue which is the distinctive condition for a well thought-out and informed collective decision. The contribution of the non-executive directors is particularly useful on matters where the interests of the executive directors and those of the shareholders may not coincide, such as the remuneration of said executive directors and the internal audit system. In fact, the non-executive component of the board, due to the fact that they are extraneous to the operative management of the issuer, may effectively contribute towards the assessment of the proposals and the activities of the executive directors.

- the determination of the policies which affect the general management of the bank's and Group's business and, within this sphere, the decisions concerning the guidelines and strategic transactions as well as the industrial and financial plans (see previous section 1.2.1);
- the issue and amendments of the internal regulations with the exception of amendments which merely adapt to the provisions of current legislation or to shareholders' and board meeting resolutions already adopted and effective;
- the establishment, transfer and closing down of branches and representative offices;
- the purchase, construction and sale of real estate property assets other than those granted under financial lease as part of its institutional activities;
- the purchase and sale of equity investments which involve changes in the banking group or in any event the undertaking or disposal of controlling or associated interests or which involve the exceeding of the authorization thresholds according to the applicable provisions; the BoD has the faculty to delegate, establishing the related limits, conditions and formalities, the purchase and sale of shares of subsidiary companies listed on organized markets, provided that these operations take place: a) in observance of the current regulations concerning issuers, brokers and markets; b) under the afore-mentioned authorization thresholds;
- the determination of the criteria for the management and co-ordination of the Banking Group and the other subsidiary companies, as well as the criteria for executing the instruction of the Bank of Italy;
- the appointment of the General Manager, the Deputy General Managers and the Executives and the determination of the powers assigned to the same and to the Middle Management;
- the appointment of the Heads of the Internal Auditing Divisions as well as the Appointed Executive and the definition of the essential elements of the overall architecture of the internal audit system, subject to the favourable opinion of the Board of Statutory Auditors;
- the possible establishment, appointment and discipline of committees with proposal-making, advisory and/or co-ordination-related functions (such as, by way of example, the Appointments and Remuneration Committee and the Internal Audit Committee).

Furthermore, as per the Articles of Association, the Board of Directors is also assigned responsibility, which cannot be delegated but can be submitted to the Shareholders' Meeting, for the following possible resolutions:

- the merger via incorporation of companies wholly or at least 90% owned;
- the establishment and closing down of secondary offices;
- the reduction of the share capital in the event of the withdrawal of shareholders;
- the adaptation of the Articles of Association to peremptory legal provisions;
- the transfer of the registered offices of the company within Italy.

The powers listed above absorb those envisaged by the Code of Conduct (Article 1.C.1.a) and in particular the responsibility pertaining to the approval of the industrial and financial strategic plans; as a rule, the strategic plans are approved over a period of two years, on a consistent basis with the reference period of the Supervisory Provisions concerning territorial development.

The assessment of the general organizational and accounting set-up, envisaged by the same Code (Article 1.C.2.b) falls under the exclusive responsibilities of the BoD, established by the Internal Regulations, on a consistent basis with the supervisory legislation regarding the internal audit system and the individual and group risk management policies.

The Internal Regulations also reserve the Board the specific faculty regarding operational management, whose division between the BoD and the Bodies delegated by the same essentially complies with criteria regarding amount limits (as detailed in section 4 below).

In general, the layout described above also refers to the BoDs of the Italian Subsidiary Banks, taking into account the restrictions deriving from the fact that – due to Article of Association provisions compliant with supervisory legislation – these companies (unlisted) are subject to the management and co-ordination activities of the Group Parent (listed). The already mentioned minor operating and size-related complexity should also be kept in mind.

3.5 Appointment

Without prejudice to that illustrated in paragraph 2.1.1) above and paragraph 3.1 above, within the sphere of the procedure for acknowledging the Code of Conduct, Banco Desio's BoD also established the following general criteria relating to the accumulation of the appointments of the directors¹³:

- a) the establishment of the number of appointments as director or standing auditor covered in other listed companies and/or supervised companies¹⁴ (excluding subsidiaries, associated companies and investee companies directly or indirectly invested in to a significant extent by Banco Desio from this group) as 5; for such purposes, with regard to the notion of "investee companies invested in to a significant extent" reference should be made to the sector regulations (for example: 2% of the capital for listed companies, 5% for supervised companies, etc.);
- b) incompatibility between the office of executive director in Banco Desio and any executive appointment covered in other listed companies and/or supervised companies (again excluding subsidiaries, associated companies and investee companies invested in to a significant extent by Banco Desio from this group);

The aforementioned general principles should be considered non-compulsory and the occurrence of situations of incompatibility does not in itself involve the fall from office; the BoD reserves itself the right to assess any non-compliant situations case by case, without prejudice to the principle, confirmed by the Code, according to which the valuation regarding the appropriateness of accepting the appointments, also in the internal committees, is left to the discretion of the parties concerned, exclusively "when they believe they are able to dedicate the necessary time to the performance of their duties".

The offices covered by Banco Desio's Directors and Statutory Auditors in the Parent Company (Brianza Unione), in subsidiary, associated and investee companies, and in other listed and/or supervised companies, are summarized in the attached Table 3.

The afore-mentioned limits on the accumulation of offices of the Directors as per points a) and b) (again considered to be non-compulsory with in the terms indicated above) are similarly established in the Internal Regulations of the Italian Subsidiary Banks.

4 - SYSTEM OF POWERS AND AUTHORITY

4.1 General outlines

Given the peculiar features of banking activities, within the sphere of the governance and internal audit system, the system of powers and authority takes on particular importance, disciplined on a systematic basis by the Articles of Association and, in a more detailed manner, by the Internal Regulations. This system finds a consequence, at technical-operating level, in the internal regulations (in particular: Consolidated Laws) and, from a representative point of view, in the so-called "signatory powers" (in particular: special powers of attorney).

This system has been structured on the basis of criteria consistent with the principle of the reservation for the Board of Directors of the main decisions (in other words those which the Bank of Italy Instruction summarizes in the policy and supervision functions of the corporate operations) and the periodic reporting to said BoD by the executive Bodies and Parties who are mainly delegated with the management function, or rather the implementation of the policies resolved by the BoD when carrying out its strategic supervision function: **Executive Committee, Managing Director and General Manager**. The latter represents the apex of the internal structure and, as such, participates in the management function, as well as the BoD and Executive Committee meetings, also having the task of executing the resolutions adopted by said Bodies.

The layout of the operating powers detailed in the Internal Regulations is in short structured as follows.

Each of the afore-mentioned appointed Bodies and Parties, in addition to the general powers pertaining to their role, have operating power mainly in relation to the following matters pertaining to current operations:

- a) disbursement of credit and pricing policies;
- b) legal action taken and brought;
- c) transactions on real estate property and movable assets;
- d) current spending;
- e) extraordinary charges.

4.2. Chairman - Executive Committee – Managing Director – General Manager.

The Chairman, who is assigned - also in compliance with the matters also indicated by the Bank of Italy Instruction – a

¹³ It is recalled that for the offices of the auditors, specific regulatory norms are in force with regard the number of offices which can be covered (Article 144 *duodecies* of the Consob Issuers' Regulations)

¹⁴ In this connection, "supervised companies" are understood to be: banks, insurance companies, stock broking companies, asset management companies and finance companies enrolled in the special register pursuant to Article. 107 of the CBL (Italian)

co-ordination and guarantee role for the purpose of the due functioning of the Board of Directors and the shareholders' meeting, and the Deputy Chairman who replaces the former in the event of his absence or unavailability, are not assigned operating powers. They and the Managing Director are assigned the representation of the Company in dealings with third parties and before the legal authorities on the basis of the Articles of Association, acting separately.

Pursuant to the Articles of Association, the Chairman can adopt, for reasons of particular urgency, decisions which are the responsibility of the Board or the Executive Committee (provided that they are not reserved by law or the Articles of Association for the exclusive competence of these Bodies), with the obligation to promptly disclose the same to the Board during the first useful meeting. This is a procedure of an exceptional nature.

As already mentioned in the previous paragraph 1.2, the Chairman in any event has a non-executive role and does not carry out operational functions, not even *de facto*. The same is valid for each of the two Deputy Chairmen.

The Chairman is a high-profile representative of the Parent Company "Brianza Unione" (see Table 3, attached).

The Executive Committee (appointed annually and currently made up of 4 directors: as per the Articles of Association, the Chairman, the two Deputy Chairman and Managing Director) is assigned – as part of the specific amount limits – operational management powers, for matters not reserved for the exclusive competence of the Board

In pursuance of the Articles of Association, for particularly urgent reasons, the Executive Committee may also adopt decisions which are the responsibility of the Board of Directors, provided that they are not reserved by law exclusively for the latter. The Board itself must be informed of these decisions during the first subsequent meeting.

During 2010, the Committee met in total 4 times.

The Managing Director presents the Management Body with projects, objectives and strategies for the growth of the bank and the Group, co-ordinates the ordinary operations and oversees the management, co-ordination and control of the Group, according to the standards established by the Board.

Within the sphere of the operational management, the Managing Director is granted powers within amount limits lower than those of the Executive Committee.

The Managing Director is also tasked with ensuring – at overall level – the functioning of the internal audit system, as well as the implementation of the process for assessing the capital adequacy ("ICAAP") and overseeing the activities associated with internal, inter-company and external corporate information, with the support of the specific divisions (Internal Auditing; Management Control and Risk Management; Planning, Studies and Equity investments; Legal & Corporate Affairs).

The Managing Director is also in charge of ensuring effective supervision of the compliance risk, with the support of the specific division (Compliance Department).

The General Manager sees to the execution of the resolutions adopted by the Board, the Executive Committee and the Managing Director and is placed in charge of the management of the personnel, the organization and functioning of the company structures and the carrying out of the current business affairs, according to the general policies established by the Board and the Managing Director. Within the sphere of the operational management, the General Manager has autonomous powers within amount limits lower than those of the Managing Director.

The executive Bodies and Parties inform the Board and the Board of Statutory Auditors, usually during the first useful meeting of the Board, with regard to the activities carried out within the sphere of the powers assigned and the performance of Banco Desio and the subsidiary companies. Within this sphere, specific reports as usually illustrated monthly regarding: i) the operational performance of all the Group companies; ii) the evolution of impaired loans (non-performing, problem, etc.); iii) the position of the legal action taken. Reporting on legal action brought and complaints is usually done on a quarterly basis.

Detailed indications on the amounts representative of the limits of the powers assigned are not provided, because the authorization standards are diversified according to the matters dealt with.

In conclusion, in light of the system of powers described, just the Managing Director can be considered to be executive; in fact, the following is specified:

- the Executive Committee mainly resolves on the transactions for the disbursement of credit which fall within its amount limits; it is for this reason, as well as due to the non-executive nature of the positions covered in the subsidiary companies, that the members of the Committee (other than the Managing Director) cannot consider themselves to be systematically involved in the current operations of the bank and the Group;
- no director (other than the Managing Director) covers executive positions within Banco Desio, or in the subsidiary companies, or in the parent companies, nor has the appointment of overseeing specific areas of the corporate operations ensuring a steadfast presence in said company and/or acquiring information from the operating structures and/or participating in the meetings of the Committees pursuant to the subsequent paragraph 4.3.

Considering the frequency of the Board meetings, as well as the advisory/proposal-making Committees established within the same and the extensive nature of the matters dealt with, the degree of involvement and contribution of all the Directors is such that it guarantees a adequate awareness of and effective performance by each one of their own roles, also in compliance with the matters indicated by the Bank of Italy Instruction.

4.3 Technical-operating committees

Besides the Executive Committee and the three advisory/proposal-making Committees mentioned above, at technical-operating level the BoD set up a Credit Facilities Committee, a Finance Committee and a Risks Committee.

The Credit Facilities Committee is made up of the Managing Director, the General Manager, the Deputy General Manager and the heads of the Loan Division and the other corporate divisions who are responsible in this sphere. As a rule, the Credit Facilities Committee meets twice a week to resolve on/discuss the following matters, all pertaining to the granting of credit:

- credit facilities which fall under their responsibility within the sphere of the powers assigned by the BoD, in relation to which the Credit Facilities Committee avails of independent authority for amounts greater than those of the Managing Director and lower than those of the Executive Committee;
- credit facilities for amounts which are the responsibility of the BoD or the EC, on which the Committee is required to express prior opinions;
- credit facilities for amounts which are the responsibility of the appointed parties (MD, GM, Deputy GM, etc.), if said parties believe a collective appraisal of the procedures is appropriate;
- consent to any resolutions pursuant to Article 136, section 2 of the CBL adopted by the BoD of the Italian Subsidiary Banks;
- prior binding opinion on credit facilities which are the responsibility of the senior management of the Italian Subsidiary Banks, overseeing the group policies regarding lending risks.

The Finance Committee is made up of the Managing Director, the General Manager, the Deputy General Manager/s and the heads of the Finance Division and of other corporate divisions who are responsible in this sphere. As a rule the Finance Committee meets once a month, supported by the executive parties indicated above, mainly with regard to the following activities, with reference to the respective powers:

- monitoring of market performance;
- monitoring of the progress of asset management products;
- asset allocation decisions;
- organizational measures in the finance sector.

The Risks Committee is made up of the Managing Director, the General Manager, the Deputy General Manager and those in charge of the internal audit and risk management divisions. The Risks Committee, which meets at least once every quarter and each time the need arises, is assigned the following activities:

- support for the activities of the Board with regard to the drafting of the risk management policies;
- monitoring, on an on-going basis, the consistency between the risk management policy adopted and the market trends at overall and individual Group company/strategic business area level;
- checking of the observance of the limits/parameters established by the Board for the exposure to risks at overall and individual Group company/strategic business area level;
- definition of the activities to be set up in relation to checking anomalous and critical situations;
- supervision of the control of the risks also with regard to capital absorption (regulatory and economic).

With regard to the **Italian Subsidiary Banks**, the system of powers is significantly simplified due to the already mentioned minor operating and size-related complexity, as well as the particular intensity of the management and coordination activities of the Group Parent; this system is essentially characterized by the presence of:

- a BoD comprising a reduced number (from 6 to 7) of Directors (as mentioned previously, these mainly involve Representatives of the Group Parent); this Body exercises operating powers in a systematic manner mainly with regard to the disbursement of credit, as well as the employment of personnel and other matters in relation to which it is considered appropriate to more fully limit the authority of the appointed Parties; within the sphere of the Board of each subsidiary, the role of Independent Director is introduced by the Articles of Association, on the basis of requisites similar to those established by the law for the Statutory Auditors. At present, there is an independent Director for each subsidiary and these Representatives have also been introduced into the individual Supervisory Bodies established, during 2009, in collective form, as per the afore-mentioned Italian Legislative Decree No. 231/2001 (solution also adopted for the non-banking subsidiaries Fides SpA and Chiara Assicurazioni SpA);
- a General Manager (as in the case of B.D. Toscana) or a Managing Director also with General Manager functions (as in the case of B.D. Lazio and B.D. Veneto) and therefore in charge of the execution of the BoD's resolutions, as well as the handling of the current affairs and the personnel; this Party has – to a proportionally reduced extent with respect to the Executive Parties of the Group Parent – operative autonomy with regard to: rates and conditions; legal action taken/brought; current expenditure; extraordinary charges.

The Chairman, who is as signed - also in compliance with the matters indicated by the Bank of Italy Instruction – a coordination and guarantee role for the purpose of the due functioning of the Board of Directors and the shareholders' meeting, and the Deputy Chairman who replaces the former in the event of his absence or unavailability, are not assigned operating powers. They and the Managing Director (if appointed) are assigned the representation of the Company in dealings with third parties and before the legal authorities on the basis of the Articles of Association, acting separately.

Pursuant to the Articles of Association, the Chairman can adopt, for reasons of particular urgency, decisions which are the responsibility of the BoD (provided that they are not reserved by law or the Articles of Association for the exclusive competence of this Body), with the obligation to promptly disclose the same to the BoD during the first useful meeting. This is a procedure of an exceptional nature.

As already mentioned in the previous paragraph 1.2, the Chairman in any event has a non-executive role and does not carry out operational functions, not even de facto.

The Chairman is a high-profile representative of the Group Parent.

The General Manager or the Managing Director informs the BoD and the Board of Statutory Auditors, usually during the next useful BoD meeting, of the activities carried out within the sphere of the powers assigned and the Bank's performance. Within this sphere, specific monthly reports are as a rule illustrated regarding: i) operating performance ii) impaired loan performance (non-performing, problem, etc.); iii) the situation regarding legal action taken by the bank. Reporting on legal action brought and complaints is usually done on a quarterly basis.

On a quarterly basis, the BoD approves the interim financial statements drawn up also for consolidated financial statement purposes. These reporting flows are also technically supported by the Group Parent's specialist divisions according to methods common to all the Italian Group Banks.

Considering the frequency of the BoD meetings, the degree of involvement and support of all the Directors is such that it guarantees adequate awareness of and effective performance by each one of their own roles, also in compliance with the matters indicated by the Bank of Italy Instruction.

5 – CONFLICTS OF INTEREST - TRANSACTIONS WITH RELATED PARTIES, CONNECTED PARTIES AND “ARTICLE 136 OF THE CFL”

The subject of conflicts of interest with reference to the various spheres of corporate operations (disbursement of credit, investment services, etc.) is subject to a prudent approach adopted by the Italian Group Banks. At present, the following main internal regulations operative in this connection exist:

- the Internal Procedure for the handling of the transactions pursuant to Article 136 of the CBL and with Related Parties, approved by the BoD during the first half of 2007 at the time of assimilation of the new Code of Conduct; this regulation was substituted from 1 December 2010 by the “Internal Procedure for Transactions with Related Parties, Connected Parties and Article 136 of the CBL” approved by the Board of Directors on 25 November 2010 in compliance with Consob Regulation no. 17221/2010;
- the “Policy” containing the General Rules for the handling of Conflicts of Interest regarding investment services approved by the BoD during the second half of 2007, at the time of assimilation of the MIFID Directive and reviewed during the second half of 2009, for the purpose of further enhancing the safeguards on these conflicts, whose mapping in the meantime has been updated.

The "Internal Procedure for Transactions with Related Parties, Connected Parties, and Article 136 of the CBL

In terms of decision-making processes, this new Internal Procedure - aimed at ensuring the transparency and substantial and procedural correctness of transactions with related parties carried out directly or through subsidiaries pursuant to Article 2391 bis of the Italian Civil Code – is mainly characterised by the presence of a Related Party Transactions Committee.

This advisory body is composed of all 4 Independent Directors in office and entitled to receive information and/or issue opinions, which are binding in certain cases, on transactions with related parties, as set forth, based on the quantitative and qualitative criteria established by the Consob Regulation, in the Internal Procedure which – in addition to the methods of operation of the Committee – governs the various types of total or partial exceptions in relation to small amounts or ordinary operations, as well as the counterpart to the transaction belonging to the group (in the absence of significant interests of the other related parties).

The Related Party Transactions Committee, set up by way of Board resolution of 11 November 2010, met for the first time on 25 November 2010, in order to express its (binding) opinion on the aforementioned Internal Procedure, prior to its approval by the Board of Directors. Also with reference to the year just ended, the Committee met a second time on 21 December 2010, in order to express its (non-binding) opinion on several transactions with subsidiaries and associated companies subject to proposed yearly renewal under the responsibility of the Board of Directors.

For more information, refer to the entire Internal Procedure published, in compliance with said Regulations, on the internet site www.bancodesio.it – in the section “Corporate Governance/Transactions with Related Parties”.

For a summary of these transactions relating to 2010, resolved within the sphere of the aforementioned Internal Procedure, reference should be made to the financial statement disclosure and especially Part H of the Notes to the Consolidated Financial Statements.

The “Policy” containing the General Rules for the handling of Conflicts of Interest regarding investment services has the aim of illustrating the guidelines which the Group has adopted with reference to the handling of conflicts of interest when providing investment services and activities, related services or a combination of these services, further to the acknowledgement, in the Italian legal system, of Directive No. 2004/39/CE (hereinafter also referred to as “MiFID”).

The provisions contained in the Policy were approved by the Group Parent’s Board of Directors, they were acknowledged by the Boards of Directors of the Italian Group Banks and were transmitted to the investment companies belonging to the Group which will have to follow them and can formulate additions and amendments which take into account any peculiarities which make them stand out: these amendments will have to be examined in advance by the Group Parent.

The Group Parent ensures the consistency of the decisions of the subsidiaries with the Group’s general approaches and policies regarding conflicts of interest, without prejudice to the autonomy of the corporate bodies of the individual Group banks.

The Policy has the aim of:

- identifying the circumstances which generate or could generate a conflict of interest suitable for seriously damaging the interests of one or more Customers;
- describing the procedures and organizational measures adopted for the purpose of handling these conflicts of interest;
- specifying that, when the measures adopted for the handling of conflicts of interest are not sufficient to ensure, with reasonable certainty, that the risk of damaging the interests of the customers is avoided, the conflicts are subject to specific disclosure to the customers.

The contents of the Policy are reviewed annually, or when significant circumstances occur which require an amendment and/or addition, so that:

- the identification of the circumstances which generate or could generate conflicts of interest is constantly updated, also so as to take into account the changes in the Group’s organizational set-up and the services provided by the same;
- the protection of the solutions identified for the mitigation of the conflicts of interest revealed is kept high.

These activities are seen to by the Group Parent’s Compliance Department which avails itself, where appropriate, of the support of the Group Parent’s legal and organizational divisions.

On the basis of the Group’s structure and the services provided by the Group Parent and the Group companies, the types of conflicts of interest have been identified, as indicated below:

- conflicts of interest within the sphere of the same service;
- conflicts of interest associated with the joint provision of several investment services;
- conflicts of interest associated with the provision of investment services concerning financial instruments and/or products issued by Group companies;
- conflicts of interest associated with the holding of significant equity investments in issuers of financial instruments;
- conflicts of interest associated with the existence of shareholders’ agreements in issuers of financial instruments;
- conflicts of interest associated with the provision of investment services concerning financial instruments and/or products of companies which possess a significant equity investment in Group companies;
- conflicts of interest deriving from the undertaking of appointments in other companies which may lead to the occurrence of a conflict;
- conflicts of interest deriving from membership of organized markets or the MTF in the capacity as specialist;
- conflicts of interest due to receiving incentives or commission.

The Group Parent has established and regularly updated a register which includes - noting the types of investment and related services concerned - the situations in which a conflict of interest has arisen, or, in the case of a service or activity underway, where a conflict of interest may emerge, which risks seriously damaging the interests of one or more customers. This register is kept and updated by the Group Parent's Compliance Department on behalf of all the Group banks. If, subject to assessment by the Group Parent, the management measures adopted are unsuitable for ensuring, with reasonable certainty, that with reference to cases of conflicts of interest, the risk of damaging the customers' interests is avoided, the customer will be informed, on a permanent medium, in a sufficiently detailed manner so as to permit the same to make an informed decision on the investment or related services requested, taking into account the context in which the conflict of interest arises.

6 – REMUNERATION AND INCENTIVE MECHANISMS - APPOINTMENTS AND REMUNERATION COMMITTEE

The standards followed for the remuneration and incentive of the management of all the Italian Group Banks, as well as the other subsidiary companies, are in line with the general principles of the correlation of these emoluments with the economic results achieved, the coherence with the strategies and parameterization with the risk, so as to avoid producing incentives in conflict with the interests of the company over the long-term, as also indicated in section 4 of the Bank of Italy Instruction.

The remuneration of the Managing Director, General Manager and the Executives with strategic responsibilities in Banco Desio is made up of a fixed part and a variable part; as illustrated in further detail in the Annual Report on Remuneration Policies).

As already mentioned, a number of stock option plans on shares of subsidiary companies are in force, limited to a number of strategic initiatives targeted on specific areas or sectors/segments of activities. The residual maturity of these plans will terminate during 2011. For the up-to-date situation of the plans outstanding as at 31 December 2010, reference should be made to the financial statement disclosure and especially to Part I of the Notes to the Consolidated Financial Statements.

With regard to the Group Parent's BoD, the Articles of Association envisage that the ordinary shareholders' meeting determined the overall fee for the Directors other than the Chairman, the Deputy Chairmen and the Managing Director; the BoD, having consulted the Board of Statutory Auditors, contributes to the determination of the fees of the latter, as well as the division between the other directors of the overall fee established by the shareholders' meeting. The division criteria also takes into account the appointments within the BoD and the various Committees covered by each member (including the offices as Secretary).

Also in compliance with the recommendations set forth in **Consob Communication DEM 11012984 of 24 February 2011**, it is noted – in supplementation of the disclosure on fees envisaged by Article 78 of the Issuers' Regulations (Schedule 1 of Attachment 3 C used to draw up the statement of fees reported in Part H of the Notes to the Financial Statements) – that Directors' fees for participation in the Committees established within the Board were defined by way of Board resolution of 11 November 2010, on the occasion of the establishment of the Related Party Transactions Committee, with reference to a remaining fraction of 2010, calculated as 1.5/12. By virtue of the aforementioned resolution, gross annual fees for Directors are determined as follows:

	CONSIGLIO (COMPENSO BASE)	D	CARICHE PARTICOLARI IN CDA / DELEGHE OPERATIVE	COMITATO ESECUATIVO (CE)	D	COMITATO CONTROLLO INTERNO (CCI)	C	COMITATO NOMINE E REMUNERA ZIONI (CNR)	C	COMITATO PARTI CORRELATE (COPC)	C	TOTALE
Agostino GAVAZZI (Presidente CdA CE e CNR)	77.500		530.875	40.000	P			21.625	P			670.000
Guido POZZOLI (VP e componente CE)	77.500		142.500	40.000								260.000
Stefano LADO (VP e componente CE e CCI)	77.500		120.875	40.000		21.625						260.000
Totale Presidenza	232.500		794.250	120.000		21.625		21.625				1.190.000
Luigi GAVAZZI (Segretario CdA e CE)	77.500	S	50.000	32.500	S*							160.000
Paolo GAVAZZI (Segretario CCI e CNR)	77.500					19.250	S*	19.250	S*			116.000
Luigi GUATRI (Componente CCI, COPC e CNR)	77.500					21.625		21.625		15.000		135.750
Francesco CESARINI (Pres. CCI e COPC; comp. CNR)	77.500					21.625	P	21.625		15.000	P	135.750
Gerolamo PELLICANÒ (Componente COPC)	77.500									15.000		92.500
Egidio GAVAZZI	77.500											77.500
Pier Antonio CUTELLE' (Componente COPC)	77.500									15.000		92.500
Totale Altri	542.500		50.000	32.500		62.500		62.500		60.000		810.000
Totale Amministratori NON esecutivi	775.000		844.250	152.500		84.125		84.125		60.000		2.000.000
Nereo DACCI (Amministratore Delegato e comp. CE)	77.500	V	522.500	40.000								640.000
Totale Generale	852.500		1.366.750	192.500		84.125		84.125		60.000		2.640.000
N.B. NUOVI IMPORTI IN VIGORE DALL'11 NOVEMBRE 2010 (PRO RATA TEMPORIS)												
D = organo deliberativo												
C = organo consultivo												
V = A.D. ha anche compenso variabile correlato all'utile netto di gruppo												
P = PRESIDENTE												
S = SEGRETARIO * non facente parte dell'organo												
Per il Comitato Operazioni Parti Correlate il Segretario è stato scelto al di fuori degli Amministratori												

With regard to the BoD of the Italian Subsidiary Banks, a mechanism essentially similar in its guidelines to that adopted by the Group Parent is in force, it being understood that the fee of the Managing Director (if appointed) is made up of a basic portion established by the shareholders' meeting (to an extent equal to that assigned to the other Directors other than the Chairman and the Deputy Chairman) and an additional portion established by the Board at the time of assigning the powers and authority. It is noted that no Committees have been established within the Boards of Directors of the Italian Subsidiary Banks.

With regard to the sum total of the fees received by the Banco Desio Representatives in 2010, also for appointments covered in subsidiary companies, reference should be made to the financial statement documentation and in particular Part H of the Notes to the Consolidated Financial Statements.

The "Appointments and Remuneration Committee" is made up of 3 Directors, all non-executive, 2 of which independent (in addition to the table above, see also Table 1 attached to this Report); the Managing Director may be invited to take part in its meetings (except in relation to the matters which concern him).

This Committee is an advisory/proposal-making body with the main task of: i) making proposals to the Board on the appointments and remuneration of the Directors in the cases when this decision falls under the responsibility of the Group Parent's Board and/or shareholders' bodies/boards of the subsidiary companies (in particular, these are decisions concerning the Directors vested with specific offices and/or operating authority, as well as the General Manager and the Deputy General Managers/s, as well as ii), upon the indication of the Managing Director, establishing the criteria for the remuneration of these roles, also at Group level, including the allocation of stock options.

The Committee met 4 times in 2010, to express its opinion of the above matters.

The Committee was assigned an independent annual expenditure budget of Euro 50,000.00.

The Articles of Association of all the Italian Group banks also envisage that the ordinary shareholders' meeting, besides establishing the above fees, approve the remuneration policies, including the plans based on financial instruments. The shareholders' meeting is ensured adequate disclosure on the implementation of the remuneration policies.

The shareholders' resolutions in this connection are adopted on conclusion of a process which – according to the current powers on the subject - involves not only the Board of Directors, but the Appointments and Remuneration Committee, the Internal Audit Committee, the Board of Statutory Auditors, the Chairman, the Managing Director, the General Manager, as well as the Internal Auditing divisions (the latter, with particular reference to the audit activities prescribed by specific Bank of Italy instructions dated 28 October 2009).

So as to comply with the requests made to the banking system by the Supervisory Authority, among other things, guidelines were drawn up in 2010 aimed at disciplining the process for the determination of the policies in question.

For additional information on the remuneration and incentive policies, reference should be made to the specific Report to the shareholders' meeting, which is made available to the general public as per the timescales and formalities established by pertinent primary and secondary legislation (including publication on the website: www.bancodesio.it) and which is communicated in advance to the Bank of Italy as required by the same.

7 - INTERNAL AUDIT SYSTEM – INTERNAL AUDIT COMMITTEE - EXECUTIVE APPOINTED TO DRAW UP THE ACCOUNTING DOCUMENTS – FINANCIAL DISCLOSURE PROCESS

The information in this paragraph has also been provided in accordance with Article 123 bis, section 2, letter b of the CFL

It is well-known that the banks are subject to regulations on the **internal audit system** laid down, in particular, by the supervisory legislation on banking activities and the provision of investment services, issued by the Bank of Italy and Consob implementing the CBL and the CFL. As these banks are “public interest entities”, they are also subject to the new regulations introduced in 2010 by Legislative Decree no. 39, mentioned in paragraph 1.2 above.

This system, more fully described in the same paragraph 1.2, features a complex structure which involves all the corporate levels, with specific duties reserved for the Board of Directors, the Board of Statutory Auditors, the Managing Director, the General Manager and the individual in charge of internal auditing, represented by the pro-tempore Head of the Internal Auditing Department (Mr. Massimo Barazzetta).

* * *

In this context, the BoD some time ago established an **Internal Audit Committee** which, to-date, must be made up of between 3 and 5 “non-executive” directors, the majority of which independent, from among whom the Committee Chairman is chosen.

Table 1 reveals the current composition: of its three members, no-one is executive and two are independent; the BoD has ascertained the presence of at least one party in possession of specific accounting and finance experience, identified as the current Committee Chairman (Prof. Francesco Cesarini).

The Committee meetings are usually attended by the Chairman of the Board of Statutory Auditors or, in his absence, an auditor appointed by the same, as well as the Head of the Internal Auditing Department; the Managing Director and General Manager may be invited to attend, along with other Executives/employees/consultants according to the specific business to be dealt with.

The Internal Audit Committee performs advisory, proposal-making and specifically assistance-related functions for the BoD in relation to the supervision activities on the regular functioning of the internal audit system.

The Committee reports to the BoD on the activities carried out and on the adequacy of the internal audit system, by means of a specific report drawn up six-monthly; the decisions made relating to matters which are the responsibility of the BoD are communicated during the next useful meeting, verbally or otherwise.

During 2010, the Committee met on 8 occasions, when not only its members were present, but also the Chairman of the Board of Statutory Auditors and the Head of the Internal Auditing Department; in relation to the matters being dealt with, also the other Statutory Auditors, the Managing Director, the General Manager, the Appointed Executive, other Executives and/or employees as well as external consultants took part in individual meetings, upon invitation. In detail, besides the usual six-monthly reports to the BoD on the activities carried out by said Committee, the main subjects dealt with were as follows:

- Periodic plans and final balances on the activities of the Internal Audit Divisions;
- ICAAP Report;
- Consolidated Laws on Investment Services (MIFID);
- The Policy on Personal Transactions (MIFID);

* * *

As regards **Group Organizational Model pursuant to Legislative Decree no. 231/2001**, in 2010 the List of Offences was revised in relation to the developments in the laws on the matter, and the behavioural “protocols” which the Group structures are required to follow for the purpose of preventing offences which could result in the criminal liability of legal persons were fine-tuned.

The powers and the functioning of the Internal Audit Committee in the guise of Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, are disciplined by the specific regulations referred to in the 231 Organization Model and currently located in a specific article of the Internal Regulations; it is envisaged that the Internal Audit Committee has autonomous powers of initiative and control, that it also avails itself of the support of the Internal Auditing Department for the supervisory activities and that it reports every six months to the Board of Directors on the activities carried out. The Internal Audit Committee is currently allocated an autonomous expenditure budget of Euro 50,000.00 per year.

During 2010, the Internal Audit Committee met, as the Supervisory Body, on 8 occasions, during which, besides the usual six-monthly reports to the BoD on the activities carried out, said Committee focused its attention specifically on revising the List of Offences pursuant to the above and further reinforcing the anti-money laundering safeguards within the Group, also with reference to the audits at subsidiary companies, carried out in the previous year.

In relation to the risk management and internal audit systems existing with regard to the **financial disclosure process, consolidated or otherwise**, the Consolidated Law of the **Appointed Executive** is in force, which describes the “powers and means” of said pro-tempore Executive (Mr. Piercamillo Secchi), in compliance with the legal provisions (in particular Article 154 *bis* of the CFL); in this connection, mention is made of a series of disclosure, audit and intervention powers assigned to the Appointed Executive, which essentially involve:

- the possibility of receiving data/information from specific corporate divisions; the faculty of carrying out checks autonomously and availing oneself of the Internal Auditing Department, as well as requesting organizational measures in an administrative-accounting sphere;
- the possibility of participating in board meetings which deal with administrative-accounting aspects and proposing acts of policy and co-ordination vis-à-vis Group companies (such as the appointment of its own Contact Persons care of these companies);
- the acknowledgement to said Appointed Executive of financial autonomy by means of the handling of a specific annual expenditure budget.

The Articles of Association assign the appointment of the Appointed Executive to the Board subject to the favorable opinion of the Board of Statutory Auditors and lay down, on a consistent basis with the current legislation for bank Representatives, the integrity and professional standing requirements (in particular, this party must possess specific expertise with regard to administrative-accounting matters gained, for a period of no less than three years, in positions of operative responsibility within the sphere of the company, the Group or other companies or entities comparable with regard to activities and organizational structure).

The Appointed Executive is currently on the staff of the Managing Director and avails himself of the direct support of the Administration Division, maintaining constant supervision over the financial reporting process, for the purpose of ensuring the reliability and integrity of the accounting and operating information, consolidated or otherwise, with particular reference to the so-called “key accounts”.

With regard to the risk management and internal audit system in relation to the financial disclosure process, the BoD defined a specific risk control model relating to financial disclosure (“Financial Disclosure Control Model”), which is an integral part of the internal audit system at Group level. As indicated below, the main responsibilities of this model are assigned to the Appointed Executive.

The Control Model allows for the fulfilment of regulatory obligations relating to the adoption of a risk management and internal audit system for the financial disclosure process.

In this regard, the set of tasks aimed at identifying and assessing risks and the controls on financial disclosure are part of the more general management process of the Control Model, which is broken down into the following phases:

- planning;
- implementation;
- assessment;
- reporting.

Based on the scope of the Model, which is applied to the entire Group, the tasks in each phase are carried out for both the Group Parent Banco Desio and, as far as compatible, for the Group Companies included in the scope of consolidation.

Phases in the Risk Management and Internal Audit System existing with regard to the financial disclosure process

Within operations, to identify financial disclosure risks, Banco Desio has defined the following types of financial disclosure risk, in line with its risk mapping:

- “risk of unintentional errors”: this means the risk of material errors in the financial statements resulting from the unintentional commission or omission of acts resulting from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events;
- “risk of fraud”: this means the risk of material errors in the financial statements resulting from an intentional act, committed in order to gain unjust or illegal advantages through false financial disclosure.

In addition, criteria have been established for identifying the specific significant company components, items and accounting schedules on which to focus the activities of planning, development and maintenance of administrative-accounting processes (including processes for reporting to the Group Parent by the subsidiaries for the purpose of drawing up the consolidated financial statements) as well as the phase of assessment of risks and controls. In particular, with regard to this phase, the assessment of risks and the effectiveness of controls is conducted in compliance with the methods defined by the Appointed Executive, shared with the Internal Auditing Department, and with possible support from the Group Parent’s Management Control Department and Risk Management Department. In order to identify the approaches to use in assessing financial disclosure risks, the Appointed Executive may avail of the Group Parent’s operating risks management division (for the other Group Companies, the Internal Contacts of the Appointed Executive avail of each Company’s operating risk management division, where existing). For the specific purpose of assessing risks and controls related to

aspects of the disclosure system, the Appointed Executive avails of the support of the Human Resource Department (Coordination, Organisation and Training/Technical Systems and Services Office) as well as, where needed, the Group Parent's Internal Auditing Department (for the other Group Companies, the Internal Contacts of the Appointed Executive avail of the support of the Operating Department as well as, where needed, the Controller).

In terms of the methods used to inform the top management on the Financial Disclosure Control Model, the Appointed Executive reports to the Bank's corporate bodies on the adequacy and effective application of said Model. In this regard, taking into account the provisions of Legislative Decree no. 39/2010 on external auditing of the accounts, the Appointed Executive:

- supports the Board of Statutory Auditors and the Independent Auditing Firm in assessing the correct use and homogeneity of the accounting standards for the purpose of preparing the individual and consolidated financial statements;
- provides the Supervisory Body pursuant to Italian Legislative Decree 231/01 with the related certification pursuant to art. 154-bis, section 5 of the CFL as well as indications when specific critical situations are detected relating to the adequacy or operation of the financial disclosure control model;
- draws up an annual report to submit to the Managing Director and the General Manager (according to their respective powers established by the Internal Regulation) and to subsequently transmit to the Board of Statutory Auditors. This report contains:
 - o an illustration of the activities carried out as well as any main critical situations found in the operation of the financial disclosure control model;
 - o an assessment of the significance of the risk through the proposal of Group Companies considered "significant" and financial statement accounts classified as "critical" to be analysed the following year;
 - o planning of activities to be carried out for the following year, also in consideration of the above points.

Roles and functions

The responsibilities relating to the implementation and operational phases of the "Financial Disclosure Control Model", also taking into account the applicable regulatory context, which assigns specific responsibilities to the Appointed Executive, are assigned to the Corporate Bodies as well as, in the majority, to said Executive. For the purpose of carrying out his duties relating to preparing company accounting documents (mainly annual Financial Statements and Interim Financial Reports), the Executive is aided by the competent company officers of Banco Desio and the other Group Companies.

Operationally, the Appointed Executive specifically avails of the support of the Administration Division and coordinates with the company departments of Banco Desio and the Group Companies in order to receive information on the carrying out of activities which impact the economic, equity or financial position of Banco Desio and the other Group Companies. Specifically, the Appointed Executive:

- interfaces with the Group Parent's Human Resource Department (Coordination, Organisation and Training Office) in order to verify that the administrative-accounting processes are formalised in specific organisational procedures, requesting specific supporting documentation from the Department;
- has the right to request specific certification from the Human Resource Department (Technical Systems and Services Area) regarding:
 - o the correct operation of company infrastructures and applications used to acquire, process and represent administrative-accounting information;
 - o the existence of adequate procedures to guarantee the protection of company informational assets, also with regard to outsourced IT processes.
- promptly acquires information on the planned activities and the subsequent results of activities carried out by the Group Parent's Internal Auditing Department, and may avail of the support of said Department in carrying out its controls;
- has the right to request the Group Parent's Management Control Department and Risk Management Department to carry out additional analysis and assessment of risks on administrative-accounting processes he identifies periodically when selecting "key accounts";
- may request the Group Parent's Compliance Department to provide consulting for the assessment and management of compliance risk as well as for any corrective actions to be implemented;
- for the purpose of transmitting the certifications/declarations to the market (with specific regard to the annual, half-year and quarterly financial statements) requests that the "Group Parent's Process Managers" issue specific internal certifications, or may assign said internal structures to carry out specific audit activities for the purpose of the correct performance of administrative-accounting processes. As proof to support the certification and audit activities, the Appointed Executive may acquire specific internal documentation and/or reports from the company departments involved.

For the Group Companies, the Appointed Executive interfaces with the Contacts specifically identified for each Company (Internal Contacts of the Appointed Executive) regarding the reporting flows to acquire in order to ensure the regular preparation of the (annual and half-year) consolidated financial report as well as the Consolidated Interim Report on Operations (first and third quarter). Operationally, his Contacts, along with the parties delegated management powers (Managing Director and/or General Manager), provide him with specific certifications containing at least the following information:

- assessment of the adequacy and effective applications of the administrative-accounting procedures, with specific reference to controls implemented to mitigate the main risks;
- assessment of the adequacy of controls and, more generally, of the organisational safeguards on financial disclosure established at company level;
- correspondence of the equity, economic and financial data and additional information provided for preparing the annual and half-year financial report with the accounting books and records;
- compliance of the accounting documents with the applicable international accounting standards;
- any critical situations, risks and uncertainties arising from the audits performed, as well as the related action plan

8 – CORPORATE INFORMATION

The regulations regarding corporate information are formalized in the Corporate Information Procedure approved in turn by the Board and periodically updated, whose guiding standards are consistent with the applicative guidelines indicated in section 5 of the Bank of Italy Instruction concerning information flows.

The Corporate Information Procedure is structured as follows:

- definition of the procedures for the calling of the Board of Directors and the Committees, for the prior forwarding of the documentation on the business on the agenda and the correlated confidentiality restrictions (also see previous section 1);
- identification of the central role of the Managing Director in the system of information flows, both internal, inter-company and external, associated with the activities of the Board of Directors and privileged information in general; this provision, which acknowledges Article 4.C.1. of the Code of Conduct (“the managing directors ensure the correct handling of the corporate information”), has been co-ordinated by means of an applicative guideline 5.a) of the Bank of Italy Instruction; where an institutional role of the Chairman in the governance of the main documental flow associated with the activities of the Board of Directors and the privileged information in general is envisaged;
- reference to the discipline of the privileged information, the confidentiality and publication obligations (according to the progress of the information), with illustrative and summary identification of the events/circumstances which as a rule represent privileged information.
- regulation of the methods and timescales for the publication of the privileged information, in observance of current regulations;
- assignment to the *investor relator*, under the supervision and responsibility of the Managing Director, of the handling of the relations with the investors, the press, the analysts and the markets, and identification of the corporate structures which provide their direct support in the aforesaid relationships; currently, the investor relator activities are carried out by the Planning, Studies and Equity Investments Department;
- definition of the provisions for the subsidiary companies and the relations with the parent company, for the handling of the privileged information;
- discipline of the register of the parties who, within the sphere of the Group, have access to the privileged information which is still confidential.

The process for the disclosure of the privileged information envisages that the text of the press releases is approved by the Board of Directors, signed by the Chairman and promptly disclosed, for publication via a specific system managed by Borsa Italiana, by the General Secretariat and Corporate Affairs Department. For the purpose of ensuring the prompt disclosure, it is envisaged that the Board takes steps so that the price sensitive press releases are issued just as soon as the related resolution is adopted, suspending the meeting if necessary.

Once disclosed, the press releases are published on the website www.bancodesio.it in the “*Investor Relations*” section and sent to all the Divisions, Areas and Branches, to the contact individuals of the subsidiary companies, to the common Representative of the savings’ shareholders and to the parties on the list of contacts of the investor relator.

The Procedure also disciplines the disclosure obligations regarding Internal Dealing, in accordance with the current provisions of the CFL and Consob, for transactions carried out on the ordinary and savings shares issued by Banco Desio by Significant Parties (Shareholders or Representatives), reserving the Board the faculty to envisage any restrictions or time-limits on the accomplishment of the transaction on the listed securities issued by Banco Desio. The party appointed to receive, handle and disclose the communications received is the General Secretariat and Corporate Affairs Department.

During 2010, transactions for a total equivalent value of Euro 3 million, referring to the ordinary and savings shares of Banco Desio, were reported by the Shareholders and the Representatives and published by the Company.

The Corporate Information Procedure also disciplines the methods for the tracing and handling of the information relating to the Representatives (fee received, any stock options assigned, equity investments held in Group companies and other significant appointments covered) and the approval of the annual calendar of corporate events, for the purpose of the disclosure fulfilments envisaged by current Consob/Borsa Italiana regulations.

Banco Desio published the disclosure and corporate documentation made public by law on its own website: e.g. periodic reports, Articles of Association, shareholders’ meeting regulations, press releases, documents relating to the individual

shareholders' meetings (notices of calling, BoD reports and minutes), documents relating to bond issues (base and/or simplified prospectuses, final conditions of single issues, notices on results, etc.). The Italian Subsidiary Banks are also equipped with dedicated websites, albeit linked to the Banco Desio website and consistent with the same with regard to the basic corporate documentation (in detail: financial statements, articles of association, prospectuses and other documents relating to bond issues).

The Internal Regulations and, in greater detail, the Consolidated Internal Audit System Law identify, with reference to all the Italian Group Banks, the parties obliged to send information flows on a regular basis to the corporate bodies, envisaging in particular – according to the indication in section 5.b-c) of the Bank of Italy Instruction – the formalities by means of which the Heads of the Audit Divisions will directly report to the audit bodies in the broadest sense (Board of Statutory Auditors and Internal Audit Committee) and to the Board of Directors; in this context, the minimum content of the information flows is determined, including, among other things, the level and the trend of the exposure to all the types of significant risks (lending, market, operating, reputational, etc.), and deviations with respect to the policies approved by the BoD, types of innovative transactions and respective risks.

9 – BOARD OF STATUTORY AUDITORS

The information in this paragraph has also been provided in accordance with Article 123 bis, section 2, letter d of the CFL.

Banco Desio's Board of Statutory Auditors in office was also appointed by the shareholders' meeting held on 28 April 2008 with the list voting mechanism illustrated in the previous paragraph 2.1.1), and falls from office as of the date of approval of the financial statements as at 31 December 2010; its composition is that illustrated in attached [Table 2](#).

In addition to the integrity and independence requisites and the causes of ineligibility envisaged by special legislation and by the Code of Conduct for listed banks, the statutory auditors must possess – on penalty of forfeiture – the following professional standing requisites: at least one standing auditor and one alternate auditor (and in any event the Chairman) must be enrolled in the register of chartered accountants; those who do not meet this requisite must have gained specific experience in the activities and the sectors indicated in the Articles of Association. Checking of the requisites is carried out by means of the "supervisory" procedure described by the BoD and, by way of implementation of Article 10.C.2. of the Code of Conduct, said Board carries out a specific check on the observance of said requisites.

All the statutory auditors have been chosen from among those enrolled in the register of chartered accountants and are independent both on the basis of the CFL and on the basis of the Code of Conduct (with exception to the criteria of "nine years" permanence on the Board of Statutory Auditors which, due to the reasons already mentioned for the directors in compliance with the resolution adopting the Code adopted on 22 February 2007, is not however considered in itself to be indicative of the lack of the independence requisite).

During 2010, Banco Desio's statutory auditor held a total of 41 collective meetings and assessment inspections at the head offices or the branches. The activities of the statutory auditors with reference to participation in the meetings of the Corporate Bodies are likewise summarized in [Table 2](#); the other appointments covered by the statutory auditors in subsidiary, associated and investee companies or in listed and/or supervised companies are shown in [Table 3](#).

The lists of the other offices covered by the statutory auditors, pursuant to Article 2400 of the Italian Civil Code and Article 148 *bis* of the CFL, as well as by Consob regulations on the limits to the accumulation of the appointments (Article 144 *terdecies* of the Issuers' Regulations), are published as per the prescribed formalities and timescales, together with the information on the personal and professional characteristics of the statutory auditors.

The Internal Regulations of the Italian Subsidiary Banks include a general limit on the accumulation of the office of statutory auditor, similar to that already adopted by law within the Group Parent, establishing that the Statutory Auditors cannot undertake this office when they already cover the office of member of the audit body in five listed companies. It is also established, within the Internal Regulations of all the Italian Group Banks, that the Statutory Auditors cannot undertake offices in bodies other than the Board of Statutory Auditors within other Group companies, as well as with companies in which Banco Desio directly or indirectly holds a strategic investment¹⁵

10 – DEALINGS WITH SHAREHOLDERS – FUNCTIONING OF THE GENERAL SHAREHOLDERS' MEETING

The information in this paragraph has also been provided in accordance with Article 123 bis, section 2, letter c of the CFL.

¹⁵ As indicated by section 2.2.e) of the Bank of Italy Instruction, "strategic" for such purposes is understood to mean the equity investment which is at least equal to 10% of the share capital or the voting rights during ordinary shareholders' meetings of the investee company and 5% of the consolidated regulatory capital of the banking group.

As indicated in the previous paragraph 8, Banco Desio publishes the documentation of interest to its shareholders on its website, with particular reference to that pertaining to the exercise of their rights (attendance and voting, dividends, etc.), as seen to by the Legal and Corporate Affairs Department, which is on the staff of the Managing Director.

The new regulations on the subject introduced into the Italian legal system **by Italian Legislative Decree no. 27/2010** for the implementation of the so-called “shareholders’ rights” European Directive, were applied for the first time to the Shareholders’ Meeting of Banco Desio called for 28 April 2011. As a result of these regulations, Board resolution taken by way of notary deed on 27 January 2011 (pursuant to Article 19, section 3 of the Articles of Association and Article 2365, section 2 of the Italian Civil Code) set forth several mandatory amendments to the Articles of Association.

Therefore, the notice of calling for Banco Desio’s shareholders’ meeting is published, within the legal deadlines differentiated according to the issues on the agenda, on the internet site www.bancodesio.it –“Investor Relations/Assemblea” section, and concurrently in the national press. The Articles of Association of the Italian Subsidiary Banks envisage simpler procedures, also in relation to the aforementioned ownership set up of these subsidiaries (in particular, as an alternative to publication on the Official Gazette, forwarding of the notice of calling to those entitled to attend recorded in the shareholders’ register is permitted, via means suitable for ensuring proof of receipt, at least 8 days before the date fixed for the shareholders’ meeting; in the absence of the calling formalities, the shareholders’ meeting is deemed to meet quorum requirements in plenary form as per Article 2366 of the Italian Civil Code).

The notice of calling contains the provisions regarding the methods for exercising the right to participate and vote in the Shareholders’ Meeting, as amended by the aforementioned Italian Legislative Decree no. 27/2010, set forth below.

Pursuant to Art. 83-*sexies* of Italian Legislative Decree no. 58/98 (CFL) and Art. 10 of the Articles of Association, parties holding the right to vote who have sent the Company a notification issued by an authorised intermediary based on the evidence of its accounting records at the end of the seventh trading day prior to the date set for the Shareholders’ Meeting on first calling may participate in the Shareholders’ Meeting, or be represented according to the methods set forth by law. Those who are shown to hold shares only following said date shall not have the right to participate or vote in the Shareholders’ Meeting.

Each party entitled to participate in the Shareholders’ Meeting may be represented according to the methods set forth by law, without Articles of Association exceptions or limitations, by way of written proxy, using the specific form available at the company’s registered office at the *Ufficio Segreteria Generale e Societarie*, via Rovagnati 1, Desio, Italy and on the Company’s internet site www.bancodesio.it, under the “Investor Relations / Assemblea” section, as well as with authorised intermediaries. The Company may be notified of the proxy via registered letter with return receipt sent to the Company’s headquarters in Desio: Ufficio Segreteria Generale e Societaria, via Rovagnati 1, Desio, Italy, or by sending the document to the certified email address: segreteriadb@postacert.cedacri.it. When the representative delivers or transmits a copy of the proxy to the Company, he must certify the compliance of the proxy to the original and the identity of the party granting the proxy, under his responsibility.

Proxies may be granted, without charges to the party granting the proxy, with voting instructions on all or some of the proposals on the agenda, to a **Designated Representative of the Company pursuant to Art. 135-*undecies* of Italian Legislative Decree no. 58/98**, provided that the proxy is received by the end of the second trading day prior to the date set for the Shareholders’ Meeting on first calling, via registered letter with return receipt or by certified email, sending the original proxy by post to the above address. The proxy and voting instructions can be revoked within the same term set forth above. Proxies granted to the Designated Representative of the Company shall not be valid for proposals for which no voting instructions are provided. The proxy form is available at the company’s registered office at the *Ufficio Segreteria Generale e Societaria*, Via Rovagnati 1, Desio, Italy and on the Company’s internet site www.bancodesio.it, in the “Investor Relations/Assemblea” section.

Pursuant to Art. 127-*ter* of Italian Legislative Decree no. 58/98, shareholders may ask questions on the items on the agenda, also prior to the Shareholders’ Meeting, via registered letter with return receipt sent to the Company’s registered office at *Ufficio Segreteria Generale e Societaria*, via Rovagnati 1, Desio, Italy, or via certified email to segreteriadb@postacert.cedacri.it along with the information identifying the entitled party who is transmitting the questions. Questions must be received by the end of the second trading day prior to the date set for the Shareholders’ Meeting on first calling. Questions received prior to the Shareholders’ Meeting will be answered during the Meeting at the latest, with the Company having the right to provide a single answer in relation to questions with the same content.

Pursuant to Art. 126-*bis* of Italian Legislative Decree no. 58/98, shareholders which, even jointly, represent at least one-fortieth of the share capital with voting rights may request, within ten days from the publication of the notice of calling, the supplementation of the list of items to discuss, indicating the additional issues proposed in their request. The request must be submitted in writing by the proposing shareholders, by demonstrating their entitlement. A report on the issues proposed for the agenda must be submitted within the same term. Supplementation is not permitted for issues which the Shareholders’ Meeting must resolve by law, on the proposal of the Directors or on the basis of a plan or a report prepared

by the Directors, other than those pursuant to Art. 125-ter, section 1 of Italian Legislative Decree no. 58/98. The supplemented list of issues to cover in the Shareholders' Meeting is published using the same methods as the notice of calling, at least fifteen days prior to the date set for the Shareholders' Meeting.

The Articles of Association of the Italian Subsidiary Banks envisage that shareholders be entitled to attend meetings subject to the shares having been deposited at least two days before the date of the meeting. The shareholders of these subsidiaries may arrange for themselves to be represented during general meeting, only by other shareholders.

The Shareholders' Meeting Regulations, which discipline the business of the meetings, including as far as applicable that relating to the Special shareholders' meeting of the Savings' Shareholders, aim to ensure the orderly participation of those entitled to attend, in line with the indications which emerged from the work carried out originally care of the pertinent Trade Associations.

The underlying criteria which inspired the drafting of the Regulations was to guarantee a certain discretion in the powers of the Chair, albeit in observance of legal and Article of Association provisions, aimed at permitting appropriate flexibility in the handling of the general meeting business and ensuring the exercise of the rights of the shareholders, in particular the right to take part in the discussion, also with the faculty to reply.

The provisions strictly pertaining to the undertaking of the Chair of the meeting, the right to attend, personally or via proxy, the right to vote and the resolutions adopted by the meeting, remain disciplined by the Articles of Association, which furthermore do not envisage departures from the legal norms.

All Banco Desio's shareholders' meetings are normally held in first call and minutes of the business are taken by a Notary Public, also for ordinary meetings.

In 2010 only one Shareholders' Meeting of Banco Desio was held, to approve the financial statements as at 31 December 2009.

11 – SAVINGS SHARES – SPECIAL SHAREHOLDERS' MEETINGS – COMMON REPRESENTATIVE

The information in this paragraph has also been provided in accordance with Article 123 bis, section 2, letter d of the CFL.

The characteristics of Banco Desio savings shares are indicated in the previous section 2 (Information on the ownership setups and on the Group) to which reference should be made.

With regard to the organizational aspects of the category, the Articles of Association discipline the procedures for the disclosure to the Common Representative on potentially price sensitive transactions for savings shares, establishing that the fee of the Common Representative may be paid by the company by means of the resolution of the ordinary shareholders' meeting and assigns the Common Representative the management of the expense account for the protection of the interests of the category, with the obligation to report to the special shareholders' meeting. With regard to the special shareholders' meeting, as well as the appointment and activity requisites of the Common Representative, the Articles of Association make reference to the law.

The special shareholders' meeting held on 28 April 2008, resolved:

- subject to reporting on the activities carried out, confirmation of the appointment as Common Representative to Mr. Franco Fumagalli Romario for three accounting periods, with allocation of an annual fee of Euro 10,000, inclusive of the forfeit reimbursement of the costs for the fulfilment of the office and net of VAT and welfare contributions;
- the establishment of a fund for the expenses necessary for protecting the common interest for an amount equating to the fee due to the Common Representative, formally acknowledging that the recourse on the profits due to the savings shareholders exceeding the minimum guaranteed by the Articles of Association as envisaged by law, does not take place in the event of the resolution of the ordinary shareholders' meeting for the undertaking, by Banco Desio, of the same fee due to the Common Representative (resolution then adopted by the ordinary shareholders' meeting held on the same date);
- to establish that the Common Representative must provide account of the use of the fund and, in any event, any costs incurred, as well as in general the activities carried out, during the first special shareholders' meeting called to resolve on the appointment to the office.

As envisaged in the Articles of Association, Banco Desio, as a rule via the General Secretariat and Corporate Affairs Department, promptly informs the Common Representative of the corporate price sensitive transactions, usually via the forwarding of press releases and any other documentation made public by law.

Thus far, no resolutions have been adopted by Banco Desio's Bodies which are detrimental to the rights of the category, such that they would require the approval of the special shareholders' meeting.

12 – INDEPENDENT AUDITING FIRM

The company appointed to audit the accounts in pursuance of the law is PricewaterhouseCoopers (Italia) S.p.A. with registered office in Milan. The appointment was granted by Banco Desio's shareholders' meeting held on 30 April 2003

and subsequently extended on the basis of the provisions introduced by the afore-mentioned "Savings Law", so the overall duration is through 2011. The total net fee agreed comes to Euro 114,000 per annum.

The individual responsible for the audit appointment is at present Ms. Lia Lucilla Turri.

The same company "PWC" is appointed to audit the accounts, again in accordance with the law, of all the Italian subsidiary companies, as well as the parent company Brianza Unione di Luigi Gavazzi & C. with a duration, where possible, in line with that of the Banco Desio appointment.

13 – CHANGES AFTER THE END OF THE ACCOUNTING PERIOD

Between the date of the end of the last accounting period (31 December 2010) and the below-indicated date of approval of this Report, no significant changes took place with respect to those illustrated in the previous sections.

Desio, Italy, 22 March 2011

On behalf of the Board of Directors
The Chairman
(Mr. Agostino Gavazzi)

OPINION OF THE INDEPENDENT DIRECTORS ON THE
ANNUAL CORPORATE GOVERNANCE REPORT

On 22 March 2011, the Independent Directors of Banco di Desio e della Brianza SpA met, as follows:

- Prof. Francesco CESARINI
- Mr. Pier Antonio CUTELLÈ - lawyer
- Prof. Luigi GUATRI
- Mr. Gerolamo PELLICANÒ -lawyer

The meeting was called in accordance with Article 2.10 of the Internal Regulations of the Corporate Bodies, implementing the Code of Conduct for Listed Companies.

Having examined the draft version of the “Annual Report on Corporate Governance and the Ownership Set-ups of the Group” pursuant to Article 123 bis of the C.F.L. (document forwarded in advance with the letter dated 18 March 2011), an overall positive evaluation is expressed, also with reference to the coherence of the general progress of the board’s work and the activities of the Committees established within the Management Body, with respect to the role which the Code of Conduct assigns, among the non-executive components, especially to the Independent Directors, in particular as regards the transactions with related parties also referred to Consob Resolution no. 17221/2010 adopted under Article 2391-bis of the Italian Civil Code (in detail, see paragraph 5 of Report)

This opinion is mentioned on paragraph 3 of said Report.

Signed Prof. Francesco Cesarini

Signed Mr. Pier Antonio Cutellè - lawyer

Signed Mr. Gerolamo Pellicanò - lawyer

Signed Prof. Luigi Guatri

TABLE 1 – STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS (Appointed by the Shareholders' Meeting held on 28 April 2008 and falling from office as of the approval of the financial statements as at 31 December 2010)				Executive Committee (appointed annually after shareholders' meeting for financial statements)		Remuneration Committee (appointed on 28 April 2008)		Internal Audit Committee (appointed on 28 April 2008)		Ordinary/ Savings sh.	Related Party Transactions Committee (appointed on 11 November 2010)		
Office	Name and Surname	Independent	Executive	No. of presences out of total meetings 2010 (15)	Member of the Committee	No. of presences out of total meetings 2010 (4)	Member of the Committee	No. of presences out of total meetings 2010 (4)	Member of the Committee	No. of presences out of total meetings 2010 (8)	No. of presences out of total meetings 2010 (1)	Member of the Committee	No. of presences out of total meetings 2010 (2)
Chairman	Agostino Gavazzi	No	No	14 as per Articles of Assoc.	YES	4	YES	4	No		1	No	
Deputy Chairman	Stefano Lado	No	No	15 as per Articles of Assoc.	YES	4	No		YES	8	1	No	
Deputy Chairman	Guido Pozzoli	No	No	15 as per Articles of Assoc.	YES	4	No		No		1	No	
Managing Director	Nereo Dacci	No	YES	15 as per Articles of Assoc.	YES	4	No	4 upon invite	No	1 upon invite	1	No	1 upon invite
Director	Francesco Cesarini	YES	No	15	No		YES	4	YES	8	1	YES	2
Director	Pier Antonio Cutelle'	YES	No	15	No			=	No		1	YES	2
Director	Egidio Gavazzi	No	No	15	No			=	No		1	No	
Director	Luigi Gavazzi	No	No	15	secretary	4	No	=	No		1	No	
Director	Paolo Gavazzi	No	No	15	No		secretary	4	secretary	8	1	No	
Director	Luigi Guatri	YES	No	8	No		YES	4	YES	5	1	YES	=
Director	Gerolamo Pellicano'	YES	No	15	No		No	=	No		1	YES	2
General Manager ¹	Alberto Mocchi			11 as per Articles of Assoc.		2 as per Articles of Assoc.		=		=	1 as per meeting regs.		=
Deputy General Manager	Claudio Broggi			10 upon invite		3 upon invite		=		=	1 as per meeting regs.		=
General Manager ²				3 as per Articles of Assoc.		=		=		=			1 upon invite
Deputy General Manager ³	Marco Sala			3 upon invite		=		=		=			1 upon invite

¹ General Manager until 23/09/2010

² General Manager from 21/10/2010

³ Deputy General Manager from 02/11/2010

TABLE 2 - STRUCTURE AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

(Appointed by the Shareholders' Meeting held on 28 April 2008 and falling from office as of the approval of the financial statements as at 31 December 2010)

Office	Name and Surname	No. of presences during activities of the Board of St. Auditor (total 41)*	No. of presences during shareholders meetings (total 1)	No. of presences during BoD meetings (total 15)	No. of presences during EC meetings (total 4)	No. of presences during IAC meetings (total 8)	No. of presences during RC meetings (total 4)	No. of presences during RPTC meetings (total 2)
Chairman	Eugenio Mascheroni	37	1	14	3	5	4 upon invite	2
Standing Auditor	Rodolfo Anghileri	31	1	15	4	4	=	2
Standing Auditor	Marco Piazza	24	1	13	2	2	=	1
Alternate Auditor	Giovanni Cucchiani	=	=	=	=	=	=	=
Alternate Auditor	Clemente Domenici	=	=	=	=	=	=	=
Alternate Auditor	Carlo Mascheroni	=	=	=	=	=	=	=

Notes:

* Including inspections (individual or collective) at the Head Offices or branches of the Bank.

BoD: Board of Directors

EC: Executive Committee

IAC: Internal Audit Committee

RC: Remuneration Committee

RPTC: Related Party Transactions Committee

TABLE 3 - MAIN OFFICES COVERED BY THE REPRESENTATIVES OF BANCO DESIO AS AT 31 DECEMBER 2010

Name and Surname	Offices covered within Group Parent Company Banco Desio Brianza	Offices covered in parent company Brianza Un di Luigi Gavazzi & C. Sapa	Offices covered within Italian subsidiary - associated - investee - other listed companies - other supervised companies (Banks, stock broking companies, asset management companies, "107", etc.)					
			Subsidiary companies		Associated/Investee companies		Other	
			Company	Offices	Company	Offices	Company	Offices
Agostino Gavazzi	Chairman of the BoD Chairman of the EC Chairman of the RC	Director (General)	CPC - Lugano	Chairman of the BoD				
Guido Pozzoli	Deputy Chairman of the BoD Member of the EC	Permanent Company Secretary	Banco Desio Lazio Banco Desio Toscana	Director Chairman of the BoD				
Stefano Lado	Deputy Chairman of the BoD Member of the EC Member of the IAC	Deputy Chairman (General)	Banco Desio Lazio Banco Desio Toscana Banco Desio Veneto Chiara Assicurazioni Brianfid Lux FIDES	Chairman of the BoD Director Chairman of the BoD Chairman of the BoD Director	Istifid Cedacri from 27/10/2010	Director Director		
Nereo Dacci	Managing Director Member of the EC		Banco Desio Lazio Banco Desio Toscana Banco Desio Veneto Chiara Assicurazioni Brianfid Lux CPC - Lugano	Deputy Chairman of the BoD Deputy Chairman of the BoD Deputy Chairman of the BoD Deputy Chairman of the BoD Deputy Chairman of the BoD Deputy Acting Chairman of the BoD				
Francesco Cesarini	Director Chairman of the IAC Member of the RC Chairman of the RPTC						E-Mid Sim S.p.A First Capital SpA Polaris Investments Italia Sgr SpA	Chairman of the BoD Chairman of the BoD Chairman of the BoD
Pier Antonio Cutelle'	Director Member of the RPTC							
Egidio Gavazzi	Director							
Luigi Gavazzi	Director and BoD Secretary Secretary of the EC	Chairman (General)						
Paolo Gavazzi	Director Secretary of the IAC Secretary of the RC							
Luigi Guatri	Director Member of the IAC Member of the RC Member of the RPTC						Centrobanca SpA Italmobiliare SpA	Chairman of the BoSA Standing Auditor
Gerolamo Pellicano'	Director Member of the RPTC							
Alberto Mocchi	General Manager until 23/09/2010		Banco Desio Lazio Banco Desio Veneto Chiara Assicurazioni FIDES	Director (*) Director (*) Director (*) Deputy Chairman of the BoD (*)	Cedacri up to 26/10/2010	Deputy Chairman and member of the EC		
Claudio Broggi	Deputy General Manager General Manager from 21/10/2010		Brianfid Lux	Director				
Marco Sala	Deputy General Manager from 02/11/2010		Banco Desio Toscana	Director	Chiara Vita SpA	Director		
Eugenio Mascheroni	Chairman of the BoSA		Banco Desio Lazio Banco Desio Toscana Banco Desio Veneto FIDES	Chairman of the BoSA Chairman of the BoSA Chairman of the BoSA Chairman of the BoSA				
Rodolfo Anghileri	Standing Auditor	Standing Auditor	FIDES Standing Banco Desio Toscana	Auditor Alternate Auditor				
Marco Piazza	Standing Auditor		Banco Desio Veneto	Standing Auditor				
Giovanni Cucchiani	Alternate Auditor	Chairman of the BoSA	Banco Desio Veneto	Alternate Auditor			Iveco Finanziaria SpA	Standing Auditor
Clemente Domenici	Alternate Auditor	Alternate Auditor	Banco Desio Toscana	Alternate Auditor				
Carlo Mascheroni	Alternate Auditor						Class Editori SpA CIA SpA	Chairman of the BoSA Standing Auditor

Notes: BoD: Board of Directors E.C.: Executive Committee RC: Appointments and Remuneration Committee IAC: Internal Audit Committee RPTC: Related Party Transactions Committee BoSA: Board of St. Auditor

(*) Resignations from office received by the respective companies on 14/2/2011

TABLE 4 – SUMMARY OF COMPLIANCE WITH THE INDIVIDUAL PROVISIONS OF THE CODE OF CONDUCT FOR LISTED COMPANIES

The schedule summarizes the state of compliance with the provisions of the Code, on a consistent basis with the Report Format indicated by Borsa Italiana, as adopted by Banco Desio
The information is also provided in accordance with Article 123-bis of the CFL

Subject	YES/NO	Summary of the reasons for any deviation from the Code's recommendations (or reference to the Report as well as other notes)
COMPLIANCE		
Indicate whether the Code of Conduct has been adopted	YES	AA number of principles and criteria have not been fully assimilated. In detail: 1) with regard to the independence requisites , it has NOT been considered necessary to apply that involving a seniority of office of no more than 9 years, since this parameter is not deemed significant especially in a situation such as the Bank's, where - by contrast - even a long duration of experience matured by a director/statutory auditor who has always operated in an independent position, can be justified as not a weakening, but rather an enhancement of this characteristic (if other opposing factors do not intervene) and this is to the complete advantage of the company in terms of the contribution of the director/statutory auditor to the correct execution of the decision-making processes. 2) with regard to the role of the internal audit committee , it is NOT considered necessary to apply the provision that the committee itself is involved in the approval of transactions with related parties. Since 25 November 2010, this role has been assigned to the newly-established Related Party Transactions Committee (see also section 5 of the Report)
Indicate whether the Bank or any of its strategically significant subsidiaries are subject to non-Italian legal provisions which influence the Bank's governance structure	NO	Also see section 2 of the Report
BOARD OF DIRECTORS		
Indicate whether the BoD has established general criteria for the maximum number of offices in other companies compatible with the office of director of the Bank	YES	Also see section 3 of the Report
Indicate whether the BoD has been reserved the task of examining and approving: . the strategic plans of Banco Desio and the Group . the Corporate Governance System of Banco Desio . the Group structure	YES YES YES	The matters which are the exclusive responsibility of the General Shareholders' Meeting are unaffected; e.g. Article of Association amendments
Indicate whether the BoD has assessed the adequacy of the organizational, administrative and accounting set-up, of the Bank and its subsidiaries, with particular reference to the internal auditing system and the handling of conflicts of interests	YES	Also see sections 5 and 7 of the Report
Indicate whether the BoD has established, having examined the proposals of the Appointments and Remuneration Committees and consulted the Board of Statutory Auditors, the remuneration of the Managing Director, the Chairman and the Deputy Chairman, as well as the allocation of the total fee established by the shareholders' meeting	YES	Also see section 6 of the Report
Indicate whether the BoD has assessed the general operating performance, taking into account the periodic disclosure of the appointed Bodies/Parties, as well as comparing the results achieved with those planned	YES	Also see section 4 of the Report
Indicate whether the BoD has been reserved the task of examining and approving the transactions of Banco Desio and the subsidiaries in advance, which have a significant strategic, economic, equity or financial importance	YES	Also see section 3 of the Report
Indicate whether the BoD has been reserved the task of examining and approving the transactions of with related parties and/or where one or more directors are the holders of interests on their own account or on behalf of third parties	YES	Certain types of transactions with related parties (other than those disciplined by Article 136 of the CBA) may be delegated within the limits envisaged by the specific Procedure
Indicate whether the BoD has established general criteria for identifying the transactions (also with related parties) which have a significant strategic, economic, equity or financial importance	YES	These are essentially extraordinary transactions (share capital increases, conferrals/business segment transfers, mergers/spin-offs) as well as transactions on equity investments, properties and servitudes
Indicate whether the BoD has carried out an assessment on the size, composition and functioning of said BoD and its Committees	YES	The assessment is carried out annually at the time of approval of the Report
Indicate whether the Shareholders' Meeting has authorized exceptions to the non-compete restriction pursuant to Article 2390 of the Italian Civil Code	YES	This involves a Director newly appointed during the Shareholders' Meeting held on 28 April 2008)
APPOINTED BODIES		
Indicate whether one or more directors have received operating powers	YES	This exclusively involves the Managing Director
Indicate whether the Chairman of the BoD: . has received operating powers . covers a specific role in the drawing up of company strategies . is the main party responsible for management operations . is the controlling shareholder of Banco Desio	NO NO NO NO	The Chairman is the representative of the company which controls Banco Desio
Indicate whether an Executive Committee has been established to which the BoD has delegated powers	YES	
Indicate whether the appointed Bodies/Parties have reported to the BoD with regard to the activities carried out when exercising the powers granted	YES	At a rule, monthly, as part of a management, administrative, accounting and legal reporting (without prejudice to specific information on particularly significant transactions)
OTHER EXECUTIVE DIRECTORS		
Indicate whether within the BoD there are directors to be considered executive because: . they cover the office of Managing Director or Executive Chairman in companies controlled by the Issuer of strategic importance . they cover executive offices within Banco Desio or in a subsidiary company of strategic importance, or in a parent company and the appointment concerns Banco Desio . they are members of the Executive Committee and due to the frequency of the meetings and subject to the matters dealt with, they are systematically involved in the current operations of Banco Desio	NO NO NO	
INDEPENDENT DIRECTORS		
Indicate whether the BoD: . has on the first useful occasion after its appointment, assesses the independence requisites the non-executive directors must satisfy . has assessed the permanence of the independence requisites during the accounting period . during the assessments, has applied all the independence criteria envisaged by the Code	YES YES NO	The criteria of "9 years" is not applied for the reasons indicated above in point 1)
Indicate whether the Board of Statutory Auditors has checked the correct application of the assessment criteria and the procedures adopted by the BoD for assessing the independence requisites	YES	
Indicate whether the independent directors have met during the accounting period in the absence of the other Directors	YES	3 meetings during 2010
CORPORATE INFORMATION		
Indicate whether the BoD has approved a procedure for the internal management and communication outside of corporate documents and information, with particular reference to privileged information	YES	The Internal Corporate Information Procedures have also been updated in compliance with the supervisory provisions concerning information flows
Indicate whether initiatives have been undertaken to increase directors' awareness with regard to the corporate situation and dynamics	YES	Within the sphere of the update as indicated above, the governance of the information flows concerning in particular the BoD, has been reviewed; with reference to the internal auditing activities, these flows have also been re-organized within the sphere of the new Consolidated Internal Audit System Law
COMMITTEES WITHIN THE BOD		
Indicate whether a Committee has been set up which carries out the functions of two or more of the committees envisaged by the Code	YES	An Appointments and Remuneration Committee has been appointed.
Indicate whether Committees have been set up, other than those envisaged by the Code	YES	Related Party Transactions Committee (an advisory committee, newly established, composed of 4 Independent Directors) - Credit Facilities Committee, Finance Committee, Risks Committee (these are technical-operative committees outside the B.o.D.)
APPOINTMENTS COMMITTEE		
Indicate whether the BoD has assessed whether to establish an internal Appointments Committee	YES	An Appointments and Remuneration Committee has been appointed.
Indicate whether the Committee is made up of at least 3 directors who are mainly independent	YES	
Indicate whether the Appointments and Remuneration Committee is assigned the following functions: . propose candidates to the BoD in the event of the co-opting of an independent director	YES	

indicate the candidates to the office of independent director to be submitted to Banco Desio's shareholders meeting	NO	This fulfilment has been absorbed by the Article of Association provisions on list voting
formulate opinions to the Banco Desio BoD with regard to the size and composition of the same	NO	ditto
formulate proposals on the candidatures to the office designated by Banco Desio in the Subsidiary/Associated/Investee companies	YES	
REMUNERATION COMMITTEE		Also see section 6 of the Report
Indicate whether the BoD has established an internal Remuneration Committee	YES	An Appointments and Remuneration Committee has been appointed.
Indicate whether the Committee is made up of at least 3 directors who are mainly independent	YES	
Indicate whether the directors must refrain from participating in the meetings where proposals are made relating to their remuneration	YES	
Indicate whether the Remuneration Committee is assigned the following additional functions		
present the BoD with proposals for the remuneration of the Managing Director and the other Directors vested with particular offices (Chairman and Deputy Chairman)	YES	
assess and/or determine the criteria for the remuneration of the Managing Director, the General Manager and the Executives with strategic responsibilities also at Group level	YES	
formulate proposals to the BoD for the allocation of the total fee established by the shareholders' meeting	YES	
Indicate whether the minutes of the Committee meetings have been taken	YES	
Indicate whether during the performance of its tasks, the Committee has the possibility of accessing information and corporate divisions, as well as availing itself of external consultants	YES	
Indicate whether the Committee has been assigned an expenditure budget for its activities	YES	Euro 50,000 per annum
DIRECTORS' REMUNERATION		Also see section 6 of the Report
Indicate whether a significant part of the remuneration of the Managing Director, the General Manager and the Executives with strategic responsibilities is linked to specific results/objective:	YES	
Indicate whether share-based incentive plans have been envisaged in favour of the parties indicated above	YES	Plans concerning shares of subsidiary companies (described in the Notes to the Consolidated Financial Statements)
Indicate whether the remuneration of the non-executive directors is linked to a significant extent to the economic results of Banco Desio	NO	
Indicate whether share-based incentive plans have been envisaged in favour of the non-executive directors	NO	
Indicate whether agreements have been entered into between the Bank and the directors, which envisage an indemnity in the event of resignation, removal without just cause or termination of the relationship following a take-over bid	NO	
INTERNAL AUDIT COMMITTEE		Also see section 7 of the Report
Indicate whether the BoD has established an Internal Audit Committee	YES	
Indicate whether the Committee is made up of at least 3 non-executive directors who are mainly independent	YES	
Indicate whether at least one member of the Committee has specific experience with regard to accounting and financial matters, assessed as adequate by the BoD	YES	
Indicate whether the Committee has been assigned the following additional functions:		
assist the BoD (as well as senior management) with the functions it is entrusted with by supervisory regulations concerning internal auditing	YES	
assess, together with the executive appointed to draw up the accounting documents, the adequacy of the accounting standards and their consistency for the purpose of drawing up the consolidated financial statements	NO	Powers automatically amended as a result of Italian Legislative Decree 39/2010 on external auditing of the accounts
express, also upon the request of the Managing Director, opinions on specific aspects pertaining to the identification of the main corporate risks, as well as the planning and assessment of the internal audit system	YES	
examine the plan of activities of the Internal Audit Division and the periodic reports the same draws up	YES	
assess the proposals of the independent auditing firm for the accounts auditing appointment, the work plan and the reports drawn up by the same, as well as in general oversee the efficacy of the accounts auditing process	NO	Powers automatically amended as a result of Italian Legislative Decree 39/2010 on external auditing of the accounts
report to the BoD, every six months, on the activities carried out and on the adequacy of the internal audits	YES	
Indicate whether the Chairman of the Board of Statutory Auditors or a Standing Auditor has taken part in the Committee meetings	YES	
Indicate whether the minutes of the Committee meetings have been taken	YES	
Indicate whether during the performance of its tasks, the Committee had the possibility of accessing information and corporate divisions, as well as availing itself of external consultants	YES	
Indicate whether the Committee has been assigned an expenditure budget for its activities	YES	Euro 50,000 per annum
INTERNAL AUDIT SYSTEM		Also see section 7 of the Report
Indicate whether the BoD has defined the policies of the internal audit system, so that the main risks pertaining to Banco Desio and the Group are identified, gauged, handled and monitored, for the purpose of sound and prudent management	YES	principally according to the provisions of Bank of Italy supervisory legislation (Circular no. 229/99, Circular no. 263/06 "Basel 2", Instruction dated 10 Feb. 2007 "Compliance", Instruction dated 4 March 2008 "Corporate Governance", etc. etc.)
Indicate whether the BoD has assessed the adequacy, efficacy and functioning of the internal audit system	YES	This assessment is usually carried out at the time of approval of the periodic reporting of the IAC and the internal audit, compliance and risk management divisions
Indicate whether the BoD has identified the Executive Director appointed to oversee the functioning of the internal audit system	YES	This is the Managing Director
Indicate whether the Managing Director:		
has seen to the identification of the main business risks for the Bank and Group and has submitted them for the examination of the BoD	YES	This identification was updated also within the sphere of the ICAAP Process ("Basel 2")
has followed the guidelines of the BoD, seeing to the planning, creation and management of the internal audit system, constantly checking the adequacy, efficacy and efficiency	YES	
has seen to the adaptation of this system with the dynamics of the operating conditions and the legislative and regulatory context	YES	
has proposed the appointment, removal and remuneration of the individual in charge of internal auditing to the BoD	YES	Appointment of the head of internal auditing resolved in 2008
Indicate whether the BoD has appointed one or more parties tasked with checking that the internal audit system is always adequate, fully operative and functioning	YES	These are the heads of internal auditing, risk management and compliance
Indicate whether the individual in charge of internal auditing is hierarchically free from responsibility for any Area of operations	YES	
Indicate whether the individual in charge of internal auditing has:		
had direct access to all the information useful for the performance of their appointment	YES	
reported on their activities to the Internal Audit Committee, the Board of Statutory Auditors and the Managing Director	YES	The reporting, direct or otherwise, of the internal audit division to the management and control bodies has been re-organized within the sphere of the Consolidated Internal Audit System Law
Indicate whether Banco Desio has established an Internal Auditing division and whether the individual in charge is the same as the head of the division	YES	
Indicate whether Banco Desio and the subsidiary companies have adopted the Organizational Model pursuant to Italian legislative Decree No. 231/2001	YES	
Indicate whether risk management and internal audit systems exist in relation to the financial disclosure process, consolidated or otherwise	YES	
CONFLICTS OF INTEREST - OBLIGATIONS OF THE REPRESENTATIVES - TRANSACTIONS WITH RELATED PARTIES		Also see section 5 of the Report
Indicate whether the BoD has established a procedure for approving and carrying out transactions with related parties	YES	
Indicate whether the BoD has defined transactions or criteria for identifying transactions which must be approved by the BoD subject to the opinion of the Internal Audit Committee and/or independent experts	NO	The involvement of the Internal Audit Committee limited to the approval of the procedures, for the reasons indicated in point 2 above. From 25 November 2010, this role has been assigned to the Related Party Transactions Committee in compliance with Consob Regulation no. 17221/2010
Indicate whether the BoD has adopted operating solutions suitable for facilitating the identification and adequate handling of the situations where a Representative is the holder of an interest on its own account or on behalf of third parties	YES	
BOARD OF STATUTORY AUDITORS		Also see section 9 of the Report
Indicate whether the Board of Statutory Auditors:		

. has on the first useful occasion after its appointment, assesses the independence requisites the directors must satisfy	YES	
. has assessed the permanence of the independence requisites during the accounting period	YES	
. during the assessments, has applied all the independence criteria envisaged by the Code	NO	See similar note referring to the directors
Indicate whether the same provisions applied to the directors for the transactions in which they have a direct or indirect interest, are applied to the statutory auditors	YES	
Indicate whether the Board of Statutory Auditors has overseen the independence of the independent auditing firm, checking the nature and entity of any extra services rendered by the same (or by the same network)	YES	
Indicate whether the Board of Statutory Auditors has co-ordinated with the Internal Audit Division and with the Internal Audit Committee during its activities	YES	
DEALINGS WITH SHAREHOLDERS		
Indicate whether Banco Desio has established a specific section on the website dedicated to important information for the shareholders	YES	
Indicate whether an investor relator has been appointed	YES	Giorgio Federico Rossin - Tel. No. 0362/613469 - E.mail: G.Rossin@bancodesio.it
Indicate whether the establishment of a corporate structure tasked with handling shareholder relations has been assessed	YES	The various activities pertaining to these dealings are the responsibility of the Investor Relator and the Legal and Corporate Affairs Division (on the staff of the Managing Director)
GENERAL MEETINGS		
Indicate whether the Articles of Association envisage the prior communication pursuant to Article 2370, section 2 of the Italian Civil Code, for the purpose of attending General Meetings	NO	Reference is made in full to the new provisions regarding the "record date" set forth also in the notice of calling of the shareholders' meeting in compliance with the provisions of Italian Legislative Decree 27/2010
Indicate whether the shares in relation to which the communication for attendance of the meeting is requested, remain restricted until said meeting is over	NO	Reference is made in full to the new provisions regarding the "record date" set forth also in the notice of calling of the shareholders' meeting in compliance with the provisions of Italian Legislative Decree 27/2010
Indicate whether initiatives have been undertaken for facilitating attendance of the meeting and the right to vote (e.g. voting by mail, on-line voting, video-conference facilities)	NO	The General Meeting Regulations, as well as the Articles of Association, are published on the website www.bancodesio.it in the section dedicated to "corporate governance"
Indicate whether General Shareholders' Meeting regulations have been adopted	YES	
Indicate whether the BoD has reported to the meeting on the activities carried out and scheduled and has taken steps to ensure the shareholders adequate disclosure so that they can make the related decisions in full awareness of the facts	YES	This disclosure takes place within the limits of the law
Indicate whether during the accounting period, significant changes have taken place with regard to the market capitalization of Banco Desio or its corporate structure	NO	
Indicate whether the BoD has assessed the appropriateness of proposing changes to the Articles of Association on the quorums for the exercise of the shares and rights protecting minority shareholders	NO	The corporate structure and the free float are such that they do not justify quorums less than the legal ones
ADDITIONAL CORPORATE GOVERNANCE PRACTICES		
Indicate whether Banco Desio applies additional corporate governance practices besides the legal or regulatory obligations	YES	As already mentioned in the Report, Banco Desio adopted a Group Organizational Model pursuant to Italian Legislative Decree No. 231/2001
CHANGES AFTER THE END OF THE REFERENCE ACCOUNTING PERIOD		
Indicate whether changes have taken place in the corporate governance structure as from the 2010 year end date	NO	