



Banco Desio

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

2009 ACCOUNTING PERIOD**

(BoD held on 25 March 2010)

Banco di Desio e della Brianza SpA
www.bancodesio.it

CONTENTS

1 – GENERAL INTRODUCTORY REMARKS ON THE CORPORATE GOVERNANCE SYSTEM AND THE RELATED PROJECT	3
1.1. Preliminary remarks on the current set-up	
1.2 Guidelines for the measures implemented in 2009 in light of the Supervisory Provisions	
2 – GENERAL INFORMATION ON THE OWNERSHIP SET-UPS AND ON OTHER CORPORATE ASPECTS, ON COMPLIANCE WITH A CODE OF CONDUCT AND ON THE GROUP STRUCTURE.....	9
2.1 Ownership set-ups and other corporate aspects of Banco Desio (Article 123 <i>bis</i> , section 1 of the CFL)	
2.2 Compliance with a code of conduct regarding corporate governance (Article 123 <i>bis</i> , section 1 of the CFL)	
2.3. Group structure and management and coordination activities	
3 – BOARD OF DIRECTORS	12
3.1 Composition and requisites	
3.2 Independent Directors	
3.3 Functioning	
3.4 Powers	
3.5. Appointment	
4 – SYSTEM OF POWERS AND AUTHORITY	16
4.1. General outlines	
4.2. Executive Committee - Managing Director - General Manager	
4.3 Technical/operating committees	
5 – CONFLICTS OF INTEREST – OBLIGATIONS OF THE REPRESENTATIVES – TRANSACTIONS WITH RELATED PARTIES	18
6 – REMUNERATION AND INCENTIVE MECHANISMS - APPOINTMENTS AND REMUNERATION COMMITTEE	21
7 – INTERNAL AUDIT SYSTEM – INTERNAL AUDIT COMMITTEE - EXECUTIVE APPOINTED TO DRAW UP THE ACCOUNTING DOCUMENTS – FINANCIAL DISCLOSURE PROCESS.....	22
8 – CORPORATE INFORMATION	23
9 – BOARD OF STATUTORY AUDITORS	24
10 – DEALINGS WITH SHAREHOLDERS – FUNCTIONING OF GENERAL SHAREHOLDERS’ MEETINGS.....	25
11 – SAVINGS SHARES – SPECIAL SHAREHOLDERS’ MEETINGS – COMMON REPRESENTATIVE.....	26
12 – INDEPENDENT AUDITING FIRM.....	26
13 – CHANGES AFTER THE END OF THE ACCOUNTING PERIOD	27
ATTACHED SCHEDULES	
1 – STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS AND THE COMMITTEES	
2 - STRUCTURE AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS	
3 – MAIN OFFICES COVERED BY THE REPRESENTATIVES	
4 – SUMMARY OF COMPLIANCE WITH THE PROVISIONS OF THE CODE OF CONDUCT	

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/s.

Appointed Executive: the Executive appointed to draw up the accounting documents as disciplined by Article 154 *bis* of the CFL as a result of the “Savings’ Law” (Italian Law No. 262/2005).

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.

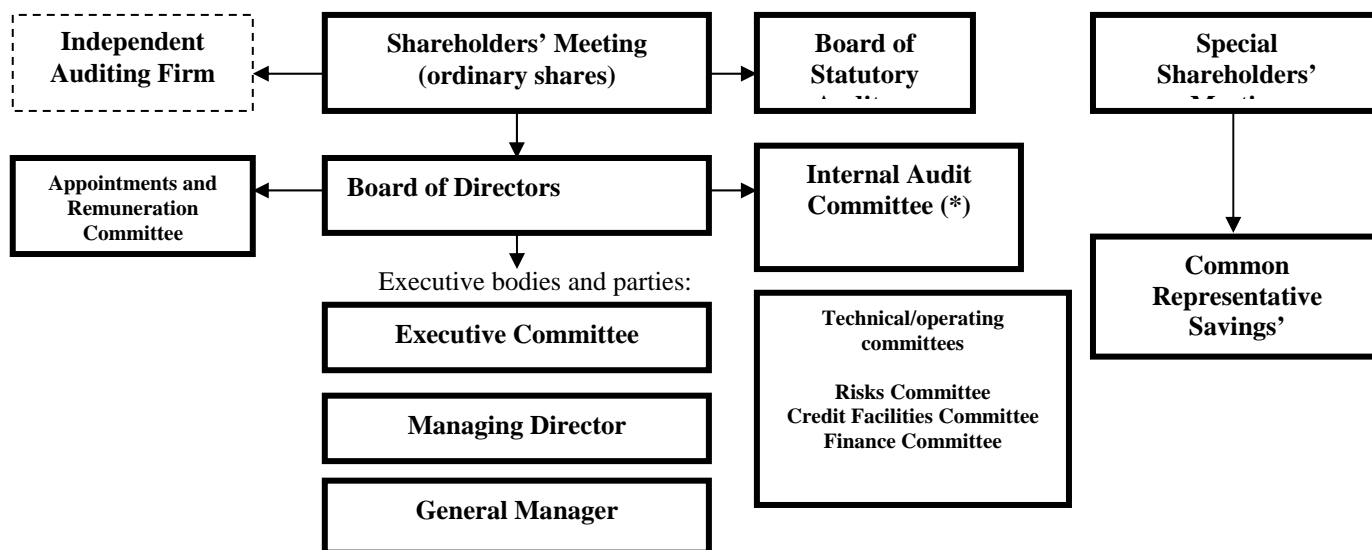
Group: the corporate Group including Banco Desio (Group Parent) and all the subsidiary companies.

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 2009, which was essentially characterized by adaptation to the supervisory provisions issued by the Bank of Italy with regard to the organization and corporate governance of banks¹ (in detail, see section 1.2) **no significant change took place with regard to the essential profile** within the overall corporate governance structure of Banco Desio and the Group. 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 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

¹ Bank of Italy Instruction dated 4 March 2008 (hereinafter “the Instruction”) also available on the website: www.bancaditalia.it

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 Committees²;
- 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 section 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 (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 section 5 below).

A salient event during the accounting period involved, during the second half of 2009 – also in light of the new types of offence significant for the purposes of the administrative liability of corporate bodies – a further review of the **Group's Organizational Model pursuant to Italian Legislative Decree No. 231/2001** (including the **Code of Ethics**), published on the website www.bancodesio.it. In this context, Supervisory Bodies have been set up with a collective composition within the individual Italian Group companies, comprising an Independent Director and the Head of the Bank or Group Auditing Department. In the past, this role had been assigned in a centralized manner to Banco Desio's Internal Audit Committee, which therefore maintained the audit responsibilities pursuant to Italian Legislative Decree No. 231/2001 for just the Group Parent (see section 7 below).

* * *

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 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 section 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;

² The advisory/proposal-making Committees (Appointments and Remuneration Committee, Internal Audit 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

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

- 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. Likewise, it contains references to the financial statement documentation (Notes to the Consolidated Financial Statements, Report on Operations, etc.), for the information contain therein which otherwise would be duplicated.

1.2 Guidelines for the measures implemented in 2009 in light of the Supervisory Provisions (“Corporate Governance Project”)

As known, during 2008 the Bank of Italy issued new supervisory provisions concerning the organization and corporate governance of banks⁵, 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.

This having been stated, the BoD, on 10 March 2009, approved – with the favourable opinion of the Board of Statutory Auditors regarding the aspects it is responsible for - the Corporate Governance Project of the Banco Desio Group (for the sake of brevity “the Project”) submitted beforehand to the Bank of Italy and, on 25 June 2009, to the General Shareholders’ Meeting which was specifically called to resolve on the general aspects it is responsible for and in particular on certain Article of Association amendment proposals. The Project is the result of auto-diagnostic activities which, with the support of independent consultants, specifically concerned the internal audit system and which gave rise to an overall opinion of essential compliance of the current governance and audit system with the general principles and conformity applicative guidelines contained in the Bank of Italy Instruction. The guidelines of this Project are summarized below, making reference for the related comments to the previous Report:

- **maintenance of the traditional management and audit model;**
- **streamlining of certain functioning mechanisms of the current governance and audit system.**

These adaptation measures concern three levels or regulations, i.e. the Articles of Association, Internal Regulations, and Consolidated Internal Audit System Law:

1.2.1. Articles of Association

In co-ordination with the policy followed by the Group over the last few years, it was considered appropriate – with a view to the flexibility of the legislative system - to limit measures amending the Articles of Association to those laid down by the Bank of Italy Instruction. Therefore, the provisions illustrated below by **guideline** were assimilated within the Articles of Association (of the Group Parent and/or the Italian Subsidiary Banks):

A. 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 applicative approach is clarified in section 2.1 of the Bank of Italy Instruction and therefore it was considered necessary to include it in the Group Parent’s Articles of Association as specification, where the non-delegable nature of the “determination of the policies which affect the general management of the bank’s and the Group’s business” is already envisaged; it was also considered necessary to include from scratch a similar provision in the Articles of Association of the Italian Subsidiary banks (for further details also see section 3 below).

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](http://www.bancaditalia.it), where other supervisory provisions mentioned in this Report can also be found

Among the powers which cannot be delegated, the same Instruction also reserves to the BoD 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), which it was considered necessary to therefore include in the Articles of Association of all the Group's Italian Banks (even if in the subsidiary companies this provision effectively refers to functions performed by the Group Parent by virtue of outsourcing agreements).

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 it has been deemed to illustrate in full, according to the structure indicated in section 2.2 of the Bank of Italy Instruction: 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 1.2.3, 7 and 9 below).

B. Composition of the corporate bodies

The formalities for appointing and removing the corporate bodies must be transparent and disciplined at Article of Association level. These formalities must ensure an adequate representation in said bodies of the various components of the corporate base (institutional investors, qualified minorities); especially when this is particularly broken up, mechanisms are envisaged which facilitate a significant participation of the shareholder in the general meeting. With regard to the Group Parent, it was not considered necessary to intervene with regard to the discipline of the "list voting" for the election of the members of the BoD and the Board of Statutory Auditors, already introduced in the Articles of Association with the high degree of detail envisaged by primary and secondary legislation deriving from the "Savings' Law" (Italian Law No. 262/2005).

With regard to the Italian Subsidiary Banks, steps were taken to introduce the figure of the "**independent directors**".

C. Remuneration and incentive mechanisms.

The Articles of Association must envisage that 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. With regard to all the Italian Group Banks, it was considered necessary to provide a concise indication of the matters envisaged by section 4 of the Bank of Italy Instruction: i) in said Articles of Association with respect to the general principles; 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 amendments which present aspects of complementarity with respect to the Article of Association amendments as per the previous section 1.2.1, it was considered necessary to acknowledge in the Internal Regulations of all the Italian Group Banks the applicative policies of the Bank of Italy Instruction as per points A.2) Board of Statutory Auditors and C) Remuneration and incentive mechanisms, as well as – limited to just the Group Parent – to explicitly transfer proposal-making/advisory responsibility from the Executive Committee to the Appointments and Remuneration Committee with regard to the board resolutions concerning employment, promotion, etc. of the General Manager and the Deputy General Manager/s, on a consistent basis with a practice what is more already followed for the appointment and the remuneration of the majority of the Group's top management (for further details also see section 6 below).

With reference to point B) Composition of the corporate bodies, it was considered necessary to extend general limits 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 was also considered necessary to establish, within the Internal

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.

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 investment⁷.

In conclusion, with regard to the regulatory amendments which present aspects of complementarity with respect to the Consolidated Internal Audit System Law as section 1.2.3 below, it was considered necessary to make sure that in the Internal Regulations of all the Italian Group Banks elements are 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 introduced into the Internal Regulations of all the Italian Group Banks.

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, it was considered necessary to specify in the Internal Regulations of all the Italian Group Banks 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, steps were taken to make it 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

The organizational model of the Group’s Internal Audit System envisages – as from the extension of the banking activities by means of new banks-networks to areas other than the historic area of Banco Desio’s activities – the centralization within the Group parent of the so-called second and third level audit functions.

On the basis of the results achieved so far and, in particular, the progressive consolidation of the Group Parent’s and the subsidiaries’ organizational structures, as well as the efficiency of the interrelation mechanisms between various bodies and corporate divisions, this set-up has been confirmed and, where necessary, gradually enhanced.

On the above bases, the general principles which the Group Parent and Group Internal Audit System aspires to and the main corporate bodies and divisions which it is made up of are described below, as they have been acknowledged in the Consolidated Internal Audit System Law, whose content matter is listed below in summary form, making reference for the additional comments to the previous Report.

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

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.

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 Section 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:

GOVERNANCE⁸ 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.

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 Committee⁹**, 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;

⁸ 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

⁹ The Consolidated Internal Audit System Law does not describe the role and the duties of the Executive Committee, the Appointments and Remuneration Committee and the other technical-operating Committees, such as the Credit facilities Committee and the Finance Committee, since these bodies are not directly involved in the functioning of the System.

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

This section 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 section 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 in existence 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 2009:

- 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.	51.75% (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.)	2.54%

- 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.	41.00%
- 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 114.7 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 resignation, removal without just cause or termination of the relationship following a take-over bid

No directors have entered into agreements with Banco Desio which envisage the payment of indemnities for the termination of their office in the cases indicated above. With regard to the information pertaining to the directors' remuneration, see section 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 the provisions of the CFL introduced by the "Savings Law".

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 15 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 15 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 5 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 2010 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 67.35% 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, enrolled in the registered pursuant to Article 106 of the CBL, 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:

- Chiara 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 website 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.

3 – BOARD OF DIRECTORS

The information included in this section 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 introduced by the "Savings Law" (Italian Law No. 262/2005), and will fall

from office with the shareholders' meeting held for the approval of the financial statements as at 31 December 2010. On this occasion, said 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 Board¹⁰), 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 section 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, at the time of approval of this Report and 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 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), met on 11 March 2010, 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 Directors¹¹. This **assessment**, positive

¹⁰ 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.

¹¹ 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

overall, is attached to the Report (**Attachment A**)

3.3 Functioning

As a rule, Banco Desio's Board of Directors meets monthly; during 2009, a total of 15 meetings were held, the majority of which scheduled at the beginning of the year; with regard to 2010, 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 was updated in 2009 in compliance 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 into 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 section 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:

- 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;

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 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

Banco Desio's extraordinary shareholders' meeting held on 28 June 2007, acknowledging the provisions of the aforementioned "Savings Law", by means of the Articles of Association disciplined the procedure for the appointment of the BoD by means of list voting which, in short, envisages:

- the legal power of the shareholders owning ordinary shares equating to at least 2.5% of those existing (threshold confirmed by Consob on the basis of the capitalization and the free float), to deposit lists of candidates;
- prior deposit of the lists at the registered offices at least 15 days before the date of the general meeting, accompanied by analytical disclosure and documentation bearing witness to the legal right of the shareholders and the possession the requisites of the candidates;
- election, from the majority list, of the number of directors to be appointed, less one;
- election of a director from the minority list which has obtained the greatest number of votes, provided that it is not linked to the majority list and provided that it has obtained votes at least equal to half the presentation quorum;
- mechanism for replacing the directors aimed at protecting the minorities, in the event of termination of the director appointed by the same¹².

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 afore-mentioned 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 opporteness 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".

¹² For details on the procedure for appointing directors and statutory auditors by means of list voting, reference should be made to Articles 16 and 17 of the Articles of Association.

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)

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

With reference to the Corporate Governance Project illustrated in the previous section 1.2, it is deemed necessary – as already mentioned - to extend the afore-mentioned limits on the accumulation of offices of the Directors as per points a) and b) (again considered to be non-compulsory within the terms indicated above) to 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. Executive Committee – Managing Director – General Manager. Role of the Chairman

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 BoD

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 2009, the Committee met in total 5 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 General Manager sees to the execution of the resolutions adopted by the BoD, 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 BoD 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 General Manager is in charge of ensuring an effective supervision of the compliancy risk, with the support of the specific division (Compliance department).

The executive Bodies and Parties inform the BoD and the Board of Statutory Auditors, usually during the first useful meeting of the BoD, 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 and brought.

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.

The Chairman, who is assigned – 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 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 and 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 BoD during the first useful meeting. This is a procedure of an exceptional nature.

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

The Chairman is a high-profile representative of the Parent Company “Brianza Unione” (see attached [Table 3](#)).

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 section 4.3.

Considering the frequency of the BoD 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 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 two advisory/proposal-making Committees mentioned above, at technical-operating level the BoD set up a Credit Facilities Committee, a Finance Committee and, during 2008, a Risks Committee.

The Credit Facilities Committee is made up of the Managing Director, the General Manager, the Deputy General Manager/s 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 136.2 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/s 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 co-ordination 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 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 and brought against the bank. 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.

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

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 - OBLIGATIONS OF THE REPRESENTATIVES – TRANSACTIONS WITH RELATED PARTIES

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 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;
- 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 the handling of the transactions pursuant to Article 136 of the CBL and with Related Parties within the sphere of the Group**” (in short “Related Parties Procedure”), became necessary following the expansion of the number of Related Parties, introduced first by IAS 24 and subsequently by the additions to Article 136 of the CBL (which disciplines the obligations of bank Representatives), introduced by the afore-mentioned “Savings Law”.

In detail, Article 136 of the CBL, section 2 *bis* extended the application of the discipline to the obligations existing between the Bank (or the Banking Group company) and:

- 1) the companies controlled by the company Representatives;
- 2) the companies in which the company Representatives cover administration, management or audit roles, as well as the companies controlled by the same or which control them (so-called coincidence of office, which in any event excludes dealings between companies of the same Banking Group and those between banks for transactions on the interbanking market).

With regard to the Representatives, a predominant overlapping of the fields of application of Article 136 of the CBL and the regulations on Related Parties therefore takes place, to the extent that both the forms of discipline are aimed at preventing the effects of conflicts of interest on the correctness and transparency of corporate operations.

The transactions as per “Article 136 of the CBL” must by way of necessity be resolved by the BoD, unanimously and with the favourable vote of the statutory auditors. The BoD’s possibility to adopt specific “outline resolutions” which establish limits and conditions within the sphere of which the appointed Bodies and Parties are permitted to arrange transactions also vis-à-vis the Representatives and Individual and Corporate Entities linked to the same, is unaffected.

Transactions with Related Parties (IAS 24) which do not fall under the afore-mentioned Article 136, can also be arranged autonomously by appointed Bodies and Parties (no lower than the General Manager hierarchically), in accordance with specific thresholds indicated by category of counterpart and type of transaction and on condition that in reality unusual and/or atypical aspects do not emerge with respect to the ordinary activities, or personal situations of conflict of interest pertaining to the appointed Party who arranged the transaction do not emerge. Such circumstances must be appraised according to prudent criteria, appointing the BoD in cases of reasonable doubt; in any event, transactions of this type can be arranged independently only in line with market conditions.

The Representatives who have a personal interest in a transaction which is the responsibility of the BoD (even if potential, indirect and not necessarily conflictual) are, besides the disclosure obligations imposed in particular on the directors by Article 2391 of the Italian Civil Code, obliged to assess the appropriateness of abstaining from the related voting, and also removing themselves from the meeting.

The Related Parties Procedure specifically disciplines the following activities: - collation of information and survey of the parties; - handling of the transaction; - registration of the transactions; - internal line controls, which the various structures (Branches and Head Offices) are required to put together within the sphere of the Group, albeit using different methods according to the company type (Group Parent, Italian Subsidiary Banks, other finance and insurance companies, Italian and foreign); - controls of the Internal Audit divisions with regard to observance of the adopted procedures.

In detail, with regard to the sphere for the collation of information relating to individual and corporate bodies associated with the Representatives, note that each Representative has the faculty to communicate said names in advance or at the same time with respect to the operations possibly entered into by the latter with banking group companies.

With regard to the stages for the survey of the Related Parties and the registration/handling of the transactions, the company has endowed itself with specific IT procedures.

As and when necessary, the Board of Directors appraises the specific transactions with the Related Parties in relation to which the conditions for resorting to the assistance of independent experts and/or for fulfilling the disclosure obligations as per Article 71 *bis* of the Consob Issuers’ Regulations apply (in 2009, as in previous years, no transaction required the essential elements for the publication of a disclosure document).

The BoD has acknowledged the principle of the prior opinion of the Internal Audit Committee on the methods for approving and carrying out transactions with Related Parties and, therefore, on the afore-mentioned procedures and on their amendments/integrations; in contrast, the BoD believed that it was not appropriate to involve the Committee in the approval of the individual transactions, since these are operational and not organizational/control events.

For a summary of these transactions relating to 2009, resolved within the sphere of the Related Parties 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; the latter at present comprises a “production bonus” calculated on a specific percentage of the net profit reported in the consolidated financial statements (net of any extraordinary items) considered as the “all-inclusive corporate cost” (and therefore inclusive, for the managers with dependent employment contracts, of social security contributions and provision for the employee severance indemnity - TFR).

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. For the up-to-date situation of the plans outstanding as at 31 December 2009, 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). With regard to the BoD of the Italian Subsidiary Banks, an essentially similar mechanism 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.

With regard to the sum total of the fees received by the Banco Desio Representatives in 2009, 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 BoD internally established an “Appointments and Remuneration Committee” made up of 3 Directors, all non-executive (see [Table 1](#)) 2 of which independent; 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 BoD 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 5 times in 2009, to express its opinion of the above matters.

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

With reference to the Corporate Governance Project illustrated in the previous section 1.2, 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, a number of initiatives have been set up, including the drafting of guidelines 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 section 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 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.

This system, more fully described in the previous section 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 Head of the Internal Audit Area (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 Audit Area; 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 2009, the Committee met on 12 occasions, when not only its members were present, but also the Chairman of the Board of Statutory Auditors and the Head of the Internal Audit Area; 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 meeting, 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 Law of the Appointed Executive;
- Accounting standards;
- Pricing policy for own financial instruments;
- Investment services’ conflict of interest policy (see previous section 5);

* * *

As indicated in the previous section 1, during the second half of 2009 a further review was carried out – also in light of the new types of offences relevant for the purposes of the administrative liability of corporate bodies – on the **Group’s Organization Model pursuant to Italian Legislative Decree No. 231/2001** (including the **Code of Ethics**), which is brought to the attention of all the parties concerned and published on the website www.bancodesio.it). In this context, Supervisory Bodies in collective form were set up within the individual Italian Group companies, with the introduction of a non-executive independent director and the head of the Bank and Group’s Auditing Department operating in the Group Parent’s Internal Audit Area. Previously, this role had been assigned centrally to Banco Desio’s Internal Audit Committee, which therefore maintained responsibility for auditing pursuant to Italian Legislative Decree No. 231/2001 for just the Group Parent.

It is recalled that the 231 Organization Model, assimilated specifically by the individual Group companies, aims to prevent all the offences established by the afore-mentioned decree, with particular attention paid to those strictly linked to the specific banking and financial activities (unlawful conduct, market rigging, money laundering, abuse of privileged information, market manipulation, etc.). The list of the offences in question is updated in relation to how the reference legislation evolves.

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 Audit Area 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 2009, the Internal Audit Committee met, as the Supervisory Body, on 12 occasions, during which, besides the usual six-monthly reports to the BoD on the activities carried out by said Committee, the following business was mainly dealt with:

- measures for the overall adaptation of the 231 Organization Model under the terms indicated above;
- definition of the organizational/audit model of the Appointed Executive;
- enhancement of activities and controls with regard to anti-money laundering activities (Italian Legislative Decree No. 231/2007);
- review of the safety in the workplace facilities (Italian Legislative Decree No. 81/2008);
- audit activities care of subsidiary companies.

* * *

In relation to the risk management and internal audit systems existing with regard to the **financial disclosure process, consolidated or otherwise**, steps were taken in 2009 to issue the Consolidated Law of the **Appointed Executive**, which describes the “powers and means” of said Executive (Mr. Piercamillo Secchi) – appointed in 2007 - 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 Audit Area, 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 BoD subject to the favourable 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”.

8 – CORPORATE INFORMATION

The regulations regarding corporate information are formalized in the Corporate Information Procedure approved in turn by the BoD 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 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 Division;

- 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 by the General Secretariat and Corporate Affairs Department. For the purpose of ensuring the prompt disclosure, it is envisaged that the BoD 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 BoD 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 2009, transactions for a total equivalent value of Euro 1.8 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).

With reference to the Corporate Governance Project illustrated in the previous section 1.2, 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 section 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 and will fall 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 2009, Banco Desio's statutory auditor held a total of 37 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 Article of Association procedure was adapted to the "Savings Law" and associated Consob norms for the appointment of the Board of Statutory Auditors as well, and now in short envisages:

- the legal power of the shareholders owning at least 2.5% of the ordinary shares existing to deposit lists of candidates and prior deposit of the lists at the registered offices at least 15 days before the date of the general meeting, accompanied by analytical disclosure and documentations bearing witness to the legal right of the shareholders and the possession the requisites of the candidates;
- extension to the tenth day prior to the general meeting and reduction by half of the afore-mentioned quorum, if in the 15 days just one list has been duly deposited;
- election, from the majority list, of two standing auditors and two alternate auditors;
- election of the Chairman of the Board of Statutory Auditors and one alternate auditor from the minority list which obtained the greatest number of votes, provided that it is not linked to the majority list;
- mechanism for replacing the statutory auditor who has fallen from office which envisages that the alternate auditor from the same list takes over and, at the time of the shareholders' meeting called to resolve on the replacement of the minority statutory auditors, the appointment by related majority on the list of candidates who can be presented by different shareholders who are not linked to the majority shareholders.

For details, reference should be made to Articles 26 and 27 of the Articles of Association. 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.

With reference to the Corporate Governance Project illustrated in the previous section 1.2, it was considered necessary – as already mentioned - to extend a general limit to the Internal Regulations of the Italian Subsidiary Banks 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 was also considered necessary to establish, 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 section has also been provided in accordance with Article 123 *bis*, section 2, letter c of the CFL.

As indicated in the previous section 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 for the implementation of the so-called "shareholders' rights" European Directive, will be applied, subject to appropriate Article of Association amendments to be submitted for the shareholders approval in general meeting during the second half of the year, to the shareholders' meetings whose notice of calling will be published after 31 October 2010.

As per the Articles of Association, the notice of calling for Banco Desio's shareholders' meeting is published, within the legal deadlines (in other words at least 30 days beforehand), in the Italian Official Gazette, and subsequently in the national press, on the basis of Consob regulations. The Articles of Association of the Italian Subsidiary Banks envisage simpler procedures, also in relation to the afore-mentioned 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).

In order to attend Banco Desio shareholders' meetings, the prescribed obligation communication is necessary bearing witness to the right of the shareholder to attend, to be requested from the authorized intermediaries; this must be received at least two business days before the date of the meeting. With regard to representation during shareholders' meetings, Article of Association departures from the law are not envisaged. The Articles of Association of the Italian Subsidiary Banks

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.

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.

Banco Desio's extraordinary shareholders' meeting held on 27 April 2001 approved the adoption of Shareholders' Meeting Regulations and the consequent assimilation of specific Article of Association clauses which established the approval and amendment formalities, even if as a document not forming an integral part of the Articles of Association. Following the company law reform in 2004, responsibility for the approval and the amendments to the Shareholders' Meeting Regulations was transferred to the ordinary shareholders' meeting.

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.

During 2009, two shareholders' meetings of Banco Desio were held:

- Ordinary shareholders' meeting held on 28 April, which approved the financial statements and the allocation of the profit for 2008;
- Ordinary and extraordinary shareholders' meeting held on 25 June, which approved the Article of Association amendments and the remuneration/incentive policies in compliance with the afore-mentioned Bank of Italy Instruction.

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

The information in this section 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 set-ups 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 2009) and the below-indicated date of approval of this Report, no significant changes took place with respect to those illustrated in the previous sections. Likewise, no changes of this kind are envisaged in the coming months.

Desio, Italy, 25 March 2010

**On behalf of the Board of Directors
The Chairman**

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 after BoD)		Internal Audit Committee (appointed after BoD)		Ordinary/ Savings sh. meeting	
Office	Name and Surname	Independent	Executive	No. of presences out of total meetings 2009 (15)	Member of the Committee	No. of presences out of total meetings 2009 (5)	Member of the Committee	No. of presences out of total meetings 2009 (5)	Member of the Committee	No. of presences out of total meetings 2009 (12)	No. of presences out of total meetings 2009 (2)
Chairman	Agostino Gavazzi	No	No	15	YES as per Articles of Ass.	5	YES	5	No	1 upon invite	2
Deputy Chairman	Stefano Lado	No	No	15	YES as per Articles of Ass.	5	No	2 upon invite	YES	12	2
Deputy Chairman	Guido Pozzoli	No	No	15	YES as per Articles of Ass.	5	No	1 upon invite	No		2
Managing Director	Nereo Dacci	No	YES	15	YES as per Articles of Ass.	5	No	3 upon invite	No	2 upon invite	2
Director	Francesco Cesarini	YES	No	13	No		YES	4	YES	11	1
Director	Pier Antonio Cutellè	YES	No	14	No			=	No		2
Director	Egidio Gavazzi	No	No	11	No			=	No		2
Director	Luigi Gavazzi	No	No	15	Secretary	4	No	=	No		2
Director	Paolo Gavazzi	No	No	12	No		Secretary	4	Secretary	9	2
Director	Luigi Guatri	YES	No	11	No		YES	4	YES	9	2
Director	Gerolamo Pellicanò	YES	No	15	No		No	=	No		2
General Manager	Alberto Mocchi			15 as per Articles of Ass.		4 as per Articles of Ass.		=		1 upon invite	2 as per meeting regs.
Acting Deputy General Manager	Claudio Broggi			13 upon invite		4 upon invite		=		1 upon invite	2 as per meeting regs.

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. Auditors (total 37)*	No. of presence during shareholders' meetings (total 2)	No. of presence during BoD meetings (total 15)	No. of presence during EC meetings (total 5)	No. of presence during IAC meetings (total 12)	No. of presence during RC meetings (total 5)
Chairman	Eugenio Mascheroni	34	2	15	5	9	4
Standing Auditor	Rodolfo Anghileri	30	2	15	5	4	=
Standing Auditor	Marco Piazza	18	2	10	3	3	=
Alternate Auditor	Giovanni Cucchiani	=	=	=	=	=	=
Alternate Auditor	Clemente Domenici	=	=	=	=	=	=
Alternate Auditor	Carlo Mascheroni	=	=	=	=	=	=

Note:

* 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

TABLE 3 - MAIN Offices COVERED BY THE REPRESENTATIVES OF BANCO DESIO

Name and Surname	Offices covered within Group Parent Company Banco Desio Brianza	Offices covered within parent company Brianza Unione 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	Vice Chairman of the (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 Chairman of the BoD Director	Istifid	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						E-Mid Sim S.p.A First Capital SpA Polaris Italia Sgr SpA	Chairman of the BoD Chairman of the BoD Chairman of the BoD
Pier Antonio Cutellè	Director							
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						Centrobanca SpA Italmobiliare SpA	Chairman of the BoSA Standing Auditor
Gerolamo Pellicanò	Director							
Alberto Mocchi	General Manager		Banco Desio Lazio Banco Desio Veneto Chiara Assicurazioni FIDES	Director Director Director Deputy Chairman of the BoD	Cedacri	Deputy Acting Chairman of the and Member of the EC		
Claudio Broggi	Deputy Acting General Manager Operations Director		Brianfid Lux	Director				
Marco Sala	Deputy General Manager Sales Director		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 Banco Desio Toscana	Standing 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 Barclays Financial Service Italia SpA	Standing Auditor 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

Note: **BoD**: Board of Directors

EC: Executive Committee

RC: Remuneration Committee

IAC: Internal Audit Committee

BoSA: Board of Statutory Auditors

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	A 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 the individual transactions with related parties, since these are acts of management and not organization/control; furthermore, said Committee is required to express prior opinions on the internal procedures which discipline the methods for approving and executing said transactions (so-called "Internal Procedure Article 136/related parties")					
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 directors 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	YES						
. the Corporate Governance system of Banco Desio	YES	The matters which are the exclusive responsibility of the General Shareholders' Meeting are unaffected: e.g. Article of Association amendments					
. the Group structure.	YES						
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 interest	YES	This assessment has also been made within the sphere of the Corporate Governance Project					
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	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	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	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	NO								
. covers a specific role in the drawing up of company strategies	NO								
. is the main party responsible for management operations	NO								
. is the controlling shareholder of Banco Desio	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	As a rule, monthly, as part of a management, administrative, accounting and legal reporting system (without prejudice to specific information on particularly significant transactions)							
OTHER EXECUTIVE DIRECTORS		Also see section 4 of the Report							
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	NO								
. 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	NO								
. they are members of the Executive Committee and due to the frequency of the meetings and subject matters of the matters dealt with, they are systematically involved in the current operations of Banco Desio	NO								
INDEPENDENT DIRECTORS		Also see section 3 of the Report							
Indicate whether the BoD:									
. has on the first useful occasion after its appointment, assessed the independence requisites the non-executive directors must satisfy	YES								
. has assessed the permanence of the independence requisites during the accounting period	NO	This assessment is carried out annually at the time of approval of the Report							
. during the assessments, has applied all the independence criteria envisaged by the Code	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	The BoD's resolution is followed by an assessment report by the Board of Statutory Auditors							
Indicate whether the independent directors have met during the accounting period in the absence of the other Directors	YES	A meeting is held dedicated to examination of the Report (as envisaged by the current system)							
CORPORATE INFORMATION		Also see section 8 of the Report							
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		Also see sections 6 and 4 of the Report							
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	Credit Facilities Committee, Finance Committee, Risks Committee (these are technical-operative committees outside the BoD)							
APPOINTMENTS COMMITTEE		Also see section 6 of the Report							
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 has been assigned the following:									
. 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's BoD with regard to the size and composition of the same	NO	idem							
. 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 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 Directors with strategic responsibilities is linked to specific results/objectives	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	NO							
INTERNAL AUDIT COMMITTEE		Also see section 7 of the Report						
Indicate whether the BoD has established an Internal Audit Committee internally	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	YES							
. 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 committee	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	YES							
. report to the BoD, every six months, on the activities carried out and on the adequacy of the internal	YES							
Indicate whether the Chairman of the Board of Directors or a Standing auditor has taken part in the Committee meetings	YES							
Indicate whether minutes have been taken of the Committee meetings	YES							
Indicate whether during the performance of its tasks, the Committee has had the possibility of accessing corporate information and functions, 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 Directors 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	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	The 231 Organizational Model have been updated further, as well as reviewed with regard to a number of significant aspects, also in 2009 (in particular: decentralization of the SB of the individual subsidiaries)						
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						
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	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, assessed 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	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 THE 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 (since 24 March 2009)						
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		Also see section 10 of the Report						
Indicate whether the Articles of Association envisage the prior communication pursuant to Article 2370.2 of the Italian Civil Code, for the purpose of attending General Meetings	YES							
Indicate whether the shares in relation to which the communication for attendance of the meeting is requested, remain restricted until said meeting is over	YES	Until the enforcement of the new provisions concerning "record date", the Articles of Association envisage the legitimization of the intervention of the shareholders who have restricted the shares at least 2 business days before the date of the shareholders' meeting						

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 opportuneness 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 2009 year end date	NO						

OPINION OF THE INDEPENDENT DIRECTORS ON THE
ANNUAL CORPORATE GOVERNANCE REPORT

On 11 March 2010, 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, which - implementing the Code of Conduct for Listed Companies – lay down the following provision: “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).”

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 CFL (document forwarded in advance with the letter of the Managing Director dated 8 March 2010), 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, in particular with respect to the role which the Code of Conduct assigns, among the non-executive components, especially to the Independent Directors. This opinion is mentioned on page 13 of said Report.

Signed Prof. Luigi Guatri (co-ordinator)

Signed Prof. Francesco Cesarini

Signed Mr. Pier Antonio Cutellé - lawyer

Signed Mr. Gerolamo Pellicanò - lawyer