Banco Desio

PRESS RELEASE

BANCO DESIO: CONSOLIDATED RESULTS AT 31 MARCH 2022

Q1 2022 Consolidated net profit of Euro 32.9 million, a distinct increase compared with Q1 2021 (+64.5%) giving an annualised ROE of 8.4% (+0.6 pts vs Q1 2021)

Q1 2022 operating profit of Euro 55.7 million, an improvement on Q1 2021 (+24.7%) driven by the increase in revenues to Euro 122.0 million (+10.4% vs Q1 2021) and by a growth of volumes above the market average

Cost/income ratio at 60.3% in Q1 2022 (-5.4 pts vs Q1 2021)

Capital solidity and asset quality confirmed with a further slight improvement

Desio, 5 May 2022 - The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved this "Consolidated Quarterly Report at 31 March 2022". The following table summarises the main financial indicators for the period.

PROFITABILITY

- **CONSOLIDATED NET PROFIT** showing strong growth to **Euro 32.9 million** (+64.5%)
- **Increase in profitability (Annualised ROE of 8.4%)** with stable operating costs and cost of risk under control.
- **Result of operations is improving (+24.7%)** thanks to the growth in income **(+10.4%)**.
- **Cost/income ratio** of **60.3%,** an improvement of 5.4 pts
- **Net commission income (+5.3%)** has benefited from the positive trend in revenues deriving from transaction flows, bancassurance and assets under management (+5.2% on distribution of UCITS, +10.5% on insurance products and +18.3% on individual portfolio management) despite a minor slowdown in the managed segment due to the negative market context.

SUPPORT TO THE ECONOMY AND GROWTH

- **LOANS TO ORDINARY CUSTOMERS** of **Euro 11.2 billion** (+1%) with additional disbursements to households and businesses in the Q1 2022 for Euro 0.5 billion.
- **ECOBONUS/SISMABONUS CREDITS** purchased for approximately Euro 0.2 billion
- **INDIRECT DEPOSITS** of **Euro 17.3 billion** (-3.8%, of which ORDINARY CUSTOMERS down by -4.0%, due to the negative market effect of the period)
- **DIRECT DEPOSITS** up to **Euro 12.9 billion** (+3.5%)[1]

RELIABILITY

- **Low impact of non-performing loans:** Gross NPL ratio of 4.0% (4.1% at 31 December 2021) and net of 2.1%
- **Strict loan assessment** with COVERAGE LEVELS of non-performing loans at 50.6% and on performing loans at 0.9%
- **LIQUIDITY under control** with LCR indicator at 195.7%

CAPITAL SOLIDITY[2]

- Banco Desio Group's **CAPITAL SOLIDITY CONFIRMED** with **CET1 of 15.65%**

Ratios[3]	**Banco Desio Brianza**	**Banco Desio Group**	**Brianza Unione Group**[4]
CET 1	16.60%	15.65%	11.41%
TIER 1	16.60%	15.65%	12.20%
Total Capital	16.60%	15.65%	13.26%

[1] Including repurchase agreements with institutional customers for Euro 683 million (Euro 208 million at 31 December 2021).
[2] Based on the Bank of Italy's instructions sent to Banco di Desio e della Brianza S.p.A. and to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. on 21 May 2020, the following minimum capital requirements have been assigned to the Brianza Unione Group for CRR purposes, following completion of the Supervisory Review and Evaluation Process (SREP): CET21 ratio of 7.35%, binding for 4.85% as per art. 67-ter TUB (minimum regulatory requirement of 4.5% and additional requirements of 0.35%) with the difference represented by the capital conservation buffer, Tier 1 ratio of 8.95%, binding for 6.45% (minimum regulatory requirement of 6.0% and additional requirements of 0.45%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 11.1%, binding for 8.6% (minimum regulatory requirement of 8% and additional requirements of 0.6%) with the difference represented by the capital conservation buffer.
[3] In application of the transitional arrangements introduced by Regulation (EU) 2017/2395 of 12 December 2017 and subsequent amendments.
[4] The consolidated ratios at the level of Brianza Unione of Luigi Gavazzi and Stefano Lado S.A.p.A., the parent company that holds 50.41% of Banco di Desio and della Brianza S.p.A., were calculated on the basis of the provisions of articles 11, paragraphs 2 and 3 and 13, paragraph 2 of the Capital Requirements Regulation (CRR).

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The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 5 May 2022, approved the "Consolidated quarterly report on operations at 31 March 2022" (hereinafter "Report"), which has been prepared on a voluntary basis.
This Report has also been prepared in order to determine the result for the period, so that own funds and prudential coefficients can be calculated.

As regards the criteria for recognition and measurement, this Report has been prepared by applying the IAS/IFRS in force at the reference date as reported below in the section entitled "Basis of preparation".

Please note the specific information provided to explain the underlying context in which this financial report was prepared, still affected by the situation caused by the pandemic, as well as the uncertainties and significant risks related to it that could have an impact, even a material impact, on the expected results, which depend on many factors that are beyond management's control.

The figures in the tables and schedules of the Report are expressed in thousands of Euro.

The accounting schedules of this Report are subject to a limited audit by KPMG S.p.A. for the inclusion of the interim result in own funds.

Impacts of the war in Ukraine

The escalation in international geopolitical tensions that culminated with Russia's armed invasion of Ukrainian territory and the approval of a wide range of financial and trade sanctions against Moscow have accelerated the surge in energy prices and raw materials, 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 excluded, as confirmed by recent downward revisions of growth expectations for the economy.

A greater credit risk directly linked to the crisis may therefore derive from the repercussions on borrowers whose business depends to a greater or lesser extent on the Russian world (not to mention, more generally, the said tensions on raw material prices which could lead to a slowdown in the economy). Ad hoc analyses have also been commenced on counterparties operating in those sectors that are most exposed to imports or exports with Russia, Belarus and Ukraine, or that generate significant inflows/outflows versus these countries compared with their total sales. To date, no particular signs of critical situations have emerged on the loan portfolio as a whole.

Specific instructions have 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.

Banco Desio wanted to be close to the Ukrainian population with a fundraising campaign called “BANCO DESIO X L’UCRAINA” aimed at customers and with a crowdfunding initiative called “#unitixUcraina” involving internal resources (for each euro donated, the Bank will donate two).

Banco Desio

Results of the period

Key figures and ratios

The alternative performance measures (APMs) shown in this consolidated management report have been chosen to facilitate understanding of the performance 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.

Table 1 – Balance sheet

	31.03.2022	31.12.2021	Change	
Amounts in thousands of Euro			amount	%
Total assets	18,456,765	17,804,781	651,984	3.7%
Financial assets	4,027,211	3,797,711	229,500	6.0%
Due from banks [(1)]	2,404,183	2,115,119	289,064	13.7%
Loans to customers [(1)]	11,239,642	11,127,757	111,885	1.0%
Property, plant and equipment [(2)]	220,867	218,420	2,447	1.1%
Intangible assets	18,875	19,119	-244	-1.3%
Non-current assets and disposal groups held for sale	0	13,080	-13,080	-100.0%
Due to banks	3,814,784	3,815,695	-911	0.0%
Due to customers [(3) (4)]	11,353,149	10,926,600	426,549	3.9%
Debt securities in issue	1,533,950	1,522,265	11,685	0.8%
Shareholders' equity (including Net profit/loss for the period)	1,118,379	1,088,741	29,638	2.7%
Own funds	1,115,155	1,131,495	-16,340	-1.4%
Total indirect deposits	17,334,242	18,018,035	-683,793	-3.8%
of which: Indirect deposits from ordinary customers	*10,587,101*	*11,033,464*	*-446,363*	*-4.0%*
of which: Indirect deposits from institutional customers	*6,747,141*	*6,984,571*	*-237,430*	*-3.4%*

[(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 31 March 2022 includes the right of use ("RoU Assets") equal to Euro 53.0 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 683 million (Euro 208 million at 31 December 2021)

Table 2 – Income statement [(5)]

	31.03.2022	31.03.2021	Change	
Amounts in thousands of Euro			amount	%
Operating income	121,982	110,447	11,535	10.4%
of which: Net interest income	*65,352*	*62,442*	*2,910*	*4.7%*
Operating costs	66,313	65,810	503	0.8%
Result of operations	55,669	44,637	11,032	24.7%
Charges relating to the banking system	7,260	6,800	460	6.8%
Profit (loss) from continuing operations after tax	24,739	20,961	3,778	18.0%
Non-recurring profit (loss) after tax	8,194	-947	9,141	n.s.
Net profit (loss) for the period	32,933	20,014	12,919	64.5%

[(5)] from the reclassified income statement.

Table 3 – Key figures and ratios

	31.03.2022	31.12.2021	Change amount
Capital/Total assets	6.1%	6.1%	0.0%
Capital/Loans to customers	10.0%	9.8%	0.2%
Capital/Due to customers	9.9%	10.0%	-0.1%
Capital / Debt securities in issue	72.9%	71.5%	1.4%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio) (6) (7)	15.6%	15.6%	0.0%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) (6) (7)	15.6%	15.6%	0.0%
Total Own Funds/Risk-weighted assets (Total capital ratio) (6) (7)	15.6%	15.7%	0.0%
Financial assets / Total assets	21.8%	21.3%	0.5%
Due from banks / Total assets	13.0%	11.9%	1.1%
Loans to customers / Total assets	60.9%	62.5%	-1.6%
Loans to customers / Direct customer deposits	87.2%	89.4%	-2.2%
Due to banks / Total assets	20.7%	21.4%	-0.7%
Due to customers / Total assets	61.5%	61.4%	0.1%
Debt securities in issue / Total assets	8.3%	8.5%	-0.2%
Direct customer deposits / Total assets	69.8%	69.9%	-0.1%
	31.03.2022	**31.03.2021**	**Change amount**
Cost/Income ratio	54.4%	59.6%	-5.2%
(Operating costs + Charges relating to the banking system) / Operating income (Cost/Income ratio)	60.3%	65.7%	-5.4%
Net interest income / Operating income	53.6%	56.5%	-2.9%
Result of operations / Operating income	45.6%	40.4%	5.2%
Profit (loss) from continuing operations after tax/Capital - annualised (8) (9)	7.6%	5.2%	2.4%
ROE (8) - annualised (9) (10)	8.4%	5.3%	3.1%
Profit (loss) from operations before tax/Total assets (ROA) - annualised (9)	0.7%	0.5%	0.2%
	31.03.2022	**31.12.2021**	**Change amount**
Net bad loans / Loans to customers	0.8%	0.8%	0.0%
Net non-performing loans / Loans to customers	2.1%	2.1%	0.0%
% Coverage of bad loans	63.4%	63.3%	0.1%
% Coverage of bad loans, gross of write-offs	64.4%	64.3%	0.1%
% Total coverage of non-performing loans	50.6%	50.8%	-0.2%
% Coverage of non-performing loans, gross of write-offs	51.4%	51.5%	-0.1%
% Coverage of performing loans	0.90%	0.94%	-0.04%

Table 4 – Structure and productivity ratios

	31.03.2022	31.12.2021	Change amount	Change %
Number of employees	2,143	2,141	2	0.1%
Number of branches	232	232	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee (11)	5,247	5,152	95	1.8%
Direct deposits from customers per employee (11)	6,016	5,763	253	4.4%
	31.03.2022	**31.03.2021**	**Variazioni ass.**	**%**
Operating income per employee (11) - annualised (9)	217	212	5	2.4%
Result of operations per employee (11) - annualised (9)	93	88	5	5.7%

(6) Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 31 March 2022 are: Common Equity Tier1 11.4%; Tier 1 12.2%; Total Capital Ratio 13.3%.

(7) Capital ratios at 31.03.2022 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 Tier 1 15.1%; Tier 1 15.1%; Total capital ratio 15.1%.

(8) net of the result for the period;

(9) the amount reported at 31.03.2021 is the final figure at the end of 2021;

(10) the annualised ROE at 31.03.2021 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

Consolidated income statement

The net profit for the period, up by Euro 12.9 million (+64.5%) compared with Q1 2021, benefited from the positive trend in operations (+24.7%) mainly attributable to increased operating income (+10.4%), with operating costs in line with the first three months of 2021 (+0.8%). It should also be noted that the result for the period is influenced by non-recurring revenue components for 8.2 million euro.

Table 5 – Reclassified consolidated income statement

Captions				Change	
Amounts in thousands of Euro		**31.03.2022**	**31.03.2021**	**Amount**	**%**
10+20	Net interest income	65,352	62,442	2,910	4.7%
70	Dividends and similar income	463	479	-16	-3.3%
40+50	Net commission income	46,332	43,982	2,350	5.3%
80+90+100 +110	Net result of financial assets and liabilities	9,151	3,105	6,046	194.7%
230	Other operating income/charges	684	439	245	55.8%
	Operating income	**121,982**	**110,447**	**11,535**	**10.4%**
190 a	Payroll costs	-42,759	-42,891	132	-0.3%
190 b	Other administrative costs	-21,097	-20,617	-480	2.3%
210+220	Net adjustments to property, plant and equipment and intangible assets	-2,457	-2,302	-155	6.7%
	Operating costs	**-66,313**	**-65,810**	**-503**	**0.8%**
	Result of operations	**55,669**	**44,637**	**11,032**	**24.7%**
130a+100a	Cost of credit	-9,940	-6,532	-3,408	52.2%
130 b	Net adjustments to securities owned	-957	354	-1,311	n.s.
140	Profit/losses from contractual changes without write-offs	-3	3	-6	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	92	672	-580	-86.3%
200 b	Net provisions for risks and charges - other	-418	-822	404	-49.1%
	Charges relating to the banking system	-7,260	-6,800	-460	6.8%
	Profit (loss) from continuing operations before tax	**37,183**	**31,512**	**5,671**	**18.0%**
300	Income taxes on continuing operations	-12,444	-10,551	-1,893	17.9%
	Profit (loss) from continuing operations after tax	**24,739**	**20,961**	**3,778**	**18.0%**
260	Fair value adjustment of property, plant and equipment and intangible assets	0	0	0	n.s.
	Provisions for risks and charges, other provisions, one-off expenses and revenue	9,293	-1,016	10,309	n.s.
	Non-recurring result before tax	**9,293**	**-1,016**	**10,309**	**n.s.**
	Income taxes from non-recurring items	-1,099	69	-1,168	n.s.
	Non-recurring profit (loss) after tax	**8,194**	**-947**	**9,141**	**n.s.**
330	**Net profit (loss) for the period**	**32,933**	**20,014**	**12,919**	**64.5%**
340	Minority interests	0	0	0	n.s.
350	**Profit (Loss) for the period pertaining to the Parent Company**	**32,933**	**20,014**	**12,919**	**64.5%**

The main cost and revenue items in the reclassified income statement are analysed below, with comments, where necessary, on situations where it is not possible to make a straight comparison because the accounting treatment is inconsistent.

Operating income

Core revenues increased by about Euro 11.5 million with respect to the comparative period (+10.4%), coming in at Euro 122.0 million. The trend is attributable to the growth of net interest income for Euro 2.9 million (+4.7%), the net result of financial assets and liabilities for Euro 6.0 million (+194.7%) and net commission income for Euro 2.4 million (+5.3%), as well as the balance of other operating income and expenses for 0.2 million euro.
Dividends, which amounted to Euro 0.5 million, are 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 66.3 million in line with the comparative period (+0.8%).

Other administrative costs and the balance of net adjustments to property, plant and equipment and intangible assets have increased compared with the prior period (by 2.3% and 6.7% respectively), whereas personnel costs have decreased by Euro 0.1 million (-0.3%).

Result of operations

The *result of operations* at 31 March 2022 was equal to 55.7 million euro, an increase compared with the comparative period (+24.7%) due to the above.

Net profit (loss) from continuing operations after tax

The result of operations of Euro 55.7 million leads to a *net profit (loss) from operations after tax* of Euro 24.7 million, 18.0% up on the Euro 21.0 million in the comparative period, mainly because of:

- the *cost of credit* (*net impairment adjustments to financial assets measured at amortised cost plus gains (losses) on disposal or repurchase of loans*) of Euro 9.9 million (vs Euro 6.5 million in the first quarter of the previous year);
- *net adjustments to proprietary securities, negative for 1.0 million euro (positive for 0.4 million euro in the comparative period);*
- negative *net provisions for risks and charges*, 0.3 million euro (vs negative 0.2 million euro 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 12.4 million euro (10.6 million euro in the comparative period).

Result of non-recurring items after tax

At 31 March 2022 there was a positive non-recurring operating result of approximately 8.2 million euro (negative for 0.9 million euro in the comparative period) due to:

- the release[5] of 9.3 million euro of 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, along with the related tax effect of 2.6 million euro;
- the positive income component recognised in February for 1.5 million euro linked to the rebate request presented to the Revenue Agency (IRAP in 2014 for the business unit transferred to the former subsidiary BPS).

In the comparative period there was a negative result of 0.9 million euro. This caption essentially consists of the cost component of 1 million euro related to the expenses for the disposal of the investment in Cedacri S.p.A., net of the related tax effect.

Net profit (loss) for the period

The sum of *profit from continuing* and *non-recurring operations* leads to a net profit for the period that at 31 March 2022 amounts to 32.9 million euro, up by 64.5% compared with the same period of the previous year.

[5] 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.

Table no. 6 - RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS AND THE RECLASSIFIED INCOME STATEMENT AT 31.03.2022

Captions		As per financial statements	Reclassifications										Reclassified income statement
	Amounts in thousands of Euro	**31.03.2022**	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	**31.03.2022**
10+20	Net interest income	67,571	-1,010	-1,369					0		160		65,352
70	Dividends and similar income	463											463
40+50	Net commission income	44,963		1,369									46,332
80+90+100 +110	Net result of financial assets and liabilities	6,689						2,462	0				9,151
230	Other operating income/charges	17,713			-8,067		338		-9,300				684
	Operating income	**137,399**	**-1,010**	**0**	**-8,067**	**0**	**338**	**2,462**	**-9,300**	**0**	**160**	**0**	**121,982**
190 a	Payroll costs	-42,766							7				-42,759
190 b	Other administrative costs	-33,125			8,067				0	7,260	-3,299		-21,097
210+220	Net adjustments to property, plant and equipment and intangible assets	-5,258					-338				3,139		-2,457
	Operating costs	**-81,149**	**0**	**0**	**8,067**	**0**	**-338**	**0**	**7**	**7,260**	**-160**	**0**	**-66,313**
	Result of operations	**56,250**	**-1,010**	**0**	**0**	**0**	**0**	**2,462**	**-9,293**	**7,260**	**0**	**0**	**55,669**
130a+100a	Cost of credit	-9,584	1,010			922		-2,462	174				-9,940
130 b	Net adjustments to securities owned	-35				-922							-957
140	Profit/losses from contractual changes without write-offs	-3											-3
200 a	Net provisions for risks and charges - commitments and guarantees given	92											92
200 b	Net provisions for risks and charges - other	-244							-174				-418
	Charges relating to the banking system									-7,260			-7,260
	Profit (loss) from continuing operations before tax	**46,476**	**0**	**0**	**0**	**0**	**0**	**0**	**-9,293**	**0**	**0**	**0**	**37,183**
300	Income taxes on continuing operations	-13,543										1,099	-12,444
	Profit (loss) from continuing operations after tax	**32,933**	**0**	**0**	**0**	**0**	**0**	**0**	**-9,293**	**0**	**0**	**1,099**	**24,739**
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			9,293	0			9,293
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,293**	**0**	**0**	**0**	**9,293**
	Income taxes from non-recurring items											-1,099	-1,099
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,293**	**0**	**0**	**-1,099**	**8,194**
330	**Net profit (loss) for the period**	**32,933**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**32,933**
340	Minority interests	0											0
350	**Profit (Loss) for the period pertaining to the Parent Company**	**32,933**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**32,933**

Banco Desio

Consolidated financial position

Deposits

Total customer funds under management at 31 March 2022 reached 30.2 billion euro, a slight decrease with respect to the 2021 year end balance (-0.8%).

Direct deposits at 31 March 2022 amounted to 12.9 billion euro, up by 3.5% compared with 31 December 2021, mainly due to the increase in amounts due to customers (+3.9%) characterised by greater recourse to repurchase agreements for deposits with institutional customers (0.7 billion euro compared with 0.2 billion euro in the comparative period).

Indirect deposits at 31 March 2022 totalled Euro 17.3 billion (-3.8%). Funding from ordinary customers amounted to 10.6 billion euro, down by 4.0% compared with the end of the previous year, due to the performance of the managed sector (-3.7%) and assets under administration (-4.8%), brought about by the negative market effect of the period.

The following tables show the trend in deposits during the reporting period and the breakdown of indirect deposits.

Table 7 – Customer deposits

Amounts in thousands of Euro	**31.03.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Due to customers	11,353,149	37.6%	10,926,600	35.9%	426,549	3.9%
Debt securities in issue	1,533,950	5.1%	1,522,265	5.0%	11,685	0.8%
Direct deposits	**12,887,099**	**42.7%**	**12,448,865**	**40.9%**	**438,234**	**3.5%**
Deposits from ordinary customers [1]	10,587,101	35.0%	11,033,464	36.2%	-446,363	-4.0%
Deposits from institutional customers	6,747,141	22.3%	6,984,571	22.9%	-237,430	-3.4%
Indirect deposits	**17,334,242**	**57.3%**	**18,018,035**	**59.1%**	**-683,793**	**-3.8%**
Total Customer deposits	**30,221,341**	**100.0%**	**30,466,900**	**100.0%**	**-245,559**	**-0.8%**

[1] Including repurchase agreements with institutional customers for Euro 683 million (Euro 208 million at 31December 2021)

Table 8 – Indirect deposits from customers

Amounts in thousands of Euro	**31.03.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Assets under administration	**3,050,177**	**17.6%**	**3,203,624**	**17.8%**	**-153,447**	**-4.8%**
Assets under management	**7,536,924**	**43.5%**	**7,829,840**	**43.4%**	**-292,916**	**-3.7%**
of which: UCITS and Sicavs	*3,718,126*	*21.4%*	*4,006,993*	*22.2%*	*-288,867*	*-7.2%*
Managed portfolios	*1,193,901*	*6.9%*	*1,185,845*	*6.6%*	*8,056*	*0.7%*
Bancassurance	*2,624,897*	*15.1%*	*2,637,002*	*14.6%*	*-12,105*	*-0.5%*
Deposits from ordinary customers	**10,587,101**	**61.1%**	**11,033,464**	**61.2%**	**-446,363**	**-4.0%**
Deposits from institutional customers [1]	**6,747,141**	**38.9%**	**6,984,571**	**38.8%**	**-237,430**	**-3.4%**
Indirect deposits[1]	**17,334,242**	**100.0%**	**18,018,035**	**100.0%**	**-683,793**	**-3.8%**

(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.4 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 monitored continuously in the coming months.

Loans and coverage

The total value of loans to ordinary customers at 31 March 2022 comes to 11.2 billion euro, an increase of 1.0% compared with the end of 2021.

The following table gives a breakdown of loans to customers by type at 31 March 2022 (compared with 31 December 2021).

Table 9 – Breakdown of loans to customers

					Change	
Amounts in thousands of Euro	**31.03.2022**	**%**	**31.12.2021**	**%**	**Amount**	**%**
Current accounts	1,002,170	8.9%	953,372	8.6%	48,798	5.1%
Mortgages and other long-term loans	9,331,510	83.0%	9,266,510	83.3%	65,000	0.7%
Other	905,962	8.1%	907,875	8.1%	-1,913	-0.2%
Loans to customers	**11,239,642**	**100.0%**	**11,127,757**	**100.0%**	**111,885**	**1.0%**
- of which non-performing loans	*231,135*	*2.1%*	*233,728*	*2.1%*	*-2,593*	*-1.1%*
- of which performing loans	*11,008,507*	*97.9%*	*10,894,029*	*97.9%*	*114,478*	*1.1%*

The Credit Department, with the support of the Risk Management Department, has continued to implement the initiatives to provide real financial support to businesses and households.

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.

With reference to the possible repercussions on the quality of the loan portfolio deriving from the conflict between Russia and Ukraine, as already mentioned in the section of this document entitled "*Impacts of the war in Ukraine*", direct exposure on the part of the Bank and its customers appears to be very limited; an internal analysis with the Business Managers was launched on the overall portfolio by the Credit Department and the Commercial Department to collect information to map the relevant elements of customers' business and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine.

In consideration of what 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 quarterly financial report at 31 March 2022 were not changed as they were considered sufficiently prudent.

The main indicators for performing and non-performing loans are reported below.

Table 10 – Credit quality at 31 March 2022

Amounts in thousands of Euro	31.03.2022					
	Gross exposure	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Bad loans	253,975	2.2%	(161,079)	63.4%	92,896	0.8%
Unlikely to pay loans	208,278	1.8%	(75,451)	36.2%	132,827	1.2%
Past due non-performing loans	5,911	0.0%	(499)	8.4%	5,412	0.1%
Total non-performing loans	**468,164**	**4.0%**	**(237,029)**	**50.6%**	**231,135**	**2.1%**
Exposures in stage 1	9,301,548	80.4%	(18,632)	0.2%	9,282,916	82.6%
Exposures in stage 2	1,807,389	15.6%	(81,798)	4.5%	1,725,591	15.3%
Performing exposures	**11,108,937**	**96.0%**	**(100,430)**	**0.90%**	**11,008,507**	**97.9%**
Total loans to customers	**11,577,101**	**100.0%**	**(337,459)**	**2.9%**	**11,239,642**	**100.0%**

Table 10-bis – Credit quality at 31 December 2021

Amounts in thousands of Euro	31.12.2021					
	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%
Performing exposures	**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%**

Banco Desio

Securities portfolio and the net interbank position

At 31 September 2022, the Bank's total financial assets amounted to Euro 4.0 billion, an increase of 6.0% compared with the end of the previous year. With reference to the issuers of securities, the total portfolio at 31 March 2022 relates for 74.7% to government securities, 10.6% to securities issued by banks and the remainder to other issuers.

The following table contains the disclosure relating to sovereign risk, i.e. bonds issued by central and local governments and government bodies, as well as any loans granted to them, made up entirely of Italian government bonds.

Table 11 – Exposure in sovereign debt securities

Amounts in thousands of Euro		Italy	Spain	UK	31.03.2022 Nominal value	31.03.2022 Book value
Financial assets at fair value through other comprehensive income	up to 1 year	-	-	-	-	-
	from 1 to 3 years	545,000	-	591	545,591	542,218
	from 3 to 5 years	-	-	-	-	-
	over 5 years	251,000	-	-	251,000	240,393
	Total	796,000	-	591	796,591	782,611
Financial assets at amortised cost	up to 1 year	395,000	-	-	395,000	395,426
	from 1 to 3 years	707,500	-	-	707,500	711,178
	from 3 to 5 years	265,000	-	-	265,000	264,950
	over 5 years	774,790	65,000	-	839,790	855,256
	Total	2,142,290	65,000	-	2,207,290	2,226,810
Sovereign debt	**up to 1 year**	**395,000**	**-**	**-**	**395,000**	**395,426**
	from 1 to 3 years	**1,252,500**	**-**	**591**	**1,253,091**	**1,253,396**
	from 3 to 5 years	**265,000**	**-**	**-**	**265,000**	**264,950**
	over 5 years	**1,025,790**	**65,000**	**-**	**1,090,790**	**1,095,649**
	Total	**2,938,290**	**65,000**	**591**	**3,003,881**	**3,009,421**

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 borrowing of Euro 1.4 billion compares with Euro 1.7 billion at the end of the previous year.

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company Banco Desio at 31 March 2022, including net profit for the period, amounts to Euro 1,118.4 million, compared with Euro 1,088.7 million at the end of 2021. The positive change of Euro 29.7 million is due to the comprehensive income of the period.

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).

The calculation of own funds and of the consolidated prudential requirements, which are transmitted to the Bank of Italy in relation to the prudential supervisory reports (COREP) and statistical reports (FINREP), is made with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. as it is the financial parent company of the banking group according to European legislation. This section therefore presents the results of this calculation, based on the regulatory scope of consolidation, by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (the financial parent company).

The consolidated own funds calculated by the financial parent company Brianza Unione amount to Euro 944.8 million at 31 March 2022 (CET1 + AT1 of Euro 869.2 million, T2 of Euro 75.6 million), compared with Euro 973.0 million at the end of the previous year. The following table shows the consolidated regulatory requirements of the financial parent company calculated with and without applying the transitional arrangements.

Table 12 – Own funds and consolidated ratios of the financial Parent Company Brianza Unione with and without application of the transitional regime

	31.03.2022		
	Application of the transitional arrangements	Without IFRS 9 transitional provisions	Fully loaded
OWN FUNDS			
Common Equity Tier 1 - CET 1	812,690		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*786,765*	*785,248*
Tier 1 capital	869,230		
Tier 1 capital without application of the transitional arrangements		*842,793*	*841,277*
Total own funds	944,773		
Total own funds without application of the transitional arrangements		*915,139*	*913,476*
RISK ASSETS			
Risk-weighted assets	7,124,341		
Risk-weighted assets without application of the transitional arrangements		*7,059,883*	*7,059,883*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	11.407%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*11.144%*	*11.123%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.201%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*11.938%*	*11.916%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.261%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*12.963%*	*12.939%*

At 31 March 2022, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 11.4% (11.6% at 31 December 2021). The Tier 1 ratio (T1/Risk-weighted assets) comes to 12.2% (12.4% at 31 December 2021), while the Total capital ratio (Total own funds/Risk-weighted assets) is 13.3% (13.5% at 31 December 2021).

Consolidated Own Funds calculated at the Banco Desio Group level, after the pay out of 40%, amounted to Euro 1,115.2 million at 31 March 2022 (CET1 + AT1 Euro 1,115.0 million + T2 Euro 0.2 million), compared with Euro 1,131.5 million at the end of the previous year. The table below therefore shows the composition of own funds and capital ratios calculated with and without application of the transitional arrangements.

Table 12 bis – Own funds and consolidated ratios of the Banco Desio Group with and without application of the transitional regime

	31.03.2022		
	Application of the transitional arrangements	**Without IFRS 9 transitional provisions**	**Fully loaded**
OWN FUNDS			
Common Equity Tier 1 - CET 1	1,114,966		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*1,068,345*	*1,065,345*
Tier 1 capital	1,114,966		
Tier 1 capital without application of the transitional arrangements		*1,068,345*	*1,065,345*
Total own funds	1,115,155		
Total own funds without application of the transitional arrangements		*1,068,535*	*1,065,535*
RISK ASSETS			
Risk-weighted assets	7,126,223		
Risk-weighted assets without application of the transitional arrangements		*7,061,765*	*7,061,765*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	15.646%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*15.129%*	*15.086%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.646%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*15.129%*	*15.086%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	15.649%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*15.131%*	*15.089%*

At 31 March 2022, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 15.6% (15.6% at 31 December 2021). The Tier 1 ratio (T1/Risk-weighted assets) comes to 15.6% (15.6% at 31 December 2021), while the Total capital ratio (Total own funds/Risk-weighted assets) is 15.6% (15.7% at 31 December 2021).

Following the periodic Supervisory Review and Evaluation Process (SREP), on 21 May 2020, the Bank of Italy informed Banco di Desio e della Brianza S.p.S. and the financial parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. of its decision regarding capital, ordering that, from the next report on own funds, the Brianza Unione Group was to adopt the following consolidated capital ratios:

- ***7.35% for the Common Equity Tier 1 ratio***, binding to the extent of 4.85% (of which 4.50% for the minimum regulatory requirements and 0.35% for additional requirements as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***Tier 1 ratio of 8.95%***, binding for 6.45% (minimum regulatory requirement of 6.00% and additional requirements of 0.45% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***Total Capital Ratio of 11.10%***, binding for 8.60% (minimum regulatory requirement of 8.00% and additional requirements of 0.60% as a result of the SREP), while the remainder is represented by the capital conservation buffer.

Performance of consolidated companies

Performance of the Parent Company Banco di Desio e della Brianza S.p.A.

Profit for the period, which is up by Euro 16.6 million (+78.4%), has benefited from the positive trend in operations (+26.7%) due to increased operating income (+10.9%) and substantially stable operating costs (+0.3%). The result for the period is influenced by non-recurring revenue components for 8.2 million euro.

Core revenues increased by about Euro 11.6 million with respect to the comparative period (+10.9%), coming in at Euro 118.3 million. The trend is attributable to the growth of net interest income for Euro 2.7 million (+4.6%), the net result of financial assets and liabilities for Euro 6.0 million (+194.7%) and net commission income for Euro 2.7 million (+6.0%), as well as the balance of other operating income and expenses for 0.2 million euro.

Worth noting are the *Dividends from equity investments in subsidiaries* for 5.5 million euro (vs 2.2 million euro), the *Cost of credit* which amounted to 9.7 million euro (vs 6.5 million euro in the comparative period), the negative balance of *Net adjustments on proprietary securities* for 1.0 million euro (versus positive adjustments for 0.4 million euro in the comparative period), the negative balance of *Net provisions for risks and charges* for 0.4 million euro (charges for 0.1 million euro in the comparative period), the increase in *Charges relating to the banking system* for 0.5 million euro and higher *Income taxes on current operations* for 2.0 million euro.

The total value of loans to ordinary customers at 31 March 2022 comes to 11.2 billion euro, an increase of 1.0% compared with the end of 2021.

Shareholders' equity at 31 March 2022, including net profit for the period, amounts to Euro 1,112.6 million, compared with Euro 1,078.2 million at the end of 2021. The positive change of Euro 34.4 million is due to the trend in comprehensive income for the period. At 31 March 2022 shareholders' equity calculated in accordance with the new regulatory provisions and defined as *Own Funds*, after the expected pay out of 40%, amounts to Euro 1,115.4 million (CET1 + ATI of Euro 1,115.2 million + T2 of Euro 0.2 million), compared with Euro 1,127.1 million at the end of the previous year.

At 31 March 2022, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 16.60% (16.51% at 31 December 2021). The Tier 1 ratio (T1/Risk-weighted assets) was 16.60% (16.51% at 31 December 2021), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 16.60% (16.57% at 31 December 2021).

Please refer to the section of this document entitled "*Impacts of the war in Ukraine*" for the analyses carried out on Banco Desio's direct exposures to the Russian and Ukrainian markets, as well as the exposure of its customers.

Performance of the subsidiary Fides S.p.A.

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 31 March 2022 comes to Euro 1.1 million, compared with the prior period figure of Euro 1.4 million; *operating income* amounted to 4.0 million euro in line with 31 March 2021, operating costs at 2.2 million euro (compared with 1.9 million euro in the comparative period), the *result of operations* to 1.8 million euro (compared with 2.1 million euro in the comparative period). The *Cost of credit*, equal to 0.2 million euro, and *Income taxes* for 0.5 million euro (versus 0.6 million euro in the comparative period) lead to the result for the period.

Loans to customers increased from Euro 921.9 million at the end of 2021 to Euro 945.4 million at the reporting date, an increase of Euro 23.5 million (+2.6%).

Book shareholders' equity at 31 March 2022, including net profit for the period, amounts to Euro 49.3 million, compared with Euro 53.6 million at the end of 2021 (due to the dividend distribution, partly offset by the result for the period). *Own funds for supervisory purposes have risen from Euro 47.4 million at the end of 2021 to Euro 47.5 million.*

The war in Ukraine does not appear to have any impact on Fides' loan portfolio; the consumer credit market, as in general the whole economic and productive fabric, could in any case be indirectly affected by the turbulent phase linked to the tension of the Ukraine-Russia conflict and to the increase in energy costs.

Frame of reference

Approval of Banco Desio's financial statements and allocation of the 2021 result

The Ordinary Shareholders' Meeting approved the financial statements at 31 December 2021. The net profit for the year is equal to Euro 52,415,041.00. In this context, the Shareholders' Meeting approved the distribution to the shareholders of a dividend of Euro 0.1365 to each of the 134,363,049 ordinary shares.

Reduction in the number of directors

The Extraordinary Shareholders' Meeting approved: an amendment to article 14 of the Articles of Association to reinstate the Board structure with an odd minimum and maximum number of members (i.e. from a minimum of 9 to a maximum of 11 members) in order to minimise, even conceptually, the risk that situations of voting parity may arise which would require having recourse to a casting vote; ii) 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: recovery plan; rules of professional conduct for bank staff; 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.

Financial ratings

On 13 April 2022 Fitch Ratings announced that it was confirming all of the Bank's ratings following its annual rating review.

The Agency's opinion highlights an improvement in the Bank's fundamentals, particularly in terms of profitability and asset quality, despite the current market environment.

In the current scenario - characterised by uncertainty regarding the indirect effects of the Russian/Ukrainian conflict, such as rising energy prices, high inflation and weak GDP growth - the Bank can leverage a low risk profile thanks to its continuous derisking, combined with the prudence of its provisioning policies, diversified revenue growth with benefits to operating efficiency and with prospects for further improvement, adequate liquidity and capitalisation capable of withstanding any pressures, even significant ones, in terms of asset quality.

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 to "No Support”

Sustainability rating

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.

Distribution network

There were 232 branches as of 31 March 2022, the same as at the end of the previous year.

Outlook

Macroeconomic scenario

In a macroeconomic context already heavily influenced by the crisis caused by the pandemic, the conflict between Russia and Ukraine has further complicated the geopolitical equilibrium with a direct impact on the recovery underway in the global economy. Limiting ourselves to the effects of the conflict on the economy it is possible to see how, beyond the direct effects on the economies of the countries at war, indirect effects on the prices of raw materials are immediately visible (oil and gas above all). Even more significant is the decrease in households' propensity to consume as they are worried about the general rise in the cost of consumer goods and energy bills, as well as the possible negative evolution of the conflict.

The decision of many companies to suspend commercial and trade activities with Moscow is combined with the increasingly concrete possibility of an embargo on gas and oil purchases, creating uncertainty about future scenarios. In particular, the latter option already adopted by the United States does not appear to be easy and painless for Europe to apply. In fact, while it might be possible to do without oil from Russia (which covers about 10% of European 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.

Italy appears to be significantly exposed to the Russian shock, not only due to its energy dependence, which is higher than average for European countries, but also to its significant exposure in terms of trade and financial exchanges. The increase in the energy bill, not yet calmed by government interventions, is in fact already weighing on households and businesses. Industrial output contracted in December and January and the medium/long-term outlook is not particularly favourable. In addition, a restrictive government policy can in the long run generate negative effects on countries, like ours, with high public debt. Overall, GDP in 2022 is expected to grow by 2.2% with inflation running at 5.0%.

With regard to the banking sector, European banks, albeit with some exceptions, show an average exposure to Russia equal to 0.7% of GDP (much lower versus Ukraine). Overall, even in a scenario of a possible Russian default on foreign debt (more than likely in the event of an embargo on gas exports), it is generally thought that systemic impacts on the banking system can be ruled out. In the case of Italy, the exposure of Italian banks to Russia is approximately 1.5% of GDP.

As regards the banking market, in January the trend in customer deposits was positive and rising on a yearly basis as well (+4.1%). Within this figure, the principal components maintained annual trends in line with previously observations: deposits are up (+5.1%, compared with +6.9% in December), whereas bonds are down (-3.5%, compared with -4.4% in December). The overall remuneration of funding has remained stable (0.44%), due to a situation where the cost of money is still essentially zero with a progressive recomposition of interest-bearing liabilities.

With regard to lending, in January loans to the private sector maintained their previous growth trend (+1.5%, vs +2.0% in December), albeit with a lower intensity: the sector continued to be driven by loans to businesses (+1.6%), thanks to the extraordinary support measures introduced by the Government in 2020 ("Liquidity Decree"), as well as by loans to households (+3.7%), which have benefited from the growth in demand for mortgages. Lending to the productive sector continues to be influenced by the trend in investments and the economic cycle that remains muted, even if it is recovering. Rates on the stock of loans to households and businesses remained stable (2.13%). Within them, the pricing on new transactions continues to suffer from the market context with particularly low figures, albeit gradually recovering, especially for loans to households for house purchase (1.43%, formerly 1.27% in the same period of last year).

For the specific information dedicated to the description of the context in which this Report was prepared, as well as the uncertainties and significant risks related to it, please refer to the section entitled "Impacts of the war in Ukraine" and refer to the "Basis of preparation" section below (or the equivalent disclosure in the Consolidated Financial Statements at 31 December 2021).

In consideration of the Bank's capital solidity and careful approach to derisking, its low NPL ratio and the overall initiatives adopted to minimise the effects of the current situation, the consolidated quarterly financial report at 31 March 2022 was prepared on a going-concern basis.

Basis of preparation

This "Consolidated quarterly report at 31 March 2022" has been prepared on a voluntary basis, in order to ensure continuity of information with the previous quarterly reports, given that only the annual and half-yearly interim reports are now compulsory based on the wording of art. 154-ter, paragraph 5, of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or "TUB") introduced by Legislative Decree no. 25/2016 implementing Directive 2013/50/EU.

As regards the recognition and measurement criteria, this Report has been prepared in accordance with the applicable IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as explained in the "Accounting policies" section of the explanatory notes to the consolidated financial statements at 31 December 2021.

In terms of financial disclosure, as the consolidated quarterly report has been prepared in accordance with art. 154-ter, paragraph 5 TUB and for the purposes of determining capital for supervisory purposes ("own funds"), it does not include the explanatory notes that would be required to present the Group's financial position and results of operations for the period in accordance with IAS 34 Interim Financial Reporting.

Main factors of uncertainty

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.

For the specific information dedicated to the conflict in Ukraine, please refer to the section of this document entitled "*Impacts of the war in Ukraine*". The section entitled "Risks, uncertainties and impacts of the Covid-19 epidemic" in the notes to the consolidated financial statements at 31 December 2021, to which reference should be made as it is still applicable, 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, particularly 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.

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The accounting schedules of this Report are subject to a limited audit by KPMG S.p.A. for the inclusion of the interim result in own funds.

The contents of this report are consistent with the quarterly reports (or interim reports on operations) prepared previously, reflecting in any case what is defined in the "*Group Policy for Additional Periodic Financial Information*".

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mauro Walter Colombo, declares pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act that the accounting information contained in this press release agrees with the supporting documents, books of account and accounting records.

Desio, 5 May 2022

BANCO DI DESIO E DELLA BRIANZA S.p.A.

Financial Reporting Manager

Mauro Walter Colombo

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The attached consolidated financial schedules at 31 March 2022 are an integral part of the consolidated quarterly report at 31 March 2022. KPMG S.p.A., the independent auditors, are completing their limited audit tests with a view to issuing the report needed for inclusion of the profit for the period in the Bank's own funds.

Desio, 5 May 2022

BANCO DI DESIO E DELLA BRIANZA S.p.A.

The Chairman

Stefano Lado

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BANCO DI DESIO E DELLA BRIANZA S.P.A. Established in 1909 and listed on the Milan Stock Exchange since 1995, Banco Desio is today a modern multi-product banking group oriented towards the future in respect of its tradition, with deep local roots and an organisational structure focused on offering quality services to its customers, also through digital channels. The Banco Desio Group operates in Northern and Central Italy with a distribution network of over 230 branches and 2,100 employees and has a presence in the consumer credit sector through Fides S.p.A., a finance company that specialises in salary-backed loans. In the asset management and bancassurance sector, it operates through distribution agreements with primary national and international counterparties. It has total assets of more than Euro 18 billion.

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Banco Desio

Attachment

Table A 1 – Consolidated balance sheet

Assets	31.03.2022	31.12.2021	Change Amount	Change %
10. Cash and cash equivalents	107,461	84,412	23,049	27.3%
20. Financial assets at fair value through profit or loss	117,453	85,544	31,909	37.3%
a) Financial assets held for trading	28,907	11,034	17,873	162.0%
c) Other financial assets mandatorily at fair value	88,546	74,510	14,036	18.8%
30. Financial assets at fair value through other comprehensive income	814,649	593,360	221,289	37.3%
40. Financial assets at amortised cost	16,683,433	16,330,175	353,258	2.2%
a) Due from banks	2,734,115	2,445,253	288,862	11.8%
b) Loans to customers	13,949,318	13,884,922	64,396	0.5%
60. Adjustment to financial assets with generic hedge (+/-)	487	502	(15)	-3.0%
90. Property, plant and equipment	220,867	218,420	2,447	1.1%
100. Intangible assets	18,875	19,119	(244)	-1.3%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	160,563	170,080	(9,517)	-5.6%
a) current	8,769	14,587	(5,818)	-39.9%
b) deferred	151,794	155,493	(3,699)	-2.4%
120. Non-current assets and disposal groups held for sale	-	13,080	(13,080)	
130. Other assets	332,977	290,089	42,888	14.8%
Total assets	**18,456,765**	**17,804,781**	**651,984**	**3.7%**

Liabilities and shareholders' equity	31.03.2022	31.12.2021	Change Amount	Change %
10. Financial liabilities at amortised cost	16,756,655	16,316,377	440,278	2.7%
a) Due to banks	3,814,784	3,815,695	(911)	0.0%
b) Due to customers	11,407,921	10,978,417	429,504	3.9%
c) Debt securities in issue	1,533,950	1,522,265	11,685	0.8%
20. Financial liabilities held for trading	5,418	5,901	(483)	-8.2%
40. Hedging derivatives	177	365	(188)	-51.5%
60. Tax liabilities	6,864	3,972	2,892	72.8%
a) current	4,254	2,011	2,243	111.5%
b) deferred	2,610	1,961	649	33.1%
80. Other liabilities	500,394	320,685	179,709	56.0%
90. Provision for termination indemnities	21,079	21,960	(881)	-4.0%
100. Provisions for risks and charges	47,795	46,776	1,019	2.2%
a) commitments and guarantees given	3,939	4,058	(119)	-2.9%
c) other provisions for risks and charges	43,856	42,718	1,138	2.7%
120. Valuation reserves	12,475	15,762	(3,287)	-20.9%
150. Reserves	986,133	931,240	54,893	5.9%
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 (+/-)	32,933	54,901	(21,968)	-40.0%
Total liabilities and shareholders' equity	**18,456,765**	**17,804,781**	**651,984**	**3.7%**

Banco Desio

Table A 2 – Consolidated income statement

Captions		31,03,2022	31.03.2021	Change	
				Amount	%
10.	Interest and similar income	77,753	74,065	3,688	5.0%
20.	Interest and similar expense	(10,182)	(9,723)	(459)	4.7%
30.	**Net interest income**	**67,571**	**64,342**	**3,229**	**5.0%**
40.	Commission income	49,817	47,655	2,162	4.5%
50.	Commission expense	(4,854)	(4,464)	(390)	8.7%
60.	**Net commission income**	**44,963**	**43,191**	**1,772**	**4.1%**
70.	Dividends and similar income	463	479	(16)	-3.3%
80.	Net trading income	2,002	1,794	208	11.6%
100.	Gains (losses) on disposal or repurchase of:	6,766	2,894	3,872	133.8%
	a) financial assets at amortised cost	6,187	1,017	5,170	508.4%
	b) financial assets at fair value through other comprehensive income	577	1,942	(1,365)	-70.3%
	c) financial liabilities	2	(65)	67	n.s.
110.	Net result of other financial assets and liabilities at fair value through profit or loss	(2,079)	(1,493)	(586)	39.2%
	b) other financial assets mandatorily at fair value	(2,079)	(1,493)	(586)	39.2%
120.	**Net interest and other banking income**	**119,686**	**111,207**	**8,479**	**7.6%**
130.	Net value adjustments/write-backs for credit risk relating to:	(9,619)	(7,593)	(2,026)	26.7%
	a) financial assets at amortised cost	(9,584)	(7,647)	(1,937)	25.3%
	b) financial assets at fair value through other comprehensive income	(35)	54	(89)	n.s.
140.	Profit/losses from contractual changes without write-offs	(3)	3	(6)	n.s.
150.	**Net profit from financial activities**	**110,064**	**103,617**	**6,447**	**6.2%**
180.	**Net profit from financial and insurance activities**	**110,064**	**103,617**	**6,447**	**6.2%**
190.	Administrative costs:	(75,891)	(76,470)	579	-0.8%
	a) payroll costs	(42,766)	(42,907)	141	-0.3%
	b) other administrative costs	(33,125)	(33,563)	438	-1.3%
200.	Net provisions for risks and charges	(152)	(133)	(19)	14.3%
	a) commitments for guarantees given	92	672	(580)	-86.3%
	b) other net provisions	(244)	(805)	561	-69.7%
210.	Net adjustments to property, plant and equipment	(4,753)	(4,063)	(690)	17.0%
220.	Net adjustments to intangible assets	(505)	(377)	(128)	34.0%
230.	Other operating charges/income	17,713	7,922	9,791	123.6%
240.	**Operating costs**	**(63,588)**	**(73,121)**	**9,533**	**-13.0%**
290.	**Profit (loss) from continuing operations before tax**	**46,476**	**30,496**	**15,980**	**52.4%**
300.	Income taxes on continuing operations	(13,543)	(10,482)	(3,061)	29.2%
310.	**Profit (loss) from continuing operations after tax**	**32,933**	**20,014**	**12,919**	**64.5%**
330.	**Net profit (loss) for the period**	**32,933**	**20,014**	**12,919**	**64.5%**
350.	**Parent Company net profit (loss)**	**32,933**	**20,014**	**12,919**	**64.5%**

Table A 3 – Consolidated statement of other comprehensive income

	Captions	31.03.2022	31.03.2021
10.	**Net profit (loss) for the period**	**32,933**	**20,014**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Equity instruments designated at fair value through other comprehensive income	1,535	50,130
70.	Defined-benefit pension plans	412	195
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	123	202
140.	Financial assets (other than equities) at fair value through other comprehensive income	(5,357)	(1,117)
170.	**Total other elements of income (net of income taxes)**	**(3,287)**	**49,410**
180.	**Total comprehensive income (Captions 10+170)**	**29,646**	**69,424**
190.	Total comprehensive income pertaining to minority interests	-	-
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**29,646**	**69,424**

Note: Caption 20 "Equity instruments designated at fair value through other comprehensive income" included the change in the value of reserves that came from remeasuring the investment in Cedacri S.p.A. (booked to "Non-current assets and disposal groups held for sale") for a total of Euro 50.1 million (Euro 53.8 million gross of tax).

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 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 31.03.2022	Minority interests at 31.03.2022
							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 31.03.2022		
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	52,415		(10)									963,918	
b) other	19,731		19,731	2,486		2									22,215	4
Valuation reserves:	15,762		15,762											(3,287)	12,475	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	54,901		54,901	(54,901)										32,933	32,933	
Group shareholders' equity	**1,088,741**		**1,088,741**			**(8)**								**29,646**	**1,118,379**	
Minority interests	**4**		**4**													**4**

Table A 5 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 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 31.03.2021	Minority interests at 31.03.2021
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income at 31.03.2021		
				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	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		14									822,426	
b) other	19,934		19,934	(205)											19,725	4
Valuation reserves:	66,096		66,096											49,410	115,506	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	23,690		23,690	(23,690)										20,014	20,014	
Group shareholders' equity	**995,071**		**995,071**			**14**								**69,424**	**1,064,509**	
Minority interests	**4**		**4**													**4**

Table A 6 – Reconciliation of the Parent Company's net profit and shareholders' equity with the Banco Desio Group's consolidated net profit and shareholders' equity

Amounts in thousands of Euro	**Shareholders' equity**	***of which: Profit for the period***
Balances of the Parent Company Banco Desio	***1,112,614***	***37,701***
Effect of consolidation of subsidiaries	5,765	730
Dividends declared during the period	-	-5,498
Consolidated balance of the Banco Desio Group	**1,118,379**	**32,933**

Table A 7 - Statement of reconciliation between the profit shown in the consolidated income statement of the Banco Desio Group, used for the purpose of calculating the capital for supervisory purposes of the Banco Desio Group

Amounts in thousands of Euro	**Amount**
Profit of the Group	**32,933**
Elements deducted	15,080
- proposed dividends to shareholders of the Bank (40% pay-out)	*15,080*
Net profit attributable to Tier 1 capital in Own Funds	**17,853**