Consolidated interim financial report at 30 June 2022

Banco di Desio e della Brianza S.p.A. | Sede legale via Rovagnati,1 – 20832 Desio (MB) | Codice Fiscale n. 01181770155 | Iscritta alla Camera di Commercio Metropolitana di Milano, Monza e Brianza e Lodi | Capitale Sociale Euro 70.692.590,28 i.v. | Aderente al Fondo Interbancario di Tutela dei Depositi | e al Fondo Nazionale di Garanzia | Iscritta all'Albo delle Banche al Cod. ABI n. 3440/5 | Capogruppo del Gruppo Bancario Banco di Desio e della Brianza | Iscritto all'Albo dei Gruppi Bancari al n. 3440/5

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Directors and Officers
Banco di Desio e della Brianza S.p.A.

Board of Directors

Chairman	Stefano Lado
Chief Executive Officer and General Manager	Alessandro Maria Decio*
Directors	Graziella Bologna* Valentina Maria Carla Casella Ulrico Dragoni Cristina Finocchi Mahne Agostino Gavazzi* Gerolamo Gavazzi* Tito Gavazzi Giulia Pusterla Laura Tulli

* Members of the Executive Committee

Board of Statutory Auditors

Chairman	Emiliano Barcaroli
Acting Auditors	Rodolfo Anghileri Stefania Chiaruttini
Substitute Auditors	Stefano Antonini Silvia RE Massimo Celli

General Management

Chief Executive Officer and General Manager	Alessandro Maria Decio*

Financial Reporting Manager

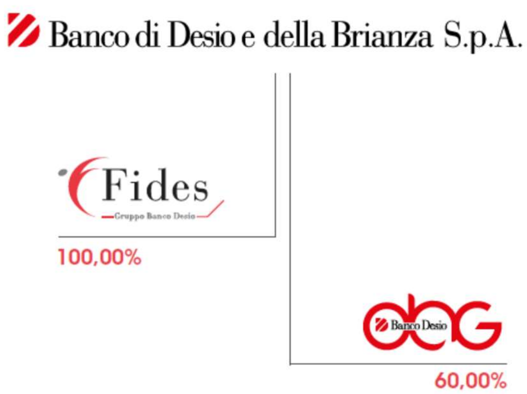
Financial Reporting Manager as per art. 154-*bis* CFA	Mauro Walter Colombo

Independent Auditors

Independent Auditors	KPMG S.p.A.

Banco Desio Group

The scope of consolidation of the Banco Desio Group at 30 June 2022 includes the following companies:



Introduction

This consolidated interim financial report at 30 June 2022 of the Banco Desio Group, made up of the interim report on operations and the condensed interim financial statements, has been prepared pursuant to art. 154-ter of Legislative Decree 58/1998 ("Consolidated Finance Act" or CFA), implementing Legislative Decree 195 of 6 November 2007 (the so-called "Transparency Directive"), as well as for the determination of the profit for the period in order to calculate own funds and drawn up in accordance with International Financial Reporting Standards as endorsed by the European Community under Regulation 1606 of 19 July 2002, as better indicated in the section "Basis of preparation and accounting policies"

In particular, the consolidated interim financial report has been prepared in accordance with IAS 34 "Interim Financial Statements", as well as the instructions issued by the Bank of Italy in its Circular 262 of 22 December 2005 and subsequent updates.

The figures and ratios included in the interim report on operations refer to the balance sheet of the condensed interim financial statements and to the reclassified income statement, as disclosed in the appropriate paragraph, in turn prepared starting from the income statement of the condensed interim financial statements.

In defining the contents of the notes, we also took into account the recommendations contained in Consob's Warning Notice no. 1/21 of 16 February 2021, which is still applicable, and the Consob's Warning Notice no. 3/22 of 19 May 2022 for which readers should make reference to the "Accounting policies" section and the "Information on risks and related hedging policies" section of the Condensed interim financial statements".

Specific information on the context in which this financial information was prepared, characterised by the conflict between Russia and Ukraine and the persistence of the Covid-19 pandemic, as well as the uncertainties and significant risks that derive from these situations, is provided in the paragraph entitled "Implications of the Russian-Ukrainian conflict and the Covid-19 epidemic" (page 56); the consequences on the economy in general and on the economic-financial performance in future years, also deriving from regulators' support policies, remain uncertain in relation to the ways that future scenarios may evolve, which are beyond management's control.

This consolidated interim report is subject to a limited audit by KPMG S.p.A.

INTERIM REPORT ON OPERATIONS

Key figures and ratios

The alternative performance measures (APMs) shown in this Report have been chosen to help readers understand the results of the Banco Desio Group. APMs are not envisaged by international accounting standards. They represent additional information with respect to the measurements defined in the IAS/IFRS and are in no way a substitute for them.
The method of calculating each APM is provided and the figures used have been taken from the tables or from the reclassified financial statements contained in the "Results" section of this Report.
These APMs are based on the guidelines of the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication no. 0092543 of 3 December 2015. Following the instructions contained in the update of the document entitled "ESMA 32-51-370 - Questions and answers - ESMA Guidelines on Alternative Performance Measures (APMs)", published on 17 April 2020, no changes have been made to the APMs nor have new ad hoc measures been introduced to highlight separately the effects of the Covid-19 epidemic or the conflict in Ukraine.

Balance sheet

Amounts in thousands of Euro	**30.06.2022**	**31.12.2021**	**Change** amount	%
Total assets	18,337,603	17,804,781	532,822	3.0%
Financial assets	3,982,968	3,797,711	185,257	4.9%
Due from banks [1]	1,928,898	2,115,119	-186,221	-8.8%
Loans to customers [1]	11,506,877	11,127,757	379,120	3.4%
Property, plant and equipment [2]	221,915	218,420	3,495	1.6%
Intangible assets	18,784	19,119	-335	-1.8%
Non-current assets and disposal groups held for sale	7,453	13,080	-5,627	-43.0%
Due to banks	3,918,030	3,815,695	102,335	2.7%
Due to customers [3] [4]	11,043,527	10,926,600	116,927	1.1%
Debt securities in issue	1,446,272	1,522,265	-75,993	-5.0%
Shareholders' equity (including Net profit/loss for the period)	1,106,828	1,088,741	18,087	1.7%
Own funds	1,118,903	1,131,495	-12,592	-1.1%
Total indirect deposits	16,339,427	18,018,035	-1,678,608	-9.3%
of which: Indirect deposits from ordinary customers	*10,007,693*	*11,033,464*	*-1,025,771*	-9.3%
of which: Indirect deposits from institutional customers	*6,331,734*	*6,984,571*	*-652,837*	-9.3%

[1] based on Circular 262, the balance on this item includes debt securities held to collect (HTC) recognised at amortised cost, which in these summary figures are shown under financial assets; the balance does not include current accounts and demand deposits (with the exception of the reserve requirement account with central banks) shown under Cash

[2] the balance of this item at 30 June 2022 includes the right of use ("RoU Assets") equal to Euro 53.6 million for operating lease contracts falling within the scope of application of IFRS 16 Leases, which came into effect on 1 January 2019

[3] the balance does not include the liability for operating lease contracts falling within the scope of IFRS 16, which has been recognised in "Due to customers"

[4] including repurchase agreements with institutional customers for Euro 230 million (Euro 208 million at 31 December 2021)

Income statement [5]

Amounts in thousands of Euro	**30.06.2022**	**30.06.2021**	**Change** amount	%
Operating income	239,755	223,470	16,285	7.3%
of which: Net interest income	*132,538*	*121,131*	*11,407*	*9.4%*
Operating costs	131,904	132,342	-438	-0.3%
Result of operations	107,851	91,128	16,723	18.4%
Charges relating to the banking system	7,263	6,795	468	6.9%
Profit (loss) from continuing operations after tax	46,501	29,268	17,233	58.9%
Non-recurring profit (loss) after tax	7,617	7,575	42	n.s.
Net profit (loss) for the period	54,118	36,843	17,275	46.9%

[5] from the reclassified income statement.

Banco Desio

Key figures and ratios

	30.06.2022	31.12.2021	Change %
Capital / Total assets	6.0%	6.1%	-0.1%
Capital / Loans to customers	9.6%	9.8%	-0.2%
Capital / Due to customers	10.0%	10.0%	0.0%
Capital / Debt securities in issue	76.5%	71.5%	5.0%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio) [6] [7]	15.2%	15.6%	-0.5%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) [6] [7]	15.2%	15.6%	-0.5%
Total Own Funds/Risk-weighted assets (Total capital ratio) [6] [7]	15.2%	15.7%	-0.5%
Financial assets / Total assets	21.7%	21.3%	0.4%
Due from banks / Total assets	10.5%	11.9%	-1.4%
Loans to customers / Total assets	62.8%	62.5%	0.3%
Loans to customers / Direct customer deposits	92.1%	89.4%	2.7%
Due to banks / Total assets	21.4%	21.4%	0.0%
Due to customers / Total assets	60.2%	61.4%	-1.2%
Debt securities in issue / Total assets	7.9%	8.5%	-0.6%
Direct customer deposits / Total assets	68.1%	69.9%	-1.8%
	30.06.2022	**30.06.2021**	**Change %**
Cost / Income ratio	55.0%	59.2%	-4.2%
(Operating costs + Charges relating to the banking system) / Operating income (Cost/Income ratio)	58.0%	62.3%	-4.3%
Net interest income / Operating income	55.3%	54.2%	1.1%
Result of operations / Operating income	45.0%	40.8%	4.2%
Profit (loss) from continuing operations after tax/Capital - annualised [8] [9]	8.3%	5.2%	3.1%
ROE [8] - annualised [9] [10]	9.0%	5.3%	3.7%
Profit (loss) from operations before tax / Total assets (ROA) - annualised [9]	0.7%	0.5%	0.2%
	30.06.2022	**31.12.2021**	**Change %**
Net bad loans / Loans to customers	0.7%	0.8%	-0.1%
Net non-performing loans / Loans to customers	1.9%	2.1%	-0.2%
% Coverage of bad loans	63.6%	63.3%	0.3%
% Coverage of bad loans, gross of write-offs	64.6%	64.3%	0.3%
% Total coverage of non-performing loans	50.2%	50.8%	-0.6%
% Coverage of non-performing loans, gross of write-offs	50.9%	51.5%	-0.6%
% Coverage of performing loans	0.92%	0.94%	-0.02%

Structure and productivity ratios

	30.06.2022	31.12.2021	Change amount	%
Number of employees	2,164	2,141	23	1.1%
Number of branches	232	232	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee [11]	5,346	5,152	194	3.8%
Direct deposits from customers per employee [11]	5,802	5,763	39	0.7%
	30.06.2022	**30.06.2021**	**Change amount**	**%**
Operating income per employee [11] - annualised [9]	219	212	7	3.3%
Result of operations per employee [11] - annualised [9]	97	88	9	10.2%

[6] Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 30 June 2022 are: Common Equity Tier1 11.2%; Tier 1 12.0%; Total Capital Ratio 13.1%.

[7] Capital ratios at 30.06.2022 are calculated in application of the transitional arrangements introduced by EU Regulation 2017/2395; the ratios calculated without application of these arrangements are the following: Common Equity Tier1 14.6%; Tier 1 14.6%; Total capital ratio 14.6%.

[8] net of the result for the period;

[9] the amount reported at 30.06.2021 is the final figure at the end of 2021;

[10] the annualised ROE at 30.06.2022 does not take into consideration the annualisation of the net non-recurring operating profit;

[11] based on the number of employees calculated as a straight average between the end of the period and the end of the preceding period.

The macroeconomic scenario

The macroeconomic picture

International scenario

The conflict in Ukraine has brought the world economy and the financial sector back under a cloud of uncertainty. 2022 began with reassuring signs for continued growth, after the strong rebound in 2021, but with growing concern that inflation might hold back future growth, given that it was more persistent than expected in Europe. When the most critical point of the Covid-19 pandemic seemed to have passed, the conflict in Ukraine again raised global uncertainty to a worrying level. Europe is the economic area most exposed to the effects of the war, which will undoubtedly translate into a short-term brake on growth and stronger inflationary pressures. The increase in inflation has led the United States to rapidly introduce restrictive measures with significant hikes in reference rates; the ECB is currently more cautious in the restrictive measures that it has introduced, with a 50 bp hike in its main reference rates in July; it is also expecting another move in September.

Growth has slowed significantly all over the world because of inflation that in many areas has reached levels not seen in decades. Growth has "desynchronised" between regions and a fragmentation is being created between sectors and countries. In developed countries, growth could deteriorate sharply in the fourth quarter and the cycle could be interrupted, with a technical recession on the quarterly data and a prolonged period of limited growth; with growth forecast at 1% or less, a change in economic policy is expected to lead to lower inflation and higher unemployment on average. A different context for emerging countries, where growth should remain moderate. The risks of a recession have in fact already materialised in 2022, while in China a gradual recovery is expected towards the end of 2022 and in 2023.

As for inflation, it could remain on a plateau and still be high over the coming months, before declining in the fourth quarter of 2022 and in 2023. Europe and China will continue to offer some support for targeted sectors, but in developed countries, this should not be enough to offset the tightening of monetary policy due to rising food and agricultural prices. Inflationary pressures are shifting relentlessly from the energy and manufactured goods sectors to the food and service sectors, which could become the main drivers of inflation, fuelling an increase in risk over the coming months. On the positive side, medium-term inflation expectations should stabilise in the future. But the acceleration of inflation, combined with the rise in interest rates, should lead to a reduction in the second half of 2022 of some of the sharp growth in demand recorded after Covid-19.

Regarding the ongoing conflict, while the financial sanctions imposed by Europe and the United States are unprecedented, they are unlikely to have much of an impact. More significant seems to be the decision of many private companies to suspend operations in Russia, in addition to the recent embargo on oil purchases and the (much discussed) possibility of extending the ban to gas as well. In fact, while there is a real chance for Europe to do without oil from Russia (as it meets about 10% of Europe's needs) by leveraging strategic reserves and higher production by other countries, it looks much more complicated to block gas imports. The current peak in the price level is certainly the result of a moment of great uncertainty and as such temporary, but the return to normal promises to be long and closely related to the policy of investment in alternative energy sources. In addition to the prices of raw materials, the reduction in trade is weighing heavily, especially for Europe. In the coming months, some sectors, such as mechanics, luxury and pharmaceuticals, could be particularly penalised.

United States

In the first quarter of 2022, US GDP posted a +3.5% on the same quarter of the previous year (+5.5% in the previous quarter). Consumer inflation in April 2022 recorded an annual change of around +8.2%, slightly down on the previous month (+8.6%).

The improvement in the labour market continues, while maintaining a significant distance from the pre-crisis level, despite the fact that there are plenty jobs in the offing. The trend in inflation is worrying, with figures that have not been seen since the 1980s. Core inflation is also high and rising, contributing to the deterioration of household confidence and increasing pressure for more aggressive interventions in the field of monetary policy. Looking forward, higher inflation and, therefore, the erosion of households' purchasing power, is at the base of the downward revision of the average annual GDP growth forecast for this year (+3%, previously +4%), albeit mitigated by a propensity to save that has returned to pre-pandemic levels. In addition to this there are the restrictive effects of monetary policy, especially in the real estate and residential market. The USA's low exposure in the Russian and Ukrainian goods and capital markets, together with the lower degree of openness compared with Europe, limit the direct and indirect cost of the Russian-Ukrainian conflict.

Japan

In Japan, the first quarter of 2022 repeated a worsening of the health situation due to the Omicron2 variant, which led to a reduction in mobility. It is likely to impact household consumption during the first half of the year. The country has participated in the sanctions against Russia, but Russia and Ukraine's share of Japan's foreign trade is actually quite limited at 1% of exports and 2% of imports. The knock-on effects of the crisis on the prices of raw materials, energy and, in some cases, the possibility of not being able to procure specific products that are key to certain supply chains (automotive in primis) may have further repercussions on investments, at least in the short term. Although in a very limited way, international prices are already percolating down into the domestic price structure. This is a very slow transmission of inflation, practically without a wage component, which is why it is considered temporary, allowing the Bank of Japan to maintain an extremely loose monetary policy. The supplementary fiscal measures approved at the end of 2021 (approximately 7% of GDP) will enter the economy in 2022, while the budget for 2022 at record levels is well on its way to being approved. This should provide further support for growth, with a stimulus of around 10% of total GDP, being expected to grow +1.9% by the end of the year.

Emerging Economies

In the first quarter of 2022, China's GDP grew by 4.8% on the same period of 2021, an acceleration compared with the previous quarter (+4.0%). On the price front, the April 2022 survey recorded +2.1% on an annual basis (+1.5% the previous month).

Industrial output grew steadily compared with previous months (+0.4% m/m), while retail sales slowed in the second half of the quarter. As regards gross capital investments, the sector is benefiting from the support that the government is providing to boost economic growth. It has seen an amount of infrastructure expenditure initiated or announced by local governments that is twice what it was in the same period last year. Consumer inflation remains very low (+0.9%), whereas production inflation is falling (+8.8%). The conflict between Russia and Ukraine may have some negative effects through international commodity prices; the distancing of Russia's European trading partners will bring an additional portion of trade to China, which has so far abstained from sanctions, although Russia only represents 2% of China's total exports. Overall, China's GDP, supported by domestic demand, is expected to grow by +4.5% at the end of the year.

In India, the headline change in India's GDP in the first quarter of 2022 was +4.1%, slowing down compared with the previous quarter (+5.4%). Inflation in April 2022 posted a variance of +7.8%, speeding up as it stood at +7.0% the previous month. Consumption and public spending fuelled GDP growth, while capital investments fell by 4.8%. The foreign sector also drained growth with exports down (-0.5%) and imports up sharply (+4.9%). While buying directly from Russia and Ukraine just over 1.4% of its total imports, India is traditionally a strong partner for Russia with ties in the military sector and, above all, in pharmaceuticals. However, the conflict is having huge repercussions on the international prices of energy and food products, so in this sense it constitutes a risk of rising prices also for the Indian economy, which is heavily dependent on foreign countries, especially for its oil (80% of it is imported). Overall, India's GDP, supported by domestic demand, is expected to grow by +5.6% at the end of the year.

Eurozone

In the first quarter of 2022, the GDP of the Eurozone recorded an increase of +0.6% compared with the previous quarter (+0.3% in the third quarter), which is +5.4% compared with the same quarter of last year. Within the Eurozone and in the same quarter, France posted headline inflation of +4.5% (+4.9% in the

previous quarter). The figure for Germany was +3.8% (+1.8% in the previous quarter). The OECD's leading indicator for the Eurozone in April 2022 was 100.1, a slight decrease on the previous month (100.3).
In March 2022, industrial output in the Eurozone fell by -1.8% on the previous month (-0.9% y/y). The figures for the main countries in the Eurozone show a situation of stagnation in production terms during this phase of the economic cycle: in France there was a drop of -0.1% (-0.3% y/y), whereas in Germany it increased by +0.7% (-2.1% y/y). Retail sales increased by +4.1%, but decreased by -1.3% on a cyclical basis in terms of the headline rate. In the same month in Germany, sales fell by -0.4% on a headline basis (+1.7% the previous month); in France they rose by +11.3% (+4.2% the previous month). In April, the unemployment rate in the Eurozone remained stable compared with the previous month at 6.8%. Inflation in April 2022 stayed at +7.4% (as in the previous month, +1.6% twelve months earlier); the growth rate of the “core” component (net of the more volatile components) was +4% (+3.3% the previous month; +0.8% a year earlier).
During the second quarter, the Russian-Ukrainian conflict radically changed the prospects for the Eurozone outlined so far. In fact, a sharp slowdown is expected in the second half of 2022. After probable weakness in growth for the second quarter in a row, momentum could be temporarily positive in the 3rd quarter thanks to tourism and services, but downside risks are recurring ahead of the 4th quarter: falling incomes, energy shortages and new constraints on industry. Germany remains the country most exposed to risks and GDP is not expected to grow by more than 1.5% in 2022. Italy and France could also find themselves in a darker scenario in 2023.

Italy

In the first quarter of 2022, Italy's gross domestic product increased by +6.3% compared with the same quarter last year (+6.4% in the fourth quarter of 2021) and is slightly positive also in cyclical terms (+0.1%). The cyclical change is the synthesis of an increase in value added in the agriculture, forestry and fishing sector, a reduction in the service sector and a flat situation in industry. Retail sales in April 2022 increased at a headline rate of +5.3%. Confidence indices posted conflicting results in May: that of consumers is negative, while that of businesses is positive, but in decline. The unemployment rate in April 2022 stood at 8.4% like the previous month (10.2% twelve months earlier). The national index of consumer prices, gross of tobacco, increased in May 2022 to +6.9% (+6% the previous month).

Capital markets and the banking system in Italy

Money and financial markets

On 9 June 2022, the Governing Council of the ECB decided to leave interest rates unchanged: its reference rate is still zero, while the rate on deposits is negative (-0.5%). At the same time, the ECB said that it intended to raise rates by 50 basis points at the July monetary policy meeting.

The Governing Council has decided to end net asset purchases under the APP (Asset Purchase Programme) starting from 1 July 2022. On the other hand, as regards the Pandemic Emergency Purchase Programme (PEPP), the Governing Council intends to reinvest the principal repaid on maturing securities under the PEPP at least until the end of 2024.

The Federal Reserve, at the meeting of its Board of Governors in May 2022, increased its reference rate by half a percentage point, bringing it into a range between 0.75% and 1.0%. This is the second consecutive rise in 2022. In the press release issued at the end of the meeting, the Fed anticipated that the next increases will be appropriate to bring inflation back under control, its target being 2%, while the current rate is over 8%.

In the first ten days of June, 3-month Euribor was again negative (-0.32%, vs -0.39% in May); the 10-year IRS rate, on the other hand, was 1.97% (vs 1.76% in May). On bond markets, 10-year benchmark rates have been rising in the USA (2.90%, vs 2.76%) and in the Eurozone; in Germany, the benchmark rate came to 1.00% (vs 0.76%), while in Italy it was 2.95% (vs 2.40%).

International share prices have been falling on a monthly basis. The Dow Jones Euro Stoxx index fell by 4.3% m/m (-1.8% y/y), the Standard & Poor's 500 index fell by 4.3% (+0.8% y/y) and the Nikkei 225 index fell by 1.3% (-6.6% y/y). Similarly, the major European stock market indices have been showing negative performances on a monthly basis; the FTSE MIB fell by 2.3% (-2.9% y/y), in France the CAC40 decreased by 3.3% (-0.3% y/y), while in Germany the Dax30 fell by 1.2% (-8.6% y/y). The main banking indices have been showing a downward trend on a monthly basis: the Italian FTSE Banks index fell by 0.8% m/m (-11.6% y/y), the Dow Jones Euro Stoxx Banks by 1.7% m/m (+9.3% y/y) and the S&P 500 Banks fell by 5.5% m/m (-18.2% y/y).

Banking markets

With regard to the banking market, in the first quarter of 2022, the annual trend in deposits from resident customers increased (+3.9%). Internally, short-term deposits continued to grow (+4.9%, vs +6.9% at the end of 2021), while bonds decreased (-5.0%, vs -4.4% at the end of 2021). The rise in volumes was accompanied by a slight increase in the overall remuneration (0.32%, vs 0.30% at the end of 2021). In terms of lending, the latest available figures confirm the good trend in loans to the private sector (+2.7%, vs +2.1% at the end of 2021) thanks to the recovery in the building industry triggered off by the tax credits offered by the Government; the sector has been driven by loans to households (+3.9%, vs +3.7% at the end of 2021) and to a lesser extent by loans to businesses (+1.8%, vs +0.6% at the end of 2021). Lending to the business sector continues to be influenced by the trend in investments and the economic cycle which remains muted and discontinuous, despite Government support. In June, rates on loans to households and businesses increased slightly (2.17%, vs 2.13% at the end of 2021). Within them, the interest rate on home purchase loans to households was 1.93% (vs 1.40% in December 2021), while for loans to businesses it came to 1.13% (vs 1.18% at the end of 2021).

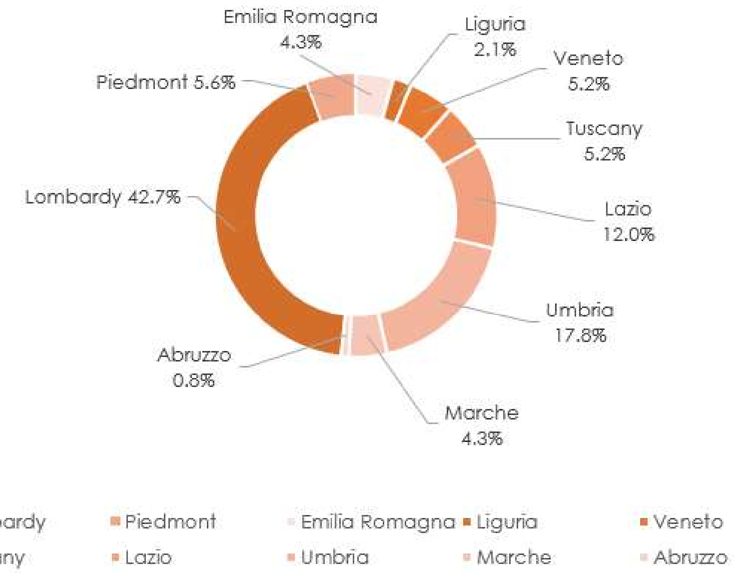
The distribution network

The Banco Desio Group is present in Italy in 10 regions (Lombardy, Piedmont, Veneto, Emilia Romagna, Liguria, Umbria - as Banca Popolare di Spoleto - Lazio, Tuscany, Marche and Abruzzo).
The distribution network of the Banco Desio Group at 30 June 2022 consists of 232 branches, the same as at the end of the previous year.
In order to respond more and more pro-actively to customers' needs, primary importance is given to the continuous evolution of the Distribution Model, to be implemented through an integrated "omnichannel" approach, offering our customers each product/service with the desired channel and with increasingly flexible methods. The organisational model envisages:

- the organisation of a distribution network divided into eight Territorial Areas, each of which is supervised by an Area Manager, who acts as the principal commercial representative in the area, with clear hierarchical reporting lines by Business Account Managers and the Branch Network with the support of the Head of the Business Area and the Retail Specialist and
- Private Bankers reporting hierarchically and functionally to the Wealth Management Area.

The following chart shows the breakdown of the Company's distribution network by region.

Chart no. 1 - **BREAKDOWN OF THE GROUP'S DISTRIBUTION NETWORK BY REGION**



Significant events

Resolutions of the Shareholders' Meeting: Amendments to the Articles of Association and a reduction in the number of directors

Banco Desio's Extraordinary Shareholders' Meeting of 14 April 2022 approved (i) the amendment to article 14 of the Articles of Association because of the need to bring the board structure back to an odd minimum and maximum number of members (i.e. from a minimum of 9 to a maximum of 11 members) in order to minimize, even in the abstract, the risk of tied votes that would mean having recourse to a casting vote and (ii) the amendment to article 17 of the Articles of Association, in adaptation to the 35th update of Circular no. 285 of the Bank of Italy, which expressly includes among the Board's duties those relating to a recovery plan, rules of professional conduct for bank staff and company policy for the promotion of diversity and inclusiveness.
Following the approval of the amendment to article 14 of the Articles of Association by the Extraordinary Shareholders' Meeting, the Ordinary Shareholders' Meeting approved the motion to reduce the number of directors from 12 to 11 for the current three-year period.

Agreement with the BPER Group for the acquisition of 48 branches
On 3 June 2022, Banco Desio signed an agreement with BPER Banca S.p.A. ("BPER") for the purchase of two Business Units consisting of 48 bank branches in total (located in Liguria, Emilia-Romagna, Lazio, Tuscany and Sardinia) (the "Business Units" or, more briefly, the "BUs").
At 31 December 2021 the BUs generated a total of around Euro 4 billion (gross) from over 78,000 customers, as well as assets, liabilities and legal relationships related to them, for which the base offer price was Euro 10 million.
The acquisition of the BUs is in line with the objectives of the Banco Desio Group's strategic plan aimed at further consolidating its vocation as a local bank focused on priority customer segments, namely SMEs, high-net-worth clients and wealth management. The deal will allow Banco Desio to increase its customers by 20%, total loans by 12% and total deposits by 9%.
In the absence of constraints relating to distribution agreements, the deal fully enhances Banco Desio's business model. The acquisition of the BUs will allow their customers to access Banco Desio's excellent quality of service and will offer their employees an opportunity for stability and professional growth.
The capital endowment of the BUs is expected to be 13% of CET1, which allows Banco Desio to maintain a high level of capital strength by limiting the diluting effect on the CET1 of the Banco Desio Banking Group to around 60 bps (around 30 bps on the CET1 of the prudential scope of consolidation for the Brianza Unione Group).
The closing of the deal is expected to take place in first quarter 2023 and the base price of Euro 10 million is subject to the adjustments agreed by the parties.
Achievement of the cost and revenue synergies that have been estimated will allow for operational and commercial efficiency with a positive contribution to EBITDA by 2024.
The acquisition of the BUs is subject, among other things, to obtaining the necessary authorisations required by law for the transfer of the Units.

Tax credits purchased from a financial intermediary
In the financial statements at 31 December 2021 a note explained that, as part of the operations linked to the "Cura Italia" and "Relaunch" Decrees, Banco Desio had signed a contract with a financial intermediary for the purchase of a package of tax credits worth approximately Euro 46.5 million, sold to the intermediary by the SGAI Consortium (general contractor in private building renovation contracts) which is involved in an investigation that in January 2022 resulted in the confiscation of this amount, despite the fact that it had already been recognised by the Revenue Agency.
While reaffirming its right to offset the receivable that had been confiscated by virtue of the provisions regarding the rights of transferees in good faith, the Bank had cautiously set aside Euro 9.3 million among

the charges for 2021 which did not in any way reflect on the existence and creditworthiness of the receivable that the Bank would have defended in all the appropriate places, as it is doing.
The changed regulatory context currently in force[1] made it possible to reconsider this provision, which was therefore fully released as of 31 March 2022; the Bank believes that it can justifiably maintain this approach even after publication of the Revenue Agency's Circular no. 23/E.

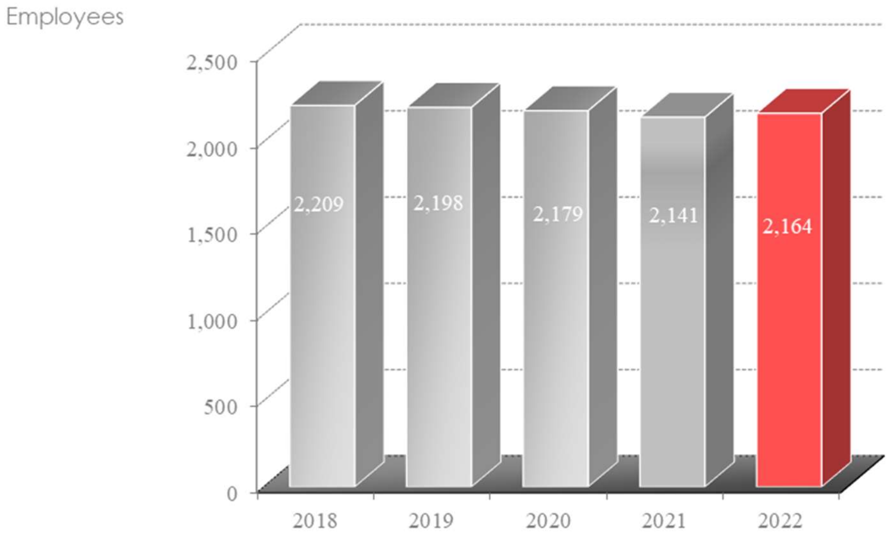
Execution of the partnership agreements for the entry of Banco Desio into the share capital of Anthilia Capital Partners SGR S.p.A.
On 29 June 2022, the partnership agreements for the entry of Banco Desio into the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed, after obtaining the necessary authorisations required by law.
In execution of the Investment Agreement signed on 4 November 2021 between Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l., Banco Desio has subscribed and paid in the increase in capital approved by the SGR and reserved for subscription by Banco Desio for a total of Euro 4.6 million. As a result of the subscription and payment of this increase in capital, Banco Desio now holds a 15% interest in the share capital of the SGR which, in consideration of the overall partnership agreements, constitutes an interest in an associated company.
Moreover, in compliance with the provisions of the Investment Agreement, the SGR has issued and assigned to Banco Desio a total of 1,354,144 warrants (“Warrants”) convertible into ordinary shares of the SGR, subject to Banco Desio achieving certain commercial objectives by 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR has approved a cash increase in capital for a total of Euro 20,000,000 (share capital and share premium), also reserved for subscription by Banco Desio. If the Warrants are converted, Banco Desio will be able to increase its shareholding, raising its interest to 30% of the SGR's share capital.
Banco Desio and Anthilia Holding S.r.l. have also signed a shareholders' agreement concerning the rights and obligations of Banco Desio as regards the corporate governance of the SGR and the transfer of its investment; all of this within the broader context of the commercial partnership governed by a specific commercial framework agreement.

[1] We refer to the provisions introduced by art. 28-ter of the Conversion Law no. 25 of 28 March 2022

Human resources

At 30 June 2022, the Group had 2,164 employees, an increase of 23 people compared with the end of the previous year.
The trend in the Group's workforce in recent years is shown by the chart below.

Chart no. 2 - **TREND IN GROUP PERSONNEL IN RECENT YEARS**



The following table provides a breakdown of employees by level at the end of the first half of the year, compared with 2021.

Table no. 1 - **BREAKDOWN OF GROUP EMPLOYEES BY LEVEL**

					Change	
No. Employees	**30.06.2022**	**%**	**31.12.2021**	**%**	**Amount**	**%**
Managers	31	1.4%	31	1.4%	0	0.0%
3rd and 4th level middle managers	460	21.3%	455	21.3%	5	1.1%
1st and 2nd level middle managers	576	26.6%	572	26.7%	4	0.7%
Other personnel	1,097	50.7%	1,083	50.6%	14	1.3%
Group employees	**2,164**	**100.0%**	**2,141**	**100.0%**	**23**	**1.1%**

30 June 2022 was the last period for access to the Solidarity Fund and/or the Retirement Fund as a result of the Agreement signed with the Trade Unions on 26 November 2020. The total figure of "Group employees" shown in the previous table includes 49 people whose employment relationship ended on 30 June 2022.

Results of operations

Savings deposits: customer assets under administration

Total customer assets under administration at 30 June 2022 amount to around Euro 28.8 billion, down by Euro 1.6 billion (-5.4%) compared with the balance at the end of 2021, attributable to the trend in indirect deposits (-9.3%), partially offset by direct deposits (+0.3%).
The composition and balances that make up this aggregate, with changes during the period, are shown in the following table.

Table no. 2 - **TOTAL CUSTOMER DEPOSITS**

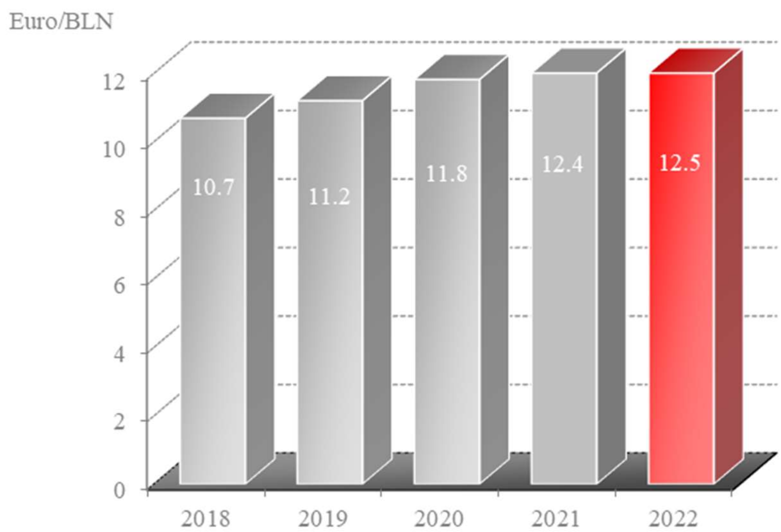
Amounts in thousands of Euro	**30.06.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Due to customers [1]	11,043,527	38.3%	10,926,600	35.9%	116,927	1.1%
Debt securities in issue	1,446,272	5.0%	1,522,265	5.0%	-75,993	-5.0%
Direct deposits	**12,489,799**	**43.3%**	**12,448,865**	**40.9%**	**40,934**	**0.3%**
Ordinary customer deposits	10,007,693	34.7%	11,033,464	36.2%	-1,025,771	-9.3%
Institutional customer deposits	6,331,734	22.0%	6,984,571	22.9%	-652,837	-9.3%
Indirect deposits	**16,339,427**	**56.7%**	**18,018,035**	**59.1%**	**-1,678,608**	**-9.3%**
Total customer deposits	**28,829,226**	**100.0%**	**30,466,900**	**100.0%**	**-1,637,674**	**-5.4%**

[1] Including repurchase agreements with institutional customers for Euro 230 million (Euro 208 million at 31 December 2021)

Direct deposits

Direct deposits at the end of the first half amounted to Euro 12.5 billion, an increase of 0.3% which comes from the higher amounts due to customers of Euro 0.1 billion (+1.1%), partially offset by a reduction in debt securities in issue (-5.0%). The trend in direct deposits in recent years is shown in the following chart.

Graph no. 3 - **TREND IN DEPOSITS IN RECENT YEARS**



Indirect deposits

Overall, at 30 June 2022 indirect deposits posted an decrease of -9.3% compared with the end of the previous year, coming in at Euro 16.3 billion.

In particular, the trend is attributable to deposits from institutional customers (-9.3%), as well as to deposits from ordinary customers (-9.3%) thanks to the performance of assets under management (-9.6%) and assets under administration (-8.4%), brought about by the negative market effect during the period.
The table below shows details of this aggregate with the changes during the period.

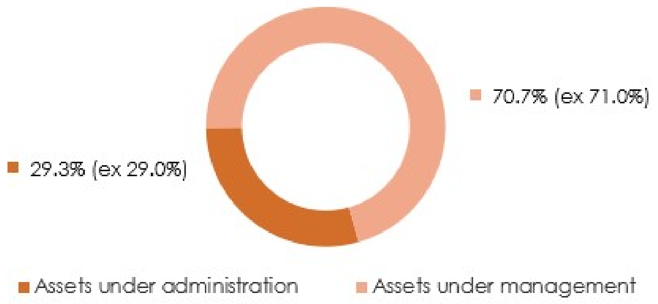
Table no. 3 - **INDIRECT DEPOSITS**

Amounts in thousands of Euro	**30.06.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Assets under administration	**2,933,289**	**18.0%**	**3,203,624**	**17.8%**	**-270,335**	**-8.4%**
Assets under management	**7,074,404**	**43.2%**	**7,829,840**	**43.4%**	**-755,436**	**-9.6%**
of which: Mutual funds and Sicavs	*3,340,756*	*20.4%*	*4,006,993*	*22.2%*	*-666,237*	*-16.6%*
Managed portfolios	*1,118,390*	*6.8%*	*1,185,845*	*6.6%*	*-67,455*	*-5.7%*
Bancassurance	*2,615,258*	*16.0%*	*2,637,002*	*14.6%*	*-21,744*	*-0.8%*
Ordinary customer deposits	**10,007,693**	**61.2%**	**11,033,464**	**61.2%**	**-1,025,771**	**-9.3%**
Deposits from institutional customers (1)	**6,331,734**	**38.8%**	**6,984,571**	**38.8%**	**-652,837**	**-9.3%**
Indirect deposits (1)	**16,339,427**	**100.0%**	**18,018,035**	**100.0%**	**-1,678,608**	**-9.3%**

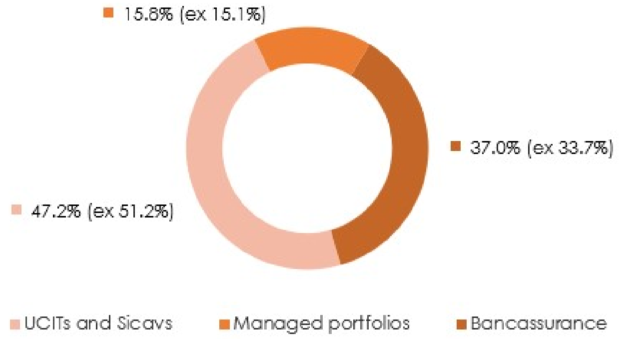
(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.2 billion (Euro 2.5 billion at 31.12.2021).

The Finance Department is continuing to monitor the levels of operational and overall liquidity, the trend in deposits and the imbalance between direct deposits and loans. There are no signs of any particular situations of tension. The Risk Management Department has in turn confirmed its level of attention in monitoring the trend in liquidity, with particular reference to the RAF indicators, in relation to the limits established in the risk policy.
From the in-depth analyses carried out on investments held by customers (securities, funds, managed portfolios, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their currency of issue, no significant risk profiles have emerged to date, it being understood that these investment products will be monitored continuously in the coming months.
The graph below shows the breakdown of indirect deposits from ordinary customers by sector at 30 June 2022. The next chart focuses on the composition of assets under management in the same period, highlighting how mutual funds and Sicavs are increasing in particular.

Graph no. 4 - **BREAKDOWN OF INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 30.06.2022**



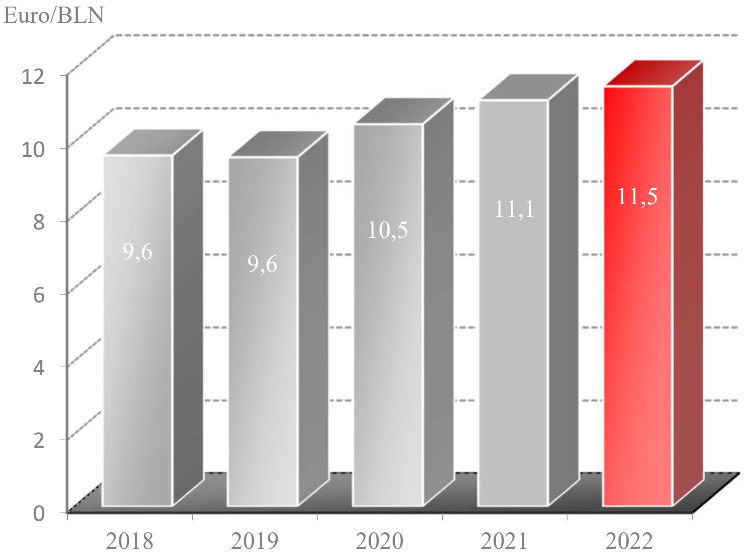
Graph no. 5 - **BREAKDOWN OF INDIRECT DEPOSITS BY ASSET MANAGEMENT COMPONENT AT 30.06.2022**



Loans to customers

Loans to ordinary customers at 30 June 2022 amounted to Euro 11.5 billion, an increase compared with the previous year (+3.4%).[2]
The following chart shows the overall trend in customer loans in recent years.

Chart no. 6 - **TREND IN CUSTOMER LOANS IN RECENT YEARS**



The following table shows the breakdown of loans to customers by type at 30 June 2022 (compared with 31 December 2021), which shows a growth in long-term loans as a result of the initiatives to support households and businesses.

Table no. 4 - **LOANS TO CUSTOMERS**

					Change	
Amounts in thousands of Euro	**30.06.2022**	**%**	**31.12.2021**	**%**	**Amount**	**%**
Current accounts	1,056,091	9.2%	953,372	8.6%	102,719	10.8%
Mortgages and other long-term loans	9,462,907	82.2%	9,266,510	83.3%	196,397	2.1%
Other	987,879	8.6%	907,875	8.1%	80,004	8.8%
Loans to customers	**11,506,877**	**100.0%**	**11,127,757**	**100.0%**	**379,120**	**3.4%**
- of which non-performing loans	*217,503*	*1.9%*	*233,728*	*2.1%*	*-16,225*	*-6.9%*
- of which performing loans	*11,289,374*	*98.1%*	*10,894,029*	*97.9%*	*395,345*	*3.6%*

The Credit Department, with the support of the Risk Management Department, has continued to implement the initiatives to provide real financial support to households and businesses. The Bank has also adopted specific control measures in order to analyse the trend of the loan portfolio in relation to the negative impacts deriving from the Covid-19 health emergency and the war in Ukraine.
With particular reference to the possible repercussions on the quality of the loan book deriving from the conflict between Russia and Ukraine, as better described in the section of this document entitled "Implications of the Russian-Ukrainian conflict and the Covid-19 epidemic", direct exposure on the part of the Bank and its customers is very limited; an internal analysis was launched on the overall portfolio to collect information that could be used to map the relevant elements of customers' businesses and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine.

[2] Excluding non-performing loans of Euro 7.5 million (net) classified as "Assets held for sale"

In consideration of what has emerged from the analyses carried out to date and taking into account the latest calibration and refinement interventions of the collective calculation models adopted for the financial statements at 31 December 2021, the assumptions underlying the collective calculation for this interim financial report were not changed as they were considered sufficiently prudent; however, changes were made to the management overlay measures, as explained in the section below entitled "Information on risks and related hedging policies".
Within the distribution of gross loans, including endorsement loans, the percentage of drawdowns by the largest customers at the end of the first half of the current year continues to reflect a high degree of risk diversification.

Table no. 5 - **RATIOS OF CONCENTRATION OF CREDIT ON LARGEST CUSTOMERS**

Number of customers	**30.06.2022**	**31.12.2021**
First 10	1.14%	1.07%
First 20	1.89%	1.86%
First 30	2.50%	2.51%
First 50	3.57%	3.60%

As a result of the sales of non-performing loans carried out during the period, the total amount of net non-performing loans consisting of bad loans, unlikely to pay loans and non-performing past due and/or overdrawn exposures came to Euro 217.5 million, net of adjustments for Euro 219.5 million, with a decrease of Euro 16.2 million compared with Euro 233.7 million at the end of 2021. In particular, net bad loans totalled Euro 83.8 million (vs 94.5 million), net unlikely to pay loans Euro 126.8 million (vs 133.9 million) and net non-performing past due and/or overdrawn exposures Euro 7.0 million (vs Euro 5.3 million).

The following table summarises the gross and net indicators of credit risk and the related coverage level, which show a further reduction in the ratio of "gross non-performing loans/gross loans" to 3.7% and "net non-performing loans/net loans" to 1.9%.

Table no. 6 - **INDICATORS OF CREDIT RISK VERSUS CUSTOMERS AND RELATED COVERAGE**

	30.06.2022					
Amounts in thousands of Euro	**Gross exposure**	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Bad loans	230,342	1.9%	(146,568)	63.6%	83,774	0.7%
Unlikely to pay loans	198,933	1.7%	(72,157)	36.3%	126,776	1.1%
Past due non-performing loans	7,730	0.1%	(777)	10.1%	6,953	0.1%
Total non-performing loans	**437,005**	**3.7%**	**(219,502)**	**50.2%**	**217,503**	**1.9%**
Exposures in stage 1	9,500,772	80.3%	(18,734)	0.2%	9,482,038	82.4%
Exposures in stage 2	1,893,660	16.0%	(86,324)	4.6%	1,807,336	15.7%
Past due performing loans	**11,394,432**	**96.3%**	**(105,058)**	**0.92%**	**11,289,374**	**98.1%**
Total loans to customers	**11,831,437**	**100.0%**	**(324,560)**	**2.7%**	**11,506,877**	**100.0%**

	31.12.2021					
Amounts in thousands of Euro	**Gross exposure**	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Bad loans	257,592	2.2%	(163,098)	63.3%	94,494	0.8%
Unlikely to pay loans	211,794	1.9%	(77,855)	36.8%	133,939	1.3%
Past due non-performing loans	5,696	0.0%	(401)	7.0%	5,295	0.0%
Total non-performing loans	**475,082**	**4.1%**	**(241,354)**	**50.8%**	**233,728**	**2.1%**
Exposures in stage 1	9,164,565	79.9%	(18,344)	0.2%	9,146,221	82.2%
Exposures in stage 2	1,832,402	16.0%	(84,594)	4.6%	1,747,808	15.7%
Past due performing loans	**10,996,967**	**95.9%**	**(102,938)**	**0.94%**	**10,894,029**	**97.9%**
Total loans to customers	**11,472,049**	**100.0%**	**(344,292)**	**3.0%**	**11,127,757**	**100.0%**

The indicators show a substantial alignment of coverage with respect to the previous year for both non-performing and performing loans.
The main indicators on the coverage of non-performing loans are reported below considering, for bad loans, the amount of direct write-downs made over the years, together with those relating to performing loans.

Table no. 7 - **INDICATORS OF COVERAGE OF LOANS TO CUSTOMERS**

% Coverage of non-performing and performing loans	**30.06.2022**	**31.12.2021**
% Coverage of bad loans	63.63%	63.32%
% Coverage of bad loans, gross of write-offs	64.60%	64.30%
% Total coverage of non-performing loans	50.23%	50.80%
% Coverage of non-performing loans, gross of write-offs	50.94%	51.53%
% Coverage of performing loans	0.92%	0.94%

The securities portfolio and interbank position

Securities portfolio

The first half of 2022 featured a sudden transition, from the optimism that characterised the end of 2021, thanks to the strong economic recovery helped by the progress made in containing the Covid 19 epidemic, to an abrupt reversal in February with Russia's invasion of Ukraine. This event exacerbated the existing inflationary pressures which led the main Central Banks to initiate, or announce in the case of the ECB, a series of interest rate hikes and/or a reversal of quantitative easing.

While the stock markets, which had already reached lofty valuations at the end of the year, experienced a strongly negative half year with an explosion of volatility following the start of the war, the bond market was characterised by exceptional weakness (for example, the 10y swap rate on the Euro went from 0.30% to 2.16% in 6 months).

At 30 June 2022, the Group's total financial assets amounted to some Euro 4.0 billion, an increase of Euro 0.2 billion compared with the end of 2021 (+4.9%). Long-term investment policy (the held-to-collect portfolio) is characterised by a significant exposure to Italian government securities, albeit with participation in primary market transactions on a select number of corporate issuers. The diversification policy continued with the inclusion in the portfolio of some tranches of Asset Backed Securities (ABS) with a low risk profile and low capital absorption.

Rapidly deteriorating market conditions generally led to prudent conduct, especially in the latter part of the period. The duration of the portfolios at the end of the half year stood at 2.82 years for the HTC Portfolio (from 3.12 at the end of the year) and 2.26 years for the HTCS Portfolio (from 1.86 at the end of the year).

In consideration of the tensions that have arisen in financial markets, the Bank has shown an attitude of particular attention to the sources of funding. In this regard, three bond issues by the Bank were sold through its network for a total of Euro 170 million (nominal value); the issues have a duration of 5 years with increasing fixed rates.

A long-term repo trade was also entered into to finance illiquid securities in the Held to Collect Portfolio, on a 2-year maturity and for a total of Euro 100 million.

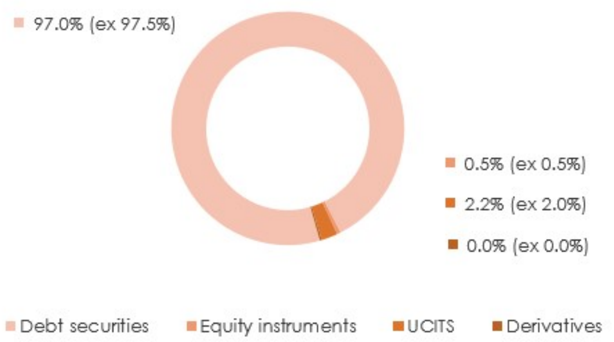
The Bank partially hedged the exposure to interest rate risk of the fixed coupon bonds in the HTC Portfolio, by carrying out coupon swaps on government bonds with a maturity of between 6 and 10 years for a nominal value of Euro 495 million.

With regard to its corporate customers, at the beginning of the half year, the possibility was made available to hedge debt exposures at floating rates by means of Interest Rate Swap contracts, so with a view to gaining protection from increases in interest rates.

With reference to placement activities, it should be noted that in April Banco allowed the subscription of the new BTP Italia with a maturity of 8 years; the issue had an excellent response from our customers, with a total subscribed of Euro 106.5 million.

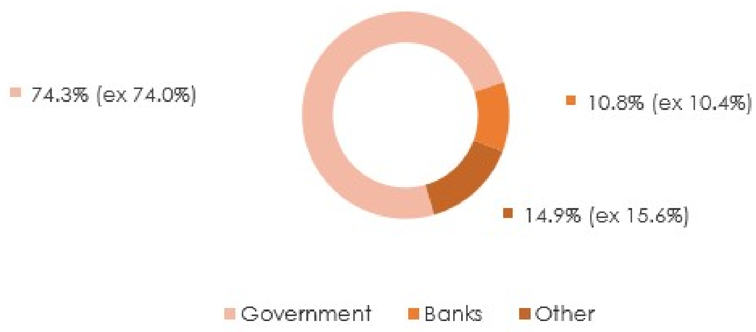
The portfolio breakdown by type of security is shown in the following chart, which shows that the prevalent part (97.0%) of the overall investment still consists of debt securities.

Chart no. 7 - **BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2022 BY TYPE OF SECURITIES**



With reference to the issuers of securities, the total portfolio at the end of the half year is made up 74.3% of government securities, 10.8% of securities issued by primary banks and the remainder by other issuers, as represented graphically below.

Chart no. 8 - **BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2021 BY TYPE OF ISSUER**



Sovereign debt exposures

With reference to document 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning disclosures about sovereign risk to be included in the annual and interim reports prepared by listed companies adopting IAS/IFRS, positions at 30.06.2022 are reported below, bearing in mind that, according to the guidelines of this European Supervisory Authority, "sovereign debt" has to include bonds issued by central and local governments and government bodies, as well as any loans granted to them.

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

Amounts in thousands of Euro		30.06.2022				31.12.2021				
		Italy	Spain	UK	Total	Italy	UK	USA	Spain	Total
Financial assets at fair value through other comprehensive income	Nominal value	811,000		583	811,583	560,000	595	883		561,478
	Book value	774,046		567	774,613	559,591	589	880		561,060
Financial assets at amortised cost	Nominal value	2,107,290	65,000		2,172,290	2,160,711			65,000	2,225,711
	Book value	2,117,837	65,962		2,183,799	2,184,691			65,460	2,250,151
Sovereign debt	**Nominal value**	**2,918,290**	**65,000**	**583**	**2,983,873**	**2,720,711**	**595**	**883**	**65,000**	**2,787,189**
	Book value	**2,891,883**	**65,962**	**567**	**2,958,412**	**2,744,282**	**589**	**880**	**65,460**	**2,811,211**

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

Amounts in thousands of Euro		Italy	Spain	UK	30.06.2022 Nominal value	30.06.2022 Book value
Financial assets at fair value through other comprehensive income	up to 1 year	-	-	-	-	-
	from 1 to 3 years	380,000	-	583	380,583	377,426
	from 3 to 5 years	-	-	-	-	-
	over 5 years	431,000	-	-	431,000	397,187
	Total	811,000	-	583	811,583	774,613
Financial assets at amortised cost	up to 1 year	260,000	-	-	260,000	260,488
	from 1 to 3 years	787,500	-	-	787,500	790,309
	from 3 to 5 years	185,000	-	-	185,000	183,969
	over 5 years	874,790	65,000	-	939,790	949,033
	Total	2,107,290	65,000	-	2,172,290	2,183,799
Sovereign debt	**up to 1 year**	**260,000**	**-**	**-**	**260,000**	**260,488**
	from 1 to 3 years	**1,167,500**	**-**	**583**	**1,168,083**	**1,167,735**
	from 3 to 5 years	**185,000**	**-**	**-**	**185,000**	**183,969**
	over 5 years	**1,305,790**	**65,000**	**-**	**1,370,790**	**1,346,220**
	Total	**2,918,290**	**65,000**	**583**	**2,983,873**	**2,958,412**

It should be noted that in the proprietary portfolio there are no investments in financial instruments of issuers based in Russia, Belarus and Ukraine, or in any case financial instruments with the rouble as the currency of issue.

Net interbank position

The Group's net interbank position at 30 June 2022 is negative for Euro 2 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.7 billion.

Shareholders' equity and capital adequacy

Shareholders' equity pertaining to the Parent Company at 30 June 2022, including net profit for the period, amounts to Euro 1,106.8 million, compared with Euro 1,088.7 million at the end of 2021. The positive change of Euro 18.1 million is attributable to the overall profitability for the period of Euro 36.4 million, partially offset by payment of the dividend for 2021.

The following table shows a reconciliation between the shareholders' equity and net profit of the Parent Company and the corresponding consolidated figures at 30 June 2022, also explaining the financial and economic effects related to the consolidation of subsidiaries and associated companies.

Table no. 10 - **RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY WITH THE CONSOLIDATED FIGURES AT 30.06.2022**

Amounts in thousands of Euro	Shareholders' equity	*of which: Profit for the period*
Balances of the Parent Company Banco Desio	***1,100,398***	***58,238***
Effect of consolidation of subsidiaries	6,430	1,378
Dividends declared during the period	-	-5,498
Consolidated balance of the Banco Desio Group	**1,106,828**	**54,118**

On 25 January 2018, the Board of Directors of the Bank resolved to adopt the transitional arrangements introduced by Regulation (EU) 2017/2395 of 12 December 2017, aimed at mitigating the impact of IFRS 9 on own funds and capital ratios. At the board meeting on 30 July 2020, the Directors also decided to make use of the option provided for by Regulation 2020/873 i.e. the temporary treatment of unrealised profits and losses measured at fair value recognised in other comprehensive income for Government debt securities for the period 2020-2022 (exclusion factor of 1 in 2020, 0.70 in 2021 and 0.40 in 2022).

Following the periodic Supervisory Review and Evaluation Process (SREP), on 18 May 2022, the Bank of Italy informed Banco di Desio e della Brianza S.p.A. and the financial parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. of its decision regarding capital, ordering that the Brianza Unione Group was to adopt the following consolidated capital ratios:

- **CET1 ratio of 7.35%,** binding for 4.85% (minimum regulatory requirement of 4.5% and additional requirements of 0.35% after SREP) with the remainder represented by the capital conservation buffer;
- **Tier 1 ratio of 9.00%,** binding for 6.50% (minimum regulatory requirement of 6% and additional requirements of 0.50% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- **Total Capital Ratio of 11.15%,** binding for 8.65% (minimum regulatory requirement of 8% and additional requirements of 0.65% as a result of the SREP), while the remainder is represented by the capital conservation buffer.

When drafting the resolution plan, the Bank of Italy, as the National Resolution Authority, also determined the minimum requirement of own funds and eligible liabilities (MREL) for the Banco di Desio e della Brianza Group. This requirement is equivalent to the amount needed to absorb losses and coincides with the greater of the binding total capital ratio required by the SREP (8.60% binding level) and financial leverage (3%).

Consolidated own funds calculated by the financial parent company Brianza Unione amount to Euro 965.7 million at 30 June 2022 (CET1 + AT1 of Euro 887.0 million + T2 of Euro 78.7 million), compared with Euro 973.0 million at the end of the previous year. The Common Equity Tier1 ratio came to 11.2% (11.6% at 31 December 2021). The Tier 1 ratio was 12.0% (12.4% at 31 December 2021) and the Total Capital ratio was 13.1% (13.5% at 31 December 2021). The following table shows the consolidated regulatory requirements of the "CRR" Brianza Unione Group calculated with and without applying the transitional arrangements.

	30.06.2022		
	Application of the transitional arrangements	Without IFRS 9 transitional provisions	Fully loaded
OWN FUNDS			
Common Equity Tier 1 - CET 1	826,582		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*799,072*	*794,685*
Tier 1 capital	887,002		
Tier 1 capital without application of the transitional arrangements		*858,939*	*854,551*
Total own funds	965,731		
Total own funds without application of the transitional arrangements		*936,947*	*932,560*
RISK ASSETS			
Risk-weighted assets	7,382,626		
Risk-weighted assets without application of the transitional arrangements		*7,315,001*	*7,315,001*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	11.196%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*10.924%*	*10.864%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.015%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*11.742%*	*11.682%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.081%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*12.809%*	*12.749%*

Consolidated Own Funds calculated at the Banco Desio Group level, after the pay out of 40%, amounted to Euro 1,118.9 million at 30 June 2022, entirely attributable to CET1 + AT1, compared with Euro 1,131.5 million at the end of the previous year. The Common Equity Tier1 ratio was 15.2% (15.6% at 31 December 2021). The Tier 1 ratio was 15.2% (15.6% at 31 December 2021) and the Total Capital ratio was 15.2% (15.7% at 31 December 2021). The following table shows the consolidated regulatory requirements of the Banco Desio Group calculated with and without applying the transitional arrangements.

	30.06.2022		
	Application of the transitional arrangements	Without IFRS 9 transitional provisions	Fully loaded
OWN FUNDS			
Common Equity Tier 1 - CET 1	1,118,903		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*1,069,222*	*1,060,518*
Tier 1 capital	1,118,903		
Tier 1 capital without application of the transitional arrangements		*1,069,222*	*1,060,518*
Total own funds	1,118,903		
Total own funds without application of the transitional arrangements		*1,069,222*	*1,060,518*
RISK ASSETS			
Risk-weighted assets	7,384,507		
Risk-weighted assets without application of the transitional arrangements		*7,316,883*	*7,316,883*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	15.152%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*14.613%*	*14.494%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.152%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*14.613%*	*14.494%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	15.152%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*14.613%*	*14.494%*

The solidity of the Group is confirmed with respect to the new minimum requirements.

Banco Desio

Reclassified income statement

To allow readers to see figures that better reflect the results of operations, we have prepared a reclassified version of the income statement with respect to the one in the *Condensed interim financial statements*, which forms the basis of the specific comments.

The presentation criteria for this table are as follows:

- the "Result of operations" has been split into its two component parts, namely "Operating income" and "Operating costs";
- breakdown of profit (loss) for the period between "Profit (loss) from continuing operations after tax" and "Non-recurring profit (loss) after tax";
- "Operating income" also includes the balance of caption 230 "Other operating income/expense", net of recoveries of tax duties on current accounts and securities deposit accounts of customers, flat-rate tax on long-term loans and recoveries of legal expense, as well as depreciation of leasehold improvements, reclassified respectively as a reduction to caption 180b) "Other administrative expenses" and as an increase in caption 220 "Net adjustments to intangible assets" included in "Operating expenses";
- the time value components of non-performing financial assets (calculated on the basis of the original effective interest rate) and impairment losses on interest on non-performing loans are reclassified from the item "Net interest income" to "Cost of credit";
- the net trading fees relating to consumer credit were transferred from "Net commission income" to "Net interest income";
- the balance of caption 100a) "Gains (losses) on disposal or repurchase of financial assets valued at amortised cost" of "Operating income" is reclassified, net of the component of gains (losses) on debt securities at amortised cost, to "Cost of credit" (which also includes caption 130a) "Net impairment adjustments to loans and advances") after "Operating profit";
- the balance of item 110 "“Net result of other financial assets and liabilities designated at fair value through profit and loss" of "Operating income" for the part referring to closed UCITS units subscribed following completion of the assignment of non-performing loans is reclassified to the specific item "Cost of Credit" (which also includes item 130a) "Net impairment adjustments to loans and advances"), subsequent to the "Result of operations";
- the expected loss on securities at amortised cost included in caption 130a) "Net impairment adjustments to financial assets at amortised cost", has been reclassified to caption 130b) "Net adjustments to securities owned" (which also includes the balance of net adjustments for credit risk on securities at fair value with impact on overall profitability);
- costs for operating leases falling within the scope of IFRS 16 "Leases", booked to item "20. Interest and similar expense" and to item "210. Net adjustments to property, plant and equipment", have been reclassified to item "190 b) Other administrative costs";
- provisions relating to claw-back suits on disputed receivables are reclassified from caption 200 "Net provisions for risks and charges - other" to caption "Cost of credit", both captions coming after the "Result of operations";
- ordinary contributions to the Single Resolution Mechanism (SRM) and to the Deposit Guarantee Scheme (DGS) are transferred from item 190 b) “Other Administrative Costs” to “Charges relating to the banking system”;
- provisions and expenses of an extraordinary nature or which are "one-off" are reclassified to "Extraordinary provisions for risks and charges, other provisions and expenses";
- the tax effect on "Non-recurring profit (loss)", together with non-recurring taxes, is reclassified from caption 300 "Income taxes on continuing operations" to "Income taxes on non-recurring items".

The profit for the period is up by around Euro 17.3 million (+46.9%), having benefited from the positive trend in operations (+18.4%), a lower cost of credit (-28.3%) and a non-recurring profit of Euro 7.6 million (Euro 7.6 million in the comparative period).

Table no. 11 - **RECLASSIFIED INCOME STATEMENT**

Captions *Amounts in thousands of Euro*		30.06.2022	30.06.2021	Change Amount	%
10+20	Net interest income	132,538	121,131	11,407	9.4%
70	Dividends and similar income	549	514	35	6.8%
40+50	Net commission income	96,884	95,224	1,660	1.7%
80+90+100 +110	Net result of financial assets and liabilities	8,550	5,722	2,828	49.4%
230	Other operating income/charges	1,234	879	355	40.4%
	Operating income	**239,755**	**223,470**	**16,285**	**7.3%**
190 a	Payroll costs	-85,499	-86,879	1,380	-1.6%
190 b	Other administrative costs	-41,434	-40,711	-723	1.8%
210+220	Net adjustments to property, plant and equipment and intangible assets	-4,971	-4,752	-219	4.6%
	Operating costs	**-131,904**	**-132,342**	**438**	**-0.3%**
	Result of operations	**107,851**	**91,128**	**16,723**	**18.4%**
130a+100a	Cost of credit	-27,713	-38,677	10,964	-28.3%
130 b	Net adjustments to securities owned	-2,106	-106	-2,000	n.s.
140	Profit/losses from contractual changes without write-offs	-45	-24	-21	87.5%
200 a	Net provisions for risks and charges - commitments and guarantees given	-49	712	-761	n.s.
200 b	Net provisions for risks and charges - other	-1,066	-2,536	1,470	-58.0%
	Charges relating to the banking system	-7,263	-6,795	-468	6.9%
	Profit (loss) from continuing operations before tax	**69,609**	**43,702**	**25,907**	**59.3%**
300	Income taxes on continuing operations	-23,108	-14,434	-8,674	60.1%
	Profit (loss) from continuing operations after tax	**46,501**	**29,268**	**17,233**	**58.9%**
	Provisions for risks and charges, other provisions, one-off expenses and revenue	8,438	-2,270	10,708	n.s.
	Non-recurring result before tax	**8,438**	**-2,270**	**10,708**	**n.s.**
	Income taxes from non-recurring items	-821	9,845	-10,666	n.s.
	Non-recurring profit (loss) after tax	**7,617**	**7,575**	**42**	**0.6%**
330	**Net profit (loss) for the period**	**54,118**	**36,843**	**17,275**	**46.9%**
340	Minority interests	0	0		
350	**Net profit (loss) for the period pertaining to the Parent Company**	**54,118**	**36,843**	**17,275**	**46.9%**

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

Table no. 12 - RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS AND THE RECLASSIFIED INCOME STATEMENT AT 30.06.2022

	Captions	As per financial statements	Reclassifications										Reclassified income statement
	Amounts in thousands of Euro	30.06.2022	Measurement effects on non-performing loans	Fides brokerage commission	Tax/expense recoveries	Expected loss on securities at amortised cost	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions, one-off expenses and revenue	System charges	Reclassifications IFRS16 - Leases	Income taxes	30.06.2022
10+20	Net interest income	137,042	-2,027	-2,800					0		323		132,538
70	Dividends and similar income	549											549
40+50	Net commission income	94,084		2,800									96,884
80+90+100 +110	Net result of financial assets and liabilities	1,654						6,896	0				8,550
230	Other operating income/charges	25,716			-15,902		720		-9,300				1,234
	Operating income	**259,045**	**-2,027**	**0**	**-15,902**	**0**	**720**	**6,896**	**-9,300**	**0**	**323**	**0**	**239,755**
190 a	Payroll costs	-85,510							11				-85,499
190 b	Other administrative costs	-60,415			15,902				851	7,263	-5,035		-41,434
210+220	Net adjustments to property, plant and equipment and intangible assets	-8,963					-720				4,712		-4,971
	Operating costs	**-154,888**	**0**	**0**	**15,902**	**0**	**-720**	**0**	**862**	**7,263**	**-323**	**0**	**-131,904**
	Result of operations	**104,157**	**-2,027**	**0**	**0**	**0**	**0**	**6,896**	**-8,438**	**7,263**	**0**	**0**	**107,851**
130a 100a	Cost of credit	-24,929	2,027			2,000		-6,896	85				-27,713
130 b	Net adjustments to securities owned	-106				-2,000							-2,106
140	Profit/losses from contractual changes without write-offs	-45											-45
200 a	Net provisions for risks and charges - commitments and guarantees given	-49											-49
200 b	Net provisions for risks and charges - other	-981							-85				-1,066
	Charges relating to the banking system									-7,263			-7,263
	Profit (loss) from continuing operations before tax	**78,047**	**0**	**0**	**0**	**0**	**0**	**0**	**-8,438**	**0**	**0**	**0**	**69,609**
300	Income taxes on continuing operations	-23,929										821	-23,108
	Profit (loss) from continuing operations after tax	**54,118**	**0**	**0**	**0**	**0**	**0**	**0**	**-8,438**	**0**	**0**	**821**	**46,501**
260	Fair value adjustment of property, plant and equipment and intangible assets	0				0							0
	Provisions for risks and charges, other provisions, one-off expenses and revenue		0			0			8,438	0			8,438
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,438**	**0**	**0**	**0**	**8,438**
	Income taxes from non-recurring items											-821	-821
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,438**	**0**	**0**	**-821**	**7,617**
330	**Net profit (loss) for the period**	**54,118**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**54,118**
340	Minority interests	0											0
350	**Net profit (loss) for the period pertaining to the Parent Company**	**54,118**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**54,118**

Table no. 13 - RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS AND THE RECLASSIFIED INCOME STATEMENT AT 30.06.2021

Captions		As per financial statements	Reclassifications										Reclassified income statement
	Amounts in thousands of Euro	**30.06.2021**	Measurement effects on non-performing loans	Fides brokerage commission	Tax/expense recoveries	Expected loss on securities at amortised cost	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions, one-off expenses and revenue	System charges	Reclassifications IFRS16 - Leases	Income taxes	**30.06.2021**
10+20	Net interest income	125,183	-2,612	-1,823							383		121,131
70	Dividends and similar income	514											514
	Profit (loss) from equity investments in associates												0
40+50	Net commission income	93,401		1,823									95,224
80+90+100 +110	Net result of financial assets and liabilities	7,680	0					-1,958					5,722
230	Other operating income/charges	16,014			-15,883		748						879
	Operating income	**242,792**	**-2,612**		**-15,883**	**0**	**748**	**-1,958**	**0**	**0**	**383**	**0**	**223,470**
190 a	Payroll costs	-85,963							-916				-86,879
190 b	Other administrative costs	-61,226			15,883				973	9,008	-5,349		-40,711
210+220	Net adjustments to property, plant and equipment and intangible assets	-8,970					-748				4,966		-4,752
	Operating costs	**-156,159**	**0**		**15,883**	**0**	**-748**	**0**	**57**	**9,008**	**-383**	**0**	**-132,342**
	Result of operations	**86,633**	**-2,612**		**0**	**0**	**0**	**-1,958**	**57**	**9,008**	**0**	**0**	**91,128**
130a+100a	Cost of credit	-43,314	2,612			116		1,958	-49				-38,677
130 b	Net adjustments to securities owned	10				-116							-106
140	Profit/losses from contractual changes without write-offs	-24											-24
200 a	Net provisions for risks and charges - commitments and guarantees given	712											712
200 b	Net provisions for risks and charges - other	-2,585							49				-2,536
	Charges relating to the banking system									-6,795			-6,795
	Profit (loss) from operations before tax	**41,432**	**0**	**0**	**0**	**0**	**0**	**0**	**57**	**2,213**	**0**	**0**	**43,702**
300	Income taxes on current operations	-4,589										-9,845	-14,434
	Profit (loss) from continuing operations after tax	**36,843**	**0**		**0**	**0**	**0**	**0**	**57**	**2,213**	**0**	**-9,845**	**29,268**
250+280	Fair value adjustment of property, plant and equipment and intangible assets	0											0
	Provisions for risks and charges, other provisions, one-off expenses and revenue								-57	-2,213			-2,270
	Non-recurring profit (loss) before tax	**0**	**0**		**0**	**0**	**0**	**0**	**-57**	**-2,213**	**0**	**0**	**-2,270**
	Income taxes from non-recurring items											9,845	9,845
	Non-recurring profit (loss) after tax	**0**	**0**		**0**	**0**	**0**	**0**	**-57**	**-2,213**	**0**	**9,845**	**7,575**
330	**Net profit (loss) for the period**	**36,843**	**0**		**0 0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**36,843**
340	Minority interests	0											0
350	**Net profit (loss) for the period pertaining to the Parent Company**	**36,843**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**36,843**

The main cost and revenue items in the reclassified income statement are analysed below.

Operating income
Core revenues increased by about Euro 16.3 million with respect to the comparative period (+7.3%), coming in at Euro 239.8 million. The trend is mainly attributable to growth in net interest income of Euro 11.4 million (+9.4%), the net result of financial assets and liabilities of Euro 2.8 million (+49.4%), net commission income of Euro 1.7 million (+1.7%) and other operating income and expenses of Euro 0.4 million (+40.4%).
Lastly, *dividends* come in at Euro 0.5 million in line with the comparative period.

Operating costs
Operating costs, which include *payroll costs*, *other administrative expenses* and *net adjustments to property, plant and equipment and intangible assets* amounted to around Euro 131.9 million and have decreased, with respect to the comparative period, by Euro 0.4 million (-0.3%).
Personnel expenses have shown a downward trend compared with the previous period by Euro 1.4 million (-1.6%), while *other administrative expenses* and *net adjustments to property, plant and equipment and intangible assets* have increased slightly by Euro 0.7 million (+1.8%) and Euro 0.2 million (+4.6%) respectively.

Result of operations
The *result of operations* at 30 June 2022 therefore amounted to Euro 107.9 million, with an increase on the comparative period (+18.4%).

Net profit (loss) from continuing operations after tax
The *result of operations* of Euro 107.9 million leads to a *net profit (loss) from continuing operations after tax* of Euro 46.5 million, 58.9% up on the Euro 29.3 million in the comparative period, mainly because of:
- the *cost of credit* (*net impairment adjustments to financial assets measured at amortised cost* and *gains (losses) on disposal or repurchase of loans*) of Euro 27.7 million (vs Euro 38.7 million in the previous period);
- *net adjustments to proprietary securities* of Euro 2.1 million (Euro 0.1 million in the comparative period);
- *net provisions for risks and charges* negative for Euro 1.1 million (vs Euro 1.8 million negative in the comparative period);
- *charges relating to the banking system* of 7.3 million euro (vs 6.8 million euro in the comparative period);
- *income taxes on continuing operations of Euro 23.1 million (vs Euro 14.4 million).*

Result of non-recurring items after tax
At 30 June 2022 there was a *non-recurring profit after tax* of Euro 7.6 million (in line with the previous period). This caption essentially consists of:

- the release[3] of Euro 9.3 million from the provision recognised last year to reflect the possibility that the Bank may not have been able to offset the first instalment of certain superbonus tax credits purchased from third parties and subject to confiscation. The provision is no longer required as a result of legislative changes;
- the cost component of Euro 0.9 million for charges related to non-recurring transactions;

net of the tax effect which was positive for Euro 0.8 million. *Income taxes on non-recurring items* also include the positive effect on the income statement recognised in February for Euro 1.5 million in connection with the refund request presented to the Revenue Agency (2014 IRAP for the business unit transferred to the former subsidiary BPS).

In the comparative period, the *Result of non-recurring items after tax* included:

- the Euro 1 million of costs connected with the sale of the investment in Cedacri S.p.A.,
- the Euro 2.2 million charge for the extraordinary contribution to the SRM requested by the national resolution authority in June 2021,
- the revenue of approximately Euro 0.9 million recognised to adjust the liability recorded in 2020 for access to the "Income support solidarity fund" following negotiations with all of the resources previously identified,

net of the tax effect which was positive for Euro 0.5 million. *Income taxes on non-recurring items* also included the positive economic effect of Euro 9.4 million deriving from the realignment of goodwill and all property (so-called "step-up"), carried out pursuant to art. 110, para. 8 and para. 8-bis, of Legislative Decree 104/2020 (the "August Decree"), which provided for the possibility of realigning tax values to the higher statutory carrying amounts of business assets by subjecting the difference to a substitute tax of 3%.

Net profit (loss) for the period pertaining to the Parent Company
The total of *profit from continuing operations after tax* and *non-recurring profit after tax*, as well as the *result attributable to minority interests*, leads to a net profit for the period pertaining to the Parent Company at 30 June 2022 of Euro 54.1 million.

[3] Taking into account the provisions of art. 28-ter (Terms of use of tax credits subject to criminal confiscation) of Decree Law no. 4/2022 which was introduced on conversion by Law no. 25/2022 which repealed Decree Law no. 13/2022, maintaining the validity of acts and measures adopted and without prejudice to the effects produced and the legal relationships arising on the basis of the same Decree Law no. 13/2022.

Performance of consolidated companies

In order to provide a breakdown of the performance described above at a consolidated level, the following significant summary data about the individual consolidated companies is provided, together with their financial, operating, risk and structural indices (APMs) and comments on their performance, except for Desio OBG S.r.l. given the nature of this company.

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

Balance sheet

Amounts in thousands of Euro	30.06.2022	31.12.2021	Change amount	%
Total assets	18,305,451	17,775,318	530,133	3.0%
Financial assets	3,974,554	3,797,714	176,840	4.7%
Due from banks [(1)]	1,928,593	2,114,999	-186,406	-8.8%
Loans to customers [(1)]	11,448,632	11,067,767	380,865	3.4%
Property, plant and equipment [(2)]	218,719	218,018	701	0.3%
Intangible assets	12,312	12,455	-143	-1.1%
Non-current assets and disposal groups held for sale	7,453	13,080	-5,627	-43.0%
Due to banks	3,918,030	3,815,695	102,335	2.7%
Due to customers [(3)] [(4)]	11,042,405	10,924,688	117,717	1.1%
Debt securities in issue	1,446,271	1,522,265	-75,994	-5.0%
Shareholders' equity (including Net profit/loss for the period)	1,100,398	1,078,224	22,174	2.1%
Own funds	1,121,767	1,127,058	-5,291	-0.5%
Total indirect deposits	16,339,427	18,018,035	-1,678,608	-9.3%
of which: Indirect deposits from ordinary customers	*10,007,693*	*11,033,464*	*-1,025,771*	-9.3%
of which: Indirect deposits from institutional customers	*6,331,734*	*6,984,571*	*-652,837*	-9.3%

[(1)] based on Circular 262, the balance on this item includes debt securities held to collect (HTC) recognised at amortised cost, which in these summary figures are shown under financial assets; the balance does not include current accounts and demand deposits (with the exception of the reserve requirement account with central banks)

[(2)] the balance of this item at 30 June 2022 includes the right of use ("RoU Assets") equal to Euro 50.5 million for operating lease contracts falling within the scope of application of IFRS 16 Leases, which came into effect on 1 January 2019

[(3)] the balance does not include the liability for operating lease contracts falling within the scope of IFRS 16, which has been recognised in "Due to customers"

[(4)] Including repurchase agreements with institutional customers for Euro 230 million (Euro 208 million at 31 December 2021)

Income statement [(5)]

Amounts in thousands of Euro	30.06.2022	30.06.2021	Change amount	%
Operating income	232,324	216,354	15,970	7.4%
of which: Net interest income	*122,307*	*111,944*	*10,363*	9.3%
Operating costs	127,562	128,695	-1,133	-0.9%
Result of operations	104,762	87,659	17,103	19.5%
Charges relating to the banking system	7,263	6,795	468	6.9%
Profit (loss) from continuing operations after tax	50,621	29,657	20,964	70.7%
Non-recurring profit (loss) after tax	7,617	7,575	42	0.6%
Net profit (loss) for the period	58,238	37,232	21,006	56.4%

[(5)] from the reclassified income statement

Key figures and ratios

	30.06.2022	31.12.2021	Change %
Capital/Total assets	6.0%	6.1%	-0.1%
Capital/Loans to customers	9.6%	9.7%	-0.1%
Capital/Due to customers	10.0%	9.9%	0.1%
Capital/Debt securities in issue	76.1%	70.8%	5.3%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio) (6)	16.1%	16.5%	-0.4%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) (6)	16.1%	16.5%	-0.4%
Total Own Funds/Risk-weighted assets (Total capital ratio) (6)	16.1%	16.6%	-0.5%
Financial assets/Total assets	21.7%	21.4%	0.3%
Due from banks / Total assets	10.5%	11.9%	-1.4%
Loans to customers / Total assets	62.5%	62.3%	0.2%
Loans to customers / Direct customer deposits	91.7%	88.9%	2.8%
Due to banks / Total assets	21.4%	21.5%	-0.1%
Due to customers/Total assets	60.3%	61.5%	-1.2%
Debt securities in issue / Total assets	7.9%	8.6%	-0.7%
Direct customer deposits/Total assets	68.2%	70.0%	-1.8%

	30.06.2022	30.06.2021	Change %
Cost / Income ratio	54.9%	59.5%	-4.6%
(Operating costs + Charges relating to the banking system) / Operating income (Cost/Income ratio)	58.0%	62.6%	-4.6%
Net interest income / Operating income	52.6%	51.7%	0.9%
Result of operations/Operating income	45.1%	40.5%	4.6%
Profit (loss) from continuing operations after tax/Capital (7) (8)	8.7%	5.2%	3.5%
Profit (loss) from operations after tax/Capital (7) (R.O.E.) (8) (9)	9.4%	5.1%	4.3%
Profit (loss) from operations before tax / Total assets (8)	0.7%	0.4%	0.3%

	30.06.2022	31.12.2021	Change %
Net doubtful loans/Loans to customers	0.7%	0.8%	-0.1%
Net non-performing loans/Loans to customers	1.8%	2.0%	-0.2%
% Coverage of doubtful loans	63.6%	63.3%	0.3%
% Coverage of doubtful loans, gross of cancellations	64.6%	64.3%	0.3%
% Total coverage of non-performing loans	50.7%	51.4%	-0.7%
% Coverage of non-performing loans, gross of write-offs	51.5%	52.1%	-0.8%
% Coverage of performing loans	0.92%	0.93%	-0.02%

Structure and productivity ratios

	30.06.2022	31.12.2021	Change amount	Change %
Number of employees	2,109	2,090	19	0.9%
Number of branches	232	232	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee	5,453	5,247	206	3.9%
Direct deposits from customers per employee	5,948	5,900	48	0.8%
	30.06.2022	**30.06.2021**	**Change amount**	**%**
Operating income per employee (10) - annualised (8)	218	211	7	3.3%
Result of operations per employee (10) - annualised (8)	96	87	9	10.3%

(6) Capital ratios at 30.06.2022 are calculated in application of the transitional arrangements introduced by EU Regulation 2017/2395; the ratios calculated without application of these arrangements are the following: Common Equity Tier1 15.5%; Tier 1 15.5%; Total capital ratio 15.5%;

(7) equity excluding net profit (loss) for the period;

(8) the amount reported at 30.06.2021 is the final figure at the end of 2021;

(9) the annualised ROE at 30.06.2022 does not take into consideration the annualisation of the net non-recurring operating profit and of the dividends from subsidiaries;

(10) based on the number of employees calculated as a straight average between the end of the period and the end of the preceding period.

The profit for the period is up by around Euro 21.0 million (+56.4%), having benefited from the positive trend in operations (+19.5%), a lower cost of credit (-29.5%) and a non-recurring profit of Euro 7.6 million (Euro 7.6 million in the comparative period).

Total loans to customers at 30 June 2022 amount to Euro 11.5 billion, an increase of 3.3% compared with the end of 2021.
Shareholders' equity at 30 June 2022, including the profit for the period, amounts to Euro 1,100.4 million, compared with Euro 1,078.2 million at the end of 2021. The positive change of Euro 22.2 million is principally attributable to the overall profitability for the period of Euro 40.5 million, partially offset by payment of the dividend for 2021.
Shareholders' equity calculated in accordance with the regulatory provisions and defined as Own Funds, after the pay-out of 40%, amounts at Euro 1,121.8 million, entirely attributable to CET1 + AT1, compared with Euro 1,127.1 million at the end of the previous year.
The Total Capital Ratio, consisting of total Own Funds as a ratio of risk-weighted assets, comes to 16.1%.

Banco Desio

Fides S.p.A.

Balance sheet

Amounts in thousands of Euro	30.06.2022	31.12.2021	Change amount	%
Total assets	995,517	931,049	64,468	6.9%
Due from banks	3,592	1,560	2,032	130.3%
Loans to customers	982,211	923,320	58,891	6.4%
Property, plant and equipment	3,196	402	2,794	695.0%
Intangible assets	946	1,139	-193	-16.9%
Due to banks	924,089	863,445	60,644	7.0%
of which: Due to Group Banks	*924,089*	*863,445*	*60,644*	*7.0%*
Due to customers	6,941	3,649	3,292	90.2%
Shareholders' equity (including Net profit/loss for the period)	50,686	53,610	-2,924	-5.5%
Own Funds	48,241	47,426	815	1.7%

Income statement [1]

Amounts in thousands of Euro	30.06.2022	30.06.2021	Change amount	%
Operating income	8,637	8,004	633	7.9%
of which: Net interest income	12,995	10,979	*2,016*	*18.4%*
Operating costs	-4,374	-3,672	-702	19.1%
Result of operations	4,263	4,332	-69	-1.6%
Profit (loss) from continuing operations after tax	2,543	2,674	-131	-4.9%
Non-recurring profit (loss) after tax	0	0	0	n.s.
Net profit for the year	2,543	2,674	-131	-4.9%

[1] from the reclassified income statement

Key figures and ratios

	30.06.2022	31.12.2021	Change amount
Capital/Total assets	5.1%	5.8%	-0.7%
Capital/Loans to customers	5.2%	5.8%	-0.6%
Capital/Due to Banks	5.5%	6.2%	-0.7%
Total Own Funds/Risk-weighted assets (Total capital ratio)	9.9%	10.3%	-0.4%
Loans to customers/Total assets	98.7%	99.2%	-0.5%
Due to banks / Total assets	92.8%	92.7%	0.1%
	30.06.2022	**30.06.2021**	**Change amount**
Cost/Income ratio	50.6%	45.9%	4.7%
Net interest income/Operating income	150.5%	137.2%	13.3%
Result of operations/Operating income	49.4%	54.1%	-4.7%
Profit (loss) from operations after tax/Capital [(2)]	5.3%	11.4%	-6.1%
ROE [(2)]	5.3%	11.4%	-6.1%
Profit (loss) from operations before tax / Total assets (ROA)	0.4%	0.9%	-0.5%
	30.06.2022	**31.12.2021**	**Change amount**
Net doubtful loans/Loans to customers	0.1%	0.1%	0.0%
Net non-performing loans/Loans to customers	0.7%	0.8%	-0.1%
% Coverage of doubtful loans	66.9%	61.9%	5.0%
% Total coverage of non-performing loans	28.4%	24.3%	4.2%
% Coverage of performing loans	0.09%	0.08%	0.01%

Structure and productivity ratios

	30.06.2022	31.12.2021	Change amount	Change %
Number of employees	55	51	4	7.8%
Amounts in thousands of Euro	**30.06.2022**	**31.12.2021**	**Change amount**	**Change %**
Loans and advances to customers per employee [(4)]	18,532	18,284	248	1.4%
Amounts in thousands of Euro	**30.06.2022**	**30.06.2021**	**Change amount**	**Change %**
Operating income per employee [(4)] - annualised [(3)]	163	320	-157	-49.1%
Result of operations per employee [(4)] - annualised [(3)]	80	168	-88	-52.4%

[(2)] equity excluding net profit (loss) for the period;

[(3)] the amount reported at 30.06.2021 is the final figure at the end of 2021;

[(4)] based on the number of employees calculated as a straight average between the end of the period and the end of the preceding period.

At the reference date, the Parent Company Banco di Desio e della Brianza S.p.A. held an investment of 100%.

The *Profit (loss) from continuing operations after tax* at 30 June 2022 comes to Euro 2.5 million, a slight reduction compared with the prior period of Euro 2.7 million; *operating income* amounted to Euro 8.6 million, up by Euro 0.6 million compared with the period to 30 June 2021, operating costs totalled Euro 4.4 million (vs Euro 3.7 million), and the *result of operations* amounted to Euro 4.3 million (vs Euro 4.3 million). The *Cost of credit* of Euro 0.6 million, net of provisions for risks and charges for Euro 0.1 million and *taxes* for Euro 1.2 million (vs Euro 1.3 million) lead to the result for the period.

Loans to customers increased from Euro 923.3 million at the end of 2021 to Euro 982.2 million at the reporting date, an increase of Euro 58.9 million (+6.4%).

Book *shareholders' equity* at 30 June 2022, including net profit for the period, amounts to Euro 50.7 million, compared with Euro 53.6 million at the end of 2021 (due to the result for the period partly offset by the distribution of dividends). *Own funds* for supervisory purposes have risen from Euro 47.4 million at the end of 2021 to Euro 48.2 million.

Other information

Ratings

On 13 April 2022 Fitch Ratings announced that it had left all of the Bank's ratings unchanged following the annual rating review, also confirming the Outlook as Stable. The rating reflects the Bank's adequate liquidity and capitalisation, able to withstand pressures, even significant ones, in terms of asset quality in the current context with its many uncertainties regarding the indirect effects of the conflict between Russia and Ukraine and the economic and social repercussions of the Covid-19 health emergency.
The Bank shows a constant attention to improving its capital ratios, thanks to continuous derisking, together with a prudent provisioning policy, and the resilience of the model adopted by virtue of its consolidated relationship with key customers.
The updated ratings are the following:

- Long term IDR: confirmed at "BB+" Stable Outlook
- Viability rating: confirmed at "bb+"
- Short term IDR: confirmed at "B"
- Government Support Rating: confirmed as "No Support"

On 14 April 2022, the update of the sustainability rating was announced - and communicated to the Shareholders' Meeting - by "Standard Ethics", a specialised agency which has updated the SER corporate rating of Banco Desio, confirming it as "EE–", a sustainable grade, also increasing by one notch the Long Term Expected SER rating from the current "EE–" to "EE" with a positive long-term outlook. For the related press release, see the web page: https://www.standardethics.eu/media-en/press-releases/standard-ethics-upgrades-the-long-term-expected-rating-to-banco-desio-brianza/viewdocument/663.

Existence of the conditions of arts 15 and 16 of the Consob's Market Regulations"

The conditions laid down in arts. 15 and 16 of the "Market Regulations" adopted with Consob's Resolution 20249 of 28 December 2017 continue to exist. In this case, they refer to Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.a., the financial parent of the Parent Company, as can be inferred from the company's description and as reported in the Group's "Annual Report on Corporate Governance and Corporate Structure" required by art. 123-bis of the CFA and made available on Banco Desio's website www.bancodesio.it, in the section "Governance/Corporate documents/Report on Corporate Governance".

Transactions with related parties

For a more detailed description of the procedures that govern transactions with related parties (pursuant to art. 2391-bis of the Italian Civil Code) and with associated persons (pursuant to art. 53 of the CFA), reference should be made to paragraph 5 of the Annual Report on Corporate Governance, which is available on the Parent Company's website pursuant to art. 123-bis of the CFA, at www.bancodesio.it, in the section "Governance/Corporate documents/Report on Corporate Governance". For further information, please refer to the specific section of the Condensed consolidated interim financial statements.

Information on incentive plans ("Phantom shares")

Lastly, the Ordinary and Extraordinary Shareholders' Meeting of 14 April 2022 approved an annual incentive plan called the "2022 Incentive System", drawn up pursuant to art. 114-bis, paragraph 1, Consolidated Finance Act, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager and other key personnel of Banco di Desio and Brianza S.p.A. and its subsidiaries pursuant to art. 2359 of the Italian Civil Code and the attribution to the Board of Directors, with the right to sub-delegate, of all the powers necessary for implementation of the "2022 Incentive System", to be exercised in compliance with what is indicated in the information document published on the institutional website.

For further information, please refer to the specific section of the Condensed consolidated interim financial statements.

Outlook for the rest of the year and principal risks and uncertainties

On the basis of the final results for the period, it is reasonable to assume that the results for the entire year will be positive, providing the macroeconomic scenario or the Group's key markets do not suffer major problems, which are in any case outwith management's control.
Among the main factors of uncertainty that could affect the future scenarios in which the Group will have to operate, we cannot exclude the impacts deriving from the growing pressures on energy and raw material prices and the consequent slowdown in national and international economic activity following the conflict between Russia and Ukraine, as well as the negative effects of the Covid-19 epidemic which are still in circulation.
For specific information on the context in which this Report was prepared, with particular reference to the conflict in Ukraine, please see the section below entitled "Basis of preparation and accounting policies".
The section entitled "Risks, uncertainties and impacts of the Covid-19 epidemic" in the notes to the annual financial report at 31 December 2021, to which reference should be made, also gave a detailed explanation of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions, which are still conditioned by the negative effects of the pandemic. Then there is an explanation of the practical solutions adopted by the Group, well aware of its role in providing the necessary support to its stakeholders, both individuals and companies, characterised in the current context by significant levels of uncertainty and volatility.
In consideration of the capital solidity, the economic performance more than in line with expectations, the low NPL ratio, the overall initiatives taken to minimise the effects of the pandemic, which is still not completely overcome, and the essentially indirect repercussions of the conflict in Ukraine on the Group's business, the consolidated interim financial report at 30 June 2022 has therefore been prepared on a going-concern basis.

Desio, 28 July 2022
The Board of Directors

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Banco Desio

Financial statements

Banco Desio

CONSOLIDATED BALANCE SHEET

Assets	30.06.2022	31.12.2021	Change Amount	%
10. Cash and cash equivalents	109,733	84,412	25,321	30.0%
20. Financial assets at fair value through profit or loss	116,366	85,544	30,822	36.0%
a) Financial assets held for trading	26,515	11,034	15,481	140.3%
c) Other financial assets mandatorily at fair value	89,851	74,510	15,341	20.6%
30. Financial assets at fair value through other comprehensive income	805,289	593,360	211,929	35.7%
40. Financial assets at amortised cost	16,431,194	16,330,175	101,019	0.6%
a) Due from banks	2,263,137	2,445,253	(182,116)	-7.4%
b) Loans to customers	14,168,057	13,884,922	283,135	2.0%
50. Hedging derivatives	8,414	-	8,414	0.0%
60. Adjustment to financial assets with generic hedge (+/-)	472	502	(30)	-6.0%
70. Equity investments	4,865	-	4,865	0.0%
90. Property, plant and equipment	221,915	218,420	3,495	1.6%
100. Intangible assets	18,784	19,119	(335)	-1.8%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	159,113	170,080	(10,967)	-6.4%
a) current	7,835	14,587	(6,752)	-46.3%
b) deferred	151,278	155,493	(4,215)	-2.7%
120. Non-current assets and disposal groups held for sale	7,453	13,080	(5,627)	
130. Other assets	454,005	290,089	163,916	56.5%
Total assets	**18,337,603**	**17,804,781**	**532,822**	**3.0%**

Liabilities and shareholders' equity	30.06.2022	31.12.2021	Change Amount	%
10. Financial liabilities at amortised cost	16,462,972	16,316,377	146,595	0.9%
a) Due to banks	3,918,030	3,815,695	102,335	2.7%
b) Due to customers	11,098,670	10,978,417	120,253	1.1%
c) Debt securities in issue	1,446,272	1,522,265	(75,993)	-5.0%
20. Financial liabilities held for trading	5,600	5,901	(301)	-5.1%
40. Hedging derivatives	6,613	365	6,248	n.s.
60. Tax liabilities	2,515	3,972	(1,457)	-36.7%
a) current	1,576	2,011	(435)	-21.6%
b) deferred	939	1,961	(1,022)	-52.1%
80. Other liabilities	689,659	320,685	368,974	115.1%
90. Provision for termination indemnities	19,409	21,960	(2,551)	-11.6%
100. Provisions for risks and charges	44,003	46,776	(2,773)	-5.9%
a) commitments and guarantees given	4,078	4,058	20	0.5%
c) other provisions for risks and charges	39,925	42,718	(2,793)	-6.5%
120. Valuation reserves	(1,920)	15,762	(17,682)	-112.2%
150. Reserves	967,792	931,240	36,552	3.9%
160. Share premium reserve	16,145	16,145	-	
170. Share capital	70,693	70,693	-	
190. Minority interests (+/-)	4	4	-	
200. Net profit (loss) for the period (+/-)	54,118	54,901	(783)	-1.4%
Total liabilities and shareholders' equity	**18,337,603**	**17,804,781**	**532,822**	**3.0%**

Banco Desio

CONSOLIDATED INCOME STATEMENT

Captions		30.06.2022	30.06.2021	Change Amount	Change %
10.	Interest and similar income	158,376	145,306	13,070	9.0%
20.	Interest and similar expense	(21,334)	(20,123)	(1,211)	6.0%
30.	**Net interest income**	**137,042**	**125,183**	**11,859**	**9.5%**
40.	Commission income	104,242	102,514	1,728	1.7%
50.	Commission expense	(10,158)	(9,113)	(1,045)	11.5%
60.	**Net commission income**	**94,084**	**93,401**	**683**	**0.7%**
70.	Dividends and similar income	549	514	35	6.8%
80.	Net trading income	1,826	2,901	(1,075)	-37.1%
90.	Net hedging gains (losses)	804	-	804	n.s.
100.	Gains (losses) on disposal or repurchase of:	4,530	3,373	1,157	34.3%
	a) financial assets at amortised cost	3,950	1,092	2,858	261.7%
	b) financial assets at fair value through other comprehensive income	577	2,368	(1,791)	-75.6%
	c) financial liabilities	3	(87)	90	n.s.
110.	Net result of other financial assets and liabilities at fair value through profit or loss	(5,506)	1,406	(6,912)	n.s.
	b) other financial assets mandatorily at fair value	(5,506)	1,406	(6,912)	n.s.
120.	**Net interest and other banking income**	**233,329**	**226,778**	**6,551**	**2.9%**
130.	Net value adjustments/write-backs for credit risk relating to:	(25,035)	(43,304)	18,269	-42.2%
	a) financial assets at amortised cost	(24,929)	(43,314)	18,385	-42.4%
	b) financial assets at fair value through other comprehensive income	(106)	10	(116)	n.s.
140.	Profit/losses from contractual changes without write-offs	(45)	(24)	(21)	87.5%
150.	**Net profit from financial activities**	**208,249**	**183,450**	**24,799**	**13.5%**
180.	**Net profit from financial and insurance activities**	**208,249**	**183,450**	**24,799**	**13.5%**
190.	Administrative costs:	(145,925)	(147,189)	1,264	-0.9%
	a) payroll costs	(85,510)	(85,963)	453	-0.5%
	b) other administrative costs	(60,415)	(61,226)	811	-1.3%
200.	Net provisions for risks and charges	(1,030)	(1,873)	843	-45.0%
	a) commitments for guarantees given	(49)	712	(761)	n.s.
	b) other net provisions	(981)	(2,585)	1,604	-62.1%
210.	Net adjustments to property, plant and equipment	(7,965)	(8,075)	110	-1.4%
220.	Net adjustments to intangible assets	(998)	(895)	(103)	11.5%
230.	Other operating charges/income	25,716	16,014	9,702	60.6%
240.	**Operating costs**	**(130,202)**	**(142,018)**	**11,816**	**-8.3%**
290.	**Profit (loss) from continuing operations before tax**	**78,047**	**41,432**	**36,615**	**88.4%**
300.	Income taxes on continuing operations	(23,929)	(4,589)	(19,340)	421.4%
310.	**Profit (loss) from continuing operations after tax**	**54,118**	**36,843**	**17,275**	**46.9%**
330.	**Net profit (loss) for the period**	**54,118**	**36,843**	**17,275**	**46.9%**
350.	**Parent Company net profit (loss)**	**54,118**	**36,843**	**17,275**	**46.9%**

	30.06.2022	30.06.2021
Basic earnings per share (Euro)	0.40	0.27
Diluted earnings per share (Euro)	0.40	0.27

Banco Desio

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Captions	30.06.2022	30.06.2021
10.	**Net profit (loss) for the period**	**54,118**	**36,843**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Equity instruments designated at fair value through other comprehensive income	1,139	(46,979)
70.	Defined-benefit pension plans	1,213	(44)
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	203	405
140.	Financial assets (other than equities) at fair value through other comprehensive income	(20,237)	(1,036)
170.	**Total other elements of income (net of income taxes)**	**(17,682)**	**(47,654)**
180.	**Total comprehensive income (Captions 10+170)**	**36,436**	**(10,811)**
190.	Total comprehensive income pertaining to minority interests	-	-
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**36,436**	**(10,811)**

Note. The negative impact of caption 20 "Equity instruments designated at fair value through other comprehensive income" in the previous year was due to the sale of the investment in Cedacri S.p.A. completed on 3 June 2021 for Euro 114.7 million; in accounting terms, the following entries were made as a result of this disposal: i) reversal of the valuation reserve at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million gross of tax) and ii) the positive result compared with the initial book value, equal to Euro 97.5 million (Euro 104.8 million before tax), in a specific reserve shown under retained earnings.

Banco Desio

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30.06.2022

	Balance at 31.12.2021	Changes in opening balances	Balance at 01.01.2022	Allocation of prior year results		Changes during the year									Group shareholders' equity at 30.06.2022	Minority interests at 30.06.2022
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income at 30.06.2022		
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments			
Share capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) retained earnings	911,513		911,513	34,075		(10)									945,578	
b) other	19,731		19,731	2,485		2									22,214	4
Valuation reserves:	15,762		15,762											(17,682)	(1,920)	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	54,901		54,901	(36,560)	(18,341)									54,118	54,118	
Group shareholders' equity	**1,088,741**		**1,088,741**		**(18,341)**	**(8)**								**36,436**	**1,106,828**	
Minority interests	**4**		**4**													**4**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30.06.2021

	Balance at 31.12.2020	Changes in opening balances	Balance at 01.01.2021	Allocation of prior year results		Changes during the year									Group shareholders' equity at 30.06.2021	Minority interests at 30.06.2021
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 30.06.2021		
Share capital:																
a) ordinary shares	63,828		63,828												63,828	
b) other shares	6,865		6,865												6,865	
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) retained earnings	798,517		798,517	23,895		89,142									911,554	
b) other	19,934		19,934	(205)											19,725	4
Valuation reserves:	66,096		66,096											(47,654)	18,442	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	23,690		23,690	(23,690)										36,843	36,843	
Group shareholders' equity	**995,071**		**995,071**			**89,142**								**(10,811)**	**1,073,402**	
Minority interests	**4**		**4**													**4**

Note 1. The changes in the “Valuation reserves” and the “Retained earnings reserve” have been influenced by the sale of the investment in Cedacri S.p.A., which was completed on 3 June 2021 for Euro 114,7 million; in accounting terms, the following entries were made as a result of this disposal: i) reversal of the valuation reserve at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million gross of tax) and ii) the positive result compared with the initial book value, equal to Euro 97.5 million (Euro 104.8 million before tax), in a specific reserve shown under retained earnings.
Note 2. The amount of the "Change in reserves" related to Reserve of retained earnings, referred for Euro 8,357 thousand to the dividends declared on the basis of Banco Desio's results for the year ended 31 December 2020, which will be distributed to the shareholders when the suspension imposed by banking sector regulations is lifted.

Banco Desio

CONSOLIDATED CASH FLOW STATEMENT

	30.06.2022	30.06.2021
A. OPERATING ACTIVITIES		
1. Cash generated from operations	**83,020**	**87,219**
- interest received (+)	151,207	142,767
- interest paid (-)	(20,882)	(19,905)
- dividends and similar income (+)	549	514
- net commission income (+/-)	93,200	91,257
- payroll costs (-)	(80,533)	(81,890)
- net premiums received (+)		
- other insurance income/expense (+/-)		
- other costs (-)	(59,589)	(52,282)
- other revenues (+)	22,997	20,713
- taxation (-)	(23,929)	(13,955)
- costs/revenues related to discontinued operations net of the tax effect (+/-)		
2. Cash generated (absorbed) by financial assets	**(532,204)**	**(1,660,305)**
- financial assets held for trading	(16,881)	(2,357)
- financial assets designated at fair value		
- other financial assets mandatorily at fair value	(20,675)	(9,636)
- financial assets at fair value through other comprehensive income	(240,919)	53,889
- financial assets at amortised cost	(137,464)	(1,668,209)
- other assets	(116,265)	(33,992)
3. Cash generated (absorbed) by financial liabilities	**500,024**	**1,568,824**
- financial liabilities at amortised cost	142,872	1,262,347
- financial liabilities held for trading	(301)	(169)
- financial liabilities designated at fair value		
- other liabilities	357,453	306,646
Net cash generated/absorbed by operating activities (A)	**50,840**	**(4,262)**
B. INVESTING ACTIVITIES		
1. Cash generated by		**18**
- sale of equity investments		
- dividends collected on equity investments		
- sale of property, plant and equipment		18
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(8,798)**	**(2,407)**
- purchase of equity investments	(4,865)	
- purchase of property, plant and equipment	(3,270)	(1,159)
- purchase of intangible assets	(663)	(1,248)
- purchase of lines of business		
Net cash generated/absorbed by investing activities (B)	**(8,798)**	**(2,389)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations	(18,341)	(9,410)
- sale/purchase of third party control		
Net cash generated/absorbed by financing activities (C)	**(18,341)**	**(9,410)**
NET CASH GENERATED (ABSORBED) IN THE PERIOD (A+B+C)	**23,701**	**(16,061)**

RECONCILIATION

	30.06.2022	30.06.2021
Cash and cash equivalents at beginning of period	**84,412**	**120,342**
Net increase (decrease) in cash and cash equivalents	23,701	(16,061)
Cash and cash equivalents: effect of changes in exchange rates	1,620	1,539
Cash and cash equivalents at end of period	**109,733**	**105,820**

Note - The cash flow statement for the comparative period has been restated with respect to the one published in the interim financial report at 30 June 2021 to reflect the reclassification of Euro 57,157 thousand from item 40.a) Loans to banks to item 10) Cash and cash equivalents in compliance with the requirements of the 7th Update of Circular 262 to reflect the inclusion in item "10. Cash and cash equivalents" of current accounts and sight deposits with banks and central banks (with the exception of the Mandatory Reserve account).

Explanatory notes

Basis of preparation and accounting policies

GENERAL INFORMATION

Declaration of compliance with International Financial Reporting Standards

These condensed interim consolidated financial statements of the Banco Desio Group have been prepared pursuant to art. 154-ter of Legislative Decree no. 58/1998 and for the purposes of determining own funds, in accordance with the applicable IAS/IFRS in force at the reference date, issued by the International Accounting Standards Board (IASB) and related interpretations issued by the IFRS Interpretations Committee (IFRIC) and endorsed by the European Commission, as per EU Regulation 1606 of 19 July 2002.

In particular, the content of the condensed interim financial statements (*IAS 34 – Interim Financial Reporting)*, as well as with the enabling regulations for art. 9 of Legislative Decree 38/2005 and the Bank of Italy Circular 262 of 22 December 2005.

Basis of preparation

The condensed consolidated interim financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the explanatory notes, which provide, among other things, the information on fair value, the details of the main balance sheet and income statement captions, information on risks and hedging policies, information on transactions with related parties and segment information (as well as information on shareholders' equity reported in an attachment). The condensed consolidated interim financial statements are also accompanied by the interim report on operations.

For the preparation of the financial statements and the contents of the explanatory notes, reference was made to the provisions contained in Circular 262 "*Bank financial statements: schedules and rules for preparation*" of 22 December 2005, and subsequent amendments. Reference was also made, as applicable, to interpretations and documents supporting the application of accounting standards issued by the supervisory and regulatory bodies and the standard setters.

The condensed consolidated interim financial statements have been prepared in a clear manner to give a true and fair view of the balance sheet, financial position and result for the period of the Banco Desio Group on a going-concern basis, complying with the principle of recognition on an accruals basis and giving preference to economic substance over form in the recognition and representation of transactions.

The accounting standards applied in preparing these financial statements concerning the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods for recognising revenues and costs, are the same as those applied in preparing the financial statements at 31 December 2021.

The separate financial statements used in preparing the consolidated interim financial statements are those prepared by the subsidiaries as of the same reporting date, adjusted - where necessary - to comply with the IAS/IFRS adopted by the Parent Company.

The amounts in the financial statements and the figures reported in the explanatory notes are expressed in thousands of Euro – unless otherwise indicated.

Scope of consolidation and methodology

Investments in subsidiaries

Name	Head office	Type of relationship	Nature of holding	
			Parent company	% held
Fides S.p.A.	Rome	1	Banco Desio	100.00
Desio OBG S.r.l.	Conegliano	1	Banco Desio	60.00

Key

Type of relationship:

1 = majority of votes at the ordinary shareholders' meeting

There have been no changes in the scope of consolidation with respect to the situation at 31 December 2021.

Significant assessments and assumptions in determining the scope of consolidation

The scope of consolidation is determined in accordance with the provisions contained in IFRS 10 - Consolidated Financial Statements. Accordingly, the Parent Company consolidates an entity when the three elements of control are met (1. power over an investee; 2. exposure, or rights, to variable returns from its involvement with the investee; 3. ability to use its power over the investee to affect the amount of the investor's returns). Generally, when an entity is held directly through voting rights, control comes from holding more than half of the voting rights. In other cases, the assessment of control is more complex and requires greater use of judgement, as it means taking into account all relevant factors and circumstances that could lead to control over the entity, such as:

- the purpose and design of the entity,
- the relevant activities, that is, the activities that significantly affect the entity's returns and how they are governed;
- any right, arising from contractual arrangements, that gives the investor the ability to direct the relevant activities, that is, the power to establish the entity's financial and operating policies, the power to exercise the majority of voting rights at meetings of the governing body or the power to appoint or remove the majority of the members of the governing body;
- the Group's exposure to variability of the returns.

Investments in subsidiaries with significant minority interests

Minority interests, voting rights of third parties and dividends paid

Name	Minority interests %	Dividends paid to third parties
Desio OBG S.r.l.	40.00	-

Investments with significant minority interests: accounting information

Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net interest and other banking income	Operating costs	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) after tax on non-current assets held for sale	Net profit (loss) for the period (1)	Other elements of income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
Desio OBG S.r.l.	65	54	-	-	-	10	-	35	(33)	-	-	-	-	-	-

Significant restrictions
There are no restrictions (e.g. legal, contractual or regulatory restrictions) on the Parent Company's ability to access the assets, or to use them, and to pay off the liabilities of the Group, such as restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or limitations on transfers of funds in the form of dividends, loans or advances granted to (or from) other Group companies.

Other information
The basis of consolidation, in compliance with IFRS 10, is as follows:
- subsidiaries: assets, liabilities, shareholders' equity, "off-balance sheet" transactions, costs and revenues are included in the relevant items of the consolidated financial statements on a line-by-line basis. Any positive difference emerging from a comparison of the book value of each investment and the relevant portion of the subsidiary's shareholders' equity, left over after any allocation to a specific balance sheet captions, is recognised as goodwill and subjected to impairment testing;
- associates: equity investments in associated companies are consolidated using the equity method (this criterion is applicable at the reference date of these condensed consolidated interim financial statements as the Parent Company has acquired an interest in Anthilia Capital Partners SGR S.p.A. which, by virtue of the partnership agreements that they have signed, is configured as an interest in an associated company).

Other aspects

Implications of the Russian-Ukrainian conflict and the Covid-19 epidemic
In a socio-economic context already compromised by the effects of Covid-19, which towards the end of 2021 saw an economic recovery thanks to the progress made in containing the epidemic, the armed invasion of Ukrainian territory by Russia and the approval of a wide range of financial and trade sanctions against Moscow have accelerated the surge in energy and commodity prices, accentuating the inflationary spiral.

The effects of the sanctions have also burdened the Western countries that decided them and the macroeconomic prospects are now very uncertain as the influence on them will largely depend on the consequences of the conflict on the specific business activities of individual companies.

As regards Banco Desio in particular, on the basis of the analyses carried out to date, there are no direct exposures to the Russian and Ukrainian markets and the exposure of the Bank's customers is fairly limited.

Given the low level of direct risk recorded to date, indirect impacts deriving, more generally, from the growing pressures on energy and raw material prices and the consequent slowdown in economic activity cannot be ignored.

This situation has led to a general decline in the prices of financial assets, with the exception of commodities and related securities; the stock and bond markets have experienced a very negative six months, marked by particular weakness.

The inflationary effects are already rising and have led the main central banks to start progressively increasing interest rates with a consequent reduction in liquidity and downward revisions of expectations of economic growth.

A greater credit risk directly linked to the crisis may therefore derive from the repercussions on customers with credit lines, whose businesses depend to a greater or lesser extent on the Russian world. We have therefore carried out ad hoc analyses on counterparties operating in the sectors most exposed to imports or exports with Russia, Belarus and Ukraine, or which generate a significant amount of inflows or outflows with these countries in relation to their turnover. From these analyses, no particular critical issues emerged on the loan book as a whole, so there was no need to review the credit lines that have been granted. Monitoring of counterparties belonging to sectors potentially susceptible to the Russia-Ukraine conflict will make it possible to ensure careful and timely management of the loan book over time.

Specific instructions have also been issued to the structures of the Bank that are actively involved in monitoring the evolution of the conflict, the current sanctions and the additional restrictive measures that will be adopted by the European Union against Russia in order to adjust safeguards as necessary.

Use of estimates and assumptions in preparing the condensed interim financial statements

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

The use of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. Given their nature, it is therefore possible that the assumptions made, however reasonable, might not find confirmation in the future scenarios within which the Group will actually operate. Future results may well differ from the estimates made to prepare the economic and financial position at the reporting date and, accordingly, adjustments to the reported carrying amounts of assets and liabilities may be needed that, at this time, cannot be foreseen or estimated.

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

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

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

Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 epidemic

Among the main factors of uncertainty that could affect the future scenarios in which the Group will operate, the negative effects on the global and Italian economy must not be underestimated, directly or indirectly linked to the developments of the conflict in Ukraine that are grafted onto an existing context characterised by tensions in global supply chains and by easing of containment measures of the Covid-19 epidemic which seems to be moving towards normalisation.

The description provided below details the estimation processes that required the exercise of significant judgement when selecting the underlying hypotheses and assumptions, much affected by the adverse impact of the Covid-19 pandemic, and the corresponding practical solutions adopted by the Group, which plays an important role by providing necessary support to stakeholders, individuals and businesses at this time of great uncertainty and volatility.

Determination of expected losses on credit exposures recognized in balance sheet assets

As regards the assessment, it should be remembered that IFRS 9 Financial Instruments expressly requires that an entity estimate the expected losses on receivables taking into consideration all information, available currently and in the future, that is deemed reasonable and demonstrable.

The European supervisory and regulatory bodies and standard setters (the Authorities) that have expressed opinions on this matter concur in suggesting extreme caution when changing the scenarios considered, at least starting from the phase of acute uncertainty of 2020.

Given the persistence of the underlying causes, the decisions taken from 2020 for the preparation of financial reports remain valid and in light of the trend in the economic-health context, they have been subject to calibration and refinement from time to time up to this document.

So taking into account: (i) the guidance mentioned previously that it was better to focus on long-term prospects to grasp the structural effects of the crisis without emphasising the procyclicality and avoiding mechanical applications of the models for estimating expected credit losses, and (ii) the complexities of applying the ordinary models for estimating expected losses, which consider prospective forecasts (macroeconomic scenarios) for only three years, so with a strong incidence of short-term movements, the Group followed the instructions provided by the various authorities to update the ordinary assessment process conditioned by the exceptional characteristics of the current crisis.

In particular, referring to the guidelines expressed in the letter of the ECB of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus pandemic (Covid-19)" addressed to all significant institutions as regards, specifically, the complexities involved in identifying any increase in credit risk (so-called "staging") and in estimating expected losses, the specific management overlays to include ad hoc corrections, not captured by the modelling in use, still apply, to better reflect the peculiarities of the impacts of Covid-19 in the assessment of the performing loan portfolio (stages 1 and 2).

The main characteristics of the model for determining the expected loss, the macroeconomic scenarios built into it and the management overlay interventions are described in more detail in the section below entitled "Information on risks and related hedging policies" to which you are referred.

The determination of expected losses on non-performing loans (stage 3) also implies significant elements of assessment, with particular reference to estimating the flows deemed recoverable and the related timing of recovery. During the period, appropriate interventions were carried out to manage the situation caused by the Covid-19 epidemic and, in any case, to ensure the correct classification and assessment of recoverability of exposures classified as non-performing. This had an impact on the cost of non-performing loans for the period, taking into account the disposals that have taken place in the meantime and the expected sales scenarios which the Bank wants to take advantage of to continue derisking in line with its NPL strategy.

Given all of the above, it could be that the use of different methodologies, parameters and assumptions for determining the recoverable value of credit exposures (partly influenced by possible alternative recovery strategies approved by the competent corporate bodies, as well as by changes in the relevant economic-financial and regulatory background) might result in different assessments to those made when preparing these financial statements.

The changes made to the measurement of expected losses on performing loans are described in the note on the "Model for measuring expected losses on performing loans" in the next section "Information on risks and related hedging policy".

Measurement of financial instruments at fair value

For the purposes of this financial report, the measurement of financial instruments at fair value has been updated on the basis of current market conditions, in line with the provisions of IFRS 13 (measurement of fair value) and the Fair Value Policy adopted by the Group.

In particular, for investments at fair value that derive their value directly, in the case of listed securities, or, in the case of investments that are convertible or closely related to instruments that are listed/valued with market multiples, indirectly from market prices (so valued with methods ascribable to fair value levels 1 and 2), the valuations were updated on the basis of stock market prices.

The use of significant judgements in the valuation of the financial instruments in portfolio is to be considered fairly marginal, given that the bank continues to maintain a very prudent allocation. The use of valuation

models for the recognition of the fair value of the financial instruments not listed on active markets (Level 3), substantially attributable to units of UCITS of closed-end funds, therefore relates to a minimal portion of the investments held. With particular reference to closed-end investment funds classified as financial instruments mandatorily at fair value, the negative economic effects resulting from the update of the valuation based on the latest information available (NAV, business plan, etc.) in accordance with the provisions of the Group's fair value policy.
For qualitative and quantitative information on how to determine the fair value, please read "Part A.4 – Information on fair value" of this interim consolidated report.

Impairment test of intangible assets with indefinite life (goodwill)
Pursuant to IAS 36 "Impairment of assets", all intangible assets with an indefinite useful life must be tested for impairment at least once a year, in order to verify their value recoverability. In addition, the standard establishes that the results of the annual test may be considered valid for subsequent assessments, on condition that the likelihood of the recoverable value of the intangible asset being lower than its net carrying amount is considered remote. This assessment may be based on an analysis of the facts and circumstances arising subsequent to the most recent annual impairment test carried out.
In line with IAS 36 *Impairment of assets* and the *Policy for the impairment of intangible assets with an indefinite useful life (goodwill) and equity investments*, the qualitative and quantitative indicators of presumed impairment for each CGU/legal entity have been monitored to verify whether there were the conditions (or so-called "trigger event") that would make it necessary to re-run the impairment tests at the reference date of this interim financial report.
The analysis concerned the main assumptions considered in the context of the impairment tests carried out for the financial statements at 31 December 2021. They are identified, in particular, (a) in the economic result for the period compared with the budget and (b) in the development of loans in terms of risk-weighted assets (RWA), in changes in capital ratios (especially for any higher absorption of capital) and in changes in the cost of equity (Ke). The interim net result of each CGU/legal entity is higher than the budget, while among the other key factors only the trend in the Ke discount rate (an exogenous parameter) has exceeded the attention threshold set by Group policy (though it only causes a decrease in sensitivity).
The analysis carried out in accordance with Group policy did not reveal any trigger events that would lead to a re-run of the impairment tests.
Qualitative and quantitative information about how the impairment test was carried out is provided in the section on "Intangible assets – caption 100" contained in "Part B – Information on the consolidated balance sheet" of this report .

Estimate of the recoverability of deferred tax assets
The balance sheet includes significant deferred tax assets (DTA), principally deriving from temporary differences between the date on which business costs are charged to the income statement and the date on which they become tax deductible, as well as from the carry-forward of tax losses.
The recognition and subsequent retention of these assets presupposes that they will be recoverable, having regard for the tax regulations in force at the reporting date.
Specifically, deferred tax assets that satisfy the requirements of Law 214/2011 are automatically transformable into tax credit in the event of a "reported loss", a "tax loss" for IRES purposes or "negative net value of production" for IRAP purposes; their recovery is therefore certain, regardless of any ability to generate future profits.
With regard to the other DTA not transformable into tax credits, assessment of the probability of their recovery must be founded on reasonable forecasts of future profitability, incorporated in approved strategic and forward-looking plans, bearing in mind that, for IRES purposes, the tax regulations envisage that tax losses can be carried forward indefinitely. Making this assessment can be challenging, especially with regard to the DTA recognised in relation to carried-forward tax losses, whose existence might well indicate that future taxable income will not be sufficient for their recovery. As envisaged in IAS 12 Income taxes, the above probability test requires careful examination of all the evidence supporting the likelihood that future taxable income will be sufficient.

The result of the analysis of the main assumptions considered to verify whether there were the conditions (or trigger event) that would make it necessary to re-run the impairment tests at the reference date of the interim financial report was negative. consequently, also taking into account that the interim net result of each CGU/legal entity is higher than the budget, it was not necessary to develop updated forecasts with respect to those used in preparing the financial statements at 31 December 2021.
Qualitative information on how the recoverability of deferred tax assets was checked is provided in the section on "Tax assets – Caption 110", contained in "Part B – Information on the consolidated balance sheet" of this report.

Estimate of the provisions for risks and charges

The complexity of the situations and corporate transactions that underlie outstanding disputes, together with problems in interpreting the applicable legislation, mean that considerable judgement is required when estimating the liabilities that may emerge on settlement of the litigation concerned. These difficulties encompass both the existence and amount of any liability, as well as the timing of crystallisation, and are particularly evident at the start and/or investigative phases of the proceedings.
The special nature of the dispute and consequent absence of relevant jurisprudence on similar matters, as well as the different approaches taken by the judicial bodies at each level of judgement, as well as at the same level following the passage of time, make it difficult to measure the amount of the contingent liability even when provisional rulings at the initial levels of judgement are available. Historical experience shows, in various cases, that decisions made at the initial levels of judgement can be overturned completely on appeal or by the Court of Cassation, both in favour and against the defendants. Under these circumstances, the classification of contingent liabilities and consequent assessment of the provisions required are based on subjective judgements that require often highly complex estimates to be made. As a consequence, when the final rulings are handed down, the provisions for risks and charges recorded in relation to contingent liabilities linked to legal or tax disputes may turn out to be inadequate or excessive.
Information about the principal risks relating to legal disputes (amounts reclaimed by bankruptcy administrators and cases brought against the Bank) is provided in the note of "Provisions for risks and charges – Caption 100" in "Part B – Information on the consolidated balance sheet" of this report.

Estimate of obligations relating to employee benefits

Determination of the liability associated with employee benefits, especially those relating to defined benefit plans and long-term benefits, involves a certain degree of complexity; the results of the assessment depend, in large measure, on the actuarial assumptions made with regard to demographics (mortality rates and employee turnover) and certain financial aspects (discount and inflation rates).
The judgement of management is therefore fundamental when selecting the most appropriate techniques for making this assessment, which is influenced by the socio-economic context in which the Group operates, as well as by the performance of the financial markets.
The main actuarial assumptions used at the date of these financial statements are listed below, compared with those used for the two previous years:

Demographic assumptions	**30.06.2022**	**31.12.2021**	**31.12.2020**
Death rate of employees	determined by the State General Accounting Department, denominated RG48 divided by gender		
Frequency and amount of termination indemnity advances	4.00%		
Frequency of turnover	2.50%		
Financial assumptions	**30.06.2022**	**31.12.2021**	**31.12.2020**
Discount rate Iboxx Euro Corporate AA index 7-10 years (*)	2.85%	0.38%	-0.01%
Inflation rate	2.00%	1.20%	1.00%

(*) iBoxx EUR Corporate AA Index with time frame corresponding to the average duration of the defined benefit plans

Note that the list of assessment processes indicated above is only provided in order to give readers a better understanding of the principal areas of uncertainty. It must not be understood to suggest that alternative assumptions, made today, might be more appropriate.
For more information please read "Provision for termination indemnities - Caption 90" contained in "Part B - Information on the consolidated balance sheet" of these Explanatory notes.

TLTRO III Transactions – "Targeted Longer Term Refinancing Operations"
The total TLTRO III loans outstanding at 30 June 2022 amounted to € 3.85 billion, unchanged with respect to 31 December 2021. In December 2021, the reference parameters in terms of net disbursements were also exceeded in the period 1 October 2020 - 31 December 2021; consequently, a rate of -1.0% was recorded, including the bonus rate of -0.5%, for the interest period from 24 June 2021 to 23 June 2022.
The financial liability falls within the scope of application of IFRS 9 and is recognised at amortised cost, with the economic effect calculated using variable rates in accordance with para. B.5.4.5 of IFRS 9, under which the redetermination of future interest payments usually has no significant effect on the carrying amount of the asset or liability. The variable rate for the liability is a rate that varies in each of the three years of the operation, resulting in recognition of the interest specific to each year, considering that any accrued interest would be settled in the event of early repayment.
In determining the variable rate to be applied to the recognition of interest in the "special interest period", by virtue of the observed overrun of the net lending benchmark at 31 December 2021, the variable interest at the minimum rate of deposits was taken into account, currently equal to -0.5%, and a further reduction of 50 bps up to the second reference period.
Accordingly, the interest accrued but not yet paid, recognised in income statement caption "10. Interest and similar income", amounts to 19.0 million euro (17.9 million euro in the comparative period).

Contribution to the Single Resolution Mechanism (SRM) and to the Deposit Guarantee Scheme (DGS)
The European directives governing the resolution mechanisms of banks belonging to the European Union and the functioning of the deposit guarantee schemes came into force during 2015. In particular:
- Directive 2014/59/EU (the so-called "Bank Recovery and Resolution Directive" or BRRD) adopted by the national law with Legislative Decree 180 of 16 November 2015, defines the resolution rules and includes the activation of resolution mechanisms through the establishment of funds financed by ex ante contributions; the target level of these funds, which is to be achieved by 31 December 2024, is 1% of the total amount of protected deposits of the banking system;
- Directive 2014/49/EU (the so-called "Deposit Guarantee Schemes Directive" or DGSD) adopted by the national law with Legislative Decree 30 of 15 February 2016, provides that national deposit protection funds (in Italy, the Interbank Deposit Protection Fund or FITD) should raise funds as a proportion of the guaranteed deposits, to be established by a system of ex-ante- funding to reach the target level of 0.8% of guaranteed deposits by 2024.

Following notification of the contributions by the competent authorities (Bank of Italy as the resolution authority and FITD as the deposit protection authority), the standard and special contributions paid by Group banks have been charged to income statement caption "180 b) Other administrative costs", as indicated in the Bank of Italy communications dated 19 January 2016.

Disposals related to the "Held to collect" business model
Certain performing loans classified in the "Financial assets at amortised cost" portfolio of the Parent Company were sold during the half year.
In particular, it should be noted that during the period, profits were made from the sale of bonds registered in the HTC portfolio for € 7.7 million. The sales transactions for a nominal amount of € 200 million took place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 30 June 2022 equal to 4.3% compared with the threshold of 5%).
Since these exposures were classified among the "Financial assets at amortised cost", being the portfolio held in order to collection contractual cash flows ("Hold to Collect" business model), IFRS 9 requires their disposal to comply with certain materiality or frequency thresholds, close to their maturity dates, at a time of increased credit risk or exceptional circumstances.

In this regard, the disposals made by the Group during the half year complied with the materiality and frequency thresholds documented in the Group's accounting policies. During the period and up to the date of preparing this report, no changes were made to the criteria allowing the sale of financial assets managed using the HTC business model.
Lastly, it is confirmed that the debt securities classified in the HTC and HTCS portfolios continue to be managed in accordance with the choices applied previously; so there were no changes in business model during the year that resulted in portfolio reclassifications.

Domestic tax group election
The Italian companies of the Banco Desio Group (except for Desio OBG S.r.l., given its status as an SPV) have chosen to be a "domestic tax group" for the years 2021-2023, governed by arts. 117-129 of the Consolidated Income Tax Law, which was introduced into tax legislation by Legislative Decree no. 344/2003. This law provides an optional system, under which the total income or tax loss of each subsidiary in the tax consolidation - together with withholdings, deductions and tax credits - are transferred to the parent company, which then calculates a single taxable income or tax loss to be carried forward (as resulting from the sum of its own taxable income or tax losses and those of the participating subsidiaries) and, consequently, a single tax liability or tax credit.

Comparability of financial statements
In accordance with IAS 34, the consolidated interim financial statements have to include not only the financial schedules at the reference date, but also comparative figures for the following periods:
- the balance sheet at the end of the previous year;
- the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the corresponding period of the previous year.

Independent audit
These interim consolidated financial statements have been subjected to a limited audit by KPMG S.p.A. in execution of the resolution of the Shareholders' Meeting of 23 April 2021, which appointed this company for the years 2021 to 2029.

MAIN CAPTIONS IN THE FINANCIAL STATEMENTS

The accounting policies explained below, which were used in preparing this document, comply with the IAS/IFRS in force on the reference date and have been applied on a going-concern basis.
For the purchase and sale of standard financial assets, i.e. contracts for which delivery is made in a period established by regulations or market conventions, reference is made to the settlement date.

Financial assets designated at fair value through profit or loss (FVTPL)
Classification
Financial assets other than those allocated to Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this caption includes:

- financial assets held for trading, essentially represented by debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets mandatorily at fair value, represented by financial assets that do not meet the requirements for valuation at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not provide exclusively for repayments of principal and payments of interest on the principal to be repaid (i.e. failed to pass the SPPI test) or that are not held as part of a business model whose objective is to hold the assets with a view to collecting the contractual cash flows (Hold To Collect or "HTC") or whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets (Hold To Collect and Sell or "HTCS");
- the financial assets designated at fair value, i.e. the financial assets defined as such at the time of initial recognition when the right conditions exist. In these circumstances, an entity can irrevocably designate a financial asset as being measured at fair value through profit or loss, but only if doing so eliminates or significantly reduces an inconsistency in measurement.

In particular, the following are recognised in this item:
- debt securities and loans that are not attributable to the "HTC" or "HTCS" business models (which are therefore included in the "Other/Trading" business model) or which do not pass the SPPI test;
- capital instruments that do not qualify as control, association and joint control instruments held for trading purposes or which were not designated at fair value through other comprehensive income (under the FVOCI option) at the time of initial recognition;
- mutual funds/UCITS.

The item also includes derivative contracts, recognised as financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. It is only possible to offset positive and negative current values deriving from transactions in place with the same counterparty if there is a legal right to compensate the amounts recognised in the accounts and the intention is to proceed with settlement of the positions being offset on a net basis.
According to the general rules established by IFRS 9 on the reclassification of financial assets (with the exception of equities for which no reclassification is allowed), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at fair value through profit or loss to one of the other two categories envisaged by IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through other comprehensive income*). The transfer value is represented by the fair value at the time of the reclassification and its effects apply prospectively starting from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is recalculated based on its fair value at the reclassification date and this date is considered the initial recognition date for allocation to the various stages of credit risk (stage assignment) for impairment purposes.

Recognition
The initial recognition of financial assets takes place at the settlement date for debt securities and equities and at the execution date for derivatives.
On initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, which corresponds to the amount paid, without considering transaction costs or income directly attributable to the instrument, which are recorded in the income statement.

Measurement
After initial recognition, financial assets designated at fair value through profit or loss continue to be measured at fair value. The effects of applying this method of valuation are charged to the income statement.
Market prices are used to determine the fair value of financial instruments quoted on an active market. In the absence of an active market, we use generally accepted valuation methods and models, which take into account all risk factors related to the instruments and which are based on data that can be found on the market. For equities not listed on an active market, cost is used as an estimate of the fair value only on a residual basis and limited to a few circumstances, i.e. in the case of non-applicability of the valuation methods, or in the presence of a wide range of possible estimates of fair value, in which cost is the most meaningful estimate.

Derecognition
Financial assets are only derecognised from the financial statements if the sale involves the substantial transfer of all risks and benefits associated with the assets. If, on the other hand, a significant portion of the risks and benefits of the assets sold has been retained, they continue to be recorded in the financial statements, even though ownership of the assets has effectively been transferred.
In the event that it cannot be demonstrated that substantially all of the risks and benefits have been transferred, the financial assets are derecognised if no form of control over them has been retained. By contrast, total or partial retention of such control means that the assets are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the assets sold and changes in their cash flows.
Lastly, financial assets sold are derecognised if the contractual rights to collect the cash flows are retained, with a parallel commitment to pay over all such flows, and only them, to third parties without delay.

Financial assets valued at fair value through other comprehensive income (FVOCI)
Classification
Financial assets that meet both of the following conditions are included in this category:
- the financial asset is held according to a business model the objective of which is achieved by collecting the cash flows provided for by contract and by selling it (HTCS) and
- the contractual terms of the financial asset provide, at certain dates, for financial flows represented solely by payments of capital and interest on the amount of the principal to be repaid (i.e. passing the SPPI test).

Equity instruments, not held for trading purposes, are also included in this item, so that at the time of initial recognition, the option for designation at fair value through other comprehensive income (FVOCI option) was exercised.
In particular, the following are recognised in this item:
- debt securities classified according to the HTCS business model that have passed the SPPI test;
- equity interests, which cannot be qualified in terms of control, association and joint control, which are not held for trading purposes, for which the option has been exercised for the designation at fair value through other comprehensive income ("FVOCI option").

According to the general rules established by IFRS 9 on the reclassification of financial assets (with the exception of equities for which no reclassification is allowed), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at fair value through other comprehensive income to one of the other two categories envisaged by IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through profit or loss*). The transfer value is represented by the fair value at the time of the reclassification and its effects apply prospectively starting from the date of reclassification. In the case of reclassification from the category in question to that of amortised cost, the cumulative gain (loss) recorded in the valuation reserve is adjusted to reflect the fair value of the financial asset at the date of the reclassification. On the other hand, in the case of reclassification to the category of fair value through profit or loss, the cumulative gain (loss) previously recorded in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition

Initial recognition of financial assets is on the settlement date for debt securities and equities.

At the time of initial recognition, the assets are accounted for at fair value through profit or loss, including transaction costs or income directly attributable to the instrument.

Measurement

After initial recognition, assets classified at fair value through other comprehensive income, other than equity securities, are measured at fair value with recognition to profit or loss of the effects of applying amortised cost, the effects of impairment and any foreign exchange effect, while any other gains or losses deriving from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. At the time of the total or partial disposal, the gain or loss accumulated in the valuation reserve is reversed, in whole or in part, to the income statement.

Capital instruments for which the choice has been made for classification in this category are valued at fair value and the amounts recognised in a specific equity reserve must not subsequently be transferred to the income statement, even in the event of sale. The only component referable to the equity instruments in question that is recognised in the income statement is the related dividends.

The fair value is determined on the basis of the criteria already illustrated for *Financial assets measured at fair value through profit or loss.*

Financial assets valued at fair value through other comprehensive income are subject to verification to see if there has been a significant increase in credit risk (i.e. impairment) as required by IFRS 9, in the same way as *Assets at amortised cost*, with consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. financial assets at the time of origination, if not impaired, and instruments for which there has not been a significant increase in credit risk with respect to the initial recognition date), an expected loss at one year is accounted for at each reporting date. On the other hand, for instruments classified in stage 2 (performing loans for which there has been a significant increase in credit risk compared with the initial recognition date) and stage 3 (non-performing exposures), an expected loss is recorded for the entire residual life of the financial instrument. Equities are not subject to the impairment process.

Derecognition

Financial assets are derecognised on the basis of the criteria already explained for *Financial assets valued at fair value through profit or loss.*

Financial assets at amortised cost

Classification

This category includes financial assets (loans and debt securities) that meet both the following conditions:

- the financial asset is held according to a business model the objective of which is achieved by collecting the cash flows provided for in the contract (HTC), and
- the contractual terms of the financial asset provide, at certain dates, for financial flows represented solely by payments of capital and interest on the amount of the principal to be repaid (i.e. passing the SPPI test).

In particular, the following are recognised in this item:

- loans to banks in any forms that meet the requirements of the previous paragraph;

– loans to customers in any forms that meet the requirements of the previous paragraph;
– debt securities that meet the requirements of the previous paragraph.

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at amortised cost to one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is represented by the fair value at the time of the reclassification and its effects apply prospectively starting from the date of reclassification. Gains or losses resulting from the difference between the amortised cost of the financial asset and the related fair value are recognised in the income statement in the case of reclassification between *Financial assets valued at fair value through profit or loss* and to equity, in the relevant valuation reserve, in the case of reclassification between *Financial assets valued at fair value through other comprehensive income*.

Recognition

Initial recognition of a financial asset takes place on the settlement date for debt securities and on the date of disbursement for loans. At the time of initial recognition, the assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument.

In particular, as far as loans are concerned, the disbursement date normally coincides with the date of signing the contract. If they do not coincide, a commitment is made at the time of signing the contract to provide funds and the commitment ends on the date the loan is disbursed. The credit is recognised on the basis of its fair value, equal to the amount disbursed, or at the subscription price, including the costs/income directly attributable to the individual loan and determinable from the origin of the transaction, even if settled afterwards.

Even if costs have these characteristics, they are excluded if they are to be reimbursed by the borrower or can be classified as normal internal administrative costs.

Measurement

After initial recognition, the financial assets under review are measured at amortised cost, using the effective interest rate method: the asset is recognised for an amount equal to the initial recognition value less any principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset) and therefore net of any adjustments.

The effective interest rate is determined by calculating the rate that equals the present value of future flows of the asset, for both principal and interest, to the amount disbursed including the costs/income related to the asset. By using financial logic, this accounting method makes it possible to distribute the economic effect of the costs/income directly attributable to the financial asset over its expected residual life.

The amortised cost method is not used for assets (valued at historical cost), the short duration of which makes the effect of discounting more or less negligible, for those without a defined maturity and for loans that are revocable.

The measurement criteria are closely linked to the inclusion of the instruments in question in one of the three stages of credit risk foreseen in IFRS 9, the last of which (stage 3) includes the non-performing financial assets, while the others (stages 1 and 2) contain the performing assets.

As regards the accounting representation of these measurement effects, adjustments to this type of asset are recognised in the income statement:

– upon initial registration, for an amount equal to the expected loss at twelve months;
– at the time of subsequent measurement of the asset, where the credit risk has not increased significantly compared with the initial recognition, in relation to changes in the amount of adjustments for expected losses in the following twelve months;
– at the time of subsequent measurement of the asset, where the credit risk has increased significantly

compared with the initial recognition, in relation to the recognition of adjustments for expected losses referable to the asset's contractual lifetime;
- at the time of the subsequent measurement of the asset, where the "significance" of this increase has ceased, in relation to the adjustment of the cumulative adjustments to take account of the switch from an expected loss over the lifetime of the instrument to one at twelve months.

The financial assets in question, where they are performing, are subject to an assessment, aimed at defining the adjustments to be recorded in the financial statements, at the level of individual loan (or "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from the internal rating models in use (Credit Rating System) appropriately adjusted to take into account the provisions of IFRS 9.
If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss in value is measured as the difference between the carrying amount of the asset (classified as "non-performing", like all other relationships with the same counterparty) and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recorded in the income statement, is defined on the basis of an analytical evaluation process or determined by homogeneous categories and, therefore, analytically attributed to each position, taking into account forward-looking information with the inclusion of possible alternative recovery scenarios ("disposal scenario").
Non-performing assets include instruments classified as doubtful, unlikely to pay or past due by more than ninety days in accordance with the rules of the Bank of Italy, consistent with IAS/IFRS and European supervisory standards.
The expected cash flows take into account the expected recovery times and the presumable realisable value of any guarantees.
The original effective rate of each asset remains unchanged over time, even if a restructuring of the relationship has taken place and this has led to a change in the contractual rate, even if the relationship becomes, in practice, a non-interest bearing contract.
If the reasons for making the impairment adjustment cease to apply due to an event occurring after recognition of an impairment, the related value is restored and the amount of the write-back is recognised in the income statement. The write-back may not exceed the amortised cost that the financial instrument would have had if no adjustments had been made previously.
Write-backs associated with the passage of time are posted to net interest income.
Receivables for interest on arrears accrued on non-performing assets are only recorded once they have been collected.
In certain cases, the original contractual conditions are subject to modification by the contract parties during the life of assets in question, loans in particular. When, during the course of an instrument's life, the contractual clauses are subject to change, it is necessary to check whether the original asset has to continue to be recognised in the financial statements or if, on the other hand, the original instrument has to be derecognised from the financial statements with a new financial instrument taking its place.
Generally speaking, changes to a financial asset lead to its cancellation and the recognition of a new asset when the changes are "substantial". The extent to which a change is "substantial" has to be assessed by considering both qualitative and quantitative elements. In some cases, it may be obvious, without resorting to complex analyses, that the changes substantially modify the characteristics and/or contractual flows of a given asset, whereas, in other cases, further analyses (including quantitative ones) will have to be carried out to appreciate their effects and verify whether or not to go ahead with the derecognition of the asset and the recognition of a new financial instrument.
The qualitative and quantitative analyses to define the "substantial nature" of the contractual changes made to a financial asset will have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions for the financial difficulties of the counterparty:
  - the former, aimed at holding on to the customer, involves a debtor who is not in a situation of financial difficulty. Cases include all renegotiations that aim to bring the cost of the debt into line

with market conditions. Such transactions involve a change in the original conditions of the contract, usually on the debtor's request, to do with the cost of the loan, leading to an economic benefit for the debtor. Generally speaking, it is thought that whenever the bank renegotiates loan to avoid losing a customer, the renegotiation has to be considered substantial, because if it was not carried out, the customer could find alternative funding through another intermediary and the bank would suffer a decrease in its expected future revenues;

- the latter, which are carried out for "reasons of credit risk" (i.e. forbearance measures), are due to the bank's attempt to maximise recovery of the original loan's cash flows. As a rule, after the changes, the underlying risks and benefits are not substantially transferred, so the accounting treatment is performed through "modification accounting" - which involves immediate recognition in the income statement caption 140. "Profit/losses from contractual changes without write-offs" of the difference between the carrying amount of the loan and the present value of the new cash flows discounted at the original interest rate - and not through derecognition;

- the presence of specific objective elements (known as "triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as a change in currency or a change in the type of risk to which it is exposed, where it is correlated to parameters of equity and commodity), which are considered to involve derecognition because of their impact (expected to be significant) on the original contractual flows.

Derecognition
Financial assets are derecognised on the basis of the criteria already explained for *Financial assets valued at fair value through profit or loss.*

Recognition of items affecting the income statement
Valuation at amortised cost generates in the income statement a deferral of the transaction costs and ancillary revenues over the life of the financial asset, rather than impacting the income statement on initial recognition.
The interest that accrues over time as an effect of discounting non-performing loans is recognised in the income statement under interest income.
The effects of analytical and general assessments are recognised in the income statement.
The original value of the loan is reinstated when the reasons for the write-down cease to apply, recognising the effects in the income statement.
In the case of loans acquired through business combinations, any higher value recorded in the consolidated financial statements on initial recognition is released through the income statement over the life of the loan, based on the repayment plan, or in full in the year that the loan is repaid.
Loans subject to fair value hedges, are measured at fair value and changes in value are recognised in the income statement under "net hedging gains (losses)", in the same way as the changes in fair value of the hedging instrument.

Hedging transactions
The Banco Desio Group takes advantage of the possibility, envisaged at the time of the introduction of IFRS 9, to continue to fully apply the provisions of accounting standard IAS 39 on the subject of "hedge accounting" (in the carved out version approved by the European Commission) for each type of coverage (both for specific hedges and for macro hedges).

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

- fair value hedges (microhedging of fair value): the objective is to hedge the risk of changes in the fair value of the hedged instrument (assets, liabilities or irrevocable commitment not recognised subject to changes in fair value attributable to a particular risk that may affect the income statement, including exchange rate risk);
- Cash-Flow Hedges: the objective is to hedge the change in cash flows attributable to specific risks of the instrument (assets, liabilities or highly probable scheduled transaction exposed to changes in cash flows attributable to a particular risk that may affect the income statement).
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Recognition
Derivatives, including hedging instruments, are initially recognised and then measured at fair value.
The recognition of hedging transactions assumes:
- the involvement of counterparties outside the Banco Desio Group;
- a specific designation and identification of financial hedging and hedged instruments used for the transaction;
- definition of the risk management objectives being pursued, specifying the nature of the risk being hedged;
- passing the effectiveness test at the beginning of the hedging relationship and prospectively, with specific measurement procedures and frequency;
- preparation of formal documentation of the hedging relationship.

Measurement
A hedging transaction is defined as effective if the changes in fair value (or future cash flows) of the hedging instrument offset the changes in the financial instrument being hedged within the 80%-125% limits laid down in IAS 39.
Effectiveness tests are performed at each annual or interim balance sheet date, both in retrospective terms, to measure the actual results, and in prospective terms, to demonstrate the expected efficacy for future periods.
If the tests do not confirm the effectiveness of the hedge and, depending on corporate policy, hedge accounting is interrupted from that moment, the hedging derivative is reclassified under trading instruments and the hedged instrument reacquires the method of valuation corresponding to its classification in the financial statements.

Recognition of items affecting the income statement – Fair value hedges
The contra-entries to changes in the fair value of hedging derivatives and of the financial instruments being hedged (to the extent attributable to the hedged risk) are recorded in the income statement. This provision applies even when the hedged item is measured at cost.
Such offsetting is booked through the recognition in the income statement under item 90 "Net hedging gains (losses)" of changes in the value of both the hedged element (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference determines the consequent net economic effect.

Recognition of items affecting the income statement – Cash-flow hedges
The gain or loss on the hedging instrument has be treated as follows:
- the share of the gain or loss defined as effective is recorded in equity as a contra-entry to the valuation reserves;
- the ineffective portion of the hedge is booked to the income statement.

In particular, equity has to include the lower of the total gain or loss on the hedging instrument from the start of it and the overall change in fair value (present value of expected cash flows) on the hedged element from the beginning of the hedge. Any remaining gain or loss on the hedging instrument or the ineffective portion is recognised in the income statement.

Derecognition
The recognition of hedging transactions is interrupted when it no longer meets the criteria of effectiveness,

when they are revoked, when the hedging instrument or the hedged instrument expire, or when they are cancelled or sold.
If the instrument being hedged is subject to valuation at amortised cost, the difference between the fair value determined at the date of "discontinuing" (interruption of the hedging relationship) and the amortised cost is spread over its residual life.

Equity investments

Classification
The item includes the interests held in associates or companies subject to joint control as per IAS 28. The other minority holdings follow the treatment envisaged by IFRS 9, they are classified as Financial assets valued at fair value through profit or loss (FVTPL) or Financial assets valued at fair value through other comprehensive income (FVOCI).
The companies in which the Bank holds at least 20% of the voting rights (including "potential" voting rights) or in which, despite having a lower share of rights, it has the power to participate in the determination of the financial and management policies of the investee by virtue of particular legal links such as participation in syndicated agreements, are considered companies subject to significant influence (i.e. associates).
Joint ventures are those companies, for which, on a contractual basis, the Bank and one or more other parties share control, or for which decisions regarding key activities require unanimous consent of all the parties that share control.

Recognition
Equity investments are recognised on the settlement date. Initial recognition is at cost, including directly attributable ancillary costs. Investments in foreign currency are translated into euro at the exchange rate ruling on the settlement date.

Measurement
The measurement method used after first-time recognition is net equity.
At each balance sheet date, tests are carried out to see if there is objective evidence that the investment has suffered an impairment loss.
Impairment occurs when the carrying amount of the asset exceeds its recoverable value, this being the greater of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between independent parties, net of disposal costs) and its value in use (i.e. the present value of the cash flows expected to be derived from continuing use and disposal of the asset at the end of its useful life).
On completion of impairment testing, in accordance with internal policy, stress tests are also performed on certain key parameters used in the valuation model in order to reduce the recoverable amount to the carrying amount.
As required by IAS 36, impairment testing is performed annually; moreover, at each interim reporting date, steps are taken to verify whether conditions exist that would require impairment tests to be repeated: in particular, monitoring is performed of qualitative and quantitative indicators of presumed impairment of an investment (trigger event).
Any impairment write-downs are charged to the income statement.
If the reasons for making the impairment adjustment cease to apply due to an event occurring after recognition of an impairment, the related asset is written back and the amount of the write-back is recognised in the income statement.

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

Recognition of items affecting the income statement
Dividends are recognised when the right to collect them is established. Gains/losses on disposal are

determined based on the difference between the carrying amount of the investment measured at weighted average cost and the purchase price, net of directly attributable transaction costs.

Property, plant and equipment

Classification

Property, plant and equipment include land, buildings, artistic assets, equipment, furniture and fittings and other office equipment. These consist of tangible fixed assets held for use in the provision of services (used for business purposes) and for rental to third parties (investment property) and for which it is deemed that they will be used for more than one financial year. This also includes the rights to use acquired through leasing and relating to the use of a tangible asset (for lessee companies), the assets granted under operating leases (for lessor companies).

Recognition

Property, plant and equipment are initially recorded at purchase price, including all attributable costs of purchasing and bringing the asset to working condition.
On first-time adoption of IAS/IFRS, we made use of the exemption provided by art. 16 of IFRS 1, opting to assess property at fair value as the deemed cost at 1 January 2004. After that date, buildings have been valued at cost.
Extraordinary maintenance costs are attributed to the assets to which they relate. Routine maintenance costs are charged directly to the income statement.
In application of IFRS 16, leases are accounted for on the basis of the right of use model, so that, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for his right to use the underlying asset during the period of the lease.
When the asset is made available to the lessee for its use (initial date), the lessee recognizes both the liability and the asset consisting of the right of use.

Measurement

Property, plant and equipment are shown at purchase cost, including ancillary expenses, less accumulated depreciation and any impairment losses, with the exception of assets used in business and valuable works of art, which are measured according to the value re-determination method.
For property, plant and equipment measured according to the value re-determination method:

- if the carrying amount of an asset is increased following re-determination of the value, the increase must be recognized in other components in the statement of comprehensive income and booked to equity in the revaluation reserve; on the other hand, if a decline in the value of an asset, previously recognised in the income statement, is recovered, the write-back has to be recognised as income;
- if the carrying amount of an asset is reduced following re-determination of its value, the decrease must be recognized in other components in the statement of comprehensive income as a revaluation excess, assuming that there is already a positive valuation reserve for this asset; otherwise, this decrease must be recorded in the income statement.

Property, plant and equipment are systematically depreciated, on a straight-line basis at rates that reflect the residual useful life of the asset in question. Exceptions are made for land and works of art, which are not subject to depreciation because of the uncertainty of their useful life, and in view of the fact that normally their value is unlikely to fall over time. Extraordinary maintenance costs are capitalised and depreciated over the residual useful life of the assets to which they relate.
Impairment tests are performed on an annual basis. If it is ascertained that the carrying amount of an asset is higher than its recoverable value, the carrying amount is adjusted as appropriate in the income statement.
If the reasons for recognising an impairment loss cease to apply, the asset is written back but without exceeding the carrying amount that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.
With reference to the right of use, accounted for on the basis of IFRS 16, it is measured using the cost model

in accordance with IAS 16 - Property, plant and equipment; in this case, the asset is subsequently depreciated and subjected to impairment testing if any indications of impairment arise.

Derecognition

Property, plant and equipment are derecognised on disposal.

Recognition of items affecting the income statement

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

Intangible assets

Classification

Intangible assets include goodwill, compensation for abandonment of leasehold premises and software purchase costs. The rights to use acquired under the lease and relating to the use of an intangible asset (for the lessees) are also included, as are the assets granted under operating leasing (for the lessors). Restructuring costs of properties not owned (i.e. "leasehold improvements") are recorded under Other assets.

Recognition

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

Other intangible assets are stated at cost and are only recognised if they meet the requirements of independent identifiability and separation from goodwill, probable realisation of future economic benefits and reliable measurability of cost.

Measurement

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

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

Goodwill is not amortised as it is considered to have an indefinite useful life; instead, it is subjected annually to an impairment test. The cash-generating unit to which the goodwill was allocated is identified for this purpose. Within the Banco Desio Group, the cash-generating units (CGU) correspond to the legal entities. The amount of any impairment loss is determined as the amount by which the goodwill’s carrying value exceeds its recoverable amount. The recoverable amount is the higher of the cash-generating unit’s fair value, net of any selling costs, or its related value in use.

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

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

Derecognition

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

Recognition of items affecting the income statement

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

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

Non-current assets and disposal groups held for sale

Classification

Non-current assets/liabilities and groups of assets/liabilities whose carrying amount will presumably be recovered through sale rather than through continuous use are classified in the asset item "Non-current assets and disposal groups held for sale", and in the liability item "Liabilities associated with assets held for sale".

Recognition
To be classified in these items, the assets or liabilities (or disposal group) must be immediately available for sale and there must be active and concrete plans to make highly probable their disposal within one year of being classified as an asset being held for sale.

Measurement
Following their classification in this category, these assets are measured at the lower of their carrying amount and their fair value, less costs to sell, with the exception of certain types of assets - attributable for example to all financial instruments falling within the scope of application of IFRS 9 - for which IFRS 5 provides that the valuation criteria of the accounting standard in question must continue to be applied.
In the event that the assets being disposed of are depreciable, the depreciation process ceases from the year in which they are classified as non-current assets held for sale.
Income and expenses attributable to groups of assets and liabilities being held for sale, if considered discontinued operations pursuant to IFRS 5, are shown in the income statement after tax, in the item "320. Profit (loss) from discontinued operations net of taxes", while those relating to individual non-current assets being held for sale are recognised in the most suitable income statement item.
By "discontinued operations" we mean an important autonomous branch or geographical area of activity, even if it is part of a single coordinated disposal programme, rather than a subsidiary company acquired exclusively for resale.

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

Current and deferred taxation
Income taxes for the year are calculated by estimating the amount of tax due on an accrual basis, in a manner consistent with the recognition in the financial statements of the costs and revenue that generated the taxation in question. In addition to current taxes, calculated according to current tax rules, deferred taxation, arising as a result of timing differences between the amounts recorded in the financial statements and the corresponding tax bases, is also recognised. Taxes therefore reflect the balance of current and deferred taxation on income for the period.
Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that there will be sufficient future taxable income to recoup the asset. They are shown in the balance sheet under *Deferred tax assets*.
Conversely, deferred tax liabilities are shown on the liabilities side of the balance sheet under *Deferred tax liabilities.*
In the same way, current taxes not yet paid at the balance sheet date are shown under *Current Tax Liabilities.* In the event of the payment of advances that exceed the final amount due, the amount recoverable is shown under *Current Tax Assets*.
If deferred tax assets and liabilities relate to transactions that were recognised directly in equity without passing through the income statement, these are recorded with a contra-entry to the appropriate equity reserve (e.g. valuation reserve).

Provision for termination indemnities
Measurement
The provision for termination indemnities is recorded in the financial statements using actuarial techniques. The evaluation is carried out by independent external actuaries according to the accrued benefit method, using the Projected Unit Credit Method. This amount represents the present value, calculated from a demographic/financial point of view, of benefits payable to employees (termination indemnities)

for the period of service already accrued, which is obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the valuation date, taking into account the likelihood of resignations and requests for advances.
To determine the discount rate, reference is made to an index which represents the yield on a basket of high quality corporate bonds in the same currency used for payment of the benefits due to employees. In line with prevalent practice, an "AA" class index was selected.
Recognition of items affecting the income statement
The provision for termination indemnities arising from the actuarial valuation, as allowed by IAS 19, is recorded as a contra-entry to the valuation reserves for the component of actuarial gains (losses) and in the income statement under provisions for other components such as accrued interest due to the passage of time (discounting).

Provisions for risks and charges
Provisions for risks and charges for commitments and guarantees given
The sub-item of provisions for risks and charges in question includes the credit risk provisions to cover commitments to disburse funds and guarantees issued that fall within the scope of application of the impairment rules under IFRS 9. In these cases, in principle, we adopt the same methods of allocation between the three stages of credit risk and the same methods of calculation of expected loss with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.

Other provisions for risks and charges
Provisions for risks and charges include provisions made to cover ongoing obligations that are related to work relationship or disputes, also tax disputes, that are the result of past events, for the settlement of which it is probable that there will be an outflow of resources that can be reliably estimated.
Provisions represent the best estimate of the future cash flows needed to settle the obligation at the balance sheet date. In cases where the effect of time is a significant factor, the amounts provided are discounted, taking into account when the obligation is likely to fall due. The discount rate reflects the current value of money, taking into consideration the risks specific to the liability.
The evaluation of long-service bonuses to employees is made by independent external actuaries and follows the same logic as described above for calculating the provision for termination indemnities. Actuarial gains and losses are recognised immediately in the income statement.
Recognition of items affecting the income statement
Provisions are charged to the income statement.
The effects arising from the passage of time for the discounting of future cash flows are recorded in the income statement under provisions.

Financial liabilities at amortised cost
Classification
Due to banks, Due to customers and Debt securities in issue include the various forms of interbank and customer funding, repurchase agreements with the obligation to repurchase in the future and deposits made through certificates of deposit, bonds and other instruments collection fund, net of any repurchased amounts. The payables recorded by the company as a lessee in the context of leasing transactions are also included.

Recognition
Initial recognition of these financial liabilities takes place on the date of the contract, which normally coincides with receipt of the amounts collected or on issue of the debt securities. Initial recognition is at the fair value of the liability, usually equal to the amount received or the issue price, plus any costs or income directly attributable to the individual funding operation or issue.

Measurement
Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective

interest rate method. Exceptions to this are short-term liabilities, for which the time factor is negligible, which remain recorded for the amount collected. Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

Derecognition
Financial liabilities are derecognised on expiration or termination. Repurchasing bonds issued previously also results in their derecognition; the difference between the carrying amount of the liability and the amount paid to repurchase it is recognised in the income statement.
The re-placement of own securities previously repurchased is considered a new issue recognised at the new placement price.

Financial liabilities held for trading
Recognition and classification
The financial instruments included in this caption are recognised on the subscription date or on the date of issue at an amount equal to the fair value of the instrument, without considering transaction costs or income directly attributable to the instrument concerned.
This caption includes, in particular, trading derivatives with a negative fair value.
Measurement and recognition of items affecting the income statement
Financial liabilities held for trading are measured at fair value, booking the effects to the income statement.

Derecognition
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and benefits that derive from owning it.

Currency transactions
Recognition
Foreign currency transactions are recorded at the time of initial recognition, in the bank's functional currency, by applying to the exchange rate in force on the date of the transaction.
Measurement
At each annual or interim balance sheet date, items in foreign currency are valued as follows:
- monetary items are converted at the exchange rate ruling at the balance sheet date;
- non-monetary items are measured at cost and are converted at the exchange rate on the date of the transaction;
- non-monetary items measured at fair value are converted at the exchange rate ruling on the balance sheet date.
-

Recognition of items affecting the income statement
Exchange differences arising on settlement of monetary amounts or on the conversion of monetary items at rates other than those of initial conversion, or conversion of the previous financial statements, are recorded in the income statement in the period in which they arise.
When a profit or loss relating to a non-monetary element is recognised in equity, the exchange difference relating to this element is also recognised in equity. On the other hand, when a profit or loss is recognised in the income statement, the related exchange difference is also recorded in the income statement.

Other information
Valuation reserves
This caption includes valuation reserves of financial assets valued at fair value through other comprehensive income (FVOCI), derivative contracts to hedge cash flows, valuation reserves created under special laws in past years and reserves for the actuarial valuation of employee benefits under IAS 19. They also include the effects of the application of fair value as the deemed cost of property, plant and

equipment upon first-time adoption of IAS/IFRS.

Recognition of costs and revenues

Revenues are recognised:

- at a specific moment when the entity fulfils the obligation to transfer the promised asset or service to the customer, or
- over time, as the entity fulfils its obligation to transfer the promised asset or service to the customer.

The asset is transferred when, or during the period in which, the customer acquires control. These involved in particular:

- interest expense is recognised on a pro-rata basis at the contractual interest rate or, in the case of application of amortised cost, at the effective interest rate. Interest income (expense) also includes positive (negative) differentials or margins on financial derivatives accrued at the date of the financial statements:
  a) hedging assets and liabilities that generate interest;
  b) classified in the balance sheet in the trading book, but operationally linked to assets and/or liabilities measured at fair value (fair value option);
  c) operationally linked to assets and liabilities classified as held for trading and providing for the settlement of differentials or margins on several maturities.

  Note that interest income (or interest expense) in the financial statements also includes amortisation for the year of the fair value differences measured with reference to business combinations, due to the greater or lesser profitability accorded to assets classified as receivables and liabilities classified as payables and debt securities in issue. However, in the event of termination of these loans (acquired as the result of a business combination), any higher book value recorded in the financial statements on initial recognition gets fully released through profit and loss in the year that the loan is repaid (as *Net adjustments for credit risk relating to financial assets measured at amortised cost*);
- default interest, which may be provided by contract, is recognised in the income statement only when actually collected;
- dividends are recognised in the income statement when distribution has been approved;
- commission income from services is recognised based on contractual agreements during the period in which the services are rendered. The fees and commissions considered in amortised cost for the purpose of determining the effective interest rate are booked as interest;
- costs or revenues from trading in financial instruments, determined by the difference between the transaction price and the fair value of the instrument, are booked to the income statement on recognition of the transaction, if the fair value can be determined with reference to parameters or recent transactions observable in the same market in which the instrument is traded (Level 1 and Level 2 of the fair value hierarchy). If these values cannot easily be determined or have a reduced level of liquidity (Level 3), the financial instrument is recognised for an amount equal to the transaction price, net of the trading margin; the difference with respect to the fair value is booked to the income statement over the duration of the transaction through a progressive reduction in the valuation model of the corrective factor linked to the reduced liquidity of the instrument;
- gains/losses from trading in financial instruments are recognised in the income statement on completion of the sale, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues from the sale of non-financial assets are recognised on completion of the sale, i.e. when the obligation towards the customer is fulfilled.

Costs are recognised in the income statement according to the accruals principle; the costs related to obtaining and fulfilling contracts with customers are recognised in the income statement in the periods in which the related revenues are recorded. If costs and revenues can be associated in a generic and indirect way, costs are allocated systematically to several periods with rational procedures. Costs that cannot be associated with income are booked immediately to the income statement.

Note that the contributions to the Single Resolution Mechanism (SRM) and the Deposit Guarantee Scheme (DGS) are recognised in the income statement under caption "180 b) Other administrative costs", taking into account the recommendations of IFRIC 21 and the Bank of Italy communication of 19 January 2016.

In particular, the contribution (DGS) is accounted for when the "obligating event" takes place, based on the provisions of the new Articles of Association of the Interbank Deposit Protection Fund, under which the Fund builds up financial resources until the target level is reached through the ordinary contributions of the banks that are members at 30 September of each year.

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

Securitisations
Exposures to the securitisation (in the form of junior securities or deferred purchase price) are allocated to Financial assets measured at fair value through profit or loss. However, if the relationship between the originator and the special purpose vehicle (or the separate assets managed by it) comes within the definition of control[4] introduced by IFRS 10, it is included in the Banco Desio Group's scope of consolidation.
According to the breakdown by type, Financial assets measured at amortised cost include loans to customers involved in securitisations subsequent to 1 January 2004, which do not have the requisites under IFRS 9 for derecognition from the financial statements, or transactions with which loans are assigned to the special purpose vehicle and in which, even if there is formal transfer of legal title to the loans, control over the cash flows deriving from them and the substantial risks and benefits are maintained.
Against these loans and receivables, the consideration received for their sale, net of securities issued by the special purpose vehicle and repurchased by the originator, is allocated to Financial liabilities measured at amortised cost.

Tax credits linked to the "Cura Italia" and "Relaunch" Decrees acquired following disposal by the direct beneficiaries or previous purchasers (e.g. Ecobonus)
Law Decrees 18/2020 ("Cura Italia") and 34/2020 ("Relaunch") have introduced into Italian law tax incentives based on investment costs (e.g. Ecobonus and Sismabonus) and on current costs (e.g. rent of premises for non-residential use). These tax incentives are applied to households or businesses, are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). The main features of these tax credits are (i) the possibility to use them for offsetting; (ii) transferability to third-party purchasers and (iii) the fact that they are non-refundable by the tax authorities.
The accounting of tax credits acquired by a third party (transferee of the tax credit) is not covered by a specific international accounting standard. IAS 8 provides that, in the event where there is a case not explicitly dealt with by an IAS/IFRS, management has to define an accounting policy that guarantees relevant and reliable disclosure of such transactions.
To this end and taking into consideration the indications expressed by the Supervisory Authorities, the Banco Desio Group has adopted an accounting policy that refers to the accounting discipline envisaged by IFRS 9, applying by analogy the provisions compatible with the characteristics of the transaction and considering that the tax credits in question are substantially similar to a financial asset. The Group purchases the receivables according to its tax capacity, with the aim of holding them and using them for future compensation. These receivables are therefore attributable to a Hold to Collect business model and recognised at amortised cost, showing the remuneration in net interest income during the recovery period. These receivables have to be measured considering how they will be used through estimated future compensations. However, the accounting framework envisaged by IFRS 9 for the calculation of expected losses is not applicable in this specific case, i.e. ECL is not calculated on these tax credits, as there is no counterparty credit risk, taking into account that realisation of the credit takes place by offsetting them against tax payables and not by collecting them. Taking into account that the tax credits purchased do not represent tax assets, government grants, intangible assets or financial assets, in accordance with international accounting standards, the most appropriate classification is the residual

[4] Under this definition, an investor controls an entity subject to investment when the investor has power over its key assets, is exposed to variable returns resulting from the relationship with the entity and has the ability to affect those returns by exercising power over it.

one, "Other Assets".

Information on fair value

Qualitative information

The accounting standard IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants (exit price). The definition of fair value provided by IFRS 13 makes it clear that fair value measurements are market based and not entity specific.
This standard introduced disclosure requirements about fair value measurements and the inputs used for the measurement of assets and liabilities that are measured at fair value on a recurring or non-recurring basis after initial financial statement recognition, as well as about the effect on comprehensive income of fair value measurements of instruments using effective unobservable inputs.
When a price for the same asset or a liability cannot be found, the fair value is estimated by applying a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.
As required by IFRS 13 and for the purpose of determining the fair value of OTC derivatives, counterparty risk needs to be considered.
The fair value hierarchy provides for 3 levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 2 and 3 inputs). The fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value. A fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

Fair value measurement with use of Level 1 inputs

The fair value falls within *level 1* if determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A price quoted in an active market provides the most reliable evidence of fair value and, when available, should be used without any adjustments.
An active market is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
The fundamental elements are the following:

- Identification of the *principal market* for the asset or liability or, in the absence of a principal market, the *most advantageous market* for the asset or liability;
- the ability of the entity to carry out a transaction in the asset or liability at the price of that market on the valuation date.

The principal market is the market with the greatest volume and level of activity for the asset or liability. In the absence thereof, the most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability.

Levels of fair value 2 and 3: valuation techniques and inputs used

The fair value of financial assets and liabilities is measured by using valuation techniques that take into account the characteristics of the financial instrument being measured.
For *level 2* of the fair value hierarchy, the fair value is determined by using a valuation price from an external information provider or a price calculated using internal valuation techniques that use directly or indirectly observable inputs for the asset or liability and include:

- prices quoted for similar assets or liabilities in active markets;
- prices quoted for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
  - credit spreads;
- market-corroborated inputs.

For *level 3* of the fair value hierarchy, unobservable inputs are used for the asset or liability. Use of these inputs, including those from internal sources, is allowed if there is no observable market information to help make estimates; they should reflect the assumptions that market participants would make in determining the price.
For Level 3 of the fair value hierarchy and with specific reference to OTC derivatives in foreign currencies, the input relating to credit spread for non-institutional customers is provided by an internal rating model which categorises each counterparty in risk classes with the same probability of insolvency.
Also worth noting is the application of the Credit Value Adjustment (CVA) model for OTC derivatives, in order to highlight the impact of the counterparty's credit quality, an intrinsic factor in the pricing of bonds, but not of derivatives. The method applied consists of determining the fair value by discounting the derivative's positive mark to market (MTM) over the residual life of the instrument using the weighted credit spread.
On the other hand, as regards OTC derivatives with a negative MTM, the model applied is the Debit Value Adjustment (DVA), with the aim of highlighting, for the Bank, the impact of its own creditworthiness. The model applies the same formula of discounting the CVA to the negative value (MTM) of the derivative including the credit spread of the Bank.
It should be noted that, in the application of both models (CVA and DVA) and for the purpose of determining the impact of the counterparty's credit quality, or the quality of its credit rating, account has been taken of the effect of reducing credit risk in the presence of collateralisation agreements (CSA).
The fair value of non-financial assets and liabilities (receivables and payables) is determined using the DCF (discounted cash flow) method; the currently used module permits consistent integration in fair value measurement of market factors, financial characteristics of the transaction and credit risk components.
With reference to "assets and liabilities not valued at fair value or measured at fair value on a non-recurring basis" for which the fair value is provided solely for the purpose of the explanatory notes, we would point out the following:

- for loans and receivables, the fair value is calculated for performing positions beyond the short term using the valuation technique that envisages the discounting of expected cash flows, considering, at the free risk rate, the credit risk of the relationship (in terms of PD and LGD measured by the internal rating models in use), while for non-performing and short-term performing positions, the carrying amount is considered a reasonable approximation of the fair value. In general, they are classified in Level 3, except in the case where the significance of the observable inputs compared with the entire assessment is higher than a predetermined threshold (Level 2), or in the event of assets held for sale or transactions being completed at the reference date (Level 1) Taking into account the current context of the credit market, with particular reference to non-performing loans, this fair value (Level 2 and 3), determined taking into account multi-scenario assumptions that provide for the combination between internal management and so-called "disposal scenarios", may not represent the potential exit price because of a certain margin of uncertainty, which is in any case inherent in the various components making up the price considered by a potential third-party purchaser;
- debt and certificates of deposit issued by Group banks are measured at book value, which represents a reasonable approximation of their fair value (Level 3);
- for bonds issued by Group banks, the fair value is measured according to the discounting of future cash flows and applying a credit spread (*Level 2*);
- investment property: fair value is estimated through the use of property market information sources, appropriately adjusted based on parameters such as location, size, age, intended use and maintenance and based on value estimates performed by external independent experts (Level 3).

Process and sensitivity of valuations
Valuation techniques and inputs selected are applied consistently, except where events take place that require them to be replaced or modified, such as: new markets develop, new information becomes available, information previously used is no longer available or valuation techniques improve.
The measurement process for financial instruments consists of the phases summarised below:

- for each asset class, market inputs are identified as well as the manner in which they have to be incorporated and used;

- the market inputs used are checked to ensure they are worthy of use in the valuation techniques employed;
- the valuation techniques used are compared with market practices to identify any critical issues and to determine if any changes need to be made to the valuations.

For financial instruments that are measured at fair value on a recurring basis and which are categorised as level 3, no sensitivity analysis is provided due to their nature and the immateriality of the amounts involved, except for the below description.

Fair value hierarchy

For financial assets and liabilities measured at fair value on a recurring basis, their categorisation within the aforementioned fair value hierarchy levels reflects the significance of the inputs used for the valuation.
If the market for assets and liabilities no longer qualifies as active, then the valuation technique and inputs are changed and the assets and liabilities are categorised within a lower level of the fair value hierarchy.
A valuation technique is used consistently from period to period, except where circumstances arise that necessitate the use of a more appropriate technique, such as the development of new markets, the availability of new information or a change in market conditions. This could lead to assets and liabilities measured at different dates being categorised in a different fair value hierarchy.
The policy for the determination of the levels is applied on a monthly basis

Other information

There is nothing to add to the information that has been previously disclosed.

Quantitative information

Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

	30.06.2022			31.12.2021		
Financial assets/liabilities designated at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss	24,033	19,989	72,344	23,197	4,492	57,855
a) Financial assets held for trading	5,361	19,157	1,997	6,932	3,609	493
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	18,672	832	70,347	16,265	883	57,363
2. Financial assets at fair value through other comprehensive income	776,968	24,993	3,328	562,346	27,680	3,334
3. Hedging derivatives	-	8,414	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**801,001**	**53,396**	**75,672**	**585,543**	**32,172**	**61,189**
1. Financial liabilities held for trading	-	3,709	1,891	-	5,461	440
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	6,613	-	-	365	-
Total	**-**	**10,322**	**1,891**	**-**	**5,826**	**440**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Investments measured on the basis of unobservable inputs (Level 3) represent a very small percentage of total financial assets measured at fair value (8.1% at 30 June 2022 compared with 9.0% in the previous year). These investments consist almost entirely of UCITS units mandatorily at fair value.
At 30 June 2022, the impact of applying the Credit Value Adjustment and Debit Value Adjustment to the balance sheet values has not been calculated as all outstanding derivative contracts are backed by collateral agreements with counterparties to mitigate credit risk (CSA agreements).

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (Level 3)

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily at fair value				
1. Opening balance	**57,856**	**493**	**-**	**57,363**	**3,334**	**-**	**-**	**-**
2. Increases	**19,514**	**1,997**	**-**	**17,517**	**-**	**-**	**-**	**-**
2.1. Purchases	17,152	13	-	17,139	-	-	-	-
2.2. Profits posted to:	2,362	1,984	-	378	-	-	-	-
2.2.1. Income statement	2,362	1,984	-	378	-	-	-	-
- of which: capital gains	2,362	1,984	-	378	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**5,026**	**493**	**-**	**4,533**	**6**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	653	-	-	654	6	-	-	-
3.3. Losses posted to:	4,373	493	-	3,879	-	-	-	-
3.3.1. Income statement	4,373	493	-	3,879	-	-	-	-
- of which: capital losses	4,373	493	-	3,879	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	-	-	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**72,344**	**1,997**	**-**	**70,347**	**3,328**	**-**	**-**	**-**

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (Level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**441**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1 Issues	-	-	-
2.2. Losses posted to:	1,891	-	-
2.2.1. Income statement	1,891	-	-
- of which: capital losses	1,891	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1. Redemptions	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits posted to:	441	-	-
3.3.1. Income statement	441	-	-
- of which: capital gains	441	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**1,891**	**-**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2022				31.12.2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	16,431,194	2,066,447	735,264	13,466,003	16,330,175	2,271,868	8,319,758	6,089,065
2. Investment property	2,480	-	-	2,823	2,502	-	-	2,823
3. Non-current assets and disposal groups held for sale	7,453	-	-	7,453	13,080	-	-	13,080
Total	**16,441,127**	**2,066,447**	**735,264**	**13,476,279**	**16,345,757**	**2,271,868**	**8,319,758**	**6,104,968**
1. Financial liabilities at amortised cost	16,462,972	-	1,413,310	15,023,903	16,316,377	-	1,513,377	14,801,083
2. Liabilities associated with assets held for sale								
Total	**16,462,972**	**-**	**1,413,310**	**15,023,903**	**16,316,377**	**-**	**1,513,377**	**14,801,083**

Key
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

INFORMATION ON "DAY ONE PROFIT/LOSS"

IFRS 9 – Financial Instruments requires a financial instrument upon initial recognition to be measured at fair value, which is normally the transaction price (that is, the amount paid for the financial assets and the amount received for the financial liabilities). The foregoing holds true for exchanges of instruments quoted in an active market. If the market for a financial instrument is not active, then valuation techniques are used to determine its fair value. If a difference arises (so-called "day one profit/loss") between the transaction price and the amount determined at the time of initial recognition through the use of valuation techniques and this difference is not recognised immediately in the income statement, then disclosure needs to be provided as per paragraph 28 of IFRS 7, by indicating the accounting policy adopted for the income statement recognition, subsequent to initial recognition of the instrument, of the difference.
In relation to the operations put in place and on the basis of the internal measurement methods currently in use, the *fair value* of the financial instruments on initial recognition generally coincides with the transaction price; however, if a difference is found between the transaction price and the amount determined by using valuation techniques, this difference is immediately recognised in the income statement.

Main balance sheet and income statement captions

ASSETS

Cash and cash equivalents – caption 10

1.1 Cash and cash equivalents: breakdown

	30.06.2022	31.12.2021
a) Cash	52,253	52,904
b) Current accounts and demand deposits with Central Banks	-	-
c) Current accounts and demand deposits with banks	57,480	31,508
Total	**109,733**	**84,412**

Financial assets held for trading - caption 20

2.1 Financial assets held for trading: breakdown

Captions/Amounts	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	-	18,247	-	-	3,599	-
1.1 Structured securities	-	899	-	-	-	-
1.2 Other debt securities	-	17,348	-	-	3,599	-
2. Equity instruments	4,753	-	-	4,668	-	-
3. UCITS units	587	-	-	2,151	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**5,340**	**18,247**	**-**	**6,819**	**3,599**	**-**
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives	21	910	1,997	113	10	493
1.1 for trading	21	910	1,997	113	10	493
1.2 connected with the fair value	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with the fair value	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**21**	**910**	**1,997**	**113**	**10**	**493**
Total (A+B)	**5,361**	**19,157**	**1,997**	**6,932**	**3,609**	**493**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Caption 20 "Financial assets held for trading" comprises:

a) Cash assets held for trading;
b) Positive value of derivatives held for trading.

The policy adopted for the categorisation of financial instruments within the three levels of the fair value hierarchy is disclosed in the previous section on "Information on fair value".
All financial instruments included in financial assets held for trading are measured at fair value.

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparties

Captions/Amounts	30.06.2022	31.12.2021
A. Cash assets		
1. Debt securities	**18,247**	**3,599**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	13,425	3,599
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	4,822	-
2 Equity instruments	**4,753**	**4,668**
a) Banks	634	541
b) Other financial companies	977	1,209
of which: insurance companies	-	-
c) Non-financial companies	3,142	2,918
d) Other issuers	-	-
3. Mutual funds	**587**	**2,151**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**23,587**	**10,418**
B. Derivatives		
a) Central counterparties	-	-
b) Other	2,928	616
Total (B)	**2,928**	**616**
Total (A+B)	**26,515**	**11,034**

2.5 Other financial assets mandatorily at fair value: breakdown

Captions/Amounts	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**832**	**-**	**-**	**883**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	832	-	-	883	-
2 Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. UCITS units	**18,672**	**-**	**70,347**	**16,265**	**-**	**57,362**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**18,672**	**832**	**70,347**	**16,265**	**883**	**57,362**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "Financial assets mandatorily at fair value" includes the mutual fund units that are not held for trading purposes; these instruments by their very nature do not pass the SPPI test ("Solely Payments of Principal and Interest") foreseen in IFRS 9 "Financial Instruments". This caption includes quotas of closed-end funds subscribed following completion of a sale of non-performing loans to the fund; the fair value of fund units (level 3) is determined by applying the policies set out by the bank for that type of financial instrument.
In particular, in 2022 sales of loans were carried out for a nominal value of Euro 21,131 thousand, with the subscription of closed-end funds for Euro 11,219 thousand, valued in line with the Group's fair value policy.

2.6 Other financial assets mandatorily at fair value: breakdown by borrower/issuer

	30.06.2022	31.12.2021
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**832**	**883**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	832	883
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Mutual funds	**89,019**	**73,627**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**89,851**	**74,510**

Financial assets designated at fair value through other comprehensive income - caption 30

3.1 Financial assets designated at fair value through other comprehensive income: breakdown

Captions/Amounts	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**775,580**	**14,993**	**-**	**562,177**	**17,680**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	775,580	14,993	-	562,177	17,680	-
2 Equity instruments	**1,388**	**10,000**	**3,328**	**169**	**10,000**	**3,334**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**776,968**	**24,993**	**3,328**	**562,346**	**27,680**	**3,334**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Caption "30. Financial assets at fair value through other comprehensive income" comprises:
- the bond portfolio not intended for trading purposes and not held with the exclusive intent of collecting contractual cash flows;
- equity investments representing voting rights of less than 20% of the share capital of companies for which the so-called "FVOCI option" was adopted on FTA of IFRS 9 "Financial Instruments", or at the time of purchase if it is after 1 January 2018.

3.2 Financial assets designated at fair value through other comprehensive income: breakdown by borrower/issuer

Captions/Amounts	30.06.2022	31.12.2021
1. Debt securities	**790,573**	**579,859**
a) Central banks	-	-
b) Public administrations	774,614	561,059
c) Banks	15,180	18,798
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	779	-
2 Equity instruments	**14,716**	**13,503**
a) Banks	10,000	10,000
b) Other issuers:	4,716	3,503
- other financial companies	3,492	2,224
of which: insurance companies	-	-
- non-financial companies	1,224	1,279
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**805,289**	**593,360**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and total write-downs

		Gross value					Total write-downs				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated credit impaired	First stage	Second stage	Third stage	Purchased or originated credit impaired	Total partial write-offs
Debt securities		790,842	790,842	-	-	-	269	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**30.06.2022**	**790,842**	**790,842**	**-**	**-**	**-**	**269**	**-**	**-**	**-**	**-**
Total	**31.12.2021**	**580,022**	**580,022**	**-**	**-**	**-**	**163**	**-**	**-**	**-**	**-**

Financial assets measured at amortised cost - caption 40

4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks

Type of transaction/Amounts	30.06.2022						31.12.2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated credit impaired	L1	L2	L3
A. Due from central banks	**1,726,912**	**-**	**-**	**-**	**-**	**1,726,912**	**1,921,557**	**-**	**-**	**-**	**-**	**1,921,557**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	1,726,912	-	-	X	X	X	1,921,557	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	**536,227**	**-**	**-**	**-**	**369,121**	**146,306**	**523,696**	**-**	**-**	**-**	**365,651**	**163,854**
1. Loans	144,506	-	-	-	-	144,506	162,054	-	-	-	-	162,054
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	4,805	-	-	X	X	X	53,209	-	-	X	X	X
1.3. Other loans:	139,701	-	-	X	X	X	108,845	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	139,701	-	-	X	X	X	108,845	-	-	X	X	X
2. Debt securities	391,719	-	-	-	369,121	1,800	361,642	-	-	-	365,651	1,800
2.1 Structured securities	5,710	-	-	-	5,286	-	3,974	-	-	-	4,007	-
2.2 Other debt securities	386,009	-	-	-	363,835	1,800	357,668	-	-	-	361,644	1,800
Total	**2,263,137**	**-**	**-**	**-**	**369,121**	**1,873,218**	**2,445,253**	**-**	**-**	**-**	**365,651**	**2,085,411**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Stage segmentation takes place in compliance with the following requirements of "IFRS 9 Financial Instruments" in force from 1 January 2018:

a) stage 1 for exposures performing in line with expectations;
b) stage 2 for exposures performing below expectations or that have recorded a significant increase in credit risk compared with when they were originated (or purchased);
c) stage 3 for non-performing exposures.

The balances of item "B. Due from banks" are shown net of adjustments deriving from the application of the models for determining the expected loss on the "held to collect" debt securities portfolio in application of "IFRS 9 - Financial instruments".

Amounts due from central banks include the amount of the reserve requirement at the Bank of Italy. For the purpose of maintaining the average level of the reserve in line with the requirement, the amount thereof may fluctuate, even significantly, in relation to the contingent liquidity needs of the Bank.

The Bank's commitment to maintain the reserve requirement amounts to Euro 108.2 million at 30 June (Euro 103.9 million in December 2021).

Amounts due from banks do not include loans and receivables classified as non-performing loans.

Caption "2. Debt securities" includes securities held in the "held to collect" business model, i.e. held with the intention of collecting contractual cash flows.

4.2 Financial assets measured at amortised cost: breakdown of loans to customers

Type of transaction/Amounts	30.06.2022						31.12.2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated credit impaired	L1	L2	L3
1. Loans	**11,285,859**	**212,325**	**8,693**	**-**	**-**	**11,506,877**	**10,890,376**	**227,783**	**9,598**	**-**	**7,528,161**	**3,928,178**
1. Current accounts	1,025,941	30,020	130	X	X	X	911,200	42,010	161	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	8,053,068	166,725	8,438	X	X	X	7,943,255	169,031	9,284	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,078,542	7,461	4	X	X	X	980,345	8,000	12	X	X	X
5 Loans for leases	144,052	4,617	-	X	X	X	151,439	5,146	-	X	X	X
6. Factoring	84,732	12	-	X	X	X	76,935	107	-	X	X	X
7. Other loans	899,524	3,490	121	X	X	X	827,202	3,489	141	X	X	X
2. Debt securities	**2,661,180**	**-**	**-**	**2,066,447**	**366,143**	**85,908**	**2,757,165**	**-**	**-**	**2,271,868**	**425,946**	**75,476**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	2,661,180	-	-	2,066,447	366,143	85,908	2,757,165	-	-	2,271,868	425,946	75,476
Total	**13,947,039**	**212,325**	**8,693**	**2,066,447**	**366,143**	**11,592,785**	**13,647,541**	**227,783**	**9,598**	**2,271,868**	**7,954,107**	**4,003,654**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Gross loans amount to a total of Euro 11,831,437 thousand (Euro 11,472,049 thousand at the end of last year), of which Euro 11,394,432 thousand relate to performing loans (10,996,967) and Euro 437,005 thousand to non-performing loans (Euro 475,082 thousand).
The overall write-downs of these loans amount to Euro 324,560 thousand (vs Euro 344,292 thousand), of which Euro 105,058 thousand (vs Euro 102,938 thousand) on performing loans and Euro 219,502 thousand (vs Euro 241,354 thousand) on non-performing loans.
As regards non-performing loans, please refer to the section entitled "Information on risks and related hedging policies" of the condensed consolidated interim financial statements, also in consideration of the impact of the Russian-Ukrainian conflict and the Covid-19 epidemic on the interim financial report at 30 June 2022.
The breakdown of customer loans by type at 30 June 2022 (compared with 31 December 2021) highlights the further growth in medium/long-term mortgages and loans as a result of the initiatives undertaken to offer concrete support to households and businesses.
The table also includes the amounts of receivables sold which have not been derecognised, constituting eligible assets for the Covered Bond programme; at 30 June 2022, these loans and receivables amount to 1,767,051 thousand euro (formerly 1,491,336 thousand euro).
Sub-caption "Mortgage loans" also includes collateralised loans with the ECB (via the A.Ba.Co procedure) amounting to Euro 3,102,377 thousand (Euro 2,889,722 thousand at the end of last year).
The sub-caption "Other loans" includes financing operations other than those indicated in other sub-captions (for example, bullet loans, advances on invoices and bills of exchange, import/export advances and other miscellaneous items).

This caption includes the interest accrued at 30 June 2022 that is recoverable from 1 March of the following year, due to application of the new rules for the calculation of interest on banking transactions established in MEF Decree no. 343/2016, which implements art. 120, para. 2, of the Consolidated Banking Law (T.U.B.).
The caption "of which impaired acquired or originated" includes those loans that originated as part of forbearance measures granted on non-performing loans.
The table does not include Euro 7.5 million of loans held for sale, classified under item "120. Non-current assets and disposal groups held for sale".
The fair value of non-current performing loans is measured using techniques that discount the cash flows expected after considering the related credit risk, while the carrying amount of non-performing and current performing loans is considered to be a reasonable approximation of fair value. Considering current conditions in the loan market, the fair value of non-performing loans might not represent their final exit price, as there is still a certain amount of chance associated with the elements used for the determination of price by potential third-party purchasers.
Caption "2. Debt securities" includes securities held in the "held to collect" business model, i.e. held with the intention of collecting contractual cash flows. The value of debt securities is shown net of adjustments deriving from the application of the new models for determining the expected loss on the "held to collect" debt securities portfolio in application of "IFRS 9 - Financial instruments". This portfolio includes Euro 161,226 thousand (formerly Euro 177,580 thousand) of senior notes issued by the "2Worlds s.r.l." SPV following the sale of doubtful loans through use of the "GACS" scheme in 2018.

4.3 Financial assets measured at amortised cost: breakdown by borrower/issuer of loans to customers

Type of transaction/Amounts	30.06.2022			31.12.2021		
	First and second stage	Third stage	Impaired assets acquired or originated	First and second stage	Third stage	Impaired assets acquired or originated
1. Debt securities	**2,661,180**	**-**	**-**	**2,757,165**	**-**	**-**
a) Public administrations	2,183,798	-	-	2,250,151	-	-
b) Other financial companies	423,245	-	-	453,277	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	54,137	-	-	53,737	-	-
2. Loans to:	**11,285,859**	**212,325**	**8,693**	**10,890,376**	**227,783**	**9,598**
a) Public administrations	153,221	210	18	114,997	177	15
b) Other financial companies	217,811	1,989	-	206,611	2,067	-
of which: insurance companies	7,495	-	-	6,220	-	-
c) Non-financial companies	6,104,420	124,731	3,828	5,994,291	131,061	4,513
d) Households	4,810,407	85,395	4,847	4,574,477	94,478	5,070
Total	**13,947,039**	**212,325**	**8,693**	**13,647,541**	**227,783**	**9,598**

4.4 Financial assets measured at amortised cost: gross value and total write-downs

		Gross value					Total write-				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated credit impaired	First stage	Second stage	Third stage	Purchased or originated credit impaired	Total partial write-offs
Debt securities		3,057,436	3,057,436	-	-	-	4,537	-	-	-	-
Loans		11,372,464	69,260	1,889,994	428,965	11,708	19,007	86,173	216,640	3,015	**5,567**
Total	**30.06.2022**	**14,429,900**	**3,126,696**	**1,889,994**	**428,965**	**11,708**	**23,544**	**86,173**	**216,640**	**3,015**	**5,567**
Total	**31.12.2021**	**14,369,665**	**3,120,874**	**1,828,629**	**465,450**	**13,406**	**21,027**	**84,473**	**237,667**	**3,808**	**6,371**

The table shows the distribution of the exposures measured at amortised cost (both to banks and to customers) and the related adjustments in the three stages with increasing level of credit risk (due to the evolution over time) envisaged by IFRS 9 "Financial Instruments". Stage segmentation takes place in compliance with the following requirements:

a) stage 1 for exposures performing in line with expectations;
b) stage 2 for exposures performing below expectations or that have recorded a significant increase in credit risk compared with when they were originated (or purchased);
c) stage 3 for non-performing exposures.

The breakdown into stages is relevant for the application of the model for the calculation of impairment based on expected losses, determined on the basis of past events, current and reasonable conditions and "supportable" future forecasts. In particular, the model for the calculation of the expected loss has the following characteristics:

- calculation horizon of the expected loss equal to one year (stage 1) or lifetime (stages 2 and 3);
- inclusion in the impairment calculation model of forward-looking components, such as expected changes in the macroeconomic scenario.

With reference to debt securities only, the so-called " low credit risk exemption" is active, on the basis of which we identified as low credit risk exposures and therefore to be considered in stage 1 the exposures that, at each reference date, will have a rating equal or higher than "investment grade" (or a similar quality), regardless of whether the rating has or has not worsened since the time the security was purchased.

Hedging derivatives - caption 50

5.1 Hedging derivatives: breakdown by type and level

	30.06.2022				31.12.2021			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value	-	8,414	-	270,000	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**8,414**	**-**	**270,000**	**-**	**-**	**-**	**-**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item includes the fair value of derivatives taken out to hedge the interest rate risk on financial assets classified in the held-to-collect portfolio (fair value hedge).

Adjustment to financial assets with generic (or "macro") hedges - caption 60

6.1 Adjustment of hedged assets: breakdown by hedged portfolio

Adjustment of hedged assets/Amounts	30.06.2022	31.12.2021
1. Positive adjustments		
1.1 of specific portfolios:	**-**	**-**
a) financial assets at amortised cost	-	-
b) financial assets at fair value through other comprehensive income	-	-
1.2 total	472	502
2. Negative adjustments	-	-
2.1 of specific portfolios:	**-**	**-**
a) financial assets at amortised cost	-	-
b) financial assets at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**472**	**502**

The adjustment to financial assets with generic hedges ("macro-hedging") refers to the delta between fair value and amortised cost of mortgage portfolios (previously identified as a hedged item) outstanding on the date of termination of the "macro-hedging" relationships and released over the useful life of the portfolios.
At 30 June, the balance solely comprises unamortised positive differentials on portfolios that were discontinued in prior years.

Equity investments - caption 70

The balance is the investment in Anthilia Capital Management SGR S.p.A. acquired at the end of the period.

7.1 Equity investments: details of holdings

Name	**Registered office**	**Operational headquarters**	**Held %**	**Voting rights %**
B. Companies subject to significant influence				
Anthilia Capital Partners SGR S.p.A.	Milan	Milan	15.000	15.000

7.2 Significant equity investments: book value, fair value and dividends received

Name		Book value	Fair value	Dividends received
B. Companies subject to significant influence				
Anthilia Capital Partners SGR S.p.A.		4,865	-	-
	Total	**4,865**	**-**	**-**

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Net interest income	Net adjustments to property, plant and equipment	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) after tax on non-current assets held for sale	Net profit (loss) for the period (1)	Other elements of income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
B. Companies subject to significant influence														
Anthilia Capital Partners SGR S.p.A.	X	3,403	5,007	1,942	3,160	4,500	X	X	423	327	-	327	-	327

7.6 Significant assessments and assumptions in determining the existence of joint control and significant influence

IAS 28 *Investments in associates and joint ventures* defines significant influence as "the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies". IAS 28 also introduces a presumption of significant influence if the investor directly or indirectly holds 20% or more of the voting rights. If the investor holds 20% or more but maintains that it does not have significant influence, it will be up to the investor to demonstrate that it does not. On the other hand, if the investor holds less than 20% but the maintains that it does have significant influence, it will be up to the investor to demonstrate that it does.
The existence of significant influence is usually indicated if one or more of the following circumstances occurs:
a) representation on the board of directors or equivalent governing body of the investee;
b) participation in the policy-making process, including decisions regarding dividends or other types of profit distribution;
c) material transactions between the investor and the investee;
d) interchange of managerial personnel; or
e) provision of essential technical information.
As regards the investment in Anthilia Capital Management SGR S.p.A. (Anthilia), where Banco Desio has bought ordinary shares that represent 15% of its share capital, consideration was given to the contents of (i) the partnership agreements (investment agreement and commercial framework agreement) signed on 4 November 2021 by Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l. and (ii) the shareholders' agreementsigned on the same date by Banco Desio and Anthilia Holding S.r.l. concerning the rights and obligations of Banco Desio in relation to the corporate governance of the SGR and the transfer of its investment. From the overall contents of these agreements, the strategic value of the relationship was inferred, qualifying the power to participate in deciding the management policies of the investee as significant influence by virtue of the weight that Banco Desio had on the decision-making process through its representation on the Board of Directors of Anthilia.

7.8 Commitments relating to equity investments in companies subject to significant influence
Commitments deriving from the agreements with Anthilia on asset management
In execution of the Investment Agreement signed on 4 November 2021 between Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l., on 29 June 2022 Banco Desio subscribed and paid in the increase in capital approved by the SGR and reserved for subscription by Banco Desio for a total of Euro 4.6 million. As already mentioned, as result of the subscription and payment of this increase in capital, Banco Desio now holds a 15% interest in the share capital of the SGR. Moreover, in compliance with the provisions of the Investment Agreement, at the same time as the reserved increase in capital, the SGR issued and assigned to Banco Desio a total of 1,354,144 warrants ("Warrants") convertible into ordinary shares of the SGR, subject to Banco Desio achieving certain commercial objectives by 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR has approved a cash increase in capital for a total of Euro 20,000,000 (share capital and share premium), also reserved for subscription by Banco Desio. If the Warrants are converted, Banco Desio will be able to increase its shareholding, raising its interest to 30% of the SGR's share capital.

7.9. Significant restrictions
There are no significant restrictions (such as legal, contractual or regulatory restrictions) on the ability of the associated company to transfer funds to the Parent Company in the form of dividends, loan repayments or advances granted by the Parent Company.

Property, plant and equipment - caption 90

9.1 Property, plant and equipment - for business purposes:

Assets/Amounts	30.06.2022	31.12.2021
1. Own assets	**165,237**	**165,199**
a) land	52,553	52,553
b) property	94,815	95,846
c) furniture	3,527	3,691
d) electronic systems	4,749	4,373
e) other	9,593	8,736
2. Rights of use acquired under lease	**54,198**	**50,719**
a) land	-	-
b) property	53,518	49,989
c) furniture	-	-
d) electronic systems	-	-
e) other	680	730
Total	**219,435**	**215,918**

Land and buildings are measured at the amount revalued on 1 January 2004 on the first-time application of IAS. Otherwise, the policy method is cost; this criterion is also adopted for all other tangible fixed assets. The expected useful lives of the main asset categories are as follows:

- property: 50 years,
- office furniture, fittings, miscellaneous plant and equipment, armoured counters and compasses and alarm systems: 10 years,
- terminals and PCs, mixed use vehicles: 4 years.

Within each asset category, where necessary, certain types of assets may be attributed different and specified useful lives.
All categories of property, plant and equipment are depreciated on a straight line basis, except for land and works of art, which are not depreciated.
Under the heading "2. Rights of use acquired under lease", in accordance with IFRS 16 -"Leases" in force from 1 January 2019, right of use assets (or "RoU Assets") under lease agreements, calculated as the sum of the lease payable, initial direct costs, payments made on or before the contract's starting date (net of any incentives received for leasing) and decommissioning and/or restoration costs.

9.2 Investment property: breakdown of assets valued at cost

Assets/Amounts	30.06.2022				31.12.2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Own assets	**2,480**	**-**	**-**	**2,823**	**2,502**	**-**	**-**	**2,823**
a) land	1,052	-	-	1,187	1,052	-	-	1,187
b) property	1,428	-	-	1,636	1,450	-	-	1,636
2. Rights of use acquired under lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) property	-	-	-	-	-	-	-	-
Total	**2,480**	**-**	**-**	**2,823**	**2,502**	**-**	**-**	**2,823**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Intangible assets - caption 100

10.1 Intangible assets: breakdown by type

Assets/Amounts	30.06.2022		31.12.2021	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		**15,322**		**15,322**
A.2 Other intangible assets	**3,462**	**-**	**3,797**	**-**
of which: software	3,255	-	3,532	-
A.2.1 Assets carried at cost:	**3,462**	**-**	**3,797**	**-**
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3,462	-	3,797	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,462**	**15,322**	**3,797**	**15,322**

Intangible assets with an indefinite useful life are subjected to impairment testing at least one a year, particularly at the year end reporting date or in those cases whereby events have occurred that could be indicative of impairment.
Other intangible assets are amortised on a straight-line basis over their useful lives. For compensation for abandonment of leasehold premises, the useful life is the length of the lease agreement, while for computer software it is four years and for application software it is four or five years, based on the useful life specified within the asset category.

Analysis of trigger events for impairment testing of goodwill

According to IAS 36 and taking into account the information contained in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, an impairment test on cash generating units (CGU), which for Banco Desio coincide with the legal entities, is carried out at each period end.
Impairment testing, unchanged with respect to the previous year, is designed to check that the carrying amount of the CGU does not exceed its recoverable amount, defined as the higher of fair value that can be derived from continued use (value in use) and the potential selling price in the market (fair value less costs to sell or exchange value) of the CGU.
The impairment test carried out at 30 June 2022 on the CGUs underlying consolidated goodwill did not reveal any signs of losses.
In particular, in order to verify the existence of conditions that would have required the impairment tests to be repeated at the reporting date, certain qualitative and quantitative indicators of presumed impairment were monitored at legal entity level (i.e. CGUs).
The analysis of *trigger* events was carried out for the main assumptions considered in the context of the impairment test carried out for financial statement purposes at 31 December 2021. These were identified with particular reference to the net result for the period in relation to the forecasts, the development of loans in terms of risk-weighted assets (RWA), capital ratios (with particular reference to capital absorption) and the cost of equity (Ke).

Following this analysis, we did not identify any trigger events that might have led to a re-run of the impairment tests.

Tax Assets and Liabilities - asset caption 110 and liability caption 60

The tax assets and liabilities arising from the application of "deferred taxation" originated as a result of the temporary differences between the assets recognised in the financial statements and the corresponding tax values.
The theoretical tax rates applied to the temporary differences are those in effect at the time of their absorption.
Deferred tax assets are recognised when their recovery is probable. In particular, it should be noted that they refer for Euro 102,496 thousand to taxes as per Law 214/2011, which made it certain that they would be recovered, thereby making the IAS 12 Income taxes probability test automatically satisfied.
The Parent Company Banco di Desio e della Brianza S.p.A. is not obliged to pay the annual guarantee fee for the transformation of deferred tax assets into tax credits as per Law 214/2011 as introduced by art. 11 of D.L. 59/2016, as the tax base, calculated according to regulations, is negative.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	30.06.2022	31.12.2021
A) With contra-entry to the income statement:				
Tax losses				185
Tax deductible goodwill	3,332	675	4,007	4,482
Write-down of loans to customers deductible on a straight-line basis	105,519	14,744	120,263	128,870
General allowance for doubtful accounts	305		305	305
Statutory depreciation of property, plant and equipment	291		291	289
Provision for guarantees and commitments and country risk	1,122		1,122	1,116
Provisions for personnel costs	4,315	723	5,038	5,845
Provision for lawsuits	2,484		2,484	2,705
Provision for claw-backs	173	35	208	274
Provision for sundry charges	2,331	386	2,717	2,688
Tax provision for termination indemnities	7		7	6
Other	2,105	595	2,700	4,941
Total A	**121,984**	**17,158**	**139,142**	**151,706**
B) With contra-entry to shareholders' equity:				
Cash-flow hedges				1,301
Tax provision for termination indemnities	661		661	1,117
Write-down of securities classified at FVOCI	9,465	1,923	11,388	1,279
Other	72	15	87	90
Total B	**10,198**	**1,938**	**12,136**	**3,787**
Total (A+B)	**132,182**	**19,096**	**151,278**	**155,493**

14.2 Deferred tax liabilities: breakdown

	IRES	IRAP	30.06.2022	31.12.2021
A) With contra-entry to the income statement:				
Tax depreciation of property, plant and equipment		13	13	13
Tax amortisation of goodwill	14	3	17	12
Other	686	5	691	650
Total A	**700**	**21**	**721**	**675**
B) With contra-entry to shareholders' equity				
Cash-flow hedges				1,201
Revaluation of securities valued at FVOCI	112	23	135	24
Revaluation of equity investments	17		17	
Tax provision for termination indemnities	5		5	
Revaluation of artworks	51	10	61	61
Total B	**185**	**33**	**218**	**1,286**
Total (A+B)	**885**	**54**	**939**	**1,961**

Non-current assets and disposal groups held for sale and associated liabilities – Caption 120 of assets and Caption 70 of liabilities and shareholders' equity

At 30 June 2022, assets held for sale include Euro 7,453 thousand (vs Euro 13,080 thousand) of non-performing loans measured at their realisable amount.

Other assets - caption 130

13.1 Other assets: breakdown

	30.06.2022	31.12.2021
Tax credits		
- capital	295,753	151,210
- interest		
Amounts recoverable from the tax authorities for advances paid	33,316	36,334
Withholding tax credits		
Cheques negotiated to be cleared	26,277	15,502
Guarantee deposits		
Invoices issued to be collected	2,749	320
Debtors for securities and coupons to be collected by third parties		
Printer consumables and stationery		
Items being processed and in transit with branches	31,852	22,796
Currency spreads on portfolio transactions		
Investments of the supplementary fund for termination indemnities	6	19
Leasehold improvement expenditure	7,629	7,278
Accrued income and prepaid expenses	17,459	20,150
Other items	38,964	36,480
Total	**454,005**	**290,089**

The "Tax credits - capital" caption mainly relates to:

- for Euro 289,098 thousand, to the Ecobonus and Sismabonus tax credits (pursuant to Law 77/2000 which converted Legislative Decree 34/2020 into law) recorded by the Bank following customers' transfers of the credits corresponding to their tax deductions;
- for Euro 1,127 thousand, to the credit linked to management of the reconstruction loans disbursed after the 2009 earthquake in Abruzzo;
- for Euro 2,926 thousand, to the credit linked to management of the reconstruction loans disbursed after the 2016 earthquake in Central Italy.
-

"Amounts recoverable from the tax authorities for advances paid" relate to payments of tax advances that exceed the tax liability as per the applicable tax return; in detail, they refer to:

- a receivable for virtual stamp duty of Euro 28,163 thousand;
- the credit for the advance payment of the substitute tax due on the administered capital gain of Euro 4,750 thousand, pursuant to art. 2, para. 5, of Legislative Decree no. 133 of 30 November 2013 (Euro 10,101 thousand at the end of the previous year);
- the credit for withholding taxes on interest on deposits and current accounts of Euro 403 thousand (Euro 792 thousand at the end of the previous year).
-

The "Items being processed and in transit with branches" principally include cheques being processed, Euro 1,323 thousand (vs Euro 1,587 thousand at the end of the previous year), the F24 tax payment forms accepted that will be debited to accounts on the due date, Euro 9,642 thousand (vs Euro 1,706 thousand) and the recovery of commissions on lines of credit made available to customers, Euro 6,916 thousand (vs Euro 6,849 thousand). This caption comprises transactions that are usually closed out within a few days of the start of the new reference period.

"Leasehold improvement expenditure" is depreciated each year in accordance with the residual period of the lease agreement.

"Accrued income and prepaid expenses" include amounts that are not attributable to specific asset captions.

The main sub-captions included in the caption "Other items" are:

- other amounts awaiting collection for 18,763 thousand euro (mainly stamp duty recoverable on bank statements, services charged to clients on a quarterly basis and interbank income receivable;
- receivables for 5,852 thousand euro from financial consultants for the amount awarded by way of entry bonus and not yet vested;
- invoices to be issued for Euro 908 thousand.

LIABILITIES

Financial liabilities measured at amortised cost - caption 10

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks

Type of transaction/Amounts	30.06.2022				31.12.2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**3,786,873**	X	X	X	**3,805,889**	X	X	X
2 Due to banks	**131,157**	X	X	X	**9,806**	X	X	X
2.1 Current accounts and demand deposits	31,157	X	X	X	56	X	X	X
2.2 Time deposits	-	X	X	X	9,750	X	X	X
2.3 Loans	100,000	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	100,000	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Finance lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**3,918,030**	**-**	**-**	**3,918,030**	**3,815,695**	**-**	**-**	**3,815,695**

Key
BV= Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The "Due to central banks" caption reflects the funding facility assigned to the Bank by the ECB as part of TLTRO operations. To assist this loan, the Bank has lodged collateralised mortgage loans with the ECB (via the A.Ba.Co. procedure).

Banco Desio

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers

Type of transaction/Amounts	30.06.2022				31.12.2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	10,230,339	X	X	X	10,124,243	X	X	X
2. Time deposits	380,706	X	X	X	434,619	X	X	X
3. Loans	383,687	X	X	X	324,775	X	X	X
3.1 Repurchase agreements	229,844	X	X	X	207,735	X	X	X
3.2 Other	153,843	X	X	X	117,040	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Finance lease payables	55,142	X	X	X	51,817	X	X	X
6. Other payables	48,796	X	X	X	42,963	X	X	X
Total	**11,098,670**	**-**	**-**	**11,098,670**	**10,978,417**	**-**	**-**	**10,978,417**

Key
BV= Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The "3.2 Loans: Other" caption represents loans received from Cassa Depositi e Prestiti that were used to grant reconstruction loans to customers following the 2009 earthquake in Abruzzo.
In application of IFRS 16, caption 5. "Finance lease payables" shows the lease liability, consisting of the current value of the payments which still have to be paid to the lessor at the valuation date.
Caption "6. Other payables" consists of: cashier's cheques for Euro 43,196 thousand and cheques for Euro 540 thousand (cashier's cheques for Euro 38,894 thousand and cheques for Euro 540 thousand respectively at the end of the previous year).

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities in issue

Type of security/Amounts	30.06.2022				31.12.2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	1,439,069	-	1,413,310	-	1,515,294	-	1,513,377	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,439,069	-	1,413,310	-	1,515,294	-	1,513,377	-
2. other securities	7,203	-	-	7,203	6,971	-	-	6,971
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	7,203	-	-	7,203	6,971	-	-	6,971
Total	**1,446,272**	**-**	**1,413,310**	**7,203**	**1,522,265**	**-**	**1,513,377**	**6,971**

Key
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

This caption reflects funding by means of securities, which include bonds and certificates of deposit, the book value of which is measured at amortised cost (or at fair value if the security is hedged), inclusive of accrued interest thereon. The total funds collected are shown net of repurchased securities.
The caption A.1.2 "Bonds: other" includes the Guaranteed Bank Bonds (GGB) issued for Euro 1,077 million. "A.2.2 Other securities: other" consist of certificates of deposit and related accrued interest, with a short term maturity.

1.4 Details of caption "10.c) Debt securities in issue": subordinated securities

Bonds	Issue date	Maturity date	Currency	Interest rate	30.06.2022	31.12.2021
ISIN code IT0005107880	28.05.2015	28.05.2022	EUR	FR	-	80,027
Total					**-**	**80,027**

During the period, no further subordinated bonds were issued by the Group.

Financial liabilities held for trading - caption 20

2.1 Financial liabilities held for trading: breakdown

Type of transaction/Amounts	30.06.2022					31.12.2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	3,709	1,891	-	-	-	5,461	440	-
1.1 For trading	X	-	3,709	1,891	X	X	-	5,461	440	X
1.2 connected with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**3,709**	**1,891**	**X**	**X**	**-**	**5,461**	**440**	**X**
Total (A+B)	**X**	**-**	**3,709**	**1,891**	**X**	**X**	**-**	**5,461**	**440**	**X**

Key
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date*

Caption 20 "Financial liabilities held for trading" comprises the negative value of derivatives held for trading.

Hedging derivatives - caption 40

4.1 Hedging derivatives: breakdown by type and level

	Fair value 30.06.2022			NV	Fair value 31.12.2021			NV
	L1	L2	L3	30.06.2022	L1	L2	L3	31.12.2021
A. Financial derivatives	**-**	**6,613**	**-**	**225,000**	**-**	**365**	**-**	**80,000**
1) Fair value	-	6,613	-	225,000	-	-	-	-
2) Cash flows	-	-	-	-	-	365	-	80,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,613**	**-**	**225,000**	**-**	**365**	**-**	**80,000**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item includes the fair value of derivatives taken out to hedge financial assets classified in the held-to-collect portfolio (fair value hedge).
At 31 December of the previous year, the item included the fair value of derivatives taken out to hedge bonds issued by the Bank (cash flow hedge), which were extinguished during the period.

Other liabilities - caption 80

8.1 Other liabilities: breakdown

	30.06.2022	31.12.2021
Due to tax authorities	468	804
Amounts payable to tax authorities on behalf of third parties	123,405	34,324
Social security contributions to be paid	3,746	6,411
Dividends due to shareholders	18	16
Suppliers	18,202	17,408
Amounts available to customers	12,002	13,580
Interest and dues to be credited		
Payments against bill instructions	33	58
Early payments on loans not yet due	257	43
Items being processed and in transit with branches	22,727	9,761
Currency differences on portfolio transactions	330,363	137,428
Due to personnel	6,764	8,032
Sundry creditors	156,841	83,800
Provisions for guarantees given and commitments		
Accrued expenses and deferred income	14,833	9,020
Total	**689,659**	**320,685**

The "Amounts payable to tax authorities on behalf of third parties" mainly relate to the F24 tax payments to be made on behalf of customers and to the taxes withheld by the for payment to the tax authorities.
"Items being processed and in transit with branches" are generally settled in the first few days of the next period. The main components thereof relate to:

- bank transfers in progress for a total of Euro 8,803 thousand (Euro 1,677 thousand at the end of the previous year);
- MAV/RAV receipts, payment slips and Sepa direct debit (SDD) instructions for Euro 817 thousand (Euro 1,121 thousand at the end of the previous year);
- items relating to securities transactions subsequently settled for Euro 2,290 thousand (Euro 277 thousand);
- items in transit for the settlement of customers' purchase orders for asset management products (funds and bancassurance) for Euro 2,713 thousand (vs Euro 682 thousand);
- collections relating to factoring transactions from customers for Euro 4,421 thousand (Euro 3,302 thousand).

The amount of "Currency differences on portfolio transactions" is the result of the offset of illiquid liability positions against illiquid asset positions, in relation to various types of transactions in connection with the accounts of customers and of correspondent banks.
"Due to personnel" includes the payable relating to early retirement incentives of Euro 5,329 thousand (Euro 9.877 thousand at the end of the previous year) and the year end balance of the amount due for holiday pay of Euro 703 thousand (Euro 1,791 thousand at the prior year end).

The main items included under caption "Sundry creditors" refer to: bank transfers being processed of Euro 134,169 thousand (Euro 64,527 thousand at the end of the previous year), sundry creditors for currency trading transactions for Euro 2,323 thousand (Euro 824 thousand in the previous year), creditors for bills paid for Euro 3,611 thousand (Euro 3,807 thousand in the previous year), and sums collected for pending disputes awaiting attribution for Euro 5,070 thousand (Euro 5,080 thousand in the previous year).

Provisions for risks and charges - caption 100

10.1 Provisions for risks and charges: breakdown

Items/Components	30.06.2022	31.12.2021
1. Credit risk provisions relating to commitments and financial guarantees given	4,078	4,058
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and similar commitments	-	-
4. Other provisions for risks and charges	39,925	42,718
4.1 Legal and tax disputes	10,220	10,969
4.2 Personnel expenses	15,420	18,150
4.3 Other	14,285	13,599
Total	**44,003**	**46,776**

In caption "1. Provisions for credit risk relating to commitments and financial guarantees given", the risk provision is determined by applying the models for calculating the expected loss defined on first-time adoption of "IFRS 9 Financial Instruments".
The sub-caption "Legal disputes" includes provisions made for losses expected to arise from disputes, of which Euro 9,580 thousand relates to legal disputes (Euro 10,140 thousand at the end of last year) and Euro 640 thousand relates to bankruptcy clawback actions (Euro 829 thousand).

The caption "personnel expenses" mainly includes the estimated liabilities for redundancy payments of Euro 4,067 thousand (Euro 4,067 thousand last year), for the bonus system of Euro 8,460 thousand (Euro 10,236 thousand), seniority bonuses and additional holidays for Euro 2,894 thousand (Euro 3,828 thousand).

The caption "Other" includes provisions for charges pertaining to other operating risks, including provisions for contractual indemnities due to financial advisors on the occurrence of certain conditions

Group Shareholders' equity - captions 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

	30.06.2022	31.12.2021
A. Share capital	**70,693**	**70,693**
A.1 Ordinary shares	70,693	70,693
A.2 Savings shares	-	-
A.3 Preference shares	-	-
A.4 Other shares	-	-
B. Treasury shares	**-**	**-**
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Preference shares	-	-
B.4 Other shares	-	-
Total	**70,693**	**70,693**

The share capital of Banco Desio Brianza, fully subscribed and paid up, is made up of 134,363,049 ordinary shares without par value.
No Group company holds or has held any treasury shares in the course of the period.

Minority interests - caption 190

14.1 Details of caption 210 "Minority interests"

Name	30.06.2022	31.12.2021
Equity investments in consolidated companies with significant minority interests	**4**	**4**
Desio OBG S.r.l.	4	4
Other equity investments	0	0
Total	**4**	**4**

Interest - captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	30.06.2022	30.06.2021
1. Financial assets at fair value through profit or loss:	**406**	**-**	**-**	**406**	**191**
1.1 Financial assets held for trading	349	-	-	349	134
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	57	-	-	57	57
2. Financial assets at fair value through other comprehensive income	**1,251**	**-**	**X**	**1,251**	**391**
3. Financial assets at amortised cost:	**17,962**	**113,900**	**-**	**131,862**	**126,790**
3.1 Due from banks	2,926	59	X	2,985	2,276
3.2 Loans to customers	15,036	113,841	X	128,877	124,514
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**3,663**	**3,663**	**59**
6. Financial liabilities	**X**	**X**	**X**	**21,194**	**17,875**
Total	**19,619**	**113,900**	**3,663**	**158,376**	**145,306**
of which: interest income on impaired financial assets	-	75	-	75	13
of which: interest income from finance leases	X	1,160	X	1,160	1,114

Interest on "Financial assets at amortised cost" is recognised net of default interest accrued and not collected in the reference period on non-performing loans, since this is only recorded in the financial statements when collected. The interest in question accrued at the end of June amounts to Euro 1,560 thousand (Euro 765 thousand at the and of June last year).

Conversely, the caption includes default interest pertaining to previous period and collected during the period of Euro 245 thousand (Euro 236 thousand in June last year).

It should be noted that the balance of caption 3.2 "Loans to customers" at 30 June 2022 includes the release of the "Time value of impaired financial assets" equal to Euro 2,691 thousand (Euro 3,772 thousand) and negative adjustments on interest relating to non-performing loans of Euro 664 thousand (Euro 1,160 thousand)

Caption 5. "Other assets" includes revenues of Euro 3,663 thousand (Euro 59 thousand in June last year)relating to the Ecobonus and Sismabonus tax credits recognised by the Bank following the sale by customers, showing the remuneration in net interest income during the recovery period.

Caption 6. "Financial liabilities" includes the negative interest expense for Euro 19,015 thousand accrued on the TLTRO III loans obtained from the Eurosystem, recognised using the effective interest rate on an amortised cost basis.

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Payables	Securities	Other transactions	30.06.2022	30.06.2021
1. Financial liabilities at amortised cost	(9,416)	(5,986)	X	(15,402)	(16,152)
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(427)	X	X	(427)	(368)
1.3 Due to customers	(8,989)	X	X	(8,989)	(9,068)
1.4 Debt securities in issue	X	(5,986)	X	(5,986)	(6,716)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(247)	(247)	(840)
5. Hedging derivatives	X	X	(1,036)	(1,036)	(584)
6. Financial assets	X	X	X	(4,649)	(2,547)
Total	**(9,416)**	**(5,986)**	**(1,283)**	**(21,334)**	**(20,123)**
of which: interest expense relating to lease payables	(311)	X	X	(311)	(374)

The amount in item "5. Hedging derivatives" represents the difference between the positive and negative differentials on this type of financial instrument.

1.5 Differentials on hedging transactions

Captions	30.06.2022	30.06.2021
A. Positive differentials on hedging transactions	-	-
B. Negative differentials on hedging transactions	(1,036)	(584)
C. Balance (A-B)	**(1,036)**	**(584)**

The item includes the interest differential on derivatives taken out to hedge the interest rate risk on financial assets classified in the held-to-collect portfolio (fair value hedge)

Commission - captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	30.06.2022	30.06.2021
a) Financial instruments	9,510	9,406
1. Placement of securities	1,632	1,858
1.1 With firm commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	1,632	1,858
2. Reception and transmission of orders and execution of orders on behalf of customers	2,684	2,977
2.1 Order taking for one or more financial instruments	2,684	2,977
2.2 Execution of orders on behalf of customers	-	-
3. Other commission connected with operations linked to financial instruments	5,194	4,571
of which: trading on own account	-	-
of which: individual asset management	5,194	4,571
b) Corporate Finance	-	-
1. M&A consultancy	-	-
2. Treasury services	-	-
3. Other commission connected with corporate finance services	-	-
c) Investment consultancy	-	-
d) Clearing and settlement	-	-
e) Collective asset management	-	-
f) Custody and administration	865	851
1. Custodian bank	-	-
2. Other commission linked to custody and administration	865	851
g) Centralise administration services for collective asset management	-	-
h) Trustee activities	-	-
i) Payment services	52,966	52,555
1. Current accounts	36,978	37,113
2. Credit cards	5,160	5,404
3. Debit cards and other payment cards	2,275	2,130
4. Bank transfers and other payment orders	4,592	4,089
5. Other commission linked to payment services	3,961	3,819
j) Distribution of third-party services	30,972	30,037
1. Collective asset management	16,756	16,514
2. insurance products	13,053	12,337
3. Other products	1,163	1,186
of which: individual asset management	180	189
k) Structured finance	-	-
l) Servicing related to securitisation	35	42
m) Commitments to disburse funds	-	-
n) Financial guarantees given	1,190	1,158
of which: credit derivatives	-	-
Financing transactions	1,013	699
of which: factoring transactions	1,013	699
p) Trading in foreign exchange	576	501
q) Commodities	-	-
r) Other commission income	7,115	7,265
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading facilities	-	-
Total	**104,242**	**102,514**

Commission relating to the "distribution of third-party services" (sub-caption j.3) are mainly commissions for the distribution of personal loans.
"Other commission income" includes commission income for salary-backed loans and loans with proxy payments for Euro 2,744 thousand (vs Euro 2,955 thousand at the end of the comparative period), fees for the internet banking service for Euro 974 thousand (vs Euro 975 thousand), recovery of expenses on the collection of mortgage instalments for Euro 804 thousand (vs Euro 683 thousand) and commissions for business promotion contracts for Euro 933 thousand (vs Euro 973 thousand).

2.2 Commission expense: breakdown

Services/Amounts	30.06.2022	30.06.2021
a) Financial instruments	(144)	(136)
of which: trading in financial instruments	(144)	(136)
of which: placement of financial instruments	-	-
of which: individual asset management	-	-
- Own portfolio	-	-
- Portfolios managed by third parties	-	-
b) Clearing and settlement	-	-
c) Collective asset management	-	-
1. Own portfolio	-	-
2. Portfolios managed by third parties	-	-
d) Custody and administration	(720)	(695)
e) Collection and payment services	(984)	(1,074)
of which: credit and debit cards and other payment cards	(256)	(341)
f) Servicing related to securitisation	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(95)	(43)
of which: credit derivatives	-	-
i) offer of securities, financial products and services through financial promoters	(7,921)	(6,682)
j) Trading in foreign exchange	-	-
m) Other commission expense	(294)	(483)
Total	**(10,158)**	**(9,113)**

Caption "offer of securities, financial products and services through financial advisors" shows the balance of commission expense for expenses connected to the network of financial advisors and agents.
"Other commission expense" mainly refer to fees for payment services and e-money services provided by third party counterparties for Euro 175 thousand (vs Euro 378 thousand).

Dividends and similar income - caption 70

3.1 Dividends and similar income: breakdown

Caption/Income	30.06.2022		30.06.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	91	-	61	-
B. Other financial assets mandatorily at fair value	-	-	-	-
C. Financial assets valued at fair value through other comprehensive income	458	-	453	-
D. Equity investments	-	-	-	-
Total	**549**	**-**	**514**	**-**

In addition to the amount of dividends received from subsidiaries, the table shows dividend income from non-controlling interests classified as "Financial assets designated at fair value through other comprehensive income" and dividends relating to equity instruments classified as "Financial assets held for trading".

Net trading income - caption 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**152**	**710**	**(4,143)**	**(112)**	**(3,393)**
1.1 Debt securities	-	54	(3,281)	-	(3,227)
1.2 Equity instruments	123	245	(809)	(112)	(553)
1.3 UCITS units	29	383	(53)	-	359
1.4 Loans	-	-	-	-	-
1.5 Other	-	28	-	-	28
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**1,542**
4. Derivatives	**3,394**	**5,372**	**(866)**	**(4,292)**	**3,677**
4.1 Financial derivatives:	3,394	5,372	(866)	(4,292)	3,677
- On debt securities and interest rates	3,394	1,574	(773)	(1,453)	2,742
- On equities and equity indices	-	3,798	(93)	(2,839)	866
- On currency and gold	X	X	X	X	69
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with the fair value option	X	X	X	X	X
Total	**3,546**	**6,082**	**(5,009)**	**(4,404)**	**1,826**

The captions "1. Financial assets held for trading" and "4. Derivatives" include income from financial assets held for trading.
Caption "3. Other financial assets and liabilities: exchange differences" includes the gains (or losses) arising from the translation of foreign currency assets and liabilities that differ from those held for trading.

Net hedging gains (losses) - caption 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	30.06.2022	30.06.2021
A. Income relating to:		
A.1 Fair value hedges	8,906	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedges	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**8,906**	**-**
B. Charges relating to:		
B.1 Fair value hedges	(6,448)	-
B.2 Hedged financial assets (fair value)	(1,651)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedges	(3)	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**(8,102)**	**-**
C. Net hedging gains (losses) (A-B)	**804**	**-**
of which: result of hedging on net positions	-	-

This item mainly shows the net result of hedging the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge type). The various sub-captions indicate income components arising from the measurement process for hedged assets and liabilities as well as from the related hedging derivatives.

Gains (Losses) on disposal or repurchase - caption 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Caption/Income items	30.06.2022			30.06.2021		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets at amortised cost	9,572	(5,622)	3,950	1,809	(717)	1,092
1.1 Due from banks	375	-	375	-	-	-
1.2 Loans to customers	9,197	(5,622)	3,575	1,809	(717)	1,092
2. Financial assets at fair value through other comprehensive income	662	(85)	577	2,838	(470)	2,368
2.1 Debt securities	662	(85)	577	2,838	(470)	2,368
2.2 Loans	-	-	-	-	-	-
Total assets	**10,234**	**(5,707)**	**4,527**	**4,647**	**(1,187)**	**3,460**
Financial liabilities at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	3	-	3	8	(95)	(87)
Total liabilities	**3**	**-**	**3**	**8**	**(95)**	**(87)**

This caption includes the net gain (loss) on disposal of financial assets, excluding those held for trading and those designated at fair value through profit and loss, as well as the net gain (loss) from the repurchase of own securities.
The caption "1.2. Loans to customers" also includes the net gain (loss) on disposal of non-performing loans.
The caption "2. Financial assets at fair value through other comprehensive income" includes the net gain (loss) on sales in the year, inclusive of the release of the related valuation reserve, gross of the tax effect.
As regards financial liabilities, the caption "3. Debt securities in issue" includes the net gain (loss) from the repurchase of own bonds.

Result of financial assets and liabilities designated at fair value through profit and loss - caption 110

7.2. Net change in value of other financial assets and liabilities designated at fair value through profit and loss: breakdown of other financial assets that are mandatorily valued at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**380**	**6**	**(5,713)**	**(180)**	**(5,507)**
1.1 Debt securities	-	-	(50)	-	(50)
1.2 Equity instruments	-	-	-	-	-
1.3 UCITS units	380	6	(5,663)	(180)	(5,457)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**1**
Total	**380**	**6**	**(5,713)**	**(180)**	**(5,506)**

This item consists of the result of financial instruments which are mandatorily at fair value through profit or loss, even if they are not held for trading, as they fail to pass the SPPI (Solely Payments of Principal and Interest) test foreseen in IFRS 9 *Financial Instruments* . This item is made up mainly of UCITS, which by their very nature do not have characteristics compatible with passing the test.

Net adjustments for credit risk - caption 130

8.1 Net adjustments for credit risk relating to financial assets at amortised cost: breakdown

Transactions/Income components	Write-downs (1)						Write-backs (2)				30.06.2022	30.06.2021
	First stage	Second stage	Third stage		Purchased or originated credit impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
			Write-off	Other	Write-off	Other						
A. Due from banks	**(718)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(718)**	**(19)**
- Loans	(209)	-	-	-	-	-	-	-	-	-	(209)	(41)
- Debt securities	(509)	-	-	-	-	-	-	-	-	-	(509)	22
B. Loans to customers	**(2,072)**	**(1,743)**	**(631)**	**(30,457)**	**-**	**-**	**122**	**13**	**10,557**	**-**	**(24,211)**	**(43,295)**
- Loans	(581)	(1,743)	(631)	(30,457)	-	-	122	13	10,557	-	(22,720)	(43,158)
- Debt securities	(1,491)	-	-	-	-	-	-	-	-	-	(1,491)	(137)
Total	**(2,790)**	**(1,743)**	**(631)**	**(30,457)**	**-**	**-**	**122**	**13**	**10,557**	**-**	**(24,929)**	**(43,314)**

This caption includes the adjustments and write-backs made against the credit risk of assets at amortised cost (loans to banks and customers, including debt securities).
As regards "Write-downs" the figure in the "Write-off" column relates to losses from the write-off of doubtful loans.
"Write-downs – third stage", which arise from the analytical assessment of the probability of recovery of non-performing loans and by discounting cash flows expected to be generated, relate to:

- Bad loans of 10,656 thousand euro (13,089 thousand euro in June 2021);
- Unlikely to pay loans of 19,177 thousand euro (27,778 thousand euro in June 2021);
- Past due loans of 624 thousand euro (311 thousand euro in June 2021).

"Write-backs of first and second stage" are calculated on the performing loan portfolio.
"Specific write-backs - third stage" relate to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 86 thousand (Euro 383 thousand in June 2021)
- collections of loans previously written down for 5,751 thousand euro (3,868 thousand euro in June 2021)
- recoveries from valuations for Euro 4,720 thousand (Euro 2,610 thousand in June 2021).

Adjustments to loans and debt securities result from the application of models for determining expected loan losses adopted by the Group in application of "IFRS9 Financial Instruments".
For more information on the expected losses recorded at 30 June 2022, please refer to the section entitled "Implications of the Russian-Ukrainian conflict and the Covid-19 epidemic" of this interim financial report at 30 June 2022 included in the section "Basis of preparation and accounting policies".

8.2 Net adjustments for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

Transactions/Income components	Write-downs (1)						Write-backs (2)				30.06.2022	30.06.2021
	First stage	Second stage	Third stage		Purchased or originated credit impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	(137)	-	-	-	-	-	31	-	-	-	(106)	10
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(137)	-	-	-	-	-	31	-	-	-	(106)	10

This item includes the adjustments and write-backs deriving from application of the models for determining the expected loss on the "held to collect & sell" debt securities portfolio in application of "IFRS 9 - Financial Instruments".

Section 9 - Profits/losses from contractual changes without cancellations - caption 140

9.1 Profits/losses from contractual changes: breakdown

This caption includes the adjustment made to the book values of loans to customers that undergo changes to the contractual cash flows without giving rise to accounting cancellations pursuant to para. 5.4.3 and Appendix A of IFRS 9.

Administrative expenses - caption 190

12.1 Payroll costs: breakdown

Type of expense/Amounts	30.06.2022	30.06.2021
1) Employees	(83,668)	(84,092)
a) wages and salaries	(57,045)	(57,816)
b) social security charges	(15,175)	(15,491)
c) termination indemnities	-	-
d) pension expenses	-	-
e) provision for termination indemnities	(61)	(8)
f) provision for post-retirement benefits and similar commitments:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(5,110)	(5,297)
- defined contribution	(5,110)	(5,297)
- defined benefit	-	-
h) Equity-based payments	-	-
i) other personnel benefits	(6,277)	(5,480)
2) Other active employees	(514)	(349)
3) Directors and auditors	(1,328)	(1,522)
4) Retired personnel	-	-
Total	**(85,510)**	**(85,963)**

The caption "1.g – payments to external supplementary pension funds: defined contribution" includes part of the termination indemnities paid to the state pension scheme and to supplementary pension funds. Details of caption "1.i) – other employee benefits" are provided in table 12.4 below.

12.4 Other personnel benefits

	30.06.2022	30.06.2021
Provision for sundry charges	(4,542)	(4,020)
Contributions to healthcare fund	(928)	(920)
Training and instruction costs	(271)	(127)
Rent expense of property used by employees	(41)	(50)
Redundancy incentives	(11)	916
Other	(484)	(1,279)
Total	**(6,277)**	**(5,480)**

"Provision for sundry charges" comprises the provision to the employees' bonus system.
Interest expense for discounting the liability recognised in 2020 for access to"Solidarity Fund for Income Support" is shown under "Redundancy incentives" ; at the end of the prior period, the provision was adjusted on completion of negotiations with all of the people concerned with the result that the surplus was released and recognised as income.
The main components of "Other" include the charges relating to the provision of staff catering services (luncheon vouchers) for Euro 1,193 thousand (Euro 1,168 thousand at June 2021) and insurance premiums for Euro 135 thousand (vs Euro 156 thousand), net of the effect of the actuarial valuation on the liability relating to seniority bonuses and additional holidays for Euro 940 thousand.

12.5 Other administrative costs: breakdown

	30.06.2022	30.06.2021
Indirect taxes and duties:		
- Stamp duty	(13,743)	(13,132)
- Other	(2,695)	(3,033)
Other costs:		
- IT expenses	(10,098)	(10,211)
- Lease of property and other assets	(1,097)	(1,051)
- Maintenance of buildings, furniture and equipment	(4,308)	(4,398)
- Post office and telegraph	(619)	(782)
- Telephone and data transmission	(2,519)	(2,577)
- Electricity, heating, water	(2,904)	(1,789)
- Cleaning services	(1,661)	(1,628)
- Printed matter, stationery and consumables	(231)	(499)
- Transport costs	(640)	(532)
- Surveillance and security	(792)	(871)
- Advertising	(495)	(500)
- Information and surveys	(880)	(1,283)
- Insurance premiums	(699)	(566)
- Legal fees	(1,359)	(1,283)
- Professional consulting fees	(4,231)	(4,168)
- Various contributions and donations	(43)	(49)
- Sundry expenses	(11,401)	(12,874)
Total	**(60,415)**	**(61,226)**

The item includes the operating costs incurred to deal with the Covid-19 epidemiological situation for 1,435 thousand euro.
Sundry expenses include the ordinary and extraordinary contribution to the Single Resolution Mechanism (SRM) for Euro 7,263 thousand (Euro 9,008 thousand at June 2021), reimbursements to employees for travel expenses, mileage reimbursements for Euro 448 thousand (Euro 289 thousand), expenses for registration of mortgage, injunctions and assignment of receivables for Euro 153 thousand (Euro 209 thousand), membership fees for Euro 576 thousand (Euro 511 thousand) and subscriptions to newspapers and magazines for Euro 108 thousand (Euro 138 thousand).

Net provisions for risks and charges - caption 200

13.3 Other net provisions for risks and charges: breakdown

	Provision	Utilisations	30.06.2022	30.06.2021
Commitments for guarantees given	(483)	433	(50)	712
Charges for legal disputes	(2,820)	1,793	(1,027)	(2,500)
Other	(941)	988	47	(85)
Total	**(4,244)**	**3,214**	**(1,030)**	**(1,873)**

The item "Commitments for guarantees given" represents the net provision for risks determined by applying the models for calculating the expected loss in accordance with "IFRS 9 Financial Instruments".
Charges for legal disputes include provisions made in the year for expected losses arising from legal disputes and bankruptcy clawback actions.
The item "other" includes provisions cover residual operating risks.

Net adjustments to property, plant and equipment - caption 210

14.1. Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 For business purposes	(7,943)	-	-	(7,943)
- Owned	(3,230)	-	-	(3,230)
- Rights of use acquired under lease	(4,713)	-	-	(4,713)
A.2 Investment property	(22)	-	-	(22)
- Owned	(22)	-	-	(22)
- Rights of use acquired under lease	-	-	-	-
A.3 Other	X	-	-	-
Total	**(7,965)**	**-**	**-**	**(7,965)**

The adjustments consist entirely of depreciation computed over the useful lives of the assets.
The item "Rights of use acquired under lease" includes the depreciation charged on RoU Assets recorded in application of IFRS16 "leases" and calculated as the sum of the lease payable, initial direct costs, payments made on or before the contract's starting date (net of any incentives received for leasing) and decommissioning and/or recovery costs.

Net adjustments to intangible assets - caption 220

15.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(998)	-	-	(998)
- Generated internally	-	-	-	-
- Other	(998)	-	-	(998)
A.2 Rights of use acquired under lease	-	-	-	-
Total	**(998)**	**-**	**-**	**(998)**

The adjustments consist entirely of amortisation calculated over the useful lives of the assets.

Other operating charges/income - caption 230

16.1 Other operating charges: breakdown

	30.06.2022	30.06.2021
Amortisation of leasehold improvements	(725)	(753)
Losses on disposal of property, plant and equipment	(1)	(42)
Charges on non-banking services	(160)	(315)
Total	**(886)**	**(1,110)**

"Charges on non-banking services" include costs for settling customer complaints for Euro 72 thousand.

16.2 Other operating income: breakdown

	30.06.2022	30.06.2021
Recovery of taxes from third parties	15,191	14,918
Recharge of costs of current accounts and deposits	1,144	1,120
Rental and leasing income	22	22
Other expense recoveries	835	893
Gains on disposal of property, plant and equipment	-	18
Other	9,410	153
Total	**26,602**	**17,124**

"Recharge of costs of current accounts and deposits" includes recoveries for rapid preliminary investigation fees of Euro 496 thousand (vs Euro 404 thousand) and other recoveries for various communications to customers of Euro 498 thousand (vs Euro 601 thousand).
"Other expense recoveries" include, in particular, recoveries of legal costs relating to various bad loans of Euro 333 thousand (Euro 461 thousand), recoveries of appraisals in connection with mortgage loans for Euro 42 thousand (Euro 36 thousand) and the recovery of sundry expenses relating to lease applications of Euro 50 thousand (Euro 182 thousand),
With reference to "Other", the main component refers for Euro 9.3 million to the release of the provision prudently recognised last year to reflect the possibility that the Bank may not have been able to offset the first instalment of certain superbonus tax credits purchased from third parties and subject to confiscation. This release is accepted on the basis of the provisions of art. 28-ter (Terms of use of tax credits subject to criminal confiscation) of Decree Law no. 4/2022 which was introduced on conversion by Law no. 25/2022 which repealed Decree Law no. 13/2022, maintaining the validity of acts and measures adopted and without prejudice to the effects produced and the legal relationships arising on the basis of the same Decree Law no. 13/2022.

Income taxes on current operations - caption 300

21.1 Income taxes on current operations: breakdown

Income items/Segments	30.06.2022	30.06.2021
1. Current taxes (-)	(12,850)	(2,505)
2. Change in prior period income taxes (+/-)	1,456	-
3. Reduction in current taxes (+)	-	-
3.bis Reduction in current taxes for tax credits under Law 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(12,489)	(11,167)
5. Change in deferred tax liabilities (+/-)	(46)	9,083
6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	**(23,929)**	**(4,589)**

The increase in item "1. Current taxes" with respect to the comparative period is substantially due to the increase in profit for the period compared with that of the comparative period and the consequent increase in the IRES and IRAP tax bases.
The balance of item "2. Change in prior period income taxes" refers to the refund application presented to the Revenue Agency in relation to IRAP for fiscal year 2014, with reference to the business unit transferred by the Parent Company to the former subsidiary BPS.
Caption "4. Change in deferred tax assets" mainly refers to the amount of deferred tax assets cancelled in the period; the balance of the comparative period was also influenced by the recognition of deferred tax assets on the tax loss.
More specifically, it should be noted that taxation for the previous period benefited from the step-up of the fiscal values to the higher statutory carrying amounts of buildings and goodwill pursuant to art. 110 of Legislative Decree no. 104/2020.
The positive effect on the result for the previous period was Euro 9,365 thousand, due to the difference between:

- the substitute tax due of Euro 979 thousand (referred to in item 1);
- the reversal of deferred tax liabilities for Euro 9,544 thousand (referred to in item 5) and the reconstitution of deferred tax assets for Euro 800 thousand (referred to in item 4), for a total of Euro 10,344 thousand.

Earnings per share

	30.06.2022		30.06.2021	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Net profit of the Group attributable to the various classes of shares (thousands of euro)	54,118	-	36,843	-
Average number of shares outstanding	134,363,049	-	134,363,049	-
Average number of potentially dilutive shares	-	-	-	-
Average number of diluted shares	134,363,049	-	134,363,049	-
Earnings per share (Euro)	**0.40**	**-**	**0.27**	**-**
Diluted earnings per share (Euro)	**0.40**	**-**	**0.27**	**-**

The average number of shares outstanding for the comparison period was restated, in compliance with IAS 33 "Earnings per Share", paragraph 28, in proportion to the change in the number of ordinary shares outstanding occurred during 2021 due to the mandatory conversion of 13,202,000 savings shares into ordinary shares, which changed the number of ordinary shares outstanding without resulting in an equivalent change in the amount of share capital.

Information on risks and related hedging policy

Introduction

The Internal Control and Risk Management System consists of a set of rules, procedures and organisational structures designed to permit the identification, measurement, management and monitoring of major risks. This system has been integrated into the Group's organisational and corporate governance structures.

The system's guidelines have been set out in specific internal regulations. The operational instructions and detailed information regarding the controls in place, at various levels, over business processes are contained in specific function regulations and internal procedures.

The organisational model adopted by the Group envisages that the Risk Management function reports directly to the Chief Executive Officer and participates in the risk management process designed to identify, measure, assess, monitor, prevent, mitigate and communicate the risks assumed or which could be assumed in the conduct of business. This function also covers the subsidiaries, in accordance with the provisions of the relevant Service Agreements.

The Board of Directors approves, at least annually, the Group's "Risk Appetite Framework (RAF)" and the "Policy for risk management", which define risk appetite, thresholds of tolerance, limits and the rules and methodologies for monitoring risks. Within the context of these documents, specific risk indicators with related attention thresholds are provided at the level of individual legal entity, identifying the competent functions for the specific control mechanisms and providing dedicated information flows. The internal control process over capital adequacy (ICAAP) also forms part of the risk management system and of the liquidity risk governance and management system (ILAAP).

SECTION 1 – RISKS OF THE ACCOUNTING CONSOLIDATION

Quantitative information

Credit quality

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality		Bad loans	Unlikely to pay loans	Past due non-performing loans	Past due performing loans	Other performing exposures	Total
1. Financial assets measured at amortised cost		83,775	126,776	6,952	103,667	16,110,024	16,431,194
2. Financial assets at fair value through other comprehensive income		-	-	-	-	790,573	790,573
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	832	832
5. Financial assets held for sale		2,956	4,497	-	-	-	7,453
Total	**30.06.2022**	**86,731**	**131,273**	**6,952**	**103,667**	**16,901,429**	**17,230,052**
Total	**31.12.2021**	**97,215**	**144,300**	**5,295**	**96,921**	**16,580,266**	**16,923,997**

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Non-performing				Performing			Total (Net exposure)
	Gross exposure	Total write-downs	Net exposure	Total partial write-offs*	Gross exposure	Total write-downs	Net exposure	
1. Financial assets measured at amortised cost	437,005	(219,502)	217,503	5,567	16,323,560	(109,869)	16,213,691	16,431,194
2. Financial assets at fair value through other comprehensive income	-	-	-	-	790,842	(269)	790,573	790,573
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	832	832
5. Financial assets held for sale	15,644	(8,191)	7,453	-	-	-	-	7,453
Total 30.06.2022	**452,649**	**(227,693)**	**224,956**	**5,567**	**17,114,402**	**(110,138)**	**17,005,096**	**17,230,052**
Total 31.12.2021	**499,599**	**(252,788)**	**246,811**	**6,371**	**16,782,087**	**(105,783)**	**16,677,187**	**16,923,998**

Portfolio/Quality	Assets with an obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	21,175
2. Hedging derivatives	-	-	8,414
Total 30.06.2022	**-**	**-**	**29,589**
Total 31.12.2021	**-**	**-**	**4,216**

SECTION 2 – RISKS OF THE CONSOLIDATION FOR REGULATORY PURPOSES

1.1 CREDIT RISK

Qualitative information

1. *General aspects*

The Bank's lending activity has developed according to the guidelines of the Business Plan, addressed to local economies primarily in the retail, small business and small SME markets. To a lesser extent, our lending activity is directed towards the corporate market.
The activities aimed at individual customers, small businesses (artisans, family businesses and professionals), SMEs and Corporates, and customers in the financial sector, mainly include the following products: loans and deposits, financial, banking and payment services, documentary credit, leasing, factoring, financial, insurance and asset management products, debit and credit cards.
Commercial policy is mainly pursued through the Bank's branch network based on credit policies geared to supporting local economies. Particular attention is paid to maintaining relationships established with customers and their development in the geographic areas where the Bank has traditionally been present and in new markets with the aim of acquiring new market shares and facilitate growth in business volumes.
The subsidiary Fides S.p.A, which makes to private customers in the form of salary/pension-backed loans, advances on termination pay and personal loans, also makes use of agents that are external to the Parent Company's sales network when placing its products. The Bank also operates under agreements with the Italian Banking Association and with trade and business associations, signing conventions aimed at providing support to corporate borrowers while carefully monitoring asset quality.

2. *Credit risk management policies*

2.1. Organisational aspects

Factors that generate credit risk involve the possibility that an unexpected change in the creditworthiness of a counterparty in respect of which there is an exposure, might generate a corresponding unexpected change in the market value of the credit position. It follows that not only the possibility of a counterparty's insolvency, but also a simple deterioration of its creditworthiness has to be considered a manifestation of credit risk.
The Group's organisational structure provides for adequate monitoring and management of credit risk, in a logic of separation between business and control functions. The Parent Company's Board of Directors has exclusive power to lay down guidelines that have an impact on the running of the Group's affairs and, in this context, to make decisions on strategic lines and operations, business and financial plans as well as those relating - again at the level of strategic supervision - to the Internal Control and Risk Management System in compliance with the Capital Requirements in force at the time. In line with the provisions of Bank of Italy circular 285/2013, the Parent Company has granted to the Risk Management Department the activities of verification and supervision of the monitoring and debt collection activities carried out by the competent company departments, providing for the right to intervene, where necessary, with regard to the classification of anomalous credit and provisional accruals and postings.

2.2 Systems for managing, measuring and monitoring credit risk

Systems for managing, measuring and monitoring credit risk are developed in an organisational context that involves the whole cycle of the credit process, from initial inquiry and periodic review to final withdrawal and recovery.
During the fact finding stages of the lending process, the bank performs an internal and external investigation on the customer and arrives at a final decision on whether to grant the loan by also considering the information obtained on the customer's financial standing from what is known of the customer and of the customer's economic environment.
During the process of granting credit, the Group operates according to guidelines based on risk diversification among various customers operating in different industries and market sectors and on the

appropriateness of the credit facility depending on the independent creditworthiness of the borrower, the technical form and the collateral that could be acquired.
The analysis and monitoring of risk associated with the lending process is performed with the support of specific operating procedures. The aim of a prompt monitoring system is to identify, as soon as possible, signs of deterioration of exposures in order to intervene with effective corrective measures. To this end, credit exposures are monitored by means of an analysis of relationship trends and by central oversight of risk by means of dedicated procedures. This review facilitates the identification of customers with anomalies in the conduct of their relationship as opposed to those with a regular trend.
As regards the negative impacts deriving from the Covid-19 health emergency, monitoring continued on the capacity of customers (both private individuals and businesses) to repay medium/long-term loans.
As for possible repercussions of the conflict between Russia and Ukraine on the quality of the loan book, an assessment was carried out on the direct impacts of credit risk at portfolio level. An internal analysis was launched to collect information that could be used to map the relevant elements of customers' businesses and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine.
To assess how the macroeconomic scenario is likely to evolve, estimates of impacts on the sector and the tools available to deal with the crisis and the new scenario that will emerge at the end of the emergency were examined in depth.
As part of its corporate risk management policy, the Group has set up a system of operating limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, on pre-established thresholds being exceeded, the Risk Management function activates internal procedures for an intervention in order to maintain a risk appetite level consistent with the guidelines laid down in the RAF and the risk management policies.
For risk management purposes, the Group uses an internal rating system that classifies each counterparty in risk classes that reflect their probability of default. The classification of performing counterparties is on a scale from 1 to 10. Non-performing loans (past due and/or overdrawn exposures, unlikely-to-pay and bad loans) are excluded from the rating assignment.
For the purpose of calculating the capital requirement for credit risk, the Bank follows the rules laid down in the regulations for the standardised approach, resorting for certain counterparties to the use of ratings provided by authorised external credit assessment institutions (ECAIs).

2.3 Methods of measuring expected losses

The general approach defined by IFRS 9 to estimate the impairment is based on a process aimed at highlighting the deterioration of the credit quality of a financial instrument at the reporting date rather than at the date of initial recognition. The regulatory indications regarding the assignment of credits to the various "stages" envisaged by the Standard (a process known as "staging" or "stage allocation") do in fact identify significant changes in credit risk by referring to the change in creditworthiness with respect to the initial recognition of the counterparty, the expected life of the financial asset and other forward-looking information that may affect credit risk.
In accordance with IFRS 9, performing loans are broken down into two different categories:

- Stage 1: this bucket includes assets that have not suffered significant deterioration in credit risk. This stage provides for the calculation of the expected loss at one year on a collective basis;
- Stage 2: this bucket classifies assets that show a significant deterioration in credit quality between the reporting date and the date of initial recognition. For this bucket the expected loss must be calculated from a lifetime perspective, i.e. over the entire duration of the instrument, on a collective basis.

As part of the ongoing monitoring of the application framework of IFRS 9, given the change in the macroeconomic scenario due to Covid-19, the Group has analysed the valuation aspects in line with the indications of the various regulators. In particular, given the operating environment conditioned by the pandemic emergency, the Group has prepared this financial report with reference to the instructions contained in documents published by the various international institutions (ESMA, EBA, BCE-SSM, IFRS Foundation), seeking to establish a balance between the need to avoid making excessively pro-cyclical assumptions in the models used to estimate the ECL during the healthcare emergency and the need to ensure that the risks to which the Group is (or will be) exposed are adequately reflected in the prudential and accounting measurements made.

The Group therefore decided to continue the approach used in preparing the consolidated financial statements at 31 December 2021, in other words to keep the macroeconomic forecasts of the models used to estimate the expected losses in line with the projections for Italy in 2021-23 drawn up by the experts of the Bank of Italy, as part of the coordinated work of the Eurosystem published on 17 December 2021, and with the projections for Europe drawn up by the experts of the European Central Bank, published on 16 December 2021 and, for the rest, those drawn up by specialised providers. These projections take into account the transmission of the effects of the pandemic to the economy through multiple channels, such as the drop in international trade and foreign demand, the reduction of international tourist flows, the effects of uncertainty and confidence on companies' propensity to invest, etc.

Estimate of Expected Credit Loss)– Stage 1 and Stage 2

The model for calculating Expected Credit Losses (ECL) used in testing performing instruments for impairment, differentiated according to the classification of the exposure in Stage 1 or Stage 2, is based on the following formula:

$$ECL = \sum_{t=1}^{T} PDt \,'\, EADt \,'\, LGDt \,'\, (1+r)^{-t}$$

where:

PDt	represents the probability of default on each cash flow date. This is the probability of moving from performing to non-performing over the one-year time horizon (1-year PD) or over the entire duration of the exposure (PD lifetime)
EADt	represents the counterparty exposure at each cash flow date
LGDt	represents the loss associated to counterparty on each cash flow date. This is the percentage of loss in the event of default, based on the historical experience observed in a given observation period, as well as the prospective evolution over the entire lifetime of the exposure;
r	represents the discount rate
t	represents the cash flow number
T	represents the total number of cash flows, limited to the following 12 months for stage 1 relationships, whereas it refers to the entire residual life for those in stage 2

The models used to estimate these parameters derive from the corresponding parameters developed on the basis of the most recent regulatory guidelines, making specific adaptations to take into account the different requirements and purposes of the IFRS 9 impairment model compared with the regulatory one.

The definition of the above parameters therefore took into account the following objectives:

- removing the elements envisaged for regulatory purposes only, such as the downturn component considered in the regulatory LGD calculation to take into account the adverse economic cycle, the margin of conservatism envisaged for the PD, LGD and EAD and the add-on of indirect costs with the objective of avoiding a double-counting effect on the income statement;
- including the conditions of the current economic cycle (Point-in-Time risk measures) in place of a measurement of the parameters along the economic cycle (TTC - Through The Cycle) envisaged for regulatory purposes;
- introducing forward-looking information on the future dynamics of macroeconomic factors (forward-looking risk) deemed potentially able to influence the borrower's situation;
- extending the risk parameters to a long-term perspective, taking into account the lifetime of the credit exposure to be assessed).

More detailed information is provided below on how the Group has determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to the way in which forward-looking factors have been included.

In this regard, it should be noted that the updating of the historical series of the parameters and consequently of their recalibration is carried out on an annual basis.

Estimate of the PD parameter

The PD parameters were suitably calibrated, using satellite models, to reflect the default rates based on current (PiT) and forward-looking conditions. These parameters must be estimated with reference not only to the twelve-month period after the reporting date, but also to future years so that lifetime provisions can be calculated.

For the Group, the lifetime PD curves were constructed by multiplying the 12-month rating migration matrices, divided by segments conditioned by prospective macroeconomic scenarios, with a Markovian approach. The relevant lifetime PD curve is associated with each rating class assigned to counterparties using internal models. The main methodological steps used to estimate lifetime PD are listed below:

The PD parameters were suitably calibrated, using satellite models, to reflect the default rates based on current (PiT) and forward-looking conditions. These parameters must be estimated with reference not only to the twelve-month period after the reporting date, but also to future years so that lifetime provisions can be calculated.

For the Group, the lifetime PD curves were constructed by multiplying the 12-month rating migration matrices, divided by segments conditioned by prospective macroeconomic scenarios, with a Markovian approach. The relevant lifetime PD curve is associated with each rating class assigned to counterparties using internal models. The main methodological steps used to estimate lifetime PD are listed below:

- construction of the historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, on the basis of the average of these matrices, obtaining the 3-year migration matrices for each risk segment. Note that in order to reduce the bias on the default rate deriving from the support policies, counterparties benefiting from moratoriums were removed from the 2020 migration matrix;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned on the basis of some selected macroeconomic scenarios, via satellite models (Merton method) capable of expressing the sensitivity of the PD measures with respect to changes in the main economic aggregates. These satellite models are differentiated by business and private segment and use specific variables for each segment;
- obtaining the cumulative PDs by rating class and scenario, through Markov chain techniques of the future PiT migration matrices for the first three years, as previously calculated, while from the fourth year onwards the 1-year average TTC is used, assumed as constant in each period t, obtained by deconditioning the single annual migration matrices observed in the last five years through the Merton–Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulated PD curves of each selected macroeconomic scenario weighted by the respective probabilities of occurrence.

Please refer to the paragraph "Inclusion of forward-looking factors" below for further details on how to construct the PD parameter.

Estimate of the LGD parameter

The LGD values are assumed equal to the regulatory recovery rates calculated over the economic cycle (TTC), suitably adapted in order to remove some elements of prudence represented by indirect costs and by the component linked to the adverse economic cycle (so-called "downturn" component, in addition to the previously mentioned "margin of conservatism).

EAD estimate

For on-balance sheet exposures, the EAD parameter is presented at each future payment date by the residual amount due, based on the amortisation schedule, as uplifted by any unpaid and/or past due instalments.

For off-balance sheet exposures, represented by guarantees and commitments to disburse irrevocable or revocable funds, the EAD is equal to the nominal value weighted by a specific credit conversion factor (CCF - Credit Conversion Factor), determined in accordance with internal models and using the standardised approach for the remaining exposures.

Inclusion of forward-looking factors

For the purpose of determining expected losses, the inclusion of forward-looking information is obtained by considering the effects on risk parameters, derived from different macroeconomic scenarios. In detail, the many possible alternative macroeconomic scenarios have been traced to a limited to three scenarios (positive, basic and negative), which constitute the input of the so-called "satellite models". Use of these latter models makes it possible to define, through statistical regression techniques, the relationship between a limited number of significant macroeconomic variables, taken as a point of reference, and the decay rates of the various segments. The result of these estimates is used to create stress factors, called "delta scores", distinguished by scenario and risk segments. These "delta scores" are applied using the Merton method to the average Point in Time (PiT) matrix by risk segment, represented by the most recent three-year internal data available on migration between ratings, so as to obtain three future stressed matrices based on macroeconomic forecasts. From the fourth year onwards, to calculate the PD curves, we chose to refer to the long-term matrix.

Subsequently, the construction of the PD curves for each of the 3 scenarios takes place by applying the Markov chain statistical procedure (product of the annual matrices described above). Lastly, the cumulative PiT and lifetime PD curves are generated as the average of the cumulated PD curves of each selected macroeconomic scenario, weighted by the respective probability of occurrence.

Considering that the effects of the final data for 2020 (featuring a sharp 8.9% drop in Italian GDP) have probably not been entirely reflected in the default classifications nor in the impairment of the performing loans portfolio, it was decided to incorporate a Cliff Effect into the calculation of the expected default rates. This is a disproportionate amplification of the effects deriving from a substantial simultaneous decrease – from the end of 2021 – in the mechanisms to support the economy adopted to deal with the pandemic (i.e. SACE guarantees on business loans, moratoriums on loans to SMEs and on mortgage loans, measures on tax bills falling due and restorations, firing freezes and access to the funded Redundancy Fund).

The adjustment was therefore applied by calculation – starting with the projections obtained by applying the satellite model and to each rating system – the difference between the estimated 2020 default rate (DR) and the rate observed in that year, and the difference between the 2021 DR and the rate observed in that year. Subsequently, the latent portion of defaults was identified for which it is believed that the support measures granted were not sufficient to mitigate the pandemic effect, spreading it asymmetrically over the three-year projection (i.e. with a greater effect on the first year of the projection).

Furthermore, given the persistent uncertainty about the future evolution of the pandemic, the war between Russia and Ukraine and their economic effects, the mix of probability of occurrence was calibrated by adding to the "baseline" scenario deemed most likely (with a probability of 55%), an alternative "negative" scenario (with a probability of 45%) and a "positive" scenario (with a probability of 0%).
As already mentioned in the paragraph "Methods of measuring expected losses", for the preparation of the financial report at 30 June 2022, the macroeconomic parameters and basic assumptions used in the forward-looking conditioning models (so-called satellite models, from time to time subject to calibration and refinement) have remained unchanged compared to those used at 31 December 2021 as the latter are considered prudent for estimating expected losses also in the current volatile context in the series of updates of expectations in 2022 about the same macroeconomic parameters. The Bank therefore intends will carry out an overall review of the assumptions underlying the collective calculation models for the purposes of the annual financial report.

With reference to the minimum and maximum amounts in the so-called "range of values" considered in the models, please refer to "Part E - information on risks and related hedging policy" of the consolidated financial statements at 31 December 2021.

Post model adjustments

Considering, in addition, that the latent riskiness of a cluster of exposures at the reference date cannot be fully reflected in the models for measuring expected losses pursuant to IFRS 9 in terms of staging allocation, due to the application of expected losses as a result of the specific situation that the government support measures continue to create on the liquidity of businesses and the normal monitoring of loans (past-due amounts, financial tensions, etc.), the Group deemed it appropriate to adopt a prudent approach in line with that required by ESMA in the "European Common Enforcement Priorities for 2021 Annual Financial Reports" in assessing the long-term impacts of the current macroeconomic context, defining post model adjustments ("management overlays") which consider the following for the transfer to stage 2:

- for the moratoriums on mortgage loans still in force at 30 September 2021, mainly comprised of legislative moratoriums pursuant to art. 56 of the "Liquidity Decree",
- the updating of the analyses of the attractiveness of the sectors by the Bank using the sector studies carried out by Prometeia, focusing on ratings equal to or worse than the median class (rating 5).

With regard to the sectors considered less attractive, the Ateco business codes used as drivers for the specific monitoring and risk containment actions adopted as part of credit policies were taken into consideration, as discussed below. In the low-attractiveness sectors considered at 31 December 2021, the "Retail trade" (Ateco code 47) was added due to the indirect effects on the sector also deriving from the current context.

ATECO (sector code)	SECTOR	LOW ATTRACTIVENESS
1	Agriculture	LOW
2	Agriculture	LOW
3	Agriculture	LOW
13	Textiles and Clothing	LOW
14	Textiles and Clothing	LOW
15	Textiles and Clothing	LOW
35	Production and supply of electricity, gas	LOW
47	Retail	LOW
55	Accommodation and Catering	LOW
56	Accommodation and Catering	LOW
68	Real Estate	LOW
70	Business Services	LOW
73	Business Services	LOW
77	Business Services	LOW
78	Business Services	LOW
79	Recreational Activities, Sports and Travel Agencies	LOW
80	Business Services	LOW
81	Business Services	LOW
82	Business Services	LOW
90	Recreational Activities, Sports and Travel Agencies	LOW
91	Recreational Activities, Sports and Travel Agencies	LOW
92	Recreational Activities, Sports and Travel Agencies	LOW
93	Recreational Activities, Sports and Travel Agencies	LOW

Within positions in stage 2, for loans to businesses, specific high risk clusters were identified, on which to apply increasing minimum coverage:

Cluster 1: Cluster 1: moratoriums with ratings 1-3 , overdue moratoriums towards low-attractiveness sectors and other mortgages with ratings 5 and 6 towards low-attractiveness sectors;

Cluster 2: active moratoriums with rating classes 1-3 for sectors with low attractiveness;

Cluster 3: active moratoriums with ratings >= 4 and other loans in sectors with loan attractiveness (ratings >=7);

Cluster 4: active moratoriums with ratings >= 4 for sectors with low attractiveness.

The moratoriums in force at 30 September 2021 or subsequently on loans to individual customers were considered a single risk cluster on which to apply a minimum coverage level which could reflect higher underlying risk.

To define the minimum coverage to apply to the various clusters identified, within a range from 3% to 13%, the average coverage levels expressed by the model on different risk stages were considered.

Sensitivity analysis of expected losses

As shown in the paragraph "Use of estimates and assumptions in preparing the financial statements" contained in Part A in the section "Basis of preparation and accounting policies", the determination of losses due to impairment of receivables implies significant elements of opinion, with particular reference to the model used to measure losses and related risk parameters, to the triggers deemed to express significant credit deterioration and to the selection of macroeconomic scenarios.

The inclusion of forward-looking factors is a particularly complex exercise, as it requires the formulation of macroeconomic forecasts, the selection of scenarios and their probability of occurrence, as well as the definition of a model capable of expressing the relationship between the aforementioned macroeconomic factors and the default rates of the exposures subject to assessment, as explained in the previous paragraph.

In order to assess how forward looking factors can influence expected losses, it is considered reasonable to carry out a sensitivity analysis in the context of different scenarios based on forecasts consistent with the evolution of the various macroeconomic factors. The innumerable interrelations between the individual macroeconomic factors are, in fact, such as to render a sensitivity analysis of the expected losses based on the single macroeconomic factor barely meaningful.

The Group therefore deemed it reasonable for the sensitive analysis to consider the probability of occurrence of the negative scenario to be 70%, which would increase the write-downs to the performing loans portfolio by about Euro 1.2 million, gross.

2.4 Credit risk mitigation techniques

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

For all loans, the main type of real guarantee is the mortgage, primarily related to the technical form of mortgage loans (particularly on residential properties). Substantial loans are sometimes also assisted by public guarantees, such as the guarantees and counter-guarantees given by the Guarantee Fund for SMEs pursuant to Law 662/96, SACE or the European Investment Fund, as well as by the pledge of securities and/or cash.

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

The public guarantees, such as the guarantees and counter-guarantees given by the Guarantee Fund for SMEs pursuant to Law 662/96 and by SACE, are modelled in the ECL calculation; an expected loss is also calculated in relation to the guaranteed part of the exposure, in order to take account of public counterparty risk. A similar approach is adopted in relation to the financial guarantees that are eligible for prudential purposes.

3. Non-performing loans

3.1 Management strategies and policies

The current regulatory framework provides for the classification of non-performing financial assets according to their risk status. Three categories are foreseen: "doubtful loans", "unlikely to pay loans" and "non-performing past due and/or overdrawn exposures".

- Bad loans: exposure to a borrower in a state of insolvency (even if not legally bankrupt) or in substantially similar situations, regardless of the loss forecasts made by the intermediary.
- Unlikely to pay loans: exposures for which the intermediary considers full compliance by the debtor unlikely without recourse to actions such as collection of guarantees, regardless of the presence of amounts due and/or overdrawn.
- Non-performing past due and/or overdrawn exposures: exposures, other than those classified as doubtful or unlikely to pay loans, with amounts that are past due and/or overdrawn continuously for more than 90 days.

"Exposures subject to forbearance" are also envisaged as a category, referring to the exposures subject to renegotiation and/or refinancing due to the customer's financial difficulties (manifest or in the process of manifestation). These exposures may constitute a subset of non-performing loans (exposures subject to forbearance on non-performing positions) rather than performing loans (exposures subject to forbearance on performing positions). The management of these exposures, in compliance with regulatory provisions with respect to timing and classification procedures, is assisted through specific work processes and IT tools.

The Group has a policy that lays down the criteria for making adjustments that establish the minimum percentages to be applied in determining expected losses, depending on the type of impaired loan, the original technical form and the type of collateral. The Parent Company's management of non-performing exposures is delegated to a specific organisational unit, the NPL Department, responsible for identifying strategies for maximising recovery on individual positions and defining the adjustments to be applied to them. The only "non-performing past due/overdue" exposures subject to a collective write-down and with a high probability of reclassification between "performing" exposures are managed by the function delegated to credit performance monitoring, which eventually proceeds to classify among the "unlikely to pay" loans, transferring their management to the NPL Department.

The expected loss is the synthesis of several elements derived from various (internal and external) assessments of the principal debtor's assets and those of any guarantors and, in the case of UTP, also considers the drivers used in defining the LGD. Monitoring of the expected loss is constant and compared with the development of the individual position. The Risk Management function periodically monitors compliance with the doubtful percentages foreseen in the policy for managing non-performing loans by reporting any discrepancies to the relevant departments for realignment and monitors the recovery of non-performing loans, both managed directly and through external specialised operators.

The time element linked to the present value of non-performing loans is determined by specific assessments carried out for each type of asset, drawn up on the basis of information relating to the individual legal jurisdiction, and subject to periodic updating.

In line with the Bank's objectives for the reduction of the Bank's non-performing loans indicated in the Business Plan, as well as in the Plan for Managing NPLs, and with a view to maximising recoveries, the competent corporate functions define the best management strategy for non-performing exposures. Based on the subjective characteristics of the individual counterparty/exposure and internal policies, this may involve a revision of the contractual terms (forbearance), assignment to an internal recovery unit or to a specialised third-party operator, identification of the possibility of sale to third parties in the credit sector (at single exposure level or within a set of positions with the same characteristics). Especially during the period, pro-active monitoring of exposures continued, favouring the repayment and recovery of unlikely to pay (UTP) loans and evaluating the hypothesis of assignment to third parties for those exposures where the intervention of investors could be an improvement on the Bank's normal risk containment measures. With regard to bad loans, the credit recovery action was carried out favouring write-off solutions, where opportune, and proceeding with the transfer of some perimeters of limited amount of mainly unsecured loans.

In execution of its capital management strategy, the Parent Company completed a programme of sales of NPLs, particularly significant in recent years, with reference to loans classified as "bad" and loans classified as "unlikely-to-pay" (UTP). The additional sales finalised during the first six months of the year resulted in an further decrease in the NPL Ratio (gross non-performing loans/gross loans ratio) to 3.7%, net of assets classified as held for sale, confirming a level in line with the best in the Italian banking industry. In line with the NPL ratio containment policy, there are plans for initiatives that will allow further improvement in this indicator.
In particular, considering the limited volumes of past due/overdue positions, the bank's attention is concentrated above all on timely identification of positions classified as performing but with certain critical elements, in order to identify procedures to regularise the situation, where possible, also through appropriate measures of forbearance.
Two types of action are taken to limit the stock of "unlikely-to-pay" loans (UTPs):

1. prevention of inflows to UTP;
2. effective management of the impaired portfolio in order to maintain good levels of recovery and/or a return to performing status, together with a policy of targeted sales aimed at optimising its value.

As business counterparties represent a significant share, in terms of volume, the focus is more on reducing transfers to UTP for this type of loan.
The methods and operational tools used by the Banco Desio Group, through which the positions that present credit anomalies and critical factors are identified and managed, are regulated and formalised in the internal documentation. In particular, monitoring is strongly focused on analysing the performance of the individual risk positions intercepted through periodic and spot checks, based on the systematic reports produced by the internal IT procedure (Credit Quality Manager) and highlighted by the Monitoring Dashboard. In addition to photographing and periodically monitoring the trend in anomalies, this tool provides an assessment of the individual branches for the purposes of control and eventual intervention, giving each one a ranking based on various risk indicators.
This reporting tool, which is also used to provide support for the Parent Company's senior management and the Network, makes it possible to interpret, process and age the data coming from various certified sources, in order to detect the credit quality of the Parent Company, of the Territorial Areas and of the Branches.

3.2 Write-offs

Non-performing exposures for which there is no possibility of recovery (either total or partial) are subject to cancellation from the accounting records ("write-offs") in accordance with the policies in force from time to time, subject to approval by the Group's Board of Directors. Among the strategies identified for containing NPLs, the Group has envisaged for unlikely to pay loans, a management approach based on single name assignments with particular reference to those loans managed with a view to liquidation or total repayment (so-called "gone concern").
As regards the indicators used to assess recovery expectations, the Group has adopted specific analytical assessment policies for non-performing loans which provide for specific percentages of adjustment, distinguishing the presence and type of underlying guarantees (secured or unsecured), the submission of customers to a specific procedure (agreed in advance, settlement liquidators, agreed upon in continuity, crisis due to over-indebtedness, as per art. 67 or art. 182 of the Bankruptcy Law).

3.3 Purchased or originated credit impaired financial assets

As indicated in "IFRS 9 – Financial Instruments", in some cases, a financial asset is considered non-performing at the time of initial recognition as the credit risk is very high and, in the case of purchase, is purchased at a significant discount (compared with the initial value). In the event that the financial assets in question, based on the application of classification drivers (i.e. SPPI test and business model), are classified among assets valued at amortised cost or at fair value through other comprehensive income, they qualify as "Purchased or Originated Credit Impaired Assets" (in short "POCI") and are subject to a specific treatment. Adjustments equal to the lifetime expected credit loss (ECL) are recorded against them, from the date of initial recognition and throughout their life. In light of the above, POCI financial assets are initially registered as non-performing loans, without prejudice to the possibility of being subsequently transferred to performing loans, in which case a lifetime ECL will continue to be recorded. A "POCI" therefore qualifies as such in the reporting processes and in the calculation of the expected loss (ECL).

4. Financial assets subject to commercial renegotiations and exposures subject to forbearance

In the face of financial difficulties on the part of the debtor, exposures may be subject to changes in the contractual terms in favour of the debtor in order to make their repayment sustainable. Depending on the subjective characteristics of the exposure and the reasons for the debtor's financial difficulties, the changes may act in the short term (temporary suspension from payment of the loan principal or an extension of a due date) or in the long term (lengthening the duration of a loan, revision of the interest rate) and lead to classification of the exposure (both performing and non-performing) as "forborne". "Forborne" exposures are subject to specific forecasts with a view to classification, as indicated in the ITS EBA 2013-35 implemented by the Group's credit policies; if the forbearance measures are applied to performing exposures, these are taken into account in the process of assigning the internal management rating and are part of the exposures in stage 2. All exposures classified as "forborne" are included in specific monitoring processes by the relevant company departments.
To be more specific, with the help of suitable IT procedures, these functions monitor the effectiveness of the forbearance measures granted, detecting whether the customer's financial situation is subsequently getting better or worse. If at the end of the monitoring period the position complies with all the criteria required by regulations, it is no longer considered as a forborne loan; otherwise, it remains under forborne exposures.
If considered opportune, the branches have the right to review the conditions applied to customer exposures, even when there are no signs of financial difficulty, within the limits of their current decision-making autonomy.
In this case, the exposure does not fall into the category of forborne exposures.

Quantitative information

Credit quality

A.1.4 Regulatory consolidation – On- and off-balance sheet exposures to banks: gross and net amounts

Types of exposure/Amounts	Gross exposure					Total write-downs and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated credit impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
A. Cash exposures												
A.1 ON DEMAND	**57,588**	**57,588**	**-**	**-**	-	**108**	**108**	-	-	-	**57,480**	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	57,588	57,588	-	X	-	108	108	-	X	-	57,480	-
A.2 OTHER	**2,293,007**	**2,293,007**	**-**	**-**	-	**1,265**	**1,265**	-	-	-	**2,291,742**	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
c) Past due non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing loans	-	-	-	X	-	-	-	-	X	-	-	-
- of which: exposures subject to forbearance	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	2,293,007	2,293,007	-	X	-	1,265	1,265	-	X	-	2,291,742	-
- of which: exposures subject to forbearance	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**2,350,595**	**2,350,595**	**-**	**-**	-	**1,373**	**1,373**	-	-	-	**2,349,222**	-
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	135,767	11,589	-	X	-	2	2	-	-	-	135,765	-
TOTAL (B)	**135,767**	**11,589**	**-**	**-**	-	**2**	**2**	**-**	-	-	**135,765**	-
TOTAL (A+B)	**2,486,362**	**2,362,184**	**-**	**-**	-	**1,375**	**1,375**	**-**	-	-	**2,484,987**	-

A.1.5 Regulatory consolidation – On- and off-balance sheet credit exposures to customers: gross and net amounts

Types of exposure/Amounts	Gross exposure					Total write-downs and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated credit impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
A. Cash exposures												
a) Bad loans	**236,737**	**X**	**-**	**234,668**	**2,069**	**150,007**	**X**	**-**	**149,082**	**925**	**86,730**	**5,567**
- of which: exposures subject to forbearance	33,852	X	-	32,957	896	17,621	X	-	17,292	329	16,231	-
b) Unlikely to pay loans	**208,183**	**X**	**-**	**201,586**	**6,597**	**76,910**	**X**	**-**	**74,591**	**2,319**	**131,273**	**-**
- of which: exposures subject to forbearance	95,350	X	-	92,268	3,082	35,007	X	-	33,937	1,070	60,343	-
c) Past due non-performing loans	**7,730**	**X**	**-**	**7,705**	**25**	**777**	**X**	**-**	**774**	**3**	**6,953**	**-**
- of which: exposures subject to forbearance	667	X	-	667	-	93	X	-	93	-	574	-
d) Past due performing loans	**105,220**	**67,169**	**38,017**	**X**	**34**	**1,553**	**122**	**1,430**	**X**	**1**	**103,667**	**-**
- of which: exposures subject to forbearance	5,546	-	5,544	X	-	484	-	484	X	-	5,062	-
e) Other performing exposures	**14,730,383**	**12,869,123**	**1,851,977**	**X**	**3,632**	**107,444**	**22,550**	**84,742**	**X**	**151**	**14,622,939**	**-**
- of which: exposures subject to forbearance	171,791	625	170,665	X	421	14,652	-	14,625	X	27	157,139	-
TOTAL (A)	**15.288,253**	**12,936,292**	**1,889,994**	**443,959**	**12,357**	**336,691**	**22,672**	**86.172**	**224,447**	**3,399**	**14.951,562**	**5,567**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	11,921	X	-	11,920	-	1,939	X	-	1,939	-	9,982	-
b) Performing	3,494,615	3,089,278	172,335	X	-	2,137	1,257	880	X	-	3,492,478	-
TOTAL (B)	**3,506,536**	**3,089,278**	**172,335**	**11,920**	**-**	**4,076**	**1,257**	**880**	**1,939**	**-**	**3,502,460**	**-**
TOTAL (A+B)	**18,794,789**	**16,025,570**	**2,062,329**	**455,879**	**12,537**	**340,767**	**23,929**	**87,052**	**226,386**	**3,399**	**18,454,022**	**5,567**

Banco Desio

Classification of exposures on the basis of external and internal rating

Regulatory Consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees given for external rating classes (gross values)

Exposures	External rating class						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
a) financial assets measured at amortised cost	**50,935**	**250,054**	**3,244,098**	**954,491**	**329,112**	**149,119**	**10,796,828**	**15,774,637**
- First stage	48,388	232,959	3,171,795	842,799	252,557	78,077	8,843,380	13,469,955
- Second stage	2,547	17,095	72,285	111,692	76,555	70,025	1,523,691	1,873,890
- Third stage	-	-	-	-	-	1,017	418,067	419,084
- Purchased or originated credit impaired	-	-	18	-	-	-	11,690	11,708
B. Financial assets designated at fair value through other comprehensive income	**1,533**	**-**	**777,027**	**12,281**	**-**	**-**	**-**	**790,841**
- First stage	1,533	-	777,027	12,281	-	-	-	790,841
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets being sold	**-**	**-**	**-**	**-**	**-**	**-**	**15,644**	**15,644**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	14,995	14,995
- Purchased or originated credit impaired	-	-	-	-	-	-	649	649
Total (A+B+C)	**52,468**	**250,054**	**4,021,125**	**966,772**	**392,112**	**149,119**	**10,812,472**	**16,581,122**
D. Commitments to disburse funds and financial guarantees issued	**38,909**	**112,690**	**255,248**	**258,772**	**70,776**	**29,290**	**2,500,311**	**3,265,996**
- First stage	38,909	111,420	235,045	235,586	69,767	26,542	2,364,473	3,081,742
- Second stage	-	1,270	20,203	23,186	1,009	1,755	124,911	172,334
- Third stage	-	-	-	-	-	993	10,927	11,920
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**38,909**	**112,690**	**255,248**	**258,772**	**70,776**	**29,290**	**2,500,311**	**3,265,996**
Total (A+B+C+D)	**91,377**	**362,744**	**4,276,373**	**1,225,544**	**399,888**	**178,409**	**13,312,783**	**19,847,118**

The attribution of external ratings refers to the positions of the Group proprietary securities portfolio and to loans for which Cerved, an external credit assessment institution (or ECAI) has assigned a credit risk rating. The following table gives a reconciliation between the rating classes indicated in table A.2.1 and those provided by the ECAIs Moody's and Mode Finance, the agencies that the Group uses for external ratings.

Classes of credit quality	Moody's rating	Mode Finance
1	from Aaa to Aa3	from EA1 to EA2-
2	from A1 to A3	from EA3+ to EA3-
3	from Baa1 to Baa3	from EB1+ to EB1-
4	from Ba1 to Ba3	from EB2+ to EB2-
5	from B1 to B3	from EB3+ to EB3-
6	Caa1 or less	EC1+ or less

Regulatory Consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given for internal rating classes (gross values)

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

The Group uses a rating model to assess individual consumer customers and corporate customers (Retail, Corporate and Financial Businesses and Institutions)

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

Exposures	Internal rating class				
	from 1 to 4	from 5 to 6	from 7 to 10	Financial and Institutional	Total
On-balance sheet exposures	68.2%	23.61%	6.35%	1.84%	100%
Off-balance sheet exposures	82.25%	11.96%	3.61%	1.92%	100%

Large exposures

With reference to current supervisory regulations, the situation at 30 June 2022 is as follows:

Description	*Nominal amount*	*Weighted amount*	*Number of positions*
Large exposures	8,424,994	391,909	7

The positions recognised relate to:

- tax assets of the bank and Italian government bonds;
- stake held in the Bank of Italy;
- subscription of junior and mezzanine securities and granting of loans to the vehicle company of the NPL securitisation with GACS;
- guarantees provided by the Guarantee Fund under Law no.662 of 23.12.1996;
- guarantees given by SACE;
- exposures with Crédit Agricole for cash deposited as part of the covered bond transaction and debt securities included in the proprietary portfolio;
- repurchase agreements in force with Cassa di Compensazione e Garanzia.

1.2 MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING PORTFOLIO REPORTED FOR SUPERVISORY PURPOSES

Qualitative information

A. General aspects

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

The information in this section refers only to the Group, given the fact that Fides does not hold any assets.

The Group adopted a strategy to consolidate a return in line with budget, while maintaining a low risk profile through a low portfolio duration.

B. Management and measurement of interest rate risk and price risk

In carrying out its responsibilities for management and coordination, the Parent Company's Board of Directors issued specific rules on controls.

Trading by the Parent Company's Finance Department is subject to operating limits as set out in the "Risk policy" and in internal regulations; in order to mitigate market risk, specific limits have been set for size, sensitivity (duration), income (stop loss) and Value at Risk (VaR). A specific reporting system is the tool used to provide adequate information to the organisational units involved.

The indicators and operating limits are continuously monitored, as a first level control, by the Finance Area, while the Risk Management Department carries out second level monitoring, activating any escalation procedures in the event of overruns, in accordance with the provisions of internal regulations.

For the quantification of generic and specific risks, the Group has adopted a model based on the concept of Value at Risk (VaR) in order to express synthetically and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and at a specific confidence level under normal market conditions. This method has the advantage of allowing the aggregation of positions involving heterogeneous risk factors; it also provides a summary number which, being a monetary expression, is easily used by the organisational structure involved. The VaR model uses involves the Monte Carlo simulation technique which, after appropriate assumptions and correlations, estimates the value of the portfolio by calculating a number of possible revaluations and, given the vector of expected portfolio returns, determines the ideal percentile for distribution. The model uses a confidence interval of 95% with a period of 1 day. The application used to calculate the VaR is provided by Bloomberg. A methodological review of the VaR indicator was carried out during the first half of the year, which led to a change in the scope of application and the risk limits. The methodology is based on historical simulation: the portfolio VaR is estimated on the basis of the historical series of changes in the returns of the individual financial instruments that make up the portfolio, where the daily changes in returns are analysed over a historical time horizon of 1 year. The new indicator, with a 95% confidence interval and a time period of 1 day, will be operational from the second half of the year, replacing the previous one.

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

Quantitative information

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

The monitoring of the "trading portfolio for supervisory purposes" performed up to the third quarter shows a structure with limited market risk. The VaR Monte Carlo simulation at 30 June 2022 amounts to Euro 64.90 thousand.

1.2.2. INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

<u>Qualitative information</u>

A. General aspects, management and measurement of interest rate risk and price risk

The measurement of interest rate risk is performed by the risk management function. This activity is carried out for the Parent Company's, which covers almost all of the banking book. The whole of the Group's business associated with the transformation of maturities of assets and liabilities, portfolio securities, treasury operations and the respective hedging derivatives are monitored with Asset and Liability Management (ALM) methods using ERMAS5.

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

The variability of net interest income, driven by positive and negative changes in interest rates over a period of 365 days, is estimated by the use of Gap Analysis. The changes in the economic value of assets and liabilities are analysed by applying a Sensitivity Analysis approach.

The analyses are carried out also considering non-parallel shifts in the yield curve and the application of behavioural models for demand items. With simulation analysis it is possible to predict specific scenarios of changes in market interest rates.

During the period, fair value hedges were created to hedge the interest rate risk of financial assets classified in the held-to-collect portfolio.

<u>Quantitative information</u>

Banking book - internal models and other methodologies for the analysis of sensitivity

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

The risk exposure does not present any critical issues and remains within the limits laid down in the prudential supervisory regulations. However, the distribution of balance sheet items in terms of maturity and repricing presents some peculiarities deriving from the current market context, which continues to record a high volume of short-term and demand deposits and disbursements of medium/long-term loans especially at a fixed rate.

The Bank regularly conducts scenario and stress tests to estimate the possible impact of changes in market interest rates on net interest income, over the time horizon of one year, and on the economic value, as required by European regulations.

With the goal of fine-tuning that analysis, considering the actual speed of repricing of the items lacking a contractual expiry, the adoption of a behavioural estimation model of demand items was approved, in substitution of the one mentioned in Attachment C of Circular 285. The model was validated by the Group's internal Validation function and used for the purposes of the ICAAP 2021 reporting.

Also considering the low level of interest rates and the non-negative interest rate constraint, for demand items to customers, therefore, partial propagation is assumed on the final interest rate in the event of increases in market rates, and no action in the event of decreases, as the floor of interest rates for customers has been reached and cannot be lowered any further.

Thus, in the event of increases, the final positive impact on the net interest income is the result of the full benefit on the asset side that reprices during the year, partially decreased by the limited increase in the cost of liabilities.

Conversely, in the event of a further decrease in interest rates, the impossibility of transferring the new levels to demand deposits would make it impossible to mitigate the decreased return on assets, entailing a greater reduction in net interest income.

The method used for the impact analysis on economic value is based on integrating the results of the management model that represents the financial statement items in terms of volumes and repricing

buckets, including the results of the behavioural model on demand items, to which the coefficients set out in Circular 285 are applied to approximate sensitivity.
In this simplified revaluation approach, the impact of increases in interest rates would decrease the economic value of the banking book, while the presence of the implicit floor mentioned above would limit its increase in the event of a decline in the curve.

1.2.3. EXCHANGE RATE RISK

Qualitative information

A. General aspects, management and measurement of exchange risk

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

B. Hedging of exchange risk

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

Quantitative information

Internal models and other methodologies or the analysis of sensitivity

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

1.3 HEDGING POLICIES

Qualitative information

A. Fair value hedges

The Group carries out fair value hedging with a view to prudent and active management of market and interest rate risks on the banking book.
Banco Desio has prepared a model able to manage hedge accounting in accordance with the rules laid down in International Accounting Standards (IAS). The method used for the effectiveness test is the "dollar offset method" (hedge ratio) on a cumulative basis.

B. Cash flow hedges

To date, the Bank has not taken out any cash flow hedges.

D. Hedging instruments

For hedging, we use derivatives represented by interest rate swaps, but only to hedge interest rate risk.

E. Hedged items

To date, hedged instruments relate to assets (fixed rate plain vanilla bonds) through specific micro-hedges.

1.4. LIQUIDITY RISK

Qualitative information

A. General aspects, management and measurement of liquidity risk

Liquidity risk is managed by the Parent Company's Finance Department with the aim of verifying the Group's ability to meet liquidity needs, avoiding situations of excessive and/or insufficient cash, resulting in the need to invest and/or raise funds at less favourable rates than the market.
The monitoring of and periodic reporting on liquidity risk is carried out by the Risk Management Office in compliance with the threshold of tolerance for this kind of risk as determined by the Policy for the management of liquidity risk. Treasury activities consist of procuring and allocating available liquidity

through the interbank market, open market operations and transactions in repurchase agreements and derivatives.
The management of operational liquidity has the objective of ensuring the Group is capable of meeting expected and unexpected payment commitments in the context of the "normal course of business" (going concern) over a short term time horizon that does not exceed 3 months. The scope of reference of the daily report on operating liquidity refers to items with a high level of volatility and a considerable impact on the monetary base. The monitoring and control of operating limits is carried out through the acquisition of information resulting from collection and payment transactions, management of accounts for services and trading in the financial instruments held in proprietary portfolios.
The counterbalancing capacity model allows us to integrate the report with all of the free assets that can readily be used, both to be eligible for refinancing with the ECB and to be sold. Next to the application of haircuts determined by the ECB for eligible securities and A.Ba.Co. loans, appropriate discount factors are prepared (divided by type of security, rating and currency), also for all securities not eligible, but still considered marketable if appropriately positioned in time buckets.
Further support for the management of liquidity risk is derived from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between assets and liabilities in the medium to long term.
Operations are measured using Asset and Liability Management (ALM) methods through the ERMAS5 application: by developing all of the cash flows generated by operations, it allows us to evaluate and manage in the various time periods any liquidity requirement that the Bank may encounter due to imbalances between inflows and outflows.
The analysis of the overall structural liquidity is developed on a monthly basis using the technique, i.e. showing imbalances by date of liquidation of capital flows over a set time horizon.
In order to evaluate the impact of the negative events on the risk exposure, stress tests are performed at consolidation level. In particular, the events considered are:

- outflow from overdrafts repayable on demand considered non core;
- lack of inflow from contractual lending (mortgage loans, leasing, personal loans) and demand items due to the increase in impaired loans;
- decrease in value of the owned securities portfolio (Held to collect and sell "HTCS" and Held to collect "HTC");
- repurchase of issued Bonds;
- use of available facilities for revocable lines of credit (call risk).

On completion of the analysis, three types of scenarios are created:

1. Idiosyncratic, defined as a loss of confidence by the Group's market;
2. Market, defined as a loss arising from exogenous events and from the impact of a general economic downturn;
3. Combined, being a combination of scenarios 1 and 2.

The time horizon for the simulation of all scenarios is 1 month, a period in which the Group would have to cope with the crisis before commencing structural interventions.
Given the current economic and financial situation, the funding policy adopted by the Group seeks to stabilise the short-term deposits from ordinary customers, giving preference to retail over wholesale customers, with recourse to TLTRO operations and structural medium/long-term funding by issuing senior bonds that are placed with ordinary customers and covered bonds.

The Group's liquidity at 30 June 2022 is well under control with an LCR indicator of 170.28%.

1.5. OPERATIONAL RISK

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, inclusive of legal risk (see EU regulation 575/2013).
The Group uses the above definition of operational risk within the operational risk management model that has been approved and embodied within corporate policy.
In this regard, a specific operational risk management macro-process (ORM framework) has been designed that consists of the following phases:

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

To support the operational risk management model, the following processes have been formalised:

- Loss Data Collection – structured process for gathering data on operational losses arising within the Group;
- Risk Self Assessment – structured process for the measurement of operational risks designed to have complete vision of risk events in terms of the potential impact and the worst case impact;
- Determination of the capital requirement - the Banco Desio Group calculates the capital requirement using the "Traditional Standardised Approach". In order to comply with the regulatory requirements on the subject, the Group has adopted an operating process and a methodology for allocating the Relevant Indicator in the 8 lines of activity envisaged by the legislation and has adopted a specific internal IT procedure.

The Parent Company's Risk Management function applied company regulations to structure an adequate monitoring and reporting system for operational risk by integrating it with the dictates of the supervisory regulations about the provisions regarding coordination between control functions. With respect to the detrimental events gathered in the Corporate Database of Operational Losses (DBPOA), a reporting system was implemented that is capable of providing information concerning the events in question: number of events, gross amount of losses and any recoveries.
With regard to the management and monitoring of outsourcing risk, a specific method for assessing the risk associated with third parties was defined and implemented, integrated into the broader Group Sourcing process, specific to the Risk Assessment process for operational risks.

* * *

IT security and data protection are priorities for the Group, which attaches central importance to the various risk management strategies. The measures adopt comply consistently with the current regulations governing privacy and security, as well as with the principal sector standards, in order to ensure that the IT systems are protected from events that might have adverse impacts on the Group and the rights of data subjects.
The management, control and measurement of IT risks, including cyber risk, are integral parts of the broader system of internal control and risk management adopted by the Bank, as the parent of the Banco Desio Group.
With reference to the principal organisational and operational controls currently in place to ensure data security and protection, the Group applies:

- ✓ an ICT Risk Assessment process aimed at identifying and measuring exposure to IT risk. This process includes assessment of the risks deriving from the IT system provided to the Bank on a full outsourcing basis by Cedacri S.p.a.;
- ✓ a system of key risk indicators that monitor constantly exposures to the principal data security threats, including: events deriving from the violation of business rules and practices in the area of

information security (i.e. IT fraud, Internet attacks, malfunctions and service outages), attempted fraud via virtual banking channels and potential malware attached to e-mail or web interactions;

- ✓ a process for assessing third parties and the technological and organisational controls established by them to ensure *inter alia* IT security and operational continuity in the context of the services provided, both in the contracting phase and throughout the entire working relationship;
- ✓ a DPIA (Data Protection Impact Assessment) that considers the need for and proportionality of the processing of confidential data, considers and manages any risks for the rights and freedoms of the data subjects concerned, and identifies and implements mitigation measures for any weaknesses found in the existence and effectiveness of adequate physical, organisational and technological controls;
- ✓ internal training on the data protection regulations and on the methods for processing and protecting data;
- ✓ pro-active anti-fraud procedures that address the dynamic changes in the techniques employed in IT attacks;
- ✓ procedures for the management of security incidents;
- ✓ threat alert systems, partly by specialist recourse to Security Operation Centres;
- ✓ daily monitoring of the performance of ICT security that uses a rating system (external assessment by a specialist operator with a global footprint).

With reference to the principal lines of development, the Parent Company is involved in a process of continuously strengthening the first level controls over IT security, via the development of a system of KPIs able to constantly monitor the following areas: positioning of the Group with regard to cyber security, effectiveness of fraud detection systems, exposure to vulnerabilities and management of incidents.

Specifically, the Group has worked on the operational and IT processes associated with compliance activities, ensuring the security of an IT application and adding functions and levels of automation that enhance the overall security of the process, thereby reducing the effort required at branch level.

Business Continuity Management

In particular, business continuity management ensured the operational continuity of critical and systemic processes by identifying business continuity resources and the possibility of working remotely, providing all personnel concerned with laptops and smartphones. Tests were also carried out to guarantee the correctness of the procedures in the following areas: internal information systems, external systems (i.e. IT outsourcer Cedacri S.p.A.), financial markets and electricity supply systems. This crisis response method is also applied by the subsidiary Fides.

Actions have been intensified since 2020 in order to tackle the impacts due to the Covid-19 pandemic:

- ✓ the telephone order registration service for financial investment services was optimised by adopting new technological solutions;
- ✓ notebooks were purchased as new workstations for the Head Office and the Network in order to increase mobility;
- ✓ the Group model for the mobility of business continuity resources was implemented for Fides;
- ✓ infrastructural and network support was enhanced in order to support growing mobility.
- ✓

Logical Safety Management

In response to the extraordinary needs that emerged in connection with the Covid-19 emergency and the ongoing war between Russia and Ukraine and to comply with the joint notice issued by Consob, Bank of Italy, IVASS and UIF on 7 March 2022, the Group has:

- ✓ strengthened security measures against cyber attacks, with the definition of a specific investment plan;
- ✓ revised the policy rules present in firewall systems and Office 365 controls using advanced analysis tools;
- ✓ developed further synergies with the SOC (Security Operation Centre) for the activation of cloud systems that protect users on the move and Internet browsing:

- ✓ revised the anti-spam policies through the activation of domain configurations and their monitoring;
- ✓ enhanced corporate e-mail protection systems in light of increasingly sophisticated hacker attacks;
- ✓ provided a specific training programme for all internal users of Banco Desio on the subject of cyber security;
- ✓ defined and regulated a formal change management process that the ICT Department has adopted for all software upgrades;
- ✓ developed monitoring and control systems for the main outsourcers (primarily Cedacri) in order to assess their performance and services from time to time;
- ✓ reviewed the organisational structure and the Fraud Management processes;
- ✓ strengthened the tools and procedures for protecting against DDoS (Distributed denial of service) attacks, drawing in part on the experience accumulated when tackling and overcoming the attacks that took place during the year.

To increase internal supervision of the main IT outsourcer, we developed a specific monitoring dashboard which produces a synthetic and independent assessment of the adequacy of the service provided by the supplier. This dashboard is available for both line functions and control functions.

As regards the management of risks impacting the Group's business continuity, the Business Continuity plan was updated during the 2021 with a view to process: measures to identify services considered vital for the business were completed, system documentation was prepared to support operations (operating procedures for emergency management and recovery), 3 new branches were confirmed as Business Continuity sites for personnel who manage processes which still need materiality, as well as the one prepared to host the business continuity committee. For risk management of criminal offences pursuant to Legislative Decree 231/2001 "Regulation of the administrative liability of legal entities, companies and associations with or without legal personality", Group companies have adopted an organisational model for the prevention thereof. The supervision of the effective implementation of the aforementioned models has been assigned to specific internal bodies.

* * *

As regards legal risk, in relations with customers the individual corporate functions work with standard contracts that have previously been vetted by the appropriate department. Accordingly, it should be noted that most of the ongoing legal disputes at the end of the period relate to disputes involving requests for damages for alleged usury, compound interest charges and early repayment, most of which are covered by the Lexitor Fund set up in previous years.

Risk related to outstanding legal disputes

As part of its day-to-day operations, the Group is involved in legal proceedings for which specific loss estimates have been made when deemed appropriate by the competent corporate functions. The following table summarises the outstanding disputes at the end of the period, together with the related provisions:

	Number	***Claim***	***Provisions***
Claw-back suits	17	€ 12.0 million	€ 0.6 million
Other lawsuits	927	€ 138.4 million	€ 8.3 million

The principal outstanding disputes, with claims in excess of Euro 1 million, are described below:

- Claim of Euro 42.0 million. The Bank's receivable, transferred to another company in December 2017, was admitted to the bankruptcy liabilities for a total of Euro 1,125,000 placed, as requested, in the class of privileged mortgage loans. On 28 May 2020, a letter of formal notice was received from the Receivership with which a request for compensation was formulated, quantifying the damage to the extent now claimed. An identical initiative was also taken with regard to the other banks involved. The communication argued that, even though the Bank was aware of the state of insolvency in which the company found itself, it continued the fiduciary relationship and approved the disbursement of a new line of credit (partly to repay previous loans in suspense). An external lawyer was immediately appointed to give the Receiver feedback with a prompt and firm denial of any claim. Following this notice from the Receivership, a formal summons was served on the Bank and the other credit institutions involved on 31 January 2022 to appear before the Court of Rome. The request for compensation and the sum involved are reconfirmed, as are the reasons underlying the judicial request. Banco Desio's expert witness carried out a preliminary investigation and prepared a report that excluded that the damage claimed by the plaintiff could be attributable to the Bank. The next hearing is scheduled for 31 October 2022 for the debate on admission of evidence;

- Claim of Euro 40.0 million. Spoleto Credito e Servizi Soc. Coop. (SCS, former parent cooperative of Banca Popolare di Spoleto) as well as some shareholders of the same company notified the Bank and the members of the Board of Directors of the merged company in office in the period 2014-2016 a summons before the Court of Milan - Specialized Company Section - in order to ascertain: (i) the presumed responsibility of the defendants with regard to the transfer of no. 32 bank branches of Banco to the merged company (concluded in the first half of 2015) by virtue of the Investment Agreement concluded on 1 April 2014 between the Bank and the Extraordinary Commissioners of the merged company, on the assumption that incorrect criteria were used to estimate the value of the business unit and that there was a lack of control over the matter by the merged company's Board of Directors and the members of the Related Parties Committee; (ii) the Bank's responsibility for an alleged breach of the commitment assumed in the Framework Agreement to grant a loan of Euro 15.0 million to SCS. In addition to doubts about the legitimacy of the plaintiffs, the arguments are considered entirely instrumental and unfounded and, above all, the abnormal request for compensation is devoid of any probative support. Resolving the outstanding question, the Court of Milan postponed the lawsuit to clarify the conclusions for the hearing of 28 March 2023;
- Claim of Euro 12.6 million. Following the rejection of the Preventive Technical Assessment established in March 2018, the plaintiff initiated a judgement of merit at the Court of Monza (first hearing on 28 March 2019) to request the return of the amounts made available (transfers and requests for bank drafts), according to the plaintiff, based on false signatures and consequently stolen from his assets for the total of Euro 12.6. As things stand at present, the Bank's legal advisor thought that the risk of losing the case was remote, also considering the outcome of the Preventive Technical Assessment. The appraisal of the hand-writing required by the Judge, concluded that all of the signatures could be traced back to the plaintiff. The hearing for the examination of the expert witness's report was set for 12 February 2021. In the meantime, the counterparty died and the Judge declared the case suspended with effect from 3 June 2021. The case was resumed and the judge scheduled the hearing for 27 October 2022 to clarify the conclusions;
- Claim of Euro 7.3 million. With a writ notified in 2013, the Receivership summoned Banca Popolare di Spoleto together with Banca delle Marche and Monte dei Paschi di Siena before the Court of Perugia to hear ascertained and declared invalid and/or ineffective and/or unenforceable as the receiver of the sale of the loan and, therefore, to hear them condemned, jointly and severally, to pay the sum. The application seems totally unfounded as confirmed by the counsel that we appointed to appear in court. On 2 December 2009 (about three years before the declaration of bankruptcy with judgement on 21 March 2013), the Bank, together with the two other banks, granted a line of credit to the bankrupt company, usable in the technical form of an advance on contracts to public entities and/or the public administration, for an amount of Euro 1 million for each bank; the deed of transfer expressly mentioned the revolving nature of the advance granted. At the hearing of 23 November 2021 set for the clarification of the conclusions, the Judge deferred the lawsuit for decision;
- Claim of Euro 3.6 million. The receivership cited the merged Banca Popolare di Spoleto before the Court of Perugia - Section specialized in business matters (first hearing set for 4 November 2019) asking for verification of whether under art. 2377 of the Italian Civil Code the resolution of the shareholders' meeting of Banca Popolare di Spoleto S.p.A. of 7 May 2019 which approved the project for the merger of BPS with Banco di Desio e della Brianza S.p.A. can be cancelled for lack of information and incongruity on the determination of the exchange ratio between the shares of the two Banks; the Court condemned BPS to reimburse the Bankruptcy for the presumed damages that it caused as a consequence of the incongruity of the exchange ratio; damages quantified by the counterparty at Euro 3.6 or a higher or lower sum that may be decided by the Court. Without prejudice to the fact

that, under art. 2504 quater of the Italian Civil Code, since the merger deed was registered, the validity of the merger deed could no longer be questioned, the Bank filed an appearance with the court, reiterating the fairness of the exchange ratio established for the transaction. The Judge lifted the reserve and admitted the filing of documents to back the experts' assessments and scheduled the next hearing for 25 February 2021 to continue the case. The Judge ordered an accounting expert witness and set the start of the expert's work on 27 July 2021, postponing the case to 14 April 2022 to read the expert witness's report. Banco Desio has appointed its own expert witness. Once the investigation was completed following the deposition by the expert witness, the case was adjourned to the hearing on 10 November 2022 to clarify the conclusions;

- Claim of Euro 3.0 million. The Receivership summoned the (now merged) Banca Popolare di Spoleto to appear before the Court of Terni, alleging that the overall exposure to the lending banks and the compromised nature of the financial statements should have led the Bank to refrain from granting credit, given that by acting in this way it allowed the counterparty to remain on the market and delay the declaration of bankruptcy. The Court of Terni rejected the plaintiff's claim, which was challenged before the Court of Appeal of Perugia. The Court of Appeal upheld the first-instance decision. On 8 March 2018, notice was served of the appeal to the Supreme Court. The Supreme Court accepted the appeal of the receivership with regard to the doubts about its legitimacy, sent back to the Court of Appeals of Perugia with a different composition. The Court of Cassation affirmed the principle of the legitimacy of the receivership to promote indemnification action against the directors and banks that are alleged to have favoured the unlawful use of credit (legitimacy which, vice versa, was denied by the trial court). Nonetheless, the judgement set limits on the affirmation of such hypothesis, a principle with which the Court and the appellate judge must comply. The Court of Appeal of Perugia ordered the expert witness to verify the conditions for compensation for damages by scheduling the hearing for the oath of the expert witness on 7 July 2022 and the clarification of the conclusions for the next hearing on 12 January 2023;
- Claim of Euro 2.6 million. The counterparty has summoned the Bank to appear before the Court of Brescia to obtain repayment of the sum deriving from the loss suffered by investing in Boost WTI Oil 3x Leverage ETP and Boost Natural Gas 3x Leverage ETP. The plaintiff has been a customer of Banco Desio since 2011. He opened an administered deposit account in which he carried out various trades in financial instruments before concentrating most of his investments in the two financial instruments that are being contested. Among the various allegations regarding his profiling, the investment advice given by the Bank and the presumed surreptitious management by the Bank with regard to his investments, the plaintiff claims that the two financial instruments were recommended by the Bank and the product sheet did not contain any explanation that in the event of a certain percentage loss these financial instruments would have been withdrawn from the market and reimbursed at the lower value, which duly occurred on 8 March 2020, generating the loss suffered by the plaintiff. The contracts are correctly signed, assigning the customer a high-risk profile for which the investments made are appropriate and adequate. Following the hearing for the admission of the investigative measures, the Judge adjourned the case for clarification of the conclusions to 1 February 2024;
- Claim of Euro 2.0 million. By writ of summons, the counterparty brought legal proceedings against the Bank to seek a declaration of ineffectiveness against the creditors associated with remittances made to the company's current account in the year prior to the issue of declaratory judgement of insolvency. The Court of First Instance partially upheld the demands of the bankrupt party and ordered the Bank to return an amount that was lower than the claim. The counterparty lodged an appeal. The Bank paid the amount fixed by the judgement made by the Court of First Instance, subject to restitution based on the outcome of the appeal proceedings. With a judgement issued in 2015, the Milan Court of Appeal rejected the appeal filed by the counterparty. By application filed in November 2015, the counterparty appealed to the Supreme Court, effectively proposing the same arguments already submitted in first and second degree. The Supreme Court took over the case being decided on 14 June 2022;

- Claim of Euro 1.9 million. The receivership summoned the merged Banca Popolare di Spoleto to appear before the Court of Terni, assuming that the overall exposure to the lending banks and the compromised nature of the financial statements should have led the Bank to refrain from granting credit, so the Bank's operations allowed the party to remain on the market and delay the declaration of bankruptcy. The Bank appeared in court to defend itself, arguing that the credit lines granted were very low (maximum Euro 60 thousand), so lacking any causal link for the allegation of abusive concession of credit. The investigation authorised by the Judge did not address conduct attributable to the Bank. With a judgement of 15 December 2017, the Court of Terni rejected the request filed against the defendant Banks, believing that the conduct of the credit institutions did not contribute to the bad management of the administrator. On 16 January 2018, an appeal against this judgement was served at the request of the receivership. The Court of Appeal upheld the first-instance ruling. The Deputyship has filed an appeal with the Supreme Court for which the hearing to discuss the matter still has to be scheduled;
- Claim of Euro 1.4 million. The plaintiff disputes a current account that was closed on 6 December 2017 when it was classified as a bad debt with a negative balance of Euro 310,217. The counterparty summonsed the Bank on the basis of an econometric appraisal prepared for the sole purpose of convincing the competent Court that non-contractual interest rates were applied, presumably illegitimately or in any case illegally and, allegedly, exceeding the threshold rate for the identification of usury. According to the counterparty, as a result of being reported by the Bank as a bad debt, their access to credit from other banks and suppliers was progressively reduced. Based on the counterparty's arguments, this economic and financial difficulty allegedly caused financial damage, quantified by the counterparty as a total of Euro 1.4 million, as well as alleged non-financial damage quantified at Euro 85 thousand for each year that the bad debt was reported, to be settled on an equitable basis, if appropriate. Having resolved the matter reserved at the hearing on 17 January 2022, the Judge only partially admitted the evidence presented, postponing the outcome of the reserve to the hearing of 4 July 2022;
- Claim of Euro 1.4 million. A Cooperative Company has sued the Bank before the Court of Spoleto asking to ascertain the nullity, cancellation, termination, pre-contractual and contractual liability, the abuse of a dominant position or at least of economic dependence exercised by Banca Popolare di Spoleto S.p.A., under a contract for the provision of investment services and a contract for the purchase of shares for a total of 36,000 shares issued by Spoleto Credito e Servizi Soc. Coop. (SCS, former parent of Banca Popolare di Spoleto) for a total of Euro 1.4 million. The shares (partially pledged) were allegedly purchased by the customer through the mediation of the merged Bank, but with a bank transfer in 2001 directly to SCS. The disputed transaction is very old and the protective measures seem to be prescribed, despite the fact that the operations were used for a loan and a guarantee held with our bank which were subsequently extinguished. The Judge set the hearing for admission of the results of the enquiry for 13 June 2022. The Judge adjourned the case to 11 January 2023 to clarify the conclusions;
- Claim of Euro 1.2 million. A company, as well as its guarantors, sued the Bank before the Court of Spoleto in order to hear, ascertain and declare in relation to mortgages the application of usurious interest, asking the Court for payment by the Bank of Euro 338 thousand for interest allegedly not due, in addition to Euro 169 thousand by way of damages for the company and Euro 730 thousand for each guarantor in compensation for damages for breach of the principles of fairness and good faith, pursuant to art. 1175 and 1375 of the Italian Civil Code. An expert appraisal was carried out, which confirmed the lawfulness of the relationships involved in the lawsuit. The first-level ruling was therefore favourable to the Bank, but the counterparties have appealed the decision. The Court of Appeals, rejecting all introductory claims to the contrary, set the hearing to clarify the conclusions for 7 July 2022. The case is being decided;
- Claim of Euro 1.1 million. Bankruptcy clawback action aimed at the clawback of the payment of the purchase price for a fixed asset owned by the Bank and leased to the counterparty plus amounts paid into a current account. The receiver contested the way in which the payments were made (art.

65 Bankruptcy Law). The first-instance judgement issued in favour of the Bank by the Court of Como has been appealed by the receivership. The Court of Appeal has overturned the first-instance decision. The Bank has appealed to the Supreme Court, which has not yet set a date for the hearing. The receivership has served notice of an injunction for a sum of Euro 1.2 million and the Bank has opposed the injunction, mainly by reason of the legitimacy of the request, including the stance that an appeal had been made to the Supreme Court. The Judge competent to decide on the opposition to the injunction, however, pending the outcome of the Supreme Court's decision, has ordered the Bank to pay a sum of Euro 1.2 million and, at the same time, has obliged the receivership not to take delivery of the sum, until the outcome of the decision by the court of third instance (Supreme Court) concerning the appeal lodged by the Bank against the Court of Appeal's decision. The Supreme Court has not yet set the date for the first hearing.

Quantitative information

The number of detrimental events recorded by the Group at 30 June 2022 comes to 722. The result of the process of collecting adverse events is summarised in the table below:

Event type	% events	% gross loss of total	% net loss of total	% recoveries
INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination), involving at least one member of the bank	0.28%	8.26%	8.31%	0.00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetuated by third parties	1.94%	4.23%	4.26%	0.00%
EMPLOYMENT AND SAFETY AT WORK Losses due to actions contrary to employment laws and contracts on health and safety in the workplace, and compensation for injury or incidents of discrimination	0.28%	4.35%	4.37%	0.00%
RELATIONAL ACTIVITY CONNECTED TO CUSTOMERS, PRODUCTS AND CHANNELS Losses due to inability (not intentional or negligent) to fulfil professional commitments taken with customers (including fiduciary requirements and adequate information on investments)	24.79%	47.62%	47.53%	0.00%
DAMAGE TO ASSETS This category includes events of a natural origin or attributable to actions taken by third parties that cause damage to physical assets of the bank	0.55%	0.42%	0.42%	0.00%
BUSINESS INTERRUPTION AND SYSTEM FAILURE Losses arising from a blockage of information systems or line connections	0.14%	0.05%	0.05%	0.00%
EXECUTION OF INSTRUCTIONS, DELIVERY OF PRODUCTS AND PROCESS MANAGEMENT	72.02%	35.07%	35.06%	0.00%
TOTAL Banco Desio e della Brianza Group	**100.00%**	**100.00%**	**100.00%**	**n.a.**

The gross operating loss comes to Euro 1,327 thousand, for which provisions were made during the period of Euro 771 thousand. During the reporting period, no recoveries were made on events recorded and accounted for, so the net loss is equal to the gross loss.

Information on transactions with related parties

Information on the remuneration of directors and managers

For information on the remuneration paid to directors and key management personnel, please refer to the "Report on the remuneration policy and compensation paid" at 31 December 2021 prepared in accordance with art. 123-ter CFA, published on the website www.bancodesio.it in the "Bank/Governance/Corporate documents" section.

Related party disclosures

The internal procedure ("Internal Regulations") for the management of transactions with related parties and entities included in the scope of application of art. 136 of the CBA, adopted in accordance with Consob Regulation no. 17221/2010, as updated by Resolution no. 21624/2020, and supplemented in accordance with the Minimum Capital Requirement in respect of risk assets and conflicts of interest with respect to persons linked to the Bank or the Banking Group pursuant to art. 21624 TUB, is explained in the Annual Report on Corporate Governance at 31 December 2020. The same procedure is published in accordance with the Regulation on our website www.bancodesio.it in the "Bank/Governance/Corporate documents/Related Parties" section.

Given that, pursuant to art. 5 of Consob Regulation 17221/2010 and art. 154-ter of the CFA, periodic information has to be provided:

a) on individual "significant" transactions carried out during the reference period, i.e. those transactions that, as a total, exceed the thresholds foreseen in Attachment 3 of the said Regulation[5];

b) on other individual transactions with related parties as defined under art. 2427, second paragraph, of the Italian Civil Code, entered into during the reporting period, that have materially impacted the financial position and results of the Group;

c) on any changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the Group,

there were no transactions worthy of note during the period.

Transactions with related parties are generally entered into on an arm's length basis and are, in any case, in the Group's interest.

Comparison with the equivalent market or standard conditions is mentioned in the periodic reporting of transactions to the Corporate Bodies.

In this context, there are no transactions outstanding at 30 June 2022 that present particular risk profiles compared with those considered part of the normal course of banking business and related financial activity or that present profiles of atypical/unusual features worthy of note.

The following paragraphs summarise - in a prudential logic of unified management of potential conflicts of interest - existing relationships with the Parent Company, subsidiary companies, associates and other related parties pursuant to art. 53 CBA and/or art. 2391-bis of the Italian Civil Code, included entities treated as per art 136 of CBA also in compliance with Italian laws), highlighting, in particular, the balance of current accounts and of the securities portfolio at the end of the first half of 2022.

<u>Parent Company</u>

At the end of the first half of the year, payables (to customers) versus the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. amounted to Euro 209.3 million, of which Euro 203.2 million relating to the securities portfolio.

It should be recalled that at the end of 2018, a five-year unsecured "bullet" loan was entered into with this Company for a total of 5 million to replace a similar credit line at another bank which was about to expire. This transaction falls within the scope of application of art. 136 of the Consolidated Banking Act by virtue of the positions held by certain Officers, carried out at market conditions (also on the list of conditions in force for Related Parties according to the specific framework resolution) and included in ordinary credit and loans activity.

The service agreement has also been renewed with the same Company governing the reciprocal rights and obligations inherent to the accounting and reporting activities delegated to Banco di Desio e della

[5] with respect to the level of significance of the transactions with related parties, the Internal Procedure refers to a threshold of Euro 37.5 million (equivalent to 5% of consolidated regulatory capital recognised at the date of adoption of the Procedure).

Brianza S.p.A. for regulatory consolidation purposes pursuant to art. 11 and 99 of EU Regulation no. 575/2013 (CRR). The fees paid to the latter are of a minor amount and have in any case been determined with the same methodology as similar agreements with subsidiaries. It should be noted that this transaction also falls within the scope of application of art. 136 of the Consolidated Banking Act by virtue of the positions held by certain Officers referred to in the following paragraph "Transactions with Officers and parties related to them".

Associated company

On 29 June 2022, having obtained the necessary authorisations required by law, the partnership agreements for the entry of Banco Desio into the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") went ahead. Banco Desio now has 15% of the share capital of the SGR which, by virtue of the partnership agreements and, in particular, the weight that Banco Desio has in the decision-making process through its representation on the Board of Directors of Anthilia, configures it as an investment in an associated company.

At the end of the first half of 2022, payables (to customers) amounted to a total of Euro 4.8 million.

Transactions with Officers and parties related to them

As for the granting of credit lines approved in the first half of 2022 pursuant to art. 53 of the CBA (also according to the new provisions introduced by Legislative Decree implementing Directive 2013/36/EU, the so-called CRD IV) and/or art. 2391-bis of the Civil Code (including parties treated in accordance with art. 136 CBA), these were mainly ordinary lending transactions to officers of the Group and/or parties related to them (i.e. directors, statutory auditors and managers with strategic responsibilities in Banco Desio and its subsidiaries). These relationships did not affect the application of the normal assessment criteria of creditworthiness. The total amount granted on the 32 positions outstanding at 30 June 2022 is equal to Euro 7.8 million.

As regards funding relationships held directly with Officers of the Bank, as well as with parties related to them, it should also be noted that the total balances at 30 June 2022 amounted to Euro 136.4 million in amounts due to customers (including approximately Euro 115.3 million in securities portfolios).

The above computation excludes transactions and balances with the parent company, as per the previous paragraph, and with subsidiaries.

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

	Balances at 30.06.2022 (in €/million)
Lending transactions:	
Amount granted	17.0
Amount drawn down	7.8
Funding transactions:	
C/c and d/r amount (a)	21.1
Amount of securities portfolios (b)	115.3
Total (a+b)	136.4

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

Information on Equity-Based Payments

Information on incentive plans ("Phantom shares")

Lastly, the Ordinary and Extraordinary Shareholders' Meeting of 14 April 2022 approved an annual incentive plan called the "2022 Incentive System", drawn up pursuant to art. 114-bis, paragraph 1, Consolidated Finance Act, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager and other key personnel of Banco di Desio and Brianza S.p.A. and its subsidiaries pursuant to art. 2359 of the Italian Civil Code and the attribution to the Board of Directors, with the right to sub-delegate, of all the powers necessary for implementation of the "2022 Incentive System", to be exercised in compliance with what is indicated in the information document published on the institutional website.

For more detailed information, please refer to the contents of the documents *Report on the remuneration policy and remuneration paid 2021* and *Information Document relating to the "2022 Incentive System" based on the assignment of phantom shares*, published on the corporate website at www.bancodesio.it.

Segment reporting

The Banco Desio Group operates by carrying on traditional banking activities, providing asset management services and selling life and non-life bancassurance products.
Consistent with the system of internal reporting used by management to monitor the trend in results and take operating decisions about the allocation of resources, the Group's segment reporting takes account of the organisational and managerial structure described below.
The "banking" sector includes Banco di Desio e della Brianza S.p.A. and the SPV Desio OBG S.r.l.
The "near-banking" segment comprises Fides S.p.A., a financial intermediary that is registered pursuant to art. 106 TUB.
The column "consolidation adjustments" includes the consolidation entries and the intercompany eliminations.
The total of the four columns described above is the amount reported in the consolidated interim report of the Banco Desio Group.

Income statement	Banking	Near-banking	Consolidation adjustments	Total 30.06.2022
Net profit from financial and insurance activities [1]	257,114	8,637	(6,751)	259,000
Fixed costs [2]	(150,594)	(4,374)	80	(154,888)
Provisions and adjustments [3]	(25,577)	(496)	8	(26,065)
Profit (loss) from equity investments carried at equity	-			-
Gains (losses) on disposal of investments	-			-
Profit (loss) from current operations before tax	**80,943**	**3,767**	**(6,663)**	**78,047**

Balance sheet	Banking	Near-banking	Consolidation adjustments	Total 30.06.2022
Financial assets	3,982,968	-		3,982,968
Due from banks [4]	1,871,414	4		1,871,418
Loans to customers [4]	11,448,632	982,211	(923,966)	11,506,877
Non-current assets and disposal groups held for sale	7,453			7,453
Due to banks	3,918,030	924,089	(924,089)	3,918,030
Due to customers	11,094,430	6,941	(2,701)	11,098,670
Debt securities in issue	1,446,272			1,446,272
Indirect deposits, under administration and management	**16,339,427**			**16,339,427**

Income statement	Banking	Near-banking	Consolidation adjustments	Total 30.06.2021
Net profit from financial and insurance activities [1]	237,906	8,004	(3,142)	242,768
Fixed costs [2]	(152,563)	(3,672)	76	(156,159)
Provisions and adjustments [3]	(44,830)	(350)	3	(45,177)
Profit (loss) from equity investments carried at equity	-			-
Gains (losses) on disposal of investments	-			-
Profit (loss) from current operations before tax	**40,513**	**3,982**	**(3,063)**	**41,432**

Balance sheet	Banking	Near-banking	Consolidation adjustments	Total 31.12.2021
Financial assets	3,797,711			3,797,711
Due from banks [4]	2,083,607	4		2,083,611
Loans to customers [4]	11,067,882	923,320	(863,445)	11,127,757
Non-current assets and disposal groups held for sale	13,080			13,080
Due to banks	3,815,695	863,445	(863,445)	3,815,695
Due to customers	10,976,253	3,649	(1,485)	10,978,417
Debt securities in issue	1,522,265			1,522,265
Indirect deposits, under administration and management	**18,018,035**			**18,018,035**

[1] including other operating charges/income and profits/losses from contractual changes without cancellations
[2] administrative costs, net adjustments to property, plant and equipment and intangible assets
[3] net impairment adjustments to loans and financial assets, provisions for risks and charges, goodwill
[4] net of held to collect (HTC) debt securities measured at amortised cost and reported under financial assets

CERTIFICATION PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION NO. 11971

CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned, Alessandro Maria Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A., certify pursuant to paragraphs 3 and 4 of art. 154 bis of Legislative Decree 58 of 24 February 1998:
   - the adequacy of the administrative and
   - accounting procedures for the preparation of the condensed consolidated interim financial statements with respect to the Company and their effective application during the first half of 2022.
   -
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements at 30 June 2022 was based on a process defined by Banco di Desio e della Brianza S.p.A. in accordance with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework that is generally accepted internationally.

3. We also certify that:

   3.1 the condensed consolidated interim financial statements:
      a. have been prepared in accordance with the applicable IAS/IFRS recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002;
      b. agree with the books of account and accounting records;
      c. are able to provide a true and fair view of the assets and liabilities, results and financial position of the issuer and of the companies included in the consolidation.

   3.2 the interim report on operations includes a reliable analysis of significant events that took place during the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Desio, 28 July 2022

Chief Executive Officer	Financial Reporting Manager
Alessandro Decio	*Mauro Walter Colombo*

AUDITORS' REPORT

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Banco di Desio e della Brianza S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banco Desio Group, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2022. The parent's directors of Banco Desio e della Brianza S.p.A. are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banco Desio Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 4 August 2022

KPMG S.p.A.

(Signed on the original)

Alessandro Nespoli
Director of Audit

ATTACHMENT

Banco Desio

CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

Captions		2nd quarter 2022	1nd quarter 2022	2nd quarter 2021	1nd quarter 2021
10.	Interest and similar income	80,623	77,753	71,241	74,065
20.	Interest and similar expense	(11,152)	(10,182)	(10,400)	(9,723)
30.	**Net interest income**	**69,471**	**67,571**	**60,841**	**64,342**
40.	Commission income	54,425	49,817	54,859	47,655
50.	Commission expense	(5,304)	(4,854)	(4,649)	(4,464)
60.	**Net commission income**	**49,121**	**44,963**	**50,210**	**43,191**
70.	Dividends and similar income	86	463	35	479
80.	Net trading income	(176)	2,002	1,107	1,794
90.	Net hedging gains (losses)	804	-	-	-
100.	Gains (losses) on disposal or repurchase of:	(2,236)	6,766	479	2,894
	a) financial assets at amortised cost	(2,237)	6,187	75	1,017
	b) financial assets at fair value through other comprehensive income	-	577	426	1,942
	c) financial liabilities	1	2	(22)	(65)
110.	Net result of other financial assets and liabilities designated at fair value through profit or loss	(3,427)	(2,079)	2,899	(1,493)
	b) other financial assets mandatorily at fair value	(3,427)	(2,079)	2,899	(1,493)
120.	**Net interest and other banking income**	**113,643**	**119,686**	**115,571**	**111,207**
130.	Net value adjustments/write-backs for credit risk relating to:	(15,416)	(9,619)	(35,711)	(7,593)
	a) financial assets at amortised cost	(15,345)	(9,584)	(35,667)	(7,647)
	b) financial assets at fair value through other comprehensive income	(71)	(35)	(44)	54
140.	Profit/losses from contractual changes without write-offs	(42)	(3)	(27)	3
150.	**Net profit from financial activities**	**98,185**	**110,064**	**79,833**	**103,617**
180.	**Net profit from financial and insurance activities**	**98,185**	**110,064**	**79,833**	**103,617**
190.	Administrative costs:	(70,034)	(75,891)	(70,719)	(76,470)
	a) payroll costs	(42,744)	(42,766)	(43,056)	(42,907)
	b) other administrative costs	(27,290)	(33,125)	(27,663)	(33,563)
200.	Net provisions for risks and charges	(878)	(152)	(1,740)	(133)
	a) commitments for guarantees given	(141)	92	40	672
	b) other net provisions	(737)	(244)	(1,780)	(805)
210.	Net adjustments to property, plant and equipment	(3,212)	(4,753)	(4,012)	(4,063)
220.	Net adjustments to intangible assets	(493)	(505)	(518)	(377)
230.	Other operating charges/income	8,003	17,713	8,092	7,922
240.	**Operating costs**	**(66,614)**	**(63,588)**	**(68,897)**	**(73,121)**
260.	Net result of the measurement at fair value of property, plant and equipment and intangible assets	-	-	-	-
290.	**Profit (loss) from current operations before tax**	**31,571**	**46,476**	**10,936**	**30,496**
300.	Income taxes on continuing operations	(10,386)	(13,543)	5,893	(10,482)
310.	**Profit (loss) from continuing operations after tax**	**21,185**	**32,933**	**16,829**	**20,014**
320.	Net profit (loss) of discontinued operations, net of taxes	-		-	-
330.	**Net profit (loss) for the period**	**21,185**	**32,933**	**16,829**	**20,014**
340.	Net profit (loss) pertaining to minority interests	**-**	-	-	-
350.	**Parent Company net profit (loss)**	**21,185**	**32,933**	**16,829**	**20,014**