

BANCO DESIO GROUP
CONSOLIDATED QUARTERLY REPORT
AS OF 30 SEPTEMBER 2006

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FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET CAPTIONS

(Euro / 1000)	30.09.2006	31.12.2005
Loans to customers	3,897,665	3,511,643
Amounts due to customers	3,193,828	2,940,493
Securities issued	1,415,132	1,493,241
Financial liabilities at fair value through profit or loss	984,856	859,766
Direct deposits from customers	5,593,816	5,293,500
Amounts due from banks	482,687	718,737
Amounts due to banks	191,834	48,648
Net amounts due from / (to) banks	290,853	670,089
(Net) Financial assets held for trading	457,367	234,339
Financial assets at fair value through profit or loss	837,396	751,023
Available-for-sale financial assets	871,497	699,162
Held-to-maturity investments	20,999	29,622
Total financial assets	2,187,259	1,714,146
Hedging derivatives (net asset (liabilities) balance)	- 1,298	2,325

CONSOLIDATED INCOME STATEMENT

(Euro / 1000)	30.09.06 (1.01-30.09)	30.09.06 quarterly (1.07-30.09)	30.06.06 (1.01-30.06.05)	30.09.05 (1.01-30.09)
Net interest income	144,120	48,154	95,966	125,128
Net fee and commission income	99,428	35,359	64,069	75,833
Other net income	665	2,436	1,771	3,376
Intermediation margin	244,213	85,949	158,264	204,337
Net value adjustments / write-backs	- 10,260	- 3,419	- 6,841	- 9,258
Premiums and other income/expenses from insurance activities - balance	- 3,041	- 1,095	- 1,946	- 3,289
Net income from banking and insurance activities	230,912	81,435	149,477	191,790
Administrative expenses	- 142,677	- 47,578	- 95,099	- 123,013
* <i>personnel expenses</i>	- 90,065	- 33,050	- 57,015	- 75,839
* <i>other administrative expenses</i>	- 52,612	- 14,528	- 38,084	- 47,174
Net provisions for risks and charges	- 2,891	- 1,355	- 1,536	- 434
Net adjustments to the value of tangible and intangible assets	- 4,356	- 1,541	- 2,815	- 4,356
Other operating (expenses) / income	21,879	11,887	9,992	20,637
Profits/(losses) from continuing operations before taxes and profit attributable to minority interests	102,867	42,848	60,019	85,492

N.B.: Financial performance as of September 2005 was decreased by €/mil. 0.617 in relation to the changes/interpretations introduced in the International Accounting Standards after this date.

EXPLANATORY NOTES AND COMMENTS OF THE DIRECTORS

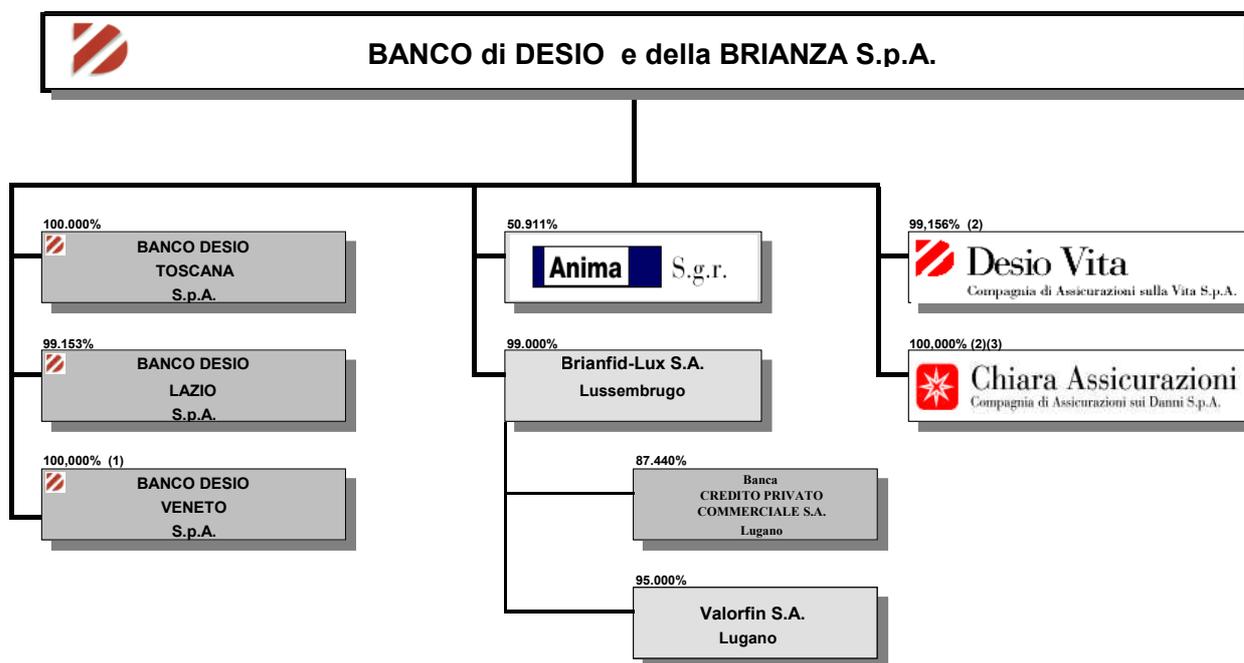
Notes to the consolidated financial accounts

Basis of preparation and accounting policies

The quarterly report as of September 30, 2006, of the Banco Desio Group has been prepared in accordance with the guidelines provided by CONSOB (*Commissione nazionale per le Società e la Borsa, Italian Regulatory Commission for Companies and the Stock Exchange*) and, specifically, pursuant to Article 82 of resolution n. 11971 dated 14 May 1999 (Issuers' Regulations), as amended and supplemented, and the provisions issued by the Bank of Italy.

The accounting statements used to prepare the quarterly consolidated accounts have been drawn up by also using estimation procedures other than those adopted to prepare the annual accounts; more specifically, within the frame of *administrative expenses*, the accounting statements have been adjusted by using forecast data taken from the respective expense budgets.

The consolidated quarterly report relates to the following corporate structure:



(1) This company was incorporated on 9 November 2005. The new bank was authorized to exercise its activities by an order issued by the Bank of Italy on 3 April 2006. Operations started from the beginning of the fourth quarter of 2006.

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

(3) As of 30 September 2006, the procedure to obtain ISVAP clearance to carry out insurance activities was still ongoing, while it was completed on 26 October 2006.

Operating framework

At the end of the third quarter 2006, the Group had a total of 132 branches (of which 113 branches were of the Parent Company Banco di Desio e della Brianza S.p.A.), compared to the 115 branches at the end of September 2005 and to the 118 at the end of 2005.

Specifically, the July-September quarter saw the opening of 2 new Group branches: Erba (Como) for the Parent Company and Livorno for Banco Desio Toscana.

Thanks to these further openings, and in addition to the openings in the first half-year, the Group is now present in 6 regions and 21 provinces (6 regions and 17 provinces as of September 2005).

The development of the Group local network reflected on staff figures, which increased to reach 1,559 (of which 1,300 of the Parent Company), at the period-end, up 137 employees compared to 1,422 of the previous year and 120 compared to 1,439 as of 31 December 2005.

Main balance sheet aggregates

During the year in progress, the Italian economy has achieved better results than financial analysts expected. In the more recent months, some unfavourable forecasts that had been features of the previous half-year have not been borne out. Equity markets have completely regained the ground lost in the spring and oil prices have fallen to a more reasonable level after breaking all-time records in August.

Favourable progress is expected during the final part of the year too, even if it will be less striking. The priority attached to keeping inflationary tensions always under control in the scenario of a favourable economic cycle might lead the ECB to make a further adjustment of 25 basis points to the bank rate that, after the increase in October, would rise to 3.5% in December.

Against the foregoing macro-economic background, the Banco Desio Group confirmed and strengthened its equity growth targets and improved the financial ones.

As of 30 September 2006, *total financial assets* of customers amounted to €/mil. 19,879.61, with an annual increase of €/mil.1,023.71, equal to 5.4%, compared to €/mil. 18,855.90 at the end of September 2005.

Direct deposits - made up of amounts due to customers, outstanding securities and financial liabilities at fair value through profit and loss, excluding liabilities related to life insurance activities (reclassified to indirect deposits) – reported an annual increase of €/mil. 515.87, equal to 12.5%, passing from €/mil. 4,136.82 to €/mil. 4,652.69.

Indirect deposits also continued to grow, with a total aggregate of €/mil. 15,226.92 at the period-end, compared to €/mil. 14,719.08 in September 2005.

The increase was entirely due to *indirect deposits from customers other than institutional customers* that showed an annual increase of €/mil. 880.81, equal to approximately 7%, with a stock value totalling €/mil. 13,843.71, of which €/mil. 10,007.24 relating to asset management. In this regard, deposits relating to bank-insurance were particularly dynamic (from €/mil. 1,064.05 in September 2005 to €/mil. 1,320.65, showing an increase of 24.1%).

Asset administration, up from €/mil. 3,457.56 to €/mil. 3,836.47, showed an increase of 11.0%.

Lending activities continued the growth marking the Banco Desio Group's strategies, focusing on the main targets of credit quality and risk spreading.

Net loans to customers posted a 15.5% annual increase, passing from €/mil. 3,374.85 to €/mil. 3,897.67 at the end of September. The medium-long term sector was the most dynamic, with an annual increase of nearly 19%.

Credit quality continued to be at high levels, with a "net non-performing loans to net loans" ratio equal to 0.67%, down compared to 0.76% of the third quarter 2005; the indicator is determined by net non-performing loans of €/mil. 26.24 (€/mil. 25.68 in September 2005).

As to the other main balance sheet items, note the following: net financial assets of €/mil. 2,187.26, compared to €/mil. 1,570.87, showed an annual increase of € /mil. 616.39, equal to + 39.2%; likewise, net inter-bank position showed a decrease of €/mil. 244.04, notwithstanding a credit balance of €/mil. 290.85 compared to €/mil. 534.89.

Financial performance

As for economic results, the period in question closed with profits/(losses) before taxes from continuing operations of €/mil. 102.87 (an annual increase of 20.3%).

The main levels of reclassified income statement show:

- *net interest income*: reached €/mil. 144.12, spurred by the growth in volumes traded and, marginally, by the slight increase in interest rates. Annual comparison saw a rise of €/mil. 18.99 million, equal to 15.2% compared to €/mil. 125.13 in September 2005;
- *net fees and commissions*, reached €/mil. 99.43 (€/mil. 75.83 in September 2005), with an annual increase of €/mil. 23.60 equal to 31.1%. The comparison on an annual basis also takes into account the net over-performance fees and commissions of Anima S.g.r. (equal to €/mil. 15.3 compared to €/mil. 2.5 of the same period in the previous year);
- *administrative expenses* amounted to €/mil. 142.68 with an annual increase of 16.0% compared to the corresponding period of 2005, reflecting both the development of the distribution network (17 branches) and the subsequent increase in staff (137 units). In this aggregate personnel expenses amounted to €/mil. 90.07 (+18.8%) and other administrative expenses to €/mil. 52.61 (+ 11.5%). In this aggregate, administrative expenses represent 54.2% of the net income from banking and insurance activities (55.5% in September 2005);
- *profits/ (losses) before taxes from continuing operations*: after net impairment losses on/writebacks to loans and receivables equal to €/mil. 10.26 (previously €/mil. 9.26), net provisions for risks and charges for €/mil. 2.89 and adjustments to the value of tangible and intangible assets for €/mil. 4.36, this level of reclassified income statement amounted to €/mil. 102.87 compared to €/mil. 85.49 at the end of September 2005. Increase was €/mil. 17.38, equal to 20.3%.

Reclassified Income Statement (in thousands of Euro)	Sept06 -a-	Sept 05 -b-	Change Amount	%
Net interest income	144,120	125,128	18,992	15.2%
Net fee and commission income	99,428	75,833	23,595	31.1%
Net income from insurance activities	-3,041	-3,289	248	-7.5%
Other operating expenses and income	21,879	20,637	1,242	6.0%
Primary intermediation margin	262,386	218,309	44,077	20.2%
Other net income	665	3,376	-2,711	-80.3%
Margin on banking and insurance activities	263,051	221,685	41,366	18.7%
Net impairment losses on/writebacks to	-10,260	-9,258	-1,002	10.8%
<i>Loans and receivables</i>	-10,260	-9,258	-1,002	10.8%
<i>Financial assets, other financial assets</i>	0	0	0	***
Net income from banking and insurance activities	252,791	212,427	40,364	19.0%
Administrative expenses	-142,677	-123,013	-19,664	16.0%
<i>of which: personnel expenses</i>	-90,065	-75,839	-14,226	18.8%
<i>other administrative expenses</i>	-52,612	-47,174	-5,438	11.5%
Net provisions for risks and charges	-2,891	434	-3,325	-766.1%
Adjustments to the value of tangible and intangible assets	-4,356	-4,356	0	0.0%
Net operating profit	102,867	85,492	17,375	20.3%
Profits/ (losses) on equity investments	0	0	0	***
Net results from the measurement of tangible and intangible assets at fair value through profit or loss	0	0	0	***
Impairment of goodwill	0	0	0	***
Profits (losses) on disposal of investments	0	0	0	***
Profits/ (losses) before taxes from continuing operations	102,867	85,492	17,375	20.3%

Significant events for the period and significant subsequent events

Below are some significant events:

- on 2 October 2006, Banco Desio Veneto S.p.A. started its operations; this is a Vicenza-based subsidiary which was authorized to carry out banking activities by an order issued by the Bank of Italy on 3 April 2006. The share capital of the new banks amounts to €/mil. 23.10, following the contribution of the "veneto" branch of business of the Parent Company, against a counter-value of €/mil. 2.10. Therefore, Banco Desio Veneto S.p.A. currently relies on a network of six branches located in: Vicenza, Verona, Schio, Villafranca di Verona, Padova, Arzignano.

- on 26 October 2006 ISVAP authorized the newly-established subsidiary "Chiara Assicurazioni S.p.A." to carry out insurance activities in the following sectors: accident, illness, fire and natural forces, other damages to property, general liability insurance, pecuniary losses of various kind, assistance; previously, the Bank of Italy had authorized the Parent Company to acquire the controlling interest in the same Insurance Company handling damages.

Business outlook

The persistence of a favourable outlook in the presence of a positive trend in interest rates should allow to continue to post good results and to achieve the planned targets.