Banco Desio

Financial Statements and Reports at 31 December 2022

Banco Desio

This document is a courtesy translation into English, for the convenience of international readers, of the "Relazione Finanziaria Annuale 2022" of Banco Desio Group in PDF format; this PDF document, prepared in Italian language, is a courtesy copy which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815 (European Single Electronic Format – ESEF) but consistent with the official annual consolidated financial Statements prepared in compliance with the Directive 2004/109/EC (so-called Transparency Directive) in Italian language and published in the new format (ESEF) within the legal deadlines. In case of any discrepancies or doubts between the English and the Italian versions of the Report, the Italian version prevails.

Consolidated Financial Statements of the Banco Desio Group at 31 December 2022

Financial Statements of Banco di Desio e della Brianza S.p.A. at 31 December 2022

Banco di Desio e della Brianza S.p.A.
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Share Capital Euro 70,692,590.28 fully paid up
Registered with the Metropolitan Chamber of Commerce of Milan, Monza and Brianza and Lodi
R.E.A. No. MB-129094
Fiscal Code No. 01181770155 - VAT No. 10537880964
Member of Fondo Interbancario di Tutela dei Depositi (Interbank Fund for Deposit Protection) and the Fondo Nazionale di Garanzia (National Guarantee Fund)
Registered with the Register of Banks Code ABI No. 3440/5
Parent Company of the Banking Group Banco di Desio e della Brianza, registered with the Order of Banking Groups under No. 3440/5

Officers

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
Statutory Auditors	Rodolfo Anghileri Stefania Chiaruttini
Alternate Auditors	Stefano Antonini Silvia Re Massimo Celli

General Management

Chief Executive Officer and General Manager	Alessandro Maria Decio

Financial Reporting Manager as per Article 154-bis TUF

Financial Reporting Manager	Mauro Walter Colombo

Independent Auditors

Independent Auditors	KPMG S.p.A.

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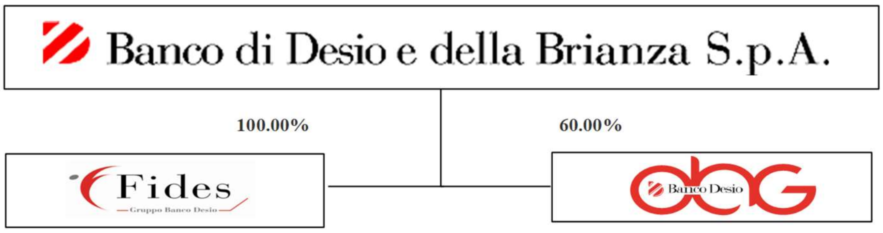
Consolidated Report on Operations

The Banco Desio Group

The scope of consolidation of the Banco Desio Group at 31 December 2022 includes the following companies:



Also included in the scope of consolidation is the securitisation vehicle Coppedè SPV S.r.l. insofar as through Fides S.p.A., pursuant to IFRS 10 *Consolidated Financial Statements*, the Banco Desio Group has a position of substantial control of the SPV itself.

1 - Introduction

The figures and ratios shown in this Report on Operations, in addition to comments on the composition of items and the changes that occurred, where applicable, refer to the Balance Sheet of the Financial Statements Schedule as well as the Reclassified Income Statement prepared from the Financial Statements Schedule; in order to allow for a better management representation of the operations performed and to maintain a like-for-like comparison with the previous year, the reclassified Income Statement has been prepared without considering the reconciliation required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* shown below.

It should be noted that, pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, with reference to 31 December 2022, balance sheet items 120 - "Non-current assets and groups of assets held for sale" and 70 - "Liabilities associated with discontinued operations", as well as income statement item 290 - "Profit (loss) from discontinued operations, net of taxes", group together the amounts reclassified from the relevant items in relation to the transfer of the merchant acquiring business unit, which is expected to be completed in early 2023 once the usual authorisations have been obtained from the relevant authorities.

Also in accordance with IFRS 5, with reference to the year of comparison, the values reclassified from the relevant items for the same business unit were grouped under income statement item 320 - "Profit (loss) from discontinued operations after taxes".

In defining the contents of the commentary notes, account was also taken of the indications contained in Consob Attention Call No. 1/21 of 16 February 2021, Consob Attention Call No. 3/22 of 19 May 2022, in ESMA document "European common enforcement priorities for 2022 annual financial reports" of 28 October 2022, as well as in the 7th update of 29 October 2021 of the Bank of Italy's Circular 262 "Bank financial statements: formats and rules for preparation" and subsequent communication of 21 December 2021, for which reference should be made to the contents of "Part A - Accounting policies" and "Part E - Information on risks and related hedging policies" of the Notes to the financial statements.

Banco Desio

2 - Alternative Performance Indicators (APIs)

The alternative performance indicators (APIs) presented in this Report on Operations have been identified to facilitate understanding of the Banco Desio Group's performance. APIs are not required by international accounting standards, represent supplementary information with respect to the measures defined under IAS/IFRS, and are in no way a substitute for them.

For each API, evidence of the calculation formula is provided, and the quantities used can be inferred from the information contained in the relevant tables and/or reclassified financial statements contained in the "Results" section of this Report.

These indicators are based on the European Securities and Markets Authority (ESMA) guidelines of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication No. 0092543 of 3 December 2015. Adhering to the indications contained in the update of document "ESMA32_51_370 - Question and answer - ESMA Guidelines on Alternative Performance Measures (APMS)", published on 17 April 2020, no changes were made to the APIs and no new ad hoc indicators were introduced to separately highlight the effects resulting from the Covid-19 outbreak or the conflict in Ukraine.

Summary data and relevant balance sheet, income statement, risk and structure ratios

Balance sheet values

Amounts in Euro thousands	**31.12.2022**	**31.12.2021**	**Changes abs.**	**%**
Total assets	17,541,324	17,804,781	-263,457	-1.5%
Financial assets	4,018,411	3,797,711	220,700	5.8%
Loans with banks [1]	260,167	2,115,119	-1,854,952	-87.7%
Loans to customers[1]	11,480,616	11,127,757	352,859	3.2%
Tangible assets [2]	220,934	218,420	2,514	1.2%
Intangible assets	19,963	19,119	844	4.4%
Non-current assets and groups of assets held for sale [3]	1	13,080	-13,079	100%
Payables to banks	3,381,350	3,815,695	-434,345	-11.4%
Payables to customers [4] [5]	11,110,366	10,926,600	183,766	1.7%
Securities issued	1,536,151	1,522,265	13,886	0.9%
Equity (including Profit for the period)	1,122,454	1,088,741	33,713	3.1%
Own funds	1,132,852	1,131,495	1,357	0.1%
Total indirect inflows	17,082,615	18,018,035	-935,420	-5.2%
of which indirect inflows from ordinary customers	*10,135,327*	*11,033,464*	*-898,137*	*-8.1%*
of which indirect inflows from institutional customers	*6,947,288*	*6,984,571*	*-37,283*	*-0.5%*

[1] pursuant to Circular 262, the balance of the financial statements item includes Held-to-collect (HTC) debt securities recognised at amortised cost, which are shown under financial assets in these summaries, and does not include current accounts and demand deposits recognised under Cash. At 31 December 2022, Cash also included the amount on demand of Euro 765 million relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits and previously held entirely in the Compulsory reserve account and recognised under "Loans with banks".
[2] The balance of the item at 31 December 2022 includes the right of use (RoU Asset) amounting to Euro 55.6 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019.
[3] the balance of the item in the comparison period consists of NPL loans for which assignment contracts had been signed but not yet finalised at 31.12.21.

[4] the balance of the item does not include the liability recognised in the item Payables to customers in the financial statements in respect of operating leases falling within the scope of IFRS16.
[5] including inflows repurchase agreements with institutional customers in the amount of Euro 503 million (Euro 208 million at 31 December 2021).

Economic values (6)

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	Changes %
Operating income	486,100	458,177	27,923	6.1%
of which Net interest income	*273,855*	*244,038*	*29,817*	*12.2%*
Operating expenses	273,016	267,755	5,261	2.0%
Result from operations	213,084	190,422	22,662	11.9%
Charges related to the banking system	14,481	13,498	983	7.3%
Current result after taxes	90,575	53,780	36,795	68.4%
Non-recurring result after taxes	-9,112	1,121	-10,233	n.s.
Profit (loss) for the period	81,463	54,901	26,562	48.4%

(6) *from Reclassified Income Statement.*

Equity, economic and risk ratios

	31.12.2022	31.12.2021	Changes abs.
Equity/Total assets	6.4%	6.1%	0.3%
Equity/Loans to customers	9.8%	9.8%	0.0%
Equity/Payables to customers	10.1%	10.0%	0.1%
Equity/Securities issued	73.1%	71.5%	1.6%
Common Equity Tier1 (CET1)/Risk-weighted assets (7) (8)	14.8%	15.6%	-0.8%
Total Tier 1 capital (T1)/Risk-weighted assets (7) (8)	14.8%	15.6%	-0.8%
Total Own funds/Risk-weighted assets (Total capital ratio) (7) (8)	14.8%	15.7%	-0.9%
Financial assets/Total assets	22.9%	21.3%	1.6%
Loans with banks/Total assets (9)	1.5%	11.9%	-10.4%
Loans to customers/Total assets	65.4%	62.5%	2.9%
Loans to customers/Direct inflows from customers	90.8%	89.4%	1.4%
Payables to banks/Total assets	19.3%	21.4%	-2.1%
Payables to customers/Total assets	63.3%	61.4%	1.9%
Securities issued/Total assets	8.8%	8.5%	0.3%
Direct inflows from customers/Total assets	72.1%	69.9%	2.2%

	31.12.2022	31.12.2021	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	56.2%	58.4%	-2.2%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	59.1%	61.4%	-2.3%
Net interest income/Operating income	56.3%	53.3%	3.0%
Result from operations/Operating income	43.8%	41.6%	2.2%
Current result after taxes/Equity (10)	8.7%	5.2%	3.5%
Profit for the period/Equity (10) (R.O.E.)	7.8%	5.3%	2.5%
Current result before taxes/Total assets (R.O.A.)	0.8%	0.5%	0.3%

	31.12.2022	31.12.2021	Changes abs.
Net bad loans/Loans to customers (11)	0.5%	0.8%	-0.3%
Net non-performing loans/Loans to customers (11)	1.7%	2.1%	-0.4%
% Coverage of bad loans (11)	67.3%	63.3%	4.0%
% Coverage of bad loans before write-offs (11)	67.6%	64.3%	3.3%
% Total coverage of non-performing loans (11)	49.6%	50.8%	-1.2%
% Coverage of non-performing loans before write-offs (11)	49.9%	51.5%	-1.6%
% Coverage of performing loans	0.88%	0.94%	-0.06%

Structure and productivity data

	31.12.2022	31.12.2021	Changes abs.	Changes %
Number of employees	2,115	2,141	-26	-1.2%
Number of branches	232	232	0	0.0%
Amounts in Euro thousands				
Loans to customers per employee [12]	5,395	5,152	243	4.7%
Direct inflows from customers per employee [12]	5,943	5,763	180	3.1%

	31.12.2022	31.12.2021	Changes abs.	Changes %
Operating income per employee [12]	228	212	16	7.5%
Result from operations per employee[12]	100	88	12	13.6%

[7] *Consolidated equity ratios calculated for Banco Desio. The ratios referred to the prudential supervisory scope of Brianza Unione at 31 December 2022 are: Common Equity Tier1 11.0%; Tier 1 11.8%; Total Capital Ratio 12.9%.*

[8] *Equity ratios at 31.12.2022 are calculated in application of the transitional provisions introduced by EU Regulation 2017/2395; ratios calculated without application of these provisions are as follows: Common Equity Tier1 14.3%; Tier 1 14.3%; Total capital ratio 14.3%.*

[9] *at 31.12.2021, the item "Loans with banks" included the amount of liquidity in excess of the reserve maintenance commitment, invested in overnight deposits at 31.12.22 and therefore recognised in the item "Cash" as at the reporting date.*

[10] *net of the result for the period.*

[11] net of Assets held for sale with reference to 31.12.2021

[12] *based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.*

3 - The reference scenario

3.1 - The macroeconomic framework

International Scenario

The year 2022 closes with fears of a sharp slowdown in the global economic cycle, despite the gradual reduction of commodity prices in international markets, the new-found normalcy of international freight transport after the pandemic-related problems, and higher-than-expected economic growth in the third quarter of the year. The fulcrums of possible recession remain many, and while the possibility of a slowdown in the US still appears to be the most important underlying theme, in China the abandonment of the zero-tolerance policy in the fight against Covid is not enough to dispel the fear of weak growth, weighed down by structural constraints unrelated to the pandemic. In this context, Europe shows a number of positive elements, ranging from the resilience of domestic demand despite the peaks reached by inflation, to the resilience of the labour market, to the easing of tensions in the gas market, which contrast, however, with a climate of household and business confidence still at the lowest level, which continues to suggest a situation of potential weakness in the outlook.

In 2022, economic growth slowed significantly everywhere in the world, due to inflation in many areas reaching levels not seen in decades. Growth has "desynchronised" between regions and fragmentation between sectors and countries has occurred. In developed countries, growth could slow down with a technical recession on quarterly data. With growth expected to be 1% or lower, a change in economic policy should on average lead to lower inflation and higher unemployment. Different context for emerging countries, where growth is expected to remain moderate, having already anticipated a recessionary phase in 2022, while in China a gradual recovery is expected in 2023.

Inflation could remain on a plateau and still remain high in the coming months, before falling in the second half of 2023. Europe and China will continue to offer some support for targeted sectors. However, in developed countries, this should not be enough to compensate for the tightening of monetary policy due to rising food and agricultural prices. Inflationary pressures are gradually shifting from the energy and manufactured goods sectors to the food and services sectors, which could become the main inflation drivers, fuelling increased risks for the coming months. On the positive side, medium-term inflation expectations should stabilise in the future.

The most up-to-date macroeconomic estimates remain cautious, confirming weak GDP and world trade growth in 2023 as a result of a technical recession (two consecutive quarters of contracting GDP) in the Eurozone and the US and Chinese GDP that is not expected to reach the government target of 5.5%.

United States

In the third quarter of 2022, US GDP changed year-on-year by +1.9% (1.8% in the previous quarter). Consumer inflation in October 2022 recorded an annual change of about +7.8%, down from the previous month (8.2%).

While inflation seems to have peaked, labour market conditions are less reassuring in terms of their contribution to demand dynamics. The growth of the hourly wage (+5% on average) is still not enough to fully recover the purchasing power deemed by the Fed as not compatible with the inflation target. Labour market conditions remain the Fed's special watch and, as they are not yet in line with the outlook for demand easing, suggest that the policy rate hike phase is not over. In anticipation, the inflationary dynamic and, therefore, the erosion of households' purchasing power, is behind the downward revision of the average annual GDP growth forecast for this year (2%, formerly 3%), albeit mitigated by the return of the propensity to save to pre-pandemic values, to which is added, especially in the real estate and residential market, the restrictive effect of monetary policy. The low exposure of the US in the Russian and

Ukrainian goods and capital markets, together with the lower degree of openness compared to Europe, limit the direct and indirect cost of the Russian-Ukrainian conflict.

Japan

In Japan, GDP fell by 0.2 % in Q3 2022, with domestic demand holding up, which only partially offset the negative contribution of net exports (-0.6%). The latter reflected in particular the strong import dynamics, while exports struggled especially in the Asian region where China's demand slowed down considerably. The inflation rate reached 2% with a strong growth in the core component (3.5%), which might suggest that the Bank of Japan's ultra-expansive monetary policy may be revised in the coming quarters. In mid-November, a new additional tax package amounting to around 5% of GDP was approved, at least a quarter of which contains measures to reduce increases in energy and fuel costs for households and businesses and to push wage growth. The initiatives are expected to generate an inflation benefit and are almost all financed by debt issuance, which accentuates the need for the central bank to absorb it and contain the rise in rates as it now holds more than half of it. The country took part in the sanctions against Russia. However, the share of Russia and Ukraine in Japan's foreign trade is actually rather limited and amounts to 1% of exports and 2% of imports

Emerging Economies

In the third quarter of 2022, China's GDP grew by 3.9% compared to the same period in 2021. While on one hand, a rebound might have been expected after the fall in the second quarter (-2.7%) due to the role played by the Covid-19 closures and subsequent reopening of populous and important areas for logistics and production sites present, on the other hand, the lockdowns imposed by the zero-Covid policy continued in the third quarter and the fall in the construction and real estate sectors did not stop. Negative indications for growth persisted in the first months of the fourth quarter: retail sales were negative (-5.9%), production remained on a very modest dynamic (+2.2%) and gross fixed capital formation in urban areas also slowed down to 5.3%, which is low by historical standards. On the price front, the April 2022 survey recorded +2.1% year-on-year (+1.5% in the previous month). The Communist Party Congress in October, apart from confirming the current leadership, did not bring any relevant news for economic activity. The conflict between Russia and Ukraine has so far exerted some negative effects through international commodity prices; Russia's distancing from its European trading partners has brought an additional portion of trade to China, which has so far refrained from sanctions, although Russia's share of Chinese exports is only 2% of the total. Overall, China's GDP, supported by domestic demand, is expected to grow by +4.5% by the end of the year. The impact of the easing of the restrictive anti-Covid policy on the country's productive resilience in the short term remains to be seen.

In India, the trend change in GDP in Q3 2022 was +5.7%, generated by good growth in domestic demand combined with a strongly negative contribution from net exports (-4.3%). Domestic demand in the fourth quarter still seems to be growing at a fast pace, with minimal signs of slowing down, especially in terms of industrial production and the service sector. Among the factors that may limit domestic demand at the end of the year and going forward, inflation and interest rates are playing an increasingly important role. The former, even though it recorded its lowest value in October (6.7%) remains well above the Central Bank's target; policy rates, on the other hand, are gradually rising, in response to the global movement of interest rates by the major Central Banks. Commodity prices, however, continue to be unaffected by the restrictive policy. Although India buys just over 1.4% of its total imports directly from Russia and Ukraine, it is a traditionally strong partner for Russia with ties in the military segment and especially in pharmaceuticals. The conflict, however, has important repercussions on international energy and food prices, representing an upward price risk even for the Indian economy, which is heavily dependent on foreign countries, especially for its oil needs (80% imported). Overall, India's GDP, supported by domestic demand, is expected to grow by +5.6% by the end of the year.

Europe

In Q3 2022, Eurozone GDP increased by +0.3% compared to the previous quarter (+0.8% in Q3) and by +2.3% when compared to the same quarter of the previous year. Within the area, France recorded a trend change of +1% in the same quarter (+4.2% in the previous quarter). Germany's figure was +1.3% (+1.7% in the previous quarter). The OECD leading indicator for the Eurozone stood at 98 (formerly 101.8 year-on-year) in November 2022.

In September 2022, industrial production in the Eurozone increased by +0.8 % (+4.3 % y/y) compared to the previous month. The data for the main countries of the region show a heterogeneous situation of production in cyclical terms: France recorded a decline of -2.6% (-2.7% y/y), while in Germany it was essentially stable -0.1% (+0.1% y/y). Retail sales decreased by -2.6 % in terms of trend and by -1.8 % cyclically. In the same month, sales in Germany decreased by -5% in terms of trend (-0.6% in the previous month); in France they were largely unchanged (+2.9% in the previous month). In October, the area's unemployment rate fell to 6.5% and inflation in October 2022 amounted to +10.4% (+9.9% in the previous month, +4.0% twelve months earlier); the growth rate of the "core" component (deducted of the more volatile components) was +6.7% (+6.3% in the previous month; +2.0% a year earlier).

The Russian-Ukrainian conflict radically changed the outlook for the region: Germany remains the country most exposed to risks. Italy and France could also enter a darker scenario in 2023.

Italy

In the third quarter of 2022, Italy's gross domestic product rose by +2.6% year-on-year (+5.0% in the previous quarter) and was also positive in cyclical terms (+0.5%). The cyclical change is the result of a decrease in added value in both the agriculture, forestry and fishing and industry sectors and an increase in the service sector. Retail sales in October 2022 decreased in terms of trend by -4.0%. In November, confidence indices showed an improving trend, although still negative signs for both consumers (-18.5 formerly -26.6) and businesses (-3.1 formerly -4.1). The unemployment rate fell to 7.8% in October 2022 (9.2% twelve months earlier). The national consumer price index before tobacco was stable at 11.8% in November 2022.

3.2 - The capital market and the banking system in Italy

Financial and money markets

At its meeting of 27 October 2022, the Governing Council of the European Central Bank decided to raise rates again by 75 basis points to ensure a return of inflation to its medium-term target of 2%: the reference rate rose to 2%, while the deposit rate rose from 0.75% to 1.5%.

With regard to the PEPP (Pandemic Emergency Purchase Programme), the Governing Council intends to reinvest the principal repaid on maturing securities under the PEPP at least until the end of 2024. The Governing Council also decided to change the interest rates applicable to TLTRO-III. In detail, from 23 November 2022 until the maturity or early redemption date of each respective outstanding TLTRO-III, the interest rate on the TLTRO-III will be indexed to the average of the ECB reference interest rates applicable for each transaction during that period. The Governing Council also decided to offer banks additional dates for voluntary early repayment of the amounts.

The Federal Reserve, at its meeting in early November 2022, decided to further accelerate the monetary tightening that began in March and continued over the following months, raising interest rates again by 75 basis points, bringing the benchmark interest rate in a range between 3.75% and 4.0%.

In the first ten days of December, the 3-month Euribor rose further on a monthly basis (+1.98 formerly 1.83% in November); the 10-year IRS rate, on the other hand, was 2.84% (formerly 3.13% the previous month). On the bond markets, 10-year benchmark rates remained high in the US (3.89%, formerly 3.97%) and in the Eurozone; in detail, in Germany the benchmark rate stood at 2.07% (formerly 2.21%), while in Italy it was 3.96% (formerly 4.41%).

International share prices were on a monthly upward trend. In detail, the Dow Jones Euro Stoxx rose 7.3% month-on-month (-7.7% y/y), the Standard & Poor's 500 rose 5.3% (-16% y/y), the Nikkei 225 rose 3.4% (-5.1% y/y). The main European stock exchange indices also showed positive monthly performances; the FTSE Mib was up 12.1% (-11.5% y/y), in France the Cac40 was up 8.7% (-6.5% y/y), in Germany the Dax30 was up 11% (-11.7% y/y). With reference to the main banking indices, the indicators showed upward monthly trends: the Italian FTSE Banks rose by 17% month-on-month (-2.9% y/y), the Dow Jones Euro Stoxx Banks by 11% (-9.3% y/y) and the S&P 500 Banks rose by 9.3% month-on-month (-21.5% y/y).

Banking markets

With reference to the banking market, in the second half of 2022, the annual trend in inflows from resident customers was essentially unchanged (+0.2%). Within this, short-term deposits grew slightly (+0.2%, formerly +6.9% to end-2021), while bonds declined (-0.5% formerly -4.4% to end-2021). The stability of volumes was accompanied by an increase in the cost of total remuneration (0.58%, formerly 0.44% at the end of 2021). On the lending front, the latest available data confirm good annual growth in the private sector (+3.0%, formerly +2.1% at end-2021) thanks to the recovery in the construction sector linked in large part to the extension of the tax bonuses decided on by the government; the sector is driven by loans to households (+4.0%, formerly +3.7% at end-2021) and to a lesser extent by loans to businesses (+3.1%, formerly +0.6% at end-2021). Despite the good annual performance, the monthly dynamics of credit to the productive sector is slowing down. On the one hand, the demand for bank loans by companies increased slightly: the increase in credit applications to meet working capital requirements was still only partially offset by the decline associated with the postponement of investment decisions. The demand for loans by households, on the other hand, decreased for both mortgages and consumer credit. In December, lending rates to households and businesses increased (2.96% formerly 2.13% at end-2021). Within these, the rate on loans to households for house purchases stood at 3.02% (formerly 1.40% in December 2021), while loans to businesses stood at 3.11% (formerly 1.18% at the end of 2021).

4 - Territorial coverage and issues of corporate relevance

4.1 - The distribution network

The Bank is present in 10 regions in Italy: Lombardy, Piedmont, Veneto, Emilia-Romagna, Liguria, Umbria (under the Banca Popolare di Spoleto brand), Lazio, Tuscany, Marche and Abruzzo. This distribution network is complemented by the network of agents and brokers, used by the subsidiary Fides, who operate throughout the country.

During the year 2022, Fides opened 4 new sales outlets in the cities of Milan, Naples, Sesto San Giovanni and Terni. As a result, 44 financial shops under the Fides S.p.A. sign were opened. - Banco Desio Group. In addition, during the year, the subsidiary added two Credit Brokerage Agreements to its agency network, thereby strengthening its multi-channel distribution logic.

Banco Desio's distribution structure consists of 232 branches and is unchanged from the previous year-end figure.

In order to respond more and more proactively to customer needs, primary importance is given to the continuous evolution of the Distribution Model, to be realised through an integrated "omnichannel" approach, offering our customers each product/service with the desired channel and in increasingly flexible ways.

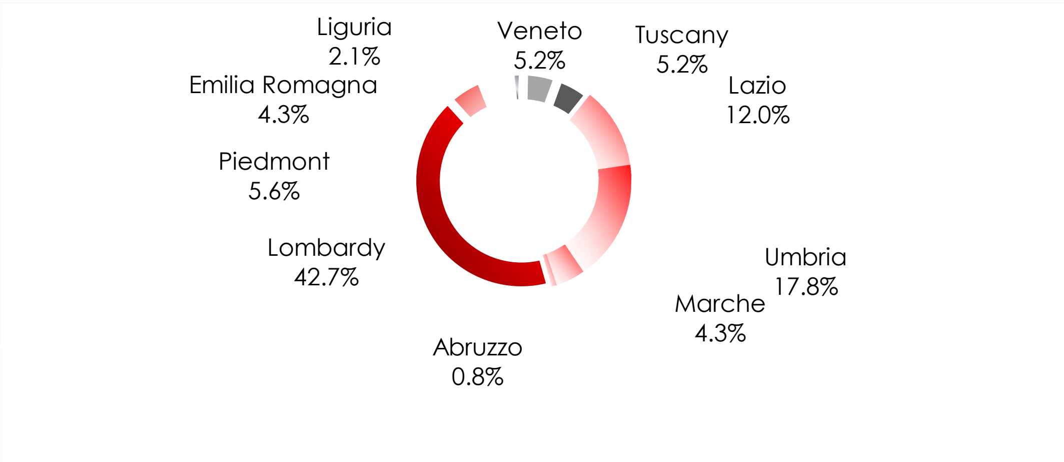
In this regard, a plan to accelerate the digital path was presented to the Board of Directors of Banco Desio in 2021, with the aim of designing and building a strategy that rapidly integrates the solutions and services required (for more details, see section "10.6 - Research and development activities" below in this Report).

The organisational model provides in particular for:

- the organisation of a distribution network divided into territorial Areas, each of which is supervised by an Area Manager, who assumes the role of the main commercial contact person in the territory, with a clear hierarchical reporting to the Company Managers and the Branch Network with the support of the Company Manager and the Retail Specialist;
- hierarchical and functional reporting of Private Bankers to their respective Private Area Managers, who in turn are coordinated by the Wealth Management Network Office reporting directly to the Wealth Management Department.

The following graph provides details of the territorial presence of the distribution network by region at the end of the financial year 2022.

Graph No. 1 - **DISTRIBUTION NETWORK % BREAKDOWN OF BANCO DESIO BRANCHES BY REGIONS**



Banco Desio

4.2 - Significant corporate events

Shareholders' meeting resolutions: amendments to the Articles of Association and reducing the number of directors

The Extraordinary Shareholders' Meeting of the Parent Company held on 14 April 2022 approved (i) the amendment of Article 14 of the Articles of Association, due to the need to reduce the board structure to a minimum and maximum odd number of members (i.e. from a minimum of 9 to a maximum of 11 members) in order to minimise, even in abstract, the risk that situations of parity of votes may arise that require recourse to the "casting vote" and (ii) the amendment of Article 17 of the Articles of Association, in compliance with the 35th update of Bank of Italy Circular No. 285, which expressly includes among the Board's tasks those relating to the recovery plan, rules of professional conduct for the bank's 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 then approved the reduction of 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 (Lanternina Transaction)

On 3 June 2022 Banco Desio signed an agreement with BPER Banca S.p.A. ("BPER") for the acquisition of two Business Units consisting of a total of 48 bank branches located in Liguria, Emilia Romagna, Lazio, Tuscany and Sardinia (the "Business Units" or, more briefly, the "Units").

The acquisition of the Business Units, which was finalised on 17 February 2023 with effect from Monday 20 February 2023, 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, affluent and wealth management.

The transaction, in the absence of constraints on distribution agreements, fully enhances Banco Desio's business model. The acquisition of the Business Units will allow the customers of the same access to the recognised service quality of Banco Desio and will offer an opportunity for stability and professional growth to the employees of the Business Units.

Achieving the estimated cost and revenue synergies will allow for operational and commercial efficiencies with a positive contribution to the operating margin by 2024.

In addition to the recognition of charges for professional services in the amount of Euro 5.3 million, recognised on an accrual basis in the Income Statement, the Transaction had no impact on the Bank's Annual Financial Report except for the disclosures required in the case of business combinations realised after the end of the financial year as per IFRS 3 *Business Combinations*. Please refer to the information in "Section 2 - Transactions after the end of the financial year" in "Part G - Business combinations involving companies or business units" of the Notes.

Execution of partnership agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A.

On 29 June 2022, the Partnership Agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed, after obtaining the necessary legal authorisations.

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 subscribed to the reserved capital increase that was specifically approved by the SGR for a total of Euro 4.6 million. Following the release of this capital increase, Banco Desio holds a 15% stake in the share capital of the SGR, which, in consideration of the overall Partnership Agreements, constitutes an interest in an associate.

In addition, in accordance with the provisions of the aforementioned Investment Agreement, 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's achievement of certain business objectives at 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR resolved a paid capital increase for a total of Euro 20 million (capital and premium) also reserved for subscription to Banco Desio. As a result of the possible conversion of the Warrants, Banco Desio will be able to increase its investment, thus attesting its investment to a stake equal to 30% of the share capital of the SGR.

Furthermore, Banco Desio and Anthilia Holding S.r.l. signed a shareholders' agreement concerning Banco Desio's rights and obligations in relation to the corporate governance of the SGR and the transfer of its investment; all in the broader context of the commercial partnership governed by a specific commercial framework agreement.

Request for exemption from the role of parent company of the Banco Desio Group by Brianza Unione

On 5 September 2022, Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. ("Brianza Unione") submitted a request for exemption from the role of parent company of the Banco Desio Group pursuant to the provisions of the Consolidated Law on Banking concerning banking groups and the register of banking groups, as amended by Legislative Decree No. 182/2021, as well as the Supervisory Provisions issued with the 39th update of the Bank of Italy Circular No. 285 in implementation of Article 21-bis of EU Directive 2013/36 (the "CRD"), as amended in turn by EU Directive 2019/878 (the "CRD5"), the provisions of which entered into force on 14 July 2022. The authorisation process is still ongoing. To this end, the Extraordinary Shareholders' Meeting of Brianza Unione approved, on 21 April and 26 October of last year, certain statutory changes required by the aforementioned regulations. Following the favourable outcome of the authorisation process, the composition of the banking group will therefore remain unchanged (it being understood that under the provisions of the CRR Regulation, the obligation to comply with the requirements set forth in the aforementioned regulation on the basis of Brianza Unione's consolidated situation will still apply).

Strategic agreement with Worldline Italia on e-money/acquiring (Aquarius Transaction)

On 7 November, Banco Desio announced that it had signed a strategic partnership with Worldline Merchant Services Italia S.p.A. ("Worldline Italia"), a company of the French group Worldline SA ("Worldline"), among the European leaders and fourth worldwide in the offer of payment and transactional services, for the development of its merchant acquiring business (the "Transaction").

The agreement makes provision for the transfer to Worldline Italia of Banco Desio's merchant acquiring business to which more than 15,000 merchants refer for a total of about 19,000 POS (point of sales), which in 2022 generated transactions for a volume of about Euro 1.8 billion. The agreed consideration is Euro 100 million with an adjustment mechanism based on certain targets that will be assessed one year from the closing date.

As part of the Transaction, Banco Desio and Worldline Italia signed a 5+5 year commercial agreement for the distribution through Banco Desio's network of Worldline's payment products and services to merchants. The Transaction will allow Banco Desio to maintain an economic exposure to the business itself for the entire duration of the agreement.

The Transaction is part of Banco Desio's strategic plan to enhance its merchant acquiring assets, which prompted it to select Worldline Italia as the best counterparty to offer its merchant customers transactional and digital services, from point-of-sale payments to e-commerce and mobile payments.

The closing is expected in early 2023 and is subject to obtaining the necessary legal authorisations.

In addition to the recognition of charges for professional services in the amount of Euro 0.5 million, suspended in the balance sheet as they will be added to the value of the investment that will then be sold to Worldline Italia, the Transaction has no impact on the Bank's Annual Financial Report except for the representation required in the case of the sale of an important autonomous unit governed by IFRS 5 *Non-*

current assets held for sale and discontinued operations. Please refer to the information in "Part B" and "Part C" of the notes.

Tax credits acquired from a financial intermediary

On 21 September of this year, the Supreme Court of Cassation rejected the appeal filed by Banco Desio to obtain the release from seizure, ordered by the Court of Naples, of the Euro 46.5 million tax credit purchased by a financial intermediary (the discussion took place in conjunction with the discussion of the appeal filed by other banking and financial intermediaries also involved in the same matter). The ruling arrived in the context of a purely precautionary judgement.

At the end of October, Banco Desio became aware of the reasons adopted by the Court of Cassation, from which no adequate examination of Banco Desio's specific position in the transaction emerged, and indeed as a bona fide third party at the time it purchased the tax credits from a financial intermediary.

Following the necessary investigations, the most appropriate action was taken to protect their rights. To date, the Bank is waiting to receive updates on the conclusion of the investigations launched by the Naples Public Prosecutor's Office, aimed at ascertaining (among other things) the existence or otherwise of the aforementioned tax credit, in order to be granted access to the relevant preliminary documentation collected to assess its content.

In consideration of the lengthening of the terms that can reasonably be hypothesised for using the credit, conditioned by the definition of the legal proceedings under way, the Directors deemed it appropriate to prudentially revise the forecasts for the recovery of the seized tax credits, in terms of expected cash flows with a discounting time horizon of 8 years[1], cautiously considering the allocation of an additional charge compared to the previous year of Euro 3.2 million recognised in the income statement in "Other operating charges/income".

Coppedé securitisation

The subsidiary Fides concluded its first securitisation transaction, carried out pursuant to Law No. 130 of 30 April 1999 (the "Securitisation Law"), involving the sale, for consideration and without recourse to the vehicle company Coppedè SPV Srl, specifically incorporated pursuant to the Securitisation Law, of a portfolio of financial receivables arising from loans granted by the Company to its customers repayable on the basis of deduction at source and/or salary and/or pension backed arrangement (the "Portfolio" and the "Receivables").

As part of the transaction, Fides plays the role of Servicer performing the collection of assigned receivables and cash and payment services pursuant to Article 2, paragraphs 3, 6 and 6-bis of Law 130.

Fides complies with the retention obligations set forth in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 through the option referred to in paragraph 3 (d) (first loss) having fully subscribed to the Junior security from which it follows that all risks and rewards of the same assigned receivables remain with the originator itself. The transaction is therefore carried out without derecognition of the receivables that have been retained in Fides' financial statements (through the consolidation of the "below the line" of the SPV).

The transaction, which is part of the Group's funding plan, is aimed at establishing a potential liquidity reserve, having generated the availability of eligible securities that can be used both for refinancing with the European Central Bank and as collateral for other funding transactions through the Parent Company.

The operation also has the European characteristics of STS i.e. with the required requirements of Simplicity, Transparency and Standardisation.

The structure of the Notes is as follows:

- Class A Notes (Senior) in the amount of Euro 436.0 million corresponding to 86% of the securities issued;

[1] Legal advisors have indicated a "term that could be between 8 and 10 years maximum

- Class J Notes (Junior) amounting to Euro 71.4 million, corresponding to 14% of the securities issued.

The senior note is listed on the regulated market of the Irish Stock Exchange (Euronext Dublin) and has received a double rating: Fitch AA rating, Moody's Aa3 rating.

Both the Senior and Junior notes were fully subscribed by Fides, so the transaction took the form of a self-securitisation.

At 31 December 2022, the Senior tranche was partially used by the Group as collateral in the interbank market.

In consideration of Fides' role as servicer in the securitisation transaction, as well as its role as sole investor in the Junior note, in application of IFRS 10, Fides appears to have a position of substantial control over the securitisation vehicle[2] and, in accordance with the aforementioned accounting standard, the latter is subject to consolidation. Specifically, the so-called "below the line" of the SPV is subject to consolidation as the Transaction is carried out without derecognition of the loans that were retained in Fides' financial statements, while the "above the line" of the SPV, is subject to consolidation in the consolidated financial statements of the Banco Desio Group.

[2] Specifically, the analyses carried out showed that, pursuant to paragraph 7 of IFRS 10, Fides simultaneously has (i) power over the securitisation vehicle, (ii) the benefit of rights over variable yields arising from the relationship with the securitisation vehicle and (iii) the ability to exercise its power over the securitisation vehicle to have a decisive influence on the amount of its yields

5 - Legislative Decree No. 231/2001

In the context of the measures taken on the subject of the administrative liability of companies for offences committed by their officers and/or employees, since 2004, the Bank's Board of Directors has resolved to adopt an Organisational and Management Model for the prevention of the offences contemplated by Legislative Decree No. 231/2001 (hereinafter "Model 231"). This Model has been gradually implemented with subsequent legal provisions and is published on the website www.bancodesio.it.

Further information on Model 231 and the Supervisory Board pursuant to the aforementioned Legislative Decree No. 231/2001, whose functions have been performed by the Board of Statutory Auditors since 2012, can be found in the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website to which reference is made.

6 - Human resources

6.1 - Management and allocation of resources

For the Group, 2022 represented the consolidation of the management choices made last year concerning the organisation of work in the Headquarters structures, with particular reference to the contractualisation of the "agile work" mode with each employee.

In the last quarter of the year, the professional retraining of network resources was achieved, with a retraining from administrative to commercial/consulting roles, with a view to an increasingly targeted and customised service for customers.

In the last few months of the year, the onboarding activities of the resources in the perimeter of the acquisition from BPER Banca took concrete form: starting from the sending of a welcome letter signed by the CEO of the Bank, to an initial meeting with the Branch Managers of the former Carige perimeter, aimed at sharing the values of the Bank they will become part of.

Visits to some of the former Carige branches in Liguria have started, in order to stimulate the reception of future colleagues and an initial engagement with the aim of facilitating future integration.

With a view to an evolving market and with the objective of continuing the generational transition already concretised during the year with the conclusion of the exits for access to the Solidarity Fund, we continued with the insertion of young talents and new professionalism, both in the Network and at Headquarters, also functional to the introduction of new skills, respecting gender quotas.

With this in mind, and with the objective of enhancing professionalism in the company, the moment of professional advancement was realised with a special focus on the enhancement of young talent and diversity, continuing the rebalancing of the level of grading and remuneration of the female population.

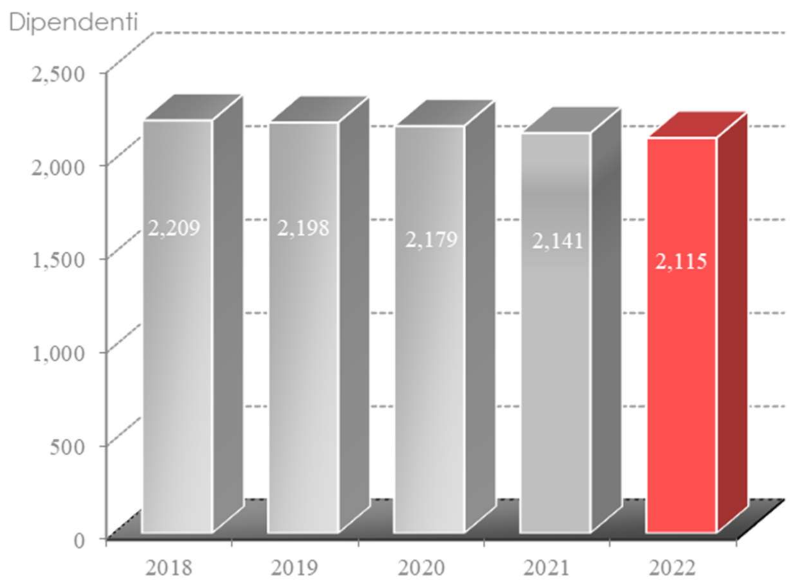
The optimisation of activities related to the Wealth Management model is continuing also in the first quarter of 2023.

Finally, it should be noted that, in application of the understandings set out in the Trade Union Agreement of 26 November 2020, 30 June 2022 turned out to be the last useful window for access to Solidarity Fund and/or retirement benefits.

At 31 December 2022, the Group's employees amounted to 2,056 resources, a decrease of 34 resources, or 1.6%, compared to the previous year-end figure.

The following table provides a breakdown of employees by qualification level at the end of the financial year 2022, in comparison with the previous year's balance.

Graph No. 2 - **GROUP EMPLOYEE TRENDS IN RECENT YEARS**



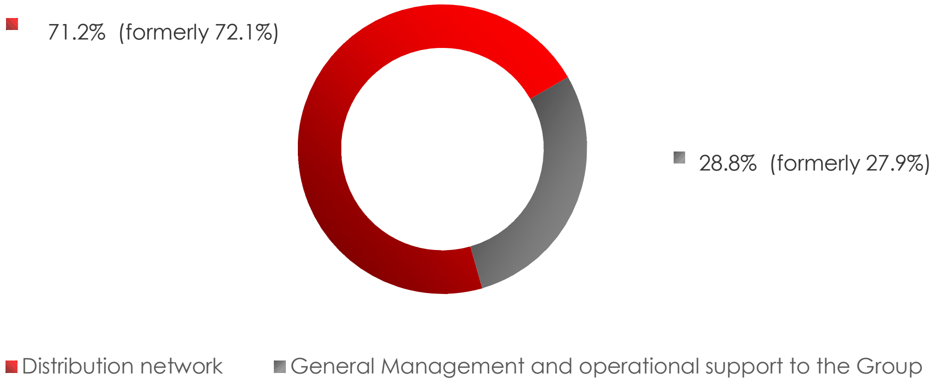
The following table provides a breakdown of employees by qualification level at the end of the financial year 2022 in comparison with the previous year's balance.

Table No. 1 - **BREAKDOWN OF GROUP EMPLOYEES BY QUALIFICATION**

No. Employees	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**Changes %**
Managers	27	1.2%	31	1.4%	-4	-12.9%
Middle managers 3rd and 4th level	458	21.7%	455	21.3%	3	0.7%
Middle managers 1st and 2nd level	577	27.3%	572	26.7%	5	0.9%
Remaining personnel	1,053	49.8%	1,083	50.6%	-30	-2.8%
Group employees	**2,115**	**100.0%**	**2,141**	**100.0%**	**-26**	**-1.2%**

The graph below shows the breakdown of the workforce at the end of the year between General Management and Operational Support and the Distribution Network.

Graph No. 3 - **BREAKDOWN OF GROUP EMPLOYEES BY AREA**



6.2 - The training activity

The year 2022 concluded by affirming a significant investment in terms of training, in line with the objectives of the training plan outlined at the beginning of the year, which took the form of activities aimed at supporting the strengthening of technical knowledge and increasing the strengthening of behavioural skills, necessary in the exercise of the various organisational roles.

In continuity with the programmes carried out in the year 2021, the training activities performed in the year 2022 also took on a significant relevance in the context of professional development processes, accompanying the evolution of new expertise and further enhancing the skills possessed by resources, consistently with the specialisation requirements introduced by the Service Model and defined by the Business Plan Growth path.

This investment is also confirmed by the training hours recorded, reaching 135,076 total man-hours provided (formerly 132,275), corresponding to 8.5 average days per employee (formerly 8.2) with 2,801 more hours provided than in 2021. Furthermore, it must be considered that the year 2021 ended with an increase of 38% over the previous year.

The three components that represent the distinctive features of the 2022 proposal are:

- the use of delivery methods developed through flexible methodologies, which allowed the integration of different tools in blended solutions (classroom, e-learning, webinar), in order to ensure a diversified learning experience through modular and multidisciplinary paths. For the delivery of some specific contents, the classroom activity was resumed, establishing itself as an opportunity for discussion and sharing, triggering reflections and facilitating the search for solutions to be applied in the respective contexts. With reference, on the other hand, to the e-learning mode of use, the micro-learning didactic model was used, set up by means of videos and briefs that ensured self-managed planning by the participant over the entire time span available, thus facilitating the planning of the use of the content; again with a view to making the planning of training activities even more flexible, the use of Smart Learning should also be noted. In addition, interactive tools and gamification dynamics were used to foster involvement, which will also be extended for the development of topics related to different regulatory contexts. Among the methodological tools used, mention should also be made of the method of surveying training needs in specific areas - preparatory to the design of the content - as well as the adoption of assessments on particular technical-professional knowledge, considered fundamental for targeting the training proposal in a more targeted manner;
- the creation of multi-disciplinary programmes realised through micro-learning sequences ensured an articulated training proposal on different thematic areas and also made it possible

to reuse the micro-contents within different programmes addressed to different professional figures;

- the inclusion of situational case studies within different training programmes made the acquired skills practically applicable: this approach made it possible to increase knowledge about the working tools that can be used to manage professional activities more effectively. Furthermore, with the aim of ensuring contextualised training focused on company processes and procedures, internal resources were used for both the content construction and delivery phases.

In addition to these three elements that characterised the training programmes delivered in the year 2022, there was also the content dimension, which offered a significant variety of topics. In particular, the following were relevant in the 2022 delivery:

- competence certification paths consisting of individual study phases alternating with phases of in-depth study of core knowledge for the exercise of roles, which were accompanied by moments of verification of acquired knowledge;
- soft skill-focused modules that were combined with specialised content with the aim of providing fundamental behavioural tools also for the application of specialised knowledge;
- training initiatives for up-skilling the skills possessed by resources - which play a central role in the Bank's change process - and those for re-skilling technical and professional knowledge, in order to ensure that the skills exercised are in line with corporate objectives.

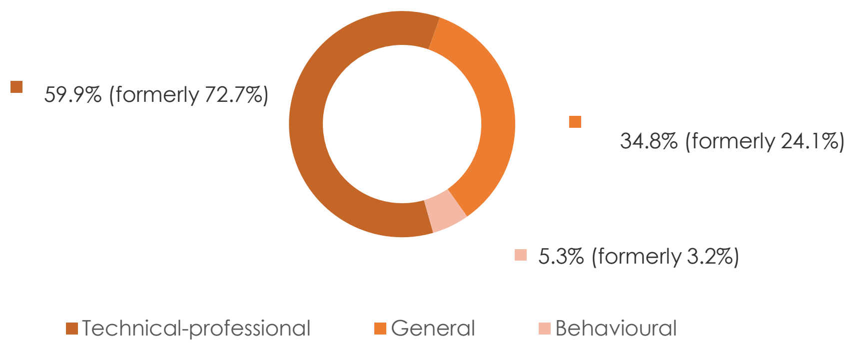
Finally, it should also be noted that the different programmes launched under the "DevelUP" Project continued in line with the main lines of development defined under the three guidelines: "Service Model Training", "Product Training" and the "Talent Enhancement Project".

Below are the main activities that characterised the training offer, broken down by type:

- "General" training groups together initiatives covering transversal knowledge aimed at all professional families. The alignment of the required competences according to changes in the regulatory context is ensured by the activities under compulsory training (included in this grouping).
- "Technical-professional" training includes initiatives aimed both at building the technical skills needed to perform a specific role and at consolidating skills functional to the professional profile held.
- "Behavioural" training aimed at developing relational, managerial and organisational skills, enabling the best application of the technical-professional knowledge possessed.

The graph below shows the percentage breakdown of training meeting days carried out during the year for the three areas mentioned above.

Graph No. 4 - **REPRESENTATION OF TRAINING ACTIVITIES BY TYPE**



The main initiatives belonging to "General" training, which recorded an increase of 15,184 hours provided compared to the previous year, are summarised below.

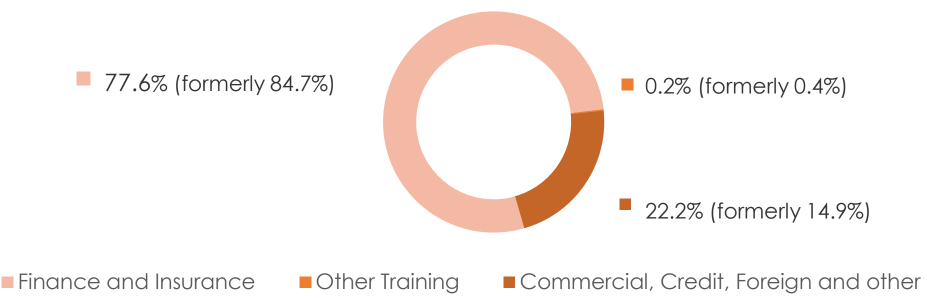
<u>"General" training.</u>

- **Regulatory Area**
  Within this area, we highlight the continuation of the different programmes aimed both at updating positions in the field of Health and Safety in the Workplace (fire-fighters, first aid) and at basic programmes for workers and for resources appointed as supervisors.
  In addition, in order to conclude the five-year update programme, the last module was released, which focused on covering both technical knowledge referring to specific risks and Soft Skill content. In order to complete utilisation for a residual population of resources, continuity was also ensured in the delivery of programmes on "privacy", "anti-money laundering", "usury", "MOG 231", "whistleblowing", "operational risks" and "Banking POG". With a view to ensuring continuous monitoring of the risk of money laundering and terrorist financing, a video lesson on "Anti-Money Laundering and Superbonus" was produced and distributed to all Network figures, while the module on the "Fifth Anti-Money Laundering Directive" was addressed to the FIDES population. In addition, in order to gain awareness of the world of "Cyber Security", a training programme has been structured with multiple videos and information briefs exploring the language of the web: this programme will continue in 2023.

- **Other Training**
  The "IT Specialist Programme" and the "Credit Risk Management Programme" were provided for specific Head Office Functions, while for some resources with a Business Data Specialist profile, on-the-job training was scheduled to accompany the development of the specialised knowledge required for the management of specific intercompany projects.
  In addition, a training programme on "Project Management" was designed and delivered, which involved - in a first phase - the Managers, in order to share the governance system of corporate projects and - in a second phase - various resources belonging to different corporate functions, with the aim of extending a univocal organisational approach in the management of inter-company projects.

<u>"Technical-Professional" training</u> accounted for 59.9% of total activities (formerly 72.7%), an increase in percentage terms over the previous year's figure. The following graph represents the breakdown of training activities in the subject areas belonging to "Technical-Professional" training:

Graph No. 5 - **REPRESENTATION OF "TECHNICAL-PROFESSIONAL" TRAINING BY SUBJECT AREA**



Below are the main initiatives aggregated by area of competence:

- **Credit area** (3.8%)

Within this area, we highlight webinar sessions delivered by internal teaching resources on topics related to: "New Trigger for Unlikely to Pay Reduced Financial Obligation", "AIRB System" and "Factoring", with the aim of aligning the operational behaviour of resources and, at the same time, responding to the training needs emerging from the different professional figures of the Network: Small Business Managers, Branch Managers, Vice RDF and Enterprise Managers.
In addition, the training programme delivered on the subject of "Creditworthiness assessment" was particularly useful, with a focus on the "Loan disbursement process"; this programme was divided into two sessions: the first of a didactic nature and the second with a more applicative aspect, in order to provide participants with concrete operational tools for managing operations.
In continuity with previous years, mention should be made of the e-learning programmes on the "AIRB rating system", also addressed to all resources in the corporate segment, and on "Consumer real estate credit", built on four modularities and intended for different organisational roles.

- **Commercial Area** (18.5%)

Within this area, the extension of training courses on "Role Evolution" to the corporate populations of Small Business Managers, Private Bankers, Private Managers, Personal and Affluent Managers, in order to reinforce the skills required for the exercise of the different Network roles, is worth mentioning.

Other initiatives include the delivery of the "Digital Solutions" and "Digital Mindset" briefs: training objects proposed as part of the Digital Adoption game introduced with the aim of enhancing digital solution proposition skills. In addition, different webinar sessions were delivered by internal teaching resources such as "The digital dialogue with our customers" or "The Banco Desio open banking aggregator: One-D" and by various partners such as Arca, AcomeA and Anima on topics such as "Behavioural Finance" and "Remote Communication Techniques".

Finally, we highlight the sessions on "Cross-market" aimed at both the Private and Business segments, with the objective of providing tools to manage the different dimensions of the entrepreneur client: assets, family and company.

- **Finance and Insurance Area** (77.6%)

This area records a significant number of training hours delivered. In particular, reference is made to the integrated ESMA and IVASS maintenance programme that has been structured around content valid for both ratings. The topics that made up this programme were of extreme topicality: mention should be made - by way of example - of the module on "The financial investments of post-pandemic households" and "The evaluation of the performance of ESG-rated companies"; the module on "Succession" and the module on "Case histories on succession planning" were considered of significant interest. These technical-professional contents were combined with some Soft Skill modules such as "Strategic Communication".

In particular, the ESMA programme was developed along three different paths, defined according to the knowledge gaps detected through the use of a specific assessment; again for ESMA purposes, the "Skills Certification Programme" was also valid, addressed to a group of Private Bankers, who met in the classroom to address core issues for their professionalism: from financial planning to asset allocation.

Other initiatives provided included webinar sessions on the "MiFID II Profiling Questionnaire", with a specific focus on ESG, as well as those on the topic of "Hope and PIR instruments". In addition, sessions focused on the insurance company's service model and commercial offerings were delivered for Eurovita, while the relevant product training module was released for Coface and Italiana Assicurazioni. Furthermore, classroom-based training sessions in the area of "Protection" realised in partnership with Helvetia are also worth mentioning.

In the area of "Behavioural" training, of particular note are the training proposals launched within the framework of the project aimed at enhancing "Talents", delivered with the aim of enhancing skills that have shown - in the assessment phase - a need for strengthening. In particular, both skills of an organisational nature such as "Result Orientation" and "Business Planning" and of a relational nature such as "Influencing" as well as of a managerial nature such as "Entrepreneurship" and "Problem Solving" were addressed.

In addition, for colleagues at Headquarters - with the aim of stimulating reflection with respect to specific skills and providing some useful behavioural tools in the exercise of their professionalism - the Soft Skill learning path continued, developed through three training pills focused on the following skills: "Result Orientation", "Learning Agility" and "Design Thinking".

Some behavioural contents have also been included in the initiatives of the Group's Sustainability Plan 2020-22, in particular, reference is made to the "Diversity Management" module addressed to the entire corporate population with the aim of providing relational tools to enhance effectiveness in managing differences in the corporate context.

6.3 - Labour relations

In the course of 2022, relations with the Workers' Unions present in the Group (OO.SS.), in addition to providing the ordinary opportunities for meetings and discussions on legal and contractual issues, allowed for the achievement of specific agreements that, pursuing labour policies in line with industry best practices, renewed also for 2023 the work life balance tools introduced in the year just ended, expanding their scope with the aim of further implementing sustainability and corporate welfare initiatives for the benefit of the well-being of people in the group as well as the development of a positive and flexible work environment. In particular:

- accessibility, also for 2023, to the ordinary agile working mode (so-called smart working) for central management staff, in line with the provisions of the national collective agreement and with industry best practices;
- accessibility, also for the year 2023, of the mode of participating in training courses remotely, even outside the workplace of assignment (so-called smart learning) in favour of all Group Resources;
- renewal, for the year 2023, of the so-called "time bank", fuelled by the company and the solidarity of the Resources who decide to join the initiative. The purpose of the time bank is to provide access to an allocation of paid leave in addition to ordinary leave, for the benefit of employees affected by specific and special personal or family needs. The number of potential beneficiaries, when the agreement was renewed, was also extended to parents, specifically "fathers" who need to be absent from work on the occasion of the birth of their child, or even "mothers" for documented serious needs of their child;
- renewal, for the year 2023, of the benefits envisaged as a special contribution in support of disability: in particular, both the economic contribution in favour of workers with dependent children or spouses suffering from serious disability, and the contribution to reimburse expenses incurred for medical instruments and equipment necessary for the same situations of serious disability.

In the second half of 2022, trade union relations were particularly focused, on the one hand, on the procedure relating to the extraordinary transaction being finalised with BPER Banca for the sale to Banco Desio of two business units consisting of 48 former Carige and Banco di Sardegna branches, and, on the other hand, on the renewal and updating of the health plan in favour of employees. Specifically, at the end of the discussion, also in the Joint Technical Committee, in December 2022 an agreement was signed with the trade unions that defines the new health plan for the years 2023 and 2024, extending the coverage provided for as well as confirming the membership of the PREVIP health care fund that, through a leading insurance company, will guarantee employees and their families the coverage of the plan.

It is also worth mentioning the initiative with which the Group, intervening with a concrete welfare tool, recognised to all employees an extraordinary contribution worth Euro 500, paid in the form of vouchers that can be spent on goods and services, at numerous merchants throughout the country. A gesture of closeness to its employees and their families at a delicate economic moment, affected by rising energy costs and, in general, basic necessities. The Company has, moreover, already announced its intention to pay similar attention to the employees who will join Banco Desio following the sale of the BPER Group branches.

6.4 - Prospective activities

The year 2023 will see the development of all activities functional to the acquisition, first, and then to the management of all personnel resulting from the acquisition of the branches from BPER Banca, which will be provided with a structured training plan and coaching by personnel already employed by the Bank ("Ambassadeur"), specifically identified and trained, in order to provide assistance and support functional to an organised and effective integration.

Subsequently, twinning between branches will be initiated to facilitate contacts with the resources that will join the Bank.

During 2023, the Wealth Management network organisation project is also expected to continue, with the Resources Department involved in the continuation of the implementation phase of the model on the Private network, with the creation of new Family Teams and the implementation of the professional skills to be assigned to the private banking segment.

Lastly, a special effort is also envisaged on the trade union relations front, in relation to the above-mentioned extraordinary transaction for the acquisition of 48 branches from BPER Banca, in order to accompany, also by resorting to the tools offered by trade union dialogue, the path of integration of the resources transferred to the Group.

Finally, the Resources Department will continue to implement management innovations in the area of work organisation in line with the provisions of the national sector agreement.

7 - Control activities

7.1 - The levels of control in the management and coordination function

In exercising its management and coordination function, the Parent Company Banco di Desio e della Brianza S.p.A. puts in place a triple level of control over its subsidiaries, in order to implement the specific "coordination model" chosen, taking into account the nature and size of the activities carried out by the individual companies, as well as their specific location, identifying internally the functions responsible for the specific control mechanisms.

A first level, of a strategic nature, is aimed at the constant verification of the policies dictated by the Parent Company and is implemented mainly through the presence on the Boards of Directors of each subsidiary, of a certain number of its officers, such as to constitute, as a rule, the majority.

The second level is of a managerial nature and concerns the performance of activities of analysis, systematisation and evaluation of the periodic information flows of subsidiaries, in order to verify the pursuit of strategic objectives in compliance with supervisory regulations, the preparation of adequate reporting on performance and profitability, the analysis of development, research/investment projects and strategic opportunities, forecast flows and other information necessary for the preparation of the Group budget.

The third level is defined as technical-operational, and is mainly realised through the supervision of the internal control system.

The aforementioned levels of control are, moreover, outlined and implemented in a manner proportionate to the nature, purpose and size of the subsidiaries from time to time within the Group.

Further information on management and coordination activities can be found in section 2.3 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

7.2 - The internal control system

The internal control system consists of the set of principles of conduct, rules and organisational procedures that - in compliance with the law, the provisions of the Supervisory Authority and corporate strategies - oversees the proper management of all Group activities, involving the Bodies and top management and, in general, all personnel.

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and therefore also on the risk management and internal control systems on the financial reporting process, are contained in paragraphs 1 and 7 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

7.3 - Risk measurement and management

With regard to the specific activities carried out by the Parent Company's Risk Management function, with the aim of ensuring controls on the management of the various types of risk through the adoption of integrated processes, please refer to Part E of the Notes to the Financial Statements - Information on risks and related hedging policies.

With reference to the initiatives conducted during the year to take Environmental, Social and Governance ("ESG") aspects into account in corporate policies, and thus to integrate the assessment of such risks into the overall Enterprise Risk Management system, please refer to as described in the "Banco Desio Group

Sustainability Report". Reference is also made to the same document with regard to the specific topic of climate change.

8 - Operating performance

The detailed tables and related comments below refer to the consolidated balance sheet and income statement aggregates. For information on the individual companies of the Banco Desio Group, please refer to chapter "9 - Performance of consolidated companies" below.

8.1 - The collection of savings: customers' assets under administration

Total customer assets under administration stood at around Euro 29.7 billion, down from the balance at year-end 2021 (-2.4%), due to the reduction in indirect inflows (-5.2%), partially offset by the increase in direct inflows (+1.6%).

The composition and balances of the items are shown in the table below.

Table No. 2 - **TOTAL INFLOWS FROM CUSTOMERS**

Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**Changes %**
Payables to customers [1]	11,110,366	37.4%	10,926,600	35.9%	183,766	1.7%
Securities issued	1,536,151	5.1%	1,522,265	5.0%	13,886	0.9%
Direct inflows	**12,646,517**	**42.5%**	**12,448,865**	**40.9%**	**197,652**	**1.6%**
Inflows from ordinary customers	10,135,327	34.1%	11,033,464	36.2%	-898,137	-8.1%
Inflows from institutional customers	6,947,288	23.4%	6,984,571	22.9%	-37,283	-0.5%
Indirect inflows	**17,082,615**	**57.5%**	**18,018,035**	**59.1%**	**-935,420**	**-5.2%**
Total inflows from customers	**29,729,132**	**100.0%**	**30,466,900**	**100.0%**	**-737,768**	**-2.4%**

[1] Including inflows repurchase agreements with institutional customers in the amount of Euro 503 million (Euro 208 million at 31 December 2021)

Direct inflows

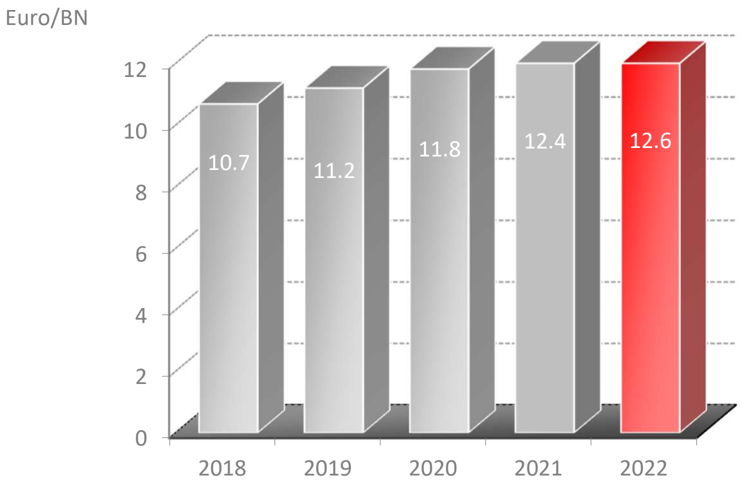
Direct inflows amounted to around Euro 12.6 billion, up 1.6% compared to 31 December 2021, due to the performance of payables to customers (+1.7%) and securities issued (+0.9%).

Payables to customers, amounting to Euro 11.1 billion, represent the most significant item with 88% of the total balance and are attributable for about Euro 10.1 billion to the "demand" component of inflows, i.e. free current accounts and savings deposits, for about Euro 0.3 billion to time deposits, for Euro 0.5 billion to repurchase agreements with Cassa di compensazione e Garanzia, and for the remainder to other payables.

Outstanding securities refer to bonds issued and all placed for about Euro 1.5 billion (including about Euro 0.1 billion of subordinated securities) and certificates of deposit for the remainder.

The trend in direct inflows over the past few years is depicted in the following graph.

Graph No. 6 - **TREND IN DIRECT INFLOWS IN RECENT YEARS**



Indirect inflows

Indirect inflows recorded a balance of Euro 17.1 billion (-5.2%). Inflows from ordinary customers amounted to Euro 10.1 billion, a decrease of 8.1% compared to the end of the previous year, mainly attributable to the performance of assets under management (-10.1%).

At 40.7%, inflows from institutional customers reached a balance of about Euro 6.9 billion, in line with the previous year's balance.

The table below provides details of the aggregate under consideration, highlighting the changes over the time period considered.

Table No. 3 - **INDIRECT INFLOWS**

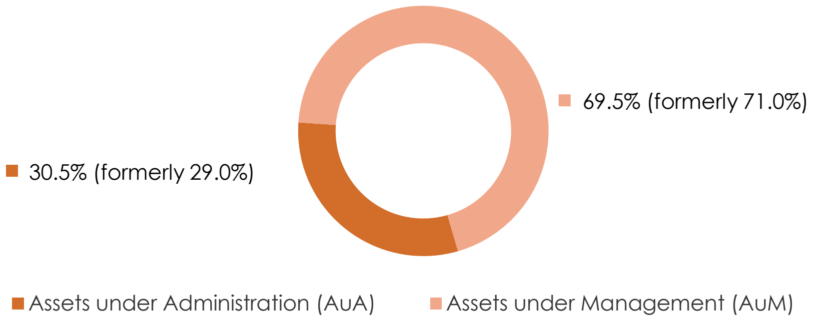
Amounts in Euro thousands	31.12.2022	Incidence %	31.12.2021	Incidence %	Changes Value	%
Assets under Administration	**3,093,362**	**18.1%**	**3,203,624**	**17.8%**	**-110,262**	**-3.4%**
Assets under Management	**7,041,965**	**41.2%**	**7,829,840**	**43.4%**	**-787,875**	**-10.1%**
of which: Mutual funds and Sicav	*3,277,442*	*19.2%*	*4,006,993*	*22.2%*	*-729,551*	*-18.2%*
Asset management	*1,148,834*	*6.7%*	*1,185,845*	*6.6%*	*-37,011*	*-3.1%*
Bancassurance	*2,615,689*	*15.3%*	*2,637,002*	*14.6%*	*-21,313*	*-0.8%*
Inflows from ordinary customers	**10,135,327**	**59.3%**	**11,033,464**	**61.2%**	**-898,137**	**-8.1%**
Inflows from institutional customers (1)	**6,947,288**	**40.7%**	**6,984,571**	**38.8%**	**-37,283**	**-0.5%**
Indirect inflows (1)	**17,082,615**	**100.0%**	**18,018,035**	**100.0%**	**-935,420**	**-5.2%**

(1) Inflows from institutional customers include securities on deposit underlying the Bancassurance segment of ordinary customers amounting to about Euro 2.1 billion (at 31.12.2021 about Euro 2.5 billion).

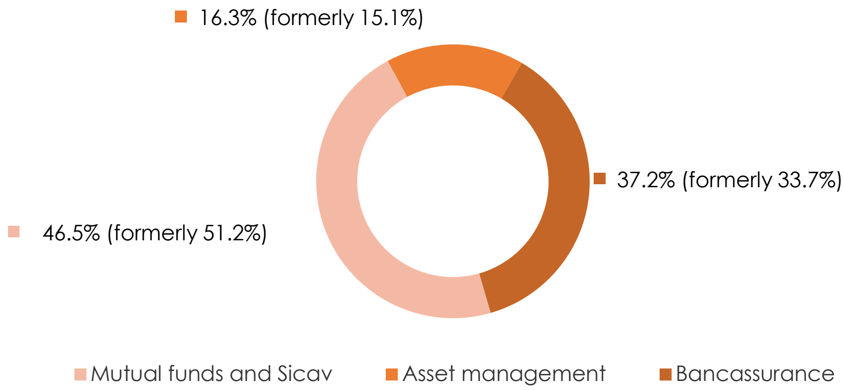
The in-depth investigations conducted on investments held by customers (securities, funds, asset management, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their issuing currency, have not so far revealed any significant risk profiles, it being understood that the monitoring of these investment products will continue on an ongoing basis in the coming months.

The following graph shows the percentage composition of indirect inflows from ordinary customers by segment, while the next one focuses on the breakdown of assets under management by component. Compared to the previous year's results, there was a greater weighting in favour of the asset under management segment compared to that of assets under administration, continuing the trend of the previous year.

Graph No. 7 - **BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 31.12.2022**



Graph No. 8 - **BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 31.12.2022**



When it seemed that the most critical point of the Covid-19 pandemic had passed, the conflict in Ukraine brought the world economy and the financial sector back under a new cloud of uncertainty. The year 2022 was marked by rising and worrying inflation, rising energy and commodity prices. This situation has led and is still leading to monetary tightening with interest rate increases and a reduction in liquidity by the Central Banks, resulting in downward revisions of growth expectations for the economy. This context led to a general decline in financial asset prices during the year.

As far as asset management is concerned, high inflation in the second half of 2022 forced central banks to accelerate their restrictive manoeuvres, starting with the Fed, which also added the sale of securities in financial statements to rate hikes.

In the wake of these policies, there is a widespread perception among investors that global economies are headed for a period of severe economic slowdown. Only towards the end of the year did the tone of monetary authorities become more accommodative, announcing a slowdown in the speed of rate hikes, generating a rebound in risky assets.

In equity management, the level of investment was increased in October, bringing it in line with the benchmark, without changing the geographical and sectoral allocation, which sees a preference for the United States, while among the sectors, pharmaceuticals, basic resources and stable consumption were favoured at the expense of industrials, financials and cyclical consumption.

Large capitalisation and high dividend stocks were also favoured. Bond management maintained a rate risk above the benchmark throughout the period. Among government issues, German issues and those linked to inflation trends were favoured.

High diversification was maintained throughout the period by investing in Chinese government bonds, emerging market bonds and financial sector corporates.

8.2 - Credit management: loans to customers

The value of loans to ordinary customers at 31 December 2022 stood at around Euro 11.5 billion, up from the previous year's figure (+3.2%).

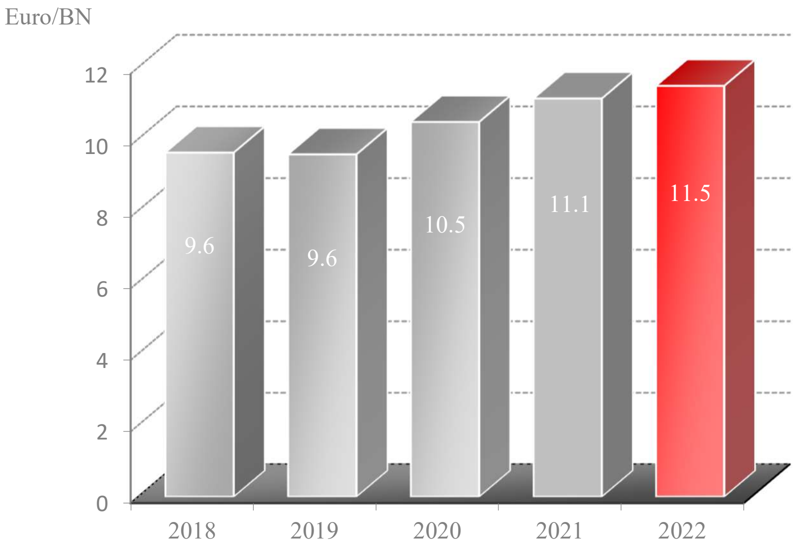
The Credit Department, with the support of the Risk Management Department, continued to implement initiatives to offer concrete support to the production system and households. During 2022, particularly in the second half of the year, the Credit Department continued monitoring the repayment capacity of customers (both private individuals and companies) on medium- and long-term loans (particularly those subject to legislative moratoria), identifying with the customer in difficulty, the best solution to be able to honour their commitments.

The Bank also adopted specific control measures in order to analyse the performance of the loan portfolio in relation to the negative impacts of the Covid-19 health emergency and the war in Ukraine. On the overall portfolio, an internal analysis was launched to gather information to map the relevant elements of the clientèle's business and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine. As better described in the disclosure "Implications of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Part A" of the Notes to the Financial Statements, direct exposure on the part of the Bank and its customers is contained without the need to review the credit facilities granted; monitoring the positions most at risk is one of the primary drivers of attention for the Credit Department in order to ensure the best quality of the loan portfolio and, at the same time, to identify the best solution to allow companies to continue their business in compliance with their commitments.

Loans to customers classified as performing grew by 3.6% compared to the previous year positively influenced by the impulse to consumer lending and medium/long-term loans impacted by the continuous derisking action implemented on the portfolio thanks to disbursements of new liquidity (mortgages and medium/long-term loans) to companies.

The histogram below graphically depicts the trend in loans over the last five years, which shows a compound average annual growth rate of +4.5%, due to the growth in volumes during the year, partly offset by the contraction in non-performing loans in previous years.

Graph No. 9 - **TREND IN LOANS TO CUSTOMERS IN RECENT YEARS**



The changes in balances in the items making up loans by technical form are summarised in the table below.

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

Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**Changes %**
Current accounts	958,597	8.4%	953,372	8.6%	-28,190	-3.0%
Mortgages and other medium-/long-term loans	9,437,636	82.2%	9,266,510	83.3%	171,126	1.8%
Other	1,084,383	9.4%	907,875	8.1%	179,901	19.8%
Loans to customers	**11,480,616**	**100.0%**	**11,127,757**	**100.0%**	**352,859**	**3.2%**
- of which non-performing	*198,383*	*1.7%*	*233,728*	*2.1%*	*-35,345*	*-15.1%*
- of which performing	*11,282,233*	*98.3%*	*10,894,029*	*97.9%*	*388,204*	*3.6%*

Within the breakdown of gross loans, including guarantees, the percentage of utilisations attributable to the first 50 customers at the end of the financial year 2022 continues to reflect a high degree of risk fractioning.

Table No. 5 - **CREDIT CONCENTRATION RATIOS ON TOP CUSTOMERS**

Number of customers	**31.12.2022**	**31.12.2021**
Top 10	1.09%	1.07%
Top 20	1.85%	1.86%
Top 30	2.51%	2.51%
Top 50	3.62%	3.60%

No customer qualifies as a "Large Exposure" for supervisory purposes: the nine "Large Exposure" positions recognised are attributable to tax assets of the bank and Italian government securities, participation in the capital of the Bank of Italy, subscription of junior and mezzanine securities and granting of loans to the vehicle company 2Worlds S.r.l., counterparty to the NPL securitisation transaction through GACS, guarantees provided by the Guarantee Fund L.23.12.1996 N.662, guarantees provided by SACE, exposures with Credit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio exposures with Unicredit referring to debt securities, derivatives, guarantees and commitments provided in addition to equity securities, exposures with Banco Santander essentially referring to debt securities and long term repo, repurchase agreement transactions with Cassa di Compensazione e Garanzia, for a total nominal amount of about Euro 7.9 billion, corresponding to about Euro 0.4 billion in terms of total weighted amount.

The Group confirms that its asset quality is among the highest in its market.

The proactive management of the non-performing portfolio, although influenced by a higher inflow from the performing portfolio, contributed to the improvement in asset quality with a decreasing gross and net NPL ratio (from 4.1% to 3.3% and from 2.1% to 1.7% respectively). The overall coverage of non-performing loans stood at 49.6% compared to the previous 50.8%, affected by the change in the mix of bad and unlikely to pay loans as a result of the disposals carried out during the year. Total net non-performing loans, consisting of bad loans, unlikely to pay as well as impaired past-due and/or overdrawn exposures, amounted to Euro 198.4 million, net of value adjustments of Euro 195.3 million, a decrease of Euro 35.4 million compared to Euro 305.0 million at the end of 2021. In particular, there were net bad loans of Euro 59.8 million (formerly Euro 94.5 million), net unlikely to pay of Euro 131.9 million (formerly Euro 133.9 million), and net impaired past-due and/or overdrawn exposures of Euro 6.7 million (formerly Euro 5.3 million).

On the other hand, non-impaired exposures grew almost equally in consumer lending, which is characterised by a lower risk profile (with particular reference to the salary-backed product), and in m/l-term loans to corporates, where no repayment problems emerged in connection with the conclusion of moratoria. The proactive management of the performing portfolio, together with the resilience demonstrated by the entrusted customers, therefore allowed for the recalibration of the particularly rigorous measures adopted in the previous year in the determination of value adjustments through management overlays, resulting in the positioning of overall coverage on performing loans at 0.88% compared to the previous 0.94%.

As a result of the dynamics described above. The overall coverage level of the loan portfolio was 2.5% (compared to 3.0% in the previous year).

The table below summarises the gross and net indicators of credit risk and related coverage levels.

Table No. 6 - **INDICATORS OF THE RISKINESS OF LOANS TO CUSTOMERS AND RELATED COVERAGE**

Amounts in Euro thousands	31.12.2022					
	Gross exposure	**Incidence % of total of loans**	**Value adjustments**	**Coverage ratio**	**Net exposure**	**Incidence % of total of loans**
Bad loans	182,588	1.6%	(122,817)	67.3%	59,771	0.5%
Unlikely to pay	203,676	1.7%	(71,745)	35.2%	131,931	1.1%
Impaired past-due	7,460	0.0%	(779)	10.4%	6,681	0.1%
Total impaired	**393,724**	**3.3%**	**(195,341)**	**49.6%**	**198,383**	**1.7%**
Stage 1 exposures	9,232,466	78.4%	(14,432)	0.16%	9,218,034	80.3%
Stage 2 exposures	2,150,505	18.3%	(86,306)	4.01%	2,064,199	18.0%
Performing exposures	**11,382,971**	**96.7%**	**(100,738)**	**0.88%**	**11,282,233**	**98.3%**
Total loans to customers	**11,776,695**	**100.0%**	**(296,079)**	**2.5%**	**11,480,616**	**100.0%**

Amounts in Euro thousands	31.12.2021					
	Gross exposure	**Incidence % of total of loans**	**Value adjustments**	**Coverage ratio**	**Net exposure**	**Incidence % of total of loans**
Bad loans	257,592	2.2%	(163,098)	63.3%	94,494	0.8%
Unlikely to pay	211,794	1.9%	(77,855)	36.8%	133,939	1.3%
Impaired past-due	5,696	0.0%	(401)	7.0%	5,295	0.0%
Total impaired	**475,082**	**4.1%**	**(241,354)**	**50.8%**	**233,728**	**2.1%**
Stage 1 exposures	9,164,565	79.9%	(18,344)	0.20%	9,146,221	82.2%
Stage 2 exposures	1,832,402	16.0%	(84,594)	4.62%	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%**

The main indicators of the coverages of non-performing loans are summarised below, also considering for outstanding bad loans the amount of direct write-downs made over the years, and those of performing loans.

Table No. 7 - **INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS**

% Coverage of non-performing and performing loans	**31.12.2022**	**31.12.2021**
% Coverage of bad loans	67.26%	63.32%
% Coverage of bad loans before write-offs	67.62%	64.30%
% Total coverage of non-performing loans	49.61%	50.80%
% Coverage of non-performing loans before write-offs	49.87%	51.53%
% Coverage of performing loans	0.88%	0.94%

8.3 - The securities portfolio and the interbank position

The securities portfolio

The year 2022 was a year of marked change. The war in Ukraine has brought unexpected geopolitical instability back to the borders of Europe, amplifying already existing tensions, also due to the consequences of the global spread of Covid 19. The supply chains, already previously stressed by the pandemic, suffered another serious setback due to the sanctions against Russia, with repercussions particularly felt in Europe in terms of energy (natural gas in particular) and cereal supplies.

Inflation in the euro area consequently accelerated during the course of the year to exceed the 10% threshold in October and November. As a result, the European Central Bank had to radically change its interest rate policy as of July, gradually increasing the deposit rate from -0.5% to +2% in December 2022.

Bond markets went down dramatically following the repricing movement across the curve, with the 10-year Euro swap rate rising from 0.3% at 31.12.2021 to 3.2% at the end of 2022. The increased cost of financing also led to a widening of the BTP - Bund spread during the year due to increased fears of debt sustainability and a gradual exhaustion of quantitative easing activities by the main Central Banks, amplifying the fall in Italian debt security prices.

Stock markets were also affected by the macroeconomic context and especially the changed monetary policy, with generalised declines: the S&P 500 index at -19.4%, Nasdaq 100 at -32.7%, Euro Stoxx 50 at -11.7% and Nikkei 225 at -9.4%.

The aggressiveness of the rate hikes, undertaken first by the Fed and only later and to a lesser extent by the ECB, also led to a devaluation of the Euro against the USD, which saw the cross fall even below parity during the second half of the year.

The Bank reacted to the new monetary policy implemented by the ECB by carrying out significant asset rate risk hedging transactions during the year.

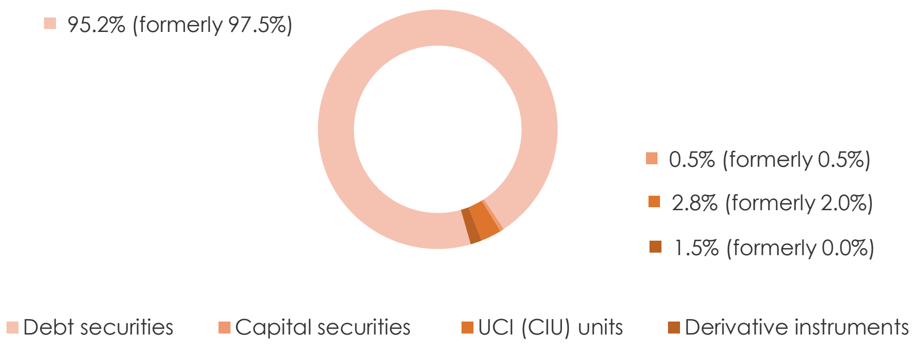
In order to optimise its funding activities, particularly in light of the new and less favourable conditions related to the TLTRO operations already in place with the Central Bank, the Bank has entered into Long Term Repo contracts with leading market counterparties on part of the portfolio assets (eligible and not), planning to increase recourse to this source of funding.

In December 2022, in connection with the liquidity position, a partial early repayment of Euro 800 million was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1,200 million. At 31 December 2022, therefore, the total position related to the TLTRO III financing amounts to Euro 3,045 million.

In 2022, the Bank continued to offer its customers bonds of its own issuance (5 placements) for a total amount of Euro 63.727 million.

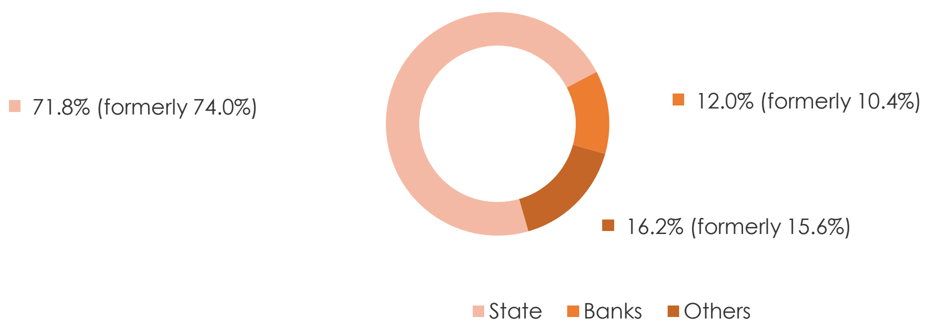
The management of the proprietary securities portfolio continued in line with previous years. Due to the main role of the Held to Collect (HTC) business model, transactions mainly involved the reinvestment of maturing securities, which, combined with the increase in yields on variable-rate securities, led to an increase in interest income in the reporting year and prospectively in the coming year. During the period, there was a reduction in inflation-linked securities held in the portfolio as a result of the full realisation of their revaluation assumed at the time of purchase.

Graph No. 10 - **% BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2022 BY SECURITY TYPE**



With reference to the issuers of securities, the overall portfolio at the end of the financial year consisted of 71.8% government securities, 12.0% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 11 - **% BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2022 BY ISSUER TYPE**



Exposures held in sovereign debt securities

With reference to document No. 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning the disclosure relating to sovereign risk to be included in the annual and semi-annual financial reports prepared by listed companies that adopt IAS/IFRS, the positions referring to 31 December 2022 are detailed below, bearing in mind that, according to the indications of the aforementioned European Supervisory Authority, "sovereign debt" is to be understood as bonds issued by central and local governments and government entities, as well as loans granted to them.

Table No. 8 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER**

Amounts in Euro thousands		31.12.2022				31.12.2021		
		Italy	Spain	United Kingdom	Total	Italy	Spain	Total
Financial assets measured at fair value through other comprehensive income	Nominal value	851,000		564	851,564	560,000		561,478
	Carrying amount	798,296		543	798,839	559,591		561,060
Financial assets measured at amortised cost	Nominal value	2,048,290	65,000		2,113,290	2,160,711	65,000	2,225,711
	Carrying amount	2,017,013	63,880		2,080,893	2,184,691	65,460	2,250,151
Sovereign debt securities	**Nominal value**	**2,899,290**	**65,000**	**564**	**2,964,854**	**2,720,711**	**65,000**	**2,787,189**
	Carrying amount	**2,815,309**	**63,880**	**543**	**2,879,732**	**2,744,282**	**65,460**	**2,811,211**

(1) this representation does not include the investment in the HTC security issued by Invitalia for Euro 3,519 million

Table No. 9 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO, ISSUER AND RESIDUAL MATURITY**

Amounts in Euro thousands		Italy	Spain	United Kingdom	31.12.2022 Nominal value	31.12.2022 Carrying amount
Financial assets measured at fair value through other comprehensive income	up to 1 year	200,000	-	-	200,000	200,830
	1 to 3 years	370,000	-	564	370,564	354,231
	3 to 5 years	-	-	-	-	-
	over 5 years	281,000	-	-	281,000	243,778
	Total	851,000	-	564	851,564	798,839
Financial assets measured at amortised cost	up to 1 year	402,500	-	-	402,500	403,126
	1 to 3 years	425,000	-	-	425,000	428,473
	3 to 5 years	294,790	-	-	294,790	295,859
	over 5 years	926,000	65,000	-	991,000	953,435
	Total	2,048,290	65,000	-	2,113,290	2,080,893
Sovereign debt securities	**up to 1 year**	**602,500**	**-**	**-**	**602,500**	**603,956**
	1 to 3 years	**795,000**	**-**	**564**	**795,564**	**782,704**
	3 to 5 years	**294,790**	**-**	**-**	**294,790**	**295,859**
	over 5 years	**1,207,000**	**65,000**	**-**	**1,272,000**	**1,197,213**
	Total	**2,899,290**	**65,000**	**564**	**2,964,854**	**2,879,732**

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

The interbank position

The net interbank position at the end of the year was a debit position of about Euro 3.1 billion, compared to the always debit position of about Euro 1.7 billion at the end of the previous year.

8.4 - Equity and capital adequacy

The consolidated equity of the banking group

Equity attributable to the Parent Company at 31 December 2022, including the profit for the period, totalled Euro 1,122.5 million, compared to Euro 1,088.7 million in the previous year. The positive change of Euro 33.8 million is attributable to the positive overall profitability for the period of Euro 52.5 million, partially offset by the allocation of the 2021 result.

The table below shows the reconciliation of the Parent Company's equity and profit for the year with the corresponding values at the consolidated level at 31 December 2022, also explaining the equity and economic effects related to the consolidation of subsidiaries and associates.

Table No. 10 - **RECONCILIATION BETWEEN EQUITY AND NET RESULT OF THE PARENT COMPANY AND CONSOLIDATED FIGURES AT 31.12.2022**

Amounts in Euro thousands	**Equity**	***of which: Profit for the period***
Balances of the Parent Company Banco Desio	***1,118,613***	***88,189***
Effect of the consolidation of subsidiaries	3,840	-1,209
Effect of equity valuation of associates	1	-19
Dividends for the period	-	-5,498
Consolidated balances of the Banco Desio Group	**1,122,454**	**81,463**

On 25 January 2018, the Bank's Board of Directors, resolved to adhere to the transitional provisions introduced by Regulation (EU) 2017/2395 of 12 December 2017 aimed at mitigating the impact of the introduction of the IFRS9 accounting standard on own funds and capital ratios. At its meeting on 30 July 2020, the Board of Directors also resolved to avail itself of the option provided for in Regulation 2020/873 and thus, of the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for government debt securities over the 2020-2022 period (exclusion factor of 1 in 2020, 0.70 in 2021 and 0.40 in 2022).

The calculation of the Consolidated Own Funds and prudential requirements that are subject to submission to the Bank of Italy as part of the Prudential Supervisory Reporting (COREP) and Statistical Reporting (FINREP) as of 30 June 2018 is performed with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A., which, according to European regulations, is the financial parent company of the banking group.

On 18 May 2022, the Bank of Italy communicated to 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. its decision on capital at the conclusion of the periodic Prudential Review Process ("SREP"), ordering that the Brianza Unione Group adopt the following capital ratios at the consolidated level:

- CET 1 ratio of 7.35%, comprising a binding measure of 4.85% (of which 4.5% against the minimum regulatory requirements and 0.35% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component;
- Tier 1 ratio of 9.00%, comprising a binding measure of 6.50% (of which 6% against the minimum regulatory requirements and 0.50% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component;

- Total Capital ratio of 11.15%, comprising a binding measure of 8.65% (of which 8% against the minimum regulatory requirements and 0.65% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component.

As part of its work in 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 higher of the SREP binding total capital ratio (8.60% binding level) and leverage (3%).

Consolidated own funds and supervisory requirements of the financial parent company

According to the provisions of Articles 11, paragraphs 2 and 3 and 13, paragraph 2 of the CRR Regulation, banks controlled by a "financial holding company" are required to comply with the requirements of the aforementioned regulation on the basis of the consolidated situation of that financial holding company. These provisions lead to the calculation of capital ratios at the level of Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., a company controlling 50.08% of Banco di Desio e della Brianza S.p.A..

Consolidated own funds calculated on the financial parent company Brianza Unione amounted to Euro 989.7 million at 31 December 2022 (CET1 + AT1 at Euro 907.9 million + T2 at Euro 81.8 million) compared to Euro 973.0 million at the end of the previous year. The Common Equity Tier1 capital ratio was 11.0% (11.6% at 31 December 2021). The Tier1 ratio was 11.8% (12.4% at 31 December 2021), while the Total Capital ratio was 12.9% (13.5% at 31 December 2021).

The following table shows the "CRR" consolidated prudential requirements of the Brianza Union Group with and without application of the transitional provisions.

	31.12.2022		
	Application of transitional regime	**Without transitional regime IFRS9**	**Fully loaded**
OWN FUNDS			
Common Equity Tier 1 (CET1)	845,186		
Common Equity Tier 1 (CET1) without application of transitional provisions		*818,827*	*812,177*
Tier 1 capital	907,922		
Tier 1 capital without application of transitional provisions		*881,028*	*874,378*
Total own funds	989,669		
Total own funds without application of transitional provisions		*962,078*	*955,428*
RISK ASSETS			
Risk-weighted assets	7,665,612		
Risk-weighted assets without application of transitional provisions		*7,600,237*	*7,600,237*
SUPERVISORY RATIOS			
CET 1 capital/Risk-weighted assets (CET1 capital ratio)	11.026%		
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		*10.774%*	*10.686%*
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.844%		
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		*11.592%*	*11.505%*
Total own funds/Risk-weighted assets (Total capital ratio)	12.910%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		*12.659%*	*12.571%*

At 31 December 2022, the "CRR" consolidated ratios of the Brianza Unione Group were therefore above the regulatory thresholds, also considering the limits imposed by the Supervisory Authority through the SREP procedure mentioned above, with a SREP buffer on CET1 equal to 3.7% and on the Total Capital Ratio equal to 1.8%.

Consolidated own funds and supervisory requirements of the banking group

The Banco Desio Group's consolidated own funds, after a pay out that takes into account the proposals for the allocation of the net profit of the Group companies subject to approval by the respective Shareholders' Meetings, amounted to Euro 1,132.9 million at 31 December 2022 (entirely attributed to CET1 + AT1), compared to Euro 1,131.5 million at the end of the previous year. The Common Equity Tier1 capital ratio was 14.8% (15.6% at 31 December 2021). The Tier1 ratio was 14.8% (15.6% at 31 December 2021), while the Total Capital ratio was 14.8% (15.7% at 31 December 2021).

The following table shows the consolidated prudential requirements of the Banco Desio Group calculated with and without the application of the aforementioned transitional provisions.

	31.12.2022		
	Application of transitional regime	**Without transitional regime IFRS9**	**Fully loaded**
OWN FUNDS			
Common Equity Tier 1 (CET1)	1,132,850		
Common Equity Tier 1 (CET1) without application of transitional provisions		*1,085,289*	*1,072,097*
Tier 1 capital	1,132,851		
Tier 1 capital without application of transitional provisions		*1,085,290*	*1,072,098*
Total own funds	1,132,852		
Total own funds without application of transitional provisions		*1,085,291*	*1,072,099*
RISK ASSETS			
Risk-weighted assets	7,667,519		
Risk-weighted assets without application of transitional provisions		*7,602,144*	*7,602,144*
SUPERVISORY RATIOS			
CET 1 capital/Risk-weighted assets (CET1 capital ratio)	14.775%		
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		*14.276%*	*14.103%*
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	14.775%		
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		*14.276%*	*14.103%*
Total own funds/Risk-weighted assets (Total capital ratio)	14.775%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		*14.276%*	*14.103%*

The soundness of the Group with respect to the requirements was confirmed.

8.5 - Reclassified Income Statement

In order to provide a more consistent view of management performance, a reclassified Income Statement has been prepared with respect to the *Consolidated Financial Statements*, which forms the basis for specific comments.

The criteria for creating the schedule are summarised as follows:

- explication of two aggregates of accounting items, defined as "Operating Income" and "Operating Expenses", the algebraic balance of which determines the "Result from Operations";
- division of Profit (Loss) for the period between "Current result after tax" and "Non-recurring Profit (Loss) after taxes";
- "Operating income" also includes the balance of item 230, "Other operating income/expenses", albeit net of tax recoveries for stamp duty on customers' statements and securities deposits and substitute tax on m/l-term loans, recoveries on legal expenses as well as amortisation of leasehold improvements, reclassified respectively as a reduction to item 180b) "Other administrative expenses"

and as an increase to item 220 "Net value adjustments/reversals on intangible assets" under "Operating expenses";

- time value components of impaired financial assets (calculated on the basis of the original effective interest rate) and interest adjustments related to impaired loans are reclassified from "Net interest income" to "Cost of credit";
- net brokerage commissions relating to consumer credit were reclassified from "Net commissions" to "Net interest income";
- the balance of item 100a) "Gains (Losses) on sale or repurchase of financial assets at amortised cost" of "Operating income" is reclassified, net of the component of gains (losses) on debt securities at amortised cost, to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following "Result from operations";
- the balance of item 110, "Net result of other financial assets and liabilities at fair value through profit or loss" of "Operating income" for the portion referring to units of closed-end UCITS subscribed as a result of the sale of non-performing loans is reclassified to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following the "Result from operations";
- the component of the expected loss on securities at amortised cost included in the balance of item 130a) "Net value adjustments for impairment of financial assets at amortised cost", is reclassified to item 130b) "Net value adjustments/reversals on securities owned" (where the balance of net credit risk adjustments on securities at fair value through other comprehensive income is included);
- charges for operating leases falling within the scope of application of IFRS16 "Leases", which came into force on 1 January 2019, recognised in the accounts under item "20. Interest expenses and similar charges" and under item "210 Net value adjustments on tangible assets" are reclassified under item "190 b) Other administrative expenses", where the charges incurred on these contracts were recognised in the comparison period;
- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "160 b) Other administrative expenses" to the item "Banking system expenses";
- provisions relating to actions for revocation on disputed loans are reclassified from item 200 "Net provisions for risks and charges - other" to item "Cost of credit", both of which are subsequent to "Result from operations";
- provisions, expenses and income of an extraordinary or "one-off" nature are reclassified under Extraordinary allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues;
- the tax effect on non-recurring Profit (Loss) is reclassified, together with tax components of an extraordinary nature, from item 300 "Income taxes on current operations" to item "Income taxes on non-recurring items".

As mentioned in the Introduction, the reclassified Income Statement was prepared without considering the reconciliation required by the international accounting standard IFRS 5 for the sale of the merchant acquiring business unit, which is expected to be finalised in early 2023.

Profit for the year up by approximately Euro 26.6 million (+48.4%) benefited in particular from the positive trend in operations at 213.1 (+11.9%) and a lower cost of credit of Euro 33.4 million (-36.6%), partially offset by the higher impact of taxes of Euro 17.8 million (+67.3%), a non-recurring net loss of Euro 9.1 million (formerly a profit of Euro 1.1 million).

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

Items *Amounts in Euro thousands*		31.12.2022	31.12.2021	Changes Value	%
10+20	Net interest income	273,855	244,038	29,817	12.2%
70	Dividends and similar income	601	690	-89	-12.9%
40+50	Net commissions	198,141	202,591	-4,450	-2.2%
80+90+100+110	Net result of financial assets and liabilities	10,394	8,486	1,908	22.5%
230	Other operating income/expenses	3,109	2,372	737	31.1%
	Operating income	**486,100**	**458,177**	**27,923**	**6.1%**
190 a	Personnel expenses	-176,099	-175,439	-660	0.4%
190 b	Other administrative expenses	-86,856	-82,996	-3,860	4.7%
210+220	Net value adjustments on tangible and intangible assets	-10,061	-9,320	-741	8.0%
	Operating expenses	**-273,016**	**-267,755**	**-5,261**	**2.0%**
	Result from operations	**213,084**	**190,422**	**22,662**	**11.9%**
130a+100a	Cost of credit	-57,870	-91,320	33,450	-36.6%
130 b	Net value adjustments on own securities	-2,973	-1,178	-1,795	152.4%
140	Gains/losses from contractual amendments without derecognition	8	-71	79	n.s.
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	453	889	-436	-49.0%
200 b	Net allocations to provisions for risks and charges - other	-3,390	-5,026	1,636	-32.5%
	Charges related to the banking system	-14,481	-13,498	-983	7.3%
250	Profits (Losses) of investments	-16	0	-16	n.s.
	Current result before taxes	**134,815**	**80,218**	**54,597**	**68.1%**
300	Income taxes on current operations	-44,240	-26,438	-17,802	67.3%
	Current result after taxes	**90,575**	**53,780**	**36,795**	**68.4%**
260	Net result of fair value measurement of tangible and intangible assets	0	-123	123	-100.0%
280	Gains (losses) on disposal of investments	-54	0	-54	n.s.
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues	-15,395	-11,015	-4,380	39.8%
	Non-recurring result before taxes	**-15,449**	**-11,138**	**-4,311**	**38.7%**
	Income taxes on non-recurring items	6,337	12,259	-5,922	-48.3%
	Non-recurring result after taxes	**-9,112**	**1,121**	**-10,233**	**n.s.**
330	**Profit (Loss) for the year**	**81,463**	**54,901**	**26,562**	**48.4%**
340	Profit (Loss) for the period attributable to minority interests	0	0		
350	**Profit (Loss) for the period attributable to the Parent Company**	**81,463**	**54,901**	**26,562**	**48.4%**

In order to facilitate the reconciliation of the reclassified Income Statement with the figures in the financial statements, a reconciliation statement is provided below for each period, showing the numbers corresponding to the aggregate items in the statements and the balances subject to the reclassifications made.

Table 12 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2022

Items		From Financial Statements	Reclassifications										Reclassified statement
	Amounts in Euro thousands	**31.12.2022**	Non-performing loans valuation effects	Fides brokerage commission	Recovery of taxes/expenses	Expected loss on securities at amortised cost	Amortisation for leasehold improvements	Gains (Losses) on sale or repurchase of receivables	Allocations to provisions for risks and charges / other allocations, "one-off" expenses and	System charges	Reclassifications IFRS16 - Leases	Income taxes	**31.12.2022**
10+20	Net interest income	284,778	-3,798	-7,841					-		716		273,855
70	Dividends and similar income	601											601
40+50	Net commissions	190,300		7,841									198,141
80+90+100+110	Net result of financial assets and liabilities	-10,016						20,410	-				10,394
230	Other operating income/expenses	28,610			-30,128		1,395		3,232				3,109
	Operating income	**494,273**	**-3,798**	**-**	**-30,128**	**-**	**1,395**	**20,410**	**3,232**	**-**	**716**	**.**	**486,100**
190 a	Personnel expenses	-176,113							14				-176,099
190 b	Other administrative expenses	-130,097			30,128				5,334	18,119	-10,340		-86,856
210+220	Net value adjustments on tangible and intangible assets	-18,290					-1,395				9,624		-10,061
	Operating expenses	**-324,500**	**-**	**-**	**30,128**	**-**	**-1,395**	**-**	**5,348**	**18,119**	**-716**	**-**	**-273,016**
	Result from operations	**169,773**	**-3,798**	**-**	**-**	**-**	**-**	**20,410**	**8,580**	**18,119**	**-**	**-**	**213,084**
130a+100a	Cost of credit	-42,759	3,798			2,813		-20,410	-1,312				-57,870
130 b	Net value adjustments on own securities	-160				-2,813							-2,973
140	Gains/losses from contractual amendments without derecognition	8											8
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	453											453
200 b	Net allocations to provisions for risks and charges - other	-7,879							4,489				-3,390
	Charges related to the banking system								-	-14,481			-14,481
250	Profits (Losses) of investments	-16											-16
	Current result before taxes	**119,420**	**-**	**-**	**-**	**-**	**-**	**-**	**11,757**	**3,638**	**-**	**-**	**134,815**
300	Income taxes on current operations	-37,903										-6,337	-44,240
	Current result after taxes	**81,517**	**-**	**-**	**-**	**-**	**-**	**-**	**11,757**	**3,638**	**-**	**-6,337**	**90,575**
280	Gains (losses) on disposal of investments	-54											-54
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues		-			-			-11,757	-3,638			-15,395
	Non-recurring result before taxes	**-54**	**-**	**-**	**-**	**-**	**-**	**-**	**-11,757**	**-3,638**	**-**	**-**	**-15,449**
	Income taxes on non-recurring items											6,337	6,337
	Non-recurring result after taxes	**-54**	**-**	**-**	**-**	**-**	**-**	**-**	**-11,757**	**-3,638**	**-**	**6,337**	**-9,112**
330	**Profit (Loss) for the year**	**81,463**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81,463**
340	Profit (Loss) for the period attributable to minority interests	-											-
350	**Profit (Loss) for the period attributable to the Parent Company**	**81,463**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81,463**

Banco Desio

TABLE 13 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2021

Items		From Financial Statements	Reclassifications										Reclassified statement
	Amounts in Euro thousands	**31.12.2021**	Non-performing loans valuation effects	Fides brokerage commission	Recovery of taxes/expenses	Expected loss on securities at amortised cost	Amortisation for leasehold improvements	Gains (Losses) on sale or repurchase of receivables	Allocations to provisions for risks and charges / other allocations, "one-off" expenses and	System charges	Reclassifications IFRS16 - Leases	Income taxes	**31.12.2021**
10+20	Net interest income	253,734	-4,953	-5,461							718		244,038
70	Dividends and similar income	690											690
	Profits (Losses) of investments in associates												0
40+50	Net commissions	197,130		5,461									202,591
80+90+100+110	Net result of financial assets and liabilities	-2,208	-					10,694					8,486
230	Other operating income/expenses	24,778			-33,117		1,411		9,300				2,372
	Operating income	**474,124**	**-4,953**		**-33,117**	**-**	**1,411**	**10,694**	**9,300**	**-**	**718**	**-**	**458,177**
190 a	Personnel expenses	-174,449							-990				-175,439
190 b	Other administrative expenses	-124,209			33,117				973	17,943	-10,820		-82,996
210+220	Net value adjustments on tangible and intangible assets	-18,011					-1,411				10,102		-9,320
	Operating expenses	**-316,669**	**-**		**33,117**	**-**	**-1,411**	**-**	**-17**	**17,943**	**-718**	**-**	**-267,755**
	Result from operations	**157,455**	**-4,953**		**-**	**-**	**-**	**10,694**	**9,283**	**17,943**	**-**	**-**	**190,422**
130a+100a	Cost of credit	-86,496	4,953			1,187		-10,694	-270				-91,320
130 b	Net value adjustments on own securities	9				-1,187							-1,178
140	Gains/losses from contractual amendments without derecognition	-71											-71
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	889											889
200 b	Net allocations to provisions for risks and charges - other	-2,583							-2,443				-5,026
	Charges related to the banking system									-13,498			-13,498
	Current result before taxes	**69,203**	**-**	**-**	**-**	**-**	**-**	**-**	**6,570**	**4,445**	**-**	**-**	**80,218**
300	Income taxes for the year on current operations	-14,179										-12,259	-26,438
	Current result after taxes	**55,024**	**-**	**-**	**-**	**-**	**-**	**-**	**6,570**	**4,445**	**-**	**-12,259**	**53,780**
250+280	Net result of fair value measurement of tangible and intangible assets	-123											-123
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues								-6,570	-4,445			-11,015
	Non-recurring profit (loss) before taxes	**-123**	**-**		**-**	**-**	**-**	**-**	**-6,570**	**-4,445**	**-**	**-**	**-11,138**
	Income taxes for the year on non-recurring items											12,259	12,259
	Non-recurring profit (loss) after taxes	**-123**	**-**		**-**	**-**	**-**	**-**	**-6,570**	**-4,445**	**-**	**12,259**	**1,121**
330	**Profit (loss) for the period**	**54,901**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,901**
340	Profit (Loss) for the period attributable to minority interests	-											-
350	**Profit (Loss) for the period attributable to the Parent Company**	**54,901**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,901**

The main cost and revenue components of the reclassified income statement are analysed below.

Operating income

The core revenue items from operations increased by approximately Euro 27.9 million (+6.1%) compared to the comparison period, amounting to Euro 486.1 million. The trend is mainly attributable to the growth in net interest income of Euro 29.8 million (+12.2%), the net result of financial assets and liabilities of Euro 1.9 million (+22.5%) and other operating income and expenses of Euro 0.7 million (+31.1%), partially offset by the trend in net commissions, which decreased by Euro 4.4 million (-2.2%). The item dividends, which amounted to Euro 0.6 million (formerly Euro 0.7 million), remained in line with the previous period.

The following table shows the breakdown of *net commissions* by type.

Table No. 14 - **BREAKDOWN OF NET COMMISSIONS BY SERVICE TYPE**

Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**Changes %**
Financial Instruments	17,872	9.0%	19,374	9.6%	-1,502	-7.8%
Custody and administration	591	0.3%	235	0.1%	356	151.5%
Payment services	111,324	56.3%	110,036	54.3%	1,288	1.2%
Distribution of third-party services	57,855	29.2%	63,829	31.5%	-6,090	-9.5%
Other commissions	10,253	5.2%	9,117	4.5%	1,498	16.4%
Net commissions	**198,141**	**100.0%**	**202,591**	**100.0%**	**-4,450**	**-2.2%**

The item "Other commissions" mainly includes factoring commissions of Euro 2.1 million (formerly Euro 1.5 million), commissions related to the placement of consumer credit products of Euro 1.1 million (formerly Euro 2.8 million) commissions for mortgage collection recovery expenses of Euro 1.6 million (formerly Euro 1.5 million), commissions for digital banking fees of Euro 2.0 million (formerly Euro 1.9 million) and commissions for other services rendered to customers of Euro 1.9 million (formerly Euro 1.9 million).

Operating expenses

The aggregate of *operating expenses*, which includes *personnel expenses, other administrative expenses* and *net value adjustments on tangible and intangible assets*, amounted to about Euro 273.0 million and showed an increase of about Euro 5.3 million (+2.0%) compared to the comparison period.

Other administrative expenses and net value adjustments on tangible and intangible assets increased by Euro 3.9 million (+4.7%) and Euro 0.7 million (8.0%), respectively, compared to the comparison period; personnel expenses remained stable.

Result from operations

As a result, the result from operations at 31 December 2022 amounted to Euro 213.1 million, an increase of Euro 22.7 million over the comparison period (+11.9%).

Current result after taxes

From the *result of operations* of Euro 213.1 million, we arrive at the *current result after taxes* of Euro 90.6 million, an increase of 68.4% compared to that of Euro 53.8 million in the comparison period, mainly due to:

- the lower cost of credit (given by the balance of net value adjustments for impairment of loans to customers and gains (losses) on the sale or repurchase of loans), which amounted to approximately Euro 57.9 million, compared to Euro 91.3 million in the comparison period;
- net value adjustments on securities owned negative by Euro 3.0 million (negative by Euro 1.2 million in the comparison period);
- net allocations to provisions for risks and charges of Euro 2.9 million (Euro 4.1 million in the comparison period);
- charges related to the banking system for ordinary contributions of approximately Euro 14.5 million (Euro 13.5 million in the comparison period);
- income taxes on current operations of Euro 44.2 million (formerly Euro 26.4 million).

Non-recurring operating result after taxes

at 31 December 2022, there was a *non-recurring loss* after taxes of Euro 9.1 million (formerly Euro 1.1 million profit). The item essentially consists of:

- Euro 3.2 million as a higher precautionary charge recognised in connection with a package of tax credits acquired from third parties and subject to seizure;
- Euro 5.3 million for charges connected to the agreement signed with BPER Banca S.p.A. for the purchase of two Business Units consisting of a total of 48 bank branches ("Lanternina" Project);
- Euro 3.6 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December;
- Euro 3.2 million referred to the allocation for operational risks related to the situation of particular legal uncertainty that re-emerged in the consumer credit sector following the Constitutional Court ruling (of 22 December 2022) that declared unconstitutionality of part of article 11-octies, paragraph 2, of the Decree Sostegni bis;

after the related positive tax effect of Euro 6.3 million. The item Income taxes on non-recurring items also includes the positive economic effect, recognised in February in the amount of Euro 1.5 million, related to a reimbursement request submitted to the Revenue Agency (IRAP for the year 2014 for the business unit transferred to the former subsidiary BPS).

Non-recurring operating profit after taxes of Euro 1.1 million was achieved in the comparison period. The item essentially consists of:

- the cost component of Euro 1.0 million for charges related to the sale of the investment in Cedacri S.p.A.,
- the charge of about Euro 2.2 million related to the extraordinary contribution to the SRM - "Single Resolution Mechanism" resolution fund requested by the national resolution authority in June 2021,
- the charge of about Euro 2.2 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December,
- the allocation of Euro 9.3 million as a precautionary measure following the preventive seizure of tax credits acquired from a financial intermediary,
- the income of about Euro 0.9 million recognised for adjustment of the liability recognised in 2020 for access to the "Solidarity Fund for Income Support" upon completion of the negotiation activities with all previously identified resources,
- the partial release of Euro 2.7 million referring to the allocation existing at the end of the previous year for operational risks connected to the situation of legal uncertainty relating to transactions with customers in the consumer credit sector, following the evolution of the regulatory context characterised, compared to the previous year, by the entry into force of a newly enacted primary law (Decree Law No. 73/2021, the so-called "Sostegni-Bis");

after the related positive tax effect of Euro 2.9 million. The item Income taxes from non-recurring items also includes the positive economic effect of Euro 9.4 million deriving from the realignment of goodwill and buildings (so-called redemption), carried out pursuant to Article 110, paragraph 8 and paragraph 8-bis, of Decree Law No. 104/2020 (so-called "August Decree"), which provided for the possibility of realigning tax values to the higher statutory values of business assets by subjecting the difference to a 3% substitute tax.

Profit for the year attributable to the Parent Company

The sum of the *current result* and the *non-recurring profit*, both after taxes, considering the result attributable to minority interests, determines the profit for the period attributable to the Parent Company at 31 December 2022 of approximately Euro 81.5 million.

9- Performance of consolidated companies

In order to allow for a disaggregated reading of the operating performance previously analysed at consolidated level, the summary data with the balance sheet, income statement, risk and relevant structure ratios of the individual companies consolidated on a line-by-line basis are illustrated below, with the relative notes on performance, with the exception of securitisation vehicles in consideration of their nature.

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

Balance sheet values

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	%
Total assets	17,512,772	17,775,318	-262,546	-1.5%
Financial assets	4,018,412	3,797,714	220,698	5.8%
Loans with banks [1]	216,773	2,114,999	-1,898,226	-89.8%
Loans to customers[1]	11,472,208	11,067,767	404,441	3.7%
Tangible assets [2]	217,639	218,018	-379	-0.2%
Intangible assets	12,925	12,455	470	3.8%
Non-current assets and groups of assets held for sale [3]	1	13,080	-13,079	-100.0%
Payables to banks	3,381,350	3,815,695	-434,345	-11.4%
Payables to customers [4] [5]	11,113,575	10,924,688	188,887	1.7%
Securities issued	1,536,151	1,522,265	13,886	0.9%
Equity (including Profit for the period)	1,118,613	1,078,224	40,389	3.7%
Own funds	1,138,412	1,127,058	11,354	1.0%
Total indirect inflows	17,082,615	18,018,035	-935,420	-5.2%
of which indirect inflows from ordinary customers	*10,135,327*	*11,033,464*	*-898,137*	*-8.1%*
of which indirect inflows from institutional customers	*6,947,288*	*6,984,571*	*-37,283*	*-0.5%*

[1] pursuant to Circular 262, the balance of the financial statements item includes Held-to-collect (HTC) debt securities recognised at amortised cost, which are shown under financial assets in these summaries, and does not include current accounts and demand deposits recognised under Cash. At 31 December 2022, Cash also included the amount on demand of Euro 765 million relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits and previously held entirely in the Compulsory reserve account and recognised under "Loans with banks"

[2] the balance of the item at 31 December 2022 includes the right of use (RoU Asset) amounting to Euro 52.7 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019

[3] the balance of the item in the comparison period consists of NPL loans for which assignment contracts had been signed but not yet finalised at 31.12.21

[4] the balance of the item does not include the liability recognised in the item Payables to customers in the financial statements in respect of operating leases falling within the scope of IFRS16

[5] including inflows repurchase agreements with institutional customers in the amount of Euro 503 million (Euro 208 million at 31 December 2021).

Economic values *[6]*

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	%
Operating income	471,824	444,253	27,571	6.2%
of which Net interest income	*253,578*	*226,494*	*27,084*	*12.0%*
Operating expenses	263,816	260,111	3,705	1.4%
Result from operations	208,008	184,142	23,866	13.0%
Charges related to the banking system	14,481	13,498	983	7.3%
Current result after taxes	95,174	53,109	42,065	79.2%
Non-recurring result after taxes	-6,985	-694	-6,291	n.s.
Profit (loss) for the year	88,189	52,415	35,774	68.3%

[6] from reclassified Income Statement

Equity, economic and risk ratios

	31.12.2022	31.12.2021	Changes abs.
Equity/Total assets	6.4%	6.1%	0.3%
Equity/Loans to customers	9.8%	9.7%	0.1%
Equity/Payables to customers	10.1%	9.9%	0.2%
Equity/Securities issued	72.8%	70.8%	2.0%
Common Equity Tier1 (CET1)/Risk-weighted assets [(7)]	15.9%	16.5%	-0.6%
Total Tier 1 capital (T1)/Risk-weighted assets [(7)]	15.9%	16.5%	-0.6%
Total Own funds/Risk-weighted assets (Total capital ratio) [(7)]	15.9%	16.6%	-0.7%
Financial assets/Total assets	22.9%	21.4%	1.5%
Loans with banks/Total assets [(8)]	1.2%	11.9%	-10.7%
Loans to customers/Total assets	65.5%	62.3%	3.2%
Loans to customers/Direct inflows from customers	90.7%	88.9%	1.8%
Payables to banks/Total assets	19.3%	21.5%	-2.2%
Payables to customers/Total assets	63.5%	61.5%	2.0%
Securities issued/Total assets	8.8%	8.6%	0.2%
Direct inflows from customers/Total assets	72.2%	70.0%	2.2%

	31.12.2022	31.12.2021	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	55.9%	58.6%	-2.7%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	59.0%	61.6%	-2.6%
Net interest income/Operating income	53.7%	51.0%	2.7%
Result from operations/Operating income	44.1%	41.4%	2.7%
Current result after taxes/Equity [(9)]	9.2%	5.2%	4.0%
Profit for the year/Equity [(9)] (R.O.E.)	8.6%	5.1%	3.5%
Current result before taxes/Total assets (R.O.A.)	0.8%	0.4%	0.4%

	31.12.2022	31.12.2021	Changes abs.
Net bad loans/Loans to customers [(10)]	0.5%	0.8%	-0.3%
Net non-performing loans/Loans to customers [(10)]	1.7%	2.0%	-0.3%
% Coverage of bad loans [(10)]	67.4%	63.3%	4.1%
% Coverage of bad loans before write-offs [(10)]	67.7%	64.3%	3.4%
% Total coverage of non-performing loans [(10)]	50.2%	51.4%	-1.2%
% Coverage of non-performing loans before write-offs [(10)]	50.4%	52.1%	-1.7%
% Coverage of performing loans	0.88%	0.93%	-0.05%

[(7)] capital ratios at 31.12.2022 are calculated in application of the transitional provisions introduced by EU Regulation 2017/2395; ratios calculated without application of these provisions are as follows: Common Equity Tier1 15.3%; Tier 1 15.3%; Total capital ratio 15.3%

[(8)] at 31.12.2021, the item “Loans with banks” included the amount of liquidity in excess of the reserve maintenance commitment, invested in overnight deposits at 31.12.22 and therefore recognised in the item “Cash” as at the reporting date

[(9)] net of the result for the period

[(10)] net of Assets held for sale with reference to 31.12.2021

Structure and productivity data

	31.12.2022	31.12.2021	Changes abs.	%
Number of employees	2,056	2,090	-34	-1.6%
Number of branches	232	232	0	0.0%
Amounts in Euro thousands				
Loans to customers per employee	5,534	5,247	287	5.5%
Direct inflows from customers per employee	6,102	5,900	202	3.4%

	31.12.2022	31.12.2021	Changes abs.	%
Operating income per employee [11]	228	211	17	8.1%
Result from operations per employee [11]	100	87	13	14.9%

[11] based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

The profit for the year increased by about Euro 35.8 million (+68.3%) and benefited in particular from the positive trend in operations (+13.0%) and a lower cost of credit of Euro 34.0 million. It also recorded a non-recurring loss of Euro 7.0 million (loss of Euro 0.7 million in the comparison period).

The value of loans to ordinary customers at 31 December 2022 stood at around Euro 11,472 million, up from the previous year's figure (+3.7%).

Equity attributable to the Parent Company Banco Desio at 31 December 2022, including the result for the period, amounted to Euro 1,118.6 million, compared to Euro 1,078.2 million in 2021. The positive change of Euro 40.4 million is mainly attributable to the positive overall profitability for the period of Euro 59.2 million, partially offset by the payment of the dividend for the financial year 2021.

Capital calculated in accordance with Supervisory regulations, defined as Own funds, after a pay out of 30.00% (determined according to the proposed allocation of net profit subject to approval by the Shareholders' Meeting), amounted to Euro 1,138.4 million at 31 December 2022 (entirely attributed to CET1 + AT1), up by Euro 11.3 million compared to Euro 1,127.1 million at the end of the previous year.

The total capital ratio, i.e., total Own funds as a ratio of risk-weighted assets, was 15.9%.

Banco Desio

9.2 - Fides S.p.A.

Balance sheet values

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	%
Total assets	1,138,706	931,049	207,657	22.3%
Loans with banks	49,885	1,560	48,325	n.s.
Loans to customers	1,075,574	923,320	152,254	16.5%
Tangible assets	3,295	402	2,893	719.7%
Intangible assets	1,512	1,139	373	32.7%
Payables to banks	1,067,271	863,445	203,826	23.6%
of which Payables to group banks	*1,067,271*	*863,445*	*203,826*	23.6%
Payables to customers	6,158	3,649	2,509	68.8%
Equity (including Profit for the period)	51,617	53,610	-1,993	-3.7%
Own funds	48,319	47,426	893	1.9%

Economic values (1)

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	%
Operating income	18,790	16,164	2,626	16.2%
of which Net interest income	28,046	22,942	*5,104*	22.2%
Operating expenses	-9,239	-7,697	-1,542	20.0%
Result from operations	9,550	8,467	1,083	12.8%
Current result after taxes	5,603	5,057	546	10.8%
Non-recurring result after taxes	-2,126	1,816	-3,942	-217.1%
Profit for the year	3,477	6,873	-3,396	-49.4%

Equity, economic and risk ratios

	31.12.2022	31.12.2021	Changes abs.
Equity/Total assets	4.5%	5.8%	-1.3%
Equity/Loans to customers	4.8%	5.8%	-1.0%
Equity/Payables to banks	4.8%	6.2%	-1.4%
Total Own funds/Risk-weighted assets (Total capital ratio)	8.6%	10.3%	-1.7%
Loans to customers/Total assets	94.5%	99.2%	-4.7%
Payables to banks/Total assets	93.7%	92.7%	1.0%

	31.12.2022	31.12.2021	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	49.2%	47.6%	1.6%
Net interest income/Operating income	149.3%	141.9%	7.4%
Result from operations/Operating income	50.8%	52.4%	-1.6%
Current result after taxes/Equity [(2)]	11.6%	11.4%	0.2%
Profit for the year/Equity [(2)] (R.O.E.)	7.2%	11.4%	-4.2%
Current result before taxes/Total assets (R.O.A.)	0.7%	0.9%	-0.6%

	31.12.2022	31.12.2021	Changes abs.
Net bad loans/Loans to customers	0.1%	0.1%	0.0%
Net non-performing loans/Loans to customers	0.6%	0.8%	-0.1%
% Coverage of bad loans	56.2%	61.9%	5.0%
% Total coverage of non-performing loans	25.6%	24.3%	4.1%
% Coverage of performing loans	0.12%	0.08%	0.0%

[(1)] from reclassified Income Statement

Structure and productivity data

	31.12.2022	31.12.2021	Changes abs.	Changes %
Number of employees	59	51	8	15.7%

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	Changes %
Loans to customers per employee [(3)]	19,556	18,284	1,272	7.0%

Amounts in Euro thousands	31.12.2022	31.12.2021	Changes abs.	Changes %
Operating income per employee [(3)]	342	320	22	6.9%
Result from operations per employee [(3)]	174	168	6	3.6%

[(2)] net of the result for the period;
[(3)] based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

At the reporting date, the parent company Banco di Desio e della Brianza S.p.A. held a 100% interest in the company.

Net profit for the year at 31 December 2022 amounted to approximately Euro 3.5 million, down from the comparison period (Euro 6.9 million); operating income amounted to Euro 18.8 million, up Euro 2.6 million from 31 December 2021. Operating expenses amounted to Euro 9.2 million (formerly Euro 7.7 million). The result from operations amounted to Euro 9.5 million (formerly Euro 8.5 million). Cost of credit of about Euro 1.3 million (formerly Euro 1.0 million) and taxes of Euro 2.9 million (formerly Euro 2.4 million) lead to the current result for the period. The profit for the period was also affected by the allocation of Euro 3.2 for operational risks related to the legal uncertainty surrounding transactions with customers in the consumer credit business.

Loans to customers increased from Euro 923.3 million at the end of 2021 to Euro 1,075.6 million at the reporting date, with a non-performing portfolio ratio of 0.6% (formerly 0.8%).

Equity decreased from Euro 53.6 million at 31 December 2021 to Euro 51.6 million at the reporting date (due to the result for the year partly offset by the distribution of dividends), and Regulatory *Own funds* went from Euro 47.4 million at the end of 2021 to Euro 48.3 million. The total capital ratio, i.e., total *Own funds* as a ratio of *Risk-weighted assets*, was 8.6% (10.3% at 31 December 2021).

10- Other information

10.1 - Treasury shares and parent company shares

At 31 December 2022, as at the end of the previous year, the Bank held neither treasury shares nor shares of the parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A.. During the financial year, the Bank did not trade in any treasury shares nor shares of its parent company, not even through a trust company or intermediary.

10.2 - The rating

On 13 April 2022, it was announced that the international agency Fitch Ratings, following its annual rating review, confirmed all ratings assigned to the Bank.

The Agency's assessment shows an improvement in the Bank's fundamentals, particularly in terms of profitability and asset quality, despite the current market context.

In the current scenario - characterised by uncertainty related to 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 as a result of the continuous derisking approach combined with prudent provisioning policies, diversified revenue growth with benefits on operating efficiency and prospects for further improvement, and adequate liquidity and capitalisation capable of withstanding any pressures, even significant ones, in terms of asset quality.

The Bank emphasises the constant focus on improving capital ratios, as a result of the continuous derisking approach, and the resilience of the model adopted by virtue of the well-established relationship with reference customers.

The updated Ratings are therefore as follows:

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

* * *

On 14 April 2022, the update of the sustainability rating by the specialised agency "Standard Ethics" was announced, also via communication to the shareholders' meeting, which updated Banco Desio's SER corporate rating, which is confirmed as "EE– ", in the sustainable grade area, also recognising the increase of a notch for the Long Term Expected SER from the current "EE–" to "EE" with a positive long-term vision.

10.3 - Transactions with related and/or connected parties

For a more detailed description of the procedures regulating transactions with Related Parties (pursuant to Article 2391-bis of the Italian Civil Code) and/or with Connected Parties (pursuant to Article 53 of the Consolidated Law on Banking), please refer to section 5 of the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

Details of the transactions with related parties approved by the Board of Directors during the year are given in Part H of the Notes to the Financial Statements.

10.4 - Information on incentive plans

The Ordinary Shareholders' Meeting of Banco Desio held on 14 April, resolved on an annual incentive plan called the "2022 Incentive System", drawn up in accordance with article 114-bis, paragraph 1, of the Consolidated Law on Finance, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager and the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, and the assignment to the Board of Directors, with the right to sub-delegate, of all powers necessary for the actual implementation of the "2022 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website.

Further information on payment agreements based on own equity instruments can be found in "Part I - Payment agreements based on own equity instruments" below in the Notes and in the Annual Report on Remuneration Policy and Amounts Paid, made available, pursuant to Article 123-ter of the Consolidated Law on Finance, on the website www.bancodesio.it.

10.5 - Report on adherence to the corporate governance code of listed companies

Information on adherence to the Corporate Governance Code for Listed Companies is contained in the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

10.6 - Research and development activities

In this context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage in recent years. The use of self channels has also grown significantly as customers increasingly use digital channels.

To respond to customer needs and in line with the latest market trends, Banco Desio has embarked on a balanced omnichannel strategy integrated with the overall service model that takes into account both market characteristics and customer segmentation.

In this regard, a plan to accelerate the digital path was presented to the Board of Directors of Banco Desio in 2021, with the aim of creating a true ecosystem of solutions capable of:

- responding to the needs of customers, both those regularly inclined to the online channel and those who, although not "natively" digital, are beginning to favour the online channel;
- creating and ensuring a seamless customer experience to design and build the omnichannel strategy so that products and services can be offered on different distribution channels and serve different customer segments in a uniform way according to their characteristics;
- progressively creating an infrastructure capable of rapidly integrating existing solutions and services.

The project activities developed in 2022 are listed below.

The One-D app, Banco Desio's open banking aggregator, has been implemented and released. Through the use of the opportunities enabled by the PSD2 regulations, it has the objective and ambition to become an ecosystem of value-added solutions for both private and corporate customers, especially for POE and

SB. In particular, the aggregator offers the possibility for customers to view and perform order transactions on all their current accounts directly from a single app.

The main functionalities offered to customers and prospects are:

- identification and registration via SPID and via D-Web credentials for existing customers;
- biometric access;
- adding accounts through SCA: display of registered accounts and aggregate balance in home;
- display of account balances and movements;
- SEPA credit transfers from an account of choice.

In addition to the above-mentioned functionalities, there are the following so-called ancillary ones:

- scheduler: setting, deleting and displaying deadlines, useful as reminders, and setting push notification alerts;
- spending limits: setting monthly spending limits on defined categories (e.g. monthly limit of Euro 100 for the catering category);
- voice assistant: voice interaction with individual account balance and transaction list display and payment compilation functions;
- movement categorisation, which allows the user to manually classify payments by expenditure category;
- Banco Desio customers also have the opportunity to identify themselves and register via D-Web credentials.

Among the services realised during 2022, Banco Desio, in addition to offering its customers Open Banking services, completed the development of the "Document Room".

This service is used by non-customers to sign the agreement governing the open banking services offered by Banco Desio, and also meets the following requirements:

- the signing of any contract remotely;
- the two-way exchange of documents between the user and the Bank operator.

The range of payment services was expanded, in particular the following services were released:

- Plick, the service that enables digital payments between individuals and businesses, throughout Europe without requiring the IBAN of the beneficiary. It is sufficient to know the mobile phone number or e-mail address;
- Instant Payment, Nexi's instant credit transfer service, that allows a transfer to a recipient in seconds via an IBAN-based real time interbank payment platform.

The main features/functions of Instant Payment are:

- receipt of the transfer to the beneficiary's bank account within seconds;
- the maximum amount of the instant credit transfer is Euro 15,000;
- possibility of making an instant credit transfer to an IBAN on which an ordinary credit transfer has already been made.

The service is available on D-Web, D-Mobile and One-D for all Banco Desio customers.

A new activity was introduced that offers users the possibility of viewing within the One-D app, a virtual shop window, called "Per Te", which is updated with products and offers customised according to the user's type.

In addition, directly from the "Per Te" section, the user can subscribe to offers of interest online thanks to the link with D-Mobile and offers that can be finalised at the branch.

The "Omnia" service was launched, which allows the client to sign a contract for the provision of investment advisory and multi-line portfolio management services, to view and accept investment recommendations on individual management lines, and to place orders and investment transactions related to the management lines via Remote Digital Signature.

In particular, this service is divided into 4 stages:

- Gaming, which involves the customer simulating the investment by indicating the risk profile, the amount of the initial investment and the duration. Based on the selected parameters, the client can visualise the investment strategy by checking its current composition, past performance and future projection;
- Primo investimento, following the performance of the checks, the selection of the investment strategy profile, the current account to be contributed and the value of the investment, customers can view the investment proposal generated by the robo advisor in line with the suitability check and if they accept the proposal, they can proceed to sign the contractual forms;
- monitoring and reporting, which offers customers the possibility of monitoring their investments through the consultation dashboard. In addition, customers can print out the summary report on asset management performance;
- rebalancing proposals and subsequent contributions, in which customers have the option of making subsequent cash contributions. Furthermore, the robo advisor generates automatic rebalancing proposals that the client can accept or reject.

The service is available at: D-Web for the D-Web Banking, D-Web Trade Base, D-Web Trade Advanced and D-Web Trade Plus profiles.

Finally, among the various services launched in the year 2022, the Link between the One-D and D-Mobile apps was released. This link allows customers to switch from One-D to D-Mobile without having to re-enter their credentials, which is an added value for customers as it gives them the possibility to use the services available in both apps without having to log in several times.

In accordance with the Group's guidelines, IT security and data protection were also a priority in 2021, which have been given central importance. This factor was articulated in the management of risks and compliance with measures in accordance with current privacy and security regulations and the main industry standards.

The Group continued to adapt and evolve its operational and information processes related to compliance activities, increasing the necessary safeguards and controls.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group. With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is committed to a path of continuous strengthening of its first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Group's positioning in the cyber security field, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

10.7 - Option to waive the obligation to prepare disclosure documents in connection with extraordinary transactions pursuant to Consob regulations

The Parent Company has adhered to the "opt-out" regime provided for in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Consob Issuers' Regulations (adopted by Resolution No. 11971 of 14 May 1999 and subsequent amendments and additions), thus availing itself of the right to waive the obligations to publish disclosure documents provided for in Annex 3B of the aforementioned Consob Regulation in connection with significant mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals.

No extraordinary transactions took place during the year under review.

10.8 - Non-financial statement

Pursuant to Legislative Decree No. 254 of 30 December 2016, Banco di Desio e della Brianza S.p.A., as "parent company", publishes a consolidated non-financial statement as a separate report with respect to the consolidated financial statements, called the "Banco Desio Group Sustainability Report", which contains the information required by the same Decree.

To date, non-financial reporting represents a real communication tool that goes well beyond the limits of regulatory compliance and gives voice to the Banco Desio Group's commitment and the responsibility that, as a player in the financial market, the Bank feels it has in guiding society towards a sustainable future.

In fact, the document reports on the initiatives taken by the Bank to integrate sustainability into its core business and to highlight its ability to respond to the growing expectations of an evolving regulatory context, which aims to make sustainability reporting increasingly comparable and to converge financial and non-financial information into a single report (Report on Operations), as envisaged by the new Corporate Sustainability Reporting Directive (CSRD), reflecting the increasing interconnection of the two disclosures.

The new Directive, which is part of the actions of the European Green Deal and the Agenda for Sustainable Finance, revises and strengthens the rules of the Non-Financial Reporting Directive (Directive 2014/95/EU - NFRD) with the aim of establishing harmonised rules on corporate sustainability reporting.

In particular, large companies will be required to report on the impact of their model and strategy on the environment, people, the planet and the sustainability risks to which they are exposed, so that financial companies, investors and the general public have comparable and reliable information on the subject.

The publication of the sustainability report is announced by means of a press release, which contains an indication of the section of the website www.bancodesio.it where the consolidated non-financial statement is published.

11 - Outlook and main risks and uncertainties

The Financial Statements at 31 December 2022 have been prepared on a going concern basis, as there are no reasons to believe otherwise in the foreseeable future, in view of the Bank's capital strength, growing operations with reference to the main commercial priorities of the strategic plan, the careful management of credit quality and the low NPL ratio testifying the Bank's commercial strength and resilience, which confirms its overperformance compared to the budget and Business Plan targets despite the macroeconomic context not being stable due to the Russian-Ukrainian conflict, which has been embedded in a scenario that is recovering but has not yet fully recovered from the effects of the Covid 19 pandemic.

In the chapter on the macroeconomic reference scenario of this Consolidated Report on Operations, the macroeconomic and financial market trends are described from which the related contextual risks can be inferred, while the controls on the company's management of the various types of risks are detailed in Part E - Information on risks and related hedging policies of the Notes to the Financial Statements.

In addition, explanatory notes on the levels of control in the management and coordination function as well as on the internal control system are provided in the relevant sections of this Report on Operations with references, for detailed information, to the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

Despite several positive signs, fears of a recessionary phase have not yet dissipated, confirming the cautious stance of analysts who expect GDP growth and world trade to remain weak in 2023 and an effect on investments strongly influenced by high energy and raw material costs.

The contraction of GDP expected in the first part of the year and the expectations of a level of inflation that only recently seems to be giving indications of a reversal of the negative trend can only lead the Central Banks to confirm their monetary restriction policies, for which a further increase in policy rates is an obligatory step. Only in the second half of 2023 is a possible easing of intervention with stabilisation of interest rates expected.

With regard to the Banco Desio Group, on 15 December 2022, the Board of Directors of the Bank approved the budget for the year 2023 with an update of the performance forecasts in line with the trend recorded in the year just ended and in continuity with the strategic guidelines outlined in the D23 Business Plan, confirming the path of strengthening the renewal and focus of the business model.

The first part of 2023 will also see the finalisation of the two strategically important transactions mentioned above, i.e. the acquisition of 48 branches from the BPER Group and the sale of the e-money/acquiring business to Worldline,

The Bank's mission will therefore continue to develop around its customers with the aim of supporting households, SMEs in their activities and savings management through planned growth in loans and assets under management.

Also for 2023, the ambition remains to further delineate the Banco Desio Group's configuration as an independent group recognised for its capital strength, economic resilience, quality of services offered and with a strategy more focused on the Group's historical areas of presence.

Desio, 2 March 2023 The Board of Directors

Consolidated Financial Statements

Banco Desio

CONSOLIDATED BALANCE SHEET

ASSETS

Asset items		31.12.2022	31.12.2021	Changes	
				absolute	%
10.	Cash and cash equivalents	879,593	84,412	795,181	942.0%
20.	Financial assets measured at fair value through profit or loss	139,820	85,544	54,276	63.4%
	a) Financial assets held for trading	25,764	11,034	14,730	133.5%
	c) Other financial assets mandatorily measured at fair value	114,056	74,510	39,546	53.1%
30.	Financial assets measured at fair value through other comprehensive income	842,346	593,360	248,986	42.0%
40.	Financial assets measured at amortised cost	14,658,920	16,330,175	(1,671,255)	-10.2%
	a) Loans with banks	632,089	2,445,253	(1,813,164)	-74.2%
	b) Loans to customers	14,026,831	13,884,922	141,909	1.0%
50.	Hedging derivatives	59,099	-	59,099	n.s.
60.	Value adjustment of financial assets with macro hedges (+/-)	(19,593)	502	(20,095)	n.s.
70.	Investments	4,866	-	4,866	n.s.
90.	Tangible assets	220,934	218,420	2,514	1.2%
100.	Intangible assets	19,963	19,119	844	4.4%
	of which:				
	- goodwill	15,322	15,322	-	
110.	Tax assets	157,532	170,080	(12,548)	-7.4%
	a) current	3,640	14,587	(10,947)	-75.0%
	b) deferred	153,892	155,493	(1,601)	-1.0%
120.	Non-current assets and groups of assets held for sale	1	13,080	(13,079)	-100.0%
130.	Other assets	577,843	290,089	287,754	99.2%
Total assets		**17,541,324**	**17,804,781**	**(263,457)**	**-1.5%**

Banco Desio

LIABILITIES

Liabilities and equity items		31.12.2022	31.12.2021	Changes absolute	Changes %
10.	Financial liabilities measured at amortised cost	16,084,575	16,316,377	(231,802)	-1.4%
	a) Payables to banks	3,381,350	3,815,695	(434,345)	-11.4%
	b) Payables to customers	11,167,074	10,978,417	188,657	1.7%
	c) Securities issued	1,536,151	1,522,265	13,886	0.9%
20.	Financial liabilities held for trading	4,130	5,901	(1,771)	-30.0%
40.	Hedging derivatives	-	365	(365)	-100.0%
60.	Tax liabilities	1,619	3,972	(2,353)	-59.2%
	a) current	582	2,011	(1,429)	-71.1%
	b) deferred	1,037	1,961	(924)	-47.1%
70.	Liabilities related to assets held for sale	11	-	11	n.s.
80.	Other liabilities	255,468	320,685	(65,217)	-20.3%
90.	Employee severance indemnity (TFR)	17,790	21,960	(4,170)	-19.0%
100.	Provisions for risks and charges	55,263	46,776	8,487	18.1%
	a) commitments and guarantees given	3,534	4,058	(524)	-12.9%
	c) other provisions for risks and charges	51,729	42,718	9,011	21.1%
120.	Valuation reserves	(13,192)	15,762	(28,954)	n.s.
150.	Reserves	967,345	931,240	36,105	3.9%
160.	Share premiums	16,145	16,145	-	
170.	Capital	70,693	70,693	-	
190.	Minority interests (+/-)	14	4	10	250.0%
200.	Profit (loss) for the year (+/-)	81,463	54,901	26,562	48.4%
Total liabilities and equity		**17,541,324**	**17,804,781**	**(263,457)**	**-1.5%**

Banco Desio

CONSOLIDATED INCOME STATEMENT

Items		31.12.2022	31.12.2021	Changes absolute	%
10.	Interest and similar income	336,935	294,440	42,495	14.4%
	of which: interest income calculated using the effective interest rate method	258,822	223,249	35,573	15.9%
20.	Interest and similar expense	(52,157)	(40,706)	(11,451)	28.1%
30.	**Net interest income**	**284,778**	**253,734**	**31,044**	**12.2%**
40.	Commission income	201,741	207,398	(5,657)	-2.7%
50.	Commission expenses	(20,984)	(18,970)	(2,014)	10.6%
60.	**Net commissions**	**180,757**	**188,428**	**(7,671)**	**-4.1%**
70.	Dividends and similar income	601	690	(89)	-12.9%
80.	Net trading result	4,537	4,287	250	5.8%
90.	Net hedging result	(492)	-	(492)	n.s.
100.	Gains (losses) on sale or repurchase of:	(3,617)	(7,226)	3,609	-49.9%
	a) financial assets measured at amortised cost	(4,230)	(11,314)	7,084	-62.6%
	b) financial assets measured at fair value through other comprehensive income	595	4,397	(3,802)	-86.5%
	c) financial liabilities	18	(309)	327	n.s.
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(10,444)	731	(11,175)	n.s.
	b) other financial assets mandatorily measured at fair value	(10,444)	731	(11,175)	n.s.
120.	**Net banking income**	**456,120**	**440,644**	**15,476**	**3.5%**
130.	Net value adjustments/reversals for credit risk related to:	(42,919)	(86,487)	43,568	-50.4%
	a) financial assets measured at amortised cost	(42,759)	(86,496)	43,737	-50.6%
	b) financial assets measured at fair value through other comprehensive income	(160)	9	(169)	n.s.
140.	Gains/losses from contractual amendments without derecognition	8	(71)	79	n.s.
150.	**Net result from financial operations**	**413,209**	**354,086**	**59,123**	**16.7%**
180.	**Net result from financial and insurance operations**	**413,209**	**354,086**	**59,123**	**16.7%**
190.	Administrative expenses:	(306,139)	(298,589)	(7,550)	2.5%
	a) personnel expenses	(176,042)	(174,380)	(1,662)	1.0%
	b) other administrative expenses	(130,097)	(124,209)	(5,888)	4.7%
200.	Net allocations to provisions for risks and charges	(7,426)	(1,694)	(5,732)	338.4%
	a) commitments for guarantees given	453	889	(436)	-49.0%
	b) other net allocations	(7,879)	(2,583)	(5,296)	205.0%
210.	Net value adjustments/reversals on tangible assets	(16,206)	(16,266)	60	-0.4%
220.	Net value adjustments/reversals on intangible assets	(2,084)	(1,745)	(339)	19.4%
230.	Other operating expenses/income	28,610	24,778	3,832	15.5%
240.	**Operating costs**	**(303,245)**	**(293,516)**	**(9,729)**	**3.3%**
250.	Profits (Losses) of investments	(16)	-	(16)	n.s.
260.	Net result of fair value measurement of tangible and intangible assets	-	(123)	123	-100.0%
280.	Gains (Losses) on disposal of investments	(54)	-	(54)	n.s.
290.	**Profit (Loss) from current operations before taxes**	**109,894**	**60,447**	**49,447**	**81.8%**
300.	Income taxes for the year on current operations	(35,298)	(11,324)	(23,974)	211.7%
310.	**Profit (Loss) from current operations after taxes**	**74,596**	**49,123**	**25,473**	**51.9%**
320.	Profit (Loss) from discontinued operations after taxes	6,867	5,778	1,089	18.8%
330.	**Profit (Loss) for the year**	**81,463**	**54,901**	**26,562**	**48.4%**
350.	**Profit (Loss) for the year attributable to the parent company**	**81,463**	**54,901**	**26,562**	**48.4%**

	31.12.2022	31.12.2021
Basic earnings per share (Euro)	0.61	0.41
Diluted earnings per share (Euro)	0.61	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**81,463**	**54,901**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	1,408	(47,320)
50.	Tangible assets	-	(38)
70.	Defined benefit plans	1,052	6
	Other income components net of taxes with reversal to the income statement		
120.	Cash flow hedges	203	729
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(31,639)	(3,711)
160.	Share of valuation reserves of investments valued at equity	22	-
170.	**Total other income components net of taxes**	**(28,954)**	**(50,334)**
180.	**Comprehensive income (Item 10+170)**	**52,509**	**4,567**
190.	Consolidated comprehensive income attributable to minority interests	-	-
200.	**Consolidated comprehensive income attributable to the parent company**	**52,509**	**4,567**

Note. The negative change in item 20 “Equity securities designated at fair value through other comprehensive income” in the comparison period is due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; the following had been recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2022

				Allocation of previous year result		Changes in the year										
							Equity transactions									
	Balance at 31.12.2021	Changes in opening balances	Balance at 01.01.2022	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 interests	Comprehensive income 31.12.2022	Group equity at 31.12.2022	Minority interests at 31.12.2022
Capital:																
a) ordinary shares	70,693	-	70,693	-	-	-	-	-	-	-	-	-	-	-	70,693	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	16,145	-	16,145	-	-	-	-	-	-	-	-	-	-	-	16,145	-
Reserves:																
a) of profits	911,513	-	911,513	34,075	-	(455)	-	-	-	-	-	-	-	-	945,133	-
b) other	19,731	-	19,731	2,485	-	10	-	-	-	-	-	-	-	-	22,212	14
Valuation reserves:	15,762	-	15,762	-	-	-	-	-	-	-	-	-	-	(28,954)	(13,192)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	54,901	-	54,901	(36,560)	(18,341)	-	-	-	-	-	-	-	-	81,463	81,463	-
Group equity	**1,088,741**	-	**1,088,741**	**-**	**(18,341)**	**(455)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,509**	**1,122,454**	**-**
Minority interests	**4**	**-**	**4**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 December 2021

	Balance at 31.12.2020	Changes in opening balances	Balance at 01.01.2021	Allocation of previous year result: Reserves	Allocation of previous year result: Dividends and other allocations	Changes in the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on treasury shares	Equity transactions: Stock options	Equity transactions: Changes in equity interests	Comprehensive income 31.12.2021	Group equity at 31.12.2021	Minority interests at 31.12.2021
Capital:																
a) ordinary shares	63,828	-	63,828	-	-	-	-	-	-	6,865	-	-	-	-	70,693	-
b) other shares	6,865	-	6,865	-	-	-	-	-	-	(6,865)	-	-	-	-	-	-
Share premiums	16,145	-	16,145	-	-	-	-	-	-	-	-	-	-	-	16,145	-
Reserves:																
a) of profits	798,517	-	798,517	15,536	-	97,460	-	-	-	-	-	-	-	-	911,513	-
b) other	19,934	-	19,934	(203)	-	-	-	-	-	-	-	-	-	-	19,727	4
Valuation reserves:	66,096	-	66,096	-	-	-	-	-	-	-	-	-	-	(50,334)	15,762	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	23,690	-	23,690	(15,333)	(8,357)	-	-	-	-	-	-	-	-	54,901	54,901	-
Group equity	**995,071**	-	**995,071**	**-**	**(8,357)**	**97,460**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,567**	**1,088,741**	**-**
Minority interests	**4**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**

Note. Changes in the item "Valuation reserves" and the item "Retained earnings" were affected at 31 December 2021 by the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; in accounting terms, due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

Banco Desio

CONSOLIDATED CASH FLOW STATEMENT - DIRECT METHOD

	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Operations	**148,024**	**146,323**
- interest income collected (+)	320,110	287,241
- interest expense paid (-)	(50,597)	(40,238)
- dividends and similar income (+)	601	690
- net commissions (+/-)	188,999	193,773
- personnel expenses (-)	(176,112)	(175,003)
- net premiums collected (+)		
- other insurance income/expenses (+/-)		
- other costs (-)	(129,585)	(122,651)
- other revenues (+)	32,511	26,056
- taxes and duties (-)	(37,903)	(23,545)
- costs/revenues related to discontinued operations net of tax effect (+/-)		
2. Liquidity generated (absorbed) by financial assets	**982,038**	**(2,259,518)**
- financial assets held for trading	(14,940)	(3,286)
- financial assets designated at fair value		
- other assets mandatorily measured at fair value	(49,150)	(23,414)
- financial assets measured at fair value through other comprehensive income	(295,173)	64,406
- financial assets measured at amortised cost	1,568,047	(2,167,986)
- other assets	(226,746)	(129,238)
3. Liquidity generated (absorbed) by financial liabilities	**(307,737)**	**2,087,999**
- financial liabilities measured at amortised cost	(238,062)	2,039,908
- financial liabilities held for trading	(1,771)	(1,626)
- financial liabilities designated at fair value		
- other liabilities	(67,904)	49,717
Net liquidity generated (absorbed) by operating activities (A)	**822,325**	**(25,196)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**706**	**25**
- sales of investments		
- dividends collected on investments		
- sales of tangible assets	706	25
- sales of intangible assets		
- sales of subsidiaries and business units		
2. Liquidity absorbed by	**(12,682)**	**(5,620)**
- purchases of investments	(4,866)	
- purchases of tangible assets	(4,888)	(3,267)
- purchases of intangible assets	(2,928)	(2,353)
- purchases of subsidiaries and business units		
Net liquidity generated (absorbed) by investment activities (B)	**(11,976)**	**(5,595)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(18,341)	(8,357)
- sale/purchase of minority control		
Net liquidity generated (absorbed) by financing activities (C)	**(18,341)**	**(8,357)**
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**792,008**	**(39,148)**

RECONCILIATION

	31.12.2022	31.12.2021
Cash and cash equivalents at the beginning of the year	**84,412**	**120,342**
Total net liquidity generated/absorbed during the year	792,008	(39,148)
Cash and cash equivalents: effect of exchange rate changes	3,173	3,218
Cash and cash equivalents at the end of the year	**879,593**	**84,412**

Consolidated Notes

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

These consolidated financial statements, in application of Legislative Decree No. 38 of 28 February 2005, which implemented EU Regulation No. 1606 of 19 July 2002, are prepared in accordance with IAS/IFRS, in force at the reference date of 31 December 2022, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) endorsed by the European Commission.

Section 2 – General preparation principles

The consolidated financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes, and are accompanied by the Directors' Report on Operations.

For the preparation of the consolidated financial statements, the provisions published by the Bank of Italy in Circular No. 262 "Banks' financial statements: formats and rules for preparation" of 22 December 2005 and subsequent updates were applied.

We have also considered, insofar as applicable, documents of an interpretative and supporting nature for the application of accounting standards in relation to Covid-19 impacts, issued by European regulatory and supervisory bodies and standard setters (European Banking Authority, European Securities and Markets Authority, European Central Bank, Bank of Italy, Consob, IFRS Foundation) that provide recommendations on the most important aspects, on the accounting treatment of particular transactions or on financial reporting, for which please refer to the following paragraph "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak".

The consolidated financial statements are drawn up for the purpose of clarity and give a true and fair view of the assets and liabilities, financial position and results of operations of the financial year on a going concern basis, respecting the principle of accrual basis and giving preference to the principle of economic substance over form in the recognition and representation of operating events.

The accounting standards adopted for the preparation of the financial statements, with reference to the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as for the recognition of revenues and expenses, do not differ from those used for the preparation of the financial statements of the previous year.

The individual financial statements used to prepare these financial statements are those prepared by the subsidiaries at the same reporting date and adjusted where necessary to bring them into line with the IAS/IFRS adopted by the Parent Company.

The amounts in the Financial Statements and the figures in the Notes are expressed - unless otherwise indicated - in Euro thousand.

Section 3 – Scope and methods of consolidation

1. Investments in wholly-controlled subsidiaries

Company names	Registered office	Type of relation	Ownership percentage	
			Investing company	Share %
Fides S.p.A.	Rome	1	Banco Desio	100.000
Desio OBG S.r.l. (*)	Conegliano	1	Banco Desio	60.000
Coppedè SPV S.r.l. (*)	Conegliano	4	-	0,000

Key

Type of relation:

1 = majority of voting rights at the ordinary Shareholders' Meeting

4 = other forms of control

(*) Vehicle companies of securitisation transactions originated by the Group

There was a change in the scope of consolidation compared to the previous year due to the inclusion of the company Coppedè SPV S.r.l., whose separate assets were established in the last quarter of 2022 through the sale of performing loans of Fides S.p.A.

In consideration of Fides S.p.A.'s role as servicer in the securitisation transaction, as well as its role as sole investor in the Junior note, in application of IFRS 10, Fides appears to have a position of substantial control over the securitisation vehicle[3] and, in accordance with the aforementioned accounting standard, the latter is subject to consolidation. Specifically the so-called "below the line" of the SPV is subject to consolidation as the Transaction is carried out without derecognition of the loans that were retained in Fides' financial statements while the "above the line" of the SPV, is the subject of consolidation by Banco Desio, which directly controls 100% of Fides, even though referring to the Framework for the preparation and presentation of financial statements (Framework), and the concepts referred to therein of "materiality" and "relevance", the inclusion in the consolidated financial statements of the so-called "above the line" of the SPV could have been considered of no substantial use due to its negligible impact at the aggregate level.

2. Significant evaluations and assumptions in determining the scope of consolidation

The scope of consolidation is determined in accordance with the provisions of the international accounting standard IFRS 10 Consolidated Financial Statements. The Parent Company, therefore, consolidates an entity when the three elements of control (1. power over the acquired enterprise; 2. exposure, or rights, to variable returns from involvement with it; 3. ability to use power to influence the amount of those returns) are satisfied. Generally, when an entity is directed by voting rights, control results from holding more than half of the voting rights. In other cases, the assessment of control is more complex and involves a greater use of judgement, as it requires consideration of a set of circumstances that may establish the existence of control over the entity, including, specifically, the following factors:

- the purpose and structure of the entity,
- the relevant activities, i.e. the activities that significantly affect the entity's returns, and how they are governed;

[3] Pursuant to paragraph 7 of IFRS 10, Fides simultaneously has (i) power over the securitisation vehicle, (ii) the benefit of rights over variable yields arising from the relationship with the securitisation vehicle and (iii) the ability to exercise its power over the securitisation vehicle to have a decisive influence on the amount of its yields

- any right, embodied in contractual agreements, which confers the ability to direct the relevant activities, i.e. the power to determine the financial and management policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the members of the decision-making body;
- the Group's exposure to the variability of entity returns.

3. Investments in wholly-owned subsidiaries with significant minority interests

3.1 Minority interests, availability of minority votes and dividends distributed to minorities

Company names	Minority interests %	Dividends distributed to minorities
Desio OBG S.r.l.	40.000	-

Banco Desio

3.2 Investments with minority interests: accounting information

Company names	Total assets	Cash and cash equivalents	Financial assets	Tangible and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs	Profit (loss) from current operations before taxes	Profit (loss) from current operations after taxes	Profit (loss) of groups of assets held for sale after taxes	Profit (loss) of the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
Desio OBG S.r.l.	59	-	-	-	-	10	-	87	(83)	1	-	-	-	-	-

4. Significant restrictions

There are no restrictions (e.g. legal, contractual and regulatory restrictions) on the Parent Company's ability to access or utilise the Group's assets and settle its liabilities, such as, specifically, restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or restrictions on the transfer of funds in the form of dividends, loans or advances granted to (or by) other Group companies.

5. Other information

The consolidation criteria, as defined in IFRS 10, are regulated as follows:

- wholly-owned subsidiaries: assets, liabilities, equity, "off-balance sheet transactions", costs and revenues are integrated into the relevant components of the consolidated financial statements, according to the line-by-line consolidation method. Any positive difference emerging from the comparison between the carrying amount of each investment and the respective fraction of the residual subsidiary's equity after any allocation to its own item is recognised as goodwill and subject to the so-called impairment test procedure;
- associates: investments in associates are consolidated using the equity method (this criterion is applicable at the date of these financial statements as the Parent Company acquired the investment in Anthilia Capital Partners SGR S.p.A. which, by virtue of the partnership agreements signed, is configured as an interest in an associate).

Section 4 - Events subsequent to the reference date of the financial statements

These financial statements were approved on 2 March 2023 by the Board of Directors of Banco di Desio e della Brianza S.p.A., which simultaneously authorised their publication.

With regard to events after the end of the financial year, please refer to the information in the section "Significant corporate events" of the Consolidated report on operations.

Section 5 - Other aspects

Use of estimates and assumptions in preparing the financial statements

The preparation of the financial statements also requires the use of estimates and assumptions that can have a significant effect on the values recorded in the balance sheet and income statement, as well as on the disclosures in the financial statements.

The use of such estimates implies the use of available information and the adoption of subjective evaluations, also based on historical experience, for the formulation of reasonable assumptions for the recognition of operating events. By their very nature, it is therefore not possible to exclude the possibility that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Group will operate. Future results may therefore differ from the estimates made for the purpose of preparing the balance sheet and income statement at the reporting date, and adjustments to the carrying amount of assets and liabilities recognised in the balance sheet that cannot be foreseen or estimated at present may be necessary.

The main cases for which subjective estimates and evaluations are used are:

- in the valuation models and parameters used to perform impairment tests on investments and intangible assets with indefinite life (goodwill);
- the quantification of impairment losses on loans and financial assets in general;
- the determination of the fair value of financial instruments to be used for financial statement reporting purposes;
- the use of valuation models for recording the fair value of financial instruments not listed in active markets;

- the quantification of personnel provisions and provisions for risks and charges;
- estimates and assumptions regarding recoverability of deferred tax assets.

The description of the accounting policies applied to the main aggregates of the financial statements provides more information on the subjective assumptions and assessments used in the preparation of these financial statements.

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

Among the main factors of uncertainty that could affect the future scenarios in which the Bank will find itself operating, the negative effects on the global and Italian economies directly or indirectly linked to the continuation of the conflict in Ukraine should not be underestimated. This is part of a context already characterised by tensions in global supply chains and the easing of measures to contain the Covid-19 epidemic that has not yet been fully overcome.

The following is a detailed illustration of the estimation processes that require the use of significant judgement in the selection of underlying assumptions and hypotheses, which are particularly impacted by the negative effects of the conflict in Ukraine and the Covid-19 pandemic, and the consequent application solutions adopted by the Bank, aware of its role in providing the necessary support to its stakeholders, both individuals and businesses, in the current context characterised by significant uncertainty and volatility factors.

Determination of expected losses on credit exposures recorded under assets in the balance sheet

With regard to valuation, it should be noted that IFRS 9 Financial Instruments expressly requires an entity to estimate expected credit losses by considering all available current and future information that is deemed reasonable and supportable.

The European regulatory and supervisory authorities and standard setters (the Authorities) that have spoken out on the subject have been unanimous in suggesting extreme caution in changing valuation scenarios, starting with the phase of most acute uncertainty in 2020. At the same time, the ECB's suggestion to use a reference scenario anchored in its indications seemed to indicate the authorities' intention to centrally steer the banks in this particular situation by providing a homogeneous set of benchmarks for forecasting future economic trends.

In consideration of the continuation of the underlying reasons, the choices identified in 2020 for the preparation of the financial reports, which, in light of the trend of the economic and healthcare context, have been calibrated and refined from time to time up to the present financial statements, are therefore confirmed.

On 15 December 2022, the ECB published the "Eurosystem staff macroeconomic projections for the Euro area", which were followed by the 'Macroeconomic projections for the Italian economy' for the period 2022-25 published by the Bank of Italy on 16 December 2022, which were considered for updating the models to determine expected losses.

Therefore, taking into account (i) the guidance in relation to the advisability of focusing on a long-term outlook to capture the structural effects of the crisis without emphasising pro-cyclicality and avoiding mechanistic applications of the models for estimating expected credit losses as well as (ii) the application complexities of ordinary models for estimating expected losses that consider prospective forecasts (macroeconomic scenarios) for only three years with a strong impact, therefore, of short-term movements, the Group followed the indications of the various Authorities in order to update the ordinary valuation process conditioned by the exceptional characteristics of the economic and geo-political crisis.

In particular, referring to the guidelines expressed in the ECB's letter dated 4 December 2020 "Identifying and measuring credit risk in the context of the Coronavirus (Covid-19) pandemic" addressed to all significant institutions as regards, specifically, to the contingent complexities linked to the identification of the increase in credit risk (so-called staging) and the estimation of expected losses, the specific management overlay interventions aimed at including ad hoc corrective measures, not captured by the models in use, still apply, to better reflect the peculiarities of the macroeconomic context in the valuation of the performing loan portfolio (stage 1 and 2).

The main features of the model for determining the expected loss, the macroeconomic scenarios incorporated therein and the management overlays are described in more detail in "Part E - Information on risks and related hedging policies" below, to which reference is made.

The determination of the expected losses on the non-performing loan portfolio (stage 3) also involves significant elements of judgement, with particular reference to the estimate of the flows deemed recoverable and the relative timing of recovery. During the reporting period, appropriate actions were taken in order to adequately manage the contingent context related to the macroeconomic context and still ensure the correct classification and assessment of recoverability of exposures classified as impaired with a consequent impact on the cost of impaired loans for the period, taking into account the disposals that have occurred in the meantime and possible future derisking opportunities in line with its NPL strategy.

In light of the foregoing, it cannot be excluded that different methodologies, parameters, and assumptions in determining the recoverable amount of credit exposures (influenced, moreover, by possible alternative recovery strategies of the same, decided by the competent corporate bodies, as well as the evolution of the reference economic-financial and regulatory context) may result in different valuations with respect to those made for the purposes of preparing these financial statements.

For updates introduced in the measurement of expected losses on performing exposures, please refer to "Part E - Information on risks and related hedging policies".

Fair value measurement of financial instruments

For the purposes of this financial disclosure, the fair value measurement of financial instruments was updated on the basis of current market conditions, in line with IFRS 13 Fair Value Measurement and the Group's Fair Value Policy.

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

The use of significant judgements in the valuation of financial instruments in the portfolio should be considered rather marginal in view of the fact that the Bank continues to maintain a very prudent allocation, so that the use of valuation models to measure the fair value of financial instruments not listed on active markets (level 3), which are essentially units of closed-end fund UCITS, concerns a very small portion of the investments held. With particular reference to closed-end investment funds classified among the financial instruments mandatorily measured at fair value, the negative economic effects of updating the valuation on the basis of the latest available information (NAV, business plan, etc.) were recognised in accordance with the Group's Fair Value Policy.

For qualitative and quantitative information on how fair value is determined, please refer to "Part A.4 - Fair value disclosures" below.

Impairment test of intangible assets with indefinite life (goodwill)

According to IAS 36 Impairment of Assets, all intangible assets with indefinite useful life must be tested for impairment at least annually, in order to verify the recoverability of their value. In addition, the standard states that the results of the annual test may be considered valid for subsequent valuations, provided that the probability that the recoverable amount of intangible assets is less than their carrying amount is considered remote. This judgement may be based on an analysis of the events and circumstances that have changed since the most recent annual impairment test conducted.

Here again, the authorities that have expressed themselves on the subject have been unanimous in suggesting extreme caution in updating valuation scenarios, at least in the phase of most acute uncertainty.

In line with IAS 36 Impairment of Assets and the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the Group has updated its performance forecasts, with projections over an explicit time horizon of five years, taking into account the main drivers related to the events of the period, the results achieved in the meantime during the year and the 2023 budget, as well as the most recent market forecasts available.

Consequently, on the reference date of 31 December 2022, the impairment test valuation analyses were not conducted using a multi-scenario approach in consideration of the fact that the performance forecasts used are based on reasonable assumptions, anchored to the new and more updated macroeconomic and industry assumptions, which are in turn influenced by the negative effects of the conflict in Ukraine, tensions in global supply chains and the easing of measures to contain the Covid-19 epidemic that has not been fully overcome.

Listed below are the main parameters and assumptions used at the reporting date for the impairment test, compared with those used for the two previous financial years:

		31.12.2022			**31.12.2021**			**31.12.2020**	
CGU	BDB	Fides	Group	BDB	Fides	Group	BDB	Fides	Group
Model		DDM			DDM			DDM	
Flows		Net Results			Net Results			Net Results	
Database		2023 Budget extended to 2027 (*)			2022 Budget extended to 2026			2021-23 Business Plan extended to 2025	
CAGR RWA	2.40%	8.40%	2.90%	2.50%	7.10%	2.60%	-1.30%	11.90%	-0.30%
Ke		10.37%			8.22% (**)			8.09% (**)	
g		2.06%			1.58%			1.50%	
Capital ratio (***)	10.93%	4.88%	10.37%		9.84%			8.95%	

(*) 5-year forecasts, approved by the Board of Directors on 9 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) For the determination of the cost of equity (Ke), a specific risk premium of 1.5% was taken into account, reflecting in the Italy risk an increase to take account of the pandemic context

(***) In 2022: Allocated target capital on the entity estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione. In 2021: Allocated target capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione. In 2020: Overall Capital Requirement Tier 1 ratio assigned by SREP measure

The following table also shows the percentage or basis point deviations of the assumptions considered to render the recoverable amount of the CGU after deducting the equity allocated to it equal to the carrying amount of goodwill at the reporting date of these financial statements and the two previous years:

		31.12.2022			**31.12.2021**			**31.12.2020**	
CGU	BDB	Fides	Group	BDB	Fides	Group	BDB	Fides	Group
Decrease in % of Future Net Results (NR)	32.21%	54.91%	33.96%	43.56%	39.60%	42.50%	22.60%	20.80%	13.36%
Increase in bps of the	> 1,000	> 1,000	747	> 1,000	992	683	391	302	132

discount rate of future cash flows (FCFE)

In this regard, however, it should be noted that verifying the recoverability of these intangible assets is a complex exercise, the results of which are affected by the valuation methodologies adopted, as well as the underlying parameters and assumptions that may need to be modified in the future to take into account new information or developments not foreseeable at the date of preparation of these financial statements.

For qualitative and quantitative information on how the impairment test was performed, please refer to the following section "Intangible assets - Item 100" contained in "Part B - Information on the consolidated balance sheet" of these Notes to the Financial Statements.

Estimating the recoverability of deferred tax assets

Balance sheet assets also include significant Deferred Tax Assets (DTA) mainly arising from temporary differences between the date certain corporate costs are recognised in the income statement and the date on which the same costs may be deducted, as well as arising from tax loss carry-forwards.

Recognition of these assets and their subsequent maintenance in the financial statements presupposes a judgement of probability as to their recovery, which must also take into account the tax regulations in force at the time the financial statements were drawn up.

In detail, deferred tax assets that meet the requirements of Law 214/2011 are automatically convertible into tax credits in the event of the recognition of a "statutory loss", a "tax loss" for IRES purposes and a "negative net production value" for IRAP purposes; their recovery is therefore certain, as it is independent of the ability to generate future profitability.

For the remaining tax assets that cannot be converted into tax credits, the assessment of the likelihood of recovery must be based on reasonable income forecasts inferable from the approved strategic and forecast plans, also taking into account that for IRES purposes, the tax law provides for the carry-forward of tax losses without any time limit. Such a judgement is a complex exercise, particularly when it relates to DTA on tax loss carry-forwards, the very existence of which could be an indicator of not having sufficient taxable income in the future to recover them. According to the provisions of IAS 12 Income Taxes, the aforementioned assessment of recoverability (the so-called probability test) requires careful recognition of all evidence supporting the likelihood of having sufficient taxable income in the future.

To take into account the uncertainties of the macroeconomic scenario and the potential repercussions on the estimate of taxable cash flows, the probability test was conducted using the same methodology adopted for the previous two financial years, considering the forecasts of future taxable income deriving from the same performance forecasts also considered for the impairment test on intangible assets with indefinite useful life (goodwill) and investments.

For qualitative information on the method of verifying the recoverability of deferred tax assets, please refer to the following section "Tax assets - Item 110", contained in "Part B - Information on the consolidated balance sheet" of these Notes to the Financial Statements.

Estimating provisions for risks and charges

The complexity of the corporate situations and transactions underlying the pending litigations, together with the interpretative issues regarding the applicable legislation, require significant judgement in estimating the liabilities that may arise upon settlement of the pending litigations. The difficulties of assessment affect both the *an* and the *quantum* as well as the timing of the eventual manifestation of the liability and are particularly evident when the proceedings initiated are at an early stage and/or the relevant investigation is ongoing.

The peculiarity of the subject matter of the litigation and the consequent absence of case law referring to comparable disputes, as well as the different orientations expressed by judicial bodies, both at the various levels of the litigation proceedings and by bodies of the same level over time, make it difficult to assess contingent liabilities even when provisional judgements issued following the first levels of proceedings are available. Historical experience shows that in several cases, the decisions taken by the judges at first instance have been completely overturned in the appeal or cassation judgements and this both in favour of and against the taxpayers.

In this context, the classification of contingent liabilities and the consequent valuation of the necessary provisions is based on non-objective elements of judgement that require the use of sometimes extremely complex estimation procedures. Therefore, it cannot be excluded that following the issuance of final judgements, the provisions for risks and charges set aside for contingent liabilities related to legal and tax disputes may prove to be deficient or surplus.

For information on the main risk positions related to litigation (revocation actions and pending lawsuits), please refer to the section "Provisions for risks and charges - Item 100" in "Part B - Information on the consolidated balance sheet" of these Notes to the Financial Statements.

Estimating employee benefit obligations

The determination of the liabilities associated with employee benefits, with particular reference to defined benefit plans and long-term benefits, involves a certain degree of complexity; the results of the valuation depend, to a large extent, on the actuarial assumptions used, which are both demographic (such as employee mortality and turnover rates) and financial (such as discount rates and inflation rates).

Therefore, the judgement made by management in selecting the most appropriate technical basis for the valuation of the case is fundamental, and is influenced by the socio-economic context in which the Group operates, as well as the performance of the financial markets.

Listed below are the main actuarial assumptions used at the date of these financial statements, compared with those used for the previous two financial years:

Demographic assumptions	31.12.2022	31.12.2021	31.12.2020
Employee mortality rate		determined by the General Accounting Office of the State called RG48, broken down by gender	
Frequency and amount of employee severance indemnity advances		4.00%	
Turnover frequencies		2.50%	
Financial assumptions	**31.12.2022**	**31.12.2021**	**31.12.2020**
Iboxx Euro Corporate AA discount rate 7-10 years (*)	3.42%	0.38%	-0.01%
Inflation rate	5.9% for 2023, 2.3% for 2024, 2.0% from 2025	1.20%	1.00%

(*) Iboxx Euro Corporate AA index with time reference corresponding to the average duration of defined benefit plans

It should be noted that the above list of evaluation processes is provided for the sole purpose of giving the reader a better understanding of the main areas of uncertainty, but is in no way intended to suggest that alternative assumptions might be more appropriate at present.

For further details, please refer to the section "Employee severance indemnity - Item 90" in "Part B - Information on the Consolidated Balance Sheet" of these Notes to the Financial Statements.

Impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak on the Income Statement

With reference to the Income Statement impacts related to the conflict in Ukraine and the Covid-19 pandemic at 31 December 2022, totalling Euro 58.8 million (formerly Euro 31.6 million in 2021), we highlight:

- a cost of credit linked to the performing portfolio (stage 1 and stage 2) of loans to customers, signature loans and commitments to disburse funds for the year 2022 of Euro 53.3 million (formerly Euro 59.7 million), substantially due to the effect of updating the models to incorporate the macroeconomic forecasts impacted by Covid-19 and the post-model management overlays described later in Part E - Information on risks and related hedging policies;
- the recognition of higher operating expenses incurred to cope with the Covid-19 emergency of about Euro 2.3 million (in addition to Euro 5.6 million in the two previous years);
- the incurring of higher costs for energy consumption (Euro +3.2 million) compared to the previous year.

Going concern

These financial statements are prepared under the going concern assumption. In view of the capital strength and the careful derisking approach adopted, the low and steadily decreasing NPL ratio, and the further steps taken to minimise the effects of the economic situation still affected by the pandemic, the Directors have a reasonable expectation that the Group will continue as a going concern in the foreseeable future and have prepared the financial statements under the presumption of a going concern. The Directors therefore believe that the risks and uncertainties that the Group may encounter in the course of operations, also considering the continuing negative effects of the macroeconomic context reflected in the aforementioned update of the 2023-27 performance forecasts, are not such as to generate doubts about the Group's ability to continue as a going concern.

For information on risks and related controls, please refer to "Part E - Information on risks and related hedging policies" of these Notes to the Financial Statements below, as well as to the Consolidated Report on Operations.

Contractual amendments resulting from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

With regard to classification, taking into account the indications of the various regulators that have expressed their views on the subject, as well as the initiatives taken by the Group, the performing positions affected by the moratorium measures pursuant to law or otherwise of general scope decided autonomously by the Group in response to the Covid-19 emergency are treated as follows:

- are not normally considered forborne under prudential regulations, nor are they subject to Stage 2 classification, also taking into account the substantial invariance of the present value of the cash flows following the contractual amendment. Only for positions with companies with higher pre-emergency risk, in the case of a moratorium decided autonomously by the Group, specific assessments are carried out to verify whether or not to consider the renegotiation as a forbearance measure, with a consequent transition to stage 2;
- are not subject to classification as impaired (stage 3). In particular, performing loans that are subject to a moratorium are not classified in the risk class of past-due or overdrawn because, in accordance with the requirements set forth in the EBA guidelines, the moratorium intervenes by interrupting the counting of days past-due. Moreover, adherence to a moratorium for Covid-19 is not considered an automatic trigger for unlikely to pay.

Moratoria granted to customers already classified as non-performing loans are specifically assessed and considered as additional forbearance measures.

2) Amendment of accounting standard IFRS 16

With regard to leases, the practical expedient set out in Regulation (EU) No. 1434/2020, which provides for optional and temporary Covid-19-related operating support for lessees benefiting from concessions on lease payments, was not applied. Renegotiations that were implemented during the reference period are not covered by the amendment.

TLTRO III - "Targeted Longer Term Refinancing Operations"

TLTRO III "Targeted Longer Term Refinancing Operations" are financing operations conducted by the European Central Bank aimed at maintaining favourable bank credit conditions. Banco Desio participated in four TLTRO III auctions for a total outstanding amount of Euro 3.05 billion, having repaid Euro 0.80 billion in the last quarter of 2022.

With regard to the remuneration of loans, following the revision of EU Decision 2019/21, the interest rate was set at a level equal to the average rate of the Eurosystem main refinancing operations (MRO), except for the period between 24 June 2020 and 23 June 2022 (the so-called "special interest rate period"), where a rate 50 basis points lower (i.e. an overall rate of 1%) was applied.

The accounting treatment of the transactions in question, and in particular the recognition of interest according to the various remuneration mechanisms, is not directly traceable to any IAS/IFRS accounting standards. Accordingly, based on the provisions of IAS 8 Accounting Standards, Changes in Accounting Estimates and Errors, Banco Desio has established an accounting policy whereby the provisions of IFRS 9 Financial Instruments are deemed applicable.

With specific reference to the criterion to be applied for recognising expected changes in reference rates, based on the recent discussions and decisions of the IFRS IC, in the event of a revision of cash flows resulting from a change in rates by the ECB, both the provisions apply of paragraph B 5.4.5 of IFRS 9 and those of paragraph B 5.4.6.

In particular, the application of the former would require a prospective revision of the interest rate, while the application of the latter would result in a change in the carrying amount of the liability through an adjustment of the accrued interest rate recognised at the date (so-called "catch-up").

The application of paragraph B 5.4.5 has led to the adoption of different approaches in the banking sector for the application of the peculiar method provided for by the aforementioned regulation (based, as mentioned, on the average rate applied to deposits for the entire duration of the individual TLTRO III, with the exception of special interest rate periods) since, at the date of the preparation of the quarterly financial report, no official interpretation on the matter had been issued by IFRS IC.

The Governing Council of the ECB of 27 October, in addition to raising the key interest rates by 75 basis points, also decided to further amend the terms and conditions applied to the third set of the targeted longer-term refinancing operations, stipulating, in particular, that the remuneration of the individual facilities, as of the end of the additional special interest period, would take place:

a) until 22 November 2022 at the average interest rate on deposits with the central bank from the start date of the financing (so-called "main interest period") and

b) from 23 November 2022 at the average interest rate on deposits with the central bank until the maturity of the loan (so-called "last interest period").

The Governing Council also decided to offer banks additional dates for voluntary early repayment of the amounts. In this regard, the ECB stated that "the recalibration of TLTRO III terms and conditions will contribute to the normalisation of banks' funding costs. The recalibration also removes deterrents to voluntary early redemption of outstanding TLTRO III funds. Early voluntary repayments would reduce the Eurosystem financial statements and thus contribute to the general normalisation of monetary policy".

Also taking into account the subsequent decisions made by the Governing Council of the ECB on 15 December (further increase of 50 basis points in reference rates), Banco Desio recorded negative interest expenses totalling Euro 17.4 million in the year under review (compared to Euro 35.7 million in the previous year).

Contribution to the Resolution Fund (SRM) and the Deposit Guarantee Scheme (DGS)

During the financial year 2015, the European Directives governing the resolution mechanisms of banks belonging to the European Union and the operation of deposit guarantee schemes came into force. In particular:

- directive 2014/59/EU (Bank Recovery and Resolution Directive), transposed into national law by Legislative Decree No. 180 of 16 November 2015, defines the resolution rules and provides for the activation of resolution mechanisms through the establishment of "ex ante" Contribution Funds, whose target level to be reached by 31 December 2024 is 1% of the amount of protected system deposits;
- directive 2014/49/EU (Deposit Guarantee Schemes Directive), transposed into national law by Legislative Decree No. 30 of 15 February 2016, provides that national deposit protection funds (in Italy, the Interbank Deposit Protection Fund - FITD) shall endow themselves with funds commensurate with guaranteed deposits, to be established through an ex-ante contribution system until reaching, by 2024, the target level of 0.8% of guaranteed deposits.

Following the notification of contributions by the competent authorities, the charges relating to ordinary and extraordinary contributions paid are recognised in the income statement under item "150 b) Other administrative expenses", as per the indications contained in the Bank of Italy's communication of 19 January 2016.

Sales related to the "Held to Collect" business model

During the year, there were disposal transactions involving non-impaired exposures classified in the portfolio of "Financial assets measured at amortised cost" attributable to the Parent Company.

In particular, it should be noted that gains were realised in the year from the sale of bonds in the HTC portfolio for Euro 9.3 million (recognised in item "100. Gains (losses) on sale or repurchase of: a) financial assets measured at amortised cost"). The sales transactions with a nominal value of Euro 233 million took place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 31 December 2022 of 4.88% compared to the 5% threshold value).

Since these exposures are classified as "Financial assets measured at amortised cost", i.e. in the portfolio held with the objective of collecting the contractual cash flows (so-called "Hold to Collect" business model), IFRS 9 requires that they be sold subject to certain thresholds of significance or frequency, near maturity, in the presence of increased credit risk, or in the occurrence of exceptional circumstances. In this regard, it should be noted that the disposal transactions carried out by the Group during the year were carried out in compliance with the materiality and frequency thresholds set out in the Group's accounting policies. During the reporting period and up to the date of preparation of this report, there were no changes in the eligibility criteria for sales of financial assets managed under the HTC Business Model.

Lastly, it should be noted that the management of debt securities classified in the "HTC" and "Held To Collect and Sell" portfolios continues in line with the choices made previously; therefore, no change in the business model that resulted in a reclassification of the portfolio occurred during the year.

Option for National Tax Consolidation

The companies of the Banco Desio Group (with the exception of Desio OBG Srl, due to its nature as an SPV) adopted the so-called "national tax consolidation" for the 2021-2023 financial years, governed by Articles 117-129 of the Consolidated Law on Income Taxes (TUIR), introduced into tax legislation by Legislative Decree No. 344/2003. It consists of an optional regime, by virtue of which the total net income or tax loss of each subsidiary participating in the tax consolidation - together with withholdings, deductions and tax credits - are transferred to the parent company, which is determined to have a single taxable income or a single tax loss carry-forward (resulting from the algebraic sum of its own profits/losses and those of the participating subsidiaries) and, consequently, a single tax liability/credit.

Disclosure of public disbursements pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017 ("Annual Market and Competition Law")

It should be premised that Law No. 124 of 4 August 2017 "Annual Law for the Market and Competition" (hereinafter also Law No. 124/2017) introduced in Article 1, paragraphs 125[4] to 129, some measures aimed at ensuring transparency in the system of public disbursements. In particular, this law stipulates that companies must also provide information in the Notes to the Financial Statements, and in any consolidated Notes to the Financial Statements, on "subsidies, contributions, remunerated appointments and in any case economic advantages of any kind" (hereinafter referred to as "public disbursements") received from public administrations and other entities indicated by the aforementioned law. Failure to comply with the publication obligation results in an administrative sanction of 1% of the amounts received with a minimum of Euro 2,000. Only at a later stage does the rule provide for the repayment of the contribution itself[5].

In order to avoid the accumulation of irrelevant information, it is provided that the obligation to publish does not apply if the amount of public disbursements received is below the threshold of Euro 10,000 from the same entity.

Since August 2017, the National Register of State Aid has been active at the Directorate-General for Business Incentives of the Ministry of Enterprise and Made in Italy, in which State aid and de minimis aid for each company must be published by the entities granting or managing such aid. For individual aid to Banco Desio Group companies, please refer to the section "Transparency of the Register", access to which is publicly available.

Providing the foregoing, in compliance with the provisions of Article 1, paragraph 125 of Law No. 124 of 4 August 2017, evidence is provided below of the amounts collected during the 2022 financial year by the Banco Desio Group entities by way of "subsidies, contributions, remunerated appointments and in any

[4] Paragraph made more articulate by Article 35 of Decree Law 34/2019. Paragraphs 126 to 129 were not amended

[5] As reported in Circular No. 32 of 23 December 2019 by Assonime

case economic advantages of any kind".

Banco Desio Group entities	Type of contributions	Amounts collected in the financial year 2022
Banco di Desio e della Brianza S.p.A.	Tax credit for incremental advertising investments in newspapers, periodicals and local television and radio stations	16
Banco di Desio e della Brianza S.p.A.	Tax credit external investors in the production of films of Italian nationality	90
Banco di Desio e della Brianza S.p.A.	Contribution granted by the Superintendence for Architectural Heritage of Umbria for the restoration of Palazzo Pianciani in Spoleto	564

Comparability of Financial Statements

For each account in the financial statements, the amount for the previous year must also be indicated: if these accounts are not comparable, those for the previous year must be adjusted.

Taking into account the disclosures required by IFRS 5 with reference to the recognition of non-current assets and groups of assets held for sale, the balance sheet figures at 31 December 2022 and the income statement figures at 31 December 2022 and 31 December 2021 referring to Banco Desio's assets and liabilities included in the merchant acquiring business unit being transferred were reclassified.

Terms for the approval and publication of financial statements

Article 154-ter of Legislative Decree No. 58/98 (T.U.F.) provides that, within one hundred and twenty days from the end of the financial year, the annual financial statements must be approved and the annual financial report including the draft financial statements, the consolidated financial statements, the report on operations, and the certification of the Financial Reporting Manager referred to in Article 154-bis, paragraph 5, must be published.

The draft financial statements of Banco di Desio e della Brianza S.p.A. were approved by the Board of Directors at its meeting of 2 March 2023 and will be submitted for approval to the Shareholders' Meeting called for 27 April 2023.

Statutory Audit

These consolidated financial statements are audited by KPMG S.p.A. pursuant to Legislative Decree No. 39 of 27 January 2010 in execution of the resolution of the Shareholders' Meeting of 23 April 2020, which appointed this company for the financial years 2021 to 2029 inclusive.

The audit report is made available in full to the public together with the annual financial report, pursuant to Article 154-ter of Legislative Decree No. 58/98.

A.2 PART RELATING TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

The measurement criteria described below, used in the preparation of this document, are in accordance with the IAS/IFRS endorsed by the European Commission in force at the reporting date and are applied on a going concern basis.

For transactions involving the purchase and sale of standardised financial assets, i.e. contracts for which delivery takes place within a time frame established by regulations or market conventions, reference is made to the settlement date.

1 - Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category comprises financial assets other than those classified among the *Financial assets measured at fair value through other comprehensive income* and *Financial assets measured at amortised cost*. This item, in particular, includes:

- financial assets held for trading, mainly consisting of debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not exclusively provide for principal repayments and interest payments on the amount of principal to be repaid (SPPI test failed) or which are not held as part of a business model whose objective is the holding of assets for the purpose of collecting contractual cash flows ("HTC") or whose objective is achieved by both collecting contractual cash flows and selling financial assets ("HTCS");
- financial assets designated at fair value, i.e., financial assets so defined upon initial recognition and where the conditions exist. In this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if doing so eliminates or significantly reduces a measurement inconsistency.

In particular, the following are recognised under this item:

- debt securities and loans that do not belong to the "HTC" or "HTCS" business models (which are therefore included in an "Other/Trading" business model) or that do not pass the SPPI test;
- equity instruments that do not qualify as control, connection and joint control instruments held for trading purposes or for which the designation at fair value through other comprehensive income was not opted for upon initial recognition (so-called "FVOCI option");
- UCITS units.

This item also includes derivative contracts, recognised as financial assets held for trading, which are shown as assets if the fair value is positive and as liabilities if the fair value is negative. Positive and negative present values arising from outstanding transactions with the same counterparty may only be offset if there is a current legal right to offset the amounts recognised in the books and it is intended to settle the offset positions on a net basis.

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities for which no reclassification is permitted), 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, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories under IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through other comprehensive* *income*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively 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 date of reclassification and this date is considered as the initial recognition date for the allocation to the different credit risk stages (stage assignment) for impairment purposes.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt and equity securities and on the subscription date for derivative contracts.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which corresponds to the consideration paid, without considering transaction costs or income directly attributable to the instrument itself, which are recognised in the Income Statement.

Measurement criteria

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of applying this measurement criterion are charged to the Income Statement.

The fair value of a financial instrument quoted in an active market is determined using its market quotation. In the absence of an active market, commonly used estimation methods and valuation models are used, which take into account all risk factors related to the instruments and which are based on market data. For equity securities not listed in an active market, the cost criterion is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. where valuation methods are not applicable, or where there is a wide range of possible fair value estimates, where cost is the most significant estimate.

Derecognition criteria

Financial assets are derecognised only if the sale has resulted in the transfer of substantially all the risks and rewards associated with the assets. If, on the other hand, a significant portion of the risks and rewards relating to the transferred financial assets have been retained, they continue to be recognised in the financial statements, even though, legally, title to the assets has been effectively transferred.

In the event that the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to changes in their cash flows.

Finally, transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractually agreed cash flows and through sale (HTCS), and
- the contractual terms of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the principal amount to be repaid (SPPI test passed).

Also included in this item are equity instruments, not held for trading purposes, for which the option to designate them at fair value through other comprehensive income (FVOCI option) was exercised upon initial recognition.

In particular, the following are recognised under this item:

- debt securities that are attributable to an HTCS business model and have passed the SPPI test;
- equity interests, not qualifying as controlling, associated and jointly controlled, that are not held for trading purposes, for which the option to designate at fair value through other comprehensive income ("FVOCI option") has been exercised.

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities for which no reclassification is permitted), 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, the financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories under IFRS 9 *(Financial assets measured at amortised cost* or *Financial assets measured at fair value through profit or loss*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is deducted from the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition criteria

The initial recognition of financial assets is made on the settlement date for debt and equity securities.

Upon initial recognition, assets are recognised at fair value through other comprehensive income, including transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, assets measured at fair value through other comprehensive income, other than equity securities, are measured at fair value with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, while other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. Upon total or partial disposal, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the Income Statement.

Equity instruments for which the choice was made to classify them in this category are measured at fair value and the amounts recognised in a specific equity reserve are not to be subsequently transferred to the Income Statement, even in the event of disposal. The only component referring to the equity securities in question that is recorded in the income statement is represented by the related dividends.

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 measured at fair value through other comprehensive income are subject to the test of significant increase in credit risk (impairment) required by IFRS 9, in the same way as *Assets at amortised cost*, with the consequent recognition of a value adjustment in the Income Statement to cover expected losses. More specifically, on instruments classified as stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk with respect to the date of initial recognition), a one-year expected loss is recognised at each reporting date. Conversely, for instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since initial recognition) and stage 3 (impaired exposures), an expected loss is recognised for the entire residual life of the financial instrument. Equity securities are not subject to the impairment process.

Derecognition criteria

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

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually agreed cash flows (HTC), and
- the contractual terms of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the principal amount to be repaid (SPPI test passed).

In particular, the following are recognised under this item:

- loans with banks in the various technical forms that meet the requirements set out in the previous paragraph;
- loans to customers in the various technical forms that meet the requirements set out in the previous paragraph;
- debt securities that meet the requirements set out in the previous paragraph.

According to the general rules of 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 managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at amortised cost into one of the other two categories provided 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 the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains or losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the case of reclassification to *Financial assets measured at fair value through profit or loss*, and in Equity, in the valuation reserve, in the case of reclassification to *Financial assets measured at fair value through other comprehensive income*.

Recognition criteria

The initial recognition of financial assets takes place on the settlement date in the case of debt securities and on the disbursement date in the case of loans. Upon initial recognition, assets are recognised at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, as far as loans are concerned, the disbursement date normally coincides with the contract signature date. If this is not the case, a commitment to disburse funds is entered into when the contract is signed and closes on the date of disbursement. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the origin of the transaction, even if settled at a later date.

Costs which, although having the above-mentioned characteristics, are reimbursed by the debtor counterparty or fall under normal internal administrative costs are excluded.

Measurement criteria

Subsequent to initial recognition, these financial assets are measured at amortised cost, using the effective interest rate method: the asset is recognised at an amount equal to the initial recognition value less 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 allocated directly to the individual asset) and then netted with value adjustments.

The effective interest rate is identified by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income attributable to the financial asset. This method of accounting, using a financial logic, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets (measured at historical cost) whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revocable loans.

The measurement criteria are closely linked to the inclusion of the instruments under review in one of the three stages of credit risk provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, the value adjustments referring to this type of asset are recognised in the Income Statement:

- at the time of initial registration, in an amount equal to the expected twelve-month loss;
- at the time of the subsequent valuation of the asset, where the credit risk has not significantly increased since initial recognition, in relation to changes in the amount of expected loss adjustments over the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has been significantly increased compared to initial recognition, in connection with the recognition of value adjustments for expected losses over the entire residual contractual life of the asset;
- at the time of the subsequent valuation of the asset, where the "materiality" of this increase has subsequently ceased to exist, in connection with the adjustment of cumulative value adjustments to reflect the change from an expected loss over the entire residual life of the instrument ("lifetime") to one at twelve months.

The financial assets in question, if performing, are subjected to a valuation, aimed at defining the value adjustments to be recognised in the financial statements, at the level of the individual loan relationship (or “tranche” of security), according to 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) suitably 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 is measured as the difference between the carrying amount of the asset (classified as “impaired”, 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 recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position and takes into account forward-looking information with the inclusion of possible alternative recovery scenarios (“disposal scenario”).

Impaired assets include financial instruments that have been assigned the status of bad loans, unlikely to pay or past-due/overdrawn for more than 90 days according to Bank of Italy rules, consistent with IAS/IFRS and European supervisory regulations.

The expected cash flows take into account the expected recovery times and the presumed realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if there has been a restructuring of the relationship resulting in a change in the contractual rate and even if the relationship becomes, in practice, non-interest bearing.

If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, a reversal of the impairment loss is recognised in the Income Statement. The reversal may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Reversals related to the passage of time are recognised in net interest income.

Receivables for accrued interest on impaired assets are only recognised when they are actually collected.

In some cases, during the life of the financial assets under review and, in particular, the receivables, the original contractual terms are subject to subsequent modification at the will of the parties to the contract. When, during the life of an instrument, the contractual terms are changed, it is necessary to determine whether the original asset should continue to be recognised in the financial statements or whether, on the contrary, the original instrument should be derecognised and a new financial instrument should be recognised.

In general, changes in a financial asset lead to its derecognition and the recognition of a new asset when they are “material”. The assessment of the “materiality” of the change must be made considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially alter the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (also of a quantitative nature) will have to be carried out in order to appreciate the effects of the same and to ascertain whether or not it is necessary to proceed with the derecognition of the asset and the recognition of a new financial instrument.

The (qualitative-quantitative) analyses aimed at defining the “materiality” of the contractual changes made to a financial asset will therefore have to consider:

- the purposes for which the modifications were made: for example, renegotiations for commercial reasons and granting due to financial difficulties of the counterparty:
  - the former, aimed at “retaining” the customer, involve a debtor who is not in a situation of financial difficulty. This includes all renegotiation transactions that are aimed at adjusting the

onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, which relates to aspects connected to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the bank renegotiates in order to avoid losing its customer, such renegotiation should be regarded as material because, if it were not carried out, the customer would be able to obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;

- the second, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the cash flow recovery of the original loan. The underlying risks and rewards, after modification, are normally not substantially transferred and, consequently, the accounting representation is that made through "modification accounting" - which implies immediate recognition in the income statement item "140. "Gains/losses from contractual amendments without derecognition" of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;

▪ the presence of specific objective elements ("triggers") affecting the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, a change of currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are deemed to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

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

Recognition criteria of income components

The measurement criterion at amortised cost generates a shift of transaction costs and ancillary revenues in the income statement over the life of the financial asset instead of changing the income statement in the year of initial recognition.

Interest that accrues over time as a result of discounting non-performing loans is recognised in the income statement under interest income.

The effects of analytical and collective valuations are recognised in the income statement.

The original value of the loan is reinstated when the reasons for the value adjustment cease to exist, with the effects being recognised in the income statement.

In the case of receivables acquired through a business combination, any higher value recognised in the consolidated financial statements upon initial recognition is released to the income statement over the life of the receivable in accordance with its amortisation schedule or in full in the year in which the receivable is extinguished.

Loans subject to fair value hedging transactions are measured at fair value, and changes in value are recognised in the income statement under "Net hedging result", similar to changes in the fair value of the hedging instrument.

4 - Hedging transactions

The Banco Desio Group avails itself of the possibility, envisaged at the time of the introduction of IFRS 9, to continue to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for all types of hedges (both specific hedges and macro-hedges).

Classification criteria

The purpose of hedging transactions is to neutralise 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 hedged financial instruments.

The type of hedge used can be of the type:

- Fair Value Hedge (specific fair value hedge): the objective is to hedge the risk of changes in the fair value of the hedged instrument (an unrecognised asset, liability or firm commitment exposed to changes in fair value attributable to a particular risk that may impact the income statement, including the risk of changes in foreign currency exchange rates);
- Cash Flow Hedge: the objective is to hedge the change in cash flows attributable to particular risks of the instrument in the financial statements (highly probable asset, liability or planned transaction exposed to changes in cash flows attributable to a particular risk that may impact the income statement).

Recognition criteria

Derivative instruments, including hedging instruments, are initially recognised and subsequently measured at fair value.

The recognition of hedging transactions presupposes:

- the involvement of counterparties outside the Banco Desio Group;
- a specific designation and identification of the hedging and hedged financial instruments used in the transaction;
- the definition of the risk management objectives pursued, specifying the nature of the risk hedged;
- the passing of the effectiveness test at the start of the hedging relationship and prospectively, with specific measurement methods and periodicity;
- the preparation of formal documentation, including the hedge report.

Measurement criteria

A hedging transaction is defined as effective when changes in the fair value (or future cash flows) of the hedging financial instrument offset changes in the hedged financial instrument within the 80% - 125% range established by IAS 39.

Effectiveness tests are performed at each annual or interim reporting date, both retrospectively, to measure actual results at the date, and prospectively, to demonstrate expected effectiveness for future periods.

If the tests do not confirm the effectiveness of the hedge and taking into account internal policy, hedge accounting is discontinued from that moment on, the hedging derivative contract is classified as a trading instrument and the hedged financial instrument regains the measurement criterion corresponding to its classification in the financial statements.

Recognition criteria of income components – fair value hedges

Changes in the fair value of hedging derivatives and hedged financial instruments (for the portion attributable to the hedged risk) are recognised in the income statement; this also applies when the hedged item is measured at cost.

This offsetting is recognised through the recognition in the income statement, under item 90 “Net result of hedging activities”, of changes in value referring both to the hedged item (as regards changes produced by the underlying risk factor) and to the hedging instrument. The difference, if any, therefore constitutes the net economic effect.

Recognition criteria of income components – cash flow hedges

The gain or loss on the hedging instrument must be accounted for as follows:

– the portion of gain/loss defined as effective is recognised in equity with an offsetting entry to valuation reserves;

– the ineffective portion of the hedge is recognised in the income statement.

Specifically, the lower of the cumulative gain/loss on the hedging instrument since inception of the hedge and the cumulative change in fair value (present value of expected cash flows) on the hedged item since inception of the hedge must be recognised in equity. Any residual gain or loss on the hedging instrument or ineffective component is recognised in the income statement.

Derecognition criteria

Hedge transactions are discontinued when the effectiveness requirements are no longer met, when they are terminated, when the hedging instrument or the hedged instrument matures, is terminated or sold.

If the hedged instrument is subject to amortised cost measurement, the difference between the fair value determined at the date of discontinuing the hedging relationship and the amortised cost is allocated over its remaining term.

5 - Investments

Classification criteria

This item includes interests held in associates or jointly controlled entities, which are governed by IAS 28. Other non-controlling interests follow the treatment set out in IFRS 9 and are classified as *Financial assets measured at fair value through profit or loss (FVTPL)* or *Financial assets measured at fair value through other comprehensive income (FVOCI)*.

Considered to be subject to significant influence (associates) are entities in which at least 20% of the voting rights are held (including "potential" voting rights) or in which, despite holding a lower percentage of voting rights, there is the power to participate in the determination of the financial and management policies of the investee by virtue of particular legal ties such as participation in syndicate agreements.

Entities are considered to be jointly controlled (joint ventures) when, on a contractual basis, control is shared with one or more other parties, or when the unanimous consent of all parties sharing control is required for decisions concerning relevant activities.

Recognition criteria

Investments are recorded on the settlement date. Initial recognition is at cost including directly attributable incidental expenses. For investments in foreign currencies, conversion into Euro is done using the exchange rate prevailing on the settlement date.

Measurement criteria

The criterion for measurement after initial recognition is equity.

At each reporting date, objective evidence that the investment has suffered an impairment loss (impairment test) is ascertained.

An impairment loss occurs when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between third parties, net of disposal costs) and its value in use (i.e. the present value of the expected future cash flows that are expected to arise from the permanent use and disposal of the asset at the end of its useful life).

To complete the impairment test process, taking into account the internal policy, a "stress test" of some key parameters considered in the valuation model is also carried out in order to bring the recoverable amount to the carrying amount.

In relation to the provisions of IAS 36, the impairment test must be carried out annually; furthermore, at each interim reporting date, a check is made for the possible existence of assumptions that lead to the need to carry out the impairment test again: in particular, certain quantitative and qualitative indicators of presumed impairment of the investment (trigger event) are monitored.

Value adjustments due to impairment, if any, are to be recognised as a balancing entry in the income statement.

If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, a reversal of the impairment loss is recognised in the income statement.

Derecognition criteria

Investments are derecognised when the contractual rights to the cash flows from the financial assets expire or when they are sold with the substantial transfer of all associated risks and rewards.

Recognition criteria of income components

Dividends are recognised when the right to receive payment accrues. Gains/losses on sale are determined on the basis of the difference between the carrying amount of the investment on a weighted average cost basis and the transaction price, net of directly attributable incidental expenses.

6 - Tangible assets

Classification criteria

Tangible assets comprise land, properties, plant, furniture and furnishings, and other equipment. These are tangible assets held to be used in the provision of services (assets held for functional use), and to be leased to third parties (assets held for investment purposes) and which are expected to be used for more than one financial year. Also included are rights of use acquired under leases and relating to the use of a tangible asset (for lessee companies), assets granted under operating leases (for lessor companies).

Recognition criteria

Tangible assets are initially recorded at purchase cost, including incidental expenses incurred in the acquisition and commissioning of the asset.

On the occasion of the first adoption of IAS/IFRS, the exemption provided by IFRS 1 Article 16 was used, opting for the valuation of properties at fair value as a substitute for cost at 1 January 2004. After that date, the cost model was adopted for the valuation of properties.

Extraordinary maintenance costs of an incremental nature are charged to increase the value of the assets to which they relate. Other routine maintenance costs are recognised directly in the income statement.

In application of IFRS 16, leases are accounted for on the basis of the right-of-use model, whereby, at the inception date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term.

When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

Tangible assets are stated in the financial statements at purchase cost, including incidental expenses incurred, less any depreciation charged and any impairment losses incurred, with the exception of artistic heritage, which is valued using the revaluation method.

For tangible assets subject to valuation by the revaluation method:

- if the carrying amount of an asset is increased as a result of a revaluation, the increase must be recognised in other comprehensive income and accumulated in equity under the item revaluation reserve; conversely, if it reverses a decrease in value of the same asset previously recognised in the income statement, it must be recognised as income;
- if the carrying amount of an asset is decreased as a result of a revaluation, the decrease must be recognised in other comprehensive income as a revaluation surplus to the extent that there is a positive valuation reserve with respect to that asset; otherwise, the decrease must be recognised in the income statement.

Tangible assets are systematically depreciated, using the straight-line method, at technical-economic rates that are representative of the remaining useful life of the assets. An exception is made for land and works of art, which are not subject to depreciation given their indeterminate useful life, and in consideration of the fact that their value will not normally decrease with the passage of time. Extraordinary maintenance costs of an incremental nature are depreciated in relation to the remaining useful life of the assets to which they relate.

Any impairment indicators are to be checked annually. If the carrying amount of an asset is found to be higher than its recoverable amount, that carrying amount is adjusted accordingly with a balancing entry in the income statement.

If the reasons that led to the recognition of the loss cease to exist, a reversal of the impairment loss is made, which may not exceed the value that the asset would have had, net of calculated depreciation, in the absence of previous impairment losses.

With regard to the asset consisting of the right of use, which is accounted for according to IFRS 16, it is measured using the cost model according to IAS 16 Property, Plant and Equipment; in this case, the asset is subsequently depreciated and subject to an impairment test if impairment indicators emerge.

Derecognition criteria

Tangible assets are derecognised when they are disposed of.

Recognition criteria of income components

Depreciation and impairment losses, if any, are recognised in the income statement under net value adjustments on tangible assets.

7 - Intangible assets

Classification criteria

Intangible assets include goodwill, costs for vacating non-owned premises and costs for the purchase of application software. Also included are rights of use acquired under leases and relating to the use of an intangible asset (for lessees) and assets granted under operating leases (for lessors). Renovation costs of buildings not owned (so-called leasehold improvements) are recorded under *Other assets*.

Recognition criteria

Goodwill represents the positive difference between the purchase cost and the fair value of assets and liabilities acquired in business combinations. It is recognised as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

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

Measurement criteria

Intangible assets are shown in the financial statements at purchase cost, including incidental expenses incurred, less accumulated amortisation and any impairment losses incurred.

Amortisation is calculated on a straight-line basis using technical-economic rates representative of the remaining useful life.

Goodwill is not subject to amortisation due to its indefinite useful life, and is subject to an annual impairment test. For this purpose, the cash-generating unit to which goodwill is to be allocated is identified. Within the Banco Desio Group, cash-generating units (CGUs) correspond to legal entities.

The amount of the impairment, if any, is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, whichever is lower. This recoverable amount is equal to the higher of the fair value of the expected cash-generating unit, net of any costs to sell, and its value in use.

Any value adjustments due to impairment are to be recognised with a balancing entry in the Income Statement, with no possibility of subsequent reversals.

Costs for vacating non-owned premises are amortised at rates determined by the duration of the corresponding lease (including renewal).

Derecognition criteria

Intangible assets are derecognised when they are disposed of or when future economic benefits are no longer expected.

Recognition criteria of income components

Amortisation and any impairment losses are recognised in the income statement under net value adjustments on intangible assets.

Value adjustments related to renovation costs of non-owned premises are recognised in the income statement under other operating expenses.

8 - Non-current assets and groups of assets held for sale

Classification criteria

Non-current assets/liabilities and groups of assets/liabilities whose carrying amount is expected to be recovered through sale rather than through continued use are classified under the asset item "Non-current assets and groups of assets held for sale", and under the liability item "Liabilities related to assets held for sale".

Recognition criteria

To be classified in the above items, the assets or liabilities (or disposal group) must be immediately available for sale and there must be active and concrete plans such that their disposal within one year from the date of classification as an asset held for sale is highly probable.

Measurement criteria

Following classification in this category, these assets are measured at the lower of their carrying amount and their relative fair value, net of costs to sell, except for certain types of assets - e.g., all financial instruments within the scope of IFRS 9 - for which IFRS 5 requires that the measurement criteria of the relevant accounting standard continue to be applied.

If assets held for sale are depreciable, the depreciation process ceases as from the year of classification as non-current assets held for sale.

Income and expenses attributable to groups of assets and liabilities held for sale, if they are attributable to discontinued operations (as defined by IFRS 5), are shown in the income statement, net of the tax effect, under item "320. Profit (Loss) from discontinued operations after taxes", while those relating to individual non-current assets held for sale are recognised in the most appropriate income statement item.

The term "discontinued operations" is to be understood as meaning an important autonomous business unit or geographical area of activity, even if it is part of a single coordinated disposal programme, rather than a subsidiary acquired exclusively with a view to its resale.

Derecognition criteria

Non-current assets and groups of assets held for sale are derecognised from the financial statements upon disposal.

9 - Current and deferred taxation

Income taxes for the year are computed by estimating the tax burden on an accrual basis, consistent with the manner in which the costs and revenues that generated them are recognised in the financial statements. In addition to current taxation, which is determined in accordance with current tax regulations, there is also deferred taxation, which arises as a result of temporary differences between the carrying amounts and the corresponding tax values. Taxes thus represent the balance of current and deferred income taxes for the year.

Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that sufficient taxable income will be available in the future to recover the asset. They are recognised as assets in the balance sheet under *Tax assets - deferred tax assets*.

Deferred tax liabilities, on the other hand, are recognised as liabilities in the balance sheet under *Tax liabilities - deferred tax liabilities*.

Likewise, current taxes not yet paid are separately recognised under *Tax liabilities - current*. In the case of overpayments on account, the recoverable receivable is recorded under *Tax assets - current*.

In cases where deferred tax assets and deferred tax liabilities relate to transactions that have directly affected equity without affecting the income statement, they are recognised as a balancing entry in equity, affecting specific reserves (e.g. valuation reserves) when provided for.

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

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

Other provisions for risks and charges

Provisions for risks and charges include allocations made for legal or employment-related obligations, or disputes, including tax disputes, that are the result of past events, for which it is probable that economic resources will be used to fulfil the obligations, provided that a reliable estimate of the amount can be made.

Provisions respect the best estimate of future cash flows needed to fulfil the obligation existing at the reporting date. In cases where the time effect is a relevant aspect, the amounts set aside are discounted by considering the estimated maturity of the obligation. The discount rate reflects current assessments of the present value of money, taking into account the specific risks associated with the liability.

The valuation of employee seniority bonuses is carried out by independent external actuaries, and follows the same calculation logic already described for the provision for employee severance indemnity. Actuarial gains and losses are all recognised immediately in the income statement.

Recognition criteria of income components

The allocation is recognised in the Income Statement.

The effects of the passage of time for discounting future cash flows are recorded in the Income Statement under allocations.

11 - Financial liabilities measured at amortised cost

Classification criteria

Payables to banks, *Payables to customers* and *Securities issued* include the various forms of interbank and customer funding, repurchase agreements and inflows through certificates of deposit, bonds and other inflow instruments issued, net of any amounts repurchased. They also include payables recorded by the company as a lessee in the context of lease transactions.

Recognition criteria

These financial liabilities are first recognised on the date the contract is signed, which normally coincides with the time of receipt of the sums collected or the issue of the debt securities. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, plus any additional costs/income directly attributable to the individual funding or issuance transaction.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. An exception are short-term liabilities, for which the time factor is negligible, which remain recorded at 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 criteria

Financial liabilities are derecognised when they have expired or extinguished. Derecognition also occurs when previously issued bonds are repurchased; the difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement.

The placing of own securities on the market after their repurchase is regarded as a new issue with registration at the new placement price.

12 - Financial liabilities held for trading

Recognition and classification criteria

Financial instruments allocated to this item are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without taking into account any transaction costs or income directly attributable to them.

Derivative trading instruments with a negative fair value are recognised in this item.

Valuation and recognition criteria of income components

Financial liabilities held for trading are measured at fair value with the effects recognised in the Income Statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is transferred with the transfer of substantially all risks and rewards of ownership.

14 - Currency transactions

Recognition criteria

Transactions in foreign currencies are accounted for on initial recognition, in the currency of account, by applying the exchange rate in force at the date of the transaction to the foreign currency amount.

Measurement criteria

At each annual or interim reporting date, foreign currency items in the financial statements are valued as follows:

- monetary items are converted at the exchange rate on the closing date;
- non-monetary items measured at cost are translated at the exchange rate on the date of the transaction;
- non-monetary items measured at fair value are translated at the closing date exchange rate.

Recognition criteria of income components

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the Income Statement for the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

16 - Other Information

Cash and cash equivalents

This item comprises legal tender, including foreign banknotes and divisional currencies, current accounts and "demand" deposits with central banks, with the exception of the compulsory reserve, as well as demand loans with banks. The latter definition includes liquidity that can be withdrawn at any time without notice or with 24 hours or one working day's notice.

The item is recorded at face value. For foreign currencies, the face value is converted into Euro at the closing exchange rate at the end of the period.

Other assets

This item includes assets that cannot be allocated to other balance sheet asset items. The item may include but is not limited to:

- gold, silver and precious metals;
- accrued assets other than that to be capitalised on the relevant financial assets, including those arising from contracts with customers in accordance with IFRS 15;
- receivables related to the provision of non-financial goods or services;
- tax debit items other than those recorded under item "110. Tax assets";
- tax credits related to the "Heal Italy" and "Relaunch" Decree Laws acquired as a result of transfers by direct beneficiaries or previous purchasers.

Any remaining balances (of "debit balance") of in transit and suspended items not allocated to the relevant accounts may also be included, provided they are of an insignificant amount overall.

Other liabilities

This item includes liabilities that cannot be allocated to other balance sheet liability items.

This item includes but is not limited to:

- payment agreements that IFRS 2 requires to be classified as payables;
- payables connected with the payment of non-financial goods and services;
- accrued liabilities other than those to be capitalised on the relevant financial liabilities, including those arising from contracts with customers in accordance with IFRS 15;
- miscellaneous tax credit items other than those recognised under item "60. Tax liabilities" related, for example, to the activity of a tax withholding agent.

Employee severance indemnity (TFR)

Measurement criteria

The provision for employee severance indemnity is valued in the financial statements using actuarial calculation techniques.

The valuation is entrusted to independent external actuaries, using the projected unit credit method. The amount thus determined represents the present value, calculated in a demographic-financial sense, of the benefits due to the employee (severance pay) for the seniority already accrued, obtained by re-proportioning the total present value of the obligation to the period of work already performed at the valuation date, taking into account the probability of resignations and requests for advances.

To determine the discount rate, reference is made to an index representative of the yield of a basket of securities of primary companies that issue securities in the same currency as that used for the payment of benefits to employees (so-called high quality corporate bonds). In line with the prevailing orientation, an "AA" class index was chosen.

Recognition criteria of income components

The provision for employee severance indemnity, resulting from the actuarial valuation, as required by IAS 19, is recorded as an offsetting entry to the valuation reserves for the actuarial gain (loss) component, and as an offsetting entry to the income statement under allocations, for other components such as interest accrued due to the passage of time (discounting).

Valuation reserves

This item includes valuation reserves of financial assets measured at fair value through other comprehensive income (FVOCI), cash flow hedge derivatives, valuation reserves established in application of special laws in past years, and actuarial valuation reserves for employee benefits in application of IAS 19. Also included are the effects resulting from the application of fair value as a deemed cost of tangible assets made on the first-time adoption of IAS/IFRS.

Recognition of costs and revenues

Revenues may be recognised:

- at a specific time, when the entity performs the obligation to do by transferring the promised good or service to the customer, or
- over time, as the entity performs the obligation to do by transferring the promised good or service to

the customer.

The asset is transferred when, or during the period in which, the customer acquires control of it. In particular:

- accrued interest is recognised pro rata temporis on the basis of the contractual interest rate or the effective interest rate if amortised cost is applied. Interest income (or interest expense) also includes positive (or negative) differentials or margins accrued up to the reporting date on financial derivative contracts:

  a) hedging of interest-bearing assets and liabilities;

  b) classified in the Balance Sheet in the trading book, but operationally linked to financial assets and/or liabilities measured at fair value (fair value option);

  c) operationally connected with assets and liabilities classified in the trading book and which provide for the settlement of differentials or margins at multiple maturities.

  It should also be noted that in the financial statements, the item interest income (or interest expense) also includes the amortisation, accrued during the year, of fair-value differences recognised with reference to business combination transactions, due to the higher or lower profitability recognised for assets classified under receivables and liabilities classified under payables and securities issued. However, in the event of the extinguishment of such loans (acquired through a business combination), any higher value recognised on initial recognition is released in full in the year in which the loan is extinguished with an impact on the Income Statement (item *Net value adjustments/reversals for credit risk related to financial assets measured at amortised cost*);

- any default interests, in accordance with the terms of the relevant agreement, are recognised in the Income Statement only when actually received;

- dividends are recognised in the Income Statement when the right to receive payment arises, it is probable that the economic benefits arising from them will flow to the Bank and the amount can be reliably measured;

- commissions for revenues from services are recognised, based on the existence of contractual agreements, in the period in which the services are provided. Commissions considered in amortised cost for the purpose of determining the effective rate are recognised under interest;

- revenues or costs arising from the intermediation of financial trading instruments, determined by the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recognised if the fair value can be determined by reference to recent parameters or transactions observable on the same market on which the instrument is traded (level 1 and level 2 of the fair value hierarchy). If these values are not readily ascertainable, or if they have reduced liquidity (level 3), the financial instrument is recorded at an amount equal to the transaction price, less the trade margin; the difference with respect to the fair value flows to the Income Statement over the life of the transaction through a progressive reduction, in the valuation model, of the correction factor associated with the reduced liquidity of the instrument;

- gains and losses arising from the trading of financial instruments are recognised in the Income Statement when the sale is completed, 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 when the sale is completed, i.e. when the obligation to do so is fulfilled vis-à-vis the customer.

Costs are recognised in the Income Statement on an accrual basis; costs related to obtaining and fulfilling contracts with customers are recognised in the Income Statement in the periods in which the relevant revenues are recognised. If the association between costs and revenues can be made in a generic and indirect manner, costs are recorded over several periods using rational procedures and on a systematic basis. Costs that cannot be associated with income are recognised immediately in the income statement.

It should also be noted that the costs related to the Contributions to the Resolution Fund (SRM) and the Deposit Guarantee Scheme (DGS) are recognised in the income statement under item "180 b) Other administrative expenses" taking into account the IFRIC 21 interpretation and the Bank of Italy's communication of 19 January 2016. In particular, the contribution (DGS) is accounted for upon the occurrence of the "binding fact" resulting from the provisions of the new FITD Statutes, according to which the Fund constitutes financial resources until the target level is reached, through ordinary contributions of member banks on 30 September of each year.

Finance lease contracts

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

Securitisation

Exposures to securitisations (in the form of junior securities or deferred purchase prices) are allocated to Financial assets measured at fair value through profit or loss. However, if the relationship between the originator company and the securitisation vehicle company (i.e. the segregated assets managed by the latter) falls within the definition of control[6] defined by IFRS 10, the latter is included in the Banco Desio Group's scope of consolidation.

Financial assets measured at amortised cost include, according to their relevant composition, loans to customers in securitisation transactions subsequent to 1 January 2004, for which the requirements of IFRS 9 for derecognition are not met, or for transactions in which loans are assigned to a securitisation vehicle company and in which, even in the presence of the formal transfer of legal title to the loans, control over the cash flows deriving from the loans and the substance of the risks and rewards is maintained.

The consideration received for the sale of these receivables, net of the securities issued by the vehicle company and repurchased by the originator, is allocated to Financial liabilities measured at amortised cost.

Tax credits related to the "Heal Italy" and "Relaunch" Decree Laws acquired as a result of transfers by direct beneficiaries or previous purchasers (e.g. ecobonus)

Decree Laws No. 18/2020 (so-called "Heal Italy") and No. 34/2020 (so-called "Relaunch") have introduced into the Italian legal system tax incentive measures connected with both investment expenditure (e.g. eco and sismabonus) and current expenditure (e.g. rents of premises for non-residential use). These tax incentives are applied to households or businesses, they 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 of using them for offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax authorities.

The accounting of tax credits acquired from a third party (transferee of the tax credit) is not subject to a specific international accounting standard. IAS 8 requires that, in cases where there is an event not explicitly covered by an IAS/IFRS accounting standard, management should establish an accounting policy that ensures relevant and reliable disclosure of such transactions.

[6] According to this definition, an investor controls an investment entity when it has power over the relevant assets of that entity, is exposed to variable returns from its relationship with that entity, and has the ability to affect those returns by exercising power over it.

To this end, the Bank, taking into consideration the indications expressed by the Supervisory Authorities, has adopted an accounting policy that makes reference to the accounting rules set forth by IFRS 9, applying by analogy its provisions that are compatible with the characteristics of the transaction and considering that the tax credits in question are, in substance, similar to a financial asset. The Bank acquires the credits according to its tax capacity, with the aim of holding them and using them for future offsets; therefore, these credits are attributable to a Hold to Collect business model and recognised at amortised cost, with the remuneration reflected in the net interest income during the recovery period. The valuation of these credits must be performed considering the utilisation flows through the estimated future offsets. However, the accounting framework provided by IFRS 9 for calculating expected losses is not applicable to this specific case, i.e., ECL is not calculated on these tax credits, as there is no counterparty credit risk, considering that the realisation of the credit occurs through offsetting with payables and not through collection.

Given that purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets under international accounting standards, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification under Other Assets in the balance sheet.

Business combination transactions: purchase price allocation

Introduction

The general process required by IFRS 3 *Business Combinations* for accounting for business combinations, i.e. transactions or other events in which a company acquires control of one or more businesses and provides for the consolidation of the assets, liabilities and contingent liabilities acquired at their respective fair values, including any identifiable intangible assets not already recognised in the financial statements of the acquired company, is described below.

According to IFRS 3[7], first of all, the specific analysis required for the identification of the characteristics of a "business activity (or Business)", with respect to the perimeter acquired, must be conducted in order to then proceed to the identification of a business combination to be accounted for on the basis of the so-called Acquisition Method.

The entity then proceeds to the qualitative analysis of the characteristics of what was acquired to verify the simultaneous presence of i. Factors of production, ii. Processes, iii. Production as defined by IFRS 3 itself, in particular with respect to the concept of Substantive Process.

Subsequently, on the basis of the Acquisition Method, it is necessary, with reference to the date of acquisition of control, to allocate the price of the combination (Purchase Price Allocation - PPA) by recognising the assets acquired and liabilities (including contingent liabilities) assumed at their relative fair values and, if applicable, minority interests at their relative fair values, as well as identifying the intangible assets implicit previously not recognised in the accounts of the acquired company. Any difference arising between the price paid for the acquisition (also measured at fair value and taking into account any "contingent consideration") and the fair value (net of tax effects) of the assets and liabilities acquired, if positive, determines goodwill to be recognised in the balance sheet; if negative, it determines an impact that must be recognised in the income statement as a positive component (so-called "badwill" or negative goodwill).

IFRS 3 allows the final allocation of the cost of the combination to be made within twelve months of the acquisition date.

Fair value of assets and liabilities acquired

[7] The amendments made to IFRS 3 by Endorsement Regulation 2020/551 have i. amended paragraph 3 and ii. introduced paragraphs B7 - B12D substantially revising the definition of "business" for the purpose of identifying transactions qualifying as "business combinations".

In accounting for a business combination, the entity determines the fair value of the assets, liabilities and contingent liabilities, which is recognised separately only if, at the acquisition date, that value meets the following criteria:

- in the case of an asset other than an intangible asset, it is probable that any future economic benefits will flow to the acquirer;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), its fair value can be measured reliably.

Financial assets and liabilities must be measured at fair value at the date of the business combination, even if they are measured according to other criteria in the financial statements of the acquired company. In the case of financial instruments not listed on active markets, the methods for determining fair value described in Part A.4 below apply, adopting the most appropriate internal valuation model for the individual instrument in question.

Identification of intangible assets

Based on the characteristics of the acquired company, it is necessary to investigate whether assets not already recognised as assets should be accounted for separately, such as intangible assets related to customer relationships (customer-related intangible or client relationship) and marketing (brand name).

Customer-related intangible assets: fall into the category of intangible assets because, although not always arising from contractual rights like marketing-related intangible assets, they can be separated and can be reliably valued.

This category includes:

- customer lists: consist of all the information held on customers (data base containing names, contact details, order history, demographic information, etc.) which, because they can be rented and exchanged, have a value recognised by the market; they cannot be considered intangible assets if they are considered so confidential that their sale, rental or other exchange is prohibited in the combination agreement;
- contracts with customers and customer relationships established as a result thereof: contracts with customers satisfy the contractual/legal requirement to constitute an intangible asset even if their sale or transfer separately from the acquired business is prohibited in the combination agreement; for this purpose, contacts established as a matter of practice with customers, irrespective of the existence of a formal contract, and all non-contractual relationships are also relevant, provided that they are separable and independently assessable;
- customer relationships of a non-contractual nature: this category includes all intangible assets that, because they are separable and transferable separately from the acquired company, can be valued individually and recognised as intangible.

Marketing-related intangible assets: trademarks, trade names, service marks, collective marks, quality marks insofar as they derive from contractual rights or are usually separable. These assets take into account that set of productive conditions economically related to trade name, relational capacity, distribution strength.

An intangible asset must initially be measured at cost. If it is acquired in a Business Combination, its cost is the fair value at the date of acquisition of control.

Fair value reflects market expectations about the likelihood that the future economic benefits inherent in the asset will flow to the controlling entity. An entity shall assess the probability of future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Accounting standards do not specifically prescribe the valuation method to be used to measure the fair value of these assets. However, among the possible methods that can be used, they favour those that refer to observable market prices. In the absence of this, accounting standards allow the use of valuation models, which must in any case incorporate generally used and market-recognised assumptions.

The determination of fair value in the case of customer-related intangible assets is based on the discounting of flows representing the income margins generated by the deposits over a period expressing the expected residual life of the relationships in place at the date of acquisition.

Generally, both market methods and methods based on flows from the management of the brand itself and on the basis of a market royalty are used for brand valuation.

Determination of goodwill ("badwill" or negative goodwill)

Goodwill represents the residual amount of the acquisition cost, as it is the excess of the cost of the Business Combination over the net fair value of the identifiable assets, liabilities and contingent liabilities (including intangibles and contingent liabilities that qualify for recognition).

It represents the consideration paid by the acquirer in anticipation of future economic benefits arising from assets that cannot be individually identified and separately recognised, effectively incorporating the value of expected synergies, the acquired company's image, know-how, professionalism, procedures and other indistinct factors.

Goodwill acquired in a business combination is not amortised. The entity verifies annually, i.e. at the end of the year in which the combination occurred and whenever there is an indication that the value of the asset may have deteriorated, that the amount recognised is not impaired (impairment test).

If the residual amount resulting from the allocation of the purchase value is negative, so-called badwill, it is recognised as a benefit in the income statement under item 230 "Other operating expenses/income".

Criteria for segment reporting

The Banco Desio Group's segment reporting, in compliance with the disclosure requirements of IFRS 8, is based on the elements that management uses in the internal reporting system through which it monitors performance and makes operational decisions on the resources to be allocated.

The organisational and management structure of the Group is divided into the following sectors: Banking and Parabanking.

For the purposes of preparing this information, the results of operations and assets attributed to the various business segments are determined in accordance with the accounting standards used in the preparation and presentation of the consolidated financial statements. Using the same reporting criteria allows easier reconciliation of sectoral data with consolidated data. It should also be noted that, in order to represent the results more effectively and to better understand the components that generated them, the balances for each reportable segment are shown gross of consolidation adjustments and intercompany eliminations; a specific column entitled "Consolidation adjustments" allows for reconciliation to the consolidated figure.

A.3 DISCLOSURE OF TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

Type of financial instrument	Portfolio of provenance	Portfolio of destination	Date of reclassification	Reclassified carrying amount	Interest income recorded in the year (pre-tax)
Debt securities	HTCS	HTC	01.10.2018	254,926	n.a.

With reference to the reclassified financial assets still recognised as assets at the financial statements reference date, the column "Reclassified carrying amount" shows the amount transferred from the HTCS accounting portfolio to the HTC accounting portfolio (of original Euro 1,045,956 thousand), including the related cumulative OCI valuation reserve at 30 September 2018, negative for approximately Euro 17,521 thousand (of original Euro 51,459 thousand, gross of the related tax effect), which at the date of reclassification was removed from equity as a balancing entry to the fair value of the reclassified financial assets which, as a result, are recognised as if they had always been measured at amortised cost.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

According to the accounting standard IFRS 9 "Financial Instruments", a business model represents the way in which groups of financial assets (portfolios) are managed collectively in pursuit of certain strategic business objectives, i.e. the collection of contractual cash flows, the realisation of profits through sale, or a combination of these, which in relation to the contractual cash flow characteristics of the financial assets themselves (SPPI test - solely payments of principal and interests) determines their measurement at amortised cost, at fair value through profit or loss, or at fair value through equity. The business model therefore does not depend on the management's intentions with respect to a single financial instrument, but rather is set at a higher level of aggregation (portfolio) and is determined by the management according to the scenarios that it reasonably expects to occur, taking into account, however, the manner in which the performance of the financial assets held within the model is measured, the manner in which performance is communicated (and remunerated) to key management personnel and the risks that affect the performance of the business model (and therefore of the financial assets owned within the business model) and the manner in which these risks are managed.

In first time adoption of IFRS 9, in order to allocate the financial instruments in the business models, for the loan portfolio, where the conditions are met, only the Held to Collect (or HTC) business model was defined, which reflects the operating method always followed by the Banco Desio Group entities in managing loans disbursed to both retail and corporate customers, while for the portfolio of proprietary financial instruments, three business models were defined, respectively, Held to Collect (or HTC), Held to Collect and Sell (HTC&S) and Trading (FVTPL), with a limited number of cases in which a change in management intent was opted for with respect to the accounting categories provided for by IAS 39, whereby the prevailing destination for bond instruments (mainly Italian government bonds) held for investment purposes was identified by the Banco Desio Group in the accounting categories HTC and HTC&S to an essentially equal extent.

This decision was taken following an ad hoc analysis of the performance and management of the securities portfolio over the previous two years in order, moreover, to guarantee periodic cash flows through the HTC&S category, while also reserving the possibility of seizing market opportunities by selling securities (not on a recurring basis) before their maturity date; this business model was seen as the main category to which financial investments should be allocated, while reflecting the exposure to market risk through fair value measurement with an impact on overall profitability at each reporting period.

Also in consideration of the evolution of the reference context, during the year the Board of Directors of Banco di Desio e della Brianza monitored with particular attention the effects of the operational choices made (including the "2Worlds" securitisation obtaining the GACS) in order to achieve the strategic objectives defined in the Group's 2018-2020 business plan. In fact, the aforementioned plan reaffirmed the centrality of the credit chain as the main driver of profitability, while at the same time pursuing a reduction in overall risk exposure, accompanied by consistent prudential and conservative management of the proprietary securities portfolio.

The analysis of the final results reported at 30 June 2018 therefore gave further impetus to the implementation of the initiatives aimed at protecting assets, including the finalisation, also through an independent external advisor, of a specific assessment relating to the overall strategic management of the Group's investment activities in order to identify possible interventions to redefine the business models of the proprietary securities portfolio. Therefore, on 26 September 2018, the Board of Directors of Banco di Desio e della Brianza met to discuss, among other things, the results of the aforementioned assessment on investment activities; in this context, the logic underlying the Finance Area's operations was critically reviewed, with particular regard to the risk profile expressed by the groups of financial assets allocated to the various business models.

The examination carried out showed how the investment policies implemented led to situations of misalignment, sometimes significant, with respect to the objectives and strategic lines defined in the business plan with reference to the pursuit of a stable policy of strengthening capital requirements. In light of the conclusions reached, the bank, in reaffirming the need to maintain a particularly prudent risk profile in the management of its securities portfolio, has therefore opted for a more decisive management strategy aimed at favouring stability in the collection of cash flows in the medium-long term of the securities portfolio and thus mitigating the risks of weakening capital requirements (albeit to the detriment of the possibility of seizing any market opportunities).

Operationally, this necessarily entailed a change of approach in the overall financial asset management process:

- by favouring the HTC portfolio as a category for investment purposes, so as to ensure on the one hand, determined and stable cash flows with low risk-taking and on the other hand, management of investments more consistent with financing sources increasingly oriented towards medium- to long-term stability (issuance of covered bonds, EMTN programme),
- the HTC&S portfolio, which showed a strong sensitivity to market risk, as a category intended for short-term treasury activities characterised by a "residual" nature compared to the past,
- the FVTPL portfolio to exploit market opportunities through trading activities from a short/very short term (intraday) perspective according to a defined and limited exposure to market risks (marginal activity with respect to the Group's core business).

In order to ensure consistent management of the new business models, the organisational structure of the Parent Company's Finance Area was changed, which, as of 27 September 2018, is divided into three distinct sectors (respectively "ALM" for medium-long term investments, "Trading" and "Treasury", the last two of which are operational for the needs of Banco di Desio e della Brianza alone in a centralised Group logic. The change in the business models therefore entailed a redefinition/integration of the previously established operating limits due to the new financial asset management processes that were defined, as well as the reporting produced by the Finance Area, and the primary indicators set forth in the Risk Appetite Framework were integrated.

Also from an operational point of view, the management drivers/objectives associated with the new business models led to the need to review the allocation of financial assets between the different portfolios, according to the specific characteristics of each financial instrument with respect to the new holding purposes, as a result of which about 74% of the HTC&S portfolio in existence at the date the change in business models was resolved was associated with the HTC/ALM portfolio.

In order to make the new models for managing investment activities immediately operational, changes were approved to the Banco Desio Group's highest level internal regulations (e.g. IFRS 9 methodological framework, group risk management policy, operating limits policy, etc.) and consequently, changes/additions were made to the Finance Area's detailed internal regulations with reference to the process regulation for managing the Group's treasury and proprietary securities portfolio.

The accounting effects of this transaction, which were exclusively of an equity nature, took place as of 1 October 2018, the "reclassification date" on which the conditions set out in IFRS 9 for a change in business model (in terms of rarity of occurrence, decision taken by senior management as a result of external or internal changes, significance[8] for the transactions, demonstrability to external parties) were met.

The financial instruments subject to the change of business model from HTC&S to HTC were mainly sovereign debt and corporate bonds with a total nominal value of Euro 1,093 million. The related cumulative loss at the date of reclassification of Euro 51.5 million (gross of the related tax effect), previously recognised in other comprehensive income (valuation reserve), is derecognised from equity as a balancing entry to the fair value of the same financial instruments, which are consequently recognised as if they had always been measured at amortised cost.

In December 2019, the Finance Area, in cooperation with the Chief Risk Officer, concluded the annual analysis relating to the review of the limits and operational thresholds of the proprietary securities portfolio, which took into account, in particular, the changes introduced in the meantime to the Eurozone monetary policy. This analysis was submitted to the Board of Directors of Banco Desio held on 12 December 2019, which, following the discussion held on the matter, approved the proposal aimed at updating (in accordance with the provisions of paragraph B4.1.2C of IFRS 9) the operating thresholds of the proprietary securities portfolio, effective from 1 January 2020, in order to align the composition of the individual portfolios as much as possible with the identified management purposes and thus allow their effective pursuit on an ongoing basis. More specifically:

- with reference to the FVTPL portfolio: increase of the daily stop-loss limit while keeping the other VAR and periodic stop-loss limits unchanged;
- with reference to the HTC&S portfolio: (a) increasing the maximum duration of the portfolio, (b) increasing the maximum residual life of the securities to be held, and (c) establishing a maximum limit that may be invested in securities rated below investment grade at the time of purchase, but at least BB- or Ba3;
- with reference to the HTC portfolio: (a) differentiation of the weight of sales as the modified duration of the securities in the portfolio decreases, subject to the threshold of relevance of sales at 5%

[8] In order to specifically assess the significance/relevance of the change in business models, reference was made to the IASB "2018 Conceptual Framework for Financial Reporting" and therefore to the expectations of financial statement users in relation to the amounts that they consider relevant, so in this case, for the Banco Desio Group and for the individual bank concerned, quantitative elements were used, such as the size of the HTC&S portfolio potentially subject to reallocation, which was placed in relation to balance sheet figures such as the entire HTC&S portfolio, total financial assets other than loans, total assets and book equity at 30 June 2018. In consideration of the strong risk sensitivity demonstrated by the HTC&S portfolio, associated with the dual purpose of holding financial assets to collect cash flows or take advantage of possible market opportunities to make sales, the "significance for transactions" was also considered in terms of the incidence of the OCI valuation reserve pertaining to the securities potentially subject to reallocation with respect to the book equity at 30 June 2018, 31 July 2018 and 31 August 2018, demonstrating, moreover, a non-negligible volatility effect on the asset size over a three-month period. The final figures at 30 September 2018 further corroborated the analyses carried out for the purpose of the resolutions passed on 26 September 2018.

(relevance threshold), and (b) better to set at 12 the annual executions regardless of the number of positions in the portfolio (frequency threshold).

Taking into account the returns offered by the market for the asset classes to which the Parent Company has the greatest exposure, in June 2020, the Board of Directors approved an update to the operating limits of the held-to-collect & sell (HTC&S) and trading books in order to make their composition as close as possible to the business model management objectives declared in the assessment approved by the Board of Directors on 26 September 2018 in light of the developments that have occurred in the financial markets in the meantime.

Information on the effective interest rate determined at the date of the reclassification (as per IFRS 7, paragraph 12C, letter a) is not relevant as it is not required for the type of reclassification that has been made.

A.4 INFORMATION ON FAIR VALUE

Qualitative information

In IFRS 13 "Fair Value Measurement", fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants (exit price). The definition of fair value in IFRS 13 makes it clear that the measurement techniques are market based and not entity specific.

The stated accounting standard requires disclosure of both information regarding measurement techniques and parameters used to value assets and liabilities measured at fair value on a recurring or non-recurring basis after initial recognition, and information regarding the effects on comprehensive income of valuing instruments measured using unobservable parameters to an effective extent.

When no price is observable for an identical asset or liability, fair value is measured by applying a measurement technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

According to IFRS 13 and for the purpose of determining the fair value of OTC derivatives, counterparty risk must be considered.

The fair value hierarchy has 3 levels. Highest priority is given to listed (unadjusted) prices in active markets for identical assets or liabilities (Level 1 data) and lowest priority to unobservable inputs (Level 2 and 3 data). The fair value hierarchy prioritises the inputs to measurement techniques and not the techniques used to measure fair value. A fair value measurement developed using a present value technique could therefore be classified in Level 2 or Level 3, depending on the significant inputs to the entire measurement and the level of the fair value hierarchy in which those inputs are classified.

Fair value determined with level 1 inputs

Fair value is *level 1* if determined on the basis of listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A listed price in an active market provides the most reliable evidence of fair value and, when available, should be used without adjustment.

An active market is one in which transactions in the asset or liability occur with sufficient frequency and volume to provide useful pricing information on an ongoing basis.

The key elements are as follows:

- 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;
- whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

The main market is the one with the largest volume and the highest level of assets or liabilities. In its absence, the most advantageous market is the one that maximises the amount that would be received for selling the asset or minimises the amount that would be paid for transferring the liabilities.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

The fair value of financial assets and liabilities is determined using measurement techniques related to the type of financial instrument measured.

For *Level 2* fair value, measurements supported by external info providers and internal applications using directly or indirectly observable inputs for the asset or liability are used, and include:

- listed prices for similar assets or liabilities in active markets;
- listed prices for identical or similar assets or liabilities in inactive markets;
- data other than observable listed prices for the asset or liability, for example:
  - interest rates and yield curves observable at commonly intervals;
  - implied volatilities;
  - credit spreads;
- input corroborated by the market.

For *Level 3* fair value, unobservable inputs are used for the asset or liability. The use of such inputs, including those from internal sources, is permissible where observable market information useful for estimation is not available and must reflect the assumptions market participants would make in determining the price.

For *Level 3* fair value and with specific reference to OTC derivatives in foreign currencies, the input inherent in the credit spread for non-institutional customers is provided by the internal rating model, which classifies each counterparty into risk classes with homogeneous probability of default.

It is also worth noting the application of the Credit Value Adjustment (CVA) model for OTC derivatives with the aim of highlighting the impact of the counterparty's credit quality, an intrinsic factor in the pricing of bond instruments but not in derivatives. The method implemented consists of determining the fair value by discounting the positive Mark to Market (MTM) of the derivative with the credit spread weighted by the residual life of the instrument.

In relation, on the other hand, to OTC derivatives with negative Mark to Market (MTM), the model applied is the Debit Value Adjustment (DVA) with the aim of highlighting the impact of the quality of creditworthiness. The model involves applying the same CVA discount formula to the negative value (MTM) of the derivative with the inclusion of the bank's credit spread.

It should be noted that, in applying both models (CVA and DVA) and for the purpose of determining the impact of the counterparty's credit quality, i.e. the quality of its creditworthiness, the credit risk-reducing effect of collateralisation agreements (CSA) is taken into account.

The fair value of non-financial assets and liabilities (receivables and payables) is determined using the DCF (discounted cash flow) method of analysis; the module in use allows for the consistent integration of market elements, financial characteristics of the transaction and credit risk components into the fair value measurement.

With reference to "assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis" for which fair value is provided for note disclosure purposes only, the following should be noted:

- for loans, the fair value is calculated for positions performing beyond the short term using a measurement technique that provides for the discounting of expected cash flows considering, other than the free risk rate, the credit risk of the relationship (in terms of PD and LGD recorded in 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 as Level 3, unless the significance of the observable inputs with respect to the entire valuation exceeds a pre-determined threshold (Level 2), or in the case of discontinued operations/transactions in progress at the reporting date (Level 1). Taking into account the current credit market context, with particular reference to non-performing loans, this fair value (Level 2 and 3), determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser;

- payables and certificates of deposit issued are stated at their carrying amount, which is a reasonable approximation of fair value (Level 3);
- for bonds issued, fair value is calculated using the discounted cash flow method, applying a credit spread (Level 2);
- tangible assets held for investment purposes: fair value is determined on the basis of an estimate made using a series of information sources relating to the real estate market and making the appropriate adjustments/increases in relation to parameters such as location, size, age, intended use of the premises and extraordinary maintenance, as well as by comparison with the estimate made by independent external experts (*Level* 3).

A.4.2 Valuation processes and sensitivities

The measurement techniques and inputs selected are used on a constant basis over time, unless circumstances arise that make it necessary to replace or modify them, such as: the development of new markets, the availability and/or unavailability of new information, or improvements in the measurement techniques themselves.

The process of evaluating financial instruments consists of the steps summarised below:

- for each asset class, market parameters and the manner in which these data are to be incorporated and utilised are identified;
- the market parameters used are checked both with regard to their integrity and in the way they are used;
- the methodologies used for valuations are compared with market practices in order to identify possible developments and define changes to valuations.

With reference to the financial instruments subject to fair value measurement on a recurring basis classified in Level 3, the sensitivity analysis is not provided due to their nature and, in any case, the irrelevance of the data except as indicated below.

A.4.3 Fair value hierarchy

With regard to financial assets and liabilities measured at fair value on a recurring basis, the classification based on the above hierarchy of levels reflects the significance of the inputs used in the valuations.

The loss of active market qualification for an asset or liability results in a change in the measurement technique and inputs used, causing the fair value to be ranked lower in the hierarchy.

The chosen measurement technique is used consistently over time, unless circumstances arise that make it necessary to replace it with another more significant one, such as the development of new markets, the availability of new information, or changes in market conditions. This implies that an asset or liability valued at different times may be classified at a different level of the hierarchy.

The application of the principles adopted for the determination of levels takes place monthly

A.4.4 Other information

During the year under review, the process of classifying the fair value of loans was simplified for prudential purposes (exposing all loans to customers as L3), considering the parameter relating to PD not observable on an active market, hence the substantial difficulty of unambiguously demonstrating its relevance among the various parameters considered in determining fair value. The comparative figure has therefore also been restated.

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Quantitative information

A.4.5 Fair value hierarchy

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

	31.12.2022			31.12.2021		
Financial assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets measured at fair value through profit or loss	24,850	21,411	93,559	23,197	4,492	57,855
a) Financial assets held for trading	5,140	19,690	934	6,932	3,609	493
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	19,710	1,721	92,625	16,265	883	57,362
2. Financial assets measured at fair value through other comprehensive income	800,952	38,186	3,208	562,346	27,680	3,334
3. Hedging derivatives	-	59,099	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**825,802**	**118,696**	**96,767**	**585,543**	**32,172**	**61,189**
1. Financial liabilities held for trading	-	3,278	852	-	5,461	440
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	365	-
Total	**-**	**3,278**	**852**	**-**	**5,826**	**440**

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

Investments measured on the basis of unobservable parameters (level 3) make up a particularly small portion of all financial assets measured at fair value (9.29% compared to 9.01% at the end of 2021). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 31 December 2022, the impact of the application of the Credit Value Adjustment and the Debit Value Adjustment on the balance sheet values was not calculated as all derivative contracts in place are backed by collateralisation agreements with counterparties to mitigate credit risk (CSA agreements).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	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 measured at fair value				
1. Opening balance	**57,856**	**493**	**-**	**57,363**	**3,334**	**-**	**-**	**-**
2. Increases	**46,188**	**934**	**-**	**45,254**	**-**	**-**	**-**	**-**
2.1. Purchases	44,768	14	-	44,754	-	-	-	-
2.2. Profits recognised in:	1,420	920	-	500	-	-	-	-
2.2.1. Income Statement	1,420	920	-	500	-	-	-	-
- of which gains	1,406	920	-	486	-	-	-	-
2.2.2. Equity	-	X	X	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**10,485**	**493**	**-**	**9,992**	**126**	**-**	**-**	**-**
3.1. Sales	72	-	-	72	0	-	-	-
3.2. Reimbursements	-	-	-	-	90	-	-	-
3.3. Losses recognised in:	8,922	493	-	8,429	30	-	-	-
3.3.1. Income Statement	8,922	493	-	8,429	-	-	-	-
- of which losses	8,922	493	-	8,429	-	-	-	-
3.3.2. Equity	-	X	X	-	30	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,491	-	-	1,491	6	-	-	-
4. Closing balance	**93,559**	**934**	**-**	**92,625**	**3,208**	**-**	**-**	**-**

A.4.5.3 Annual changes in 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	**852**	**-**	**-**
2.1 Issuances	-	-	-
2.2. Losses recognised in:	852	-	-
2.2.1. Income Statement	852	-	-
- of which losses	852	-	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**441**	**-**	**-**
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	441	-	-
3.3.1. Income Statement	441	-	-
- of which gains	441	-	-
3.3.2. Equity	X	-	-
3.4. Transfer to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**852**	**-**	**-**

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2022				31.12.2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	14,658,920	1,922,475	754,119	11,297,059	16,330,175	2,271,868	791,597	13,617,226
2. Tangible assets held for investment purposes	1,805	-	-	2,867	2,502	-	-	2,823
3. Non-current assets and groups of assets held for sale	1	-	-	1	13,080	-	-	13,080
Total	**14,660,726**	**1,922,475**	**754,119**	**11,299,927**	**16,345,757**	**2,271,868**	**791,597**	**13,633,129**
1. Financial liabilities measured at amortised cost	16,084,575	-	1,493,586	14,553,001	16,316,377	-	1,513,377	14,801,083
2. Liabilities related to assets held for sale	11	-	-	11	-	-	-	-
Total	**16,084,586**	**-**	**1,493,586**	**14,553,012**	**16,316,377**	**-**	**1,513,377**	**14,801,083**

Key

CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 INFORMATION ON THE *"DAY ONE PROFIT/LOSS"*

IFRS 9 Financial Instruments requires that the initial recognition value of a financial instrument is equal to its fair value, which is usually the transaction price (i.e. the amount disbursed for financial assets and the amount received for financial liabilities). This statement is verified for transactions in instruments listed in an active market. If the market for such a financial instrument is not active, the fair value of the instrument must be determined using measurement techniques. If there is a difference (so-called "day one profit/loss") between the transaction price and the amount determined at initial recognition through the use of measurement techniques, and this difference is not immediately recognised in the income statement, it is necessary to provide the disclosures required by paragraph 28 of IFRS 7 indicating the accounting policies adopted to recognise the differences thus determined in the Income Statement, subsequent to the initial recognition of the instrument.

In relation to the operations performed and on the basis of the internal measurement methods currently in use, the fair value of financial instruments at initial recognition generally coincides with the transaction price. However, if a difference has been recognised between the transaction price and the amount determined through the use of measurement techniques, this difference has been recognised immediately in the Income Statement.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2022	31.12.2021
a) Cash	55,363	52,904
b) Current accounts and demand deposits with central banks	765,043	-
c) Current accounts and demand deposits with banks	59,187	31,508
Total	**879,593**	**84,412**

In Asset item - 10. "Cash and cash equivalents" - the amount on demand of Euro 765 million was recognised in respect of cash in excess of the commitment to maintain the compulsory reserve at the reporting date invested in overnight deposits and previously held entirely in the Compulsory reserve account and recognised under item 40.a) "Loans with banks".

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	-	17,994	-	-	3,559	-
1.1 Structured securities	-	876	-	-	-	-
1.2 Other debt securities	-	17,118	-	-	3,559	-
2. Equity securities	4,648	-	-	4,668	-	-
3. UCITS units	482	-	-	2,151	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**5,130**	**17,994**	**-**	**6,819**	**3,599**	**-**
B. Derivative instruments						
1. Financial derivatives	10	1,696	934	113	10	493
1.1 for trading	10	1,696	934	113	10	493
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**10**	**1,696**	**934**	**113**	**10**	**493**
Total (A+B)	**5,140**	**19,690**	**934**	**6,932**	**3,609**	**493**

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

Item 20 "Financial assets held for trading" comprises:

a) on-balance sheet assets held for trading purposes;
b) the positive value of derivative contracts put in place for trading purposes.

The criteria adopted for the classification of financial instruments into the three levels of the "fair value hierarchy" are set out in Section "A.4 Fair value disclosures" of Part A "Accounting Policies" of the Notes to the Financial Statements above

All financial instruments recorded under financial assets held for trading are valued at their fair value.

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Values	31.12.2022	31.12.2021
A. On-balance sheet assets		
1. Debt securities	**17,994**	**3,599**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	13,372	3,599
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	4,622	-
2. Equity securities	**4,648**	**4,668**
a) Banks	686	541
b) Other financial companies	746	1,209
of which: insurance companies	-	-
c) Non-financial companies	3,216	2,918
d) Other issuers	-	-
3. UCITS units	**482**	**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)	**23,124**	**10,418**
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	2,640	616
Total (B)	**2,640**	**616**
Total (A+B)	**25,764**	**11,034**

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2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**665**	**-**	**-**	**883**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	665	-	-	883	-
2. Equity securities	**-**	**1,056**	**-**	**-**	**-**	**-**
3. UCITS units	**19,710**	**-**	**92,625**	**16,265**	**-**	**57,362**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**19,710**	**1,721**	**92,625**	**16,265**	**883**	**57,362**

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

The item "Financial assets mandatorily measured at fair value" mainly comprises units of UCITS not held for trading purposes. These instruments, by their nature, do not pass the SPPI test (solely payments of principal and interest) required by IFRS9 "Financial Instruments". In particular, this item mainly includes units of closed-end funds subscribed as a result of sales of non-performing loans to the funds themselves; the fair value of fund units (level 3) is determined by applying the bank's policies for this type of financial instrument.

In particular, during 2022, sales of receivables for a nominal value of Euro 67,884 thousand were completed with subscription of Closed-end Fund units for Euro 35,006 thousand, valued in accordance with the Group's fair value policies.

In addition, subscriptions in the open-end Planetarium Fund - Anthilia White and Planetarium Fund - Anthilia Yellow for a countervalue of Euro 7,000 thousand should be noted.

The sub-item "Equity securities" includes the value of the investment acquired in Yolo Group during the year.

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

	31.12.2022	31.12.2021
1. Equity securities	**1,056**	**-**
of which: banks	-	-
of which: other financial companies	1,056	-
of which: non-financial companies	-	-
2. Debt securities	**665**	**883**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	665	883
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**112,335**	**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	**114,056**	**74,510**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**799,659**	**28,186**	**-**	**562,177**	**17,680**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	799,659	28,186	-	562,177	17,680	-
2. Equity securities	**1,293**	**10,000**	**3,208**	**169**	**10,000**	**3,334**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**800,952**	**38,186**	**3,208**	**562,346**	**27,680**	**3,334**

Key

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

The item “Financial assets measured at fair value through other comprehensive income” include:

- the bond portfolio not held for trading purposes and not held with the exclusive intention of collecting contractual cash flows;
- shares in non-subsidiaries and non-associates for which there was adoption of the so-called “FVOCI option”.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Values	31.12.2022	31.12.2021
1. Debt securities	**827,845**	**579,857**
a) Central banks	-	-
b) Public administrations	798,840	561,059
c) Banks	28,239	18,798
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	766	-
2. Equity securities	**14,501**	**13,503**
a) Banks	10,000	10,000
b) Other issuers:	4,501	3,503
- other financial companies	3,406	2,224
of which: insurance companies	-	-
- non-financial companies	1,095	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	**842,346**	**593,360**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total value adjustments

		Gross amount					Total value adjustments				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Total partial write-offs
Debt securities		828,168	828,168	-	-	-	323	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**31.12.2022**	**828,168**	**828,168**	**-**	**-**	**-**	**323**	**-**	**-**	**-**	**-**
Total	**31.12.2021**	**580,020**	**580,020**	**-**	**-**	**-**	**163**	**-**	**-**	**-**	**-**

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: composition by type of loans with banks

Type of transactions/Values	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans with Central Banks	**83,020**	**-**	**-**	**-**	**-**	**83,020**	**1,921,557**	**-**	**-**	**-**	**-**	**863,893**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	83,020	-	-	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. Loans with banks	**549,069**	**-**	**-**	**-**	**403,013**	**119,958**	**523,696**	**-**	**-**	**-**	**337,229**	**135,858**
1. Loans	118,138	-	-	-	-	118,158	162,054	-	-	-	-	134,058
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	9,390	-	-	X	X	X	53,209	-	-	X	X	X
1.3. Other loans:	108,748	-	-	X	X	X	108,845	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
– Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	108,748	-	-	X	X	X	108,845	-	-	X	X	X
2. Debt securities	430,931	-	-	-	403,013	1,800	361,642	-	-	-	337,229	1,800
2.1 Structured securities	5,709	-	-	-	5,223	-	3,974	-	-	-	3,988	-
2.2 Other debt securities	425,222	-	-	-	397,790	1,800	357,668	-	-	-	333,241	1,800
Total	**632,089**	**-**	**-**	**-**	**403,013**	**202,978**	**2,445,253**	**-**	**-**	**-**	**337,229**	**972,751**

Key

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

The balance of the item "Loans with Central Banks" includes the amount of the Compulsory reserve with the Bank of Italy. The punctual balance, within the framework of compliance with the average maintenance level required by the regulations, may deviate, even with significant variations, in relation to the Bank's contingent treasury needs.

The Bank's commitment to maintain the Compulsory reserve amounted to Euro 104.7 million at 31 December (Euro 103.9 million at December 2021).

The balances of item "B. Loans with banks" are shown net of value adjustments resulting from the application of models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Loans with banks do not include any loans that can be classified as impaired assets.

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

On the other hand, this item of the financial statements does not show the amount on demand of Euro 765 million relating to cash in excess of the Compulsory reserve at the reporting date as it is invested in overnight deposits and therefore reported under item 10. "Cash and cash equivalents".

The segmentation into stages is done in accordance with the following requirements of the accounting standard "IFRS 9 Financial Instruments" in force since 1 January 2018:

a) stage 1 for exposures with performance in line with expectations;
b) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
c) stage 3 for non-performing exposures.

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

Type of transactions/Values	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**11,278,985**	**194,167**	**7,464**	**-**	**-**	**11,008,366**	**10,890,376**	**227,783**	**9,598**	**-**	**-**	**11,456,339**
1. Current accounts	943,142	15,360	95	X	X	X	911,200	42,010	161	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	7,899,701	163,627	7,240	X	X	X	7,943,255	169,031	9,284	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,208,434	7,602	5	X	X	X	980,345	8,000	12	X	X	X
5. Loans for leases	146,292	4,735	-	X	X	X	151,439	5,146	-	X	X	X
6. Factoring	93,614	180	-	X	X	X	76,935	107	-	X	X	X
7. Other loans	987,802	2,663	124	X	X	X	827,202	3,489	141	X	X	X
2. Debt securities	**2,546,215**	**-**	**-**	**1,922,475**	**351,106**	**85,715**	**2,757,165**	**-**	**-**	**2,271,868**	**425,946**	**75,476**
1. Structured securities	1,972	-	-	-	2,012	-	-	-	-	-	-	-
2. Other debt securities	2,544,243	-	-	1,922,475	349,094	85,715	2,757,166	-	-	2,271,868	425,946	75,476
Total	**13,825,200**	**194,167**	**7,464**	**1,922,475**	**351,106**	**11,094,081**	**13,647,541**	**227,783**	**9,598**	**2,271,868**	**425,946**	**11,531,815**

Key

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

The composition of loans to customers by type at 31 December 2022 reflects the initiatives undertaken by the Bank to offer concrete support to the production system and households.

Gross loans totalled Euro 11,776,695 thousand (Euro 11,472,049 thousand last year), of which Euro 11,382,971 thousand related to performing loans and Euro 393,724 thousand to non-performing loans.

Total value adjustments related to the same loans amounted to Euro 296,079 thousand (Euro 344,292 thousand last year), of which Euro 195,341 thousand related to non-performing loans (Euro 241,354 thousand at the end of the previous year) and Euro 100,738 thousand to performing loans (Euro 102,938 thousand at the end of the previous year).

With regard to the credit assessment processes please refer to the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in Section 5 - Other aspects of Part A of these financial statements.

The table also includes the amounts of transferred receivables that were not written off and constituted eligible assets for the Guaranteed Bank Bonds (G-Bonds) issue programme; at 31 December 2022, these receivables amounted to Euro 1,663,082 thousand (Euro 1,491,336 thousand at 31 December 2021).

It is also noted that the sub-item "Mortgages" includes the amount of mortgages collateralised with the European Central Bank (through the A.Ba.Co. procedure) for Euro 2,964,359 thousand (Euro 3,177,848 thousand at 31 December 2021).

Credit cards, personal loans and salary-backed loans of the Subsidiary Fides amounted to Euro 1,072,731 thousand. This balance includes the amounts relating to the loans sold to the vehicle company Coppedè SPV Srl and not derecognised by the Subsidiary with reference to the self-securitisation transaction carried out in the year in which Fides simultaneously assumed the roles of originator and underwriter/lender of all the securities issued.

On the other hand, the sub-item "Other loans" includes financing transactions other than those indicated in the previous sub-items (e.g. bullet loans, advances on invoices and bills subject to collection, import/export advances and other miscellaneous items).

This item also includes interest counted at 31 December 2020 and due on 1 March of the year subsequent to the year in which it accrued following the application of the rules for the computation of interest in banking transactions defined in Decree No. 343/2016 of the MEF, implementing Article 120 paragraph 2 of the Consolidated Law on Banking (T.U.B.).

The item "of which purchased or originated impaired" includes those financing lines originated as part of "forbearances" made on non-performing loans.

The fair value of loans is calculated for performing positions over the short term using a measurement technique that involves discounting expected cash flows considering the credit risk of the relationship, while for non-performing and short-term performing positions the carrying amount is considered a reasonable approximation of fair value. Taking into account the current credit market context, with particular reference to non-performing loans, this fair value, determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser.

Item "2. Debt securities" includes securities held under 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 value adjustments resulting from the application of the new models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments". Included in this portfolio are Euro 148,714 thousand of senior securities issued by the securitisation vehicle "2Worlds s.r.l." following the sale of non-performing loans through recourse to the "GACS" scheme in 2018.

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

Type of transactions/Values	31.12.2022			31.12.2021		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**2,546,215**	**-**	**-**	**2,757,165**	**-**	**-**
a) Public administrations	2,084,411	-	-	2,250,151	-	-
b) Other financial companies	398,569	-	-	453,277	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	63,235	-	-	53,737	-	-
2. Loans to:	**11,278,985**	**194,167**	**7,464**	**10,890,376**	**227,783**	**9,598**
a) Public administrations	184,541	258	18	114,997	177	15
b) Other financial companies	214,417	1,091	-	206,611	2,067	-
of which: insurance companies	6,780	-	-	6,220	-	-
c) Non-financial companies	5,939,923	116,131	3,111	5,994,291	131,061	4,513
d) Households	4,940,104	76,687	4,335	4,574,477	94,478	5,070
Total	**13,825,200**	**194,167**	**7,464**	**13,647,541**	**227,783**	**9,598**

4.4 Financial assets measured at amortised cost: gross amount and total value adjustments

		Gross amount					Total value adjustments				Total partial write-offs
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		2,983,371	2,983,371	-	-	-	6,225	-	-	-	-
Loans		9,433,780	59,479	2,147,160	387,002	10,070	14,591	86,208	192,833	2,606	**1,882**
Total	**31.12.2022**	**12,417,151**	**3,042,850**	**2,147,160**	**387,002**	**10,070**	**20,816**	**86,208**	**192,833**	**2,606**	**1,882**
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 provides the breakdown of exposures measured at amortised cost (both to banks and customers) and the related value adjustments in the three stages with increasing levels of credit risk (due to changes over time) provided for in IFRS 9 "Financial Instruments". In particular, the segmentation into stages takes place according to the following requirements:

a) stage 1 for exposures with performance in line with expectations;
b) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
c) stage 3 for non-performing exposures.

The stage allocation is relevant for the application of the impairment calculation model based on expected losses, determined on the basis of past events, current conditions and reasonable and “supportable” future forecasts (current model based on incurred but unrecorded losses). In particular, the expected loss calculation model is characterised by the following aspects:

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

With reference to debt securities only, the so-called “low credit risk exemption”, under which exposures are identified as low credit risk exposures and therefore to be considered in stage 1 if, at each reporting date, they are rated investment grade or better (or similar quality), regardless of whether or not the rating has deteriorated since the time of purchase of the security.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross amount and total value adjustments

		Gross amount					Total value adjustments				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Total partial write-offs*
1. Forborne loans in compliance with GL		2,321	-	5,197	1,134	-	5	561	335	0	0
2. Loans subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne		-	-	-	-	-	-	-	-	0	0
3. Loans subject to other forbearance measures		-	-	-	-	-	-	-	-	0	0
4. New loans		1,668,508	-	443,072	38,201	1,018	1,799	3,753	6,634	179	0
Total	**31.12.2022**	**1,670,829**	**-**	**448,269**	**39,335**	**1,018**	**1,804**	**4,314**	**6,969**	**179**	**-**
Total	**31.12.2021**	**2,117,876**	**-**	**847,549**	**46,629**	**1,855**	**2,709**	**50,846**	**13,380**	**285**	

(*) GL: Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the Covid-19 crisis (EBA/GL/2020/02)

The stage 2 exposures shown in the table are mainly attributable to the management overlay with respect to the model staging allocation described in more detail in “Part E - Information on risks and related hedging policies”.

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and level

	31.12.2022				31.12.2021			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		**59,099**		**855,000**				
1) Fair value	-	39,088	-	605,000	-	-	-	-
2) Cash Flows	-	20,011	-	250,000	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash Flows	-	-	-	-	-	-	-	-
Total	**-**	**59,099**	**-**	**855,000**	**-**	**-**	**-**	**-**

Key

NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The global economic and political context has been under severe stress over the past two years, ultimately caused by the recent war events.

In order to respond to a series of exogenous shocks, the European Central Bank implemented a restrictive monetary policy by raising interest rates in 2022.

In this context of rising rates, Banco Desio has put in place a strategy to hedge its assets.

In particular, the item includes:

- the fair value of derivative financial instruments put in place to hedge the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge);
- the fair value of derivative financial instruments put in place to hedge fluctuations in market rates, in relation to fixed-rate mortgages with performing credit status concluded with customers; in the last quarter of the year, in fact, five derivative contracts of the Plain Vanilla Interest Rate Swap type with a total nominal value of Euro 250 million were stipulated in order to carry out "hedge accounting" according to an approach defined as Dynamic Macro Fair Value Hedge.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (carrying amount)

Transactions/Type of hedge	Fair Value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	X	-	X	X
2. Financial assets measured at amortised cost	39,088	-	-	X	-	X	20,012	X	X
3. Portfolio	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	39,088	-	-	-	-	-	20,012	-	-
Financial liabilities	-	-	-	X	-	X	-	X	X
Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	X
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 6 Value adjustments of financial assets with macro hedge - Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Value adjustment of hedged assets/Group components	31.12.2022	31.12.2021
1. Positive adjustment	**380**	**502**
1.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	380	502
2. Negative adjustment	**(19,973)**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	(19,973)	-
Total	**(19,593)**	**502**

The value adjustment of financial assets with macro hedge refers mainly to changes in fair value, between the date the hedging relationships were entered into and the date of 31 December 2022, of the mortgage portfolios identified as hedged.

Section 7 - Investments - Item 70

The balance of the item refers to the investment in Anthilia Capital Management SGR S.p.A. acquired in June 2022.

7.1 Investments: information on shareholdings

Company names	Registered office	Operational office	Investment %	Availability of votes %
B. Companies subject to significant influence				
Anthilia Capital Partners SGR S.p.A.	Milan	Milan	15.000	15.000

7.2 Significant investments: carrying amount, fair value and dividends received

Company names	Carrying amount	Fair Value	Dividends received
B. Companies subject to significant influence			
Anthilia Capital Partners SGR S.p.A.	4,866	-	-
Total	**4,866**	**-**	**-**

7.3 Significant investments: accounting information

Company names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Value adjustments and reversals on tangible and intangible assets	Profit (loss) from current operations before taxes	Profit (loss) from current operations after taxes	Profit (loss) of groups of assets held for sale after taxes	Profit (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
B. Companies subject to significant influence														
Anthilia Capital Partners SGR S.p.A.	X	3,363	5,089	1,762	2,317	8,527	X	X	282	203	-	203	146	349

7.6 Significant assessments and assumptions to establish the existence of joint control or significant influence

In accordance with IAS 28 *Investments in Associates and Joint Ventures*, significant influence is the power to participate in determining the financial and operating policies of an investee without having control or joint control over it. IAS 28 also introduces a relative presumption of significant influence whenever the investor owns - directly or indirectly - 20% or more of the voting rights. If the investment is 20% or more, the onus will be on the investor to prove the absence of significant influence. Conversely, where the investment is less than 20%, the onus will be on the investor to prove the existence of significant influence.

The existence of significant influence is usually indicated by the occurrence of one or more of the following circumstances:

a) representation on the board of directors, or equivalent body, of the investee company;

b) participation in decision-making, including participation in decisions on dividends or other profit distributions;

c) presence of material transactions between the entity and the investee;

d) interchange of management personnel; or

e) provision of essential technical information.

With reference to the investment in Anthilia Capital Management SGR S.p.A. (Anthilia), of which Banco Desio has subscribed to a number of ordinary shares equal to 15% of its share capital, the contents were considered (i) of the partnership agreements (investment agreement and commercial framework agreement) signed on 4 November 2021 between Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l. and (ii) of the shareholders' agreement signed on the same date between 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 the determination of the management policies of the investee as significant influence by virtue, in particular, of the weight on the decision-making process through representation on the Anthilia Board of Directors.

7.8 Commitments relating to investments in companies subject to significant influence

Commitments arising from 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 released the capital increase resolved by the SGR and reserved for subscription to Banco Desio for a total of approximately Euro 4.6 million. Consequently, Banco Desio holds a 15% stake in the SGR share capital. In accordance with the provisions of the aforementioned Investment Agreement, at the same time as the reserved capital increase, 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's achievement of certain business objectives at 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR resolved a paid capital increase for a total of Euro 20,000,000, (capital and premium) also reserved for subscription to Banco Desio. As a result of the possible conversion of the Warrants, Banco Desio will be able to increase its investment, thus attesting its investment to a stake equal to 30% of the share capital of the SGR.

7.9 Significant restrictions

There are no significant restrictions (e.g. legal, contractual and regulatory restrictions) on the associate's ability to transfer funds to the Parent Company in the form of dividends, loan repayments or advances granted by the Parent Company.

Section 9 - Tangible assets - Item 90

9.1 Tangible assets for functional use: breakdown of assets measured at cost

Assets/Values	31.12.2022	31.12.2021
1. Owned assets	**163,529**	**165,199**
a) land	52,553	52,553
b) buildings	92,959	95,846
c) furniture	3,744	3,691
d) electronic equipment	5,044	4,373
e) other	9,229	8,736
2. Rights of use acquired through leases	**55,600**	**50,719**
a) land	-	-
b) buildings	55,077	49,989
c) furniture	-	-
d) electronic equipment	-	-
e) other	523	730
Total	**219,129**	**215,918**
of which: obtained through enforcement of guarantees received	-	-

The measurement criterion used for land and buildings is the revalued value at 1 January 2004 on first-time application of international standards. When fully operational, the criterion adopted is cost: this criterion is also adopted for all other tangible assets, with the exception of the initial recognition of tangible assets acquired through business combinations recognised in the consolidated financial statements at fair value, in application of IFRS 3 Business Combinations.

The estimated useful life for the main categories of assets is established as follows:

- buildings: 50 years,
- office furniture, furnishings and various equipment, armoured counters and compasses, alarm systems: 10 years,
- terminals and PCs, mixed-use vehicles: 4 years.

Depreciation is calculated on a straight-line basis for all classes of tangible assets, except for land and works of art, which are not depreciated.

The table is shown net of fixed assets in the amount of Euro 1 thousand included in the transfer of Banco Desio's merchant acquiring business to Worldline Italia, reclassified pursuant to IFRS 5 under "Non-current assets and groups of assets held for sale".

Item "2. Rights of use acquired through leases" includes, in application of IFRS16 "Leases" effective from 1 January 2019, assets consisting of the rights of use that are the subject of lease agreements (so-called "Right of Use Assets" or "RoU Assets"), calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

9.2 Tangible assets held for investment purposes: breakdown of assets measured at cost

Assets/Values	31.12.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**1,805**	**-**	**-**	**2,867**	**2,502**	**-**	**-**	**2,823**
a) land	723	-	-	1,127	1,052	-	-	1,187
b) buildings	1,082	-	-	1,740	1,450	-	-	1,636
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,805**	**-**	**-**	**2,867**	**2,502**	**-**	**-**	**2,823**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-	-	-

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

Commitments for purchases of tangible assets (IAS 16/74.c)

Note that at the end of the reporting period, there were no commitments for the purchase of tangible assets, other than those included in the Lanternina Transaction, for which reference is made to the information contained in "Part G - Business combination involving companies or business units" of the Notes.

9.3 Tangible assets for functional use: breakdown of revalued assets

At the reporting date, the Banco Desio Group did not hold any revalued tangible assets for functional use.

9.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

At the reporting date, the Banco Desio Group did not hold any tangible assets for investment purposes measured at fair value.

9.6 Tangible assets for functional use: changes in the year

Assets/Values	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**52,553**	**218,871**	**39,726**	**31,000**	**58,536**	**400,686**
A.1 Total net impairment	-	(73,036)	(36,035)	(26,627)	(49,070)	(184,768)
A.2 Net opening balances	**52,553**	**145,835**	**3,691**	**4,373**	**9,466**	**215,918**
B. Increases:	**-**	**15,097**	**789**	**3,910**	**2,539**	**22,335**
B.1 Purchases	-	2,345	502	2,228	2,422	7,497
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	12,752	287	1,682	117	14,838
C. Decreases:	**-**	**12,897**	**736**	**3,239**	**2,252**	**19,124**
C.1 Sales	-	-	153	1,686	113	1,952
C.2 Depreciation	-	12,056	439	1,552	2,115	16,162
C.3 Impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	1	-	1
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for sale	-	-	-	1	-	1
C.7 Other changes	-	841	144	-	24	1,009
D. Net closing balance	**52,553**	**148,035**	**3,744**	**5,044**	**9,753**	**219,129**
D.1 Total net impairment	-	(85,090)	(36,189)	(26,497)	(51,084)	(198,860)
D.2 Gross closing balance	**52,553**	**233,125**	**39,933**	**31,541**	**60,837**	**417,989**
E. Measurement at cost	-	-	-	-	-	-

Items A.1 and D.1 - "Total net impairment" show the amounts for total depreciation.

Items "B.7 Other changes", "C.1 Sales" and "C.7 Other changes" include:

- the effects of disposals and sales of tangible assets during the year; in particular, item "B.7 Other changes" includes the discharge of the accumulated depreciation of these disposed assets and item "C.7 Other changes" includes the discharge of the portion of historical cost already depreciated of the same assets. As a result of the aforementioned disposals, realised losses totalling Euro 23 thousand were recognised in the income statement under item 200 "Other operating income/expenses";

- the incremental or decremental effects of Lease Modifications during the year on the values of RoU Assets recognised in the financial statements in application of IFRS 16.

It should also be noted that item "C.7 Other changes" includes the effect of the non-repayable contribution, in the amount of Euro 564 thousand, that the Parent Company received in December 2022 from the Superintendence for Architectural Heritage of Umbria for the restoration of palazzo Pianciani located in Spoleto.

The amount has been deducted from the carrying amount of the property with a consequent adjustment of future depreciation allowances.

9.7 Tangible assets held for investment purposes: changes in the year

	Total	
	Land	**Buildings**
A. Opening balance	**1,052**	**1,450**
B. Increases	**-**	**198**
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Positive changes in fair value	-	-
B.4 Reversals	-	-
B.5 Positive exchange rate differences	-	-
B.6 Reclassified from assets for functional use	-	-
B.7 Other changes	-	198
C. Decreases	**329**	**566**
C.1 Sales	329	522
- of which business combinations	-	-
C.2 Depreciation	-	44
C.3 Negative changes in fair value	-	-
C.4 Impairment	-	-
C.5 Negative exchange rate differences	-	-
C.6 Reclassified to:	-	-
a) properties for functional use	-	-
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**723**	**1,082**
E. Measurement at fair value	**1,127**	**1,740**

9.9 Commitments to purchase tangible assets

It should be noted that there were no commitments for the purchase of tangible assets at year-end.

Section 10 - Intangible Assets - Item 100

10.1 Intangible assets: breakdown by type of asset

Assets/Values	31.12.2022		31.12.2021	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill		**15,322**		**15,322**
A.1.1 attributable to the Group		15,322		15,322
A.1.2 attributable to minority interests		-		-
A.2 Other intangible assets	**4,641**	**-**	**3,797**	**-**
of which: software	3,129	-	3,532	-
A.2.1 Assets measured at cost:	**4,641**	**-**	**3,797**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	4,641	-	3,797	-
A.2.2 Assets measured at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**4,641**	**15,322**	**3,797**	**15,322**

Intangible assets with indefinite useful life are subject to impairment at least once a year, and in particular for the purpose of preparing the financial statements or in those cases when certain circumstances arise that lead to the expectation of impairment.

Other intangible assets are amortised on a straight-line basis over their useful life, which for premises vacancy allowances is estimated to be equal to the duration of the lease agreement, for machine-related software is 4 years, and for application software is 4 or 5 years, depending on the useful life further specified within the asset class.

The Goodwill Impairment Test

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on the Cash Generating Units (CGUs) is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

As illustrated in the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Section 5 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the performance forecasts developed by management for the five-year period 2023 - 2027 on the basis of the results achieved in the meantime during the year, the 2023 budget approved by the Board of Directors on 15 December 2022, as well as the most recent market forecasts available.

In particular, pursuant to IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable amount of CGUs was determined by reference to their value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

Consistently with what was done for the previous year's financial statements, the CGUs were identified with the individual legal entities, taking into account the fact that the Banking Group envisages a unitary strategic guidance and coordination activity by the Parent Company aimed at achieving development and profitability objectives at the level of each legal entity, and that as a result, there is an autonomous reporting of results (through management reporting systems) that sees the CGU coincide with the legal entity and, therefore, all management reporting, as well as budgeting activities, analyses, monitors and makes equity and profitability estimates according to this approach.

The impairment test was therefore conducted directly on the legal entity Banco di Desio e della Brianza Spa based on the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of goodwill belonging to the specific legal entity, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe considered is the 2023-27 forecasts updated by Management and approved by the Board of Directors on 9 February 2023, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the shorter time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity (Ke).

Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value of the CGU, determined at the date of recognition, based on the procedure outlined above, after deducting book equity, is then compared to the carrying amount of the specific goodwill belonging to the CGU in question, with the exclusive objective of verifying any impairment.

b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

CGU	**Model**	**Database**	**CAGR RWA**	**Ke**	**g**	**Plan flows**	**Capital ratio**
Banco di Desio e della Brianza S.p.A.	DDM	2023 Budget extended to 2027 (*)	2.4%	10.37%	2.06%	Net Results	Tier1 10.93 (**)
Fides S.p.A.	DDM	2023 Budget extended to 2027 (*)	8.4%	10.37%	2.06%	Net Results	Tier1 4.88% (**)

(*) 5-year forecasts, approved by the Board of Directors on 9 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) Allocated target capital on the entity estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione

The impairment test performed did not reveal any need for goodwill impairment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions required to render the recoverable amount of the CGU less the equity allocated to it equal to the carrying amount of goodwill.

CGU	**Decrease in % of Future Net Results (NR)**	**Increase in p.p. of the discount rate for future cash flows (FCFE)**
Banco di Desio e della Brianza S.p.A.	32.21%	Over 1,000
Fides S.p.A.	54.91%	Over 1,000

The 2nd level impairment test

In consideration of the fact that during the reference year, the market capitalisation (stock market) of the Banco Desio stock (ordinary shares plus savings shares) was lower than the value of Consolidated Own Funds, the Banco Desio Group was tested for impairment (2nd level impairment) in its entirety.

The impairment test was performed on the basis of the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of the investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe considered is the 2023-27 forecasts updated by Management and approved by the Board of Directors on 9 February 2023, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the shorter time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity (Ke).

Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value determined, at the date of recognition, according to the procedure outlined above, is then compared with the carrying amount of the Consolidated Own Funds, with the sole objective of verifying any impairment.

b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

CGU	Model	Database	CAGR RWA	Ke	g	Plan flows	Capital ratio
Banco Desio Group	DDM	2023 Budget extended to 2027 (*)	2.4%	10.37%	1.58%	Net Results	Tier1 10.37% (**)

(*) 5-year forecasts, approved by the Board of Directors on 7 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) Allocated target capital on the entity estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione

The impairment test carried out showed a value higher than the average capitalisation of Banco Desio stock (ordinary shares plus savings shares) as it was higher than the carrying amount of Consolidated Own Funds, at the date of recognition; therefore, no need to write down the Group's assets emerged.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations, or percentage points, of the basic assumptions necessary to make the recoverable amount equal to the carrying amount of the Consolidated Own Funds at the date of recognition.

CGU	Decrease in % of Future Net Results (NR)	Increase in percentage points of the discount rate for future cash flows (FCFE)
Banco Desio Group	33.96%	747

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10.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**35,963**	**-**	**-**	**27,400**	**-**	**63,363**
A.1 Total net impairment	(20,641)	-	-	(23,603)	-	(44,244)
A.2 Net opening balances	15,322	-	-	3,797	-	19,119
B. Increases	**-**	**-**	**-**	**2,928**	**-**	**2,928**
B.1 Purchases	-	-	-	2,928	-	2,928
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Reversals	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**2,084**	**-**	**2,084**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	2,084	-	2,084
- Amortisation	X	-	-	2,084	-	2,084
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**15,322**	**-**	**-**	**4,641**	**-**	19,963
D.1 Total net value adjustments	(20,641)	-	-	(25,687)	-	(46,328)
E. Gross closing balance	**35,963**			**30,328**	**-**	**66,291**
F. Measurement at cost	-	-	-	-	-	-

Key
DEF: definite duration
INDEF: indefinite duration

10.3 Other information

There were no commitments for the purchase of intangible assets at year-end.

Section 11 - Tax assets and tax liabilities - Item 110 of Assets and Item 60 of Liabilities

Tax assets and liabilities arising from the application of "deferred taxation" originate as a result of temporary differences between the balance sheet values in the financial statements and the corresponding tax values.

The theoretical tax rates applied to temporary differences are those in effect at the time of their absorption.

Deferred tax assets are recognised when their recovery is probable.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	31.12.2022	31.12.2021
A) balancing item in income statement:				
Tax losses				185
Tax-deductible goodwill	3,085	625	3,710	4,482
Impairment of loans to customers deductible on a straight-line basis	97,971	13,683	111,654	128,870
Lump-sum provision for bad debts	305		305	305
Impairment of loans to customers outstanding at 31.12.1994				
Allocation to the provision for implicit credit risks				
Write-downs of shares classified as FVPL securities				
Statutory depreciation of properties				
Statutory depreciation of tangible assets	343		343	289
Provision for commitment guarantees and country risk	972		972	1,116
Provision for personnel expenses	5,048	851	5,899	5,845
Provision for lawsuits	2,612		2,612	2,705
Provision for revocation	540	109	649	274
Provision for miscellaneous charges	3,763	553	4,316	2,688
Tax allocation for employee severance indemnity	4		4	6
Entertainment expenses, up to one-third deductible in the following four years				
Other overheads deductible in the following year				
Other	4,637	936	5,573	4,941
Total A	**119,280**	**16,757**	**136,037**	**151,706**
B) balancing item in equity:				
Cash flow hedges			-	1,301
Other	68	14	82	90
Tax allocation for employee severance indemnity	721		721	1,117
Impairment of securities classified at FVOCI	14,180	2,872	17,052	1,279
Total B	**14,969**	**2,886**	**17,855**	**3,787**
Total (A+B)	**134,249**	**19,643**	**153,892**	**155,493**

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Probability test on advance taxation

In relation to the deferred tax assets described above, it should be noted that they refer for an amount of Euro 95,278 thousand to taxes pursuant to Law No. 214/2011, which has given certainty to the recovery of the same, making the probability test envisaged by IAS 12 Income Taxes automatically fulfilled.

In this regard, it should be noted that the Parent Company Banco di Desio e della Brianza S.p.A. is not required to pay the annual guarantee fee for the convertibility of deferred tax assets pursuant to Law No. 214/2011 into tax credits, introduced by Article 11 of Decree Law No. 59/2016, as the taxable base, calculated in accordance with the regulatory provisions, is negative.

Additional deferred tax assets in the amount of Euro 58,614 thousand, which do not fall within the scope of Law No. 214/2011, were recognised in consideration of the probability of their recovery, as it is expected that sufficient taxable income may become available in the future to recover the asset. In particular, an analysis was performed on deferred tax assets by type and timing of reabsorption, as well as the bank's future profitability and related taxable income on the basis of the economic-financial forecasts updated by management for the five-year period 2023-27 for the purpose of performing the impairment test on goodwill, to which reference should be made. The analysis showed that future taxable income is such that the aforementioned deferred tax assets can be recovered.

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	31.12.2022	31.12.2021
A) balancing item in income statement:				
Profit from realisation of tangible assets				
Tax depreciation of properties				
Tax depreciation of tangible assets		13	13	13
Tax amortisation of goodwill	19	4	23	12
Tax amortisation on deferred charges (software)				
Provision for taxation pursuant to Article 106(3)				
Tax allocation for employee severance indemnity				
Other	747	5	752	650
Total A	**766**	**22**	**788**	**675**
B) balancing item in equity				
Tax allocation for employee severance indemnity	4		4	
Cash flow hedges				1,201
Revaluation of securities classified at FVOCI	140	28	168	24
Revaluation of investments	16		16	
Revaluation of artistic heritage	51	10	61	61
Total B	**211**	**38**	**249**	**1,286**
Total (A+B)	**977**	**60**	**1,037**	**1,961**

The table shows all deferred taxation that will be absorbed in future years.

11.3 Changes in deferred tax assets (balancing item in income statement)

	31.12.2022	31.12.2021
1. Opening balance	**151,706**	**184,255**
2. Increases	**13,470**	**9,887**
2.1 Deferred tax assets recognised in the year	13,299	9,729
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reversals	-	-
d) other	13,299	9,729
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	171	158
3. Decreases	**29,139**	**42,436**
3.1 Deferred tax assets derecognised in the year	28,543	30,595
a) reversals	28,543	30,595
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases:	596	11,841
a) transformation into tax credits of which as per Law 214/2011	346	11,841
b) other	250	-
4. Closing balance	**136,037**	**151,706**

Deferred tax assets recognised during the year mainly refer:

- for Euro 11,670 thousand to allocations to provisions for risks and charges and non-deductible personnel-related provisions;
- for Euro 1,371 thousand to non-deductible allocations to provisions for lawsuits and bankruptcy revocatory actions;
- for Euro 71 thousand to allocations to the provision for non-deductible tax disputes.

Item “2.3 Other increases” refers to the allocation of deferred tax assets as a result of the recalculation made when filing the 2021 tax return.

Deferred tax assets derecognised during the year are essentially due:

- for Euro 14,018 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 3,037 thousand to the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9;
- for Euro 10,033 thousand to the utilisation of taxed funds;
- for Euro 604 thousand to the utilisation of the ACE (Aid to Economic Growth) benefit not utilised in previous years.

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Item “3.3 Other decreases” refers:

- for Euro 346 thousand to the credit related to the Parent Company’s 2021 tax losses, which was converted into a tax credit pursuant to Article 2, paragraph 56-bis, of Decree Law No. 225/2010, from the date of submission of the tax return;
- for Euro 250 thousand to the reversal of deferred tax assets due to the recalculation made when filing the 2021 tax return.

11.4 Changes in deferred tax assets as per Law 214/2011

	31.12.2022	31.12.2021
1. Opening balance	**109,898**	**142,599**
2. Increases		
3. Decreases	**14,620**	**32,701**
3.1 Reversals	14,274	20,860
3.2 Transformation into tax credits	346	11,841
a) resulting from losses for the year		
b) resulting from tax losses	346	11,841
3.3 Other decreases		
4. Closing balance	**95,278**	**109,898**

The item “3.1 Reversals” refers:

- for Euro 14,018 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 256 thousand to the amortisation of goodwill previously redeemed.

The item “3.2 Transformation into tax credits” refers to the credit related to the Parent Company’s 2021 tax losses, transformed into a tax credit pursuant to Article 2, paragraph 56-bis, of Decree Law No. 225/2010, from the date of submission of the tax return.

11.5 Changes in deferred tax liabilities (balancing item in income statement)

	31.12.2022	31.12.2021
1. Opening balance	**675**	**9,722**
2. Increases	**113**	**703**
2.1 Deferred tax liabilities recognised in the year	113	703
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	113	703
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**9,750**
3.1 Deferred tax liabilities derecognised in the year	-	9,657
a) reversals	-	9,657
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	93
4. Closing balance	**788**	**675**

Deferred tax liabilities recognised in the year mainly refer to employee severance indemnity.

11.6 Changes in deferred tax assets (balancing item in equity)

	31.12.2022	31.12.2021
1. Opening balance	**3,787**	**2,570**
2. Increases	**15,920**	**1,259**
2.1 Deferred tax assets recognised in the year	15,920	1,259
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	15,920	1,259
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,852**	**42**
3.1 Deferred tax assets derecognised in the year	1,852	42
a) reversals	1,852	42
b) write-downs for non-recoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**17,855**	**3,787**

Deferred tax assets recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax assets derecognised during the year mainly relate:
– for Euro 1,301 thousand to the change in the cash flow hedge reserve;
– for Euro 395 thousand to the valuation of the actuarial reserve for employee severance indemnity.

11.7 Changes in deferred tax liabilities (balancing item in equity)

	31.12.2022	31.12.2021
1. Opening balance	**1,286**	**3,769**
2. Increases	**177**	**364**
2.1 Deferred tax liabilities recognised in the year	177	364
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	177	364
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,214**	**2,847**
3.1 Deferred tax liabilities derecognised in the year	1,214	2,847
a) reversals	1,214	2,847
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	1
4. Closing balance	**249**	**1,286**

Deferred tax liabilities recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax liabilities derecognised during the year mainly relate to the change in the cash flow hedge reserve.

Section 12 - Non-current assets and groups of assets held for sale and related liabilities - Item 120 of Assets and Item 70 of Liabilities

The balance of "Non-current assets and groups of assets held for sale" amounting to Euro 1 thousand refers to fixed assets included in the transfer of Banco Desio's merchant acquiring business to Worldline Italia; for further information, please refer to the information contained in the paragraph "Strategic agreement with Worldline Italia on e-money/acquiring" included in the "Significant corporate events" section of the Consolidated Report on Operations.
In the previous year, this item included non-performing loans, in the amount of Euro 13,080 thousand, measured at the realisation price resulting from the sale agreements already signed and finalised at the date of approval of the financial statements at 31 December 2021.

The balance of the item "Liabilities related to assets held for sale", amounting to Euro 11 thousand, also refers to the liability related to the provision for employee severance indemnity of the business unit being transferred to Worldline Italia.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31.12.2022	31.12.2021
Tax credits		
- principal share	431,090	151,210
- interest share		
Receivables from tax authorities for advances paid	32,531	36,334
Withholding taxes incurred		
Negotiated cheques to be settled	15,045	15,502
Security deposits		
Invoices issued for collection	2,929	320
Debtors for third-party securities and coupons to be collected		
Stocks of printers and stationery		
Items being processed and in transit with branches	26,846	22,796
Currency deviations on portfolio transactions		
Investments supplementary staff liquidation provision		19
Leasehold improvements	7,426	7,278
Accrued and deferred assets	23,986	20,150
Other items	37,990	36,480
Total	**577,843**	**290,089**

The item "Tax credits" mainly refers:

- for Euro 421,321 thousand (Euro 147,166 thousand at the end of the previous year) to ecobonus/sismabonus tax credits acquired pursuant to Article 121 of Decree Law 34/2020 and recognised at amortised cost as indicated in Part A - A.2 Part relating to the main items of the financial statements, to which reference should be made;
- for Euro 1,456 thousand, to the credit related to the Revenue Agency's claim for the higher IRAP paid for the 2014 tax year in relation to the business unit contributed to the then subsidiary (now merged) Banca Popolare di Spoleto S.p.A.;
- for Euro 1,127 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake (Euro 1,127 thousand at the end of the previous year);
- for Euro 4,062 thousand, to the credit related to the management of loans disbursed for the reconstruction after the earthquake in Central Italy in 2016 (Euro 2,215 thousand at the end of the previous year).

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments have been made than the debt that will result from the specific declarations; in detail, they concern:

- the receivable for stamp duty paid virtually in the amount of Euro 24,958 thousand (Euro 24,154 thousand at the end of the previous year);
- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 6,768 thousand, pursuant to Article 2, paragraph 5 of Decree Law No. 133 of 30 November 2013, (Euro 10,101 thousand at the end of the previous year).

Among the "Items being processed and in transit with branches", the most significant items are those relating to cheques being processed in the amount of Euro 1,181 thousand (Euro 1,587 thousand at the end of the previous year), that relating to F24 proxies accepted and that will be debited on the due date in the amount of Euro 9,035 thousand (Euro 1,706 thousand at the end of the previous year) and that relating to the recovery of the commission for making funds available from customers in the amount of

Euro 7,197 thousand (Euro 6,849 thousand at the end of the previous year). This item includes items relating to transactions that generally settle in the first few days of the following half-year.

"Leasehold improvements" are subject to annual depreciation in relation to the remaining term of the lease.

The item "Accrued and deferred assets" includes those items that cannot be attributed to specific asset items; the main component of this item is deferred assets on administrative expenses.

The main items under "Other Items" include:

- receivables pending collection relating to other items in the amount of Euro 16,498 thousand (Euro 20,068 thousand at the end of the previous year), mainly due to receivables for stamp duty on account statements, receivables for services debited to customers on a quarterly basis, and interbank income;
- receivables of Euro 5,842 thousand from financial advisors for the portion paid as entry bonus and not yet accrued (Euro 4,984 thousand at the end of the previous year);
- invoices to be issued for Euro 5,230 thousand (Euro 4,948 thousand at the end of the previous year).

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

Type of transactions/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	**3,004,994**	X	X	X	**3,805,889**	X	X	X
2. Payables to banks	**376,356**	X	X	X	**9,806**	X	X	X
2.1 Current accounts and demand deposits	88,136	X	X	X	56	X	X	X
2.2 Fixed-term deposits	-	X	X	X	9,750	X	X	X
2.3 Loans	288,220	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	288,220	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 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**3,381,350**	**-**	**-**	**3,381,350**	**3,815,695**	**-**	**-**	**3,815,695**

Key
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

The item "Payables to central banks" represents the balance of the financing line granted to the Bank by the European Central Bank in the context of the "TLTRO II" operation. Against this loan, the Bank granted collateralised loans to the ECB itself (through the A.Ba.Co. procedure).

In December 2022, in relation to the liquidity position, a partial early repayment of Euro 0.8 billion was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1.2 billion, thus bringing the total outstanding TLTRO III loans to Euro 3.05 billion.

At 31 December 2022, accrued interest income of Euro 17.4 million was also recognised under interest income for the year, which together with the accrued interest income already recognised in the previous year of Euro 39.1 million, net of repayments made, brings the total accrued interest income negative to Euro 40.0 million.

"Current accounts and demand deposits" include the balances of collateral deposits held with the Bank by bank counterparties of OTC derivatives.

The item "Repurchase agreements" includes Long-Term Repo contracts on part of the portfolio's assets (eligible and non-eligible) entered into during the year with leading market counterparties in order to optimise funding activities.

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

Type of transactions/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	10,058,896	X	X	X	10,124,243	X	X	X
2. Fixed-term deposits	321,502	X	X	X	434,619	X	X	X
3. Loans	690,496	X	X	X	324,775	X	X	X
3.1 Repurchase agreements	503,113	X	X	X	207,735	X	X	X
3.2 Other	187,383	X	X	X	117,040	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	53,709	X	X	X	51,817	X	X	X
6. Other payables	42,471	X	X	X	42,963	X	X	X
Total	**11,167,074**	**-**	**-**	**11,167,074**	**10,978,417**	**-**	**-**	**10,978,417**

Key
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

Item "3.2 Loans: Other" represents the amount of outstanding loans with Cassa Depositi e Prestiti, which "balances" the amount of loans to customers granted for reconstruction following the 2009 earthquakes in Abruzzo.

Item "5. Lease payables" are recognised, in application of IFRS16, liabilities associated with lease liabilities, consisting of the present value of payments still to be paid to the lessor at the measurement date.

The main items under item "6. Other payables" relate to: bank drafts in the amount of Euro 35,743 thousand and drawing cheques in the amount of Euro 540 thousand (at the end of the previous year, bank drafts in the amount of Euro 38,894 thousand and drawing cheques in the amount of Euro 540 thousand).

1.3 Financial liabilities measured at amortised cost: breakdown of issued securities by type

Type of securities/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3	0	L1	L2	L3
A. Securities								
1. bonds	1,531,574	-	1,493,586	-	1,515,294	-	1,513,377	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,531,574	-	1,493,586	-	1,515,294	-	1,513,377	-
2. other securities	4,577	-	-	4,577	6,971	-	-	6,971
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	4,577	-	-	4,577	6,971	-	-	6,971
Total	**1,536,151**	**-**	**1,493,586**	**4,577**	**1,522,265**	**-**	**1,513,377**	**6,971**

Key
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

This item includes inflows represented by securities, which include bonds and certificates of deposit, whose carrying amount is determined using the amortised cost method (or at fair value if the security is hedged), thus including accrued amounts. Total inflows are shown net of repurchased securities.

The item "A.1.2 Bonds: other" includes the Guaranteed Bank Bonds (G-Bonds) totalling Euro 1,075 million issued.

Sub-item "A.2.2 Other securities: other" consists exclusively of short-term certificates of deposit and their accrued interest.

1.4 Breakdown of payables/subordinated securities

Bonds	Issue date	Maturity date	Currency	Rate	31.12.2022	31.12.2021
ISIN Code IT0005107880	28.05.2015	28.05.2022	Euro	TV	-	80,027
Total					**-**	**80,027**

No subordinated bonds were issued by Banco Desio during the period.

Banco Desio

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	31.12.2022					31.12.2021				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables 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. Derivative instruments										
1. Financial derivatives	-	-	3,278	852	-	-	-	5,461	440	-
1.1 For trading	X	-	3,278	852	X	X	-	5,461	440	X
1.2 Related to 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 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**3,278**	**852**	**X**	**X**	**-**	**5,461**	**440**	**X**
Total (A+B)	**X**	**-**	**3,278**	**852**	**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 changes in value due to changes in the issuer's creditworthiness since the issue date*

Item 20 "Financial liabilities held for trading" includes the negative value of derivative contracts entered into for trading purposes.

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

At the reporting date, there were no subordinated financial trading liabilities.

2.3 Breakdown of "Financial liabilities held for trading": structured debt

At the reporting date, there were no structured debts under financial liabilities held for trading.

Section 4 - Hedging derivatives - Item 40

	Fair value 31.12.2022			NV	Fair value 31.12.2021			NV
	L1	L2	L3	31.12.2022	L1	L2	L3	31.12.2021
A. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**80,000**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	365	-	80,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**80,000**

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

At 31 December of the previous year, the item included the fair value of derivative financial instruments used to hedge subordinated bonds issued by the Bank (cash flow hedge), which were extinguished during the year.

Section 6 - Tax liabilities - Item 60

The breakdown of and changes in tax liabilities are provided in Section 11 of Assets together with information on deferred tax assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Payables to tax authorities	492	804
Amounts to be paid to the tax authorities on behalf of Third Parties	34,522	34,324
Social security contributions to be reimbursed	6,154	6,411
Shareholders dividend account	18	16
Suppliers	27,519	17,408
Amounts available to customers	11,695	13,580
Payments against provision on bills	74	58
Advance payments on overdue receivables	455	43
Items being processed and in transit with branches	20,737	9,761
Currency deviations on portfolio transactions	23,661	137,428
Payables to employees	5,052	8,032
Sundry creditors	112,128	83,800
Accrued and deferred liabilities	12,961	9,020
Total	**255,468**	**320,685**

The item “Amounts to be paid to the tax authorities on behalf of third parties” mainly includes items relating to F24 proxies to be paid on behalf of customers and amounts to be paid to the tax authorities relating to withholdings made by the Bank.

“Items being processed and in transit with branches” are items that generally find their final settlement in the first few days of the following period. The main among these items are those relating to:

- transfers in process totalling Euro 343 thousand (Euro 1,677 thousand at the end of the previous year),
- M.A.V., R.A.V., slips and SDD provisions in the amount of Euro 592 thousand (Euro 1,121 thousand at the end of the previous year),
- items related to securities transactions subsequently settled in the amount of Euro 8,043 (Euro 277 thousand at the end of the previous year),
- collections related to factoring transactions from customers in the amount of Euro 5,918 thousand (Euro 3,302 thousand at the end of the previous year).

The amount of the item “Currency deviations on portfolio transactions” is the result of offsetting illiquid debit and illiquid credit items against different types of transactions involving both customer and correspondent bank accounts.

The item “Payables to employees” includes payables related to employee leaving incentives totalling Euro 3,830 thousand (Euro 6,686 thousand at the end of the previous year) and the valuation of holidays and leave not taken totalling Euro 474 thousand (Euro 753 thousand at the end of the previous year).

The main items that make up the item “Sundry creditors” mainly concern outgoing transfers to be settled in the Clearing House in favour of current account holders of other banks for a total of Euro 94,089 thousand (Euro 64,527 thousand at the end of last year), sundry creditors for currency negotiation transactions in the amount of Euro 886 thousand (Euro 824 thousand last year), creditors for bills withdrawn in the amount of Euro 1,697 thousand (Euro 3,807 thousand last year), sums collected for pending litigation in the amount of Euro 5,074 thousand (Euro 5,080 thousand last year).

Section 9 - Employee severance indemnity (TFR) - Item 90

9.1 Employee severance indemnity: changes in the year

	31.12.2022	31.12.2021
A. Opening balance	**21,960**	**24,740**
B. Increases	**109**	**194**
B.1 Allocation for the year	109	194
B.2 Other changes	-	-
C. Decreases	**(4,279)**	**(2,974)**
C.1 Payments made	(2,695)	(2,962)
C.2 Other changes	(1,584)	(12)
D. Closing balance	**17,790**	**21,960**
Total	**17,790**	**21,960**

In application of international accounting standards, the provision for employee severance indemnity is classified as a defined-benefit fund, therefore subject to actuarial valuation, the assumptions used for which are explained in the following section.

Provisions for the year do not include amounts directly paid by the Group, according to the choices expressed by employees, to supplementary pension schemes or to the treasury Fund managed directly by INPS. The cost of these choices, which for the year amounted to Euro 10,430 thousand (Euro 10,717 thousand last year), is recognised under Personnel expenses in sub-item "g) contributions to external supplementary pension funds".

The items "B.2 Other changes" and "C.2 Other changes" relate to the effect (positive or negative) of the discounting of the statutory provision for employee severance indemnity.

The debt accrued at the end of the financial year according to civil law for existing Group personnel amounted to Euro 18,898 thousand.

The table is shown net of the employee severance indemnity of Euro 11 thousand related to the employees of the business unit being transferred to Worldline Italia, reclassified in accordance with IFRS 5 to "Liabilities related to groups of assets held for sale".

9.2 Other information

The actuarial assumptions used by the independent actuary to determine the liabilities at the reporting date are as follows:

Demographic assumptions

- for death probabilities those determined by the General Accounting Office of the State called RG48, broken down by gender;
- for disability probabilities, broken down by gender, adopted in the INPS model for projections to 2010. These probabilities were constructed starting from the breakdown by age and gender of the pensions in force on 1 January 1987 with effect from 1984, 1985, 1986 relating to the personnel of the credit business unit;
- for the period of retirement for the generic asset, it was assumed that the first of the retirement requirements valid for the Compulsory General Insurance will be reached;

- for the probability of exit from work due to causes other than death, on the basis of internal statistics, annual frequencies of 2.50% were considered; account was also taken of the Group's redundancy plan;
- a year-by-year value of 4% was assumed for the probability of anticipation.

Economic and financial assumptions

The technical evaluations were carried out on the basis of the following assumptions:
- technical discount rate 3.42%
- annual inflation rate 5.9% for 2023, 2.3% for 2024 and 2.0% for 2025
- annual rate of total salary increase 6.9% for 2023, 3.3% for 2024 and 3.0% for 2025
- annual rate of increase of employee severance indemnity 5.9% for 2023, 3.2% for 2024 and 3.0% for 2025

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index at the latest available date was taken as the reference for the valuation of this parameter.

The following table represents the sensitivity analysis of the liability recognised when the economic-financial assumptions change:

	Positive change of parameter (+)	Negative change of parameter (-)
Annual discount rate (+/- 0.25%)	17,534	18,074
Annual inflation rate (+/- 0.25%)	17,956	17,646
Annual turnover rate (+/- 2.00%)	17,877	17,715

Section 10 - Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	31.12.2022	31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees given	3,534	4,058
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	51,729	42,718
4.1 legal and tax disputes	12,026	10,969
4.2 personnel expenses	17,981	18,150
4.3 other	21,722	13,599
Total	**55,263**	**46,776**

Item "1. Provisions for credit risk related to commitments and financial guarantees given" include the provision for risks determined by applying the expected loss calculation models defined in the first-time adoption of "IFRS 9 Financial Instruments".

The sub-item "legal disputes" includes allocations set aside to cover expected losses on disputes, of which Euro 9,896 thousand for lawsuits (Euro 10,140 thousand at year-end) and Euro 2,130 thousand for bankruptcy revocatory actions (formerly Euro 829 thousand).

The item "personnel expenses" mainly includes the estimated liabilities for redundancy costs in the amount of Euro 459 thousand (Euro 4,067 thousand last year), the bonus system in the amount of Euro 14,528 thousand (Euro 10,236 thousand last year), seniority bonuses and additional holidays in the amount of Euro 2,994 thousand (Euro 3,828 thousand last year).

The item "other" includes provisions for other operational risks and provisions set aside for contractually established incentives for financial advisors upon the accrual of certain conditions.

10.2 Provisions for risks and charges: changes in the year

	Other provisions for risks and charges	Total
A. Opening balance	**42,718**	**42,718**
B. Increases	**31,476**	**31,476**
B.1 Allocation for the year	30,720	30,720
B.2 Changes due to the passage of time	-	-
B.3 Discount rate changes	-	-
B.4 Other changes	756	756
- of which business combinations	-	-
C. Decreases	**22,465**	**22,465**
C.1 Used in the year	15,414	15,414
C.2 Discount rate changes	-	-
C.3 Other changes	7,051	7,051
- of which business combinations	-	-
D. Closing balance	**51,729**	**51,729**

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Impaired purchased or originated	Total
Commitments to disburse funds	367	542	-	-	909
Financial guarantees given	148	538	1,939	-	2,625
Total	**515**	**1,080**	**1,939**	**-**	**3,534**

10.5 Defined-benefit company pension funds

There were no balances at year-end.

10.6 Provisions for risks and charges: other provisions

Details of the item "Other provisions for risks and charges" were provided in the comments to Section 10.1.

Section 13 - Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Capital” and “Treasury shares”: breakdown

	31.12.2022	31.12.2021
A. Capital	**70,693**	**70,693**
A.1 Ordinary shares	70,693	70,693
A.2 Savings shares		
A.3 Privileged shares		
B. Treasury shares		
B.1 Ordinary shares		
B.2 Savings shares		
B.3 Privileged shares		
Total	**70,693**	**70,693**

The fully subscribed and paid-up share capital of Banco di Desio e della Brianza consists of 134,363,049 ordinary shares with no nominal value.

13.2 Capital - Number of Parent Company shares: changes in the year

	Ordinary	Other
A. Shares at the beginning of the year	**134,363,049**	**-**
- fully paid-up	134,363,049	
- not fully paid-up		
A.1 Treasury shares (-)		
A.2 Shares outstanding: opening balance	**134,363,049**	**-**
B. Increases		
B.1 New issues		
- payment		
- business combinations		
- conversion of bonds		
- warrants exercised		
- other		
- free of charge		
- employees		
- directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Derecognition		
C.2 Purchase of treasury shares		
C.3 Disposal of businesses		
C.4 Other changes		
D. Shares outstanding: closing balance	**134,363,049**	**-**
D.1 Treasury shares (+)		
D.2 Shares at the end of the year	134,363,049	
- fully paid-up	134,363,049	
- not fully paid-up		

13.3 Capital: other information

There is no further information in addition to that already provided in the previous paragraphs.

13.4 Profit reserves: other information

	31.12.2022	31.12.2021
Legal reserve	110,431	105,190
Statutory reserves	634,307	605,474
Retained earnings (losses)	100,542	110,932
Reserves other FTA	99,785	99,785
Other reserves	68	132
Total	**945,133**	**911,513**

Section 14 – Equity attributable to minority interests – Item 190

14.1 Detail of item 190 "Equity attributable to minority interests"

Company name	31.12.2022	31.12.2021
Investments in consolidated companies with significant minority interests	**4**	**4**
Desio OBG S.r.l.	4	4
Other investments	**10**	-
Coppedè SPV Srl	10	
Total	**14**	**4**

14.2 Equity instruments: breakdown and changes in the year

Not present.

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OTHER INFORMATION

1. Commitments and financial guarantees given

	Nominal value on commitments and financial guarantees given				31.12.2022	31.12.2021
	First stage	Second stage	Third stage	Impaired purchased or originated		
1. Commitments to disburse funds	**2,889,684**	**209,624**	**7,956**	**-**	**3,107,264**	**3,105,865**
a) Central banks	-	-	-	-	-	-
b) Public administrations	56,987	-	-	-	56,987	49,980
c) Banks	7,284	-	-	-	7,284	7,866
d) Other financial companies	143,273	585	-	-	143,858	106,042
e) Non-financial companies	2,481,664	196,349	7,503	-	2,685,516	2,710,594
f) Households	200,476	12,690	453	-	213,619	231,383
2. Financial guarantees given	**31,841**	**4,821**	**432**	**-**	**37,094**	**53,209**
a) Central banks	-			-		-
b) Public administrations	-			-	-	-
c) Banks	32	-	-	-	32	32
d) Other financial companies	2,801	-	-	-	2,801	2,618
e) Non-financial companies	25,144	4,481	379	-	30,004	45,087
f) Households	3,864	340	53	-	4,257	5,472

2. Other commitments and other guarantees given

	Nominal value 31.12.2022	Nominal value 31.12.2021
1. Other guarantees given	**219,801**	**233,033**
of which: impaired	2,883	2,922
a) Central banks	-	-
b) Public administrations	48	48
c) Banks	5,773	5,741
d) Other financial companies	1,871	1,878
e) Non-financial companies	195,420	207,198
f) Households	16,689	18,168
2. Other commitments		
of which: impaired	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets pledged to secure own liabilities and commitments

Portfolios	**31.12.2022**	**31.12.2021**
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	149,677	207,543
3. Financial assets measured at amortised cost	6,636,323	6,321,364
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

Item "3. Financial assets measured at amortised cost" are represented by the loans sold to Società Veicolo Desio OBG Srl constituting eligible assets for the programme for the issue of Guaranteed Bank Bonds (OBG), the loans collateralised with the ECB through the A.Ba.Co. procedure, and the securities subscribed with reference to the self-securitisation transaction in place with the securitisation vehicle Coppedè S.r.l.

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5. Management and intermediation for third parties

Type of services	31.12.2022
1. Execution of orders on behalf of customers	**-**
a) purchases	-
1. settled	-
2. not settled	-
b) sales	-
1. settled	-
2. not settled	-
2. Portfolio management	**1,637,950**
a) individual	1,637,950
b) collective	-
3. Custody and administration of securities	**25,093,941**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-
1. securities issued by companies included in the consolidation	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): other	10,385,511
1. securities issued by companies included in the consolidation	454,971
2. other securities	9,930,540
c) third-party securities deposited with third parties	10,368,861
d) own securities deposited with third parties	4,339,569
4. Other transactions	**-**

6. Financial assets subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements

Technical forms		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits placed as collateral (e)	31.12.2022	31.12.2021
1. Derivatives		60,750	-	60,750	-	56,506	4,244	10
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2022**	**60,750**	**-**	**60,750**	**-**	**56,506**	**4,244**	**-**
Total	**31.12.2021**	**10**	**-**	**10**	**-**	**-**		**10**

7. Financial liabilities subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits placed as collateral (e)	31.12.2022	31.12.2021
1. Derivatives		253	-	253	-	192	61	(204)
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2022**	**253**	**-**	**253**	**-**	**192**	**61**	
Total	**31.12.2021**	**5,826**	**-**	**5,826**	**5,020**	**1,010**		**(204)**

Tables 6 and 7 show the positive fair values (Table 6 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and negative fair values (Table 7 column (a) "Gross amount of financial liabilities" and (c) "Net amount of financial liabilities reported in the financial statements") of derivatives for which Credit Support Annex Agreements (ISDA) are in place. These agreements, while not meeting all the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, provide for mechanisms to mitigate the risk of counterparty default by exchanging collateral on time deposits and allow for the offsetting of credit and debit positions relating to financial and credit derivatives upon the occurrence of certain events such as counterparty default. In line with the provisions of IFRS 7 and the latest provisions on the rules for the preparation of bank financial statements, the following was taken into account when completing the tables:

- the effects of potential offsetting of the countervalues of the financial statements of financial assets and liabilities, indicated in column (d) "Financial Instruments", together with the fair value of real financial guarantees represented by securities;
- the effects of the potential offsetting of exposures with cash collateral, indicated in column (e) "Cash deposits received as collateral".

These effects are recognised for counterparties with which a netting framework agreement is in place up to the amount reported in column (c) "Net amount of financial assets reported in the financial statements".

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

1.1 Interest and similar income: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss:	**750**	**-**	**-**	**750**	**377**
1.1 Financial assets held for trading	736	-	-	736	262
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets obligatorily measured at fair value	14	-	-	14	115
2. Financial assets measured at fair value through other comprehensive income	**4,279**	**-**	**X**	**4,279**	**755**
3. Financial assets measured at amortised cost:	**42,264**	**259,815**	**-**	**302,079**	**254,356**
3.1 Loans with banks	7,235	7,852	X	15,087	4,714
3.2 Loans to customers	35,029	251,963	X	286,992	249,642
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**9,573**	**9,573**	**1,502**
6. Financial liabilities	**X**	**X**	**X**	**20,254**	**37,450**
Total	**47,293**	**259,815**	**9,573**	**336,935**	**294,440**
of which: interest income on impaired financial assets	-	135	-	135	1,993
of which: interest income on finance lease	X	2,997	X	2,997	2,210

Interest on "Financial assets at amortised cost" is shown net of interest on arrears accrued and not collected in the reporting period on impaired assets, because it is only recognised in the financial statements when collected. Overall, interest of this kind accrued at year-end amounted to Euro 2,354 thousand (Euro 1,105 thousand last year).

On the other hand, interest on arrears referring to previous years and collected in the year totalled Euro 362 thousand (Euro 344 thousand last year).

Item "5. Other assets" consists of revenues related to Eco and Sismabonus tax credits recognised by the Bank following their assignment by customers, the remuneration for which is recognised in interest income over the recovery period of the credits.

Item "6. Financial liabilities" include negative interest expense accrued on TLTRO III loans obtained from the Eurosystem and recognised at the effective interest rate according to the amortised cost method in the amount of Euro 17,384 thousand (formerly Euro 35,695 thousand), as well as interest income on inflows repurchase agreements for Euro 2,870 thousand (formerly Euro 1,756 thousand).

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

Items	31.12.2022	31.12.2021
Interest income on financial assets in foreign currency	1,046	368

1.3 Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other transactions	31.12.2022	31.12.2021
1. Financial liabilities measured at amortised cost	(28,328)	(13,326)	X	(41,654)	(31,035)
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	(1,052)	X	X	(1,052)	(709)
1.3 Payables to customers	(27,276)	X	X	(27,276)	(17,378)
1.4 Securities outstanding	X	(13,326)	X	(13,326)	(12,948)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(315)	(315)	(322)
5. Hedging derivatives	X	X	(4,822)	(4,822)	(1,084)
6. Financial assets	X	X	X	(5,366)	(8,265)
Total	**(28,328)**	**(13,326)**	**(5,137)**	**(52,157)**	**(40,706)**
of which: interest expense on lease payables	(693)	X	X	(693)	(702)

Item "6. Financial assets" mainly include interest expenses on the Bank of Italy reserve account in the amount of Euro 4,754 thousand, interest expenses on securities in the held-to-collect & sell portfolio in the amount of Euro 341 thousand.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on liabilities in foreign currency

Items	31.12.2022	31.12.2021
Interest expense on financial liabilities in foreign currency	(236)	(143)

1.5 Differentials relating to hedging transactions

Items	31.12.2022	31.12.2021
A. Positive differentials relating to hedging transactions	1,258	-
B. Negative differentials relating to hedging transactions	(6,080)	(1,084)
C. Balance (A-B)	**(4,822)**	**(1,084)**

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Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	31.12.2022	31.12.2021
a) Financial instruments	18,167	19,641
1. Placement of securities	2,695	3,651
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	2,695	3,651
2. Receiving and sending orders and execution of orders on behalf of customers	4,952	5,450
2.1 Receiving and sending orders for one or more financial instruments	4,952	5,450
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	10,520	10,540
of which: trading on own account	-	-
of which: individual portfolio management	10,520	9,963
b) Corporate Finance	-	-
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	-	-
d) Compensation and settlement	-	-
e) Collective portfolio management	-	-
f) Custody and administration	1,734	1,693
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	1,734	1,693
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary business	-	-
i) Payment services	103,786	103,415
1. Current accounts	78,528	78,058
2. Credit cards	2,430	4,202
3. Debit cards and other payment cards	4,928	4,682
4. Bank transfers and other payment orders	9,812	8,514
5. Other fees related to payment services	8,088	7,959
j) Distribution of third-party services	57,985	63,741
1. Collective portfolio management	31,652	33,807
2. Insurance products	25,981	26,220
3. Other products	352	3,714
of which: individual portfolio management	352	380
k) Structured finance	-	-
l) Servicing activities for securitisation transactions	116	88
m) Commitments to disburse funds	-	-
n) Financial guarantees given	2,348	2,329
of which: credit derivatives	-	-
o) Financing transactions	7,996	7,370
of which: for factoring transactions	2,129	1,533
p) Currency trading	1,216	1,029
q) Goods	-	-
r) Other commission income	8,393	8,092
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**201,741**	**207,398**

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Commissions relating to the "distribution of third-party services - other products" (sub-item j.3) are mainly attributable to commissions received for the distribution of personal loans.

Commissions relating to "financing transactions" include not only commissions for factoring transactions, but also commissions income for salary-backed loans and loans with payment authority for Euro 5,663 thousand (Euro 5,837 thousand at the end of the previous year).

The item "Other commission income" includes internet banking service fees of Euro 1,956 thousand (Euro 1,933 thousand at the end of the previous year) and recovery of expenses on mortgage instalment collections of Euro 1,609 thousand (Euro 1,475 thousand at the end of the previous year).

The table is shown net of the amount of Euro 9,543 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value for the same business unit reclassified under "Profit/Loss from discontinued operations after taxes" was Euro 8,702 thousand.

2.2 Commission expenses: breakdown

Services/Values	31.12.2022	31.12.2021
a) Financial instruments	(295)	(267)
of which: trading of financial instruments	(292)	(267)
of which: placement of financial instruments	(2)	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
d) Compensation and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(1,143)	(1,458)
e) Collection and payment services	(2,005)	(2,081)
of which: credit cards, debit cards and other payment cards	(526)	(660)
f) Servicing activities for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(642)	(107)
of which: credit derivatives	-	-
i) Off-premises offer of financial instruments, products and services	(16,032)	(14,240)
j) Currency trading	-	-
m) Other commission expenses	(867)	(817)
Total	**(20,984)**	**(18,970)**

The item "Other commission expenses" includes commissions paid for introducing customers and providing loans to them in the amount of Euro 149 thousand (Euro 109 thousand last year).

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2022		31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	143	0	236	0
B. Other financial assets obligatorily measured at fair value	0	0	0	0
C. Financial assets measured at fair value through other comprehensive income	458	0	454	0
D. Investments	0	0	0	0
Total	**601**	**0**	**690**	**0**

Section 4 - Net trading result - Item 80

4.1 Net trading result: breakdown

Transactions/Income components	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
0	0	0	0	0	
1. Financial assets held for trading	**103**	**1,114**	**(4,184)**	**(147)**	**(3,114)**
1.1 Debt securities	-	63	(3,501)	(1)	(3,439)
1.2 Equity securities	103	477	(609)	(146)	(175)
1.3 UCITS units	-	503	(74)	-	429
1.4 Loans	-	-	-	-	-
1.5 Other	-	71	-	-	71
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**2,981**
4. Derivative instruments	**5,483**	**10,463**	**(1,661)**	**(9,663)**	**4,670**
4.1 Financial derivatives:	5,483	10,463	(1,661)	(9,663)	4,670
- On debt securities and interest rates	5,483	4,284	(1,653)	(3,943)	4,171
- On equity securities and stock indices	-	6,179	(8)	(5,720)	451
- On currencies and gold	X	X	X	X	48
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**5,586**	**11,577**	**(5,845)**	**(9,810)**	**4,537**

Item "1. Financial assets held for trading" and "4. Derivative instruments" shows the economic result attributable to financial assets held for trading.

Item "3 Financial assets and liabilities: exchange rate differences" shows the positive (or negative) balance of changes in the value of financial assets and liabilities denominated in foreign currencies, other than those held for trading purposes.

Section 5 - Net hedging result - Item 90

5.1 Net hedging result: breakdown

Income components/Values	31.12.2022	31.12.2021
A. Income related to:		
A.1 Fair value hedging derivatives	60,156	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	**60,156**	**-**
B. Expenses related to:		
B.1 Fair value hedging derivatives	-	-
B.2 Hedged financial assets (fair value)	(60,645)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging financial derivatives	(3)	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	**(60,648)**	**-**
C. Net hedging result (A - B)	**(492)**	**-**
of which: hedging result on net positions	-	-

The item mainly includes the net result deriving from both the hedging of the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge type hedging) and the hedging of market rate fluctuations in relation to fixed-rate mortgages with performing credit status (Macro Fair Value Hedge type hedging).

The various sub-items show the income components arising from the valuation process of both the hedged assets and liabilities and the related hedging derivatives.

Section 6 - Gains (Losses) on sale/repurchase - Item 100

6.1 Gains (Losses) on sale/repurchase: breakdown

Items/Income components	31.12.2022			31.12.2021		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	13,790	(18,020)	(4,230)	4,179	(15,493)	(11,314)
1.1 Loans with banks	375	-	375	-	-	-
1.2 Loans to customers	13,415	(18,020)	(4,605)	4,179	(15,493)	(11,314)
2. Financial assets measured at fair value through other comprehensive income	692	(97)	595	4,855	(458)	4,397
2.1 Debt securities	692	(97)	595	4,855	(458)	4,397
2.2 Loans	-	-	-	-	-	-
Total assets	**14,482**	**(18,117)**	**(3,635)**	**9,034**	**(15,951)**	**(6,917)**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	18	-	18	11	(320)	(309)
Total liabilities	**18**	**-**	**18**	**11**	**(320)**	**(309)**

This item includes the economic result from the sale of financial assets not included among those held for trading and among those measured at fair value through profit or loss, as well as the result from the repurchase of own securities.

Item "1.2 Loans to customers" also includes the results of the sale of non-performing loans.

Item "2. Financial assets measured at fair value through other comprehensive income" represents the economic effect of sales during the year, including the release of the related valuation reserves before the tax effect.

With reference to financial liabilities, under item "3. Securities issued" shows the result of gains/losses from the repurchase of own bonds.

Section 7 - Result of financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**629**	**14**	**(10,172)**	**(916)**	**(10,445)**
1.1 Debt securities	14	-	(187)	-	(173)
1.2 Equity securities	61	-	-	-	61
1.3 UCITS units	554	14	(9,985)	(916)	(10,333)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**1**
Total	**629**	**14**	**(10,172)**	**(916)**	**(10,444)**

This item consists of the result of financial instruments that are mandatorily measured at fair value through profit or loss, even if not held for trading, due to the failure to pass the SPPI (Solely payments of principal and interests) test required by IFRS 9 Financial Instruments. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

Section 8 - Net value adjustments/reversals for credit risk - Item 130

8.1 Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				31.12.22	31.12.21
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans with banks	**(785)**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**(785)**	**(97)**
- Loans	(98)	-	-	-	-	-	-	-	-	-	(98)	(24)
- Debt securities	(687)	-	-	-	-	-	-	-	-	-	(687)	(73)
B. Loans to customers	**(2,988)**	**(1,726)**	**(1,124)**	**(57,301)**	**-**	**-**	**4,426**	**14**	**16,725**	**-**	**(41,974)**	**(86,399)**
- Loans	(861)	(1,726)	(1,124)	(57,301)	-	-	4,426	14	16,725	-	(39,847)	(85,292)
- Debt securities	(2,127)	-	-	-	-	-	-	-	-	-	(2,127)	(1,107)
Total	**(3,773)**	**(1,726)**	**(1,124)**	**(57,301)**	**-**	**-**	**4,426**	**14**	**16,725**	**-**	**(42,759)**	**(86,496)**

This item includes value adjustments and reversals recorded for the credit risk of assets measured at amortised cost (portfolio loans with banks and to customers including debt securities).

With reference to "Value adjustments", the figure in the "Write-offs" column records losses on the definitive derecognition of loans classified as bad loans.

The "Value Adjustments - Third Stage", determined by the analytical assessment of the probability of recovery on non-performing loans and the discounting of expected cash flows, refer to:

- bad loans of Euro 25,279 thousand (formerly Euro 23,328 thousand);
- unlikely to pay of Euro 31,348 thousand (formerly Euro 42,981 thousand);
- past-due exposures of Euro 674 thousand (formerly Euro 378 thousand);

"Reversals - First and Second Stages" are determined on the amount of the performing loan portfolio.

The "Reversals - Third Stage" refer to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 164 thousand (formerly Euro 1,006 thousand);
- collections of loans previously written-down for Euro 8,917 thousand (formerly Euro 8,299 thousand);
- valuation reversals for Euro 7,644 thousand (formerly Euro 4,608 thousand).

Value adjustments on loans and debt securities result from the application of the models for determining the expected credit loss adopted by the Group.

With regard to the determination of credit losses, in addition to what has already been set forth in the paragraph "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Section 5 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" above, please refer to what has been set forth in the paragraph "Methods for measuring expected losses" contained in "Part E - Information on risks and related hedging policies" of these Notes to the Financial Statements.

8.1a Net value adjustments for credit risk related to loans measured at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income components	Net value adjustments						31.12.2022	31.12.2021
	First stage	Second stage	Third stage		Purchased or originated impaired			
			Write-offs	Other	Write-offs	Other		
1. Forborne loans in compliance with GL	88	47,870	-	10,399	-	57	**58,414**	(45,839)
2. Loans subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	**-**	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	**-**	-
4. New loans	817	(1,338)	-	(3,988)	-	49	**(4,460)**	(3,506)
Total 31.12.2022	**899**	**46,532**	**-**	**6,411**	**-**	**106**	**53,954**	
Total 31.12.2021	**1,063**	**(38,869)**	**-**	**(11,403)**	**-**	**(136)**		**(49,345)**

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

Transactions/Income components	Value adjustments (1)						Reversals (2)				31.12.2022	31.12.2021
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**(193)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(160)**	**9**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– to customers	-	-	-	-	-	-	-	-	-	-	-	-
– With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(193)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(160)**	**9**

This item includes value adjustments and reversals arising from the application of the new models to determine the expected loss on the "held-to-collect & sell" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

9.1 Gains (losses) from contractual amendments: breakdown

This item includes the adjustment made to the carrying amounts of loans to customers that undergo changes in contractual cash flows without giving rise to derecognition in accordance with paragraph 5.4.3 and Appendix A of IFRS9.

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expenses/Values	31.12.2022	31.12.2021
1) Employees	(172,013)	(170,641)
a) wages and salaries	(114,930)	(114,604)
b) social security contributions	(30,144)	(30,759)
c) employee severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(411)	(190)
f) allocations to the provision for severance benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) contributions to external supplementary pension funds:	(10,430)	(10,717)
- defined contribution	(10,430)	(10,717)
- defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(16,098)	(14,371)
2) Other personnel in activity	(1,082)	(715)
3) Directors and Statutory Auditors	(2,947)	(3,024)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	-	-
6) Reimbursement of expenses for seconded third-party employees at the company	-	-
Total	**(176,042)**	**(174,380)**

Item "1.g - contributions to external supplementary pension funds: defined contribution" includes the portion of employee severance indemnity paid to the Treasury Fund and supplementary pension funds. Details of item "1.i - other employee benefits" are provided in Table 12.4 below.

The table is shown net of the amount of Euro 71 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value for the same business unit reclassified under "Profit/Loss from discontinued operations after taxes" was Euro 69 thousand.

12.2 Average number of employees by category

	31.12.2022	31.12.2021
1) Employees	**2,127**	**2,155**
a) managers	29	32
b) middle managers	1,027	1,035
c) remaining employees	1,071	1,088
2) Other personnel	**12**	**7**

12.3 Defined-benefit company pension funds: costs and revenues

Not present at the reporting date.

12.4 Other employee benefits

	31.12.2022	31.12.2021
Appropriation for miscellaneous charges	(11,083)	(9,911)
Assistance fund contribution	(2,293)	(2,281)
Education and training expenses	(645)	(692)
Building fees for employee use	(77)	(106)
Exit incentives	(305)	990
Other	(1,695)	(2,371)
Total	**(16,098)**	**(14,371)**

The main components of the item "Other" include charges related to the provision of personnel catering services (ticket restaurant) in the amount of Euro 2,190 thousand (formerly Euro 2,184 thousand) and those related to insurance premiums in the amount of Euro 271 thousand (formerly Euro 314 thousand), net of the effect of the actuarial valuation on the liability related to seniority bonuses and additional holidays in the amount of Euro 834 thousand.

12.5 Other administrative expenses: breakdown

	31.12.2022	31.12.2021
Indirect taxes and duties:		
-Stamp duties	(26,493)	(28,148)
-Other	(5,036)	(6,161)
Other expenses:		
-IT expenses	(21,377)	(19,485)
-Lease of buildings/assets	(2,015)	(2,142)
-Property, furniture and equipment maintenance	(8,749)	(9,141)
-Postal and telegraph	(1,208)	(1,350)
-Telephony and data transmission	(5,015)	(5,304)
-Electricity, heating, water	(6,241)	(3,084)
-Cleaning services	(2,993)	(3,265)
-Printers, stationery and cons.	(421)	(721)
-Transport costs	(1,127)	(942)
-Surveillance and security	(1,427)	(1,575)
-Advertising	(1,581)	(1,322)
-Information and records	(1,998)	(2,600)
-Insurance premiums	(1,474)	(1,334)
-Legal fees	(2,941)	(3,045)
-Professional consultancy fees	(13,427)	(8,408)
-Various contributions and donations	(254)	(196)
-Miscellaneous expenses	(26,320)	(25,986)
Total	**(130,097)**	**(124,209)**
	-	

The item "Lease of buildings/assets" includes charges for lease/rental contracts not included in the scope of IFRS 16 and, in particular, related to software.

The item "Miscellaneous expenses" includes contributions paid during the year to the National Resolution Fund and the Deposit Guarantee Scheme totalling Euro 18,119 thousand (formerly Euro 17,943 thousand), of which:

- Euro 7,263 thousand referred to the ordinary contribution to the Resolution Fund (SRM) for the year (formerly Euro 9,008 thousand). The balance at 31 December 2021 includes the extraordinary contribution to the Resolution Fund (SRM) of Euro 2,213 thousand.

- Euro 10,856 thousand (formerly Euro 8,935 thousand) referred to the contribution to the Deposit Guarantee Scheme (DGS), of which Euro 3,638 thousand as additional contribution.

Also included under the same item "Miscellaneous expenses" are reimbursements to employees for travel expenses, list and mileage reimbursements of Euro 1,009 thousand (formerly Euro 792 thousand), costs for membership contributions of Euro 1,142 thousand (formerly Euro 1,140 thousand) and charges related to agreements, within the framework of the disbursement of personal and salary-backed loans, with third-party administrations (ATC) for Euro 563 thousand (formerly Euro 539 thousand).

The item "Professional consultancy fees" includes fees paid to lawyers and consulting firms that supported the Bank in the "Lanternina project" during 2022 amounting to Euro 5.3 million.

Also included are fees paid to the network to which the auditing firm KPMG S.p.A. belongs for services rendered to the Bank, as summarised below according to the different types of services rendered.

Type of services	Service provider	Recipient	Fees (Euro thousands)
		Banco di Desio e della Brianza S.p.A.	349.7
Audit	KPMG S.p.A.	Fides S.p.A.	35.3
		Desio OBG S.r.l.	16.2
Certification services	KPMG S.p.A.	Banco di Desio e della Brianza S.p.A.	129.1
		Fides S.p.A.	21.1
Other services:			
Risk Management methodological support	*KPMG Advisory S.p.A.*	*Banco di Desio e della Brianza S.p.A.*	*502.8*
Total			**1,054.2**

The fees shown are net of expenses, the CONSOB contribution (where due) and VAT.

Section 13 – Net allocations to provisions for risks and charges – Item 200

13.3 Net allocations to provisions for other risks and charges: breakdown

	Allocations	Uses	31.12.2022	31.12.2021
Commitments for guarantees given	(977)	1,430	453	889
Charges for legal disputes	(8,412)	3,728	(4,684)	(4,157)
Other	(9,338)	6,143	(3,195)	1,574
Total	**(18,727)**	**11,301**	**(7,426)**	**(1,694)**

The item "Commitments for guarantees given" represents the net allocation to the provision for risks determined by applying the expected loss calculation models defined in application of the accounting standard "IFRS9 Financial Instruments".

The item charges for legal disputes includes allocations set up during the year to cover expected losses in connection with lawsuits and bankruptcy revocatory actions.

Other allocations include allocations to cover other operational risks.

Section 14 - Net value adjustments/reversals on tangible assets - Item 210

14.1. Net value adjustments on tangible assets: breakdown

Assets/Income component	Depreciation (a)	Impairment (b)	Reversals (c)	Net result (a + b - c)
A. Tangible assets				
1 For functional use	(16,162)	-	-	(16,162)
- Owned	(6,538)	-	-	(6,538)
- Rights of use acquired through leases	(9,624)	-	-	(9,624)
2 Held for investment purposes	(44)	-	-	(44)
- Owned	(44)	-	-	(44)
- Rights of use acquired through leases	-	-	-	-
3 Inventories	X	-	-	-
Total	**(16,206)**	**-**	**-**	**(16,206)**

Value adjustments on owned properties refer exclusively to depreciation calculated on the basis of the useful life of the assets.

The item "Rights of use acquired through leases" includes the depreciation of assets consisting of the right of use that is the subject of the lease agreements (so-called "Right of Use Asset" or "RoU Asset") recognised in accordance with IFRS16 "Leases" and calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

Details, by asset category, of the impact on the income statement of adjustments on tangible assets are shown under item "C.2 Depreciation" in table "9.6 Tangible assets for functional use: Changes in the year" and table "9.7 Tangible assets held for investment purposes: Changes in the year" in Section 9 of Part B.

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Section 15 - Net value adjustments/reversals on intangible assets - Item 220

15.1 Net value adjustments on intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment (b)	Reversals (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(418)	-	-	(418)
A.1 Owned	(2,084)	-	-	(2,084)
- Generated internally by the company	-	-	-	-
- Other	(2,084)	-	-	(2,084)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(2,084)**	**-**	**-**	**(2,084)**

Value adjustments refer exclusively to amortisation calculated on the basis of the useful life of intangible assets.

Section 16 - Other operating income and expenses - Item 230

16.1 Other operating expenses: breakdown

	31.12.2022	31.12.2021
Depreciation of leasehold improvements	(1,416)	(1,422)
Losses on realisation of tangible assets	(34)	(125)
Charges on non-banking services	(3,552)	(9,820)
Total	**(5,002)**	**(11,367)**

The item "Charges on non-banking services" includes Euro 3.2 million as a higher precautionary charge recognised in connection with a package of tax credits acquired from third parties and subject to seizure. The balance of the item in the comparison period included Euro 9.3 million in allocations for these charges. For further details, please refer to the information contained in the Report on Operations.

16.2 Other operating income: breakdown

	31.12.2022	31.12.2021
Recovery of taxes from third parties	28,684	31,145
Recovery of charges on current accounts and deposits	2,234	2,206
Rent and fees receivable	43	45
Other expense recoveries	1,914	1,871
Profits on realisation of tangible assets	104	22
Other	633	856
Total	**33,612**	**36,145**

The item "Recovery of taxes from third parties" mainly includes recoveries of stamp duty on current accounts, deposit accounts and other customer investments totalling Euro 25,798 thousand (formerly Euro 27,261 thousand) and recoveries of substitute tax totalling Euro 2,889 thousand (formerly Euro 3,889 thousand).

The item "Recovery of charges on current accounts and deposits" includes recoveries for fast processing fees of Euro 935 thousand (formerly Euro 822 thousand) and other recoveries for miscellaneous customer communications for Euro 990 thousand (formerly Euro 1,145 thousand).

The item "Other expense recoveries" includes, in particular, legal expenses on bad loans in the amount of Euro 713 thousand (formerly Euro 1,014 thousand), recoveries related to sundry loan investigation expenses in the amount of Euro 464 thousand (formerly Euro 170 thousand), and recovery of sundry expenses on lease files in the amount of Euro 281 thousand (formerly Euro 312 thousand).

Section 17 - Gains (losses) on investments - Item 250

17.1 Gains (losses) on investments: breakdown

Income component/Values	31.12.2022	31.12.2021
1) Joint ventures		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Reversals		
4. Other income		
B. Expenses		
1. Write-downs		
2. Impairment		
3. Losses on sale		
4. Other expenses		
Net Result		
2) Companies under significant influence		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Reversals		
4. Other income		
B. Expenses	(16)	
1. Write-downs		
2. Impairment		
3. Losses on sale		
4. Other expenses	(16)	
Net Result	**(16)**	**-**
Total	**(16)**	**-**

Item "2) B.4 Other expenses" shows the result of the allocation of the result for the period of the associate Anthilia Capital Partners SGR S.p.A. against valuation using the equity method.

Section 18 - Net result of fair value measurement of tangible and intangible assets - Item 260

At 31 December 2021, the item included the negative change, amounting to Euro 123 thousand, related to the category of works of art as a result of the updated valuation of valuable artistic assets (governed by IAS 16 "Property, Plant and Equipment").

Section 19 - Value adjustments on goodwill - Item 270

The results of the impairment tests on goodwill recognised in the financial statements did not lead to the recognition of any value adjustments.

With regard to the methodology adopted to perform the tests, please refer to the comment in "Section 10 - Intangible assets" of the Balance Sheet Assets.

Section 20 - Gains/Losses on disposal of investments - Item 280

20.1 Gains (losses) on disposal of investments: breakdown

Income component/Sectors	31.12.2022	31.12.2021
A. Properties	(54)	-
- Gains on sale	-	-
- Losses on sale	(54)	-
B. Other assets	-	-
- Gains on sale	-	-
- Losses on sale	-	-
Net result	**(54)**	**-**

The balance of the item amounting to Euro 54 thousand refers to losses arising from the sale of investment properties by Banco Desio.

Section 21 - Income taxes for the year on current operations - Item 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	31.12.2022	31.12.2021
1. Current taxes (-)	(21,406)	(978)
2. Changes in current taxes of previous years (+/-)	1,466	223
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(15,245)	(19,523)
5. Change in deferred tax liabilities (+/-)	(113)	8,954
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(35,298)**	**(11,324)**

The increase in item "1. Current taxes" compared to the comparison period is substantially due to the increase in profit for the period compared to the comparison period and the consequent increase in the IRES and IRAP tax bases.

The balance of item "2. Changes in current taxes of previous years" refers to the amount recognised following a refund application submitted to the Revenue Agency in relation to IRAP, tax year 2014, with reference to the business unit transferred by the Parent Company to the former subsidiary BPS.

More specifically, it should be noted that taxation in the comparison period benefited from the realignment carried out by the Parent Company, pursuant to Article 110 of Decree Law No. 104/2020, of the tax values to the higher statutory values of buildings and goodwill. The positive effect on the result for the comparison period was Euro 9,365 thousand, due to the difference between:

- the substitute tax due in the amount of Euro 979 thousand (referred to in item 1);

- the reversal of deferred tax liabilities in the amount of Euro 9,544 thousand (referred to in item 5) and the reconstitution of deferred tax assets in the amount of Euro 800 thousand (referred to in item 4), totalling Euro 10,344 thousand.

21.2 Reconciliation of theoretical tax charge and actual tax charge in the financial statements

	IRES		IRAP	
Pre-tax result	119,366		119,366	
Costs not deductible for IRAP			28,852	
Revenues not taxable for IRAP			(16,487)	
Sub Total	119,366		131,731	
Theoretical tax expense 24% Ires - 3.5% Ires surtax - 5.57% Irap		**(32,825)**		**(7,338)**
Temporary differences taxable in subsequent years	(401)		(35)	
Temporary differences deductible in subsequent years	42,377		29,537	
Reversal of temporary differences from previous years	(92,143)		(57,523)	
Differences that will not be reversed in subsequent years	(2,881)		(47)	
Taxable amount	-		103,663	
Current taxes for the year 24% Ires - 3.5% Ires surtax - 5.57% Irap		**(18,238)**		**(5,775)**

The total of "Current taxes for the year" in this table, equal to Euro 24,013 thousand, is equal to the sum of what is indicated under item "1. Current taxes" in Table 21.1 and under item "5. Taxes and duties" in Table 22.1.

The difference between the theoretical tax burden and current taxes is mainly due to:

- the recovery of write-downs on receivables from previous years, pursuant to Article 16, paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9.

Section 22 - Profit/Loss from discontinued operations after taxes - Item 320

22.1 Profit (loss) from discontinued operations after taxes: breakdown

Income components/Sectors	31.12.2022	31.12.2021
1. Income	9,543	8,702
2. Expenses	(71)	(69)
3. Result of valuations of groups of assets and related liabilities	-	-
4. Realised gains (losses)	-	-
5. Taxes and duties	(2,605)	(2,855)
Profit (loss)	**6,867**	**5,778**

The income from the business unit transferred to Worldline Italia is entirely related to commission income. The expenses relate mainly to personnel costs.

22.2 Details of income taxes on discontinued operations

	31.12.2022	31.12.2021
1. Current taxation (-)	(2,605)	(2,855)
2. Changes in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (-/+)		
4. Income tax for the year (-1 +/-2 +/-3)	**(2,605)**	**(2,855)**

Section 25 - Earnings per share

	31.12.2022		31.12.2021	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Group net profit attributable to the different share classes (Euro thousand)	81,463	-	54,901	-
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)	**0.61**	**-**	**0.41**	**-**
Diluted earnings per share (Euro)	**0.61**	**-**	**0.41**	**-**

25.1 Average number of diluted capital ordinary shares

During the year, no capital transactions were performed and no financial instruments were issued that could result in the issue of shares. Therefore, the average number of shares used to calculate the diluted earnings per share is 134,363,049 ordinary shares with no nominal value.

25.2 Other information

No further information.

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PART D - CONSOLIDATED COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items		31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**81,463**	**54,901**
	Other income components without reversal to the income statement		
20.	**Equity securities measured at fair value through other comprehensive income:**	**1,479**	**(50,963)**
	a) change in fair value	1,479	(50,963)
	b) reclassified to other components of equity		
50.	**Tangible assets**		**(57)**
70.	**Defined benefit plans**	**1,451**	**8**
100.	**Income taxes relating to other income components without reversal to the income statement**	**(470)**	**3,660**
	Other income components with reversal to the income statement		
130.	**Cash flow hedges:**	**303**	**1,090**
	a) changes in fair value	303	
	b) reversal to income statement		1,090
150.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income:**	**(47,274)**	**(5,544)**
	a) changes in fair value	(47,694)	(3,796)
	b) reversal to income statement	216	(1,748)
	- credit risk adjustments	158	(10)
	- realised gains/losses	58	(1,738)
	c) other changes	204	
170.	**Share of valuation reserves of investments measured at equity**	**22**	**-**
	a) changes in fair value	22	
	b) reversal to income statement		
180.	**Income taxes relating to other income components with reversal to the income statement**	**15,535**	**1,472**
190.	**Total other income components**	**(28,954)**	**(50,334)**
200.	**Comprehensive income (Item 10+190)**	**52,509**	**4,567**
210.	Consolidated comprehensive income attributable to minority interests	-	-
220.	**Consolidated comprehensive income attributable to the parent company**	**52,509**	**4,567**

The negative change in item 20 “Equity securities measured at fair value through other comprehensive income” compared to last year is due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; the following were recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks. This system is integrated into the organisational and corporate governance structures adopted by the Group.

The guidelines of the system are defined in internal regulations. Detailed operational and informative provisions on the controls implemented, at the various levels, on corporate processes are contained in the specific function regulations and internal procedures.

Under the organisational model adopted by the Group, the Risk Management function reports directly to the Chief Executive Officer and participates in the risk management process aimed at identifying, measuring, assessing, monitoring, preventing and mitigating as well as communicating the risks assumed or that may be assumed in the course of business. This function also performs the activity vis-à-vis the subsidiaries, in accordance with the relevant Service Agreements.

At least once a year, the Board of Directors approves the Group's "Risk Appetite Framework (RAF)" and "Corporate Risk Management Policy", which define the risk appetite, tolerance thresholds, limits as well as risk monitoring rules and methodologies. Within the framework of these documents, specific risk indicators with the relevant attention thresholds are provided for at the level of each legal entity, identifying the functions responsible for the specific control mechanisms and providing for dedicated information flows. The internal capital adequacy process (ICAAP) and the liquidity risk management and governance system (ILAAP) are also part of the Group's risk management system.

SECTION 1 - ACCOUNTING CONSOLIDATION RISKS

Quantitative information

A. Credit Quality

A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolios/quality		Bad loans	Unlikely to pay	Impaired past-due	Non-impaired past-due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost		59,771	131,931	6,681	54,655	14,405,882	14,658,920
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	827,845	827,845
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	665	665
5. Financial assets held for sale		-	-	-	-	-	-
Total	**31.12.2022**	**59,771**	**131,931**	**6,681**	**54,655**	**15,234,392**	**15,487,430**
Total	**31.12.2021**	**97,215**	**144,300**	**5,295**	**96,921**	**16,580,266**	**16,923,997**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolios/quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	393,724	(195,341)	198,383	1,882	14,567,659	(107,122)	14,460,537	14,658,920
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	828,168	(323)	827,845	827,845
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	665	665
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31.12.2022	**393,724**	**(195,341)**	**198,383**	**1,882**	**15,395,827**	**(107,445)**	**15,289,047**	**15,487,430**
Total 31.12.2021	**499,599**	**(252,788)**	**246,811**	**6,371**	**16,782,087**	**(105,783)**	**16,677,187**	**16,923,998**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	20,634
2. Hedging derivatives	-	-	59,099
Total 31.12.2022	**-**	**-**	**79,733**
Total 31.12.2021	**-**	**-**	**4,216**

SECTION 2 - PRUDENTIAL CONSOLIDATION RISKS

1.1 Credit Risk

<u>Qualitative information</u>

1. *General Aspects*

The bank's lending activities are developed in line with the management guidelines of the Business Plan and targeted at local economies mainly in the retail, small business and small-medium enterprise markets. To a lesser extent, lending is aimed at the corporate market.

In the activities aimed at private customers, small businesses (artisans, producer households, professionals), SMEs and corporates, and customers with financial company characteristics, the products essentially related to: loans and deposits, financial, banking and payment services, documentary credit, lease, factoring, financial, insurance and asset management products, and debit and credit cards.

Commercial policy is pursued mainly through the branch network on the basis of credit policies oriented towards supporting local economies. Particular attention is paid to maintaining the relationships established with customers and developing them both in the geographical areas where the bank is traditionally present and in the new markets of establishment with the aim of acquiring new market shares and facilitating growth in business volume. The subsidiary Fides S.p.A., active in the provision of loans to private customers in the technical forms of salary-backed, advances on severance pay and personal loans, also makes use of agents outside the parent company's sales network in the placement of its products. The bank also operates by adhering to the agreements stipulated between the Italian Banking Association, Trade associations and Entrepreneurial associations with the stipulation of Conventions aimed at providing credit support to companies with a view to safeguarding asset quality.

2. *Credit risk management policies*

2.1. *Organisational aspects*

Factors that generate credit risk relate to the possibility that an unexpected change in the creditworthiness of a counterparty, with respect to which exposure exists, generates a corresponding unexpected change in the value of the credit position. Therefore, not only the possibility of a counterparty's insolvency, but also the mere deterioration of creditworthiness must be considered a manifestation of credit risk.

The Group's organisational structure ensures an adequate process for monitoring and managing credit risk, with a logic of separation between business and control functions. The Parent Company's Board of Directors is exclusively responsible for determining guidelines affecting the general management of the bank's business, as well as, within this framework, decisions concerning strategic lines and operations and industrial and financial plans, and those concerning, again at the level of strategic supervision, the Internal Control and Risk Management System in accordance with the Prudential Supervisory Provisions in force from time to time. In line with the provisions of Bank of Italy Circular 285/2013, the Parent Company assigned the Risk Management Department the task of verifying and supervising the monitoring and credit recovery activities carried out by the competent corporate functions, envisaging the power to intervene, where necessary, on the classification of anomalous credit and the allocation of provisions.

2.2 *Management, measurement and control systems*

The credit risk management, measurement and control systems are developed in an organisational context that involves the entire credit process cycle, from the initial investigation phase to the periodic review and the final revocation and recovery phase.

In the credit investigation stages, the bank carries out both internal and external investigations on the customer to be entrusted, and arrives at the final decision to grant credit by also considering all the information relating to the economic subject, which is the result of direct knowledge of the customer and the economic context of operation.

In the credit disbursement process, the Group operates by having as its guiding principle both the spreading of risk among a multiplicity of customers operating in different business sectors and market segments, and the adequacy of the credit line in relation to the borrower's autonomous creditworthiness, the technical form of utilisation and the collateral that can be acquired.

The analysis and monitoring of credit risk is carried out with the support of specific operating procedures. The purpose of a timely monitoring system is to detect, as early as possible, signs of deteriorating exposures in order to take effective corrective action. To this end, credit exposures are monitored by means of the performance analysis of reports and the risk centre through dedicated procedures. This examination makes it possible to identify customers with anomalies in the conduct of the relationship as opposed to those with a regular pattern.

All credit transactions carried out by the Bank as a result of the health emergency were appropriately coded in order to be able to govern and monitor the action on a daily basis.

In relation to the negative impact of the Covid-19-related health emergency, monitoring activities continued for customers (both individuals and companies) on medium- and long-term loans that resumed normal repayment schedules during the year.

With reference to the possible repercussions on the quality of the loan portfolio resulting from the conflict between Russia and Ukraine, an assessment was conducted on the direct credit risk impacts at portfolio level. In addition, an internal monitoring analysis was initiated in order to intercept, at an early stage, customers who, due to their sector or direct dependency, could be potentially negatively affected. In order to assess the hypotheses for the evolution of the macroeconomic scenario, the sectoral impact estimates and tools to cope with both the most acute phase of the crisis and the new scenario were examined in depth.

As part of its corporate risk management policies, the Group has established a system of operational limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, when thresholds are exceeded, the Risk Management function activates internal procedures to intervene in order to maintain a level of risk appetite consistent with what is defined in the RAF and risk management policies.

For risk management purposes, the Group uses an internal rating system capable of classifying each counterparty into risk classes with homogeneous probability of default. The classification of performing counterparties subject to valuation is on a scale of 1 to 10. Non-performing loans (exposures past-due and/or overdrawn, 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 regulatory rules for the Standardised Approach, using ratings provided by authorised external ECAI for certain counterparties.

2.3 Methods for measuring expected losses

The general approach defined by IFRS 9 Financial Instruments to estimate impairment is based on a process designed to provide evidence of deterioration in the credit quality of a financial instrument at the reporting date compared to the date of initial recognition. The regulatory guidance on the allocation of receivables to the various "stages" provided by the Standard ("staging" or "stage allocation") requires, in fact, that significant changes in credit risk be identified with reference to the change in creditworthiness from the initial recognition of the counterparty, the expected life of the financial asset, and other forward-looking information that may affect credit risk.

Consistent with IFRS 9, performing loans are therefore divided into two different categories:

- Stage 1: assets with no significant credit risk deterioration are classified in this bucket. For this Stage, the calculation of the expected one-year loss on a collective basis is envisaged;
- Stage 2: in this bucket are classified assets with a significant deterioration in credit quality between the reporting date and initial recognition. For this bucket, the expected loss must be calculated from a lifetime perspective, i.e. over the entire life of the instrument, on a collective basis.

As part of the process of ongoing monitoring of the application framework of IFRS 9, in consideration of the reference context still conditioned by the pandemic and war emergency, it should be noted that in preparing this financial report, the Group took into account the indications contained in the documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical assumptions in the models used to estimate expected credit losses during the health emergency and the need to ensure that the risks to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential valuations.

Therefore, the Group has updated the macroeconomic forecasts of the models used to estimate expected losses to the projections for Italy in the period 2022-24 prepared by the experts of the Bank of Italy as part of the Eurosystem coordinated exercise, published on 16 December 2022, to the projections for Europe prepared by the experts of the European Central Bank, published on 15 December 2022, and residually to those prepared 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 fall in international trade and foreign demand, the downsizing of international tourism flows, the effects of uncertainty and confidence on the propensity of businesses to invest, etc.

Estimating the expected credit loss - Stage 1 and Stage 2

The Expected Credit Loss (ECL) calculation model for measuring the impairment of non-impaired instruments, differentiated according to whether the exposure is classified as a Stage 1 or Stage 2 exposure, is based on the following formula:

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

where:

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

The models used to estimate these parameters are derived from the corresponding parameters developed under the most recent regulatory guidelines, making specific adjustments to take into account the different requirements and purposes of the IFRS 9 impairment model compared to the regulatory model.

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

- removal of elements provided for regulatory purposes only, such as the down-turn component considered in the regulatory LGD calculation to account for the adverse business cycle, the margins of conservatism provided for PD, LGD and EAD, and the add-on of indirect costs with the aim of avoiding a double-counting effect on the income statement;
- inclusion of current business cycle conditions (Point-in-Time risk measures) in place of a Through The Cycle (TTC) measurement required for regulatory purposes;
- introduction of forward-looking information concerning the future dynamics of macroeconomic factors (forward looking risk) considered potentially capable of influencing the debtor's situation;

- extension of the risk parameters to a multi-year perspective, taking into account the duration of the credit exposure to be assessed (lifetime).

The following provides more detailed information on how the Group determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to how forward-looking factors were included.

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

Estimating the PD parameter

The PD parameters were appropriately calibrated, using satellite models, to reflect default rates under current (PiT) and forward-looking conditions. These parameters must be estimated not only with reference to the twelve-month horizon following the reporting date, but also in future years, in order to allow for the calculation of lifetime provisions.

For the Group, lifetime PD curves were created by multiplying 12-month rating migration matrices by segments and conditional on prospective macroeconomic scenarios, using a Markovian approach. Each rating class assigned to counterparties by internal models is associated with the corresponding lifetime PD curve. Below are the main methodological steps used to estimate the PD lifetime parameter:

- creating historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, based on the average of these matrices, obtaining 3-year migration matrices for each risk segment. It should be noted that in order to reduce the default rate bias resulting from support policies, the migration matrices of 2020 and 2021 have been deducted of the counterparties benefiting from moratoria;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned by selected macroeconomic scenarios, using satellite models (Merton method) capable of expressing the sensitivity of PD measures to changes in key economic quantities. These satellite models are differentiated by Business and Private segments and use segment-specific variables;
- obtaining the cumulative PD per rating class and scenario by means of a matrix product (Markov chain techniques) of the future Pit migration matrices for the first three years, as calculated above, while from the fourth year onwards, use is made of the 1-yr TTC matrix assumed constant in each period *t*, obtained by deconditioning the individual annual migration matrices observed over the last five years using the Merton-Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

Please refer to the following section "Inclusion of forward-looking factors" for further details on how the PD parameter was created.

Estimating the LGD parameter

LGD values are assumed to be equal to the recovery rates calculated over the business cycle (TTC), appropriately adjusted to remove certain elements of conservatism represented by indirect costs and the adverse business cycle component (the so-called "down turn" component in addition to the previously mentioned margins of conservatism).

Estimating the EAD

For cash exposures, the EAD parameter is, at each future payment date, the outstanding debt based on the amortisation schedule plus any unpaid and/or past-due instalments.

For off-balance sheet exposures, which are represented by guarantees and irrevocable or revocable commitments to disburse funds, the EAD is equal to the nominal value weighted by a credit conversion factor (CCF), determined in accordance with internal models and using the standard 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 resulting from different macroeconomic scenarios. In detail, the multiple possible alternative macroeconomic scenarios were reduced to a limited number of three scenarios (positive, basic and negative), which constitute the input of the so-called "satellite models". The use of the latter models makes it possible to define, by means of statistical regression techniques, the relationship between a limited number of significant macroeconomic variables, taken as a reference, and the decay rates of the various segments. The result of these estimates is used to create stress factors, known as "delta scores", broken down by scenario and risk segments. These "delta scores" are applied using the Merton method to the average Point in Time (PiT) matrix per risk segment, represented by the most recent three years of available internal rating migration data, in order to obtain three future matrices stressed on the basis of macroeconomic forecasts. From the fourth year onwards, reference was made to the long-term matrix to calculate the PD curves.

Next, the creation of the PD curves for each of the 3 scenarios is done by applying the Markov chain statistical procedure (product of the annual matrices described above). The cumulative PiT and lifetime PD curves are finally generated as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

Considering that the final figures for the 2020 financial year (characterised, as is known, by a marked contraction in Italian GDP of -8.9%) have probably not yet fully reflected their effects either on the default classifications or on the deterioration of the performing portfolio, it was deemed appropriate to maintain in the determination of the expected default rates, albeit in a reduced form compared to the previous year, the so-called "Cliff Effect" i.e. the disproportionate amplification of the effects that would derive from the substantial and simultaneous drop - starting from the end of 2021 - of the support mechanisms for the economy adopted to cope with the pandemic (i.e. SACE guarantees to corporate loans, moratoria on SME loans and mortgages, measures on expiring tax balances and recovery, a freeze on redundancies and access to the funded redundancy fund).

The adjustment was then applied by calculating - from the projections obtained through the application of the satellite model and for each rating system - the distance between the estimated 2020 default rate (TD) and the observed one in the same year, and the distance between the 2021 TD and the observed one in the same year. Next, the portion of latent defaults for which the support measures granted were deemed insufficient to mitigate the pandemic effect from Covid-19 was identified, spreading it over the three projection years asymmetrically (developing a greater effect on the first projection year).

Moreover, the current satellite models for the corporate and private segments, although characterised by prudence in estimating "conventional" scenarios, have certain limitations when applied to hyper-inflationary scenarios as an increase in inflation corresponds to a reduction in expected forward-looking riskiness.

This assessment, which is consistent with an inflation dynamic aligned with the monetary policy target dynamic, is not well suited to capture a hyper-inflationary scenario as it is expected to reduce risk instead of increasing it.

For this reason, the projection models were re-estimated by excluding the variables considered unsuitable for the hyper-inflationary context, such as Inflation Europe, Euribor 3m, Italian residential property values.

Finally, given the persistent uncertainty regarding the future evolution of the Covid-19 pandemic, the ongoing war context, and the relative economic effects of the same, the mix of probabilities of occurrence was calibrated by placing alongside the "base" scenario considered most probable (with a probability of 55%), an alternative "negative" scenario (with a probability of 35%) and a "positive" scenario (with a probability of 10%).

The following tables provide evidence of the minimum and maximum values ("range of values") referred to the macroeconomic parameters considered in the forward-looking conditioning models (so-called satellite models, time by time subject to calibration and refinement), for the scenarios considered most probable to influence the expected losses of performing credit exposures and the relative probabilities of occurrence considered at 31 December 2022, 2021 and 2020:

Financial Statements 31 December 2022	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	0.40	3.80	0.40	3.80	-0.48	3.43
10-year Bund - BTP spread	1.80	2.57	2.04	2.58	2.62	2.69
Probability of occurrence	**10%**		**55%**		**35%**	

Financial Statements 31 December 2021	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	2.24	6.44	2.50	6.20	1.43	5.96
Inflation Europe	2.10	3.40	1.80	3.20	1.40	3.10
Euribor 3m	-0.47	-0.50	-0.50	-0.50	-0.54	-0.50
Residential property values Italy	1.43	2.50	1.39	1.73	0.36	1.38
10-year Bund - BTP spread	0.91	1.03	0.91	1.03	1.28	2.14
Probability of occurrence	**0%**		**55%**		**45%**	

Financial Statements 31 December 2020	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	-8.9	6.1	-9.0	3.8	-9.2	1.4
Unemployment Italy	8.9	9.8	9.2	10.4	9.6	11.3
Residential property values	292.2	324.2	288.2	294.7	270.3	283.0
Unemployment Europe	7.5	8.8	8.0	9.3	8.1	10.3
Probability of occurrence	**0%/5%**		**70%**		**25%/30%**	

Post-model adjustments

Considering the fact that at the reporting date the latent riskiness of a cluster of exposures may not be fully reflected in the IFRS9 expected loss measurement models both in terms of staging allocation and application of the expected loss due to the particular situation that government support measures continue to determine on the liquidity of companies and the ordinary levers for monitoring loans (past-due amounts, financial tension, etc.), the Group deemed it appropriate to continue to adopt a prudent approach, consistent with as requested by Esma in its document "European common enforcement priorities for 2021 annual financial reports" in assessing the longer-term impacts related to Covid-19, defining post-model adjustments (management overlay) that take into account the transition to stage 2:

- moratoria on loans still outstanding at 30 September 2021, mainly consisting of legislative moratoria pursuant to Article 56 of the Liquidity Decree to be further extended during the year,
- updating the Bank's sector attractiveness analyses based on Prometeia sector studies, focusing on ratings equal to or worse than the median class (rating 5),

- mortgages granted to private customers belonging to the mass market segment to which the analysis of the Bank's Lending and Commercial Departments is directed (worsening of the instalment from June to December greater than Euro 50).

With particular reference to the sectors considered less attractive, the same Ateco codes used as drivers for the specific risk monitoring and containment actions within credit policies, as detailed below, were taken into account.

Code	Sector	Grouping
1	Agriculture	LOW
2	Agriculture	LOW
3	Agriculture	LOW
13	Textiles and Clothing	LOW
14	Textiles and Clothing	LOW
15	Textiles and Clothing	LOW
24	Metallurgy	LOW
25	Metallurgy	LOW
29	Automotive	LOW
35	Production and Supply of Electricity, Gas	LOW
41	Construction	LOW
42	Construction	LOW
43	Construction	LOW
45	Automotive	LOW
47	Retail Trade	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, Sporting Activities and Travel Agencies	LOW
80	Business Services	LOW
81	Business Services	LOW
82	Business Services	LOW
90	Recreational, Sporting Activities and Travel Agencies	LOW
91	Recreational, Sporting Activities and Travel Agencies	LOW
92	Recreational, Sporting Activities and Travel Agencies	LOW
93	Recreational, Sporting Activities and Travel Agencies	LOW

Within the stage 2 positions, specific higher-risk clusters were identified for corporate loans to which increasing minimum coverage was applied.

For the definition of the minimum coverage levels to be applied on the various clusters identified, in a range between 4.8% and 13%, the average coverage levels expressed by the model on different risk bands were taken as a reference.

Sensitivity analysis of expected losses

As represented in the section "Use of estimates and assumptions in preparing the financial statements" contained in Part A - "Accounting policies", the determination of impairment losses on loans involves significant elements of judgement, with particular reference to the model used to measure losses and the relative risk parameters, the triggers considered expressive of significant credit deterioration, and the selection of macroeconomic scenarios.

In particular, the inclusion of forward-looking factors turns out to be a particularly complex exercise, as it requires the formulation of macroeconomic forecasts, the selection of scenarios and their relative probabilities 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 under assessment, as illustrated in the previous paragraph.

In order to assess how forward-looking factors may influence expected losses, it is deemed reasonable to perform a sensitivity analysis in the context of different scenarios based on consistent forecasts in the evolution of different macroeconomic factors. The countless interrelationships between individual macroeconomic factors are, in fact, such that a sensitivity analysis of expected losses based on a single macroeconomic factor is not very significant.

The Group therefore deemed it reasonable to perform a sensitivity analysis considering a 70% probability of occurrence of the negative scenario, which would result in a further increase in value adjustments on the performing portfolio of about Euro 2.3 million gross.

2.4 Credit risk mitigation techniques

In the development of the operational process leading to the granting of credit, even in the presence of positive evaluations of the necessary requirements, the Group acquires whenever possible collateral and/or personal guarantees aimed at risk mitigation.

The collateral represented by mortgages, mainly referring to the technical form of mortgages (particularly on residential properties), appears predominant over all loans. Still at significant levels, there are also public guarantees such as guarantees and counter-guarantees issued by the Guarantee Fund for SMEs pursuant to Law No. 662/96, SACE or the European Investment Fund, as well as pledged guarantees on securities and/or money.

The guarantees received are drafted on contractual outlines, in line with industry standards and legal guidelines, approved by the competent corporate functions. The guarantee management process, in line with the requirements of the supervisory regulations, includes monitoring activities and specific checks aimed at verifying eligibility.

Public guarantees such as guarantees and counter-guarantees issued by the Guarantee Fund for SMEs pursuant to Law No. 662/96 and by SACE were modelled in the calculation of the expected loss (ECL); an expected loss reflecting the risk of a public counterparty was also determined on the guaranteed portion of the exposure. A similar approach was adopted for financial guarantees eligible for prudential purposes.

3. Impaired credit exposures

3.1 Management strategies and policies

The current regulatory framework provides for the classification of impaired financial assets according to their critical status. In particular, there are three categories: "bad loans", "unlikely to pay" and "impaired past-due and/or overdrawn exposures".

- Bad loans: exposure to a party in a state of insolvency (even if not judicially adjudicated) or in substantially similar situations, irrespective of the loss projections made by the intermediary.
- Unlikely to pay: exposures for which the intermediary considers it unlikely that the borrower will perform in full without recourse to actions such as the enforcement of collateral, irrespective of the presence of amounts past-due and/or overdrawn.
- Impaired past-due and/or overdrawn exposures: exposures, other than those classified as bad loans or unlikely to pay, that are past-due and/or overdrawn continuously for more than 90 days.

There is also a type of "forborne exposures", referring to exposures subject to renegotiation and/or refinancing due to financial difficulties (manifest or about to manifest) of the client. Such exposures may constitute a subset of both non-performing loans (forborne exposures on impaired positions) and performing loans (forborne exposures on performing positions). The management of these exposures, in compliance with regulatory requirements with respect to timing and classification methods, is assisted through specific work processes and IT tools.

The Group has a policy that regulates the criteria and methods for the application of value adjustments which, depending on the type of non-performing loan, the original technical form and the type of collateral supporting it, establish the minimum percentages to be applied in determining loss forecasts. The management of the Parent Company's impaired exposures is delegated to a specific organisational unit, the NPL Area, which is responsible for identifying strategies to maximise recovery on individual positions and for defining the value adjustments to be applied to them. Only "impaired past-due/overdrawn" exposures subject to a lump-sum write-down and with a high probability of reclassification among "performing" exposures are managed by the function delegated to the monitoring of credit performance, which eventually classifies them among "unlikely to pay", transferring their management to the NPL Area.

The loss forecast represents the summary of several elements derived from different assessments (internal and external) of the capital adequacy of the principal debtor and any guarantors, and, in the case of UTP, also takes into account the drivers used in defining the LGD parameter. The monitoring of loss forecasts is constant and related to the development of the individual position. The Risk Management function periodically monitors compliance with the doubtful outcome percentages envisaged by the policy for the management of non-performing loans, reporting any deviations to the competent functions for realignment interventions, and supervises the recovery activities of non-performing loans, whether managed directly by the functions in charge or through specialised external operators.

The time element inherent in the discounting of non-performing loans is determined by specific valuations, made for individual types of assets, prepared on the basis of information on individual court cases and updated periodically.

Consistent with the objectives of reducing the bank's stock of non-performing loans indicated in the business plan and in the NPL Management Plan, and with a view to maximising recoveries, the competent corporate functions define the best strategy for managing impaired exposures, which, on the basis of the subjective characteristics of the individual counterparty/exposure and internal policies may be identified in a review of contractual terms (forbearance), in the assignment to an internal recovery unit rather than to a specialised third-party operator, in the identification of the possibility of assigning the credit to third parties (at the level of individual exposure or within a complex of positions with homogeneous characteristics). In particular, during the course of the year, proactive monitoring of exposures continued, favouring the return and recovery of unlikely to pay (UTP) exposures, and also evaluating hypotheses of disposal to third parties for exposures where the intervention of investors could be an improvement over the bank's ordinary risk containment actions. With regard to bad loans, credit recovery action was taken favouring outright solutions, where convenient, and also proceeding with the assignment of certain perimeters of mainly unsecured loans.

In execution of its capital management strategy, the Parent Company completed a programme of NPL disposals, particularly significant in recent years, with reference to both loans classified as bad loans and loans classified as UTP. The additional divestment transactions finalised during the year led to a further reduction in the NPL Ratio (gross non-performing loans/gross loans ratio) to 3.3%, confirming a level in line with the best in the Italian banking scene.

The action of containing the stock of UTP is achieved through two actions:

1. prevention of incoming flows to UTP;
2. effective management of the impaired portfolio aimed at maintaining good recovery and/or return to performing status, together with a policy of targeted disposals aimed at optimising their countervalue.

Since corporate counterparties represent a significant share, in terms of volume, the focus is more on reducing transfers to UTP for this type of loan.

The operating methods and tools in use at Banco Desio, through which positions presenting credit anomalies and critical factors are identified and managed, are regulated and formalised in internal documentation. In particular, the monitoring activity is strongly focused on the trend analysis of individual risk positions intercepted on the basis of periodic and punctual checks, on the basis of systematic reports produced by the internal IT procedure (Credit Quality Manager) and detected by the Monitoring Dashboard. The latter tool, in addition to periodically photographing and monitoring the trend in anomalies, provides, for the purposes of control and possible intervention, an evaluation of individual branches, attributing to each one a ranking, calculated on the basis of risk indicators.

This reporting tool, also used to support the Parent Company's Top Management and Network, makes it possible to interpret, process and historicise data from various certified sources, in order to detect the credit quality of the Parent Company itself, the Territorial Areas, and the Branches.

3.2 Write-offs

Impaired exposures for which there is no possibility of recovery (either total or partial) are subject to write-off in accordance with the policies in force at the time, approved by the Group's Board of Directors. Among the strategies identified for the containment of non-performing loans, a management approach based on "single name" disposals was also envisaged for unlikely to pay, with particular reference to loans managed with a view to liquidation or total return (gone concern).

With reference to the indicators used to assess recovery expectations, the Group has adopted specific policies for the analytical assessment of non-performing loans that envisage specific adjustment percentages, distinguishing the presence and type of underlying guarantees (real or personal), the submission of customers to a specific procedure (blank agreements; liquidation agreements; continuing agreements; over-indebtedness crisis; pursuant to Articles 67 and 182 of the Bankruptcy Law).

3.3 Purchased or originated impaired financial assets

As indicated by the accounting standard "IFRS 9 - Financial Instruments", in some cases, a financial asset is considered impaired upon initial recognition because the credit risk is very high and, in the case of purchase, it is acquired at a significant discount (compared to the initial disbursement value). In the event that the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and Business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as 'Purchased or Originated Credit Impaired Assets' (in short, "POCI") and are subject to special treatment. Specifically, value adjustments equal to the lifetime Expected Credit Loss (ECL) are recognised against them from the date of initial recognition and throughout their life. In light of the foregoing, POCI financial assets are initially recognised as impaired assets, subject to the possibility of being subsequently moved to performing loans, in which case an expected loss equal to the lifetime ECL will continue to be recognised. A "POCI" financial asset is therefore qualified as such in the signalling and expected loss calculation (ECL) processes.

4. Financial assets subject to trade renegotiations and forborne exposures

In the face of the debtor's credit difficulties, exposures may be subject to modifications of 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 behind the debtor's credit difficulties, the changes may act in the short term (temporary suspension of the payment of the principal of a loan or extension of a maturity) or in the long term (extension of the term of a loan, revision of the interest rate) and lead to the classification of the exposure (both performing and impaired) as "forborne". Forborne exposures are subject to specific grading provisions, as set forth in the EBA ITS 2013-35 transposed into the Group's lending policies; if the forbearance measures are applied to performing exposures, they are taken into account in the process of assigning the internal management rating and are included in the group of stage 2 exposures. All exposures classified as forborne are included in specific monitoring processes by the relevant corporate functions.

Specifically, these functions, through the support of appropriate IT procedures, monitor the effectiveness of the measures granted, detecting improvements or deteriorations in the client's financial situation after the concession. If, at the end of the monitoring period, the position meets all the criteria laid down in the relevant regulations, it is no longer considered a forborne loan; conversely, it continues to be a forborne exposure.

The commercial network may, if it sees fit, revise the terms applied to customer exposures even in the absence of financial difficulties, within the scope of the autonomy in force at the time.

In that case, the exposure does not fall within the category of forborne exposures.

Quantitative information

A. Credit Quality

A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

A.1.1 Prudential consolidation - Breakdown of financial assets by maturity bands (carrying amounts)

Portfolios/risk stages		First stage			Second stage			Third stage			Purchased or originated impaired		
		From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost		7,893	2,656	5,472	20,797	12,402	5,297	14,329	23,664	98,033	423	529	1,304
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-			
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-			
Total	**31.12.2022**	**7,893**	**2,656**	**5,472**	**20,797**	**12,402**	**5,297**	**14,329**	**23,664**	**98,033**	**423**	**529**	**1,304**
Total	**31.12.2021**	**19,571**	**3,784**	**41,337**	**13,771**	**14,002**	**4,455**	**17,226**	**13,840**	**142,059**	**-**	**-**	**-**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations (Part 1)

Reasons/risk stages	Total value adjustments											
	First stage assets						Second stage assets					
	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Total opening adjustments	**28**	**21,015**	**163**	**-**	**-**	**21,206**	**-**	**84,473**	**-**	**-**	**-**	**84,473**
Increases in purchased or originated financial assets	39	11,833	33	-	-	11,877	-	3,270	-	-	-	3,270
Derecognition other than write-offs	(3)	(5,484)	-	-	-	(5,487)	-	(850)	-	-	-	(850)
Net value adjustments/reversals for credit risk	49	6,534	127	-	-	(6,359)	-	(685)	-	-	-	(685)
Contractual amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	(3)	-	-	-	(3)	-	-	-	-	-	-
Total closing adjustments	**113**	**33,895**	**323**	**-**	**-**	**21,234**	**-**	**86,208**	**-**	**-**	**-**	**86,208**
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations (Part 2)

Reasons/risk stages	Total value adjustments											Total allocations for commitments to disburse funds and financial guarantees given				Tot.
		Third stage assets					Purchased or originated impaired financial assets									
	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Purchased or originated impaired commitments to disburse funds and fin.	
Total opening adjustments	**-**	**237,667**	**-**	**11,435**	**249,102**	**-**	**3,808**	**-**	**-**	**3,686**	**122**	**1,420**	**574**	**2,064**	**-**	**362,647**
Increases in purchased or originated financial assets	-	572	-	-	572	-	X	X	X	X	X	938	1,247	6,738	-	24,670
Derecognition other than write-offs	-	(503)	-	-	(503)	-	(1)	-	-	(1)	(1)	(877)	1,245	(6,779)	-	(13,252)
Net value adjustments/reversals for credit risk	-	51,511	-	(921)	50,590	-	1,345	-	(45)	1,310	(10)	966	(508)	86	-	58,459
Contractual amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(5,638)	-	-	(5,638)	-	(72)	-	-	(72)	-	-	-	-	-	(5,710)
Other changes	-	(112)	-	-	-	-	-	-	-	-	-	-	-	-	-	(155)
Total closing adjustments	**-**	**283,497**	**-**	**10,514**	**294,123**	**-**	**5,080**	**-**	**(45)**	**4,923**	**111**	**2,447**	**2,558**	**2,109**	**-**	**426,699**
Recoveries from collection on financial assets subject to write-offs	-	3,872	-	-	3,872	-	17	-	-	17	-	-	-	-	-	3,889
Write-offs recognised directly in the income statement	-	(4,362)	-	-	4,362	-	(5)	-	-	(5)	-	-	-	-	-	(4,367)

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)

Portfolios/risk stages	Gross exposure/nominal value					
	Transfers between first and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	1,059,135	446,726	60,492	11,133	41,080	2,584
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	196,237	60,187	650	490	4,097	155
Total 31.12.2022	**1,255,372**	**506,913**	**61,142**	**11,623**	**45,177**	**2,739**
Total 31.12.2021	**863,321**	**971,679**	**64,079**	**3,571**	**27,322**	**1,337**

A.1.3a Loans subject to Covid-19 support measures: transfers between credit risk stages (gross amounts)

Portfolios/quality		Gross amounts/nominal value					
		Transfers between first and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
		From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Loans measured at amortised cost		**272,710**	**88,706**	**12,021**	**47**	**17,928**	**25**
A.1 forborne in compliance with GL		175	1,907	835		248	
A.2 subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne		-	-	-	-	-	
A.3 subject to other forbearance measures		-	-	-	-	-	
A.4 new loans		272,535	86,799	11,186	47	17,680	25
B. Loans measured at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
B.1 forborne in compliance with GL		-	-	-	-	-	-
B.2 subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne		-	-	-	-	-	-
B.3 subject to other forbearance measures		-	-	-	-	-	-
B.4 new loans		-	-	-	-	-	-
Total	**31.12.2022**	**272,710**	**88,706**	**12,021**	**47**	**17,928**	**25**
Total	**31.12.2021**	**320,114**	**-**	**12,975**	**176**	**5,097**	**63**

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

Type of exposures/values	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 On demand	**824,343**	**824,343**	**-**	**-**	**-**	**113**	**113**	**-**	**-**	**-**	**824,230**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	824,343	824,343	-	X	-	113	113	-	X	-	824,230	-
A.2 OTHER	**675,085**	**661,713**				**1,385**	**1,385**				**673,700**	**-**
a) Bad loans	-	X				-	X				-	-
- of which: forborne exposures	-	X				-	X				-	-
b) Unlikely to pay	-	X				-	X				-	-
- of which: forborne exposures	-	X				-	X				-	-
c) Impaired past-due exposures	-	X				-	X				-	-
- of which: forborne exposures	-	X				-	X				-	-
d) Non-impaired past-due exposures	-	-				-	-				-	-
- of which: forborne exposures	-	-				-	-				-	-
e) Other non-impaired exposures	675,085	661,713				1,385	1,385				673,700	-
- of which: forborne exposures												-
TOTAL (A)	**1,499,428**	**1,486,056**				**1,498**	**1,498**				**1,497,930**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	-	X				-	X				-	-
b) Non-impaired	395,534	13,089				3	3				395,531	-
TOTAL (B)	**395,534**	**13,089**				**3**	**3**				**395,531**	**-**
TOTAL (A+B)	**1,894,962**	**1,499,145**				**1,501**	**1,501**				**1,893,461**	**-**

"On-balance sheet exposures" include all on-balance sheet financial assets claimed from banks, regardless of the accounting allocation portfolio (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost).

"Off-balance sheet exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

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

Type of exposures/values	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	**182,588**	**-**	**-**	**180,812**	**1,776**	**122,817**		**-**	**122,072**	**745**	**59,771**	**1,882**
- of which: forborne exposures	21,995	-	-	21,458	537	11,526		-	11,343	183	10,469	-
b) Unlikely to pay	**203,676**	**-**	**-**	**198,728**	**4,948**	**71,745**		**-**	**69,983**	**1,762**	**131,931**	**-**
- of which: forborne exposures	86,073	-	-	83,519	2,554	30,690		-	29,759	931	55,383	-
c) Impaired past-due exposures	**7,460**	**-**	**-**	**7,460**	**-**	**779**		**-**	**779**	**-**	**6,681**	**-**
- of which: forborne exposures	935	-	-	935	-	157		-	157	-	778	-
d) Non-impaired past-due exposures	**56,517**	**16,070**	**40,293**	**-**	**154**	**1,862**	**48**	**1,796**	**-**	**18**	**54,655**	**-**
- of which: forborne exposures	3,916	-	3,763	-	153	440		423	-	17	3,476	-
e) Other non-impaired exposures	**14,677,868**	**12,562,740**	**2,106,649**	**-**	**3,191**	**104,198**	**19,706**	**84,411**	**-**	**81**	**14,573,670**	**-**
- of which: forborne exposures	133,260	-	133,085	-	175	11,914		11,905	-	9	121,346	-
TOTAL (A)	**15,128,109**	**12,578,810**	**2,146,942**	**387,000**	**10,069**	**301,401**	**19,754**	**86,207**	**192,834**	**2,606**	**14,826,708**	**1,882**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	11,271		-	11,271	-	1,934		-	1,934	-	9,337	-
b) Non-impaired	3,842,597	3,102,896	236,854		-	1,595	513	1,082		-	3,841,002	-
TOTAL (B)	**3,853,868**	**3,102,896**	**236,854**	**11,271**	**-**	**3,529**	**513**	**1,082**	**1,934**	**-**	**3,850,339**	**-**
TOTAL (A+B)	**18,981,977**	**15,681,706**	**2,383,796**	**398,271**	**10,069**	**304,930**	**20,267**	**87,289**	**194,768**	**2,606**	**18,677,047**	**1,882**

"On-balance sheet exposures" include all on-balance sheet financial assets claimed from customers, regardless of the accounting allocation portfolio (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost). "Off-balance sheet exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

A.1.5a On-balance sheet credit exposures to customers subject to Covid-19 support measures: gross and net amounts

	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. BAD LOANS	-	-	-	-	-	-	-	-	-	-	-	-
A) Forborne in compliance with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY	**39,112**	**-**	**-**	**38,603**	**509**	**7,052**	**-**	**-**	**6,877**	**175**	**32,060**	**-**
A) Forborne in compliance with GL	1,133	-	-	1,133	-	335	-	-	335	-	798	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	37,979	-	-	37,470	509	6,717	-	-	6,542	175	31,262	-
C. IMPAIRED PAST-DUE LOANS	**731**	**-**	**-**	**731**	**-**	**92**	**-**	**-**	**92**	**-**	**639**	**-**
A) Forborne in compliance with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	731	-	-	731	-	92	-	-	92	-	639	-
D. PERFORMING LOANS	**6,023**	**1,635**	**4,388**	**-**	**-**	**75**	**3**	**72**	**-**	**-**	**5,948**	**-**
A) Forborne in compliance with GL	41	-	41	-	-	5	-	5	-	-	36	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	5,982	1,635	4,347	-	-	70	3	67	-	-	5,912	-
E. OTHER PERFORMING LOANS	**2,113,584**	**1,669,194**	**443,881**	**-**	**509**	**6,046**	**1,800**	**4,242**	**-**	**4**	**2,107,538**	**-**
A) Forborne in compliance with GL	7,477	2,321	5,156	-	-	560	5	555	-	-	6,917	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	2,106,107	1,666,873	438,725	-	509	5,486	1,795	3,687	-	4	2,100,621	-
TOTAL (A+B+C+D+E)	**2,159,450**	**1,670,829**	**448,269**	**39,334**	**1,018**	**13,265**	**1,803**	**4,314**	**6,969**	**179**	**2,146,185**	**-**

A.1.6 Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross impaired exposures

Not present at the reporting date.

A.1.6bis Prudential consolidation - On-balance sheet credit exposures to banks: trend in forborne gross exposures broken down by credit quality

Not present at the reporting date.

A.1.7 On-balance sheet credit exposures to customers: trend in gross impaired exposures

Reasons/Categories	Bad loans	Unlikely to pay	Impaired past-due
A. Opening gross exposure	**261,725**	**232,177**	**5,696**
- of which: exposures transferred not derecognised			
B. Increases	**49,076**	**129,948**	**28,711**
B.1 reclassified from non-impaired exposures	233	106,068	23,527
B.2 reclassified from purchased or originated impaired financial assets	-	613	218
B.3 reclassified from other impaired exposure categories	47,337	4,394	1,395
B.4 contractual amendments without derecognition	-	-	-
B.5 other increases	1,506	18,873	3,571
C. Decreases	**128,213**	**158,449**	**26,947**
C.1 reclassified to non-impaired exposures	155	14,651	16,656
C.2 write-offs	6,294	85	-
C.3 collections	20,964	51,409	5,756
C.4 proceeds from sale	20,855	22,291	-
C.5 losses on sale	79,876	21,326	-
C.6 reclassified to other impaired exposure categories	69	48,525	4,532
C.7 contractual amendments without derecognition	-	-	-
C.8 other decreases	-	162	3
D. Closing gross exposure	**182,588**	**203,676**	**7,460**
- of which: exposures transferred not derecognised	-	-	-

A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: trend in forborne gross exposures broken down by credit quality

Reasons/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**145,263**	**203,726**
- of which: exposures transferred not derecognised	6,327	30,220
B. Increases	**39,734**	**48,373**
B.1 reclassified from non-impaired non-forborne exposures	1,748	29,587
B.2 reclassified from non-impaired forborne exposures	32,316	
B.3 reclassified from impaired forborne exposures		10,015
B.4 reclassified from impaired non-forborne exposures		22
B.5 other increases	5,670	8,749
C. Decreases	**76,450**	**115,062**
C.1 reclassified to non-impaired non-forborne exposures		50,071
C.2 reclassified to non-impaired forborne exposures	10,015	
C.3 reclassified to impaired forborne exposures		32,316
C.4 write-offs	990	
C.5 collections	13,162	26,586
C.6 proceeds from sale	13,057	8
C.7 losses on sale	16,877	
C.8 other decreases	22,349	6,081
D. Closing gross exposure	**108,547**	**137,037**
- of which: exposures transferred not derecognised	-	-

A.1.9 Prudential consolidation - Impaired on-balance sheet credit exposures to customers: trend in total value adjustments

Reasons/Categories	Bad loans		Unlikely to pay		Impaired past-due	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**164,510**	**14,690**	**87,877**	**43,572**	**401**	**46**
- of which: exposures transferred not derecognised	-	-	2,295	1,571	22	-
B. Increases	**66,044**	**11,917**	**37,916**	**12,006**	**751**	**167**
B.1 value adjustments from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	43,037	3,111	32,005	10,726	680	150
B.3 losses on sale	11,775	1,357	5,822	1,273	-	-
B.4 reclassified from other categories of impaired exposures	11,068	7,449	89	7	71	17
B.5 contractual amendments without derecognition	-	-	-	-	-	-
B.6 other increases	164	-	-	-	-	-
C. Decreases	**107,737**	**15,081**	**54,048**	**24,888**	**373**	**56**
C.1 reversals from valuation	2,283	350	9,669	6,409	114	11
C.2 reversals from collection	4,925	1,549	3,907	2,117	195	37
C.3 gains on sale	2,538	592	1,959	912	-	-
C.4 write-offs	6,294	990	85	-	-	-
C.5 reclassified to other categories of impaired exposures	47	-	11,118	7,465	64	8
C.6 contractual amendments without derecognition	-	-	-	-	-	-
C.7 other decreases	91,650	11,600	27,310	7,985	-	-
D. Total closing adjustments	**122,817**	**11,526**	**71,745**	**30,690**	**779**	**157**
- of which: exposures transferred not derecognised	-	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**68,326**	**295,311**	**3,220,046**	**969,156**	**254,643**	**104,768**	**10,049,133**	**14,961,383**
- First stage	63,999	277,699	3,108,487	837,775	178,591	53,183	7,897,635	12,417,369
- Second stage	4,327	17,612	111,463	129,257	76,052	50,273	1,757,959	2,146,943
- Third stage	-	-	93	2,124	-	1,312	383,473	387,002
- Purchased or originated impaired	-	-	3	-	-	-	10,066	10,069
B. Financial assets measured at fair value through other comprehensive income	**1,364**	**-**	**809,721**	**17,083**	**-**	**-**	**-**	**828,168**
- First stage	1,364	-	809,721	17,083	-	-	-	828,168
- Second stage								-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**69,690**	**295,311**	**4,029,767**	**986,239**	**254,643**	**104,768**	**10,049,133**	**15,789,551**
D. Commitments to disburse funds and financial guarantees given	**45,224**	**167,546**	**348,851**	**261,647**	**44,930**	**15,191**	**2,480,770**	**3,364,159**
- First stage	44,078	164,025	317,397	252,522	42,857	7,371	2,287,786	3,116,036
- Second stage	1,146	3,521	31,454	9,075	2,073	6,910	182,674	236,853
- Third stage	-	-	-	50	-	910	10,310	11,270
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**45,224**	**167,546**	**348,851**	**261,647**	**44,930**	**15,191**	**2,480,770**	**3,364,159**
Total (A+B+C+D)	**114,914**	**462,857**	**4,378,618**	**1,247,886**	**299,573**	**119,959**	**12,529,903**	**19,153,710**

The assignment of external ratings refers to positions in the Group's own securities portfolio and to financing positions for which the Cerved External Credit Assessment Institution (ECAI) has assigned a credit risk rating.

Below is a reconciliation table between the rating classes indicated in Table A.2.1 and those provided by the ECAI Moody's and Mode Finance, the agencies to which the Group refers to determine its external ratings.

Creditworthiness classes	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 and below	EC1+ and below

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by internal rating classes

Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

The Group does not use internal rating models to determine capital requirements.

The Group uses, for management purposes, a rating model geared towards the assessment of Private Consumer and Business customers (Retail, Corporate and Financial and Institutional companies)

The following table shows the weight of each rating class in relation to total exposures for performing exposures belonging to the aforementioned exposure segments.

Exposures	Internal rating classes				
	1 to 4	5 to 6	7 to 10	Financial and Institutional	Total
On-balance sheet exposures	67.23%	25.40%	5.44%	1.93%	100%
Off-balance sheet exposures	79.78%	14.55%	3.58%	2.09%	100%

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 Prudential consolidation - Secured on- and off-balance sheet credit exposures to banks

Not present at the reporting date.

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A.3.2 Prudential consolidation - Secured on- and off-balance sheet credit exposures to customers

			Collaterals (1)				Personal guarantees (2)									Total
							Derivatives on loans					Unsecured loans				
								Other derivatives								
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Finance lease	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	(1)+(2)
1. Secured on-balance sheet credit exposures:	8,466,734	8,193,670	4,389,165	84,868	235,996	130,745	-	-	-	-	-	2,189,656	31	24,770	834,470	7,889,701
1.1. fully secured	6,780,957	6,523,994	4,386,515	84,868	178,149	125,639	-	-	-	-	-	1,001,189	31	21,822	723,277	6,521,490
- of which impaired	303,477	158,459	117,307	4,392	461	2,313	-	-	-	-	-	20,834	-	207	12,909	158,423
1.2. partially secured	1,685,777	1,669,676	2,650	-	57,847	5,106	-	-	-	-	-	1,188,467	-	2,948	111,193	1,368,211
- of which impaired	33,895	23,278	12	-	54	772	-	-	-	-	-	19,274	-	12	349	20,473
2. Secured off-balance sheet credit exposures:	794,492	793,630	3,852	-	59,398	56,882	-	-	-	-	-	1,782	698	10,089	614,742	747,443
2.1. fully secured	671,991	671,205	3,852	-	38,139	49,265	-	-	-	-	-	730	10	9,870	569,235	671,101
- of which impaired	3,745	3,438	39	-	35	344	-	-	-	-	-	9	-	-	3,011	3,438
2.2. partially secured	122,501	122,425	-	-	21,259	7,617	-	-	-	-	-	1,052	688	219	45,507	76,342
- of which impaired	101	77	-	-	31	5	-	-	-	-	-	5	-	-	7	48

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(Part 1)

Exposures/Counterparties		Public Administrations		Financial Companies		Financial Companies (of which insurance companies)	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	985	10,689	-	-
- of which: forborne exposures		-	-			-	-
A.2 Unlikely to pay		-	-	92	136	-	-
- of which: forborne exposures		-	-	18	16	-	-
A.3 Impaired past-due exposures		251	38	14	2	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Non-impaired exposures		3,067,787	655	608,636	5,927	6,780	
- of which: forborne exposures		-	-	1,780	188	-	-
Total A		**3,068,038**	**693**	**609,727**	**16,754**	**6,780**	-
B. Off-balance sheet credit exposures							
B.1 Impaired exposures		-	-	-	-	-	-
B.2 Non-impaired exposures		57,036		148,367	140	-	-
Total B		**57,036**	**-**	**148,367**	**140**	**-**	**-**
Total (A+B)	**31.12.2022**	**3,125,074**	**693**	**758,094**	**16,894**	**6,780**	**-**
Total (A+B)	**31.12.2021**	**2,976,720**	**876**	**769,293**	**14,651**	**6,221**	**1**

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B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(Part 2)

Exposures/Counterparties		Non-financial companies		Households	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures					
A.1 Bad loans		35,482	92,964	23,304	19,164
- of which: forborne exposures		4,929	7,819	5,540	3,707
A.2 Unlikely to pay		81,168	48,538	50,671	23,071
- of which: forborne exposures		30,624	19,107	24,741	11,567
A.3 Impaired past-due exposures		1,517	259	4,899	480
- of which: forborne exposures		444	93	333	65
A.4 Non-impaired exposures		6,008,587	64,338	4,943,315	35,128
- of which: forborne exposures		79,153	8,412	43,889	3,754
Total A		**6,126,754**	**206,099**	**5,022,189**	**77,843**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures		8,781	1,865	556	72
B.2 Non-impaired exposures		2,899,464	1,220	233,705	232
Total B		**2,908,245**	**3,085**	**234,261**	**304**
Total (A+B)	**31.12.2022**	**9,034,999**	**209,184**	**5,256,450**	**78,147**
Total (A+B)	**31.12.2021**	**9,159,622**	**258,469**	**4,929,772**	**88,026**

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B.2 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to customers

(Part 1)

Exposures/Geographical areas		Italy		Other European countries		America
		Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. On-balance sheet credit exposures						
A.1 Bad loans		59,747	(122,775)	24	(41)	-
A.2 Unlikely to pay		131,624	(71,534)	307	(210)	-
A.3 Impaired past-due exposures		6,681	(779)	-	-	-
A.4 Non-impaired exposures		14,481,075	(105,677)	142,881	(193)	1,774
Total (A)		**14,679,127**	**(300,765)**	**143,212**	**(444)**	**1,774**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		9,337	(1,937)	-	-	-
B.2 Non-impaired exposures		3,312,447	(1,595)	25,643	-	477
Total (B)		**3,321,784**	**(3,532)**	**25,643**	**-**	**477**
Total (A+B)	**31.12.2022**	**18,000,911**	**(304,297)**	**168,855**	**(444)**	**2,251**
Total (A+B)	**31.12.2021**	**17,662,455**	**(361,642)**	**159,723**	**(359)**	**17,228**

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B.2 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to customers
(Part 2)

Exposures/Geographical areas	America	Asia		Rest of the world	
	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. On-balance sheet credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Non-impaired exposures	(1)	374	(1)	2,221	(1)
Total (A)	**(1)**	**374**	**(1)**	**2,221**	**(1)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Non-impaired exposures	-	-	-	5	-
Total (B)	-	**-**	**-**	**5**	**-**
Total (A+B) 31.12.2022	**(1)**	**374**	**(1)**	**2,226**	**(1)**
Total (A+B) 31.12.2021	**(20)**	**427**	**(1)**	**569**	**-**

B.3 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to banks (Part 1)

Exposures/Geographical areas	Italy		Other European countries		America
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. On-balance sheet credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Non-impaired exposures	1,395,541	(1,398)	98,595	(93)	2,683
Total (A)	**1,395,541**	**(1,398)**	**98,595**	**(93)**	**2,683**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Non-impaired exposures	17,746	(2)	54,165	-	-
Total (B)	**17,746**	**(2)**	**54,165**	**-**	**-**
Total (A+B) 31.12.2022	**1,413,287**	**(1,400)**	**152,760**	**(93)**	**2,683**
Total (A+B) 31.12.2021	**2,384,526**	**(567)**	**93,770**	**(28)**	**-**

B.3 Breakdown by territory of on- and off-balance sheet credit exposures to banks (Part 2)

Exposures/Geographical areas		America	Asia		Rest of the world	
		Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Non-impaired exposures		(6)	160	-	951	(1)
Total (A)		**(6)**	**160**	**-**	**951**	**(1)**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		-	-	-	-	-
B.2 Non-impaired exposures		-	2,500	-	-	-
Total (B)		**-**	**2,500**	**-**	**-**	**-**
Total (A+B)	**31.12.2022**	**(6)**	**2,660**	**-**	**951**	**(1)**
Total (A+B)	**31.12.2021**	**-**	**2,000**	**-**	**1,116**	**(1)**

B.4 Large exposures

With reference to the supervisory regulations in force, the situation at 31 December 2022 was as follows:

Description	*Amount (carrying amount)*	*Amount (weighted amount)*	*Number*
Large exposures	7,874,084	424,410	9

The positions recorded refer to:

- Italian government bonds and the bank's tax assets;
- participation in the capital of the Bank of Italy;
- subscription of junior and mezzanine securities and provision of financing to the vehicle company of the NPL securitisation transaction through GACS;
- guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996;
- guarantees provided by SACE;
- exposures with Credit Agricole for liquidity deposited as part of the covered bond transaction, for debt securities included in the proprietary portfolio and derivative instruments;
- exposures with Unicredit relating to debt securities, derivative instruments, guarantees and loan commitments as well as equity securities;
- exposures with Banco Santander mainly related to debt securities and long term repos;
- repurchase agreements with Cassa di Compensazione e Garanzia.

C. Securitisation transactions

Qualitative information

In the course of 2018, a securitisation transaction was carried out with recourse to the procedure for the release by the Italian State of the guarantee on the securitisation of bad loans on senior securities pursuant to Decree Law No. 18/2016 ("GACS") aimed at deconsolidating Banco Desio Group loans for a gross countervalue of Euro 1.0 billion (the "Transaction").

The Transaction was structured in order to realise the significant transfer of credit risk associated with the securitised receivables ("SRT") pursuant to Articles 243 et seq. of Regulation (EU) No. 575/2013; the reference bad loans portfolio, transferred on 12 June 2018 to the special purpose vehicle "2Worlds s.r.l." ("SPV" or "Vehicle") specifically set up, is composed of mortgage or unsecured loan contracts granted by Banco di Desio e della Brianza and Banca Popolare di Spoleto in favour of "secured" customers, i.e. with transactions secured by mortgages, and "unsecured", i.e. with transactions without collateral.

On 25 June 2018, the SPV therefore issued the following classes of Asset-Backed Securities (ABS):

- senior securities amounting to Euro 288.5 million, corresponding to 28.8% of the Gross Book Value (GBV) at the date of identification of the loans on 31 December 2020, which were rated "BBB Low" and "BBB" respectively by DBRS Ratings Ltd and Scope Ratings GmbH;
- mezzanine securities in the amount of Euro 30.2 million, which were rated "B Low" and "B" by DBRS Ratings Ltd and Scope Ratings GmbH, respectively;
- junior securities in the amount of Euro 9.0 million, unrated.

On 11 July 2018, the Banco Desio Group accepted the final binding agreement for the sale of 95% of the mezzanine and junior securities, which was finalised on 23 July 2018 through the settlement of the transaction itself and thus the deconsolidation of the transferred bad loans.

On 3 October 2018, the Banco Desio Group received formal notice that the Minister of the Economy and Finance, by order of 5 September 2018, granted the State guarantee on the senior securities issued by the Vehicle with effect as of the date of adoption of the aforementioned order as the conditions had already been verified provided for by Decree Law No. 18/2016.

In 2020, the Bank subscribed to a security (Asset-Backed Security or "ABS") for Euro 50 million, issued by Lumen SPV S.r.l. (special purpose vehicle or "SPV"), having as underlying assets medium- to long-term loans granted by Credimi S.p.A. ("Originator") to SMEs and assisted by a guarantee from Medio Credito Centrale (MCC) as provided for by Decree Law No. 23 of 8 April 2020 (so-called Liquidity Decree Law). During 2021, another Lumen issue with underlying loans of the same type was subscribed for a further Euro 50 million.

The objectives of the initiative are:

1. obtain an expected return consistent with the risk profile of the transaction with underlying loans secured by Medio Credito Centrale;
2. increase the customer base with a target in line with commercial and credit policies (geography, company size and expected portfolio loss);
3. start operating on fintech channels (co-branded portal) that allow customers a completely online, simple and fast user experience.

During the 2020 financial year, the Bank also made, with a view to diversifying its securities portfolio and in search of an attractive yield, an investment of Euro 5 million in senior notes issued by the special purpose vehicle Viveracqua maturing in 2034 with 6 underlying bond issues of companies operating in the water sector. Also with a view to diversifying its securities portfolio during 2021, investments were made in senior tranches of third-party securitisations as follows:

- Euro 30 million referred to a standardised transparent simple senior issue ("STS") of Kripton SPV with underlying loans to SMEs secured by Medio Credito Centrale: at 31 December 2022, the transaction is still in the ramp-up phase and payments of about Euro 28.1 million have been made;
- Euro 15 million referred to a senior issue of the P2P vehicle Lendit with underlying consumer credit loans to private individuals; at 31 December 2022, the transaction is still in the ramp-up phase and payments of about Euro 6.7 million have been made.

In December 2021, Banco Desio also participated in a multi-originator securitisation of bad loans with a GACS state guarantee carried out by the Cassa Centrale Banca team (Buonconsiglio 4). In particular, on 15 December, the Bank finalised the sale without recourse in the form of a securitisation, carried out pursuant to Law 130/1999 (the "Transaction"), of a portfolio of non-performing loans ("NPL") with a total gross book value ("GBV") of Euro 22.9 million, in favour of the Special Purpose Vehicle "Buonconsiglio 4 S.r.l." ("SPV" or "Vehicle").

In order to comply with the retention obligation under (i) Article 405, paragraph 1, of EU Regulation 575/2013 ("CRR"), (ii) Article 51, paragraph 1, of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) Article 254 of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation"), the Group has decided to maintain a net economic interest of the nominal value of each Junior (approximately 7%) and Mezzanine (approximately 6%) tranche transferred to third-party investors, in addition to maintaining 100% of the Senior tranche, pursuant to Article 405, paragraph 1(a) of the CRR. The consideration for the sale, amounting to Euro 4.59 million (gross of the collections of Euro 90 thousand relating to the period 1 August 2021 - 1 December 2021, as provided for by the GACS Decree of 3 August 2016, Article 2, paragraph 1(a), was recognised through the subscription by BDB of ABS securities ("Notes") issued by the SPV on 14 December 2021, against the NPLs acquired pro-rata by each transferring bank. On 15 December 2021, Banco di Desio e della Brianza signed the final binding agreement for the sale by the Originator banks of approximately 94% of the Mezzanine securities and 93% of the Junior securities formulated by a third-party institutional investor for a pro-rata consideration of Euro 202,322, collecting the consideration on the scheduled settlement date of the securities transaction, i.e. 17 December 2021.

Lastly, it should be noted that information on so-called "self-securitisation" transactions is contained in Part E - Section 2 - Prudential consolidation risks - 1.4 Liquidity risk. These are transactions in which the Group fully subscribed to the securities issued by the vehicle, with the aim of using them to obtain liquidity, through monetary policy transactions with the Eurosystem or through repurchase agreements with market counterparties.

Quantitative information

C.1 Prudential consolidation - Exposures deriving from the main "own" securitisation transactions broken down by type of securitised assets and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURES	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals
A. Fully derecognised from the financial statements	152,424	34	664		1	
- *financial assets measured at amortised cost*	*152,424*	*34*				
B. Partially derecognised from the financial statements						
C. Not derecognised from the financial statements						

The exposure in the financial statements represents:

- the value of senior securities at amortised cost (including upfront costs incurred and accrued interest and net of expected credit loss - ECL);
- the fair value of mezzanine and junior securities held, which are recognised as financial assets mandatorily measured at fair value.

C.2 Prudential consolidation - Exposures deriving from the main “third-party” securitisation transactions broken down by type of securitised assets and by type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals
Loans to customers	128,102	4,330				

D. Disposal transactions

C. Prudential consolidation - Financial assets sold and fully derecognised

Qualitative information

In continuity with the strategy of proactive management of non-performing loans and in keeping with the guidelines issued by the European Central Bank, 8 transactions were finalised during the year for the sale of loan portfolios consisting of mortgage and unsecured loans classified as bad loans and unlikely to pay for a gross book value (GBV) of Euro 67.9 million to closed-end investment funds against the investment in units of the funds themselves for a countervalue of Euro 35.0 million.

As emerges from the analysis of the quantitative information reported in the following paragraph, the structure of each of the transactions is such as to have allowed Banco Desio to meet the requirements of IFRS 10 Consolidated Financial Statements concerning the absence of the conditions required for the exercise of control over the relevant investment fund (and therefore the exclusion of the latter from the Banco Desio Group’s scope of consolidation). Similarly, the requirements of IFRS 9 Financial Instruments for the substantial transfer of the rights to receive the cash flows from the individual assets transferred and the risks and rewards associated with them are met. This resulted in the total deconsolidation in accounting terms of the same transferred loans for all transactions, also taking into account that no guarantees other than the usual ones on the existence of the loan were granted in favour of each Fund.

In any case, specific periodic reporting has been provided for in the agreements of the transactions (side letters) in order to allow the subscribers of the units adequate mechanisms for feedback of the assets underlying the net asset value of each closed-end fund.

Quantitative information

Against the aforementioned disposals, which were multioriginator in nature due to the presence of disposals of non-performing loans to the same fund by a plurality of investors (including ten banks and an operator specialised in the management of non-performing loans), fund units were subscribed in 2022 for:

- Euro 14.1 million in the Keystone fund,

- Euro 6.6 million in the PEG UTP Manag DT fund,

- Euro 4.9 million in the UTP Italia Credit fund,

- Euro 4.4 million in the Efesto fund,

- Euro 4.0 million in the P-G CR Manag Uno fund,

- Euro 0.9 million in the Illimity CR fund.

Due to the pre-existing value adjustments at 31 December 2021 on loans to be sold in 2022, net losses from the sale of financial assets at amortised cost of approximately Euro 4.8 million were recorded.

As a result of the aforementioned multioriginator disposals, due to the presence of disposals of non-performing loans by a plurality of investors, at 31 December 2022, Banco Desio held the following investments in closed-end UCI of non-performing loans, with the resulting % of total units issued (based on each fund's latest available situation):

1. 14,037,666.00 units of the Keystone Fund, corresponding to 9.3% of the total units issued;
2. 10,337,131.457 units of the Efesto fund, corresponding to 2.6% of the total units issued;
3. 7,767,036 units of the Clessidra fund, corresponding to 3.0% of the total units issued;
4. 5,684,155.00 units of the Illimity CR fund, corresponding to 2.8% of the total units issued;
5. 4,946,851.00 units of the UTP Italia Credit fund, corresponding to 5.5% of the total units issued;
6. 244 units of the Vic2 fund, corresponding to 29.2% of the total units issued;
7. 159 units of the Vir1 fund, corresponding to 11.1% of the total units issued;
8. 139.00 units of the PEG UTP MANAG DT PT fund, corresponding to 19.85% of the total units issued;
9. 87.00 units of the P-G CR Manag Uno fund, corresponding to 14.14% of the total units issued;
10. 34.1845 units of the Back2Bonis fund, corresponding to 2.1% of the total units issued.

Taking into account the participation in each of the funds with respect to the plurality of investors involved, the conditions required by IFRS 10 for the exercise of control over the relevant fund are absent in all cases, as are the conditions required by IFRS 9 for the derecognition of the loans transferred due to the changed characteristics of the asset recognised in the balance sheet in place of the loans originated by the Bank (in terms of the number, characteristics and nominal value of the loans) and derecognised as a result of the transactions. To reach these conclusions, the following were evaluated:

- the absence of elements that could identify the ability to direct or control the variable returns of the funds, to which the Bank as unit holder is exposed;
- the number of debtors, the segment to which they belong, the presence of collateral, the timing of recovery and the type of financing: these qualitative factors point to a very strong diversification effect, produced by the presence of different debtors with non-homogeneous characteristics among the various contributing entities, which also corresponds to a different recovery strategy adopted by the Funds compared to that which would have been adopted by the individual member banks;
- in the case of larger contributions relative to the total assets of the funds, the conclusions of a quantitative test articulated by calculating the ratio between the variability of cash flows relative to the loan portfolio of individual member banks and the variability of cash flows relative to the total loan portfolio held by the Fund.

The units of closed-end investment funds subscribed, classified among the instruments obligatorily measured at fair value through profit or loss, are valued in accordance with the methods set forth in the Fair Value Policy for the type of asset on the basis of internally developed methodologies; this fair value (level 3) updated in line with the adoption of the fair value models identified resulted in an adjustment to the last available NAV totalling Euro 8.3 million, equal to over 11% of the investment valued at the NAV communicated by the manager.

D.4 Prudential consolidation - Covered bond transactions

Covered bond transactions in which the originator bank and the lending bank are the same must be reported in this section.

During 2017, the "Covered Bond - Desio OBG" programme was launched with the aim of obtaining Group benefits in terms of funding (diversification of funding, reduction of the related cost, and extension of the maturities of funding sources). This Programme, which is multi-seller in nature, involves:

- Banco di Desio e della Brianza (Parent Company) in the role of (1) originator bank, (2) financing bank, and (3) covered bond issuing bank;
- Desio OBG S.r.l. (Vehicle or SPV), as a vehicle company specifically set up for the sale of eligible assets by Banco Desio, a 60% subsidiary of the Parent Company;
- BNP Paribas, as the requested swap counterparty in view of the exposure to the possible risk generated by the mismatch between the fixed rate of the covered bond and the rate mix of the sold portfolio.

On 12 January 2021, a Private Placement issue was carried out of covered bonds maturing in 2031 in the amount of Euro 100 million at a mid-swap level of +34 bps (security with 0% coupon and issue price 98.493%).

More specifically, the "Covered Bond - Desio OBG" programme is characterised by:

1. non-recourse, non-revolving transfers of a portfolio of residential mortgage loans;
2. disbursement to the vehicle by Banco Desio of a subordinated loan;
3. issues by Banco di Desio e della Brianza of Euro 575 million (issued in 2017) and Euro 500 million (issued in 2019) of covered bonds to institutional investors with a 7-year maturity, as well as Euro 100 million (issued in 2021) with a 10-year maturity;
4. a liability swap on the covered bond issued entered by the vehicle, for a notional amount of Euro 300 million (on the 2017 issue) and for a notional amount of Euro 200 million (on the 2019 issue) with a BNP Paribas counterparty;
5. the conclusion by Banco di Desio e della Brianza of a back-swap, for the same notional amount of Euro with the same counterparty, mirroring the previous one.

The main features of the transaction are summarised below:

a) *Vehicle name*: Desio OBG S.r.l.
b) *Type of underlying loans*: Residential mortgages;
c) *Value of loans transferred:* a total of Euro 2,555 million;
d) *Amount of the subordinated loan:* a total of Euro 1,721 million at 31 December 2022;
e) *Nominal value of covered bonds issued:* Euro 1,175 million;
f) *Rate of the covered bonds issued:* fixed rate of 0.875% (2017 issue), 0.375% (2019 issue) and 0% with issue price 98.493% (2021 issue).

At 31 December 2022, the portfolio of loans transferred by the Bank had a carrying amount of approximately Euro 1,663 million.

E. Prudential consolidation - Models for measuring credit risk

The Bank does not use internal portfolio models to measure credit risk exposure.

1.2 Market risks

1.2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

A. General Aspects

Unexpected changes in market rates, in the presence of differences in the maturity and timing of interest rates on assets and liabilities, lead to a change in the net interest flow and thus in the net interest income. Moreover, such unexpected fluctuations expose the Group to changes in the economic value of assets and liabilities.

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

B. Interest rate risk and price risk management processes and measurement methods

In exercising its powers of management and coordination, the Parent Company's Board of Directors issued specific provisions on controls.

The trading activities of the Parent Company's Finance Area are subject to operating limits as set out in the "Risk Policy" and in the texts of internal regulations; in order to contain market risk, specific limits are set on consistency, sensitivity (duration), profitability (stop loss) and Value at Risk (VaR). A specific reporting system is the tool to provide the organisational units involved with adequate information.

The monitoring of indicators and operating limits is carried out, as a first-level control, on an ongoing basis by the Finance Area, while the Risk Management Department performs second-level monitoring, activating any escalation procedures in the event of overruns in accordance with 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 in summary form and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and a specific confidence level under normal market conditions. This methodology has the advantage of allowing the aggregation of positions taken relating to risk factors of a heterogeneous nature; it also provides a summary number that, being a monetary expression, is easily used by the organisational structure concerned. The VaR model uses the Monte Carlo simulation technique where, given the appropriate assumptions and correlations, it estimates, by calculating a series of possible revaluations, the value of the portfolio and, given the vector of expected portfolio returns, determines the desired percentile of the distribution. The model uses a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg infoprovider.

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

Banco Desio

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Euro

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
A. On-balance sheet assets	**-**	**864**	**-**	**-**	**8,228**	**8,637**	**-**	**-**
1.1 Debt securities	-	864	-	-	8,228	8,637	-	-
- with early redemption option	-	864	-	-	5,159	3,709	-	-
- other	-	-	-	-	3,069	4,928	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	24	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	24	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	103,040	3,717	7,990	16,894	4,098	-	-
+ Short positions	-	94,789	3,877	8,308	20,001	8,744	4,815	-

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Other currencies

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
A. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	69,691	1,860	5,502	-	-	-	-
+ Short positions	-	64,840	1,860	5,502	-	-	-	-

2. Supervisory trading book: breakdown of exposures in equity securities and stock indices for the main countries of the listing market

Type of transaction/Listing index	Listed			Unlisted
	Italy	United States	Other	
A. Equity securities				
long positions	3,123		1,525	
short positions				
B. Purchase/sale transactions not yet settled in equity securities				
long positions				
short positions				
C. Other derivatives on equity securities				
long positions	24			
short positions			4,761	
D. Share index derivatives				
long positions				
short positions				

3. Supervisory trading book: internal models and other methodologies for sensitivity analysis

The monitoring carried out up to the third quarter on the supervisory trading book shows a structure with low market risks. The Monte Carlo simulation VaR at 31.12.2022 amounted to Euro 190 thousand, representing 0.85% of the trading book.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk is measured by the risk management function. The activity is carried out for the Parent Company, which covers almost the entire banking book. All of the Group's commercial activity related to the transformation of maturities of assets and liabilities in the financial statements, the securities portfolio, treasury operations and the respective hedging derivatives are monitored using Asset and Liability Management (A.L.M.) methodologies through the ERMAS5 application.

The static analysis, currently in place, makes it possible to measure the impacts produced by changes in the interest rate structure expressed in terms of both the change in the economic value of assets and the net interest income. The results of the banking book for financial statements purposes are presented here, excluding from the analysis financial instruments in the supervisory trading book.

The variability of the net interest income, determined by positive and negative changes in rates over a 365-day time horizon, is estimated using the Gap Analysis. Changes in the economic value of assets and liabilities are analysed by applying sensitivity analysis approaches.

Analyses are also performed by considering non-parallel shifts in the yield curve and the application of behavioural models of demand deposits. In the simulation analysis, it is possible to predict specific scenarios of changes in market rates.

The global economic and political context has been under severe stress over the past two years, ultimately caused by the recent war events.

As mentioned above, the European Central Bank, in order to respond to a series of exogenous shocks, implemented a restrictive monetary policy by raising interest rates in 2022.

In this context of rising rates, Banco Desio has implemented a hedging strategy for its assets, through the subscription of hedging derivatives (for more details see "Section 5 - Hedging derivatives - Item 50 of the Notes to the Financial Statements".

Quantitative information

1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities

EURO

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**1,810,808**	**5,362,940**	**1,317,504**	**632,299**	**3,705,610**	**2,311,770**	**1,089,632**	**-**
1.1 Debt securities	807	711,528	932,485	169,745	1,005,008	950,109	34,612	-
- with early redemption option	807	153,287	3,215	699	175,813	54,412	-	-
- other	-	558,241	929,270	169,046	829,195	895,697	34,612	-
1.2 Loans with banks	882,230	83,020	-	-	-	1,511	-	-
1.3 Loans to customers	927,771	4,568,392	385,019	462,554	2,700,602	1,360,150	1,055,020	-
- current accounts	352,832	599,368	635	970	4,711	464	20	-
- other loans	574,939	3,969,024	384,384	461,584	2,695,891	1,359,686	1,055,000	-
- with early redemption option	152,723	3,304,198	292,104	384,166	2,101,436	974,422	1,054,795	-
- other	422,216	664,826	92,280	77,418	594,455	385,264	205	-
2. On-balance sheet liabilities	**8,835,153**	**1,845,807**	**450,977**	**1,269,194**	**3,297,921**	**158,546**	**106,481**	**-**
2.1 Payables to customers	8,748,756	1,838,894	58,999	67,467	170,201	57,929	106,481	-
- current accounts	8,627,121	1,316,108	40,260	41,121	107,822	-	-	-
- other payables	121,635	522,786	18,739	26,346	62,379	57,929	106,481	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	121,635	522,786	18,739	26,346	62,379	57,929	106,481	-
2.2 Payables to banks	85,987	-	391,978	1,181,948	1,719,288	-	-	-
- current accounts	78,570	-	-	-	-	-	-	-
- other payables	7,417	-	391,978	1,181,948	1,719,288	-	-	-
2.3 Debt securities	410	6,913	-	19,779	1,408,432	100,617	-	-
- with early redemption option	410	6,913	-	19,779	1,408,432	100,617	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	101	840	3,342	32,514	33,100	37,211	-
+ Short positions	-	106,284	824	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	690,000	165,000	-	-	-	-	-
+ Short positions	-	-	-	-	-	585,000	270,000	-
4. Other off-balance sheet	-	-	-	-	-	-	-	-
+ Long positions	173,862	1,986	-	-	-	1,591	-	-
+ Short positions	177,439	-	-	-	-	-	-	-

1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities

OTHER CURRENCIES

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**9,073**	**70,420**	**438**	**30**	**782**	**299**	**60**	
1.1 Debt securities	-	820	-	-	543	-	-	-
- with early redemption option	-	-	-	-		-	-	-
- other	-	820	-	-	543	-	-	-
1.2 Loans with banks	8,851	49,773	-	-	-	-	-	-
1.3 Loans to customers	222	19,827	438	30	239	299	60	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	222	19,827	438	30	239	299	60	-
- with early redemption option	30	-	30	30	239	299	60	-
- other	192	19,827	408	-	-	-	-	-
2. On-balance sheet liabilities	**84,233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Payables to customers	82,083	-	-	-	-	-	-	-
- current accounts	82,083	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book - internal models and other methodologies for sensitivity analysis

The Bank's management and strategic approach is aimed at considering the volatility of net interest income and the overall economic value of own funds.

The risk exposure is not critical, remaining within the limit defined in the prudential supervisory regulations. The breakdown of items in the financial statements in terms of maturity date and repricing, however, shows some peculiarities arising from the current market context, which continues to record an increase in demand and short-term inflows; all this has led to a physiological decrease in the average duration of liabilities, while assets have not undergone any substantial changes in terms of average duration.

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

With the aim of refining these analyses by taking into account the actual repricing speed of items with no contractual maturity, the adoption of a behavioural estimation model for demand items was approved to replace the model in Annex C of Circular No. 285. The model was validated by the Group's Internal Validation function and used for the first time already for 2020 ICAAP reporting purposes.
With regard to the analysis of the impact on economic value, the methodology used is based on the integration of the results of the management model that represents balance sheet items in terms of volumes and repricing buckets, including the results of the behavioural model of demand items, to which the coefficients provided for by Circular 285 are applied as an approximation of sensitivity.
In this simplified revaluation approach, the impact of rate hikes would decrease the economic value of the banking book, while a decrease in rates would produce an increase.

In 2022, the Bank put in place Fair Value hedging transactions with a micro-hedge and macro-hedge approach to manage the interest rate risk of the banking book (for more details see the following "Section 3. Derivative instruments and related hedging policies").

1.2.3. EXCHANGE RATE RISK

<u>Qualitative information</u>

A. General aspects, management processes and measurement methods for exchange rate risk

The Group is exposed to exchange rate risk as a result of its trading activities on foreign exchange markets and its investment and fund-raising activities with instruments denominated in a currency other than the domestic currency.

Exposure to exchange rate risk is marginal. With reference to Italian banks only, exchange rate transactions are handled by the Parent Company's Finance Area.

Exchange rate risk is managed through operational limits both by currency area and by concentration on each individual currency. In addition, daily and annual operational stop/loss limits are set.

B. Exchange rate risk hedging activities

The Group's primary objective is to prudently manage exchange rate risk, always taking into account the possibility of seizing market opportunities, and therefore transactions involving exchange rate risk are managed through appropriate hedging strategies.

Quantitative information

1. Breakdown by currency of denomination of assets and liabilities and derivatives

Items	US Dollar	Pound sterling	Swiss Franc	Yuan	Other currencies
A. Financial assets	**65,765**	**5,680**	**2,677**	**698**	**6,431**
A.1 Debt securities		543			820
A.2 Equity securities	148				
A.3 Loans with banks	47,867	3,972	1,444	17	5,326
A.4 Loans to customers	17,750	1,165	1,233	681	285
A.5 Other financial assets					
B. Other assets	**524**	**264**	**229**		**320**
C. Financial liabilities	**71,248**	**4,931**	**2,752**	**8**	**5,293**
C.1 Payables to banks					2,150
C.2 Payables to customers	71,248	4,931	2,752	8	3,143
C.3 Debt securities					
C.4 Other financial liabilities					
D. Other liabilities	**421**	**404**			
E. Financial derivatives					
- Options					
+ Long positions					
+ Short positions					
- Other derivatives					
+ Long positions	67,275	5,252	620	2,922	984
+ Short positions	61,751	5,215	518	3,601	1,117
Total assets	**133,564**	**11,196**	**3,526**	**3,620**	**7,735**
Total liabilities	**133,420**	**10,550**	**3,270**	**3,609**	**6,410**
Imbalance (+/-)	**144**	**646**	**256**	**11**	**1,325**

2. Internal models and other methodologies for sensitivity analysis

The exchange rate risk profile assumed by the Group is insignificant, considering the currency exposure of the items present and the related hedges implemented through derivative financial instruments.

1.3 DERIVATIVE INSTRUMENTS AND RELATED HEDGING POLICIES

1.3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional values

Underlying assets/Types of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	26,762	37,115	-	-	-	17,259	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	26,762	37,115	-	-	-	17,259	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	-	-	24	-	-	-	113	-
a) Options	-	-	24	-	-	-	113	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	9,754	130,303	-	-	-	264,942	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	9,754	130,303	-	-	-	264,942	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**36,516**	**167,442**	**-**	**-**	**-**	**282,314**	**-**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	31.12.2022				31.12.2021			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	24	-	-	-	113	-
b) Interest rate swaps	-	1,652	1	-	-	-	10	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	133	830	-	-	-	494	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,785**	**855**	**-**	**-**	**-**	**617**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	153	3,079	-	-	-	5,461	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	227	671	-	-	-	441	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**380**	**3,750**	**-**	**-**	**-**	**5,902**	**-**

A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates				
- notional value	X	11,793	-	25,322
- positive fair value	X	-	-	1
- negative fair value	X	1,427	-	1,652
2) Equity securities and stock indices				
- notional value	X	-	24	-
- positive fair value	X	-	24	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	59,504	50,434	20,365
- positive fair value	X	441	-	389
- negative fair value	X	111	199	361
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional value	-	26,762	-	-
- positive fair value	-	1,652	-	-
- negative fair value	-	153	-	-
2) Equity securities and stock indices	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-			
- notional value	-	9,754	-	-
- positive fair value	-	133	-	-
- negative fair value	-	227	-	-
4) Goods	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional values

Underlying/Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		9,325	36,895	17,657	63,877
A.2 Financial derivatives on equity securities and stock indices		-	24	-	24
A.3 Financial derivatives on currencies and gold	-	140,057	-	-	140,057
A.4 Financial derivatives on goods	-	-	-	-	-
A.5 Other financial derivatives	-	-	-	-	-
Total	**31.12.2022**	**149,382**	**36,919**	**17,657**	**203,958**
Total	**31.12.2021**	**265,774**	**5,390**	**11,150**	**282,314**

1.3.2 Accounting hedges

Qualitative information

A. Fair value hedging

The Bank has put in place fair value hedging transactions with a micro-hedge and macro-hedge approach to manage the interest rate risk of the banking book.

B. Cash flow hedging

With a view to reducing exposure to adverse changes in expected cash flows, the Bank carries out cash flow hedging; the objective is to stabilise the cash flows of the hedged instrument with the flows of the hedging instrument.

D. Hedging instruments

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

E. Hedged items

To date, the hedged instruments relate to the following categories:

- liabilities (bonds issued) through specific micro-hedges
- fixed-rate investments (bonds) through specific micro-hedges
- fixed-rate loans (financing) through macro-hedges

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

The Bank has set up a model capable of managing hedge accounting in line with the reference regulations dictated by international accounting standards. The methodology used to perform the effectiveness tests is the Dollar Offset Method (hedge ratio) on a cumulative basis.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional values

Underlying assets/Types of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	855,000	-	-	-	-	80,000	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	855,000	-	-	-	-	80,000	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**855,000**	**-**	**-**	**-**	**-**	**80,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	31.12.2022				31.12.2021				31.12.2022	31.12.2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counter parties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	59,099	-	-	-	-	-	-	59,099	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**59,099**	**-**	**-**	**-**	**-**	**-**	**-**	**59,099**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	365	-	-	365
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**-**	**365**

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A.3 OTC hedging financial derivatives - notional values, positive and negative gross fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional value	-	855,000	-	-
- positive fair value	-	59,099	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying/Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		-	-	855,000	855,000
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31.12.2022**	**-**	**-**	**855,000**	**855,000**
Total	**31.12.2021**	**80,000**	**-**	**-**	**80,000**

1.3.3 Other information on derivative instruments (trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparties	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	893,555	-	25,322
- positive net fair value	-	60,751	-	1
- negative net fair value	-	1,580	-	1,652
2) Equity securities and stock indices				
- notional value	-	-	24	-
- positive net fair value	-	-	24	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	69,258	50,434	20,365
- positive net fair value	-	574	-	389
- negative net fair value	-	338	199	361
4) Goods				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. Credit derivatives				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

1.4. Banking Group - Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is managed through the Parent Company's Finance Area with the aim of verifying the Group's ability to meet its liquidity needs by avoiding situations of excessive and/or insufficient availability, with the consequent need to invest and/or raise funds at unfavourable rates compared to market rates.

Periodic monitoring and reporting on liquidity risk is the responsibility of the Risk Management function in accordance with the risk tolerance threshold determined in the Liquidity Risk Management Policy. Treasury activities consist of the procurement and allocation of available liquidity through the interbank market, open market operations, repurchase agreements and derivatives.

The objective of operational liquidity management is to ensure the Group's ability to meet expected or unforeseen cash payment commitments in a "going concern" context over a short-term time horizon not exceeding 3 months. The scope of the daily operating liquidity report refers to items with a high level of volatility and a strong impact on the monetary base. The monitoring and control of compliance with operational limits is carried out through the acquisition of information from collection and payment transactions, the management of accounts for services and the trading of financial instruments in proprietary portfolios.

The calculation of counterbalancing capacity makes it possible to supplement the report with all free assets that can be readily used either to be eligible for refinancing with the ECB or to be demobilised. In addition to the application of the haircuts determined by the ECB for eligible securities and A.Ba.Co. financing, appropriate discount factors (broken down by security type, rating, currency) are also prepared for all securities that are not eligible but are nevertheless considered negotiable, appropriately positioned in time intervals.

Further support for liquidity risk management comes from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between medium- to long-term liabilities and assets.

Operations are measured with Asset and Liability Management (A.L.M.) methodologies by means of the ERMAS5 application, which, by developing all the cash flows of operations, makes it possible to assess and manage any liquidity needs of the bank generated by the imbalance of inflows and outflows in the different periods.

The analysis of overall structural liquidity is developed on a monthly basis using the Gap Liquidity Analysis technique, i.e. the imbalances per settlement date of capital flows in the predefined time horizon are highlighted.

In order to assess the impact of adverse events on risk exposure, stress tests are conducted at the consolidated level. Specifically, the events considered are:

- outflow of payable accounts on demand defined as "non-core";
- lack of inflow of contractual items (mortgages, leases, personal loans) and "on demand" due to the increase in non-performing loans;
- impairment of the proprietary securities portfolio (Held to collect and sell "HTCS" and Held to collect "HTC");
- repurchase of bonds issued;
- use of available margins on revocable credit lines (call risk).

For the purposes of the analysis, three types of scenarios are considered:

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

The simulation horizon for all simulated scenarios is 1 month, the period in which the Group will have to cope with the crisis before initiating structural measures.

In relation to funding policy, the Group's funding strategy, given the current financial economic situation, is directed towards a stabilisation of short-term inflows from ordinary customers, favouring retail customers over wholesale customers, and a greater recourse to medium/long-term structural funding operations, through issues of covered bonds, securitisations, securities lending and derivative transactions.

In particular, in light of the new and less favourable conditions related to the TLTRO operations already in place with the Central Bank, the Bank has entered into Long Term Repo contracts with leading market counterparties on part of the portfolio assets (eligible and not), planning to increase recourse to this source of funding.

In December 2022, in connection with the liquidity position, a partial early repayment of Euro 800 million was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1,200 million. Therefore, at 31 December 2022, the total position related to the TLTRO III financing amounts to Euro 3,045 million.

The Group's liquidity at 31 December 2022 is largely under control with an LCR indicator of 152.43%.

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Quantitative information

1. Breakdown by contractual residual maturity of financial assets and liabilities

EURO

Items/Time bands	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**1,221,369**	**25,026**	**206,925**	**224,711**	**936,167**	**704,475**	**1,433,155**	**6,069,974**	**5,054,538**	**82,956**
A.1 Government	-		1,619	-	23,489	114,700	489,324	1,089,790	1,272,000	-
A.2 Other debt securities	9,398	2	598	11,458	29,056	25,225	30,190	430,060	422,575	-
A.3 UCITS units	112,669	-	-	-	-	-	-	-	-	-
A.4 Loans	1,099,302	25,024	204,708	213,253	883,622	564,550	913,641	4,550,124	3,359,963	82,956
- Banks	73,939	85	-	-	-	-	-	-	1,514	82,956
- Customers	1,025,363	24,939	204,708	213,253	883,622	564,550	913,641	4,550,124	3,358,449	-
On-balance sheet	**10,131,384**	**519,627**	**2,027**	**16,306**	**49,811**	**462,574**	**1,296,685**	**3,309,364**	**266,163**	**-**
B.1 Deposits and current accounts	10,086,154	16,482	2,027	15,615	41,761	53,068	59,238	110,096	-	-
- Banks	85,987	-	-	-	-	-	-	-	-	-
- Customers	10,000,167	16,482	2,027	15,615	41,761	53,068	59,238	110,096	-	-
B.2 Debt securities	399			687	7,853	1,138	26,719	1,406,532	101,893	-
B.3 Other liabilities	44,831	503,145		4	197	408,368	1,210,728	1,792,736	164,270	-
Off-balance sheet transactions										
C.1 Financial derivatives with capital exchange										
- Long positions		3,660	1,530	53,982	5,158	1,909	5,623			
- Short positions		9,761	1,308	53,469	4,611	1,904	5,604	24		
C.2 Financial derivatives without										
- Long positions	1,653				29	436	1,922			
- Short positions	3,232	97		103	1,049	836	518			
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds										
- Long positions	23,055				8,668	2,037	20	18,200	125,458	
- Short positions	173,862			365	1,621	-			1,591	
C.5 Financial guarantees given										
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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1. Breakdown by contractual residual maturity of financial assets and liabilities

OTHER CURRENCIES

Items/Time bands	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite maturity
A. On-balance sheet assets	**9,246**	**48,689**	**5,679**	**7,500**	**8,848**	**448**	**35**	**795**	**346**	**-**
A.1 Government securities	-	-	-	-	-	-	-	564	-	-
A.2 Other debt securities	-	-	-	-	848	-	-	-	-	-
A.3 UCITS units	148	-	-	-	-	-	-	-	-	-
A.4 Loans	9,098	48,689	5,679	7,500	8,000	448	35	231	346	-
- Banks	8,870	48,689	1,219	-	-	-	-	-	-	-
- Customers	228	-	4,460	7,500	8,000	448	35	231	346	-
B. On-balance sheet liabilities	**84,234**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	84,234	-	-	-	1	-	-	-	-	-
- Banks	2,149	-	-	-	-	-	-	-	-	-
- Customers	82,084	-	-	-	1	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital exchange										
- Long positions	-	9,878	1,267	53,972	4,574	1,860	5,502	-	-	-
- Short positions	-	3,745	1,502	54,448	5,146	1,860	5,502	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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Self-securitisation transactions

As described in "Part E - Section 2 - Prudential consolidation risks - 1.1 Credit risk - C. Securitisation transactions", Banco Desio, against "self-securitisation" transactions generated by Group entities, subscribed to securities that can be used for ECB refinancing transactions or for repurchase agreements with market counterparties. The self-securitisation transactions not derecognised from the financial statements outstanding at 31 December 2022 are described below.

Self-securitisation transactions not derecognised from the financial statements

Vehicle company	Originator	Securities issue date	Transaction	Type of securitisation
Coppedé S.r.l.	Fides S.p.A.	November 2022	Coppedé	Consumer credits

On 13 October 2022, Fides S.p.A., a wholly-owned subsidiary of Banco Desio, sold to the special purpose vehicle Coppedé SPV S.r.l. a portfolio of performing consumer loans worth Euro 507.4 million.

Credit portfolio

Originator	Amount 31.12.2022	Amount 31.12.2021
Fides S.p.A.	507,362	n.a.

The amounts indicated represent the principal portion of performing loans, unlikely to pay and impaired past-due loans.

The SPV issued two classes of Securities on 23 November 2022: (i) Class A (Senior Notes), rated and listed on the Euronext market of the Irish Stock Exchange; and (ii) Class J (Junior Notes), unrated and unlisted. Both classes of notes are fully subscribed by the originator Fides; the Senior Notes are the subject of a securities lending transaction worth Euro 406 million in favour of Banco Desio, which in turn used them for a long-term repo transaction with a market counterparty.

Issue characteristics

Classes	Type	Issue amount	Amount 31.12.2022	Interest rate	Maturity	Moody's/Fitch rating (*)
A	Senior	436,000	436,000	Euribor 3M+1.30 (spread)	January 2039	Aa3 / AA
J	Junior (**)	71,362	71,362	2.00	January 2039	n.a.
	Total	**507,362**	**507,362**			

(*) Rating at 31 December 2022.

(**) Unlisted Junior Notes. The issue includes an overpricing of Euro 12 million essentially aimed at building up the initial cash reserve

As part of the transaction, the Originator Fides assumed the role of Servicer by managing the collection of loans.

1.5. OPERATIONAL RISKS

Qualitative information

A. General aspects, management processes and measurement methods for operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, human resources and systems, or from exogenous events, including legal risk (see EU Regulation 575/2013).

The Group uses the above definition of operational risk within its approved and formalised Operational Risk Management Model.

In this context, a specific operational risk management macro-process (defined as ORM Framework) was defined, which consists of the following steps:

- Identification: detection, collection and classification of information on operational risks;
- Assessment: evaluation in economic terms of the detected operational risks related to the company's operations;
- Monitoring and reporting: structured collection and organisation of results in order to monitor the development of operational risk exposure;
- Mitigation and control: risk transfer and improvement of business processes.

The following operational processes have been formalised to support the operational risk management model:

- Loss Data Collection - structured process for the collection of operational losses manifested within the Group;
- Risk Self Assessment - a structured process for assessing potential operational risks aimed at obtaining an overall view of risk events in terms of potential and worst-case impact;
- Determination of the TSA capital requirement - the Banco Desio Group calculates the capital requirement using the "Traditional Standardised Approach" method. In order to comply with the relevant regulatory requirements, the Group has adopted an operational process and methodology for allocating the Relevant Indicator to the 8 business lines envisaged by the regulations, and has set up a specific internal IT procedure.

The Parent Company's Risk Management function, within the framework of what is defined in the internal regulations, structured an adequate monitoring and reporting activity on operational risks, integrating it with the dictates of the supervisory regulations on the subject of coordination between control functions. With regard to the detrimental events collected in the Database of Corporate Operational Losses (DBPOA), a reporting system was implemented to provide all the information concerning these events: number of events, amount of gross losses and any recoveries.

With regard to the management and monitoring of Outsourcing risk, a third-party risk assessment methodology has been defined and implemented that is specific to the broader Operational Risk Assessment process.

Information security and data protection are priorities of the Group, which attaches central importance to risk management strategies by continuously adopting measures that comply with current privacy provisions, security regulations and the main industry standards, with the aim of guaranteeing the protection of information systems from events that could have a negative impact on the Group and the rights of those concerned.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group.

With reference to the main operational and organisational safeguards currently in place to ensure data security and protection, it should be noted that the Group has:

- ✓ an ICT Risk Assessment process aimed at identifying and measuring exposure to cyber risk. This process includes the assessment of risks arising from the bank's information system acquired in full-outsourcing from Cedacri S.p.a;
- ✓ a system of key risk indicators to continuously monitor exposure to the main cyber threats in terms of data security, including: events involving the violation of corporate information security rules and practices (i.e. computer fraud, attacks through the Internet and malfunctions and disruptions), fraudulent attempts targeting virtual banking channels, and potential malware phenomena detected on e-mail or web vectors;
- ✓ an assessment process of third parties and the organisational and technological safeguards they put in place to ensure, among other aspects, IT security and business continuity within the scope of the services provided both at the contractualisation stage and throughout the entire life cycle of the relationship;
- ✓ a DPIA (Data Protection Impact Assessment) process, aimed at assessing the necessity and proportionality of privacy processing, evaluating and managing any risks to the rights and freedoms of data subjects, and establishing the need to implement mitigation measures in the face of any shortcomings found in the existence and effectiveness of adequate physical, organisational and technological safeguards;
- ✓ internal training on data protection regulations and how to process and protect data;
- ✓ anti-fraud procedures being progressively strengthened with respect to the evolving dynamics of cyber-attack techniques;
- ✓ security incident management procedures;
- ✓ threat alerting systems also through the use of SOC (Security Operation Centre) services by specialised operators. A service incorporating an advanced computer application with an intrusion detection system was also recently acquired (so-called Intrusion Detection System) and a component that makes use of machine learning techniques to group devices on the network into groups (clusters) that are homogeneous in terms of behaviour and support the detection of anomalous phenomena and generate alerts;
- ✓ a daily monitoring service of ICT security performance by means of a rating system (external evaluation by a specialised operator used worldwide).

With reference to the main lines of evolution envisaged, it should be noted that the Parent Company worked to strengthen its first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Group's cyber security posture, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

Finally, in order to increase the internal control over the main IT outsourcer, a specific monitoring dashboard was developed that produces a concise and independent assessment of the adequacy of the service provided by the supplier. This dashboard is available to both line and control functions.

Logical Security Management

In response to the extraordinary needs that arose in connection with the Covid-19 emergency, the ongoing war between Russia and Ukraine, and in compliance with the joint call of Consob, Bank of Italy, IVASS, FIU of 7 March 2022, the Group has:

- strengthened security measures against cyber attacks with the definition of a specific investment plan;
- reviewed the policy rules 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-based systems for the protection of mobile users and Internet surfing:
- revised antispam policies by activating domain configurations and monitoring them;
- enhanced corporate e-mail protection systems in light of increasingly sophisticated channel attacks;

- planned a specific training programme for all Banco Desio internal users on cyber security;
- defined and regulated a formal change management process that the ICT Area has adopted for all evolutionary interventions in release;
- developed monitoring and control systems for the main outsourcers (primarily Cedacri) in order to assess their performance and services in time;
- reviewed the organisational structure and processes of Fraud Management;
- strengthened the instrumentation and procedures to protect against DDoS (Distributed Denial of Service) attacks, also based on the experience gained in dealing with and overcoming the attacks that occurred during the year.

Business Continuity Management

In particular, business continuity management ensured the business continuity of critical and systemic processes through the identification of business continuity resources and the possibility of smart working, providing all identified personnel with laptop and smartphone devices. Tests were also carried out to ensure 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 delivery systems. This crisis response methodology is also applied by the subsidiary Fides.

Actions have been intensified since 2020 to cope with the impacts of the Covid-19 pandemic:

- optimised the telephone order entry service for financial investment services by adopting new technological solutions;
- purchased notebooks as new workstations for the Headquarters and the Network in order to increase mobility;
- implemented the Group's business continuity resource mobility model for Fides;
- enhanced infrastructure and network support to support increasing mobility.

In order to guard against the risk of offences being committed pursuant to Legislative Decree No. 231/2001 "Regulations on the administrative liability of legal persons, companies and associations, including those without legal personality", the Group Companies have adopted a prevention organisational model. Supervision of the effective implementation of these models has been delegated to a specific internal body.

As far as legal risk is concerned, the individual company departments, in their relations with customers, operate with standard contractual schemes, which are in any case assessed in advance by the relevant company departments. Thus, it should be noted that most of the lawsuits pending at year-end are included in the context of disputes concerning usury and anatocism claims and early repayment.

Risks related to pending litigation

As part of its operations, the Group is involved in legal proceedings in the presence of which, where deemed appropriate by the competent corporate functions, specific loss provisions are assessed. The following table summarises the litigation in progress at the end of the reporting period with the relevant provisions:

	Number	***Claim***	***Allocated provisions***
Lawsuits for revocation	18	Euro 12.3 million	Euro 2.08 million
Other lawsuits	906	Euro 138.3 million	Euro 9.4 million

The main disputes, with claim exceeding Euro 1 million, outstanding at the reporting date are described below:

- Claim of Euro 42.0 million. The Bank's credit, which was assigned to another company in December 2017, was admitted to the bankruptcy liabilities for a total of Euro 1,125,000 placed, as per the application, in the mortgage lien class. On 28 May 2020, a letter of formal notice was received from the Bankruptcy Curatorship formulating a request for compensation, quantifying the damages to the extent now claimed. Identical action had also been taken against the other banks already entrusted. The communication stated that the Bank, although aware of the insolvency of the bankrupt company, would continue the existing fiduciary relationship and approved the disbursement of new credit (in part intended to pay off previously suspended loans). An external lawyer was immediately instructed to respond to the Curator with a prompt and firm denial of all claims. Subsequent to the aforementioned bankruptcy warning, a formal writ of summons was served on the Bank and the Credit Institutions involved for 31 January 2022 before the Court of Rome. The claim for damages and the sum are reconfirmed as well as the grounds for the claim. The Bank's CTP carried out a preliminary expert opinion in which it states that the attributability to the Bank of the damage as determined by the claimant must (also) be excluded. At the hearing of 31 October 2022, the Bankruptcy Curatorship insisted on the court expert (CTU) and the production order; the defendant banks, including Banco Desio, objected as instrumental and irrelevant in light of the documentary evidence already filed. The Judge decided to adjourn the case to the hearing on 3 May 2023 for the discussion of evidence and granted the time limits for pleadings from 10 January 2023;

- Claim of Euro 40.0 million. Spoleto Credito e Servizi Soc. Coop. (SCS, the former parent company of the merged Banca Popolare di Spoleto), as well as certain members of said cooperative, served a writ of summons on the Bank and the members of the Board of Directors of the merged company in office from 2014 to 2016 before the Court of Milan - Specialised Section for Companies - in order to obtain a declaration of: (i) the alleged liability of the defendants with respect to the transaction for the transfer of 32 Bank Branches of the Bank to the merged company (concluded in the first half of 2015) under the Investment Agreement concluded on 1 April 2014 between the Bank and the Extraordinary Commissioners of the merged company, on the assumption that the criteria adopted for the valuation of the business unit were not correct and that the Board of Directors of the merged company and the members of the Related Parties' Committee failed to monitor the matter; (ii) the liability of the Bank with respect to the alleged failure to fulfil the commitment undertaken in the Framework Agreement to grant to SCS a loan of Euro 15.0 million. In addition to the doubts as to the plaintiffs' standing, the arguments are considered to be wholly instrumental and unfounded and, above all, the abnormal claim for damages lacks any evidentiary support. The Court of Milan, dissolving the reservation assumed, adjourned the case for the specification of conclusions to the hearing on 28 March 2023;
- Claim of Euro 12.6 million. The plaintiff, following the rejection of the Preventive Technical Assessment instituted in March 2018, instituted proceedings on the merits before the Court of Monza (first hearing on 28 March 2019) to request the restitution of the sums arranged (transfers and requests for the issue of bank drafts), according to the plaintiff, on apocryphal signatures and consequently misappropriated from its assets for the total amount of Euro 12.6 million. At present, the lawyer appointed to defend the Bank, also in consideration of the outcome of the Preventive Technical Assessment proceedings, has expressed an assessment of a remote risk of losing the case. The graphological court expert (CTU) requested by the Judge concluded that all signatures could be traced back to the plaintiff. The hearing for the examination of the court expert (CTU) was set for 12 February 2021. In the meantime, the death of the opposing party occurred and the Judge declared the discontinuance of the judgement as of 3 June 2021. The case was resumed and the Judge at the hearing of 27 October 2022, called for the specification of the conclusions, remitted the case for decision;
- Claim of Euro 7.3 million. The Curatorship, by summons served in 2013, summoned before the Court of Perugia the merged company Banca Popolare di Spoleto together with Banca delle Marche and Monte dei Paschi di Siena in order to ascertain and declare the nullity and/or ineffectiveness and/or non-enforceability against the Curatorship of the claim and, therefore, to order them, jointly and

severally, to pay the amount. The claim appears to be unfounded, as also confirmed by the trustee lawyer who was instructed to represent in court. The Bank, together with the other two banks, on 2 December 2009 (approximately three years prior to the declaration of bankruptcy on 21 March 2013), had granted a credit line to the bankrupt company, usable in the technical form of an advance on contracts with public entities and/or public administration, in the amount of Euro 1 million by each bank; the deed of concession expressly agreed to the revolving nature of the advance granted. The Court of Perugia, in its first instance judgement rejecting the first two claims, upheld the claim relating to the revocatory action and, as a result, declared the ineffectiveness of the credit assignment agreement, sentencing the three banks jointly and severally to return to the bankruptcy the sum of Euro 21.9 million plus legal interest and costs. The banks will proceed to appeal the first instance judgement, which is considered unfounded in fact and in law;

- Claim of Euro 5.5 million. The plaintiff, admitted to the procedure for the extraordinary administration of large companies in crisis pursuant to the "Marzano Law", had already brought an initial action against Banco Desio in May 2022, asking the Court of Rome for a bankruptcy revocation for Euro 0.7 million. Towards the end of December 2022, the Special Administrators had a second writ of summons served, this time relating to a claim for damages for a total sum of Euro 389.3 million calculated on the basis of the worsening of the company's equity deficit (or net equity) from 31 December 2015 to 31 December 2017. The claim for damages was brought jointly and severally against a pool of 32 credit institutions and factoring companies, including the Bank, an auditing company and members of the plaintiff's management board and supervisory board. In light of the initial investigations carried out, given the fact that the case is only at the beginning, the Bank at present considers the counterparty's claims to be substantially unfounded in consideration of the fact that the information acquired during the preliminary investigation phase that led to the granting of the unsecured loan granted in July 2016 was not such as to reveal elements of economic-financial instability of the counterparty, which was in a phase of development of its business with investments in the concessions sector (also abroad and also through the acquisition of companies with specific know-how);
- Claim of Euro 3.6 million. The Bankruptcy Curatorship sued the merged company Banca Popolare di Spoleto before the Court of Perugia - Specialised Section for Companies (first hearing set for 4 November 2019) requesting the ascertainment of the annulment pursuant to Article 2377 of the Italian Civil Code of the resolution of the shareholders' meeting of Banca Popolare di Spoleto S.p.A. of 7 May 2019 that approved the Merger Project by incorporation of the same into Banco di Desio e della Brianza S.p.A. for lack of information and inconsistency in the determination of the exchange ratio between the shares of the two banks, and therefore an order to compensate the bankruptcy for the alleged damage that it would have caused as a result of the inconsistency of the exchange ratio, a damage quantified by the counterparty in Euro 3.6 million or in the greater or lesser sum that will result in justice. Notwithstanding the fact that, pursuant to Article 2504-quater of the Italian Civil Code, since the registration of the deed of merger has now been executed, the invalidity of the deed of merger can no longer be pronounced, the Bank appeared in court, reaffirming the appropriateness of the exchange ratio established for the transaction. The court expert (CTU) ordered in the course of the proceedings to verify the appropriateness of the share exchange in the context of the company merger in question, proposed, on the basis of considerations that are, moreover, debatable in matters of company valuations, the restitution by the Bank to the Bankruptcy of the amount of approximately Euro 0.9 million by way of compensation. The judge at the hearing on 10 November 2022 for closing arguments remitted the case for decision;
- Claim of Euro 3.0 million. The Curatorship sued the merged company Banca Popolare di Spoleto before the Court of Terni, assuming that the overall exposure to the bank and the compromised state of its financial statements should have induced the Bank to refrain from granting credit, given that doing so would have allowed the counterparty to remain on the market and delay the declaration

of bankruptcy. The Court of Terni rejected the plaintiff's claim in a judgement that was appealed before the Court of Appeal of Perugia. The Court of Appeal upheld the first instance decision. On 8 March 2018, the appeal in cassation was served. The Supreme Court upheld the Curatorship's appeal with reference to the latter's active legitimacy and referred to the Court of Appeal of Perugia in a different composition. The Court of Cassation affirmed the principle of the Curatorship's legitimacy to bring action for damages against administrators and banks that are supposed to have favoured abusive recourse to credit (legitimacy vice versa denied by the judges of the merits). However, the judgement sets limits as to whether this is the case, principles to which the Court as referring Judge must adhere. The Court of Appeal of Perugia ordered a court expert (CTU) to verify the prerequisites for compensation of damages, setting the next hearing for 16 March 2023 in which the court expert (CTU) will state that it is verifying a hypothesis of conciliation between the parties;

- Claim of Euro 2.6 million. The counterparty sued the Bank before the Court of Brescia to obtain the restitution 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 the Bank since 2011, and has opened an administered custody account under which it made several trades in financial instruments before concentrating most of its investments in the two disputed financial instruments. The plaintiff, among the various objections relating to its profiling, to the Bank's advice on financial instruments, to the Bank's alleged surreptitious management of its investments, complains that the two financial instruments were advised by the Bank and that the relevant product sheet did not contain the explanation that at a certain percentage loss, said financial instruments would be withdrawn from the market and reimbursed at the lowered value, which happened on 8 March 2020, generating the loss highlighted by the plaintiff. The contract is correctly signed with a high customer profiling against which the investments made are appropriate/adequate. Following the hearing for the admission of evidence, the Judge adjourned the hearing for closing arguments on 1 February 2024;
- Claim of Euro 1.9 million. The Bankruptcy Curatorship sued the merged company Banca Popolare di Spoleto before the Court of Terni, assuming that the overall exposure to the bank and the compromised state of its financial statements should have induced the Bank to refrain from granting credit, given that doing so, the Bank would have allowed the counterparty to remain on the market and delay the declaration of Bankruptcy. The Bank argued that the modest nature of the credit lines granted (a maximum of Euro 60 thousand) lacked a causal link with the alleged abusive granting of credit. The preliminary investigation admitted by the Judge and carried out did not relate to conduct attributable to the Bank. In its judgement of 15 December 2017, the Court of Terni dismissed the claim against the defendant banks, finding that the conduct of the banks did not contribute to the director's *mala gestio*. On 16 January 2018, at the request of the Bankruptcy Curatorship, a notice of appeal was served against the aforementioned judgement. The Court of Appeal upheld the first instance judgement. The Curatorship appealed to the Court of Cassation, for which a hearing for discussion is pending;
- Claim of Euro 1.4 million. The plaintiff disputes a current account closed on 6 December 2017 for transfer to bad loans with negative balance totalling Euro 310,217. The counterparty sues the Bank on the basis of an econometric report drawn up for the sole purpose of having the competent court verify the application of non-contractual, allegedly unlawful or in any event illegal rates, as well as the alleged exceeding of the usury threshold rate. Again according to the counterparty, it was precisely by virtue of the aforementioned reporting of bad loans that the plaintiff had seen its credit gradually reduced, both by the credit institutions and by its suppliers. This economic and financial difficulty, according to the counterparty's arguments, would therefore have caused an alleged pecuniary damage, quantified by the counterparty in a total amount of Euro 1.4 million, as well as an alleged non-pecuniary damage quantified in Euro 85 thousand for each year of reporting, to be

settled also on an equitable basis. Dissolving the reserve taken at the hearing of 17 January 2022, the Judge only partially admitted the evidence articulated, adjourning the hearing to 4 July 2022 where the Bank, as ordered by the Judge, produced the original of the current account contract and the related documentation, while the counterparty insisted on the request for a court expert (CTU). The Bank, after objecting to the unfoundedness of what was pleaded *ex adverso*, requested an adjournment for the statement of conclusions. The Judge reserved the right to order the custody of the original product on file;

- Claim of Euro 1.4 million. A Cooperative Company brought action against the Bank before the Court of Spoleto seeking a declaration of nullity, annulment, termination, pre-contractual and contractual liability, abuse of dominant position or at least of economic dependence exercised by the merged company Banca Popolare di Spoleto, under the contract for the provision of investment services and the contract for the purchase of shares totalling 36,000 shares issued by Spoleto Credito e Servizi Soc. Coop. (SCS, former parent company of the merged company Banca Popolare di Spoleto) for a total value of approximately Euro 1.4. The purchase of the (partially pledged) shares was allegedly made by the customer through the mediation of the bank but by a bank transfer in 2001 directly in favour of SCS. The disputed transaction dates back a long time and the relevant protective actions would be time-barred, despite the fact that the transaction was for a loan and a guarantee held with our bank that were subsequently extinguished. The Judge set a hearing for the admission of evidence for 13 June 2022. The judge adjourned the case to 11 January 2023 for the statement of conclusions;
- Claim of Euro 1.2 million. A company and its guarantors sued the bank before the Court of Spoleto in order to ascertain and declare, in relation to mortgage loans, the application of usurious interest and, as a result, they request that the bank be ordered to pay the amount of approximately Euro 338 thousand for interest allegedly not due, in addition to approximately Euro 169 thousand as compensation for damages for the company and each guarantor, and Euro 730 thousand as compensation for damages for breach of the principles of fairness and good faith pursuant to Articles 1175 and 1375 of the Italian Civil Code. A court expert (CTU) was completed, which confirmed the lawfulness of the relationships at issue. The first instance judgement was therefore favourable to the Bank. However, the counterparties appealed against this decision. The Court of Appeal, rejecting all preliminary enquiries to the contrary, set the hearing for the clarification of the conclusions for 7 July 2022. The final decision is pending;
- Claim of Euro 1.1 million. Bankruptcy revocation concerning the revocation of the payment of the purchase price of an asset owned by the Bank and leased to the counterparty and payments on account. The curator contested the manner in which the payments were made (65 of the bankruptcy law). The first instance ruling by the Court of Como, in which the Bank won, was appealed by the bankruptcy curatorship. The Court of Appeal overturned the first instance decision. The Bank appealed to the Supreme Court and a hearing has not yet been scheduled by the Supreme Court. The bankruptcy curatorship then served a writ of execution for the sum of approximately Euro 1.2 million, to which the Bank objected mainly on grounds relating to the legitimacy of the claim, including the fact that an appeal had been filed with the Court of Cassation. The Judge competent to decide on the objection to the order, however, pending the outcome of the Supreme Court's decision, ordered the Bank to pay the sum of approximately Euro 1.2 million and at the same time, obliged the bankruptcy not to dispose of that sum until the outcome of the third instance proceedings (Cassation) brought by the Bank against the Court of Appeal's judgement. The first hearing in the Supreme Court has been set for 28 February 2023 in chambers.

Quantitative information

The number of prejudicial events recorded by the Group at 31 December 2022 amounted to 1,717 events. The result of the process of collecting prejudicial events is summarised in the table below:

Event Type	% Events	% of total	% 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 internal member of the bank	0.17%	1.96%	1.96%	0.00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetrated by third parties	1.81%	2.70%	2.71%	0.00%
LABOUR AGREEMENT AND WORKPLACE SAFETY Losses due to actions in breach of labour laws and agreements, health and safety in the workplace, and compensation for accidents or incidents of discrimination	0.17%	3.05%	3.06%	0.00%
RELATIONAL ACTIVITY RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses due to failure (unintentional or negligent) to perform professional commitments made with clients (including fiduciary and adequate investment information requirements)	32.15%	58.83%	58.90%	0.26%
DAMAGE TO ASSETS This category includes events of natural origin or due to actions by external parties that cause damage to the bank's tangible assets	0.29%	0.50%	0.37%	25.22%
BUSINESS INTERRUPTION AND SYSTEM FAILURES Losses resulting from the blocking of computer systems or line connections	0.12%	0.03%	0.03%	0.00%
ORDER EXECUTION, PRODUCT DELIVERY AND PROCESS MANAGEMENT	65.29%	32.93%	32.97%	0.27%
TOTAL Banco Desio e della Brianza	**100.00%**	**100.00%**	**100.00%**	**0.63%**

The gross operating loss amounted to Euro 3,276 thousand, on which, during the reporting period, provisions of Euro 2,046 thousand and recoveries of Euro 12 thousand were made; consequently, the net operating loss amounted to Euro 3,264 thousand.

PART F - INFORMATION ON CONSOLIDATED EQUITY

SECTION 1 - CONSOLIDATED EQUITY

A. Qualitative Information

The Banco Desio Group dedicates primary attention to its equity, aware both of its function as a factor in preserving the confidence of external lenders, as it can be used to absorb any losses, and of the importance of the same in its management for purely operational and business development purposes.

A good level of capitalisation makes it possible to face corporate development with the necessary margins of autonomy and preserve the stability of the Group.

The Parent company's policy is therefore to give a high priority to equity in order to make the best use of it in business expansion.

The notion of accounting equity used by the Group is the algebraic sum of the following balance sheet liability items: Capital, Valuation reserves, Reserves, Share premium and Profit for the year.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of company

Equity items	Prudential Group	Insurance companies	Other compa nies	Consolidation eliminations and adjustments	31.12.2022
1. Share capital	54,026				54,026
2. Share premiums	10,809				10,809
3. Reserves	988,032				988,032
- of profits:	25,316				25,316
a) legal	6,184				6,184
d) other	19,132				19,132
- other	962,716				962,716
4. Equity instruments					
5. (Treasury shares)					
6. Valuation reserves:	(13,214)			22	(13,192)
- Equity securities measured at fair value through other comprehensive income	551				551
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(34,170)				(34,170)
- Tangible assets	123				123
- Actuarial gains (losses) on defined-benefit pension plans	(2,783)				(2,783)
- Share of valuation reserves of investments valued at equity				22	22
- Special revaluation laws	23,065				23,065
Profit (loss) for the year (+/-) attributable to the group and minority interests	81,030				81,030
Equity	**1,120,683**			**22**	**1,120,705**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/values	Prudential Consolidation		Insurance companies		Other companies		Consolidation eliminations and adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	341	(34,512)							341	(34,512)
2. Equity securities	1,094	(543)							1,094	(543)
3. Loans										
Total 31.12.2022	**1,435**	**(35,055)**							**1,435**	**(35,055)**
Total 31.12.2021	**70**	**(3,457)**							**70**	**(3,457)**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balance	**(2,531)**	**(856)**	
2. Positive changes	**604**	**1,449**	
2.1 Increases in fair value	297	1,094	
2.2 Value adjustments for credit risk	107		
2.3 Transfer to income statement of negative reserves from disposals	42	355	
2.4 Transfers to other equity components (equity securities)			
2.5 Other changes	158		
3. Negative changes	**(32,224)**	**(42)**	
3.1 Reductions in fair value	(32,224)	(21)	
3.2 Reversals for credit risk			
3.3 Transfer to income statement of positive reserves from disposals	(2)		
3.4 Transfers to other equity components (equity securities)			
3.5 Other changes	(22)	(21)	
4. Closing balance	**(34,171)**	**551**	

The negative change in item 20 "Equity securities designated at fair value through other comprehensive income" compared to last year is due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; in 2021 the following were recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

B.4 Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserves relating to defined-benefit plans recorded a positive effect of Euro 1 million during the year (net of the related tax effect of Euro 0.4 million), resulting from the change in the discounting of the provision for employee severance indemnity determined for statutory purposes.

SECTION 2 - BANK OWN FUNDS AND REGULATORY CAPITAL RATIOS

2.1 Scope of the regulations

As provided for in the 7th Update of Circular 262 "Banks' financial statements: formats and rules for preparation", reference is made to the public disclosure ("Pillar 3") provided at the consolidated level by the Bank.

Section 2 - Transactions realised after the end of the year

2.1 Business combination transactions

On 17 February 2023, the final contract was signed for the purchase of a business compendium consisting of two business units from the BPER Group. The transfer to Banco Desio of the business units owned by BPER Banca S.p.A. (formerly Carige S.p.A.) and Banco di Sardegna S.p.A. took legal effect as of 20 February 2023.

For further details on the composition of the business compendium acquired, provided in advance with respect to the definition of the accounting situations as at the date of execution, please refer to as already disclosed to the market in the press release of 3 June 2022 and referred to in the Report on Operations in paragraph 3.2 - Significant corporate events, with reference to the "Agreement with the BPER Group for the acquisition of 48 branches (Lanternina Transaction)".

Accounting treatment of the transaction

The transaction described qualifies as a business combination for the purposes of IFRS 3, having satisfied the conditions required by IFRS 3 for the identification of an acquired "business".

- Production factors: contracts with customers (and consequent loans, direct and indirect inflows), employees (as an "organised workforce with the necessary skills, knowledge or experience") and premises (owned or leased properties) necessary for the provision of banking services.
- Processes: all those connected with the provision of banking services to customers (i.e. processes such as: credit disbursement, credit monitoring, provision of payment services, provision of financial and investment services), as well as the development of the same (acceptance process). These processes are considered "substantial" within the meaning of IFRS 3 because, since the business unit is already "in production" at the date of aggregation, it is performed by employees who already have the necessary skills, knowledge or experience in banking (also understood as customer relations) and who cannot be replaced without significant cost, effort or delay to the ability to continue to generate "output from banking[9].
- Output: understood as the ability to generate revenue not only in the form of interest, but also of commissions from banking services provided to customers.

It is therefore pointed out that the so-called "concentration test" provided for in paragraph B7A and B7B of IFRS 3 (as in force from 1 January 2020), indicated as optional, was not applied as the qualitative analysis above on the components of the compendium transferred showed sufficient evidence to conclude that what was acquired represented a business.

Having qualified the transaction as a business combination, the Acquisition method envisaged by IFRS 3 therefore applies, as better described in Part A.2 of the Notes, to which reference should be made for details.

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[9] IFRS 3 B12C: Where a set of activities and assets has an output at the date of acquisition, the acquired process (or group of processes) is considered substantial if, applied to one or more acquired inputs:

a) it is crucial to the ability to continue generating output and the acquired inputs include an organised workforce with the necessary skills, knowledge or experience to carry out that process (or group of processes); or
b) it contributes significantly to the ability to continue to generate output and:
   i) it is considered unique or scarce; or
   ii) it cannot be replaced without significant cost, effort or delay to the ability to continue generating output

The acquisition (initial recognition at fair value of the asset balances pertaining to the acquired business) must be recognised on the date on which the acquirer effectively obtains control over the acquired assets, identified in the situation at hand with the legal effectiveness of the transfer (as resulting from the deed of transfer) and the preliminary IT migration, i.e. 20 February 2023.

At the date of approval of these financial statements, the balance sheet balances acquired have not yet been definitively determined, although the categories of transferred assets and liabilities have been identified and, consequently, the methods of fair value valuation have been defined, also with the support of accredited external consultants. More specifically:

- Performing and non-performing loans: the fair value determination model provides for the discounting of expected gross cash flows, appropriately adjusted to take into account expected losses and related operating costs (recovery costs for non-performing positions), based on an appropriate discount rate (determined on the basis of Banco Desio's average cost of funding for performing loans). In determining the parameters required by the model, maximum use is made of observable market information.
- Tangible assets: activities are underway to verify the reliability of the fair value valuations of the properties acquired, based on appraisals with physical inspection of the property carried out by the independent expert used by Banco Desio.
- Right of use and lease liabilities: for the acquired lease liabilities (mainly on real estate assets) the valuation methodology of Banco Desio at the date of the business combination is expected to be applied, as required by paragraphs 28A and 28B of IFRS 3 by valuing:
  - the lease liability at the present value of the remaining lease payments due (as defined in IFRS 16), as if the acquired lease were a new lease for Banco Desio at the acquisition date;
  - the asset consisting of the right of use at the same amount as the lease liability, adjusted to reflect favourable or unfavourable lease terms relative to market terms.
- Intangible assets: analyses are currently underway to identify any intangible assets originating from so-called client relationships, not already recognised in the transferor's financial statements. From the preliminary analyses conducted, it emerged that there would seem to be a case for valorising the component related to the so-called core deposits as the benefit of the lower cost of inflows acquired compared to alternative sources of funding (so-called mark-down) would be positive. Analyses are also still underway on the characteristics of the indirect inflows relationships acquired, in order to identify any remuneration conditions implicit in them.

- Direct inflows: the characteristics of the direct inflows acquired (substantially represented by demand or short-term items) allow its fair value to be considered substantially equal to its carrying amount.
- Contingent liabilities: the recognition of any risks implicit in the acquired compendium, as well as the fair value valuation of the contingent liabilities associated with them, was undertaken, as well as the fair value measurement of the legal risks associated with the disputes rooted in the acquired subsidiaries.
- Deferred taxation: the tax effects related to fair value measurements in the Purchase Price Allocation (PPA) will be determined in application of the tax regulations in place at the date of the combination.

As required by paragraph B66 of IFRS 3, it should be noted that, at the date of approval of these financial statements, part of the information required by paragraph B64 of IFRS 3 was not provided, as it was not available. With specific reference to the business unit acquired on 20 February 2023, this unavailability is in any case consistent with contractual provisions that contemplate a period of time, not yet completed at the date of approval of these financial statements, necessary to prepare the accounting situation of the business unit acquired. Consequently, the impacts of the fair value measurement of the assets and liabilities acquired are not available and will be provided within the financial document that will contain the disclosure (including provisional) on the PPA.

PART H - TRANSACTIONS WITH RELATED PARTIES

1 - Information on the remuneration of Key Managers

For information on the remuneration of Directors and Key Managers, please refer to the "Report on Group Remuneration Policies" at 31 December 2022 prepared pursuant to Article 123-ter TUF and published on the website at www.bancodesio.it.

2 - Information on transactions with related parties

The Internal Procedure ("Internal Regulation") for the management of transactions with related parties and parties included in the scope of application of Article 136 TUB, adopted in compliance with Consob Regulation No. 17221/2010 as updated by Resolution No. 21624/2020, and supplemented in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest in respect of parties connected with the Bank or the Banking Group pursuant to Article 53 of the Consolidated Law on Banking and most recently supplemented in compliance with the 35th update of Bank of Italy Circular No. 285 and related enactment in implementation of the EU Directive so-called CRD5, is described in the Annual Corporate Governance Report at 31 December 2022. The Procedure itself is published, in compliance with the aforementioned Regulation, on the website at www.bancodesio.it, section "the Bank/Governance/Corporate Documents/Related Parties".

Whereas, pursuant to article 5 of Consob Regulation No. 17221/2010 and Article 154-ter of the Consolidated Law on Finance referred to therein, periodic information must be provided:

a) on individual "major" transactions concluded during the reporting period, meaning those transactions which, even cumulatively, exceed the thresholds laid down in Annex 3 of the aforementioned Regulation[10];

b) on any other individual transactions with related parties, as defined pursuant to Article 2427, paragraph 2, of the Italian Civil Code, concluded during the reporting period, which have materially affected the financial position or results of the Group;

c) on any changes or developments in related party transactions described in the last annual report that had a material effect on the Group's financial position or results,

in the reference year, no noteworthy transactions were reported.

* * *

Transactions with related parties are generally governed by market-equivalent or standard conditions and are in any case justified in the interest of the group to which they belong. The comparison with market-equivalent or standard conditions is indicated in the periodic reporting to the Corporate Bodies of the transactions carried out.

In this context, there were no transactions outstanding at 31 December 2022 that presented particular risk profiles with respect to those assessed in the context of ordinary banking operations and related financial activities or that in any case presented atypical/unusual profiles worthy of note.

The following paragraphs summarise - in a prudential logic of unitary management of potential conflicts of interest - the relationships existing with the Parent Company and other Related Parties pursuant to Article 53 TUB and/or Article 2391-bis of the Italian Civil Code (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking (TUB) in accordance with the regulations, including internal regulations in force), highlighting in particular the balances of current accounts and securities portfolios at year-end.

[10] With regard to the materiality index of the value of transactions with related parties, the Internal Procedure refers to a materiality threshold of Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital, calculated for Banco Desio at the date of adoption of the Procedure itself).

I - Parent Company

At year-end, accounts payable (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A. amounted to a total of Euro 209.7 million, of which Euro 206.6 million, relating to securities portfolios.

It should be noted that at the end of 2018, an unsecured bullet loan transaction was put in place with said Company for a duration of five years for a total amount of Euro 5 million aimed at replacing the similar credit line expiring with another bank. It is hereby confirmed that this transaction - falling within the scope of application of Article 136 of the Consolidated Law on Banking by virtue of the offices held by certain Officers - was carried out at market conditions (moreover, within the list of conditions in force for Related Parties as per the specific framework resolution) and falls within the ordinary credit activity.

With the same Company, the service agreement was renewed, regulating the reciprocal rights and obligations inherent to the accounting and reporting activities delegated to Banco di Desio e della Brianza S.p.A. in relation to prudential consolidation pursuant to Articles 11 and 99 of EU Regulation No. 575/2013 (CRR). The fees in favour of the latter are small in amount and were in any case determined using the same methodology as the similar agreements with the Subsidiaries. It should be noted that this transaction also falls within the scope of application of Article 136 of the Consolidated Law on Banking by virtue of the offices held by certain Officers, as set forth in the following paragraph "Transactions with Officers and with parties related to them".

II - Transactions with Officers and with parties related to them [11]

With regard to the entrustment transactions approved in 2022 pursuant to Article 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree implementing Directive 2013/36/EU, the so-called CRD IV) and/or Article 2391-bis of the Italian Civil Code (comprising parties treated pursuant to Article 136 of the Consolidated Law on Banking, in compliance with the regulations, including internal regulations in force), it should be noted that these were mainly ordinary credit disbursement transactions to Group Officers and/or parties related to them (meaning directors, statutory auditors and key managers in the Bank and in subsidiaries). These ties did not affect the application of the normal criteria for assessing creditworthiness. The total amount granted on the 31 positions outstanding at 31 December 2022 was about Euro 15.9 million and the related utilisations totalled about Euro 7.9 million.

With regard to the inflows relationships held by the Bank directly with the Officers, as well as with related parties, it should also be noted that the total balances at 31 December 2022 amounted to approximately Euro 137.9 million in amounts due to customers (including approximately Euro 118.0 million in securities portfolios).

Excluded from the above calculations are transactions and balances relating to the Parent Company referred to in paragraph I above and to subsidiaries and associates.

The details of the aforementioned entrustment and inflows relationships referred to in this paragraph are set out in the following table:

	Balances at 31.12.2022 (in Euro/millions)
Entrustment transactions:	
Amount granted	15.9
Amount used	7.9
Collection transactions:	

[11] Related parties within the meaning of Article 53 of the Consolidated Law on Banking (including parties treated in accordance with Article 136 of the Consolidated Law on Banking) and/or Article 2391-bis of the Italian Civil Code (other than the Parent Company and subsidiaries/associates)

Amount of current accounts and savings deposits (a)	19.9
Amount of securities portfolios (b)	118.0
Total (a+b)	137.9

In accordance with Consob Resolution No. 15519 of 27 July 2006, it should be noted that the overall impact of the balances, indicated in the previous paragraphs, from an equity, financial and economic perspective, is substantially marginal.

PART I – Payment agreements based on own equity instruments

Information on incentive plans (“Phantom shares”)

The Extraordinary and Ordinary Shareholders’ Meeting of Banco Desio held on 14 April 2022, resolved on an annual incentive plan called the “2022 Incentive System”, drawn up in accordance with article 114-bis, paragraph 1, of the Consolidated Law on Finance, based on the assignment of “Phantom Shares”, intended for the Chief Executive Officer and General Manager and the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, and the assignment to the Board of Directors, with the right to sub-delegate, of all powers necessary for the actual implementation of the “2022 Incentive System” Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website.

For more detailed information, please refer to the documents *2021 Report on Remuneration Policy and Amounts Paid* and *Information Document on the “2022 Incentive System” Plan based on the assignment of phantom shares*, published on the corporate website at www.bancodesio.it.

PART L - SEGMENT REPORTING

The Banco Desio Group operates by carrying out traditional credit intermediation, asset management, and the offer of life and non-life bancassurance products.

Consistent with the internal reporting system by which management monitors performance and makes operational decisions on resources to be allocated, segment reporting takes into account the organisational and management structure described below.

The "banking" segment includes the Group's network bank, i.e., the Parent Company Banco di Desio e della Brianza S.p.A., the special purpose vehicle "Desio OBG S.r.l.", set up specifically for the guaranteed bank bond issue programme, and the securitisation vehicle Coppedè S.r.l., since through Fides S.p.A., pursuant to IFRS 10 Consolidated Financial Statements, the Banco Desio Group has a position of substantial control of the SPV itself.

The "parabanking" sector includes Fides S.p.A., a financial intermediary registered under Article 106 TUB.

The column "consolidation adjustments" includes consolidation entries and intragroup eliminations.

Income statement figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2022
Margin on financial and insurance operations [1]	476,333	18,790	(10,385)	484,738
Structural costs [2]	(315,362)	(9,239)	172	(324,429)
Allocations and adjustments [3]	(46,128)	(4,243)	26	(50,345)
Gains (Losses) on investments valued at equity			(16)	(16)
Gains (Losses) on disposal of investments	(54)			(54)
Profit (Loss) from current operations before taxes	**114,789**	**5,308**	**(10,203)**	**109,894**

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2022
Financial assets	4,018,411			4,018,411
Loans with banks [4]	157,765	43,413	(20)	201,158
Loans to customers [4]	11,472,346	1,075,574	(1,067,304)	11,480,616
Payables to banks	3,381,350	1,067,305	(1,067,305)	3,381,350
Payables to customers	11,167,284	6,158	(6,368)	11,167,074
Securities issued	1,536,151			1,536,151
indirect inflows, administered and managed	**17,082,615**			**17,082,615**

Income statement figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2021
Margin on financial and insurance operations [1]	462,437	16,163	(4,547)	474,053
Structural costs [2]	(309,125)	(7,697)	153	(316,669)
Allocations and adjustments [3]	(89,991)	1,680	7	(88,304)
Gains (Losses) on investments valued at equity				-
Gains (Losses) on disposal of investments				-
Profit (Loss) from current operations before taxes	**63,321**	**10,146**	**(4,387)**	**69,080**

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2021
Financial assets	3,797,711			3,797,711
Loans with banks [4]	2,083,607	4		2,083,611
Loans to customers [4]	11,067,882	923,320	(863,445)	11,127,757
Payables to banks	3,815,695	863,445	(863,445)	3,815,695
Payables to customers	10,976,253	3,649	(1,485)	10,978,417
Securities issued	1,522,265			1,522,265
indirect inflows, administered and managed	**18,018,035**			**18,018,035**

Notes:
[1] including other operating expenses/income
[2] administrative expenses, net adjustments on tangible and intangible assets
[3] net value adjustments for impairment of loans and financial assets, allocations to provisions for risks and charges, goodwill
[4] net of debt securities held to collect (HTC) recognised at amortised cost and shown under financial assets

Banco Desio

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

Qualitative information

As required by IFRS 16 "Leases" Banco Desio assesses for contracts that confer the right to control the use of an identified asset (ref. IFRS 16.B9 and paragraphs B13-B20) for a certain period of time, over the period of use, if both of the following requirements are met:

a) The right to obtain substantially all economic benefits from the use of the identified asset, as described in paragraphs B21-B23;

b) The right to direct the use of the identified asset, as described in paragraphs B24-B30.

Consequently, when a lease is identified and the asset is made available for use by the lessee, the Bank recognises:

- a liability consisting of lease payments due (i.e. Lease Liability). This liability is initially recognised at the present value of future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate;
- an asset consisting of the right of use (i.e. RoU Asset). This asset is initially recognised as the sum of lease liability, initial direct costs, payments made on or before the effective date of the contract net of lease incentives received, and decommissioning costs.

These assets are recognised separately according to the type of assets identified, which in Banco Desio are represented exclusively by properties and cars.

The Bank has adopted some of the practical expedients and recognition exemptions provided for in IFRS16 "Leases":

- contracts with a value of the underlying asset of less than or equal to Euro 5,000 at the date of initial application are excluded (so-called low value assets);
- contracts with a total lease term of less than or equal to 12 months are excluded (so-called short-term assets);
- initial direct costs are excluded from the valuation of the RoU Asset at the date of initial application.

The estimated decommissioning costs are not taken into account for the purpose of determining the RoU Asset, as these costs are only to be considered at the effective date of the lease agreement.

With reference to the lease term, Banco Desio has decided to consider only the first renewal period as reasonably certain for new contracts, unless there are contractual clauses that prohibit this, or, facts or circumstances that lead to additional renewals being considered or to the end of the lease contract. For contracts existing at the FTA date, a renewal period was added if the contract was in the first contractual period (i.e. the first renewal period had not yet expired), or if the contract was in a renewal period subsequent to the first one but the deadline for notice of termination had expired.

With reference to the rate for discounting future lease payments, Banco Desio has decided to use a single interest rate curve for Banco di Desio e della Brianza as the incremental borrowing rate, also considering a floor of 0% for maturities where rates are negative. This curve is based on a risk free rate (i.e. market interest rate) and a financing spread (i.e. tenant credit risk), and is amortising. Typically, the lease agreement does not provide for a single payment at maturity, but rather for a periodic payment of the lease instalments throughout the term of the contract, leading to a decreasing trend in the residual debt.

Quantitative information

With reference to the assets and liabilities related to lease agreements outstanding at 31 December 2022, the following balances are shown:

- a "RoU Asset" of Euro 55.0 million relating to properties and Euro 0.6 million relating to cars;
- a "Lease Liability" of Euro 56.2 million relating to properties and Euro 0.5 million relating to cars.

During the year, charges of Euro 9,979 thousand were recognised in connection with lease agreements, of which Euro 716 thousand was recognised under "Interest expense" and Euro 9,623 thousand under "Net value adjustments on tangible assets" as depreciation of the right of use.

Specifically, the depreciation recognised in the income statement refers to:

- Euro 402 thousand for cars,
- Euro 9,221 thousand for properties.

The total costs for the year referring to lease agreements and not covered by IFRS 16 (so-called low-value assets and short-term assets) amounted to Euro 1,870 thousand.

With reference to the "Lease liability" recognised at 31 December 2022, amounting to a total of Euro 56,708 thousand, a breakdown of the liabilities by residual maturity date is provided below:

- Euro 9,353 thousand within 12 months;
- Euro 16,234 thousand from 1 to 3 years;
- Euro 12,626 thousand from 3 to 5 years;
- Euro 18,495 thousand over 5 years.

SECTION 2 - LESSOR

Qualitative information

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

Quantitative information

The following is a reconciliation between the gross investment in the lease and the present value of the minimum lease payments and unsecured residual values due to the lessor.

Type of transaction	31.12.2022 Gross investment	Deferred profit	Net investment	Unsecured residual value (redemption)	31.12.2021 Gross investment	Deferred profit	Net investment	Unsecured residual value (redemption)
Finance lease	165,852	14,928	150,924	30,649	175,045	18,922	156,123	36,155
- of which agreements with leaseback	8,914	1,310	7,604	2,485	10,557	1,646	8,911	2,773
Total	**165,852**	**14,928**	**150,924**	**30,649**	**175,045**	**18,922**	**156,123**	**36,155**

Reference period	31.12.2022 Gross investment	Deferred profit	Net Investment	31.12.2021 Gross investment	Deferred profit	Net investment
- Within one year	4,302	89	4,213	6,431	160	6,271
- Within one and two years	7,695	289	7,406	8,269	368	7,901
- Within two and three years	17,603	569	17,034	11,337	599	10,738
- Within three and four years	39,322	2,528	36,794	22,855	983	21,872
- Within four and five years	41,169	3,161	38,008	38,670	3,341	35,329
- Over five years	55,761	8,292	47,459	87,483	13,471	74,012
Total	**165,852**	**14,928**	**150,924**	**175,045**	**18,922**	**156,123**

The net investment corresponds exclusively to the maturing principal for agreements active on the closing date of the financial year.

Total interest income recognised as income for the year, included in the item "Loans to customers - loans", amounted to Euro 2,993 thousand (Euro 2,210 thousand last year); of this amount, Euro 2,803 thousand related to index-linked agreements, of which Euro 126 thousand related to leaseback agreements (in 2021, Euro 1,951 thousand related to index-linked agreements, of which Euro 90 thousand related to leaseback agreements).

Financial profits accruing in subsequent years amounted to Euro 14,928 thousand, of which Euro 1,310 thousand on leaseback agreements (last year: Euro 18,922 thousand and Euro 1,646 thousand respectively).

Certification of the Consolidated Financial Statement pursuant to Article 154-bis of Legislative Decree 58/98

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Alessandro Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, also taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the company and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements for 2022.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 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 Organisations of the Treadway Commission, which represents a generally accepted reference framework at an international level.

3. It is also certified that:

   3.1 the consolidated financial statements:

   a. are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b. correspond to the information contained in the accounting ledgers and records;

   c. provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.

   3.2 the report on operations contains a reliable analysis of the trend and results of operations, as well as the business of the issuer and of all entities included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Desio, 2 March 2023

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

Report of the Independent auditors to the Consolidated Financial Statements

KPMG

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Banco Desio Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement and the statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banco Desio Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Banco di Desio e della Brianza S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost".

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": section 4 "Financial assets at amortised cost".

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": paragraph 8.1 "Net adjustments for credit risk relating to financial assets at amortised cost: breakdown".

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraph 1.1 "Credit risk".

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the group's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €14,027 million at 31 December 2022, accounting for 84% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €43 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the parent's and its subsidiaries' customers operate. The complexity of the directors' estimation process has been influenced as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency. These uncertainties have worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies. This required the directors to	Our audit procedures included: • gaining an understanding of the parent's and group companies' processes and IT environments in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received;

Key audit matter	Audit procedures addressing the key audit matter
revisit the valuation processes and methods.For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	• analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets at amortised cost.

Classification and measurement of financial assets at fair value levels 2 and 3

Notes to the consolidated financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss", A.2.2 "Financial assets measured at fair value through other comprehensive income", A.2.4 "Hedging transactions" and A.4 "Information on fair value".

Notes to the consolidated financial statements - "Part B - Information on the consolidated balance sheet - Assets": sections 2 "Financial assets at fair value through profit or loss ", 3 "Financial assets at fair value through other comprehensive income" and 5 "Hedging derivatives".

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": sections 4 "Net trading income", 5 "Net hedging result" and 7 "Result of financial assets and liabilities at fair value through profit and loss".

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraph 1.2 "Market risks" and 1.3 "Derivative instruments and related hedging policies".

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the parent's and group companies' core activities. The consolidated financial statements at 31 December 2022 include financial assets at fair value totalling €1,041 million. A portion thereof, equal to €215 million, is made up of financial assets at fair value without a quoted price on an active market. The parent's and group companies' directors have classified them in levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement in relation to the complexity of the models and parameters used. The complexity of the directors' estimation process has been influenced as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency. These uncertainties have worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary	Our audit procedures included: • gaining an understanding of the parent's and group companies' processes and IT environments in relation to the trading, classification and measurement of financial instruments; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, also in the light of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic; • checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level; • for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the parameters used by the directors for their measurement, also in the light of the financial

Key audit matter	Audit procedures addressing the key audit matter
policies, leading central banks to raise interest rates in the main economies. For the above reasons, we believe that the classification and measurement of financial assets at fair value levels 2 and 2 are a key audit matter.	effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic; we carried out these procedures with the assistance of experts of the KPMG network; • analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about financial instruments and related fair value levels.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 23 April 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, when extracted from XHTML to an XBRL instance, some information contained in the notes to the consolidated financial statements may not be formatted in a manner that is exactly the same as the corresponding information presented in the consolidated financial statements in XHTML.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Banco di Desio e della Brianza S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 23 March 2023

KPMG S.p.A.

(signed on the original)

Alessandro Nespoli
Director of Audit

Banco Desio

PUBLIC DISCLOSURE STATE BY STATE

(pursuant to Bank of Italy Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" - 41st update of 21 December 2022)

Below is the information relating to points a), b), c), d), e) and f) of Annex A of Part One, Title III, Chapter 2 of the cited Supervisory Provisions for Banks.

Situation resulting from the consolidated financial statements for the year ended 31 December 2022

As a result of the corporate events that have occurred in recent years, which have from time to time been disclosed to the public by means of press releases or as part of periodic financial reporting, the Banco Desio Group, at 31 December 2022, is based exclusively in Italy.

a) Name of the companies established and nature of the activity

Banco di Desio e della Brianza S.p.A., with registered office in Desio, via E. Rovagnati 1, is the parent company of the Banco Desio Banking Group, registered in the Register of Banking Groups under No. 3440/5.

The Banco Desio Group consists of the parent company Banco di Desio e della Brianza S.p.A., the subsidiary Fides S.p.A., with registered office in Rome, Viale Regina Margherita 279, the special purpose vehicle Desio OBG S.r.l. with registered office in Conegliano and the special purpose vehicle Coppedè SPV S.r.l. with registered office in Conegliano.

In addition to its traditional credit intermediation activities, Banco di Desio e della Brianza offers asset management services, life and non-life bancassurance products, payment systems, factoring products, lease and consumer credit, also through its subsidiary Fides, a financial intermediary registered in accordance with Article 106 TUB, which provides loans to public and private employees.

Information/Geographical area		**Italy**
b) Turnover (1)	Euro thousands	456,120
c) Number of employees on a full-time equivalent basis (2)	Number of units	2,128
d) Profit before taxes (3)	Euro thousands	119,366
e) Taxes on profit (4)	Euro thousands	(37,903)
f) Public contributions received (5)	Euro thousands	-

Notes:
(1) the figure represents item 120 "Net banking income" in the consolidated income statement.
(2) the number of employees was calculated by considering the total number of hours actually worked by all employees, excluding overtime, minus the contractually agreed weekly working time for full-time employees, multiplied by 52 weeks minus 25 days - conventionally defined - for the holiday period.
(3) the figure represents the sum of items 290 "Profit (Loss) from current operations before taxes" and 320 "Profit (Loss) from discontinued operations" (the latter before taxes) of the Income Statement of the Consolidated financial statements.
(4) the figure represents the sum of item 300 "Income taxes for the year on current operations" and item 320 "Profit (Loss) from Discontinued Operations" (for the tax portion only) of the Income Statement of the Consolidated financial statements.
(5) the figure indicates public grants not taken into account in the state aid schemes reported in Part A of the Notes to the Financial Statements.

Report on Operations

2 - The reference scenario

With reference to the description of the reference scenario, please refer to the Consolidated Report on Operations.

3 - Territorial coverage and issues of corporate relevance

3.1 - The distribution network

The Bank is present in 10 regions in Italy: Lombardy, Piedmont, Veneto, Emilia-Romagna, Liguria, Umbria (under the Banca Popolare di Spoleto brand), Lazio, Tuscany, Marche and Abruzzo.

The distribution structure consists of 232 branches and is unchanged from the previous year-end figure.

In order to respond more and more proactively to customer needs, primary importance is given to the continuous evolution of the Distribution Model, to be realised through an integrated "omnichannel" approach, offering our customers each product/service with the desired channel and in increasingly flexible ways.

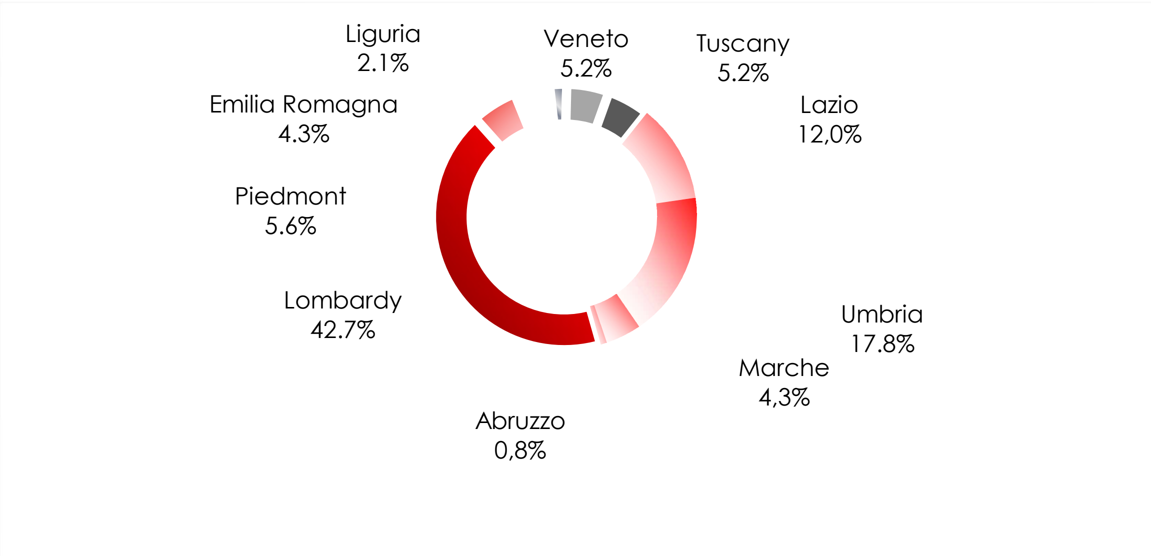
In this regard, a plan to accelerate the digital path was presented to the Board of Directors of Banco Desio in 2021, with the aim of designing and building a strategy that rapidly integrates the solutions and services required (for more details, see section "8.9 - Research and development activities" below in this Report).

The organisational model provides in particular for:

- the organisation of a distribution network divided into territorial Areas, each of which is supervised by an Area Manager, who assumes the role of the main commercial contact person in the territory, with a clear hierarchical reporting to the Company Managers and the Branch Network with the support of the Company Manager and the Retail Specialist;
- hierarchical and functional reporting of Private Bankers to their respective Private Area Managers, who in turn are coordinated by the Wealth Management Network Office reporting directly to the Wealth Management Department.

The following graph provides details of the territorial presence of the distribution network by region at the end of the financial year 2022.

Graph No. 1 - **DISTRIBUTION NETWORK % BREAKDOWN BY REGIONS**



3.2 - Significant corporate events

Shareholders' meeting resolutions: amendments to the Articles of Association and reducing the number of directors

The Extraordinary Shareholders' Meeting of Banco Desio held on 14 April 2022 approved (i) the amendment of Article 14 of the Articles of Association, due to the need to reduce the board structure to a minimum and maximum odd number of members (i.e. from a minimum of 9 to a maximum of 11 members) in order to minimise, even in abstract, the risk that situations of parity of votes may arise that require recourse to the "casting vote" and (ii) the amendment of Article 17 of the Articles of Association, in compliance with the 35th update of Bank of Italy Circular No. 285, which expressly includes among the Board's tasks those relating to the recovery plan, rules of professional conduct for the bank's 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 then approved the reduction of 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 (Lanternina Transaction)

On 3 June 2022 Banco Desio signed an agreement with BPER Banca S.p.A. ("BPER") for the acquisition of two Business Units consisting of a total of 48 bank branches located in Liguria, Emilia Romagna, Lazio, Tuscany and Sardinia (the "Business Units" or, more briefly, the "Units").

The acquisition of the Business Units, which was finalised on 17 February 2023 with effect from Monday 20 February 2023, 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, affluent and wealth management.

The transaction, in the absence of constraints on distribution agreements, fully enhances Banco Desio's business model. The acquisition of the Business Units will allow the customers of the same access to the recognised service quality of Banco Desio and will offer an opportunity for stability and professional growth to the employees of the Business Units.

Achieving the estimated cost and revenue synergies will allow for operational and commercial efficiencies with a positive contribution to the operating margin by 2024.

In addition to the recognition of charges for professional services in the amount of Euro 5.3 million, recognised on an accrual basis in the Income Statement, the Transaction had no impact on the Bank's Annual Financial Report except for the disclosures required in the case of business combinations realised after the end of the financial year as per IFRS 3 *Business Combinations*. Please refer to the information in "Section 2 - Transactions after the end of the financial year" in "Part G - Business combinations involving companies or business units" of the Notes.

Execution of partnership agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A.

On 29 June 2022, the Partnership Agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed, after obtaining the necessary legal authorisations.

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 subscribed to the reserved capital increase that was specifically approved by the SGR for a total of Euro 4.6 million. Following the release of this capital increase, Banco Desio holds a 15% stake in the share capital of the SGR, which, in consideration of the overall Partnership Agreements, constitutes an interest in an associate.

In addition, in accordance with the provisions of the aforementioned Investment Agreement, 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's achievement of certain business objectives at 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR resolved a paid capital increase for a total of Euro 20 million (capital and premium) also reserved for subscription to Banco Desio. As a result of the possible conversion of the Warrants, Banco Desio will be able to increase its investment, thus attesting its investment to a stake equal to 30% of the share capital of the SGR.

Furthermore, Banco Desio and Anthilia Holding S.r.l. signed a shareholders' agreement concerning Banco Desio's rights and obligations in relation to the corporate governance of the SGR and the transfer of its investment; all in the broader context of the commercial partnership governed by a specific commercial framework agreement.

Request for exemption from the role of parent company of the Banco Desio Group by Brianza Unione

On 5 September 2022, Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. ("Brianza Unione") submitted a request for exemption from the role of parent company of the Banco Desio Group pursuant to the provisions of the Consolidated Law on Banking concerning banking groups and the register of banking groups, as amended by Legislative Decree No. 182/2021, as well as the Supervisory Provisions issued with the 39th update of the Bank of Italy Circular No. 285 in implementation of Article 21-bis of EU Directive 2013/36 (the "CRD"), as amended in turn by EU Directive 2019/878 (the "CRD5"), the provisions of which entered into force on 14 July 2022. The authorisation process is still ongoing. To this end, the Extraordinary Shareholders' Meeting of Brianza Unione approved, on 21 April and 26 October of last year, certain statutory changes required by the aforementioned regulations. Following the favourable outcome of the authorisation process, the composition of the banking group will therefore remain unchanged (it being understood that under the provisions of the CRR Regulation, the obligation to comply with the requirements set forth in the aforementioned regulation on the basis of Brianza Unione's consolidated situation will still apply).

Strategic agreement with Worldline Italia on e-money/acquiring (Aquarius Transaction)

On 7 November, Banco Desio announced that it had signed a strategic partnership with Worldline Merchant Services Italia S.p.A. ("Worldline Italia"), a company of the French group Worldline SA ("Worldline"), among the European leaders and fourth worldwide in the offer of payment and transactional services, for the development of its merchant acquiring business (the "Transaction").

The agreement makes provision for the transfer to Worldline Italia of Banco Desio's merchant acquiring business to which more than 15,000 merchants refer for a total of about 19,000 POS (point of sales), which in 2022 generated transactions for a volume of about Euro 1.8 billion. The agreed consideration is Euro 100 million with an adjustment mechanism based on certain targets that will be assessed one year from the closing date.

As part of the Transaction, Banco Desio and Worldline Italia signed a 5+5 year commercial agreement for the distribution through Banco Desio's network of Worldline's payment products and services to merchants. The Transaction will allow Banco Desio to maintain an economic exposure to the business itself for the entire duration of the agreement.

The Transaction is part of Banco Desio's strategic plan to enhance its merchant acquiring assets, which prompted it to select Worldline Italia as the best counterparty to offer its merchant customers transactional and digital services, from point-of-sale payments to e-commerce and mobile payments.

The closing is expected in early 2023 and is subject to obtaining the necessary legal authorisations.

In addition to the recognition of charges for professional services in the amount of Euro 0.5 million, suspended in the balance sheet as they will be added to the value of the investment that will then be sold to Worldline Italia, the Transaction has no impact on the Bank's Annual Financial Report except for the representation required in the case of the sale of an important autonomous unit governed by IFRS 5 *Non-current assets held for sale and discontinued operations*. Please refer to the information in "Part B" and "Part C" of the notes.

Tax credits acquired from a financial intermediary

On 21 September of this year, the Supreme Court of Cassation rejected the appeal filed by Banco Desio to obtain the release from seizure, ordered by the Court of Naples, of the Euro 46.5 million tax credit purchased by a financial intermediary (the discussion took place in conjunction with the discussion of the appeal filed by other banking and financial intermediaries also involved in the same matter). The ruling arrived in the context of a purely precautionary judgement.

At the end of October, Banco Desio became aware of the reasons adopted by the Court of Cassation, from which no adequate examination of Banco Desio's specific position in the transaction emerged, and indeed as a bona fide third party at the time it purchased the tax credits from a financial intermediary.

Following the necessary investigations, the most appropriate action was taken to protect their rights. To date, the Bank is waiting to receive updates on the conclusion of the investigations launched by the Naples Public Prosecutor's Office, aimed at ascertaining (among other things) the existence or otherwise of the aforementioned tax credit, in order to be granted access to the relevant preliminary documentation collected to assess its content.

In consideration of the lengthening of the terms that can reasonably be hypothesised for using the credit, conditioned by the definition of the legal proceedings under way, the Directors deemed it appropriate to prudentially revise the forecasts for the recovery of the seized tax credits, in terms of expected cash flows with a discounting time horizon of 8 years[12], cautiously considering the allocation of an additional charge compared to the previous year of Euro 3.2 million recognised in the income statement in "Other operating charges/income".

4 - Legislative Decree No. 231/2001

In the context of the measures taken on the subject of the administrative liability of companies for offences committed by their officers and/or employees, since 2004, the Bank's Board of Directors has resolved to adopt an Organisational and Management Model for the prevention of the offences contemplated by Legislative Decree No. 231/2001 (hereinafter "Model 231"). This Model has been gradually implemented with subsequent legal provisions and is published on the website www.bancodesio.it.

Further information on Model 231 and the Supervisory Board pursuant to the aforementioned Legislative Decree No. 231/2001, whose functions have been performed by the Board of Statutory Auditors since 2012, can be found in the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website to which reference is made.

[12] Legal advisors have indicated a "term that could be between 8 and 10 years maximum

5 - Human resources

5.1 - Management and allocation of resources

For the Bank, 2022 represented the consolidation of the management choices made last year concerning the organisation of work in the Headquarters structures, with particular reference to the contractualisation of the "agile work" mode with each employee.

In the last quarter of the year, the professional retraining of network resources was achieved, with a retraining from administrative to commercial/consulting roles, with a view to an increasingly targeted and customised service for customers.

In the last few months of the year, the onboarding activities of the resources in the perimeter of the acquisition from BPER Banca took concrete form: starting from the sending of a welcome letter signed by the CEO of the Bank, to an initial meeting with the Branch Managers of the former Carige perimeter, aimed at sharing the values of the Bank they will become part of.

Visits to some of the former Carige branches in Liguria have started, in order to stimulate the reception of future colleagues and an initial engagement with the aim of facilitating future integration.

With a view to an evolving market and with the objective of continuing the generational transition already concretised during the year with the conclusion of the exits for access to the Solidarity Fund, we continued with the insertion of young talents and new professionalism, both in the Network and at Headquarters, also functional to the introduction of new skills, respecting gender quotas.

With this in mind, and with the objective of enhancing professionalism in the company, the moment of professional advancement was realised with a special focus on the enhancement of young talent and diversity, continuing the rebalancing of the level of grading and remuneration of the female population.

The optimisation of activities related to the Wealth Management model is continuing in the first quarter of 2023.

Finally, it should be noted that, in application of the understandings set out in the Trade Union Agreement of 26 November 2020, 30 June 2022 turned out to be the last useful window for access to Solidarity Fund and/or retirement benefits.

At 31 December 2022, the Bank's employees amounted to 2,056 resources, a decrease of 34 resources, or 1.6%, compared to the previous year-end figure.

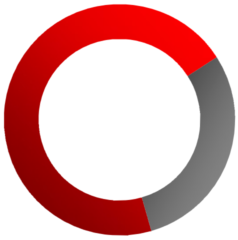
The following table provides a breakdown of employees by qualification level at the end of the financial year 2022, in comparison with the previous year's balance.

Table No. 1 - **BREAKDOWN OF EMPLOYEES BY QUALIFICATION**

No. Employees	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**%**
Managers	26	1.3%	30	1.4%	-4	-13.3%
Middle managers 3rd and 4th level	452	22.0%	449	21.5%	3	0.7%
Middle managers 1st and 2nd level	569	27.7%	566	27.1%	3	0.5%
Remaining personnel	1,009	49.0%	1,045	50.0%	-36	-3.4%
Employees	**2,056**	**100.0%**	**2,090**	**100.0%**	**-34**	**-1.6%**

The graph below shows the breakdown of the workforce at the end of the year between General Management and support.

Graph No. 2 - **BREAKDOWN OF EMPLOYEES BY AREA**



5.2 - The training activity

The year 2022 concluded by affirming a significant investment in terms of training, in line with the objectives of the training plan outlined at the beginning of the year, which took the form of activities aimed at supporting the strengthening of technical knowledge and increasing the strengthening of behavioural skills, necessary in the exercise of the various organisational roles.

In continuity with the programmes carried out in the year 2021, the training activities performed in the year 2022 also took on a significant relevance in the context of professional development processes, accompanying the evolution of new expertise and further enhancing the skills possessed by resources, consistently with the specialisation requirements introduced by the Service Model and defined by the Business Plan Growth path.

This investment is also confirmed by the training hours recorded, reaching 133,633 total man-hours provided (formerly 132,026), corresponding to 8.6 average days per employee (formerly 8.4) with 1,607 more hours provided than in 2021. Furthermore, it must be considered that the year 2021 ended with an increase of 39% over the previous year.

The three components that represent the distinctive features of the 2022 proposal are:

- the use of delivery methods developed through flexible methodologies, which allowed the integration of different tools in blended solutions (classroom, e-learning, webinar), in order to ensure a diversified learning experience through modular and multidisciplinary paths. For the delivery of some specific contents, the classroom activity was resumed, establishing itself as an opportunity for discussion and sharing, triggering reflections and facilitating the search for solutions to be applied in the respective contexts. With reference, on the other hand, to the e-learning mode of use, the micro-learning didactic model was used, set up by means of videos and briefs that ensured self-managed planning by the participant over the entire time span available, thus facilitating the planning of the use of the content; again with a view to making the planning of training activities even more flexible, the use of Smart Learning should also be noted. In addition, interactive tools and gamification dynamics were used to foster involvement, which will also be extended for the development of topics related to different regulatory contexts. Among the methodological tools used, mention should also be made of the method of surveying training needs in specific areas - preparatory to the design of the content - as well as the adoption of assessments on particular technical-professional knowledge, considered fundamental for targeting the training proposal in a more targeted manner;
- the creation of multi-disciplinary programmes realised through micro-learning sequences ensured an articulated training proposal on different thematic areas and also made it possible to reuse the micro-contents within different programmes addressed to different professional figures;

- <u>the inclusion of situational case studies within different training programmes</u> made the acquired skills practically applicable: this approach made it possible to increase knowledge about the working tools that can be used to manage professional activities more effectively. Furthermore, with the aim of ensuring contextualised training focused on company processes and procedures, internal resources were used for both the content construction and delivery phases.

In addition to these three elements that characterised the training programmes delivered in the year 2022, there was also the content dimension, which offered a significant variety of topics. In particular, the following were relevant in the 2022 delivery:

- competence certification paths consisting of individual study phases alternating with phases of in-depth study of core knowledge for the exercise of roles, which were accompanied by moments of verification of acquired knowledge;
- soft skill-focused modules that were combined with specialised content with the aim of providing fundamental behavioural tools also for the application of specialised knowledge;
- training initiatives for up-skilling the skills possessed by resources - which play a central role in the Bank's change process - and those for re-skilling technical and professional knowledge, in order to ensure that the skills exercised are in line with corporate objectives.

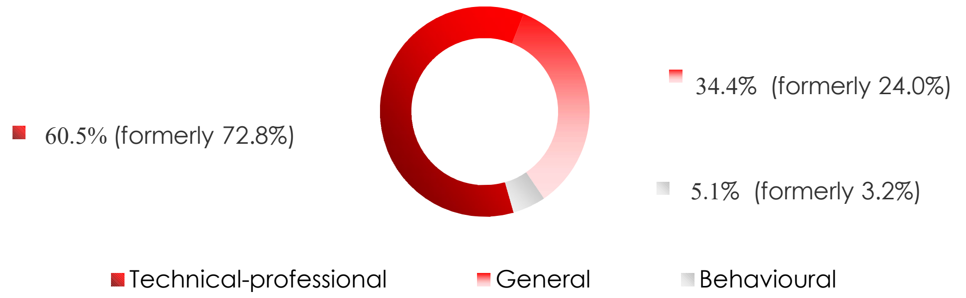
Finally, it should also be noted that the different programmes launched under the "DevelUP" Project continued in line with the main lines of development defined under the three guidelines: "Service Model Training", "Product Training" and the "Talent Enhancement Project".

The various initiatives provided are represented within the three types of training offerings; a summary description is given below:

- "General" training groups together initiatives covering transversal knowledge aimed at all professional families. The alignment of the required competences according to changes in the regulatory context is ensured by the activities under compulsory training (included in this grouping).
- "Technical-professional" training includes initiatives aimed both at building the technical skills needed to perform a specific role and at consolidating skills functional to the professional profile held;
- "Behavioural" training aimed at developing relational, managerial and organisational skills, enabling the best application of the technical-professional knowledge possessed.

The graph below shows the percentage breakdown of training meeting days carried out during the year for the three areas mentioned above.

Graph No. 3 - **REPRESENTATION OF TRAINING ACTIVITIES BY TYPE**



"General" training recorded an increase of 14,341 hours provided compared to the previous year.

- **Regulatory Area**

Within this area, we highlight the continuation of the different programmes aimed both at updating positions in the field of Health and Safety in the Workplace (fire-fighters, first aid) and at basic programmes for workers and for resources appointed as supervisors.

In addition, in order to conclude the five-year update programme, the last module was released, which focused on covering both technical knowledge referring to specific risks and Soft Skill content. In order to complete utilisation for a residual population of resources, continuity was also ensured in the delivery of programmes on "privacy", "anti-money laundering", "usury", "MOG 231", "whistleblowing", "operational risks" and "Banking POG". With a view to ensuring continuous monitoring of the risk of money laundering and terrorist financing, a video lesson on "Anti-Money Laundering and Superbonus" was produced and distributed to all Network figures. In addition, in order to gain awareness of the world of "Cyber Security", a training programme has been structured with multiple videos and information briefs exploring the language of the web: this programme will continue in 2023.

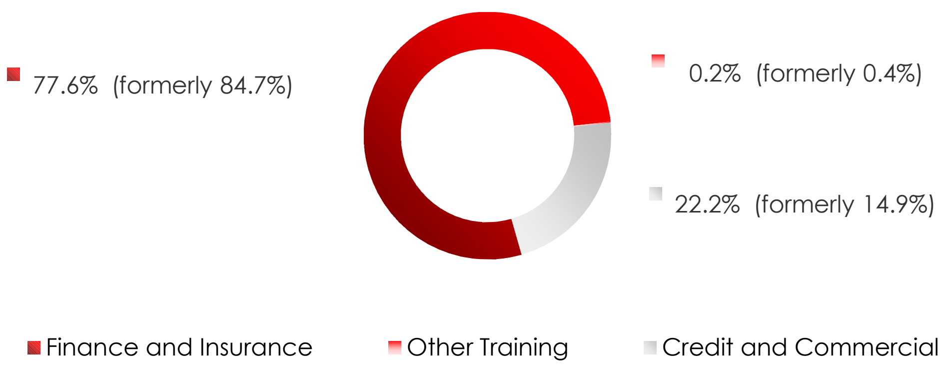
- **Other Training**

The "IT Specialist Programme" and the "Credit Risk Management Programme" were provided for specific Head Office Functions, while for some resources with a Business Data Specialist profile, on-the-job training was scheduled to accompany the development of the specialised knowledge required for the management of specific intercompany projects.

In addition, a training programme on "Project Management" was designed and delivered, which involved - in a first phase - the Managers, in order to share the governance system of corporate projects and - in a second phase - various resources belonging to different corporate functions, with the aim of extending a univocal organisational approach in the management of inter-company

"Technical-Professional" training accounted for 60.5% of total activities. The following graph represents the breakdown of training activities in the subject areas belonging to "Technical-Professional" training:

Graph No. 4 - **REPRESENTATION OF "TECHNICAL-PROFESSIONAL" TRAINING BY SUBJECT AREA**



Below are the main initiatives aggregated by subject area of competence:

- **Credit area** (3.8%)
  Within this area, we highlight webinar sessions delivered by internal teaching resources on topics related to: "New Trigger for Unlikely to Pay Reduced Financial Obligation", "AIRB System" and "Factoring", with the aim of aligning the operational behaviour of resources and, at the same time, responding to the training needs emerging from the different professional figures of the Network: Small Business Managers, Branch Managers, Vice RDF and Enterprise Managers.

  In addition, the training programme delivered on the subject of "Creditworthiness assessment" was particularly useful, with a focus on the "Loan disbursement process"; this programme was divided into two sessions: the first of a didactic nature and the second with a more applicative aspect, in order to provide participants with concrete operational tools for managing operations.

  In continuity with previous years, mention should be made of the e-learning programmes on the "AIRB rating system", also addressed to all resources in the corporate segment, and on "Consumer real estate credit", built on four modularities and intended for different organisational roles.

- **Commercial Area** (18.5%)
  Within this area, the extension of training courses on "Role Evolution" to the corporate populations of Small Business Managers, Private Bankers, Private Managers, Personal and Affluent Managers, in order to reinforce the skills required for the exercise of the different Network roles, is worth mentioning.

  Other initiatives include the delivery of the "Digital Solutions" and "Digital Mindset" briefs: training objects proposed as part of the Digital Adoption game introduced with the aim of enhancing digital solution proposition skills. In addition, different webinar sessions were delivered by internal teaching resources such as "The digital dialogue with our customers" or "The Banco Desio open banking aggregator: One-D" and by various partners such as Arca, AcomeA and Anima on topics such as "Behavioural Finance" and "Remote Communication Techniques".

  Finally, we highlight the sessions on "Cross-market" aimed at both the Private and Business segments, with the objective of providing tools to manage the different dimensions of the entrepreneur client: assets, family and company.

- **Finance and Insurance Area** (77.6%)

This area records a significant number of training hours delivered. In particular, reference is made to the integrated ESMA and IVASS maintenance programme that has been structured around content valid for both ratings. The topics that made up this programme were of extreme topicality: mention should be made - by way of example - of the module on "The financial investments of post-pandemic households" and "The evaluation of the performance of ESG-rated companies"; the module on "Succession" and the module on "Case histories on succession planning" were considered of significant interest. These technical-professional contents were combined with some Soft Skill modules such as "Strategic Communication".
In particular, the ESMA programme was developed along three different paths, defined according to the knowledge gaps detected through the use of a specific assessment; again for ESMA purposes, the "Skills Certification Programme" was also valid, addressed to a group of Private Bankers, who met in the classroom to address core issues for their professionalism: from financial planning to asset allocation.
Other initiatives provided included webinar sessions on the "MiFID II Profiling Questionnaire", with a specific focus on ESG, as well as those on the topic of "Hope and PIR instruments". In addition, sessions focused on the insurance company's service model and commercial offerings were delivered for Eurovita, while the relevant product training module was released for Coface and Italiana Assicurazioni. Furthermore, classroom-based training sessions in the area of "Protection" realised in partnership with Helvetia are also worth mentioning.

In the area of "Behavioural" training, of particular note are the training proposals launched within the framework of the project aimed at enhancing "Talents", delivered with the aim of enhancing skills that have shown - in the assessment phase - a need for strengthening. In particular, both skills of an organisational nature such as "Result Orientation" and "Business Planning" and of a relational nature such as "Influencing" as well as of a managerial nature such as "Entrepreneurship" and "Problem Solving" were addressed.

In addition, for colleagues at Headquarters - with the aim of stimulating reflection with respect to specific skills and providing some useful behavioural tools in the exercise of their professionalism - the Soft Skill learning path continued, developed through three training pills focused on the following skills: "Result Orientation", "Learning Agility" and "Design Thinking".

Some behavioural contents have also been included in the initiatives of the Group's Sustainability Plan 2020-22, in particular, reference is made to the "Diversity Management" module addressed to the entire corporate population with the aim of providing relational tools to enhance effectiveness in managing differences in the corporate context.

5.3 - Labour relations

In the course of 2022, relations with the Workers' Unions present in the Group (OO.SS.), in addition to providing the ordinary opportunities for meetings and discussions on legal and contractual issues, allowed for the achievement of specific agreements that, pursuing labour policies in line with industry best practices, renewed also for 2023 the work life balance tools introduced in the year just ended, expanding their scope with the aim of further implementing sustainability and corporate welfare initiatives for the benefit of the well-being of people in the group as well as the development of a positive and flexible work environment. In particular:

- accessibility, also for 2023, to the ordinary agile working mode (so-called smart working) for central management staff, in line with the provisions of the national collective agreement and with industry best practices;
- accessibility, also for the year 2023, of the mode of participating in training courses remotely, even outside the workplace of assignment (so-called smart learning) in favour of all Group Resources;

- renewal, for the year 2023, of the so-called "time bank", fuelled by the company and the solidarity of the Resources who decide to join the initiative. The purpose of the time bank is to provide access to an allocation of paid leave in addition to ordinary leave, for the benefit of employees affected by specific and special personal or family needs. The number of potential beneficiaries, when the agreement was renewed, was also extended to parents, specifically "fathers" who need to be absent from work on the occasion of the birth of their child, or even "mothers" for documented serious needs of their child;
- renewal, for the year 2023, of the benefits envisaged as a special contribution in support of disability: in particular, both the economic contribution in favour of workers with dependent children or spouses suffering from serious disability, and the contribution to reimburse expenses incurred for medical instruments and equipment necessary for the same situations of serious disability.

In the second half of 2022, trade union relations were particularly focused, on the one hand, on the procedure relating to the extraordinary transaction being finalised with BPER Banca for the sale to Banco Desio of two business units consisting of 48 former Carige and Banco di Sardegna branches, and, on the other hand, on the renewal and updating of the health plan in favour of employees. Specifically, at the end of the discussion, also in the Joint Technical Committee, in December 2022 an agreement was signed with the trade unions that defines the new health plan for the years 2023 and 2024, extending the coverage provided for as well as confirming the membership of the PREVIP health care fund that, through a leading insurance company, will guarantee employees and their families the coverage of the plan.

It is also worth mentioning the initiative with which the Group, intervening with a concrete welfare tool, recognised to all employees an extraordinary contribution worth Euro 500, paid in the form of vouchers that can be spent on goods and services, at numerous merchants throughout the country. A gesture of closeness to its employees and their families at a delicate economic moment, affected by rising energy costs and, in general, basic necessities. The Company has, moreover, already announced its intention to pay similar attention to the employees who will join Banco Desio following the sale of the BPER Group branches.

5.4 - Prospective activities

The year 2023 will see the development of all activities functional to the acquisition, first, and then to the management of all personnel resulting from the acquisition of the branches from BPER Banca, which will be provided with a structured training plan and coaching by personnel already employed by the Bank ("Ambassadeur"), specifically identified and trained, in order to provide assistance and support functional to an organised and effective integration.

During 2023, the Wealth Management network organisation project is also expected to continue, with the Resources Department involved in the continuation of the implementation phase of the model on the Private network, with the creation of new Family Teams and the implementation of the professional skills to be assigned to the private banking segment.

Lastly, a special effort is also envisaged on the trade union relations front, in relation to the above-mentioned extraordinary transaction for the acquisition of 48 branches from BPER Banca, in order to accompany, also by resorting to the tools offered by trade union dialogue, the path of integration of the resources transferred to the Group.

Finally, the Resources Department will continue to implement management innovations in the area of work organisation in line with the provisions of the national sector agreement.

6 - Control activities

6.1 - The levels of control in the management and coordination function

In exercising its management and coordination function, the Bank, as Parent company, puts in place a triple level of control over its subsidiaries, in order to implement the specific "coordination model" chosen, taking into account the nature and size of the activities carried out by the individual companies, as well as their specific location, identifying internally the functions responsible for the specific control mechanisms.

A first level, of a strategic nature, is aimed at the constant verification of the policies dictated by the Parent Company and is implemented also through the presence on the Boards of Directors of each subsidiary, of a certain number of its officers.

The second level is of a managerial nature and concerns the performance of activities of analysis, systematisation and evaluation of the periodic information flows of subsidiaries, in order to verify the pursuit of strategic objectives in compliance with supervisory regulations, the preparation of adequate reporting on performance and profitability, the analysis of development, research/investment projects and strategic opportunities, forecast flows and other information necessary for the preparation of the Group budget.

The third level is defined as technical-operational, and is mainly realised through the supervision of the internal control system.

The aforementioned levels of control are, moreover, outlined and implemented in a manner proportionate to the nature, purpose and size of the subsidiaries from time to time within the Group.

Further information on management and coordination activities can be found in section 2.3 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

6.2 - The internal control system

The internal control system consists of the set of principles of conduct, rules and organisational procedures that - in compliance with the law, the provisions of the Supervisory Authorities and corporate strategies - oversees the proper management of all Group activities, involving the Bodies and top management and, in general, all personnel.

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and therefore also on the risk management and internal control systems on the financial reporting process, are contained in paragraphs 1 and 7 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

6.3 - Risk measurement and management

With regard to the specific activities carried out by the Bank's Risk Management Department, with the aim of ensuring controls on the management of the various types of risk through the adoption of integrated processes, please refer to Part E - Information on risks and related hedging policies of the Notes to the Financial Statements. With reference to the initiatives conducted during the year to take Environmental, Social and Governance ("ESG") aspects into account in corporate policies, and thus to integrate the assessment of such risks into the overall Enterprise Risk Management system, please refer to as described in the "Banco Desio Group Sustainability Report". Reference is also made to the same document with regard to the specific topic of climate change.

7 - Operating performance

7.1 - The collection of savings: customers' assets under administration

Total customer assets under administration stood at around Euro 29.7 billion, down from the balance at year-end 2021 (-2.4%), due to the reduction in indirect inflows (-5.2%), partially offset by the increase in direct inflows (+1.6%).

The composition and balances of the items are shown in the table below.

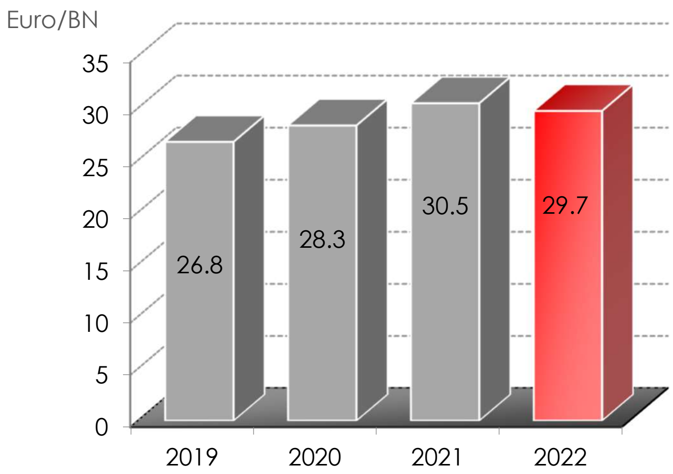
Table No. 2 - **INFLOWS FROM CUSTOMERS**

Amounts in Euro thousands	31.12.2022	Incidence %	31.12.2021	Incidence %	Changes Value	%
Payables to customers [1]	11,113,575	37.4%	10,924,688	35.9%	188,887	1.7%
Securities issued	1,536,151	5.1%	1,522,265	5.0%	13,886	0.9%
Direct inflows	**12,649,726**	**42.5%**	**12,446,953**	**40.9%**	**202,773**	**1.6%**
Inflows from ordinary customers	10,135,327	34.1%	11,033,464	36.2%	-898,137	-8.1%
Inflows from institutional customers	6,947,288	23.4%	6,984,571	22.9%	-37,283	-0.5%
Indirect inflows	**17,082,615**	**57.5%**	**18,018,035**	**59.1%**	**-935,420**	**-5.2%**
Total inflows from customers	**29,732,341**	**100.0%**	**30,464,988**	**100.0%**	**-732,647**	**-2.4%**

[1] Including inflows repurchase agreements with institutional customers in the amount of Euro 503 million (Euro 208 million at 31 December 2021)

The histogram below depicts the trend in total inflows as of 2019, which shows a compound average annual growth rate of 3.6%.

Graph No. 5 - **TREND IN TOTAL INFLOWS IN RECENT YEARS**



Direct inflows

Direct inflows amounted to around Euro 12.6 billion, up 1.6% compared to 31 December 2021, due to the performance of payables to customers (+1.7%) and securities issued (+0.9%).

Payables to customers, amounting to Euro 11.1 billion, represent the most significant item with 88% of the total balance and are attributable for about Euro 10.1 billion to the "demand" component of inflows, i.e. free current accounts and savings deposits, for about Euro 0.3 billion to time deposits, for Euro 0.5 billion to repurchase agreements with Cassa di compensazione e Garanzia, and for the remainder to other payables.

Outstanding securities refer to bonds issued and all placed for about Euro 1.5 billion and certificates of deposit for the remainder.

Outstanding securities issued have the following breakdown in relation to maturity based on nominal value:

- within one year Euro 22 million;
- between 1 and 3 years Euro 603 million;
- between 3 and 5 years Euro 804 million;
- over 5 years Euro 103 million.

Indirect inflows

Indirect inflows recorded a balance of Euro 17.1 billion (-5.2%). Inflows from ordinary customers amounted to Euro 10.1 billion, a decrease of 8.1% compared to the end of the previous year, mainly attributable to the performance of assets under management (-10.1%).

At 40.7%, inflows from institutional customers reached a balance of about Euro 6.9 billion, in line with the previous year's balance.

Table No. 3 - **INDIRECT INFLOWS**

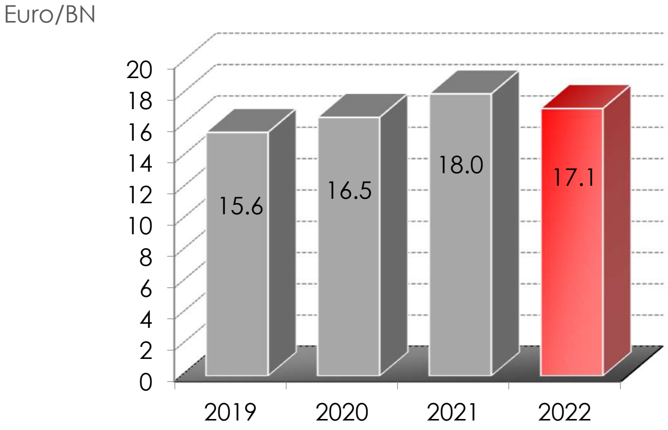
Amounts in Euro thousands	31.12.2022	Incidence %	31.12.2021	Incidence %	Changes Value	Changes %
Assets under Administration	**3,093,362**	**18.1%**	**3,203,624**	**17.8%**	**-110,262**	**-3.4%**
Assets under Management	**7,041,965**	**41.2%**	**7,829,840**	**43.4%**	**-787,875**	**-10.1%**
of which: Mutual funds and Sicav	*3,277,442*	*19.2%*	*4,006,993*	*22.2%*	*-729,551*	*-18.2%*
Asset management	*1,148,834*	*6.7%*	*1,185,845*	*6.6%*	*-37,011*	*-3.1%*
Bancassurance	*2,615,689*	*15.3%*	*2,637,002*	*14.6%*	*-21,313*	*-0.8%*
Inflows from ordinary customers	**10,135,327**	**59.3%**	**11,033,464**	**61.2%**	**-898,137**	**-8.1%**
Inflows from institutional customers (1)	**6,947,288**	**40.7%**	**6,984,571**	**38.8%**	**-37,283**	**-0.5%**
Indirect inflows (1)	**17,082,615**	**100.0%**	**18,018,035**	**100.0%**	**-935,420**	**-5.2%**

(1) inflows from institutional customers includes securities on deposit underlying the Bancassurance segment of ordinary customers in the amount of approximately Euro 2.1 billion (approximately Euro 2.5 billion at 31.12.2021).

The in-depth investigations conducted on investments held by customers (securities, funds, asset management, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their issuing currency, have not so far revealed any significant risk profiles, it being understood that the monitoring of these investment products will continue on an ongoing basis in the coming months.

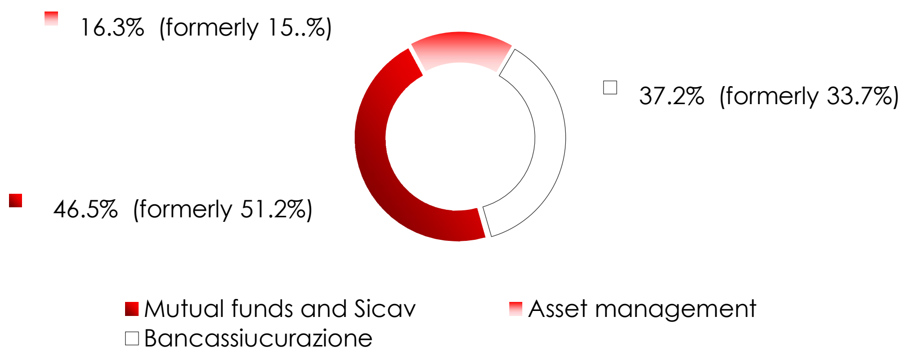
The histogram below depicts the trend in indirect inflows over the past few years, which shows a compound average annual growth rate of 3.2 % as of 2019.

Graph No. 6 - **TRENDS IN INDIRECT INFLOWS IN RECENT YEARS**

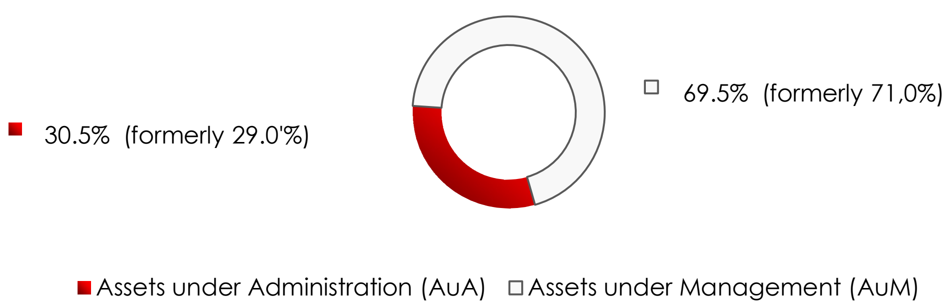


The following graph shows the percentage composition of indirect inflows from ordinary customers by segment, while the next one focuses on the breakdown of assets under management by component. Compared to the previous year's results, there was a greater weighting in favour of the asset under management segment compared to that of assets under administration, continuing the trend of the previous year.

Graph No. 7 - **BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 31.12.2022**



Graph No. 8 - **BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 31.12.2022**



When it seemed that the most critical point of the Covid-19 pandemic had passed, the conflict in Ukraine brought the world economy and the financial sector back under a new cloud of uncertainty. The year 2022 was marked by rising and worrying inflation, rising energy and commodity prices. This situation has led and is still leading to monetary tightening with interest rate increases and a reduction in liquidity by the Central Banks, resulting in downward revisions of growth expectations for the economy. This context led to a general decline in financial asset prices during the year.

As far as asset management is concerned, high inflation in the second half of 2022 forced central banks to accelerate their restrictive manoeuvres, starting with the Fed, which also added the sale of securities in financial statements to rate hikes.

In the wake of these policies, there is a widespread perception among investors that global economies are headed for a period of severe economic slowdown. Only towards the end of the year did the tone of monetary authorities become more accommodative, announcing a slowdown in the speed of rate hikes, generating a rebound in risky assets.

In equity management, the level of investment was increased in October, bringing it in line with the benchmark, without changing the geographical and sectoral allocation, which sees a preference for the United States, while among the sectors, pharmaceuticals, basic resources and stable consumption were favoured at the expense of industrials, financials and cyclical consumption.

Large capitalisation and high dividend stocks were also favoured. Bond management maintained a rate risk above the benchmark throughout the period. Among government issues, German issues and those linked to inflation trends were favoured.

High diversification was maintained throughout the period by investing in Chinese government bonds, emerging market bonds and financial sector corporates.

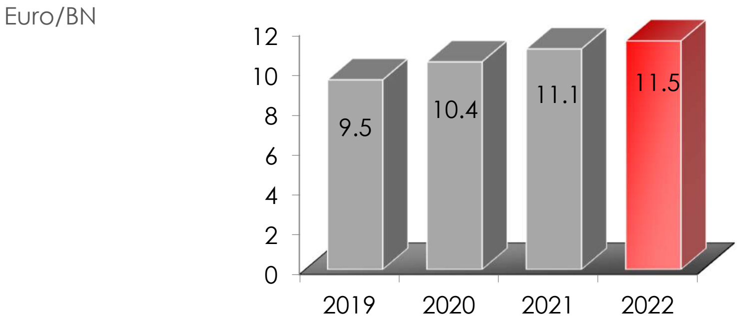
7.2 - Credit management: loans to customers

The value of loans to ordinary customers at 31 December 2022 stood at around Euro 11.5 billion, up from the previous year's figure (+3.7%). The Credit Department, with the support of the Risk Management Department, continued to implement initiatives to offer concrete support to the production system and households. During 2022, particularly in the second half of the year, the Credit Department continued monitoring the repayment capacity of customers (both private individuals and companies) on medium- and long-term loans (particularly those subject to legislative moratoria), identifying with the customer in difficulty, the best solution to be able to honour their commitments.

The Bank also adopted specific control measures in order to analyse the performance of the loan portfolio in relation to the negative impacts of the Covid-19 health emergency and the war in Ukraine. On the overall portfolio, an internal analysis was launched to gather information to map the relevant elements of the clientèle's business and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine. As better described in the disclosure "Implications of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Part A" of the Notes to the Financial Statements, direct exposure on the part of the Bank and its customers is contained without the need to review the credit facilities granted; monitoring the positions most at risk is one of the primary drivers of attention for the Credit Department in order to ensure the best quality of the loan portfolio and, at the same time, to identify the best solution to allow companies to continue their business in compliance with their commitments.

The histogram below graphically depicts the trend in loans over the last four years, which shows a compound average annual growth rate of +6.4%, due to the growth in volumes during the year, partly offset by the contraction in non-performing loans in previous years.

Graph No. 9 - **TREND IN LOANS TO CUSTOMERS IN RECENT YEARS**



The changes in balances in the items making up loans by technical form are summarised in the table below, while the following table shows the changes recorded during the year by customer type.

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

Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**Changes %**
Current accounts	1,992,335	17.4%	1,814,496	16.4%	177,839	9.8%
Mortgages and other medium-/long-term loans	8,364,905	72.9%	8,345,517	75.4%	19,388	0.2%
Other	1,084,946	9.4%	907,754	8.2%	177,192	19.5%
Loans to customers	**11,442,186**	**99.7%**	**11,067,767**	**100.0%**	**404,441**	**3.7%**
Repurchase agreements	30,022	0.3%	-	-	30,022	n.s.
Loans to institutional customers	**30,022**	**0.3%**	**-**	**-**	**30,022**	**n.s.**
Loans to customers	**11,472,208**	**100.0%**	**11,067,767**	**100.0%**	**404,441**	**3.7%**
- of which non-performing	*191,587*	*1.7%*	*226,090*	*2.0%*	*-34,503*	*-15.3%*
- of which performing	*11,280,621*	*98.3%*	*10,841,677*	*98.0%*	*438,944*	*4.0%*

Table No. 5 - **BREAKDOWN OF LOANS TO CUSTOMERS BY TYPE OF CUSTOMER**

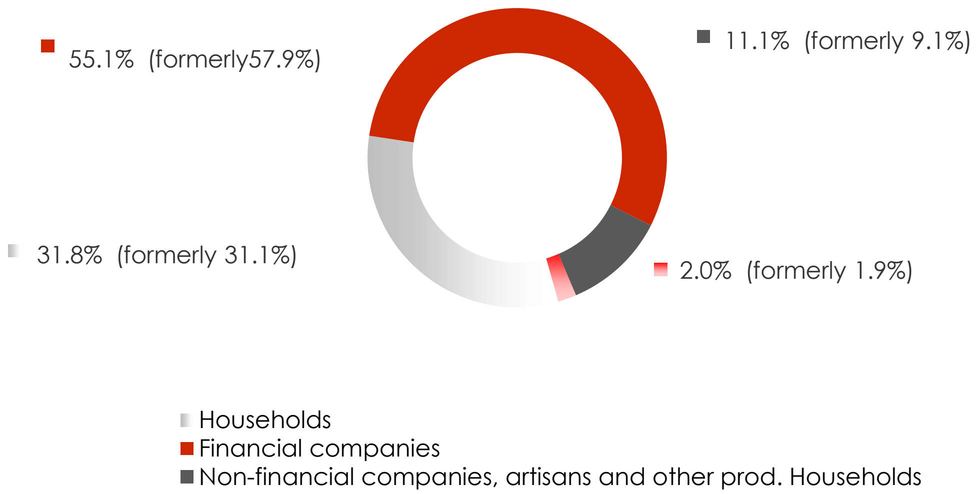
Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**%**
Households	3,647,805	31.8%	3,440,627	31.1%	207,178	6.0%
Non-financial companies, artisans, and other producer households	6,323,799	55.1%	6,404,931	57.9%	-81,133	-1.3%
Financial companies	1,272,933	11.1%	1,011,024	9.1%	261,909	25.9%
Private social institutions and other (1)	227,671	2.0%	211,185	1.9%	16,486	7.8%
Loans to customers	**11,472,208**	**100.0%**	**11,067,767**	**100.0%**	**404,440**	**3.7%**

(1) *including financial and non-financial companies rest of the world*

Loans referring to the category comprising non-financial companies, artisans and other producer households, amounting to approximately Euro 6.3 billion, substantially in line with the figure, continued to account for the bulk of the loan portfolio to customers, accounting for 55.1% of the total item (formerly 57.9% in the comparison year). Loans to households, which totalled Euro 3.6 billion, increased by 6.0%, mainly due to the disbursement of new mortgages and the boost in consumer lending.

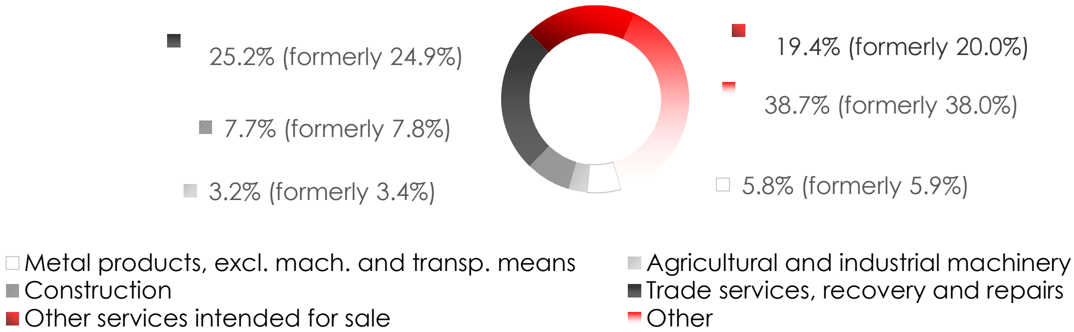
The following graph shows in percentage terms the aforementioned composition of loans at the end of 2022, broken down by type of customer, while the next one focuses on the composition of loans in the category of non-financial companies, artisans and other producer households, according to the economic sector they belong to.

Graph No. 10 - **% BREAKDOWN OF LOANS TO CUSTOMERS AT 31.12.2022 BY TYPE OF CUSTOMER**



(1) *including financial and non-financial companies rest of the world*

Graph No. 11 - **% BREAKDOWN OF LOANS TO CUSTOMERS AT 31.12.2022 REFERRING TO NON-FINANCIAL COMPANIES, ARTISANS AND OTHER PRODUCER HOUSEHOLDS**



Loans to customers belonging to the tertiary sector in general continued to be of particular importance, with a strong emphasis on other services for sale, trade, salvage and repairs, and the construction sector. Taken together, these loans represent a share of 52.3 % (formerly 52.7 %), corresponding to approximately Euro 3.3 billion.

Within the breakdown of gross loans, including guarantees, the percentage of utilisations attributable to the first 50 customers at the end of the financial year 2022 continues to reflect a high degree of risk fractioning.

Table No. 6 - **CREDIT CONCENTRATION RATIOS ON TOP CUSTOMERS**

Number of customers [1]	**31.12.2022**	**31.12.2021**
Top 10	1.19%	1.16%
Top 20	2.03%	2.02%
Top 30	2.76%	2.72%
Top 50	3.98%	3.91%

[1] net of loans to the subsidiary FIDES S.p.A.

As of the reporting date, no customer qualifies as a "Large Exposure" for supervisory purposes; in fact, recognised as "Large Exposures" were only the bank's tax assets and Italian government securities, Group companies, participation in the capital of the Bank of Italy, subscription of junior and mezzanine securities and granting of loans to the special purpose vehicle 2Worlds S.r.l. counterparty of the NPL securitisation transaction through GACS, guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996, guarantees provided by SACE, exposures with Credit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio, exposures with Banco Santander essentially referring to debt securities and long term repos, repurchase agreement transactions with Cassa di Compensazione e Garanzia for a total nominal amount (which also includes guarantees issued and commitments) of approximately Euro 8.9 billion, corresponding to approximately Euro 0.3 billion in terms of total weighted amount.

The Bank confirms that its asset quality is among the highest in its market.

The proactive management of the non-performing portfolio, although influenced by a higher inflow from the performing portfolio, contributed to the improvement in asset quality with a decreasing gross and net NPL ratio (from 4.1% to 3.3% and from 2.0% to 1.7% respectively). The overall coverage of non-performing loans stood at 50.2% compared to the previous 51.4%, affected by the change in the mix of bad and unlikely to pay loans as a result of the disposals carried out during the year. Total net non-performing loans, consisting of bad loans, unlikely to pay as well as impaired past-due and/or overdrawn exposures, amounted to Euro 191.6 million, net of value adjustments of Euro 193.0 million, a decrease of Euro 34.5 million compared to Euro 226.1 million at the end of 2021. In particular, there were net bad loans of Euro 59.0 million (formerly Euro 93.6 million), net unlikely to pay of Euro 128.7 million (formerly Euro 131,0 million and net impaired past-due and/or overdrawn exposures of Euro 3.9 million (formerly Euro 1.5 million).

On the other hand, non-impaired exposures grew almost equally in consumer lending, which is characterised by a lower risk profile (with particular reference to the salary-backed product), and in medium/long-term loans to corporates, where no repayment problems emerged in connection with the conclusion of moratoria. The proactive management of the performing portfolio, together with the resilience demonstrated by the entrusted customers, therefore allowed for the recalibration of the particularly rigorous measures adopted in the previous year in the determination of value adjustments through management overlays, resulting in the positioning of overall coverage on performing loans at 0.88% compared to the previous 0.93%.

As a result of the dynamics described above, the overall coverage level of the loan portfolio is 2.5% (compared to 3.0% in the previous year)

The table below summarises the gross and net indicators of credit risk and related coverage levels.

Table No. 7 - **INDICATORS OF THE RISKINESS OF LOANS TO CUSTOMERS AND RELATED COVERAGE**

Amounts in Euro thousands	31.12.2022					
	Gross exposure	**Incidence % of total of loans**	**Value adjustments**	**Coverage ratio**	**Net exposure**	**Incidence % of total of loans**
Bad loans	180,751	1.5%	(121,785)	67.4%	58,966	0.5%
Unlikely to pay	199,353	1.7%	(70,609)	35.4%	128,744	1.1%
Impaired past-due	4,488	0.1%	(611)	13.6%	3,877	0.1%
Total impaired	**384,592**	**3.3%**	**(193,005)**	**50.2%**	**191,587**	**1.7%**
Stage 1 exposures	9,243,300	78.6%	(13,332)	0.14%	9,229,968	80.5%
Stage 2 exposures	2,136,926	18.1%	(86,273)	4.04%	2,050,653	17.8%
Performing exposures	**11,380,226**	**96.7%**	**(99,605)**	**0.88%**	**11,280,621**	**98.3%**
Total loans to customers	**11,764,818**	**100.0%**	**(292,610)**	**2.5%**	**11,472,208**	**100.0%**

Amounts in Euro thousands	31.12.2021					
	Gross exposure	**Incidence % of total loans**	**Value adjustments**	**Coverage ratio**	**Net exposure**	**Incidence % of total loans**
Bad loans	255,157	2.2%	(161,591)	63.3%	93,566	0.8%
Unlikely to pay	208,074	1.9%	(77,088)	37.0%	130,986	1.2%
Impaired past-due	1,764	0.0%	(226)	12.8%	1,538	0.0%
Total impaired	**464,995**	**4.1%**	**(238,905)**	**51.4%**	**226,090**	**2.0%**
Stage 1 exposures	9,125,565	80.0%	(17,719)	0.19%	9,107,846	82.3%
Stage 2 exposures	1,818,404	15.9%	(84,573)	4.65%	1,733,831	15.7%
Performing exposures	**10,943,969**	**95.9%**	**(102,292)**	**0.93%**	**10,841,677**	**98.0%**
Total loans to customers	**11,408,964**	**100.0%**	**(341,197)**	**3.0%**	**11,067,767**	**100.0%**

Taking into account the aforementioned transfers of non-performing loans that took place during the reporting year, the indicators show a substantial alignment with the previous year and a declining ratio of non-performing loans, standing at 3.3% (formerly 4.1%) at 31 December 2022.

The main indicators of the coverages of non-performing loans are summarised below, also considering for outstanding bad loans the amount of direct write-downs made over the years, and those of performing loans.

Table No. 8 - **INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS**

% Coverage of non-performing and performing loans	**31.12.2022**	**31.12.2021**
% Coverage of bad loans	67.38%	63.33%
% Coverage of bad loans before write-offs	67.74%	64.33%
% Total coverage of non-performing loans	50.18%	51.38%
% Coverage of non-performing loans before write-offs	50.44%	52.11%
% Coverage of performing loans	0.88%	0.93%

7.3 - The securities portfolio and the interbank position

The securities portfolio

The year 2022 was a year of marked change. The war in Ukraine has brought unexpected geopolitical instability back to the borders of Europe, amplifying already existing tensions, also due to the consequences of the global spread of Covid 19. The supply chains, already previously stressed by the pandemic, suffered another serious setback due to the sanctions against Russia, with repercussions particularly felt in Europe in terms of energy (natural gas in particular) and cereal supplies.

Inflation in the euro area consequently accelerated during the course of the year to exceed the 10% threshold in October and November. As a result, the European Central Bank had to radically change its interest rate policy as of July, gradually increasing the deposit rate from -0.5% to +2% in December 2022.

Bond markets went down dramatically following the repricing movement across the curve, with the 10-year Euro swap rate rising from 0.3% at 31.12.2021 to 3.2% at the end of 2022. The increased cost of financing also led to a widening of the BTP - Bund spread during the year due to increased fears of debt sustainability and a gradual exhaustion of quantitative easing activities by the main Central Banks, amplifying the fall in Italian debt security prices.

Stock markets were also affected by the macroeconomic context and especially the changed monetary policy, with generalised declines: the S&P 500 index at -19.4%, Nasdaq 100 at -32.7%, Eurostoxx 50 at -11.7% and Nikkei 225 at -9.4%.

The aggressiveness of the rate hikes, undertaken first by the Fed and only later and to a lesser extent by the ECB, also led to a devaluation of the Euro against the USD, which saw the cross fall even below parity during the second half of the year.

The Bank reacted to the new monetary policy implemented by the ECB by carrying out significant asset rate risk hedging transactions during the year.

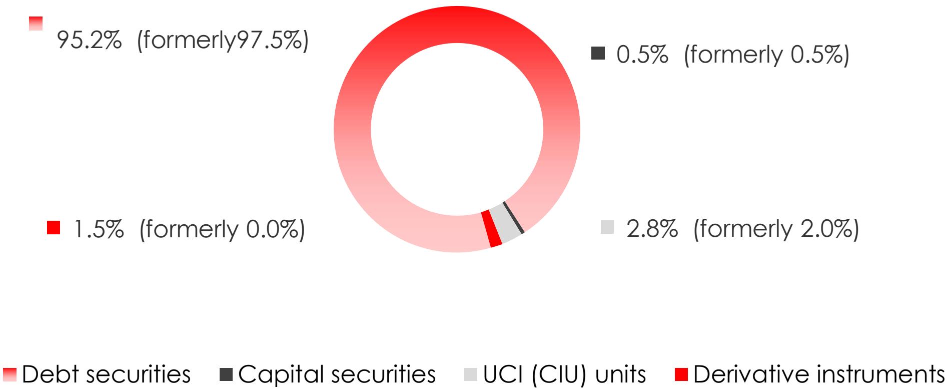
In order to optimise its funding activities, particularly in light of the new and less favourable conditions related to the TLTRO operations already in place with the Central Bank, the Bank has entered into Long Term Repo contracts with leading market counterparties on part of the portfolio assets (eligible and not), planning to increase recourse to this source of funding.

In December 2022, in connection with the liquidity position, a partial early repayment of Euro 800 million was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1,200 million. At 31 December 2022, therefore, the total position related to the TLTRO III financing amounts to Euro 3,045 million.

In 2022, the Bank continued to offer its customers bonds of its own issuance (5 placements) for a total amount of Euro 63.727 million.

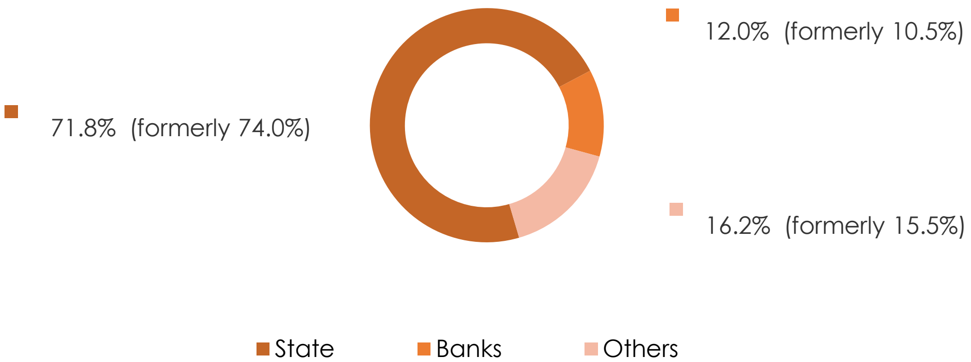
The management of the proprietary securities portfolio continued in line with previous years. Due to the main role of the Held to Collect (HTC) business model, transactions mainly involved the reinvestment of maturing securities, which, combined with the increase in yields on variable-rate securities, led to an increase in interest income in the reporting year and prospectively in the coming year. During the period, there was a reduction in inflation-linked securities held in the portfolio as a result of the full realisation of their revaluation assumed at the time of purchase.

Graph No. 12 - **% BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2022 BY SECURITY TYPE**



With reference to the issuers of securities, the overall portfolio at the end of the financial year consisted of 71.8% government securities, 12.0% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 13 - **% BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2022 BY ISSUER TYPE**



Exposures held in sovereign debt securities

With reference to document No. 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning the disclosure relating to sovereign risk to be included in the annual and semi-annual financial reports prepared by listed companies that adopt IAS/IFRS, the positions referring to 31 December 2022 are detailed below, bearing in mind that, according to the indications of the aforementioned European Supervisory Authority, "sovereign debt" is to be understood as bonds issued by central and local governments and government entities, as well as loans granted to them.

Table No. 9 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER**

Amounts in Euro thousands		31.12.2022				31.12.2021				
		Italy	**Spain**	**United Kingdom**	**Total**	**Italy**	**Spain**	**USA**	**United Kingdom**	**Total**
Financial assets measured at fair value through other comprehensive income	Nominal value	851,000		564	851,564	560,000		883	595	561,478
	Carrying amount	798,296		543	798,839	559,591		880	589	561,060
Financial assets measured at amortised cost	Nominal value	2,048,290	65,000		2,113,290	2,160,711	65,000			2,225,711
	Carrying amount	2,017,013	63,880		2,080,893	2,184,691	65,460			2,250,151
Sovereign debt securities	**Nominal value**	**2,899,290**	**65,000**	**564**	**2,964,854**	**2,720,711**	**65,000**	**883**	**595**	**2,787,189**
	Carrying amount	**2,815,309**	**63,880**	**543**	**2,879,732**	**2,744,282**	**65,460**	**880**	**589**	**2,811,211**

(1) this representation does not include the investment in the HTC security issued by Invitalia for Euro 3,519 million

Table No. 10 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO, ISSUER AND RESIDUAL MATURITY**

Amounts in Euro thousands		**Italy**	**Spain**	**United Kingdom**	**31.12.2022 Nominal value**	**Carrying amount**
Financial assets measured at fair value through other comprehensive income	up to 1 year	200,000	-	-	200,000	200,830
	1 to 3 years	370,000	-	564	370,564	354,231
	3 to 5 years	-	-	-	-	-
	over 5 years	281,000	-	-	281,000	243,778
	Total	851,000	-	564	851,564	798,839
Financial assets measured at amortised cost	up to 1 year	402,500	-	-	402,500	403,126
	1 to 3 years	425,000	-	-	425,000	428,473
	3 to 5 years	294,790	-	-	294,790	295,859
	over 5 years	926,000	65,000	-	991,000	953,435
	Total	2,048,290	65,000	-	2,113,290	2,080,893
Sovereign debt securities	**up to 1 year**	**602,500**	**-**	**-**	**602,500**	**603,956**
	1 to 3 years	**795,000**	**-**	**564**	**795,564**	**782,704**
	3 to 5 years	**294,790**	**-**	**-**	**294,790**	**295,859**
	over 5 years	**1,207,000**	**65,000**	**-**	**1,272,000**	**1,197,213**
	Total	**2,899,290**	**65,000**	**564**	**2,964,854**	**2,879,732**

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

The interbank position

The net interbank position at the end of the year was a debit position of about Euro 3.2 billion, compared to the always debit position of about Euro 1.7 billion at the end of the previous year.

7.4 - Equity and capital adequacy

Equity attributable to the Parent Company Banco Desio at 31 December 2022, including the result for the period, amounted to Euro 1,118.6 million, compared to Euro 1,078.2 million in 2021. The positive change of Euro 40.4 million is mainly attributable to the positive overall profitability for the period of Euro 59.2 million, partially offset by the payment of the dividend for the financial year 2021.

Capital calculated in accordance with Supervisory regulations, defined as Own funds, after a pay out of 30.00% (determined according to the proposed allocation of net profit subject to approval by the Shareholders' Meeting), amounted to Euro 1,138.4 million at 31 December 2022 (entirely attributed to CET1 + AT1), up by Euro 11.3 million compared to Euro 1,127.1 million at the end of the previous year.

At 31 December 2022, the Common Equity Tier 1 capital ratio, consisting of Tier 1 capital (CET1) as a ratio of risk-weighted assets, was 15.9%. The Tier 1 ratio, consisting of total Tier 1 capital (T1) to risk-weighted assets, was 15.9%, while the Total capital ratio, consisting of total Own funds to risk-weighted assets, was 15.9%.

The regulatory minimum capital requirements for banks belonging to banking groups, including the 2.5% capital conservation buffer, are 7.0% Common Equity Tier1, 8.5% Tier1 and 10.5% Total capital ratio.

The purpose of the capital conservation buffer, which is additional to the minimum requirements, is to provide banks with high-quality capital resources to be used in times of market stress to prevent disruptions in the banking system and to avoid interruptions in the lending process.

On 25 January 2018, the Bank's Board of Directors, resolved to adhere to the transitional provisions introduced by Regulation (EU) 2017/2395 of 12 December 2017 aimed at mitigating the impact of the introduction of the IFRS9 accounting standard on own funds and capital ratios. At its meeting on 30 July 2020, the Board of Directors also resolved to avail itself of the option provided for in Regulation 2020/873 and thus, of the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for government debt securities over the 2020-2022 period (exclusion factor of 1 in 2020, 0.70 in 2021 and 0.40 in 2022).

The table below therefore shows the breakdown of own funds and capital ratios calculated both under the transitional provisions and without the application of said provisions.

Own funds and Ratios with and without application of the transitional regime

	31.12.2022		
	Application of transitional regime	Without transitional regime IFRS9	Fully loaded
OWN FUNDS			
Common Equity Tier 1 (CET1)	1,138,412		
Common Equity Tier 1 (CET1) without application of transitional provisions		*1,090,851*	*1,077,660*
Tier 1 capital	1,138,412		
Tier 1 capital without application of transitional provisions		*1,090,851*	*1,077,660*
Total own funds	1,138,412		
Total own funds without application of transitional provisions		*1,090,851*	*1,077,660*
RISK ASSETS			
Risk-weighted assets	7,172,841		
Risk-weighted assets without application of transitional provisions		*7,107,466*	*7,107,466*
SUPERVISORY RATIOS			
CET 1 capital/Risk-weighted assets (CET1 capital ratio)	15.871%		
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		*15.348%*	*15.162%*
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.871%		
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		*15.348%*	*15.162%*
Total own funds/Risk-weighted assets (Total capital ratio)	15.871%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		*15.348%*	*15.162%*

7.5 - Reclassified Income Statement

In order to provide a more consistent view of management performance, a reclassified Income Statement has been prepared with respect to the Financial Statements, which forms the basis for specific comments.

The criteria for creating the reclassified income statement are summarised below:

- explication of two aggregates of accounting items, defined as "Operating Income" and "Operating Expenses", the algebraic balance of which determines the "Result from Operations";
- division of Profit (Loss) for the period between "Current result after tax" and "Non-recurring Profit (Loss) after taxes";
- "Operating income" also includes the balance of item 190, "Other operating income/expenses", albeit net of tax recoveries for stamp duty on customers' statements and securities deposits and substitute tax on m/l-term loans, recoveries on legal expenses as well as amortisation of leasehold improvements, reclassified respectively as a reduction to item 160b) "Other administrative expenses" and as an increase to item 190 "Net value adjustments/reversals on intangible assets" under "Operating expenses";
- time value components of impaired financial assets (calculated on the basis of the original effective interest rate) and interest adjustments related to impaired loans are reclassified from "Net interest income" to "Cost of credit";
- the balance of item 100a) "Gains (Losses) on sale or repurchase of financial assets at amortised cost" of "Operating income" for the portion referring to loans to customers is reclassified to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following "Result from operations";
- the balance of item 110, "Net result of other financial assets and liabilities at fair value through profit or loss" of "Operating income" for the portion referring to units of closed-end UCITS subscribed as a result of the sale of non-performing loans is reclassified to the specific item "Cost of credit" (where

item 130a) "Net value adjustments for impairment of loans" is also included), following the "Result from operations";

- the component of the expected loss on securities at amortised cost included in the balance of item 130a) "Net value adjustments for impairment of loans", is reclassified to item 130b) "Net value adjustments on securities owned" (where the balance of net credit risk adjustments on securities at fair value through other comprehensive income is included;
- provisions relating to actions for revocation on disputed loans are reclassified from item 170 "Net provisions for risks and charges - other" to item "Cost of credit", both of which are subsequent to "Result from operations";
- charges for operating leases falling within the scope of application of IFRS16 "Leases", recognised in the accounts under item "20. Interest expenses and similar charges" and under item "180 Net value adjustments on tangible assets" are reclassified under item "160 b) Other administrative expenses";
- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "160 b) Other administrative expenses" to the item "Banking system expenses";
- provisions, expenses and income of an extraordinary or "one-off" nature are reclassified under Extraordinary allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues;
- the tax effect on non-recurring Profit (Loss) is reclassified, together with tax components of an extraordinary nature, from item 270 "Income taxes on current operations" to item "Income taxes on non-recurring items".

As mentioned in the Introduction, the reclassified Income Statement was prepared without considering the reconciliation required by the international accounting standard IFRS 5 for the sale of the merchant acquiring business unit, which is expected to be finalised in early 2023.

Profit for the year up by approximately Euro 35.8 million (+68.3%) benefited in particular from the positive trend in operations at Euro 208.0 million (+13.0%) and a lower cost of credit of Euro 34.0 million (-37.6%), partially offset by the higher impact of taxes of Euro 17.3 million (+71.9%) and a non-recurring net loss of Euro 7.0 million (formerly a loss of Euro 0.7 million).

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

Items *Amounts in Euro thousands*		31.12.2022	31.12.2021	Changes Value	 %
10+20	Net interest income	253,578	226,494	27,084	12.0%
70	Dividends and similar income	602	690	-88	-12.8%
40+50	Net commissions	204,158	206,124	-1,966	-1.0%
80+90+100+110	Net result of financial assets and liabilities	10,394	8,487	1,907	22.5%
200	Other operating income/expenses	3,092	2,458	634	25.8%
	Operating income	**471,824**	**444,253**	**27,571**	**6.2%**
160 a	Personnel expensens	-171,566	-171,494	-72	0.0%
160 b	Other administrative expenses	-82,791	-79,837	-2,954	3.7%
180+190	Net value adjustments on tangible and intangible assets	-9,459	-8,780	-679	7.7%
	Operating expenses	**-263,816**	**-260,111**	**-3,705**	**1.4%**
	Result from operations	**208,008**	**184,142**	**23,866**	**13.0%**
100a+130a	Cost of credit	-56,342	-90,294	33,952	-37.6%
130 b	Net value adjustments on own securities	-2,973	-1,178	-1,795	152.4%
140	Gains/losses from contractual amendments without derecognition	8	-71	79	n.s.
170 a	Net allocations to provisions for risks and charges - commitments and guarantees given	453	889	-436	-49.0%
170 b	Net allocations to provisions for risks and charges - other	-3,640	-5,026	1,386	-27.6%
	Charges related to the banking system	-14,481	-13,498	-983	7.3%
	Dividends from investments in subsidiaries	5,498	2,204	3,294	149.5%
	Current result before taxes	**136,531**	**77,168**	**59,363**	**76.9%**
270	Income taxes on current operations	-41,357	-24,059 0	-17,298	71.9%
	Current result after taxes	**95,174**	**53,109**	**42,065**	**79.2%**
240	Net result of fair value measurement of tangible and intangible assets	0	-123	123	- 100.0%
250	Gains (losses) on disposal of investments	-54	0	-54	n.s.
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues	-12,218	-13,728	1,510	-11.0%
	Non-recurring result before taxes	**-12,272**	**-13,851**	**1,579**	**-11.4%**
	Income taxes on non-recurring items	5,287	13,157	-7,870	-59.8%
	Non-recurring result after taxes	**-6,985**	**-694**	**-6,291**	**906.5%**
300	**Profit (Loss) for the year**	**88,189**	**52,415**	**35,774**	**68.3%**

Table 12 - Reconciliation of financial statements and income statement

Items		From Financial Statements	Reclassifications										Reclassified statement
Amounts in Euro thousands		31.12.2022	Non-performing loans valuation effects	Recovery of taxes/expenses	Dividends from investees	Expected loss on securities at amortised cost	Amortisation for leasehold improvements	Gains (Losses) on sale or repurchase of receivables	Allocations to provisions for risks and charges / other allocations, "one-off"	Charges related to the banking system	Reclassifications IFRS16 - Leases	Income taxes	31.12.2022
10+20	Net interest income	256,683	-3,798						-		693		253,578
70	Dividends and similar income	6,100			-5,498								602
40+50	Net commissions	204,158											204,158
80+90+100+110	Net result of financial assets and liabilities	-9,778						20,172	-				10,394
200	Other operating income/expenses	28,593		-30,128			1,395		3,232				3,092
	Operating income	**485,756**	**-3,798**	**-30,128**	**-5,498**	**-**	**1,395**	**20,172**	**3,232**	**-**	**693**	**-**	**471,824**
160 a	Personnel expenses	-171,580							14				-171,566
160 b	Other administrative expenses	-126,488		30,128					5,334	18,119	-9,884		-82,791
180+190	Net value adjustments on tangible and intangible assets	-17,255					-1,395				9,191		-9,459
	Operating expenses	**-315,323**	**-**	**30,128**			**-1,395**		**5,348**	**18,119**	**-693**	**-**	**-263,816**
	Result from operations	**170,433**	**-3,798**	**-**	**-5,498**	**-**	**-**	**20,172**	**8,580**	**18,119**	**-**	**-**	**208,008**
100a+130a	Cost of credit	-41,469	3,798			2,813		-20,172	-1,312				-56,342
130 b	Net value adjustments on own securities	-160				-2,813							-2,973
140	Gains/losses from contractual amendments without derecognition	8											8
170 a	Net allocations to provisions for risks and charges - commitments and guarantees given	453											453
170 b	Net allocations to provisions for risks and charges - other	-4,952							1,312				-3,640
	Charges related to the banking system									-14,481			-14,481
	Dividends from investments in subsidiaries				5,498								5,498
	Current result before taxes	**124,313**	**-**	**-**	**-**	**-**	**-**	**-**	**8,580**	**3,638**	**-**	**-**	**136,531**
270	Income taxes on current operations	-36,070										-5,287	-41,357
	Current result after taxes	**88,243**	**-**	**-**	**-**	**-**	**-**	**-**	**8,580**	**3,638**	**-**	**-5,287**	**95,174**
240	Net result of fair value measurement of tangible and intangible assets	-											-
250	Gains (losses) on disposal of investments	-54											-54
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues	-			-				-8,580	-3,638			-12,218
	Non-recurring result before taxes	**-54**	**-**	**-**	**-**	**-**	**-**	**-**	**-8,580**	**-3,638**	**-**	**-**	**-12,272**
	Income taxes on non-recurring items	-										5,287	5,287
	Non-recurring result after taxes	**-54**	**-**	**-**	**-**	**-**	**-**	**-**	**-8,580**	**-3,638**	**-**	**5,287**	**-6,985**
300	**Profit (Loss) for the year**	**88,189**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**88,189**

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Table 13 - Reconciliation of financial statements and income statement 31.12.2021

Items		From Financial Statements	Reclassifications										Reclassified statement
Amounts in Euro thousands		**31.12.2021**	Non-performing loans valuation effects	Recovery of taxes/expenses	Dividends from investees	Expected loss on securities at amortised cost	Amortisation for leasehold improvements	Gains (Losses) on sale or repurchase of receivables	Allocations to provisions for risks and charges / other allocations	System charges	Reclassifications IFRS16 - Leases	Income taxes	**31.12.2021**
10+20	Net interest income	230,745	-4,953						-		702		226,494
70	Dividends and similar income	2,894			-2,204								690
40+50	Net commissions	206,124											206,124
80+90+100+110	Net result of financial assets and liabilities	-2,207						10,694	-				8,487
200	Other operating income/expenses	24,864		-33,117			1,411		9,300				2,458
	Operating income	**462,420**	**-4,953**	**-33,117**	**-2,204**	**-**	**1,411**	**10,694**	**9,300**	**-**	**702**	**-**	**444,253**
160 a	Personnel expenses	-170,504		-					-990				-171,494
160 b	Other administrative expenses	-121,314		33,117					973	17,943	-10,556		-79,837
180+190	Net value adjustments on tangible and intangible assets	-17,223	-				-1,411				9,854		-8,780
	Operating expenses	**-309,041**	**-**	**33,117**			**-1,411**		**-17**	**17,943**	**-702**	**-**	**-260,111**
	Result from operations	**153,379**	**-4,953**	**-**	**-2,204**	**-**	**-**	**10,694**	**9,283**	**17,943**	**-**	**-**	**184,142**
100a+130a	Cost of credit	-85,470	4,953			1,187		-10,694	-270				-90,294
130 b	Net value adjustments on own securities	9				-1,187							-1,178
140	Gains/losses from contractual amendments without derecognition	-71											-71
170 a	Net allocations to provisions for risks and charges - commitments and guarantees given	889											889
170 b	Net allocations to provisions for risks and charges - other	-5,296							270				-5,026
	System charges									-13,498			-13,498
	Dividends from investments in subsidiaries				2,204								2,204
	Current result before taxes	**63,440**	**-**	**-**	**-**	**-**	**-**	**-**	**9,283**	**4,445**	**-**	**-**	**77,168**
270	Income taxes on current operations	-10,902										-13,157	-24,059
	Current result after taxes	**52,538**	**-**	**-**	**-**	**-**	**-**	**-**	**9,283**	**4,445**	**-**	**-13,157**	**53,109**
240	Net result of fair value measurement of tangible and intangible assets	-123											-123
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues				-				-9,283	-4,445			-13,728
	Non-recurring result before taxes	**-123**	**-**	**-**	**-**	**-**	**-**	**-**	**-9,283**	**-4,445**	**-**	**-**	**-13,851**
	Income taxes on non-recurring items											13,157	13,157
	Non-recurring result after taxes	**-123**	**-**	**-**	**-**	**-**	**-**	**-**	**-9,283**	**-4,445**	**-**	**13,157**	**-694**
300	**Profit (Loss) for the year**	**52,415**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,415**

The cost and revenue components of the reclassified income statement are analysed below.

Operating income

The core revenue items from operations increased by approximately Euro 27.6 million (+6.2%) compared to the comparison period, amounting to Euro 471.8 million. The trend is mainly attributable to the growth in *net interest income* of Euro 27.1 million (+12.0%), the net result of financial assets and liabilities of Euro 1.9 million (+22.5%) and *other operating income and expenses* of Euro 0.6 million (+25.8%), partially offset by the trend in *net commissions*, which decreased by Euro 2.0 million (-1.0%). The item dividends, which amounted to Euro 0.6 million (formerly Euro 0.7 million), remained in line with the previous period.

The following table shows the breakdown of *net commissions* by type.

Table No. 14 - **BREAKDOWN OF NET COMMISSIONS BY SERVICE TYPE**

Amounts in Euro thousands	**31.12.2022**	**Incidence %**	**31.12.2021**	**Incidence %**	**Changes Value**	**%**
Collection and payment services	32,796	16.1%	31,980	15.5%	816	2.6%
Placement of securities	2,696	1.3%	3,651	1.8%	-955	-26.2%
Asset Management and receiving/sending orders	15,204	7.4%	15,146	7.3%	58	0.4%
Distribution of insurance products	28,597	14.0%	27,366	13.3%	1,231	4.5%
Keeping and management of current accounts	78,576	38.5%	78,104	37.9%	472	0.6%
Placement of UCITS	31,654	15.5%	33,807	16.4%	-2,153	-6.4%
Other commissions	14,635	7.2%	16,070	7.8%	-1,435	-8.9%
Net commissions	**204,158**	**100.0%**	**206,124**	**100.0%**	**-1,966**	**-1.0%**

The item "Other commissions" mainly includes factoring commissions of Euro 2.1 million (formerly Euro 1.5 million), commissions related to the placement of consumer credit products of Euro 3.7 million (formerly Euro 5.7 million) commissions for mortgage collection recovery expenses of Euro 1.6 million (formerly Euro 1.5 million), commissions for digital banking fees of Euro 2.0 million (formerly Euro 1.9 million) and commissions for other services rendered to customers of Euro 1.9 million (formerly Euro 1.9 million).

Operating expenses

The aggregate of *operating expenses*, which includes *personnel expenses, other administrative expenses* and *net value adjustments on tangible and intangible assets*, amounted to about Euro 263.8 million and showed an increase of about Euro 3.7 million (+1.4%) compared to the comparison period.

Other administrative expenses and *net value adjustments on tangible and intangible assets* increased by Euro 3.0 million (+3.7%) and Euro 0.7 million (7.7%), respectively, compared to the comparison period; personnel expenses remained stable.

Result from operations

Therefore, the result from operations at 31 December 2022 was Euro 208.0 million, an increase of Euro 23.9 million compared to the comparison period (+13.0%).

Current result after taxes

From the *result of operations* of Euro 208.0 million, we arrive at the *current result after taxes* of Euro 95.2 million, an increase of 79.2% compared to that of Euro 53.1 million in the comparison period, mainly due to:

- the lower *cost of credit* (given by the balance of *Net value adjustments for impairment of loans to customers* and *gains (losses) on sale or repurchase of loans*), amounting to approximately Euro 56.3 million, compared to Euro 90.3 million in the comparison period;
- net value adjustments on securities owned negative by Euro 3.0 million (negative by Euro 1.2 million in the comparison period);
- *net provisions for risks and charges* of Euro 3.2 million (Euro 4.1 million in the comparison period);
- *charges related to the banking system* for ordinary contributions of approximately Euro 14.5 million (Euro 13.5 million in the comparison period);
- *dividends from investments in subsidiaries* in the amount of Euro 5.5 million (formerly Euro 2.2 million);
- income taxes on current operations of Euro 41.4 million (formerly Euro 24.1 million).

Non-recurring operating result after taxes

at 31 December 2022, there was a *non-recurring loss* after taxes of Euro 7.0 million (formerly Euro 0.7 million loss). The item essentially consists of:

- Euro 3.2 million as a higher precautionary charge recognised in connection with a package of tax credits acquired from third parties and subject to seizure[13];
- Euro 5.3 million for charges connected to the agreement signed with BPER Banca S.p.A. for the purchase of two Business Units consisting of a total of 48 bank branches ("Lanternina" Project);
- Euro 3.6 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December;

after the related positive tax effect of Euro 5.2 million. The item Income taxes on non-recurring items also includes the positive economic effect, recognised in February in the amount of Euro 1.5 million, related to a reimbursement request submitted to the Revenue Agency (IRAP for the year 2014 for the business unit transferred to the former subsidiary BPS).

Non-recurring operating loss after taxes of Euro 0.7 million was achieved in the comparison period. The item substantially consists of:

- Euro 1.0 million for charges related to the sale of the investment in Cedacri S.p.A.,
- Euro 2.2 million related to the extraordinary contribution to the SRM - "Single Resolution Mechanism" resolution fund requested by the national resolution authority in June 2021,
- Euro 2.2 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December,
- Euro 9.3 million as a precautionary charge following the preventive seizure of tax credits acquired from a financial intermediary,
- Euro 0.9 million as revenue recognised for adjustment of the liability recognised in 2020 for access to the "Solidarity Fund for Income Support" upon completion of the negotiation activities with all previously identified resources,

after the related positive tax effect of Euro 3.8 million. The item *Income taxes from non-recurring items* also includes the positive economic effect of Euro 9.4 million deriving from the realignment of goodwill and buildings (so-called redemption), carried out pursuant to Article 110, paragraph 8 and paragraph 8-bis, of Decree Law No. 104/2020 (so-called "August Decree"), which provided for the possibility of realigning tax values to the higher statutory values of business assets by subjecting the difference to a 3% substitute tax.

[13] Please refer to the information "Tax credits acquired from a financial intermediary" in this Report on Operations.

Profit for the period

The sum of the *current result* and the *non-recurring result*, both after taxes, determines the profit for the year at 31 December 2022 of approximately Euro 88.2 million (formerly Euro 52.4 million).

8 - Other Information

8.1 - Investments in Banco di Desio e della Brianza S.p.A. held by members of the management and control bodies, the Chief Executive Officer and the General Manager in office at year-end

Name and Surname	Role held at Banco di Desio e della Brianza S.p.A.	Title / Ownership method	Ordinary shares at 31.12.2021	%	Ordinary shares purchased	Conversion of savings shares	Ordinary shares sold	Ordinary shares at 31.12.2022	%
Stefano Lado *	Chairman	Ownership	2,353,957	1.752	-	-	-	2,353,957	1.752
		In the name of the	6,500	0.005	-	-	-	6,500	0.005
		Ownership through Vega Finanziaria SpA *	7,418,669	5.521	15,000	-	-	7,433,669	5.533
Alessandro Decio	Chief Executive Officer and General Manager		-	-	-	-	-	-	-
Graziella Bologna	Director		-	-	-	-	-	-	-
Valentina Casella	Director		-	-	-	-	-	-	-
Ulrico Dragoni	Director		-	-	-	-	-	-	-
Cristina Finocchi Mahne	Director		-	-	-	-	-	-	-
Agostino Gavazzi	Director	Ownership	83,744	0.062	-	-	72,154	11,590	0.009
		In the name of the	2,900	0.002	-	-	-	2,900	0.002
Gerolamo Gavazzi	Director	Ownership through the Gerolamo Gavazzi Foundation	19,400	0.014	-	-	-	19,400	0.014
		In the name of the	524,640	0.390	-	-	-	524,640	0.390
		Ownership through Averla Srl	4,449,705	3.312	40,000	-	-	4,489,705	3.341
Tito Gavazzi	Director		-	-	-	-	-	-	-
Giulia Pusterla	Director		-	-	-	-	-	-	-
Laura Tulli	Director		-	-	-	-	-	-	-
Emiliano Barcaroli	Chairman of the Board of Statutory Auditors		-	-	-	-	-	-	-
Rodolfo Anghileri	Statutory Auditor	Ownership	7,040	0.005	-	-	-	7,040	0.006
		In the name of the spou	7,040	0.005	-	-	-	7,040	0.005
Stefania Chiaruttini	Statutory Auditor		-	-	-	-	-	-	-
Stefano Antonini	Alternate Auditor		-	-	-	-	-	-	-
Massimo Celli	Alternate Auditor		-	-	-	-	-	-	-
Silvia Re	Alternate Auditor		-	-	-	-	-	-	-

** Lawyer Stefano Lado is the holder of a general power of attorney by his children Giulia and Pietro Lado under which he holds 0.137% of the ordinary shares (183,570) of the Bank as well as control of Vega Finanziaria SpA.*

8.2 - Investments in subsidiaries held by members of the management and control bodies and the General Manager in office at year-end

At 31 December 2022, as during the year, there were no investments in subsidiaries held by the members of the Board of Directors and Control Bodies and the General Manager in office.

8.3 - Treasury shares and parent company shares

At 31 December 2022, as at the end of the previous year, the Bank held neither treasury shares nor shares of the parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A.. During the financial year, the Bank did not trade in any treasury shares nor shares of its parent company, not even through a trust company or intermediary.

8.4 - Relationships of Banco di Desio e della Brianza S.p.A. with the parent company and with subsidiaries or companies subject to significant influence

Below is a summary, with reference to the closing date of the financial year, of the balance sheet and income statement values underlying transactions between the Bank and the parent company, subsidiaries or companies subject to significant influence, broken down by counterparty and by nature.

Table No. 15 - **TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AT 31.12.2022**

Amounts in Euro thousands	Assets	Liabilities	Guarantees / commitments	Income	Expenses
Parent Company					
Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A.	5,021	3,131	0	69	23
Subsidiaries					
FIDES S.p.A.	1,067,172	6,394	47	26,722	43
Desio OBG	6	0	0	6	0
Companies subject to significant influence					
Anthilia Capital Partners SGR S.p.A.	0	0	0	3	0
Transactions by company	**1,072,199**	**9,525**	**47**	**26,800**	**66**
Breakdown of transactions by type					
Financial	1,072,169	9,518	0	19,099	66
Commercial	5	7	47	7,459	0
Lease/asset management	0	0	0	0	0
Provision of services	6	0	0	177	0
Other	19	0	0	65	0
Transactions by type	**1,072,199**	**9,525**	**47**	**26,800**	**66**

It should be noted that all the transactions shown in this table were settled, where it was possible to make a comparison, by applying the conditions and rates on average expressed by the market and in any case find their justification in the interest of the Bank itself or of the Group to which it belongs.

Pursuant to Article 16, paragraph 4, of the Consob Market Regulation (adopted by Resolution No. 20249 of 28 December 2017, as amended and supplemented), it should be noted that Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A., the parent company of the Bank, by express provision of its articles of association, does not exercise management and coordination activities over the Bank itself and its subsidiaries, either under banking regulations or under civil law. For more details on the structure of the Group for the purposes of management and coordination activities, please refer to section 2.3 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

8.5 - The rating

On 13 April 2022, it was announced that the international agency Fitch Ratings, following its annual rating review, confirmed all ratings assigned to the Bank.

The Agency's assessment shows an improvement in the Bank's fundamentals, particularly in terms of profitability and asset quality, despite the current market context.

In the current scenario - characterised by uncertainty related to 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 as a result of the continuous derisking approach combined with prudent provisioning policies, diversified revenue growth with benefits on operating efficiency and prospects for further improvement, and adequate liquidity and capitalisation capable of withstanding any pressures, even significant ones, in terms of asset quality.

The Bank emphasises the constant focus on improving capital ratios, as a result of the continuous derisking approach, and the resilience of the model adopted by virtue of the well-established relationship with reference customers.

The updated Ratings are therefore as follows:

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

On 14 April 2022, the update of the sustainability rating by the specialised agency "Standard Ethics" was announced, also via communication to the shareholders' meeting, which updated Banco Desio's SER corporate rating, which is confirmed as "EE– ", in the sustainable grade area, also recognising the increase of a notch for the Long Term Expected SER from "EE–" to "EE" with a positive long-term vision.

8.6 - Transactions with related and/or connected parties

For a more detailed description of the procedures regulating transactions with Related Parties (pursuant to Article 2391-bis of the Italian Civil Code) and/or with Connected Parties (pursuant to Article 53 of the Consolidated Law on Banking), please refer to section 5 of the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

Details of the transactions with related parties approved by the Board of Directors during the year are given in Part H of the Notes to the Financial Statements.

8.7 - Information on incentive plans

The Ordinary Shareholders' Meeting of Banco Desio held on 14 April, resolved on an annual incentive plan called the "2022 Incentive System", drawn up in accordance with article 114-bis, paragraph 1, of the Consolidated Law on Finance, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager and the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, and the assignment to the Board of Directors, with the right to sub-delegate, of all powers necessary for the actual implementation of the "2022 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website.

Further information on payment agreements based on own equity instruments can be found in "Part I - Payment agreements based on own equity instruments" below in the Notes and in the Annual Report on

Remuneration Policy and Amounts Paid, made available, pursuant to Article 123-ter of the Consolidated Law on Finance, on the website www.bancodesio.it.

8.8 - Report on adherence to the corporate governance code of listed companies

Information on adherence to the Corporate Governance Code for Listed Companies is contained in the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

8.9 - Research and development activities

In this context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage in recent years. The use of self channels has also grown significantly as customers increasingly use digital channels.

To respond to customer needs and remain in line with the latest market trends, Banco Desio has embarked on a balanced omnichannel strategy integrated with the overall service model that takes into account both market characteristics and customer segmentation.

In this regard, a plan to accelerate the digital path was presented to the Board of Directors of Banco Desio in 2021, with the aim of creating a true ecosystem of solutions capable of:

- responding to the needs of customers, both those regularly inclined to the online channel and those who, although not "natively" digital, are beginning to favour the online channel;
- creating and ensuring a seamless customer experience to design and build the omnichannel strategy so that products and services can be offered on different distribution channels and serve different customer segments in a uniform way according to their characteristics;
- progressively creating an infrastructure capable of rapidly integrating existing solutions and services.

The project activities developed in 2022 are listed below.

The One-D app, Banco Desio's open banking aggregator, has been implemented and released. Through the use of the opportunities enabled by the PSD2 regulations, it has the objective and ambition to become an ecosystem of value-added solutions for both private and corporate customers, especially for POE and SB. In particular, the aggregator offers the possibility for customers to view and perform order transactions on all their current accounts directly from a single app.

The main functionalities offered to customers and prospects are:

- identification and registration via SPID and via D-Web credentials for existing customers;
- biometric access;
- adding accounts through SCA: display of registered accounts and aggregate balance in home;
- display of account balances and movements;
- SEPA credit transfers from an account of choice.

In addition to the above-mentioned functionalities, there are the following so-called ancillary ones:

- scheduler: setting, deleting and displaying deadlines, useful as reminders, and setting push notification alerts;
- spending limits: setting monthly spending limits on defined categories (e.g. monthly limit of Euro 100 for the catering category);
- voice assistant: voice interaction with individual account balance and transaction list display and payment compilation functions;
- movement categorisation, which allows the user to manually classify payments by expenditure category;

- Banco Desio customers also have the opportunity to identify themselves and register via D-Web credentials.

Among the services realised during 2022, Banco Desio, in addition to offering its customers Open Banking services, completed the development of the "Document Room".

This service is used by non-customers to sign the agreement governing the open banking services offered by Banco Desio, and also meets the following requirements:

- the signing of any contract remotely;
- the two-way exchange of documents between the user and the Bank operator.

The range of payment services was expanded, in particular the following services were released:

- *Plick*, the service that enables digital payments between individuals and businesses, throughout Europe without requiring the IBAN of the beneficiary. It is sufficient to know the mobile phone number or e-mail address;
- *Instant Payment*, Nexi's instant credit transfer service, that allows a transfer to a recipient in seconds via an IBAN-based real time interbank payment platform.

The main features/functions of Instant Payment are:

- receipt of the transfer to the beneficiary's bank account within seconds;
- the maximum amount of the instant credit transfer is Euro 15,000;
- possibility of making an instant credit transfer to an IBAN on which an ordinary credit transfer has already been made.

The service is available on D-Web, D-Mobile and One-D for all Banco Desio customers.

A new activity was introduced that offers users the possibility of viewing within the One-D app, a virtual shop window, called "Per Te", which is updated with products and offers customised according to the user's type.

In addition, directly from the "Per Te" section, the user can subscribe to offers of interest online thanks to the link with D-Mobile and offers that can be finalised at the branch.

The "Omnia" service was launched, which allows the client to sign a contract for the provision of investment advisory and multi-line portfolio management services, to view and accept investment recommendations on individual management lines, and to place orders and investment transactions related to the management lines via Remote Digital Signature.

In particular, this service is divided into 4 stages:

- *Gaming,* which involves the customer simulating the investment by indicating the risk profile, the amount of the initial investment and the duration. Based on the selected parameters, the client can visualise the investment strategy by checking its current composition, past performance and future projection;
- *Primo investimento*, following the performance of the checks, the selection of the investment strategy profile, the current account to be contributed and the value of the investment, customers can view the investment proposal generated by the robo advisor in line with the suitability check and if they accept the proposal, they can proceed to sign the contractual forms;
- *monitoring and reporting*, which offers customers the possibility of monitoring their investments through the consultation dashboard. In addition, customers can print out the summary report on asset management performance;
- *rebalancing proposals and subsequent contributions*, in which customers have the option of making subsequent cash contributions. Furthermore, the robo advisor generates automatic rebalancing proposals that the client can accept or reject.

The service is available at: D-Web for the D-Web Banking, D-Web Trade Base, D-Web Trade Advanced and D-Web Trade Plus profiles.

Finally, among the various services launched in the year 2022, the Link between the One-D and D-Mobile apps was released. This link allows customers to switch from One-D to D-Mobile without having to re-enter their credentials, which is an added value for customers as it gives them the possibility to use the services available in both apps without having to log in several times.

In accordance with the Group's guidelines, IT security and data protection were also a priority in 2021, which have been given central importance. This factor was articulated in the management of risks and compliance with measures in accordance with current privacy and security regulations and the main industry standards.

The Group continued to adapt and evolve its operational and information processes related to compliance activities, increasing the necessary safeguards and controls.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group. With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is committed to a path of continuous strengthening of its first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Group's positioning in the cyber security field, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

8.10 - Option to waive the obligation to prepare disclosure documents in connection with extraordinary transactions pursuant to Consob regulations

The Bank has adhered to the "opt-out" regime provided for in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Consob Issuers' Regulations (adopted by Resolution No. 11971 of 14 May 1999 and subsequent amendments and additions), thus availing itself of the right to waive the obligations to publish disclosure documents provided for in Annex 3B of the same Regulation in connection with significant mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals.

It should be noted that no extraordinary transactions took place during 2022.

8.11 - Non-financial statement

Pursuant to Legislative Decree No. 254 of 30 December 2016, Banco di Desio e della Brianza S.p.A. prepares a Consolidated non-financial statement, also known as the "Banco Desio Group's Sustainability Report", which illustrates environmental, social, personnel, human rights and anti-corruption issues and is published in the form of a separate report with respect to the Consolidated financial statements.

To date, non-financial reporting represents a real communication tool that goes well beyond the limits of regulatory compliance and gives voice to the Banco Desio Group's commitment and the responsibility that, as a player in the financial market, the Bank feels it has in guiding society towards a sustainable future.

In fact, the document reports on the initiatives taken by the Bank to integrate sustainability into its core business and to highlight its ability to respond to the growing expectations of an evolving regulatory context, which aims to make sustainability reporting increasingly comparable and to converge financial and non-financial information into a single report (Report on Operations), as envisaged by the new Corporate Sustainability Reporting Directive (CSRD), reflecting the increasing interconnection of the two disclosures.

The new Directive, which is part of the actions of the European Green Deal and the Agenda for Sustainable Finance, revises and strengthens the rules of the Non-Financial Reporting Directive (Directive 2014/95/EU - NFRD) with the aim of establishing harmonised rules on corporate sustainability reporting.

In particular, large companies will be required to report on the impact of their model and strategy on the environment, people, the planet and the sustainability risks to which they are exposed, so that financial companies, investors and the general public have comparable and reliable information on the subject.

Notice of the publication of the Sustainability Report is given by means of a press release, which includes an indication of the relevant section of the website www.bancodesio.it where the document can be consulted.

9 - Outlook and main risks and uncertainties

The Financial Statements at 31 December 2022 have been prepared on a going concern basis, as there are no reasons to believe otherwise in the foreseeable future, in view of the Bank's capital strength, growing operations with reference to the main commercial priorities of the strategic plan, the careful management of credit quality and the low NPL ratio testifying the Bank's commercial strength and resilience, which confirms its overperformance compared to the budget and Business Plan targets despite the macroeconomic context not being stable due to the Russian-Ukrainian conflict, which has been embedded in a scenario that is recovering but has not yet fully recovered from the effects of the Covid 19 pandemic.

In the chapter on the macroeconomic reference scenario of this Consolidated Report on Operations, the macroeconomic and financial market trends are described from which the related contextual risks can be inferred, while the controls on the company's management of the various types of risks are detailed in Part E - Information on risks and related hedging policies of the Notes to the Financial Statements.

In addition, explanatory notes on the levels of control in the management and coordination function as well as on the internal control system are provided in the relevant sections of this Report on Operations with references, for detailed information, to the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website www.bancodesio.it.

Despite several positive signs, fears of a recessionary phase have not yet dissipated, confirming the cautious stance of analysts who expect GDP growth and world trade to remain weak in 2023 and an effect on investments strongly influenced by high energy and raw material costs.

The contraction of GDP expected in the first part of the year and the expectations of a level of inflation that only recently seems to be giving indications of a reversal of the negative trend can only lead the Central Banks to confirm their monetary restriction policies, for which a further increase in policy rates is an obligatory step. Only in the second half of 2023 is a possible easing of intervention with stabilisation of interest rates expected.

With regard to the Bank, on 15 December 2022, the Board of Directors of approved the budget for the year 2023 with an update of the performance forecasts in line with the trend recorded in the year just ended and in continuity with the strategic guidelines outlined in the D23 Business Plan, confirming the path of strengthening the renewal and focus of the business model.

The first part of 2023 will also see the finalisation of the two strategically important transactions mentioned above, i.e. the acquisition of 48 branches from the BPER Group and the sale of the e-money/acquiring business to Worldline,

The Bank's mission will therefore continue to develop around its customers with the aim of supporting households, SMEs in their activities and savings management through planned growth in loans and assets under management.

Also for 2023, the ambition remains to further delineate the Banco Desio Group's configuration as an independent group recognised for its capital strength, economic resilience, quality of services offered and with a strategy more focused on the Group's historical areas of presence.

10 - Proposal for approval of the financial statements and allocation of net profit

Shareholders,

We therefore submit for your approval the Financial Statements for the year ended 31 December 2022, which closed with a Net Profit for the year of Euro 88,189,252.14 as shown in the Income Statement.

Taking into account:

- the provisions of Article 28 of the Articles of Association;
- dividend distribution policies, approved by the Board of Directors, which take into account the indications received from the Bank of Italy to ensure that dividend distribution policies are marked by prudence, especially when the macroeconomic outlook is characterised by elements of particular uncertainty;

the following allocation of net profit is proposed:

- 10% to be allocated to the legal reserve	Euro 8,818,925.00
- 10% to be allocated to the statutory reserve	Euro 8,818,925.00
- to shareholders:	
Euro 0.1969 for each of the 134,363,049 ordinary shares	Euro 26,456,084.35
- to the charity reserve	Euro 80,000.00
- further allocation to the statutory reserve	Euro 44,015,317.79
Total Net Profit	**Euro 88,189,252.14**

The ratio of the proposed unit dividend to the average stock market value of the year (Dividend Yield) was 6.58%.

Desio, 2 March 2023 The Board of Directors

Company Financial Statements

Banco Desio

BALANCE SHEET

ASSETS

Asset items		31.12.2022	31.12.2021	Changes absolute	%
10.	Cash and cash equivalents	879,413,999	84,294,942	795,119,057	943.3%
20.	Financial assets measured at fair value through profit or loss	139,820,367	85,545,311	54,275,056	63.4%
	a) Financial assets held for trading	25,764,091	11,034,697	14,729,394	133.5%
	c) Other financial assets mandatorily measured at fair value	114,056,276	74,510,614	39,545,662	53.1%
30.	Financial assets measured at fair value through other comprehensive income	842,346,603	593,361,612	248,984,991	42.0%
40.	Financial assets measured at amortised cost	14,607,118,761	16,270,180,482	(1,663,061,721)	-10.2%
	a) Loans with banks	588,695,463	2,445,248,919	(1,856,553,456)	-75.9%
	b) Loans to customers	14,018,423,298	13,824,931,563	193,491,735	1.4%
50.	Hedging derivatives	59,099,410	-	59,099,410	n.s.
60.	Value adjustment of financial assets with macro hedges (+/-)	(19,592,581)	501,909	(20,094,490)	n.s.
70.	Investments	47,064,279	42,199,729	4,864,550	11.5%
80.	Tangible assets	217,639,396	218,018,340	(378,944)	-0.2%
90.	Intangible assets	12,925,008	12,454,657	470,351	3.8%
	of which:				
	- goodwill	9,796,226	9,796,226		
100.	Tax assets	155,148,647	167,976,251	(12,827,604)	-7.6%
	a) current	3,636,788	13,982,169	(10,345,381)	-74.0%
	b) deferred	151,511,859	153,994,082	(2,482,223)	-1.6%
110.	Non-current assets and groups of assets held for sale	749	13,080,432	(13,079,683)	-100.0%
120.	Other assets	571,787,526	287,704,815	284,082,711	98.7%
Total assets		**17,512,772,164**	**17,775,318,480**	**(262,546,316)**	**-1.5%**

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LIABILITIES

Liabilities and equity items		31.12.2022	31.12.2021	Changes absolute	%
10.	Financial liabilities measured at amortised cost	16,084,785,299	16,314,212,882	(229,427,583)	-1.4%
	a) Payables to banks	3,381,349,983	3,815,694,609	(434,344,626)	-11.4%
	b) Payables to customers	11,167,284,403	10,976,253,169	191,031,234	1.7%
	c) Securities issued	1,536,150,913	1,522,265,104	13,885,809	0.9%
20.	Financial liabilities held for trading	4,129,592	5,901,354	(1,771,762)	-30.0%
40.	Hedging derivatives	-	364,974	(364,974)	-100.0%
60.	Tax liabilities	1,076,224	3,770,061	(2,693,837)	-71.5%
	a) current	43,517	1,809,240	(1,765,723)	-97.6%
	b) deferred	1,032,707	1,960,821	(928,114)	-47.3%
70.	Liabilities related to assets held for sale	10,896	-	10,896	n.s.
80.	Other liabilities	237,907,196	308,065,317	(70,158,121)	-22.8%
90.	Employee severance indemnity (TFR)	17,554,882	21,701,461	(4,146,579)	-19.1%
100.	Provisions for risks and charges	48,695,517	43,078,062	5,617,455	13.0%
	a) commitments and guarantees given	3,534,335	4,058,024	(523,689)	-12.9%
	c) other provisions for risks and charges	45,161,182	39,020,038	6,141,144	15.7%
110.	Valuation reserves	(13,229,927)	15,776,299	(29,006,226)	n.s.
140.	Reserves	956,815,555	923,195,351	33,620,204	3.6%
150.	Share premiums	16,145,088	16,145,088		
160.	Capital	70,692,590	70,692,590		
180.	Profit (loss) for the year (+/-)	88,189,252	52,415,041	35,774,211	68.3%
Total liabilities and equity		**17,512,772,164**	**17,775,318,480**	**(262,546,316)**	**-1.5%**

INCOME STATEMENT

Items		31.12.2022	31.12.2021	Absolute changes	%
10.	Interest and similar income	296,548,199	259,876,096	36,672,103	14.1%
	of which: interest income calculated using the effective interest rate method	219,646,741	175,269,021	44,377,720	25.3%
20.	Interest and similar expense	(39,865,532)	(29,130,826)	(10,734,706)	36.8%
30.	**Net interest income**	**256,682,667**	**230,745,270**	**25,937,397**	**11.2%**
40.	Commission income	203,444,991	205,514,578	(2,069,587)	-1.0%
50.	Commission expenses	(8,830,281)	(8,092,815)	(737,466)	9.1%
60.	**Net commissions**	**194,614,710**	**197,421,763**	**(2,807,053)**	**-1.4%**
70.	Dividends and similar income	6,099,515	2,893,833	3,205,682	110.8%
80.	Net trading result	4,537,089	4,287,061	250,028	5.8%
90.	Net hedging result	(491,739)	-	(491,739)	n.s.
100.	Gains (losses) on sale or repurchase of:	(3,379,193)	(7,225,905)	3,846,712	-53.2%
	a) financial assets measured at amortised cost	(3,991,722)	(11,314,153)	7,322,431	-64.7%
	b) financial assets measured at fair value through other comprehensive income	594,684	4,396,817	(3,802,133)	-86.5%
	c) financial liabilities	17,845	(308,569)	326,414	n.s.
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(10,443,573)	731,450	(11,175,023)	n.s.
	b) other financial assets mandatorily measured at fair value	(10,443,573)	731,450	(11,175,023)	n.s.
120.	**Net banking income**	**447,619,476**	**428,853,472**	**18,766,004**	**4.4%**
130.	Net value adjustments/reversals for credit risk related to:	(41,628,726)	(85,460,329)	43,831,603	-51.3%
	a) financial assets measured at amortised cost	(41,468,950)	(85,469,788)	44,000,838	-51.5%
	b) financial assets measured at fair value through other comprehensive income	(159,776)	9,459	(169,235)	n.s.
140.	Gains/losses from contractual amendments without derecognition	8,447	(71,337)	79,784	n.s.
150.	**Net result from financial operations**	**405,999,197**	**343,321,806**	**62,677,391**	**18.3%**
160.	Administrative expenses:	(297,997,180)	(291,748,863)	(6,248,317)	2.1%
	a) personnel expenses	(171,509,325)	(170,435,132)	(1,074,193)	0.6%
	b) other administrative expenses	(126,487,855)	(121,313,731)	(5,174,124)	4.3%
170.	Net allocations to provisions for risks and charges	(4,499,009)	(4,407,320)	(91,689)	2.1%
	a) commitments for guarantees given	452,787	888,989	(436,202)	-49.1%
	b) other net allocations	(4,951,796)	(5,296,309)	344,513	-6.5%
180.	Net value adjustments/reversals on tangible assets	(15,706,076)	(15,967,681)	261,605	-1.6%
190.	Net value adjustments/reversals on intangible assets	(1,549,175)	(1,255,216)	(293,959)	23.4%
200.	Other operating expenses/income	28,593,159	24,864,193	3,728,966	15.0%
210.	**Operating costs**	**(291,158,281)**	**(288,514,887)**	**(2,643,394)**	**0.9%**
230.	Net result of fair value measurement of tangible and intangible assets	-	(123,000)	123,000	-100.0%
250.	Gains (Losses) on disposal of investments	(53,829)	-	(53,829)	n.s.
260.	**Profit (Loss) from current operations before taxes**	**114,787,087**	**54,683,919**	**60,103,168**	**109.9%**
270.	Income taxes for the year on current operations	(33,465,073)	(8,046,851)	(25,418,222)	315.9%
280.	**Profit (Loss) from current operations after taxes**	**81,322,014**	**46,637,068**	**34,684,946**	**74.4%**
290.	Profit (Loss) from discontinued operations after taxes	6,867,238	5,777,973	1,089,265	18.9%
300.	**Profit (Loss) for the year**	**88,189,252**	**52,415,041**	**35,774,211**	**68.3%**

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**88,189,252**	**52,415,041**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	1,407,788	(47,319,372)
50.	Tangible assets	-	(38,150)
70.	Defined benefit plans	1,023,017	1,940
	Other income components net of taxes with reversal to the income statement	-	-
120.	Cash flow hedges	202,758	729,330
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(31,639,789)	(3,710,750)
170.	**Total other income components net of taxes**	**(29,006,226)**	**(50,337,002)**
180.	**Comprehensive income (Item 10+170)**	**59,183,026**	**2,078,039**

Note. The negative change in item 20 "Equity securities designated at fair value through other comprehensive income" compared to last year was due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; the following were recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

STATEMENT OF CHANGES IN EQUITY 31.12.22

	Balance at 31.12.2021	Changes in opening balances	Balance at 01.01.2022	Allocation of previous year result		Changes in the year								Equity at 31.12.2022
							Equity transactions							
				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	Comprehensive income at 31.12.2022	
Capital:														
a) ordinary shares	70,692,590		70,692,590				-			-				70,692,590
b) other shares	-		-							-				-
Share premiums	16,145,088		16,145,088											16,145,088
Reserves:														
a) of profits	911,513,314	-	911,513,314	34,074,485		(454,281)								945,133,518
b) other	11,682,037		11,682,037			-								11,682,037
Valuation reserves	15,776,299	-	15,776,299			-							(29,006,226)	(13,229,927)
Equity instruments	-		-											-
Treasury shares	-		-											-
Profit (Loss) for the year	52,415,041		52,415,041	(34,074,485)	(18,340,556)								88,189,252	88,189,252
Equity	**1,078,224,369**	**-**	**1,078,224,369**	**-**	**(18,340,556)**	**(454,281)**	**-**	**-**	**-**	**-**	**-**	**-**	**59,183,026**	**1,118,612,558**

STATEMENT OF CHANGES IN EQUITY 31.12.21

	Balance at 31.12.2020	Changes in opening balances	Balance at 01.01.2021	Allocation of previous year result		Changes in the year								Equity at 31.12.2021
							Equity transactions							
				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	Comprehensive income at 31.12.2021	
Capital:														
a) ordinary shares	63,827,550	-	63,827,550				-			6,865,040				70,692,590
b) other shares	6,865,040		6,865,040							- 6,865,040				-
Share premiums	16,145,088		16,145,088											16,145,088
Reserves:														
a) of profits	798,517,559	-	798,517,559	15,537,720		97,458,035								911,513,314
b) other	11,682,037		11,682,037			-								11,682,037
Valuation reserves	66,113,301	-	66,113,301			-							(50,337,002)	15,776,299
Equity instruments	-		-											-
Treasury shares	-		-											-
Profit (Loss) for the year	23,895,085		23,895,085	(15,537,720)	(8,357,365)								52,415,041	52,415,041
Equity	**987,045,660**	**-**	**987,045,660**	**-**	**(8,357,365)**	**97,458,035**	**-**	**-**	**-**	**-**	**-**	**-**	**2,078,039**	**1,078,224,369**

Note 1. Changes in the item "Valuation reserves" and the item "Retained earnings" are affected by the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; in accounting terms, due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

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CASH FLOW STATEMENT - DIRECT METHOD

	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Operations	**138,909,232**	**142,578,364**
- interest income collected (+)	279,722,236	252,677,772
- interest expense paid (-)	(38,305,276)	(28,661,945)
- dividends and similar income (+)	601,089	689,599
- net commissions (+/-)	202,889,543	202,766,560
- personnel expenses (-)	(171,573,165)	(171,058,456)
- other costs (-)	(129,368,157)	(119,711,817)
- other revenues (+)	32,518,409	26,144,345
- taxes and duties (-)	(37,575,447)	(20,267,694)
- costs/revenues related to discontinued operations net of tax effect (+/-)		
2. Liquidity generated (absorbed) by financial assets	**980,845,172**	**(2,262,455,242)**
- financial assets held for trading	(14,939,043)	(3,286,486)
- financial assets designated at fair value		
- other assets mandatorily measured at fair value	(49,148,605)	(23,414,327)
- financial assets measured at fair value through other comprehensive income	(295,171,977)	64,391,663
- financial assets measured at amortised cost	1,561,420,139	(2,160,847,221)
- other assets	(221,315,342)	(139,298,871)
3. Liquidity generated (absorbed) by financial liabilities	**(304,220,589)**	**2,091,972,768**
- financial liabilities measured at amortised cost	(232,636,752)	2,036,163,356
- financial liabilities held for trading	(1,771,762)	(1,625,637)
- financial liabilities designated at fair value		
- other liabilities	(69,812,075)	57,435,049
Net liquidity generated (absorbed) by operating activities (A)	**815,533,815**	**(27,904,110)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**6,203,969**	**2,228,916**
- sales of investments		
- dividends collected on investments	5,498,426	2,204,234
- sales of tangible assets	705,543	24,682
- sales of intangible assets		
- sales of business units		
2. Liquidity absorbed by	**(11,450,735)**	**(5,095,516)**
- purchases of investments	(4,864,551)	
- purchases of tangible assets	(4,566,658)	(3,157,816)
- purchases of intangible assets	(2,019,526)	(1,937,700)
- purchases of business units		
Net liquidity generated (absorbed) by investment activities (B)	**(5,246,766)**	**(2,866,600)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(18,340,556)	(8,357,365)
Net liquidity generated (absorbed) by financing activities (C)	**(18,340,556)**	**(8,357,365)**
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**791,946,493**	**(39,128,075)**

Key
(+) generated
(-) absorbed

RECONCILIATION

	31.12.2022	31.12.2021
Cash and cash equivalents at the beginning of the year	**84,294,942**	**120,205,512**
Total net liquidity generated/absorbed during the year	791,946,493	(39,128,075)
Cash and cash equivalents: effect of exchange rate changes	3,172,564	3,217,505
Cash and cash equivalents at the end of the year	**879,413,999**	**84,294,942**

Banco Desio

Notes

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

These financial statements, in application of Legislative Decree No. 38 of 28 February 2005, which implemented EU Regulation No. 1606 of 19 July 2002, are prepared in accordance with IAS/IFRS, in force at the reference date of 31 December 2022, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) and endorsed by the European Commission.

Section 2 – General preparation principles

The separate financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes, and are accompanied by the Directors' Report on Operations.

For the preparation of the separate financial statements, the provisions published by the Bank of Italy in Circular No. 262 "Banks' financial statements: formats and rules for preparation" of 22 December 2005 and subsequent updates were applied.

We have also considered, insofar as applicable, also with reference to the conflict in Ukraine, documents of an interpretative and supporting nature for the application of accounting standards in relation to Covid-19 impacts, issued by European regulatory and supervisory bodies and standard setters (European Banking Authority, European Securities and Markets Authority, European Central Bank, Bank of Italy, Consob, IFRS Foundation) that provide recommendations on the most important aspects, on the accounting treatment of particular transactions or on financial reporting, for which please refer to the following paragraph "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak".

The separate financial statements are drawn up for the purpose of clarity and give a true and fair view of the assets and liabilities, financial position and results of operations of the financial year on a going concern basis, respecting the principle of accrual basis and giving preference to the principle of economic substance over form in the recognition and representation of operating events.

The accounting standards adopted for the preparation of the financial statements, with reference to the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as for the recognition of revenues and expenses, do not differ from those used for the preparation of the financial statements of the previous year.

The amounts in the Financial Statements are expressed in units of Euro, while the figures in the Notes to the Financial Statements are expressed - unless otherwise indicated - in Euro thousands.

Section 3 - Events subsequent to the reference date of the financial statements

These financial statements were approved on 2 March 2023 by the Board of Directors of Banco di Desio e della Brianza S.p.A., which simultaneously authorised their publication.

With regard to events after the end of the financial year, please refer to the information in the section "Significant corporate events" of the Report on Operations.

Section 4 - Other aspects

Use of estimates and assumptions in preparing the financial statements

The preparation of the financial statements also requires the use of estimates and assumptions that can have a significant effect on the values recorded in the balance sheet and income statement, as well as on the disclosures in the financial statements.

The use of such estimates implies the use of available information and the adoption of subjective evaluations, also based on historical experience, for the formulation of reasonable assumptions for the recognition of operating events. By their very nature, it is therefore not possible to exclude the possibility that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Bank will operate. Future results may therefore differ from the estimates made for the purpose of preparing the balance sheet and income statement at the reporting date, and adjustments to the carrying amount of assets and liabilities recognised in the balance sheet that cannot be foreseen or estimated at present may be necessary.

The main cases for which subjective estimates and evaluations are used are:

- in the valuation models and parameters used to perform impairment tests on investments and intangible assets with indefinite life (goodwill);
- the quantification of impairment losses on loans and financial assets in general;
- the determination of the fair value of financial instruments to be used for financial statement reporting purposes;
- the use of valuation models for recording the fair value of financial instruments not listed in active markets;
- the quantification of personnel provisions and provisions for risks and charges;
- estimates and assumptions regarding recoverability of deferred tax assets.

The description of the accounting policies applied to the main aggregates of the financial statements provides more information on the subjective assumptions and assessments used in the preparation of these financial statements.

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

Among the main factors of uncertainty that could affect the future scenarios in which the Bank will find itself operating, the negative effects on the global and Italian economies directly or indirectly linked to the continuation of the conflict in Ukraine should not be underestimated. This is part of a context already characterised by tensions in global supply chains and the easing of measures to contain the Covid-19 epidemic that has not yet been fully overcome.

The following is a detailed illustration of the estimation processes that require the use of significant judgement in the selection of underlying assumptions and hypotheses, which are particularly impacted by the negative effects of the conflict in Ukraine and the Covid-19 pandemic, and the consequent application solutions adopted by the Bank, aware of its role in providing the necessary support to its stakeholders, both individuals and businesses, in the current context characterised by significant uncertainty and volatility factors.

Determination of expected losses on credit exposures recorded under assets in the balance sheet

With regard to valuation, it should be noted that IFRS 9 Financial Instruments expressly requires an entity to estimate expected credit losses by considering all available current and future information that is deemed reasonable and supportable.

The European regulatory and supervisory authorities and standard setters (the Authorities) that have spoken out on the subject have been unanimous in suggesting extreme caution in changing valuation scenarios, starting with the phase of most acute uncertainty in 2020. At the same time, the ECB's suggestion to use a reference scenario anchored in its indications seemed to indicate the authorities' intention to centrally steer the banks in this particular situation by providing a homogeneous set of benchmarks for forecasting future economic trends.

In consideration of the continuation of the underlying reasons, the choices identified in 2020 for the preparation of the financial reports, which, in light of the trend of the economic and healthcare context, have been calibrated and refined from time to time up to the present financial statements, are therefore confirmed.

On 15 December 2022, the ECB published the "Eurosystem staff macroeconomic projections for the Euro area", which were followed by the "Macroeconomic projections for the Italian economy" for the period 2022-25 published by the Bank of Italy on 16 December 2022, which were considered for updating the models to determine expected losses.

Therefore, taking into account (i) the guidance in relation to the advisability of focusing on a long-term outlook to capture the structural effects of the crisis without emphasising pro-cyclicality and avoiding mechanistic applications of the models for estimating expected credit losses as well as (ii) the application complexities of ordinary models for estimating expected losses that consider prospective forecasts (macroeconomic scenarios) for only three years with a strong impact, therefore, of short-term movements, the Group followed the indications of the various Authorities in order to update the ordinary valuation process conditioned by the exceptional characteristics of the economic and geo-political crisis.

In particular, referring to the guidelines expressed in the ECB's letter dated 4 December 2020 "Identifying and measuring credit risk in the context of the Coronavirus (Covid-19) pandemic" addressed to all significant institutions as regards, specifically, to the contingent complexities linked to the identification of the increase in credit risk (so-called staging) and the estimation of expected losses, the specific management overlay interventions aimed at including ad hoc corrective measures, not captured by the models in use, still apply, to better reflect the peculiarities of the macroeconomic context in the valuation of the performing loan portfolio (stage 1 and 2).

The main features of the model for determining the expected loss, the macroeconomic scenarios incorporated therein and the management overlays are described in more detail in "Part E - Information on risks and related hedging policies" below, to which reference is made.

The determination of the expected losses on the non-performing loan portfolio (stage 3) also involves significant elements of judgement, with particular reference to the estimate of the flows deemed recoverable and the relative timing of recovery. During the reporting period, appropriate actions were taken in order to adequately manage the contingent context related to the macroeconomic context and still ensure the correct classification and assessment of recoverability of exposures classified as impaired with a consequent impact on the cost of impaired loans for the period, taking into account the disposals that have occurred in the meantime and possible future derisking opportunities in line with its NPL strategy.

In light of the foregoing, it cannot be excluded that different methodologies, parameters, and assumptions in determining the recoverable amount of credit exposures (influenced, moreover, by possible alternative recovery strategies of the same, decided by the competent corporate bodies, as well as the evolution of the reference economic-financial and regulatory context) may result in different valuations with respect to those made for the purposes of preparing these financial statements.

For updates introduced in the measurement of expected losses on performing exposures, please refer to "Part E - Information on risks and related hedging policies".

Fair value measurement of financial instruments

For the purposes of this financial disclosure, the fair value measurement of financial instruments was updated on the basis of current market conditions, in line with IFRS 13 Fair Value Measurement and the Group's Fair Value Policy.

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

The use of significant judgements in the valuation of financial instruments in the portfolio should be considered rather marginal in view of the fact that the Bank continues to maintain a very prudent allocation, so that the use of valuation models to measure the fair value of financial instruments not listed on active markets (level 3), which are essentially units of closed-end fund UCITS, concerns a very small portion of the investments held. With particular reference to closed-end investment funds classified among the financial instruments mandatorily measured at fair value, the negative economic effects of updating the valuation on the basis of the latest available information (NAV, business plan, etc.) were recognised in accordance with the Group's Fair Value Policy.

For qualitative and quantitative information on how fair value is determined, please refer to "Part A.4 - Fair value disclosures" below.

Impairment test of intangible assets with indefinite life (goodwill) and investments

According to IAS 36 Impairment of Assets, all intangible assets with indefinite useful life, as well as investments, must be tested for impairment at least annually, in order to verify the recoverability of their value. In addition, the standard states that the results of the annual test may be considered valid for subsequent valuations, provided that the probability that the recoverable amount of intangible assets is less than their carrying amount is considered remote. This judgement may be based on an analysis of the events and circumstances that have changed since the most recent annual impairment test conducted.

Here again, the authorities expressed themselves in suggesting extreme caution in updating valuation scenarios, at least in the phase of most acute uncertainty.

In line with IAS 36 Impairment of *Assets* and the *Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments*, the Bank has updated its performance forecasts, with projections over an explicit time horizon of five years, taking into account the main drivers relating to the events of the period, the results achieved in the meantime during the year and the 2023 budget, as well as the most recent market forecasts available.

Consequently, on the reference date of 31 December 2022, the impairment test valuation analyses were not conducted using a multi-scenario approach in consideration of the fact that the performance forecasts used are based on reasonable assumptions, anchored to the new and more updated macroeconomic and industry assumptions, which are in turn influenced by the negative effects of the conflict in Ukraine, tensions in global supply chains and the easing of measures to contain the Covid-19 epidemic that has not been fully overcome.

Listed below are the main parameters and assumptions used at the reporting date for the impairment test, compared with those used for the two previous financial years:

	31.12.2022		31.12.2021		31.12.2020	
CGU	BDB (goodwill)	Fides (investment)	BDB (goodwill)	Fides (investment)	BDB (goodwill)	Fides (investment)
Model	DDM					
Flows	Net Results					
Database	2023 Budget extended to 2027 (*)		2022 Budget extended to 2026		2021-23 Business Plan extended to 2025	
CAGR RWA	2.40%	8.40%	2.50%	7.10%	-1.30%	11.90%
Ke	10.37%		8.28% (**)		8.09% (**)	
g	2.06%		1.58%		1.50%	
Capital ratio (***)	10.93%	4.88%	9.84%		8.95%	

(*) 5-year forecasts, approved by the Board of Directors on 9 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) For the determination of the cost of equity (Ke), a specific risk premium of 1.5% was taken into account, reflecting in the Italy risk an increase to take account of the pandemic context

(***) In 2022: Allocated target capital on the entity estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione. In 2021: Allocated target capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at Group level CRR Brianza Unione. In 2020: Overall Capital Requirement Tier 1 ratio assigned by SREP measure

The following table also shows the percentage or basis point deviations of the assumptions considered to render the recoverable amount of the CGU after deducting the equity allocated to it equal to the carrying amount of goodwill at the reporting date of these financial statements and the two previous years:

	31.12.2022		31.12.2021		31.12.2020	
CGU	BDB (goodwill)	Fides (investment)	BDB (goodwill)	Fides (investment)	BDB (goodwill)	Fides (investment)
Decrease in % of Future Net Results (NR)	32.21%	60.22%	43.56%	44.33%	22.60%	26.63%
Increase in bps of the discount rate of future cash flows (FCFE)	Over 1,000	Over 1,000	Over 1,000	Over 1,000	391	444

In this regard, however, it should be noted that verifying the recoverability of these intangible assets is a complex exercise, the results of which are affected by the valuation methodologies adopted, as well as the underlying parameters and assumptions that may need to be modified in the future to take into account new information or developments not foreseeable at the date of preparation of these financial statements.

For qualitative and quantitative information on how the impairment test was performed, please refer to the following sections “Investments - Item 70” and “Intangible Assets - Item 90” in “Part B - Information on the Balance Sheet”.

Estimating the recoverability of deferred tax assets

Balance sheet assets also include significant Deferred Tax Assets (DTA) mainly arising from temporary differences between the date certain corporate costs are recognised in the income statement and the date on which the same costs may be deducted, as well as arising from tax loss carry-forwards.

Recognition of these assets and their subsequent maintenance in the financial statements presupposes a judgement of probability as to their recovery, which must also take into account the tax regulations in force at the time the financial statements were drawn up.

In detail, deferred tax assets that meet the requirements of Law 214/2011 are automatically convertible into tax credits in the event of the recognition of a "statutory loss", a "tax loss" for IRES purposes and a "negative net production value" for IRAP purposes; their recovery is therefore certain, as it is independent of the ability to generate future profitability.

For the remaining tax assets that cannot be converted into tax credits, the assessment of the likelihood of recovery must be based on reasonable income forecasts inferable from the approved strategic and forecast plans, also taking into account that for IRES purposes, the tax law provides for the carry-forward of tax losses without any time limit. Such a judgement is a complex exercise, particularly when it relates to DTA on tax loss carry-forwards, the very existence of which could be an indicator of not having sufficient taxable income in the future to recover them. According to the provisions of IAS 12 Income Taxes, the aforementioned assessment of recoverability (the so-called probability test) requires careful recognition of all evidence supporting the likelihood of having sufficient taxable income in the future.

To take into account the uncertainties of the macroeconomic scenario and the potential repercussions on the estimate of taxable cash flows, the probability test was conducted using the same methodology adopted for the previous two financial years, considering the forecasts of future taxable income deriving from the same performance forecasts also considered for the impairment test on intangible assets with indefinite useful life (goodwill) and investments.

For qualitative information on the method of verifying the recoverability of deferred tax assets, please refer to the following section "Tax assets - Item 100", contained in "Part B - Information on the Balance Sheet".

Estimating provisions for risks and charges

The complexity of the corporate situations and transactions underlying the pending litigations, together with the interpretative issues regarding the applicable legislation, require significant judgement in estimating the liabilities that may arise upon settlement of the pending litigations. The difficulties of assessment affect both the *an* and the *quantum* as well as the timing of the eventual manifestation of the liability and are particularly evident when the proceedings initiated are at an early stage and/or the relevant investigation is ongoing.

The peculiarity of the subject matter of the litigation and the consequent absence of case law referring to comparable disputes, as well as the different orientations expressed by judicial bodies, both at the various levels of the litigation proceedings and by bodies of the same level over time, make it difficult to assess contingent liabilities even when provisional judgements issued following the first levels of proceedings are available. Historical experience shows that in several cases, the decisions taken by the judges at first instance have been completely overturned in the appeal or cassation judgements and this both in favour of and against the taxpayers.

In this context, the classification of contingent liabilities and the consequent valuation of the necessary provisions is based on non-objective elements of judgement that require the use of sometimes extremely complex estimation procedures. Therefore, it cannot be excluded that following the issuance of final judgements, the provisions for risks and charges set aside for contingent liabilities related to legal and tax disputes may prove to be deficient or surplus.

For information on the main risk positions related to litigation (revocation actions and pending lawsuits), please refer to the section "Provisions for risks and charges - Item 100" in "Part B - Information on the Balance Sheet".

Estimating employee benefit obligations

The determination of the liabilities associated with employee benefits, with particular reference to defined benefit plans and long-term benefits, involves a certain degree of complexity; the results of the valuation depend, to a large extent, on the actuarial assumptions used, which are both demographic (such as employee mortality and turnover rates) and financial (such as discount rates and inflation rates).

Therefore, the judgement made by management in selecting the most appropriate technical basis for the valuation of the case is fundamental, and is influenced by the socio-economic context in which the Bank operates, as well as the performance of the financial markets.

Listed below are the main actuarial assumptions used at the date of these financial statements, compared with those used for the previous two financial years:

Demographic assumptions	**31.12.2022**	**31.12.2021**	**31.12.2020**
Employee mortality rate	determined by the General Accounting Office of the State called RG48, broken down by gender		
Frequency and amount of employee severance indemnity advances		4.00%	
Turnover frequencies		2.50%	
Financial assumptions	**31.12.2022**	**31.12.2021**	**31.12.2020**
Iboxx Euro Corporate AA discount rate 7-10 years (*)	3.42%	0.38%	-0.01%
Inflation rate	5.9% for 2023 (**)	1.20%	1.00%

(*) Iboxx Euro Corporate AA index with time reference corresponding to the average duration of defined benefit plans

(**) 2.3% for 2024, 2.0% from 2025

It should be noted that the above list of evaluation processes is provided for the sole purpose of giving the reader a better understanding of the main areas of uncertainty, but is in no way intended to suggest that alternative assumptions might be more appropriate at present.

For further details, please refer to the section "Employee severance indemnity - Item 90" in "Part B - Information on the Balance Sheet" of these Notes to the Financial Statements.

Impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak on the Income Statement

With reference to the Income Statement impacts related to the conflict in Ukraine and the Covid-19 pandemic at 31 December 2022, totalling Euro 58.8 million (formerly Euro 31.6 million in 2021), we highlight:

- a cost of credit linked to the performing portfolio (stage 1 and stage 2) of loans to customers, signature loans and commitments to disburse funds for the year 2022 of Euro 53.3 million (formerly Euro 59.7 million), substantially due to the effect of updating the models to incorporate the macroeconomic forecasts impacted by Covid-19 and the post-model management overlays described later in Part E - Information on risks and related hedging policies;
- the recognition of higher operating expenses incurred to cope with the Covid-19 emergency of about Euro 2.3 million (in addition to Euro 5.6 million in the two previous years);
- the incurring of higher costs for energy consumption (Euro +3.2 million) compared to the previous year.

Going concern

These financial statements are prepared under the going concern assumption. In view of the capital strength and the careful derisking approach adopted, the low and steadily decreasing NPL ratio, and the further steps taken to minimise the effects of the economic situation, the Directors have a reasonable expectation that the Bank will continue as a going concern in the foreseeable future and have prepared the financial statements under the presumption of a going concern. The Directors therefore believe that the risks and uncertainties that the Bank may encounter in the course of operations, also considering the continuing negative effects of the macroeconomic context reflected in the aforementioned update of the 2023-27 performance forecasts, are not such as to generate doubts about the Group's ability to continue as a going concern.

For information on risks and related controls, please refer to "Part E - Information on risks and related hedging policies", as well as to the Report on Operations.

Contractual amendments resulting from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

With regard to classification, taking into account the indications of the various regulators that have expressed their views on the subject, as well as the initiatives taken, the performing positions affected by the moratorium measures pursuant to law or otherwise of general scope decided autonomously by the Bank in response to the Covid-19 emergency are treated as follows:

- are not normally considered forborne under prudential regulations, nor are they subject to Stage 2 classification, also taking into account the substantial invariance of the present value of the cash flows following the contractual amendment. For positions with companies with higher pre-emergency risk, in the case of a moratorium decided autonomously by the Bank, specific assessments are carried out to verify whether or not to consider the renegotiation as a forbearance measure, with a consequent transition to stage 2;
- are not subject to classification as impaired (stage 3). In particular, performing loans that are subject to a moratorium are not classified in the risk class of past-due or overdrawn because, in accordance with the requirements set forth in the EBA guidelines, the moratorium intervenes by interrupting the counting of days past-due. Moreover, adherence to a moratorium for Covid-19 is not considered an automatic trigger for unlikely to pay.

Moratoria granted to customers already classified as non-performing loans are specifically assessed and considered as additional forbearance measures.

2) Amendment of accounting standard IFRS 16

With regard to leases, the practical expedient set out in Regulation (EU) No. 1434/2020, which provides for optional and temporary Covid-19-related operating support for lessees benefiting from concessions on lease payments, was not applied. Renegotiations that were implemented during the reference period are not covered by the amendment.

TLTRO III - "Targeted Longer Term Refinancing Operations"

TLTRO III "Targeted Longer Term Refinancing Operations" are financing operations conducted by the European Central Bank aimed at maintaining favourable bank credit conditions. Banco Desio participated in four TLTRO III auctions for a total outstanding amount of Euro 3.05 billion, having repaid Euro 0.80 billion in the last quarter of 2022.

With regard to the remuneration of loans, following the revision of EU Decision 2019/21, the interest rate was set at a level equal to the average rate of the Eurosystem main refinancing operations (MRO), except for the period between 24 June 2020 and 23 June 2022 (the so-called "special interest rate period"), where a rate 50 basis points lower (i.e. an overall rate of 1%) was applied.

The accounting treatment of the transactions in question, and in particular the recognition of interest according to the various remuneration mechanisms, is not directly traceable to any IAS/IFRS accounting standards. Accordingly, based on the provisions of IAS 8 Accounting Standards, Changes in Accounting Estimates and Errors, Banco Desio has established an accounting policy whereby the provisions of IFRS 9 Financial Instruments are deemed applicable.

With specific reference to the criterion to be applied for recognising expected changes in reference rates, based on the recent discussions and decisions of the IFRS IC, in the event of a revision of cash flows resulting from a change in rates by the ECB, both the provisions apply of paragraph B 5.4.5 of IFRS 9 and those of paragraph B 5.4.6.

In particular, the application of the former would require a prospective revision of the interest rate, while the application of the latter would result in a change in the carrying amount of the liability through an adjustment of the accrued interest rate recognised at the date (so-called "catch-up").

The application of paragraph B 5.4.5 has led to the adoption of different approaches in the banking sector for the application of the peculiar method provided for by the aforementioned regulation (based, as mentioned, on the average rate applied to deposits for the entire duration of the individual TLTRO III, with the exception of special interest rate periods) since, at the date of the preparation of the quarterly financial report, no official interpretation on the matter had been issued by IFRS IC.

The Governing Council of the ECB of 27 October, in addition to raising the key interest rates by 75 basis points, also decided to further amend the terms and conditions applied to the third set of the targeted longer-term refinancing operations, stipulating, in particular, that the remuneration of the individual facilities, as of the end of the additional special interest period, would take place:

c) until 22 November 2022 at the average interest rate on deposits with the central bank from the start date of the financing (so-called "main interest period") and

d) from 23 November 2022 at the average interest rate on deposits with the central bank until the maturity of the loan (so-called "last interest period").

The Governing Council also decided to offer banks additional dates for voluntary early repayment of the amounts. In this regard, the ECB stated that "the recalibration of TLTRO III terms and conditions will contribute to the normalisation of banks' funding costs. The recalibration also removes deterrents to voluntary early redemption of outstanding TLTRO III funds. Early voluntary repayments would reduce the Eurosystem financial statements and thus contribute to the general normalisation of monetary policy".
Also taking into account the subsequent decisions made by the Governing Council of the ECB on 15 December (further increase of 50 basis points in reference rates), Banco Desio recorded negative interest expenses totalling Euro 17.4 million in the year under review (compared to Euro 35.7 million in the previous year).

Contribution to the Resolution Fund (SRM) and the Deposit Guarantee Scheme (DGS)

During the financial year 2015, the European Directives governing the resolution mechanisms of banks belonging to the European Union and the operation of deposit guarantee schemes came into force. In particular:

- directive 2014/59/EU (Bank Recovery and Resolution Directive), transposed into national law by Legislative Decree No. 180 of 16 November 2015, defines the resolution rules and provides for the activation of resolution mechanisms through the establishment of "ex ante" Contribution Funds, whose target level to be reached by 31 December 2024 is 1% of the amount of protected system deposits;
- directive 2014/49/EU (Deposit Guarantee Schemes Directive), transposed into national law by Legislative Decree No. 30 of 15 February 2016, provides that national deposit protection funds (in Italy, the Interbank Deposit Protection Fund - FITD) shall endow themselves with funds commensurate with

guaranteed deposits, to be established through an ex-ante contribution system until reaching, by 2024, the target level of 0.8% of guaranteed deposits.

Following the notification of contributions by the competent authorities, the charges relating to ordinary and extraordinary contributions paid are recognised in the income statement under item "150 b) Other administrative expenses", as per the indications contained in the Bank of Italy's communication of 19 January 2016.

Sales related to the "Held to Collect" business model

During the year, there were disposal transactions involving non-impaired exposures classified in the portfolio of "Financial assets measured at amortised cost".

In particular, it should be noted that gains were realised in the year from the sale of bonds in the HTC portfolio for Euro 9.3 million (recognised in item "100. Gains (losses) on sale or repurchase of: a) financial assets measured at amortised cost"). The sales transactions with a nominal value of Euro 233 million took place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 31 December 2022 of 4.88% compared to the 5% threshold value).

Since these exposures are classified as "Financial assets measured at amortised cost", i.e. in the portfolio held with the objective of collecting the contractual cash flows (so-called "Hold to Collect" business model), IFRS 9 requires that they be sold subject to certain thresholds of significance or frequency, near maturity, in the presence of increased credit risk, or in the occurrence of exceptional circumstances. In this regard, it should be noted that the disposal transactions carried out during the year were carried out in compliance with the materiality and frequency thresholds set out in the Group's accounting policies. During 2022 and up to the date of preparation of these financial statements, there were no changes in the eligibility criteria for sales of financial assets managed under the HTC Business Model.

Lastly, it should be noted that the management of debt securities classified in the "HTC" and "Held To Collect and Sell" portfolios continues in line with the choices made previously; therefore, no change in the business model that resulted in a reclassification of the portfolio occurred during the year.

Option for National Tax Consolidation

The companies of the Banco Desio Group (with the exception of Desio OBG Srl, due to its nature as an SPV) adopted the so-called "national tax consolidation" for the 2021-2023 financial years, governed by Articles 117-129 of the Consolidated Law on Income Taxes (TUIR), introduced into tax legislation by Legislative Decree No. 344/2003. It consists of an optional regime, by virtue of which the total net income or tax loss of each subsidiary participating in the tax consolidation - together with withholdings, deductions and tax credits - are transferred to the parent company, which is determined to have a single taxable income or a single tax loss carry-forward (resulting from the algebraic sum of its own profits/losses and those of the participating subsidiaries) and, consequently, a single tax liability/credit.

Disclosure of public disbursements pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017 ("Annual Market and Competition Law")

It should be premised that Law No. 124 of 4 August 2017 "Annual Law for the Market and Competition" (hereinafter also Law No. 124/2017) introduced in Article 1, paragraphs 125 to 129, some measures aimed at ensuring transparency in the system of public disbursements. In particular, this law stipulates that companies must also provide information in the Notes to the Financial Statements, and in any consolidated Notes to the Financial Statements, on "subsidies, contributions, remunerated appointments and in any case economic advantages of any kind" (hereinafter referred to as "public disbursements") received from public administrations and other entities indicated by the aforementioned law. Failure to comply with the publication obligation results in an administrative sanction of 1% of the amounts received with a minimum of Euro 2,000. Only at a later stage does the rule provide for the repayment of the contribution itself.

In order to avoid the accumulation of irrelevant information, it is provided that the obligation to publish does not apply if the amount of public disbursements received is below the threshold of Euro 10,000 from the same entity.

Since August 2017, the National Register of State Aid has been active at the Directorate-General for Business Incentives of the Ministry of Enterprise and Made in Italy, in which State aid and de minimis aid for each company must be published by the entities granting or managing such aid. For individual aid to Banco Desio Group companies, please refer to the section "Transparency of the Register", access to which is publicly available.

Providing the foregoing, in compliance with the provisions of Article 1, paragraph 125 of Law No. 124 of 4 August 2017, evidence is provided below of the amounts collected during the 2022 financial year by the Banco Desio Group entities by way of "subsidies, contributions, remunerated appointments and in any case economic advantages of any kind".

Banco Desio Group entities	**Type of contributions**	**Amounts collected in the financial year 2022**
Banco di Desio e della Brianza S.p.A.	Tax credit for incremental advertising investments in newspapers, periodicals and local television and radio stations	16
Banco di Desio e della Brianza S.p.A.	Tax credit external investors in the production of films of Italian nationality	90
Banco di Desio e della Brianza S.p.A.	Contribution granted by the Superintendence for Architectural Heritage of Umbria for the restoration of Palazzo Pianciani in Spoleto	564

Comparability of Financial Statements

For each account in the financial statements, the amount for the previous year must also be indicated: if these accounts are not comparable, those for the previous year must be adjusted.

Taking into account the disclosures required by IFRS 5 with reference to the recognition of non-current assets and groups of assets held for sale, the balance sheet figures at 31 December 2022 and the income statement figures at 31 December 2022 and 31 December 2021 referring to Banco Desio's assets and liabilities included in the merchant acquiring business unit being transferred were reclassified.

Terms for the approval and publication of financial statements

Article 154-ter of Legislative Decree No. 58/98 (T.U.F.) provides that, within one hundred and twenty days from the end of the financial year, the annual financial statements must be approved and the annual financial report including the draft financial statements, the consolidated financial statements, the report on operations, and the certification of the Financial Reporting Manager referred to in Article 154-bis, paragraph 5, must be published.

The draft financial statements of Banco di Desio e della Brianza S.p.A. were approved by the Board of Directors at its meeting of 2 March 2023 and will be submitted for approval to the Shareholders' Meeting called for 27 April 2023.

Statutory Audit

These financial statements are audited by KPMG S.p.A. pursuant to Legislative Decree No. 39 of 27 January 2010 in execution of the resolution of the Shareholders' Meeting of 23 April 2020, which appointed this company for the financial years 2021 to 2029 inclusive.

The audit report is made available in full to the public together with the annual financial report, pursuant to Article 154-ter of Legislative Decree No. 58/98.

A.2 PART RELATING TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

The measurement criteria described below, used in the preparation of this document, are in accordance with the IAS/IFRS endorsed by the European Commission in force at the reporting date and are applied on a going concern basis.

For transactions involving the purchase and sale of standardised financial assets, i.e. contracts for which delivery takes place within a time frame established by regulations or market conventions, reference is made to the settlement date.

1 - Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category comprises financial assets other than those classified among the *Financial assets measured at fair value through other comprehensive income* and *Financial assets measured at amortised cost*. This item, in particular, includes:

- financial assets held for trading, mainly consisting of debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not exclusively provide for principal repayments and interest payments on the amount of principal to be repaid (SPPI test failed) or which are not held as part of a business model whose objective is the holding of assets for the purpose of collecting contractual cash flows ("HTC") or whose objective is achieved by both collecting contractual cash flows and selling financial assets ("HTCS");
- financial assets designated at fair value, i.e., financial assets so defined upon initial recognition and where the conditions exist. In this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if doing so eliminates or significantly reduces a measurement inconsistency.

In particular, the following are recognised under this item:

- debt securities and loans that do not belong to the "HTC" or "HTCS" business models (which are therefore included in an "Other/Trading" business model) or that do not pass the SPPI test;
- equity instruments that do not qualify as control, connection and joint control instruments held for trading purposes or for which the designation at fair value through other comprehensive income was not opted for upon initial recognition (so-called "FVOCI option");
- UCITS units.

This item also includes derivative contracts, recognised as financial assets held for trading, which are shown as assets if the fair value is positive and as liabilities if the fair value is negative. Positive and negative present values arising from outstanding transactions with the same counterparty may only be offset if there is a current legal right to offset the amounts recognised in the books and it is intended to settle the offset positions on a net basis.

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities for which no reclassification is permitted), 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, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories under IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through other comprehensive income*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively 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 date of reclassification and this date is considered as the initial recognition date for the allocation to the different credit risk stages (stage assignment) for impairment purposes.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt and equity securities and on the subscription date for derivative contracts.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which corresponds to the consideration paid, without considering transaction costs or income directly attributable to the instrument itself, which are recognised in the Income Statement.

Measurement criteria

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of applying this measurement criterion are charged to the Income Statement.

The fair value of a financial instrument quoted in an active market is determined using its market quotation. In the absence of an active market, commonly used estimation methods and valuation models are used, which take into account all risk factors related to the instruments and which are based on market data. For equity securities not listed in an active market, the cost criterion is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. where valuation methods are not applicable, or where there is a wide range of possible fair value estimates, where cost is the most significant estimate.

Derecognition criteria

Financial assets are derecognised only if the sale has resulted in the transfer of substantially all the risks and rewards associated with the assets. If, on the other hand, a significant portion of the risks and rewards relating to the transferred financial assets have been retained, they continue to be recognised in the financial statements, even though, legally, title to the assets has been effectively transferred.

In the event that the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to changes in their cash flows.

Finally, transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

Financial assets that meet both of the following conditions are included in this category:

– the financial asset is held according to a business model whose objective is achieved both through the collection of contractually agreed cash flows and through sale (HTCS), and
– the contractual terms of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the principal amount to be repaid (SPPI test passed).

Also included in this item are equity instruments, not held for trading purposes, for which the option to designate them at fair value through other comprehensive income (FVOCI option) was exercised upon initial recognition.

In particular, the following are recognised under this item:

– debt securities that are attributable to an HTCS business model and have passed the SPPI test;
– equity interests, not qualifying as controlling, associated and jointly controlled, that are not held for trading purposes, for which the option to designate at fair value through other comprehensive income ("FVOCI option") has been exercised.

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities for which no reclassification is permitted), 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, the financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories under IFRS 9 *(Financial assets measured at amortised cost* or *Financial assets measured at fair value through profit or loss*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is deducted from the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition criteria

The initial recognition of financial assets is made on the settlement date for debt and equity securities.

Upon initial recognition, assets are recognised at fair value through other comprehensive income, including transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, assets measured at fair value through other comprehensive income, other than equity securities, are measured at fair value with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, while other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. Upon total or partial disposal, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the Income Statement.

Equity instruments for which the choice was made to classify them in this category are measured at fair value and the amounts recognised in a specific equity reserve are not to be subsequently transferred to the Income Statement, even in the event of disposal. The only component referring to the equity securities in question that is recorded in the income statement is represented by the related dividends.

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 measured at fair value through other comprehensive income are subject to the test of significant increase in credit risk (impairment) required by IFRS 9, in the same way as *Assets at amortised cost*, with the consequent recognition of a value adjustment in the Income Statement to cover expected losses. More specifically, on instruments classified as stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk with respect to the date of initial recognition), a one-year expected loss is recognised at each reporting date. Conversely, for instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since initial recognition) and stage 3 (impaired exposures), an expected loss is recognised for the entire residual life of the financial instrument. Equity securities are not subject to the impairment process.

Derecognition criteria

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

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually agreed cash flows (HTC), and
- the contractual terms of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the principal amount to be repaid (SPPI test passed).

In particular, the following are recognised under this item:

- loans with banks in the various technical forms that meet the requirements set out in the previous paragraph;
- loans to customers in the various technical forms that meet the requirements set out in the previous paragraph;
- debt securities that meet the requirements set out in the previous paragraph.

According to the general rules of 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 managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at amortised cost into one of the other two categories provided 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 the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains or losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the case of reclassification to *Financial assets measured at fair value through profit or loss*, and in Equity, in the valuation reserve, in the case of reclassification to *Financial assets measured at fair value through other comprehensive income*.

Recognition criteria

The initial recognition of financial assets takes place on the settlement date in the case of debt securities and on the disbursement date in the case of loans. Upon initial recognition, assets are recognised at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, as far as loans are concerned, the disbursement date normally coincides with the contract signature date. If this is not the case, a commitment to disburse funds is entered into when the contract is signed and closes on the date of disbursement. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the origin of the transaction, even if settled at a later date.

Costs which, although having the above-mentioned characteristics, are reimbursed by the debtor counterparty or fall under normal internal administrative costs are excluded.

Measurement criteria

Subsequent to initial recognition, these financial assets are measured at amortised cost, using the effective interest rate method: the asset is recognised at an amount equal to the initial recognition value less 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 allocated directly to the individual asset) and then netted with value adjustments.

The effective interest rate is identified by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income attributable to the financial asset. This method of accounting, using a financial logic, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets (measured at historical cost) whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revocable loans.

The measurement criteria are closely linked to the inclusion of the instruments under review in one of the three stages of credit risk provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, the value adjustments referring to this type of asset are recognised in the Income Statement:

- at the time of initial registration, in an amount equal to the expected twelve-month loss;
- at the time of the subsequent valuation of the asset, where the credit risk has not significantly increased since initial recognition, in relation to changes in the amount of expected loss adjustments over the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has been significantly increased compared to initial recognition, in connection with the recognition of value adjustments for expected losses over the entire residual contractual life of the asset;
- at the time of the subsequent valuation of the asset, where the "materiality" of this increase has subsequently ceased to exist, in connection with the adjustment of cumulative value adjustments to reflect the change from an expected loss over the entire residual life of the instrument ("lifetime") to one at twelve months.

The financial assets in question, if performing, are subjected to a valuation, aimed at defining the value adjustments to be recognised in the financial statements, at the level of the individual loan relationship (or "tranche" of security), according to 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) suitably 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 is measured as the difference between the carrying amount of the asset (classified as "impaired", 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 recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position and takes into account forward-looking information with the inclusion of possible alternative recovery scenarios ("disposal scenario").

impaired assets include financial instruments that have been assigned the status of bad loans, unlikely to pay or past-due/overdrawn for more than 90 days according to Bank of Italy rules, consistent with IAS/IFRS and European supervisory regulations.

The expected cash flows take into account the expected recovery times and the presumed realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if there has been a restructuring of the relationship resulting in a change in the contractual rate and even if the relationship becomes, in practice, non-interest bearing.

If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, a reversal of the impairment loss is recognised in the Income Statement. The reversal may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Reversals related to the passage of time are recognised in net interest income.

Receivables for accrued interest on impaired assets are only recognised when they are actually collected.

In some cases, during the life of the financial assets under review and, in particular, the receivables, the original contractual terms are subject to subsequent modification at the will of the parties to the contract.

When, during the life of an instrument, the contractual terms are changed, it is necessary to determine whether the original asset should continue to be recognised in the financial statements or whether, on the contrary, the original instrument should be derecognised and a new financial instrument should be recognised.

In general, changes in a financial asset lead to its derecognition and the recognition of a new asset when they are "material". The assessment of the "materiality" of the change must be made considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially alter the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (also of a quantitative nature) will have to be carried out in order to appreciate the effects of the same and to ascertain whether or not it is necessary to proceed with the derecognition of the asset and the recognition of a new financial instrument.

The (qualitative-quantitative) analyses aimed at defining the "materiality" of the contractual changes made to a financial asset will therefore have to consider:

- the purposes for which the modifications were made: for example, renegotiations for commercial reasons and granting due to financial difficulties of the counterparty:
    - the former, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This includes all renegotiation transactions that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, which relates to aspects connected to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the bank renegotiates in order to avoid losing its customer, such renegotiation should be regarded as material because, if it were not carried out, the customer would be able to obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;
    - the second, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the cash flow recovery of the original loan. The underlying risks and rewards, after modification, are normally not substantially transferred and, consequently, the accounting representation is that made through "modification accounting" - which implies immediate recognition in the income statement item "140. "Gains/losses from contractual amendments without derecognition" of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;
- the presence of specific objective elements ("triggers") affecting the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, a change of currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are deemed to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

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

Recognition criteria of income components

The measurement criterion at amortised cost generates a shift of transaction costs and ancillary revenues in the income statement over the life of the financial asset instead of changing the income statement in the year of initial recognition.

Interest that accrues over time as a result of discounting non-performing loans is recognised in the income statement under interest income.

The effects of analytical and collective valuations are recognised in the income statement.

The original value of the loan is reinstated when the reasons for the value adjustment cease to exist, with the effects being recognised in the income statement.

In the case of receivables acquired through a business combination, any higher value recognised in the consolidated financial statements upon initial recognition is released to the income statement over the life of the receivable in accordance with its amortisation schedule or in full in the year in which the receivable is extinguished.

Loans subject to fair value hedging transactions are measured at fair value, and changes in value are recognised in the income statement under "Net hedging result", similar to changes in the fair value of the hedging instrument.

4 - Hedging transactions

The Bank avails itself of the possibility, envisaged at the time of the introduction of IFRS 9, to continue to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for all types of hedges (both specific hedges and macro-hedges).

Classification criteria

The purpose of hedging transactions is to neutralise 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 hedged financial instruments.

The type of hedge used can be of the type:

– Fair Value Hedge (specific fair value hedge): the objective is to hedge the risk of changes in the fair value of the hedged instrument (an unrecognised asset, liability or firm commitment exposed to changes in fair value attributable to a particular risk that may impact the income statement, including the risk of changes in foreign currency exchange rates);

– Cash Flow Hedge: the objective is to hedge the change in cash flows attributable to particular risks of the instrument in the financial statements (highly probable asset, liability or planned transaction exposed to changes in cash flows attributable to a particular risk that may impact the income statement).

Recognition criteria

Derivative instruments, including hedging instruments, are initially recognised and subsequently measured at fair value.

The recognition of hedging transactions presupposes:

– the involvement of counterparties outside the Banco Desio Group;

– a specific designation and identification of the hedging and hedged financial instruments used in the transaction;

– the definition of the risk management objectives pursued, specifying the nature of the risk hedged;

– the passing of the effectiveness test at the start of the hedging relationship and prospectively, with specific measurement methods and periodicity;

– the preparation of formal documentation, including the hedge report.

Measurement criteria

A hedging transaction is defined as effective when changes in the fair value (or future cash flows) of the hedging financial instrument offset changes in the hedged financial instrument within the 80% - 125% range established by IAS 39.

Effectiveness tests are performed at each annual or interim reporting date, both retrospectively, to measure actual results at the date, and prospectively, to demonstrate expected effectiveness for future periods.

If the tests do not confirm the effectiveness of the hedge and taking into account internal policy, hedge accounting is discontinued from that moment on, the hedging derivative contract is classified as a trading instrument and the hedged financial instrument regains the measurement criterion corresponding to its classification in the financial statements.

Recognition criteria of income components – fair value hedges

Changes in the fair value of hedging derivatives and hedged financial instruments (for the portion attributable to the hedged risk) are recognised in the income statement; this also applies when the hedged item is measured at cost.

This offsetting is recognised through the recognition in the income statement, under item 90 "Net result of hedging activities", of changes in value referring both to the hedged item (as regards changes produced by the underlying risk factor) and to the hedging instrument. The difference, if any, therefore constitutes the net economic effect.

Recognition criteria of income components – cash flow hedges

The gain or loss on the hedging instrument must be accounted for as follows:

- the portion of gain/loss defined as effective is recognised in equity with an offsetting entry to valuation reserves;
- the ineffective portion of the hedge is recognised in the income statement.

Specifically, the lower of the cumulative gain/loss on the hedging instrument since inception of the hedge and the cumulative change in fair value (present value of expected cash flows) on the hedged item since inception of the hedge must be recognised in equity. Any residual gain or loss on the hedging instrument or ineffective component is recognised in the income statement.

Derecognition criteria

Hedge transactions are discontinued when the effectiveness requirements are no longer met, when they are terminated, when the hedging instrument or the hedged instrument matures, is terminated or sold.

If the hedged instrument is subject to amortised cost measurement, the difference between the fair value determined at the date of discontinuing the hedging relationship and the amortised cost is allocated over its remaining term.

5 - Investments

Classification criteria

Investments are classified as investments in subsidiaries, associates, or jointly controlled enterprises. Other non-controlling interests follow the treatment set out in IFRS 9 and are classified as *Financial assets measured at fair value through profit or loss (FVTPL)* or *Financial assets measured at fair value through other comprehensive income (FVOCI)*.

Subsidiaries are defined as entities in which there is exposure to variable returns, or rights on said returns, arising from the Bank's relation with the same and simultaneously, there is the ability to affect said returns exercising its power on said entities.

Considered to be subject to significant influence (associates) are entities in which at least 20% of the voting rights are held (including "potential" voting rights) or in which, despite holding a lower percentage of voting rights, there is the power to participate in the determination of the financial and management policies of the investee by virtue of particular legal ties such as participation in syndicate agreements.

Entities are considered to be jointly controlled (joint ventures) when, on a contractual basis, control is shared with one or more other parties, or when the unanimous consent of all parties sharing control is required for decisions concerning relevant activities.

Recognition criteria

Investments are recorded on the settlement date. Initial recognition is at cost including directly attributable incidental expenses. For investments in foreign currencies, conversion into Euro is done using the exchange rate prevailing on the settlement date.

Measurement criteria

The post initial measurement criterion applied to investments is cost, adjusted for impairment losses if necessary.

At each reporting date, objective evidence that the investment has suffered an impairment loss (impairment test) is ascertained.

An impairment loss occurs when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the net selling price (i.e. the amount obtainable from the sale of the asset in a hypothetical transaction between third parties, net of disposal costs) and its value in use (i.e. the present value of the expected future cash flows that are expected to arise from the permanent use and disposal of the asset at the end of its useful life).

To complete the impairment test process, taking into account the internal policy, a "stress test" of some key parameters considered in the valuation model is also carried out in order to bring the recoverable amount to the carrying amount.

In relation to the provisions of IAS 36, the impairment test must be carried out annually; furthermore, at each interim reporting date, a check is made for the possible existence of assumptions that lead to the need to carry out the impairment test again: in particular, certain quantitative and qualitative indicators of presumed impairment of the investment (trigger event) are monitored.

Value adjustments due to impairment, if any, are to be recognised as a balancing entry in the income statement.

If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, a reversal of the impairment loss is recognised in the income statement.

Derecognition criteria

Investments are derecognised when the contractual rights to the cash flows from the financial assets expire or when they are sold with the substantial transfer of all associated risks and rewards.

Recognition criteria of income components

Dividends are recognised when the right to receive payment accrues. Gains/losses on sale are determined on the basis of the difference between the carrying amount of the investment on a weighted average cost basis and the transaction price, net of directly attributable incidental expenses.

6 - Tangible assets

Classification criteria

Tangible assets comprise land, properties, plant, furniture and furnishings, and other equipment. These are tangible assets held to be used in the provision of services (assets held for functional use), and to be leased to third parties (assets held for investment purposes) and which are expected to be used for more than one financial year. Also included are rights of use acquired under leases and relating to the use of a tangible asset (for lessee companies), assets granted under operating leases (for lessor companies).

Recognition criteria

Tangible assets are initially recorded at purchase cost, including incidental expenses incurred in the acquisition and commissioning of the asset.

On the occasion of the first adoption of IAS/IFRS, the exemption provided by IFRS 1 Article 16 was used, opting for the valuation of properties at fair value as a substitute for cost at 1 January 2004. After that date, the cost model was adopted for the valuation of properties.

Extraordinary maintenance costs of an incremental nature are charged to increase the value of the assets to which they relate. Other routine maintenance costs are recognised directly in the income statement.

In application of IFRS 16, leases are accounted for on the basis of the right-of-use model, whereby, at the inception date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term.

When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

Tangible assets are stated in the financial statements at purchase cost, including incidental expenses incurred, less any depreciation charged and any impairment losses incurred, with the exception of artistic heritage, which is valued using the revaluation method.

For tangible assets subject to valuation by the revaluation method:

- if the carrying amount of an asset is increased as a result of a revaluation, the increase must be recognised in other comprehensive income and accumulated in equity under the item revaluation reserve; conversely, if it reverses a decrease in value of the same asset previously recognised in the income statement, it must be recognised as income;
- if the carrying amount of an asset is decreased as a result of a revaluation, the decrease must be recognised in other comprehensive income as a revaluation surplus to the extent that there is a positive valuation reserve with respect to that asset; otherwise, the decrease must be recognised in the income statement.

Tangible assets are systematically depreciated, using the straight-line method, at technical-economic rates that are representative of the remaining useful life of the assets. An exception is made for land and works of art, which are not subject to depreciation given their indeterminate useful life, and in consideration of the fact that their value will not normally decrease with the passage of time. Extraordinary maintenance costs of an incremental nature are depreciated in relation to the remaining useful life of the assets to which they relate.

Any impairment indicators are to be checked annually. If the carrying amount of an asset is found to be higher than its recoverable amount, that carrying amount is adjusted accordingly with a balancing entry in the income statement.

If the reasons that led to the recognition of the loss cease to exist, a reversal of the impairment loss is made, which may not exceed the value that the asset would have had, net of calculated depreciation, in the absence of previous impairment losses.

With regard to the asset consisting of the right of use, which is accounted for according to IFRS 16, it is measured using the cost model according to IAS 16 Property, Plant and Equipment; in this case, the asset is subsequently depreciated and subject to an impairment test if impairment indicators emerge.

Derecognition criteria

Tangible assets are derecognised when they are disposed of.

Recognition criteria of income components

Depreciation and impairment losses, if any, are recognised in the income statement under net value adjustments on tangible assets.

7 - Intangible assets

Classification criteria

Intangible assets include goodwill, costs for vacating non-owned premises and costs for the purchase of application software. Also included are rights of use acquired under leases and relating to the use of an intangible asset (for lessees) and assets granted under operating leases (for lessors). Renovation costs of buildings not owned (so-called leasehold improvements) are recorded under Other assets.

Recognition criteria

Goodwill represents the positive difference between the purchase cost and the fair value of assets and liabilities acquired in business combinations. It is recognised as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

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

Measurement criteria

Intangible assets are shown in the financial statements at purchase cost, including incidental expenses incurred, less accumulated amortisation and any impairment losses incurred.

Amortisation is calculated on a straight-line basis using technical-economic rates representative of the remaining useful life.

Goodwill is not subject to amortisation due to its indefinite useful life, and is subject to an annual impairment test. For this purpose, the cash-generating unit to which goodwill is to be allocated is identified. Within the Banco Desio Group, cash-generating units (CGUs) correspond to legal entities.

The amount of the impairment, if any, is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, whichever is lower. This recoverable amount is equal to the higher of the fair value of the expected cash-generating unit, net of any costs to sell, and its value in use.

Any value adjustments due to impairment are to be recognised with a balancing entry in the Income Statement, with no possibility of subsequent reversals.

Costs for vacating non-owned premises are amortised at rates determined by the duration of the corresponding lease (including renewal).

Derecognition criteria

Intangible assets are derecognised when they are disposed of or when future economic benefits are no longer expected.

Recognition criteria of income components

Amortisation and any impairment losses are recognised in the income statement under net value adjustments on intangible assets.

Value adjustments related to renovation costs of non-owned premises are recognised in the income statement under other operating expenses.

8 - Non-current assets and groups of assets held for sale

Classification criteria

Non-current assets/liabilities and groups of assets/liabilities whose carrying amount is expected to be recovered through sale rather than through continued use are classified under the asset item "Non-current assets and groups of assets held for sale", and under the liability item "Liabilities related to assets held for sale".

Recognition criteria

To be classified in the above items, the assets or liabilities (or disposal group) must be immediately available for sale and there must be active and concrete plans such that their disposal within one year from the date of classification as an asset held for sale is highly probable.

Measurement criteria

Following classification in this category, these assets are measured at the lower of their carrying amount and their relative fair value, net of costs to sell, except for certain types of assets - e.g., all financial instruments within the scope of IFRS 9 - for which IFRS 5 requires that the measurement criteria of the relevant accounting standard continue to be applied.

If assets held for sale are depreciable, the depreciation process ceases as from the year of classification as non-current assets held for sale.

Income and expenses attributable to groups of assets and liabilities held for sale, if they are attributable to discontinued operations (as defined by IFRS 5), are shown in the income statement, net of the tax effect, under item "320. Profit (Loss) from discontinued operations after taxes", while those relating to individual non-current assets held for sale are recognised in the most appropriate income statement item.

The term "discontinued operations" is to be understood as meaning an important autonomous business unit or geographical area of activity, even if it is part of a single coordinated disposal programme, rather than a subsidiary acquired exclusively with a view to its resale.

Derecognition criteria

Non-current assets and groups of assets held for sale are derecognised from the financial statements upon disposal.

9 - Current and deferred taxation

Income taxes for the year are computed by estimating the tax burden on an accrual basis, consistent with the manner in which the costs and revenues that generated them are recognised in the financial statements. In addition to current taxation, which is determined in accordance with current tax regulations, there is also deferred taxation, which arises as a result of temporary differences between the carrying amounts and the corresponding tax values. Taxes thus represent the balance of current and deferred income taxes for the year.

Deferred tax assets are recognised when their recovery is probable, i.e. when it is expected that sufficient taxable income will be available in the future to recover the asset. They are recognised as assets in the balance sheet under *Tax assets - deferred tax assets*.

Deferred tax liabilities, on the other hand, are recognised as liabilities in the balance sheet under *Tax liabilities - deferred tax liabilities*.

Likewise, current taxes not yet paid are separately recognised under *Tax liabilities - current*. In the case of overpayments on account, the recoverable receivable is recorded under *Tax assets - current*.

In cases where deferred tax assets and deferred tax liabilities relate to transactions that have directly affected equity without affecting the income statement, they are recognised as a balancing entry in equity, affecting specific reserves (e.g. valuation reserves) when provided for.

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

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

Other provisions for risks and charges

Provisions for risks and charges include allocations made for legal or employment-related obligations, or disputes, including tax disputes, that are the result of past events, for which it is probable that economic resources will be used to fulfil the obligations, provided that a reliable estimate of the amount can be made.

Provisions respect the best estimate of future cash flows needed to fulfil the obligation existing at the reporting date. In cases where the time effect is a relevant aspect, the amounts set aside are discounted by considering the estimated maturity of the obligation. The discount rate reflects current assessments of the present value of money, taking into account the specific risks associated with the liability.

The valuation of employee seniority bonuses is carried out by independent external actuaries, and follows the same calculation logic already described for the provision for employee severance indemnity. Actuarial gains and losses are all recognised immediately in the income statement.

Recognition criteria of income components

The allocation is recognised in the Income Statement.

The effects of the passage of time for discounting future cash flows are recorded in the Income Statement under allocations.

11 - Financial liabilities measured at amortised cost

Classification criteria

Payables to banks, *Payables to customers* and *Securities issued* include the various forms of interbank and customer funding, repurchase agreements and inflows through certificates of deposit, bonds and other inflow instruments issued, net of any amounts repurchased. They also include payables recorded by the company as a lessee in the context of lease transactions.

Recognition criteria

These financial liabilities are first recognised on the date the contract is signed, which normally coincides with the time of receipt of the sums collected or the issue of the debt securities. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, plus any additional costs/income directly attributable to the individual funding or issuance transaction.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. An exception are short-term liabilities, for which the time factor is negligible, which remain recorded at 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 criteria

Financial liabilities are derecognised when they have expired or extinguished. Derecognition also occurs when previously issued bonds are repurchased; the difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement.

The placing of own securities on the market after their repurchase is regarded as a new issue with registration at the new placement price.

12 - Financial liabilities held for trading

Recognition and classification criteria

Financial instruments allocated to this item are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without taking into account any transaction costs or income directly attributable to them.

Derivative trading instruments with a negative fair value are recognised in this item.

Valuation and recognition criteria of income components

Financial liabilities held for trading are measured at fair value with the effects recognised in the Income Statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is transferred with the transfer of substantially all risks and rewards of ownership.

14 - Currency transactions

Recognition criteria

Transactions in foreign currencies are accounted for on initial recognition, in the currency of account, by applying the exchange rate in force at the date of the transaction to the foreign currency amount.

Measurement criteria

At each annual or interim reporting date, foreign currency items in the financial statements are valued as follows:

- monetary items are converted at the exchange rate on the closing date;
- non-monetary items measured at cost are translated at the exchange rate on the date of the transaction;
- non-monetary items measured at fair value are translated at the closing date exchange rate.

Recognition criteria of income components

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the Income Statement for the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

15 - Other Information

Cash and cash equivalents

This item comprises legal tender, including foreign banknotes and divisional currencies, current accounts and "demand" deposits with central banks, with the exception of the compulsory reserve, as well as demand loans with banks. The latter definition includes liquidity that can be withdrawn at any time without notice or with 24 hours or one working day's notice.

The item is recorded at face value. For foreign currencies, the face value is converted into Euro at the closing exchange rate at the end of the period.

Other assets

This item includes assets that cannot be allocated to other balance sheet asset items. The item may include but is not limited to:

- gold, silver and precious metals;
- accrued assets other than that to be capitalised on the relevant financial assets, including those arising from contracts with customers in accordance with IFRS 15;
- receivables related to the provision of non-financial goods or services;
- tax debit items other than those recorded under item "110. Tax assets";
- tax credits related to the "Heal Italy" and "Relaunch" Decree Laws acquired as a result of transfers by direct beneficiaries or previous purchasers.

Any remaining balances (of "debit balance") of in transit and suspended items not allocated to the relevant accounts may also be included, provided they are of an insignificant amount overall.

Other liabilities

This item includes liabilities that cannot be allocated to other balance sheet liability items.

This item includes but is not limited to:

- payment agreements that IFRS 2 requires to be classified as payables;
- payables connected with the payment of non-financial goods and services;
- accrued liabilities other than those to be capitalised on the relevant financial liabilities, including those arising from contracts with customers in accordance with IFRS 15;
- miscellaneous tax credit items other than those recognised under item "60. Tax liabilities" related, for example, to the activity of a tax withholding agent.

Employee severance indemnity

Measurement criteria

The provision for employee severance indemnity is valued in the financial statements using actuarial calculation techniques.

The valuation is entrusted to independent external actuaries, using the projected unit credit method. The amount thus determined represents the present value, calculated in a demographic-financial sense, of the benefits due to the employee (severance pay) for the seniority already accrued, obtained by re-proportioning the total present value of the obligation to the period of work already performed at the valuation date, taking into account the probability of resignations and requests for advances.

To determine the discount rate, reference is made to an index representative of the yield of a basket of securities of primary companies that issue securities in the same currency as that used for the payment of benefits to employees (so-called high quality corporate bonds). In line with the prevailing orientation, an "AA" class index was chosen.

Recognition criteria of income components

The provision for employee severance indemnity, resulting from the actuarial valuation, as required by IAS 19, is recorded as an offsetting entry to the valuation reserves for the actuarial gain (loss) component, and as an offsetting entry to the income statement under allocations, for other components such as interest accrued due to the passage of time (discounting).

Valuation reserves

This item includes valuation reserves of financial assets measured at fair value through other comprehensive income (FVOCI), cash flow hedge derivatives, valuation reserves established in application of special laws in past years, and actuarial valuation reserves for employee benefits in application of IAS 19. Also included are the effects resulting from the application of fair value as a deemed cost of tangible assets made on the first-time adoption of IAS/IFRS.

Recognition of costs and revenues

Revenues may be recognised:

– at a specific time, when the entity performs the obligation to do by transferring the promised good or service to the customer, or
– over time, as the entity performs the obligation to do by transferring the promised good or service to the customer.

The asset is transferred when, or during the period in which, the customer acquires control of it. In particular:

– accrued interest is recognised *pro rata temporis* on the basis of the contractual interest rate or the effective interest rate if amortised cost is applied. Interest income (or interest expense) also includes positive (or negative) differentials or margins accrued up to the reporting date on financial derivative contracts:
    d) hedging of interest-bearing assets and liabilities;
    e) classified in the Balance Sheet in the trading book, but operationally linked to financial assets and/or liabilities measured at fair value (fair value option);

f) operationally connected with assets and liabilities classified in the trading book and which provide for the settlement of differentials or margins at multiple maturities.

It should also be noted that in the financial statements, the item interest income (or interest expense) also includes the amortisation, accrued during the year, of fair-value differences recognised with reference to business combination transactions, due to the higher or lower profitability recognised for assets classified under receivables and liabilities classified under payables and securities issued. However, the event of the extinguishment of such loans (acquired through a business combination), any higher value recognised on initial recognition is released in full in the year in which the loan is extinguished with an impact on the Income Statement (item *Net value adjustments/reversals for credit risk related to financial assets measured at amortised cost*);

- any default interests, in accordance with the terms of the relevant agreement, are recognised in the Income Statement only when actually received;
- dividends are recognised in the Income Statement when the right to receive payment arises, it is probable that the economic benefits arising from them will flow to the Bank and the amount can be reliably measured; fees for service revenues are recognised, based on the existence of contractual agreements, in the period in which the services are rendered. Commissions considered in amortised cost for the purpose of determining the effective rate are recognised under interest;
- revenues or costs arising from the intermediation of financial trading instruments, determined by the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recognised if the fair value can be determined by reference to recent parameters or transactions observable on the same market on which the instrument is traded (level 1 and level 2 of the fair value hierarchy). If these values are not readily ascertainable, or if they have reduced liquidity (level 3), the financial instrument is recorded at an amount equal to the transaction price, less the trade margin; the difference with respect to the fair value flows to the Income Statement over the life of the transaction through a progressive reduction, in the valuation model, of the correction factor associated with the reduced liquidity of the instrument;
- gains and losses arising from the trading of financial instruments are recognised in the Income Statement when the sale is completed, 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 when the sale is completed, i.e. when the obligation to do so is fulfilled vis-à-vis the customer.

Costs are recognised in the Income Statement on an accrual basis; costs related to obtaining and fulfilling contracts with customers are recognised in the Income Statement in the periods in which the relevant revenues are recognised. If the association between costs and revenues can be made in a generic and indirect manner, costs are recorded over several periods using rational procedures and on a systematic basis. Costs that cannot be associated with income are recognised immediately in the income statement.

It should also be noted that the costs related to the Contributions to the Resolution Fund (SRM) and the Deposit Guarantee Scheme (DGS) are recognised in the income statement under item "180 b) Other administrative expenses" taking into account the IFRIC 21 interpretation and the Bank of Italy's communication of 19 January 2016. In particular, the contribution (DGS) is accounted for upon the occurrence of the "binding fact" resulting from the provisions of the new FITD Statutes, according to which the Fund constitutes financial resources until the target level is reached, through ordinary contributions of member banks on 30 September of each year.

Finance lease contracts

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

Securitisation

Exposures to securitisations (in the form of junior securities or deferred purchase prices) are allocated to Financial assets measured at fair value through profit or loss. However, if the relationship between the originator company and the securitisation vehicle company (i.e. the segregated assets managed by the latter) falls within the definition of control[14] defined by IFRS 10, the latter is included in the Banco Desio Group's scope of consolidation.

Financial assets measured at amortised cost include, according to their relevant composition, loans to customers in securitisation transactions subsequent to 1 January 2004, for which the requirements of IFRS 9 for derecognition are not met, or for transactions in which loans are assigned to a securitisation vehicle company and in which, even in the presence of the formal transfer of legal title to the loans, control over the cash flows deriving from the loans and the substance of the risks and rewards is maintained.

The consideration received for the sale of these receivables, net of the securities issued by the vehicle company and repurchased by the originator, is allocated to Financial liabilities measured at amortised cost.

Tax credits related to the "Heal Italy" and "Relaunch" Decree Laws acquired as a result of transfers by direct beneficiaries or previous purchasers (e.g. ecobonus)

Decree Laws No. 18/2020 (so-called "Heal Italy") and No. 34/2020 (so-called "Relaunch") have introduced into the Italian legal system tax incentive measures connected with both investment expenditure (e.g. eco and sismabonus) and current expenditure (e.g. rents of premises for non-residential use). These tax incentives are applied to households or businesses, they 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 of using them for offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax authorities.

The accounting of tax credits acquired from a third party (transferee of the tax credit) is not subject to a specific international accounting standard. IAS 8 requires that, in cases where there is an event not explicitly covered by an IAS/IFRS accounting standard, management should establish an accounting policy that ensures relevant and reliable disclosure of such transactions.

To this end, the Bank, taking into consideration the indications expressed by the Supervisory Authorities, has adopted an accounting policy that makes reference to the accounting rules set forth by IFRS 9, applying by analogy its provisions that are compatible with the characteristics of the transaction and considering that the tax credits in question are, in substance, similar to a financial asset. The Bank acquires the credits according to its tax capacity, with the aim of holding them and using them for future offsets; therefore, these credits are attributable to a Hold to Collect business model and recognised at amortised cost, with the remuneration reflected in the net interest income during the recovery period. The valuation of these credits must be performed considering the utilisation flows through the estimated future offsets. However, the accounting framework provided by IFRS 9 for calculating expected losses is not applicable to this specific case, i.e., ECL is not calculated on these tax credits, as there is no counterparty credit risk, considering that the realisation of the credit occurs through offsetting with payables and not through collection.

Given that purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets under international accounting standards, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification under Other Assets in the balance sheet.

Business combination transactions: purchase price allocation

Introduction

[14] According to this definition, an investor controls an investment entity when it has power over the relevant assets of that entity, is exposed to variable returns from its relationship with that entity, and has the ability to affect those returns by exercising power over it.

The general process required by IFRS 3 *Business Combinations* for accounting for business combinations, i.e. transactions or other events in which a company acquires control of one or more businesses and provides for the consolidation of the assets, liabilities and contingent liabilities acquired at their respective fair values, including any identifiable intangible assets not already recognised in the financial statements of the acquired company, is described below.

According to IFRS 3[15], first of all, the specific analysis required for the identification of the characteristics of a "business activity (or Business)", with respect to the perimeter acquired, must be conducted in order to then proceed to the identification of a business combination to be accounted for on the basis of the so-called Acquisition Method.

The entity then proceeds to the qualitative analysis of the characteristics of what was acquired to verify the simultaneous presence of i. Factors of production, ii. Processes, iii. Production as defined by IFRS 3 itself, in particular with respect to the concept of Substantive Process.

Subsequently, on the basis of the Acquisition Method, it is necessary, with reference to the date of acquisition of control, to allocate the price of the combination (Purchase Price Allocation - PPA) by recognising the assets acquired and liabilities (including contingent liabilities) assumed at their relative fair values and, if applicable, minority interests at their relative fair values, as well as identifying the intangible assets implicit previously not recognised in the accounts of the acquired company. Any difference arising between the price paid for the acquisition (also measured at fair value and taking into account any "contingent consideration") and the fair value (net of tax effects) of the assets and liabilities acquired, if positive, determines goodwill to be recognised in the balance sheet; if negative, it determines an impact that must be recognised in the income statement as a positive component (so-called "badwill" or negative goodwill).

IFRS 3 allows the final allocation of the cost of the combination to be made within twelve months of the acquisition date.

Fair value of assets and liabilities acquired

In accounting for a business combination, the entity determines the fair value of the assets, liabilities and contingent liabilities, which is recognised separately only if, at the acquisition date, that value meets the following criteria:

- in the case of an asset other than an intangible asset, it is probable that any future economic benefits will flow to the acquirer;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), its fair value can be measured reliably.

Financial assets and liabilities must be measured at fair value at the date of the business combination, even if they are measured according to other criteria in the financial statements of the acquired company. In the case of financial instruments not listed on active markets, the methods for determining fair value described in Part A.4 below apply, adopting the most appropriate internal valuation model for the individual instrument in question.

Identification of intangible assets

Based on the characteristics of the acquired company, it is necessary to investigate whether assets not already recognised as assets should be accounted for separately, such as intangible assets related to customer relationships (customer-related intangible or client relationship) and marketing (brand name).

Customer-related intangible assets: fall into the category of intangible assets because, although not always arising from contractual rights like marketing-related intangible assets, they can be separated and can be reliably valued.

[15] The amendments made to IFRS 3 by Endorsement Regulation 2020/551 have i. amended paragraph 3 and ii. introduced paragraphs B7 - B12D substantially revising the definition of "business" for the purpose of identifying transactions qualifying as "business combinations".

This category includes:

- customer lists: consist of all the information held on customers (data base containing names, contact details, order history, demographic information, etc.) which, because they can be rented and exchanged, have a value recognised by the market; they cannot be considered intangible assets if they are considered so confidential that their sale, rental or other exchange is prohibited in the combination agreement;
- contracts with customers and customer relationships established as a result thereof: contracts with customers satisfy the contractual/legal requirement to constitute an intangible asset even if their sale or transfer separately from the acquired business is prohibited in the combination agreement; for this purpose, contacts established as a matter of practice with customers, irrespective of the existence of a formal contract, and all non-contractual relationships are also relevant, provided that they are separable and independently assessable;
- customer relationships of a non-contractual nature: this category includes all intangible assets that, because they are separable and transferable separately from the acquired company, can be valued individually and recognised as intangible.

Marketing-related intangible assets: trademarks, trade names, service marks, collective marks, quality marks insofar as they derive from contractual rights or are usually separable. These assets take into account that set of productive conditions economically related to trade name, relational capacity, distribution strength.

An intangible asset must initially be measured at cost. If it is acquired in a Business Combination, its cost is the fair value at the date of acquisition of control.

Fair value reflects market expectations about the likelihood that the future economic benefits inherent in the asset will flow to the controlling entity. An entity shall assess the probability of future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Accounting standards do not specifically prescribe the valuation method to be used to measure the fair value of these assets. However, among the possible methods that can be used, they favour those that refer to observable market prices. In the absence of this, accounting standards allow the use of valuation models, which must in any case incorporate generally used and market-recognised assumptions.

The determination of fair value in the case of customer-related intangible assets is based on the discounting of flows representing the income margins generated by the deposits over a period expressing the expected residual life of the relationships in place at the date of acquisition.

Generally, both market methods and methods based on flows from the management of the brand itself and on the basis of a market royalty are used for brand valuation.

Determination of goodwill ("badwill" or negative goodwill)

Goodwill represents the residual amount of the acquisition cost, as it is the excess of the cost of the Business Combination over the net fair value of the identifiable assets, liabilities and contingent liabilities (including intangibles and contingent liabilities that qualify for recognition).

It represents the consideration paid by the acquirer in anticipation of future economic benefits arising from assets that cannot be individually identified and separately recognised, effectively incorporating the value of expected synergies, the acquired company's image, know-how, professionalism, procedures and other indistinct factors.

Goodwill acquired in a business combination is not amortised. The entity verifies annually, i.e. at the end of the year in which the combination occurred and whenever there is an indication that the value of the asset may have deteriorated, that the amount recognised is not impaired (impairment test).

If the residual amount resulting from the allocation of the purchase value is negative, so-called badwill, it is recognised as a benefit in the income statement under item 200 "Other operating expenses/income".

A.3 DISCLOSURE OF TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

Type of financial instrument	Portfolio of provenance	Portfolio of destination	Date of reclassification	Reclassified carrying amount	Interest income recorded in the year (pre-tax)
Debt securities	HTCS	HTC	01.10.2018	254,926	n.a.

With reference to the reclassified financial assets still recognised as assets at the financial statements reference date, the column "Reclassified carrying amount" shows the amount transferred from the HTCS accounting portfolio to the HTC accounting portfolio (of original Euro 1,045,956 thousand), including the related cumulative OCI valuation reserve at 30 September 2018, negative for approximately Euro 17,521 thousand (of original Euro 51,459 thousand, gross of the related tax effect), which at the date of reclassification was removed from equity as a balancing entry to the fair value of the reclassified financial assets which, as a result, are recognised as if they had always been measured at amortised cost.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

According to the accounting standard IFRS 9 "Financial Instruments", a business model represents the way in which groups of financial assets (portfolios) are managed collectively in pursuit of certain strategic business objectives, i.e. the collection of contractual cash flows, the realisation of profits through sale, or a combination of these, which in relation to the contractual cash flow characteristics of the financial assets themselves (SPPI test - solely payments of principal and interests) determines their measurement at amortised cost, at fair value through profit or loss, or at fair value through equity. The business model therefore does not depend on the management's intentions with respect to a single financial instrument, but rather is set at a higher level of aggregation (portfolio) and is determined by the management according to the scenarios that it reasonably expects to occur, taking into account, however, the manner in which the performance of the financial assets held within the model is measured, the manner in which performance is communicated (and remunerated) to key management personnel and the risks that affect the performance of the business model (and therefore of the financial assets owned within the business model) and the manner in which these risks are managed.

In first time adoption of IFRS 9, in order to allocate the financial instruments in the business models, for the loan portfolio, where the conditions are met, only the Held to Collect (or HTC) business model was defined, which reflects the operating method always followed by the Banco Desio Group entities in managing loans disbursed to both retail and corporate customers, while for the portfolio of proprietary financial instruments, three business models were defined, respectively, Held to Collect (or HTC), Held to Collect and Sell (HTC&S) and Trading (FVTPL), with a limited number of cases in which a change in management intent was opted for with respect to the accounting categories provided for by IAS 39, whereby the prevailing destination for bond instruments (mainly Italian government bonds) held for investment purposes was identified by the Banco Desio Group in the accounting categories HTC and HTC&S to an essentially equal extent.

This decision was taken following an ad hoc analysis of the performance and management of the securities portfolio over the previous two years in order, moreover, to guarantee periodic cash flows through the HTC&S category, while also reserving the possibility of seizing market opportunities by selling securities (not on a recurring basis) before their maturity date; this business model was seen as the main category to which financial investments should be allocated, while reflecting the exposure to market risk through fair value measurement with an impact on overall profitability at each reporting period.

Also in consideration of the evolution of the reference context, during the year the Board of Directors of Banco di Desio e della Brianza monitored with particular attention the effects of the operational choices made (including the "2Worlds" securitisation obtaining the GACS) in order to achieve the strategic objectives defined in the Group's 2018-2020 business plan. In fact, the aforementioned plan reaffirmed the centrality of the credit chain as the main driver of profitability, while at the same time pursuing a reduction in overall risk exposure, accompanied by consistent prudential and conservative management of the proprietary securities portfolio.

The analysis of the final results reported at 30 June 2018 therefore gave further impetus to the implementation of the initiatives aimed at protecting assets, including the finalisation, also through an independent external advisor, of a specific assessment relating to the overall strategic management of the Group's investment activities in order to identify possible interventions to redefine the business models of the proprietary securities portfolio. Therefore, on 26 September 2018, the Board of Directors of Banco di Desio e della Brianza met to discuss, among other things, the results of the aforementioned assessment on investment activities; in this context, the logic underlying the Finance Area's operations was critically reviewed, with particular regard to the risk profile expressed by the groups of financial assets allocated to the various business models.

The examination carried out showed how the investment policies implemented led to situations of misalignment, sometimes significant, with respect to the objectives and strategic lines defined in the business plan with reference to the pursuit of a stable policy of strengthening capital requirements. In light of the conclusions reached, the bank, in reaffirming the need to maintain a particularly prudent risk profile in the management of its securities portfolio, has therefore opted for a more decisive management strategy aimed at favouring stability in the collection of cash flows in the medium-long term of the securities portfolio and thus mitigating the risks of weakening capital requirements (albeit to the detriment of the possibility of seizing any market opportunities).

Operationally, this necessarily entailed a change of approach in the overall financial asset management process:

- by favouring the HTC portfolio as a category for investment purposes, so as to ensure on the one hand, determined and stable cash flows with low risk-taking and on the other hand, management of investments more consistent with financing sources increasingly oriented towards medium- to long-term stability (issuance of covered bonds, EMTN programme),
- the HTC&S portfolio, which showed a strong sensitivity to market risk, as a category intended for short-term treasury activities characterised by a "residual" nature compared to the past,
- the FVTPL portfolio to exploit market opportunities through trading activities from a short/very short term (intraday) perspective according to a defined and limited exposure to market risks (marginal activity with respect to the Group's core business).

In order to ensure consistent management of the new business models, the organisational structure of the Parent Company's Finance Area was changed, which, as of 27 September 2018, is divided into three distinct sectors (respectively "ALM" for medium-long term investments, "Trading" and "Treasury", the last two of which are operational for the needs of Banco di Desio e della Brianza alone in a centralised Group logic. The change in the business models therefore entailed a redefinition/integration of the previously established operating limits due to the new financial asset management processes that were defined, as well as the reporting produced by the Finance Area, and the primary indicators set forth in the Risk Appetite Framework were integrated.

Also from an operational point of view, the management drivers/objectives associated with the new business models led to the need to review the allocation of financial assets between the different portfolios, according to the specific characteristics of each financial instrument with respect to the new holding purposes, as a result of which about 74% of the HTC&S portfolio in existence at the date the change in business models was resolved was associated with the HTC/ALM portfolio.

In order to make the new models for managing investment activities immediately operational, changes were approved to the Banco Desio Group's highest level internal regulations (e.g. IFRS 9 methodological framework, group risk management policy, operating limits policy, etc.) and consequently, changes/additions were made to the Finance Area's detailed internal regulations with reference to the process regulation for managing the Group's treasury and proprietary securities portfolio.

The accounting effects of this transaction, which were exclusively of an equity nature, took place as of 1 October 2018, the "reclassification date" on which the conditions set out in IFRS 9 for a change in business model (in terms of rarity of occurrence, decision taken by senior management as a result of external or internal changes, significance[16] for the transactions, demonstrability to external parties) were met.

The financial instruments subject to the change of business model from HTC&S to HTC were mainly sovereign debt and corporate bonds with a total nominal value of Euro 936 million for the Parent Company Banco Desio. The related cumulative loss at the date of reclassification of Euro 41.5 million (gross of the related tax effect), previously recognised in other comprehensive income (valuation reserve), is derecognised from equity as a balancing entry to the fair value of the same financial instruments, which are consequently recognised as if they had always been measured at amortised cost.

In December 2019, the Finance Area, in cooperation with the Chief Risk Officer, concluded the annual analysis relating to the review of the limits and operational thresholds of the proprietary securities portfolio, which took into account, in particular, the changes introduced in the meantime to the Eurozone monetary policy. This analysis was submitted to the Board of Directors of Banco Desio held on 12 December 2019, which, following the discussion held on the matter, approved the proposal aimed at updating (in accordance with the provisions of paragraph B4.1.2C of IFRS 9) the operating thresholds of the proprietary securities portfolio, effective from 1 January 2020, in order to align the composition of the individual portfolios as much as possible with the identified management purposes and thus allow their effective pursuit on an ongoing basis. More specifically:

- with reference to the FVTPL portfolio: increase of the daily stop-loss limit while keeping the other VAR and periodic stop-loss limits unchanged;
- with reference to the HTC&S portfolio: (a) increasing the maximum duration of the portfolio, (b) increasing the maximum residual life of the securities to be held, and (c) establishing a maximum limit that may be invested in securities rated below investment grade at the time of purchase, but at least BB- or Ba3;
- with reference to the HTC portfolio: (a) differentiation of the weight of sales as the modified duration of the securities in the portfolio decreases, subject to the threshold of relevance of sales at 5%

[16] In order to specifically assess the significance/relevance of the change in business models, reference was made to the IASB "2018 Conceptual Framework for Financial Reporting" and therefore to the expectations of financial statement users in relation to the amounts that they consider relevant, so in this case, for the Banco Desio Group and for the individual bank concerned, quantitative elements were used, such as the size of the HTC&S portfolio potentially subject to reallocation, which was placed in relation to balance sheet figures such as the entire HTC&S portfolio, total financial assets other than loans, total assets and book equity at 30 June 2018. In consideration of the strong risk sensitivity demonstrated by the HTC&S portfolio, associated with the dual purpose of holding financial assets to collect cash flows or take advantage of possible market opportunities to make sales, the "significance for transactions" was also considered in terms of the incidence of the OCI valuation reserve pertaining to the securities potentially subject to reallocation with respect to the book equity at 30 June 2018, 31 July 2018 and 31 August 2018, demonstrating, moreover, a non-negligible volatility effect on the asset size over a three-month period. The final figures at 30 September 2018 further corroborated the analyses carried out for the purpose of the resolutions passed on 26 September 2018.

(relevance threshold), and (b) better to set at 12 the annual executions regardless of the number of positions in the portfolio (frequency threshold).

Taking into account the returns offered by the market for the asset classes to which the Bank has the greatest exposure, in June 2020 and December 2021, the Board of Directors approved an update to the operating limits of the held-to-collect & sell (HTC&S) and trading books in order to make their composition as close as possible to the business model management objectives declared in the assessment approved by the Board of Directors on 26 September 2018 in light of the developments that have occurred in the financial markets in the meantime.

Information on the effective interest rate determined at the date of the reclassification (as per IFRS 7, paragraph 12C, letter a) is not relevant as it is not required for the type of reclassification that has been made.

A.4 INFORMATION ON FAIR VALUE

Qualitative information

In IFRS 13 "Fair Value Measurement", fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants (exit price). The definition of fair value in IFRS 13 makes it clear that the measurement techniques are market based and not entity specific.

The stated accounting standard requires disclosure of both information regarding measurement techniques and parameters used to value assets and liabilities measured at fair value on a recurring or non-recurring basis after initial recognition, and information regarding the effects on comprehensive income of valuing instruments measured using unobservable parameters to an effective extent.

When no price is observable for an identical asset or liability, fair value is measured by applying a measurement technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

According to IFRS 13 and for the purpose of determining the fair value of OTC derivatives, counterparty risk must be considered.

The fair value hierarchy has 3 levels. Highest priority is given to listed (unadjusted) prices in active markets for identical assets or liabilities (*Level 1* data) and lowest priority to unobservable inputs (*Level 2* and *3* data). The fair value hierarchy prioritises the inputs to measurement techniques and not the techniques used to measure fair value. A fair value measurement developed using a present value technique could therefore be classified in Level 2 or Level 3, depending on the significant inputs to the entire measurement and the level of the *fair value* hierarchy in which those inputs are classified.

Fair value determined with level 1 inputs

Fair value is *level 1* if determined on the basis of listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A listed price in an active market provides the most reliable evidence of fair value and, when available, should be used without adjustment.

An active market is one in which transactions in the asset or liability occur with sufficient frequency and volume to provide useful pricing information on an ongoing basis.

The key elements are as follows:

- 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;
- whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

The main market is the one with the largest volume and the highest level of assets or liabilities. In its absence, the most advantageous market is the one that maximises the amount that would be received for selling the asset or minimises the amount that would be paid for transferring the liabilities.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

The fair value of financial assets and liabilities is determined using measurement techniques related to the type of financial instrument measured.

For *Level 2* fair value, measurements supported by external info providers and internal applications using directly or indirectly observable inputs for the asset or liability are used, and include:

- listed prices for similar assets or liabilities in active markets;
- listed prices for identical or similar assets or liabilities in inactive markets;
- data other than observable listed prices for the asset or liability, for example:
    - o interest rates and yield curves observable at commonly intervals;

  - implied volatilities;
  - credit spreads;
- input corroborated by the market.

For *Level 3* fair value, unobservable inputs are used for the asset or liability. The use of such inputs, including those from internal sources, is permissible where observable market information useful for estimation is not available and must reflect the assumptions market participants would make in determining the price.

For *Level 3* fair value and with specific reference to OTC derivatives in foreign currencies, the input inherent in the credit spread for non-institutional customers is provided by the internal rating model, which classifies each counterparty into risk classes with homogeneous probability of default.

It is also worth noting the application of the Credit Value Adjustment (CVA) model for OTC derivatives with the aim of highlighting the impact of the counterparty's credit quality, an intrinsic factor in the pricing of bond instruments but not in derivatives. The method implemented consists of determining the fair value by discounting the positive Mark to Market (MTM) of the derivative with the credit spread weighted by the residual life of the instrument.

In relation, on the other hand, to OTC derivatives with negative Mark to Market (MTM), the model applied is the Debit Value Adjustment (DVA) with the aim of highlighting the impact of the quality of creditworthiness. The model involves applying the same CVA discount formula to the negative value (MTM) of the derivative with the inclusion of the bank's credit spread.

It should be noted that, in applying both models (CVA and DVA) and for the purpose of determining the impact of the counterparty's credit quality, i.e. the quality of its creditworthiness, the credit risk-reducing effect of collateralisation agreements (CSA) is taken into account.

The fair value of non-financial assets and liabilities (receivables and payables) is determined using the DCF (discounted cash flow) method of analysis; the module in use allows for the consistent integration of market elements, financial characteristics of the transaction and credit risk components into the fair value measurement.

With reference to "assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis" for which fair value is provided for note disclosure purposes only, the following should be noted:

- for loans, the fair value is calculated for positions performing beyond the short term using a measurement technique that provides for the discounting of expected cash flows considering, other than the free risk rate, the credit risk of the relationship (in terms of PD and LGD recorded in 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 as Level 3, unless the significance of the observable inputs with respect to the entire valuation exceeds a pre-determined threshold (Level 2), or in the case of discontinued operations/transactions in progress at the reporting date (Level 1). Taking into account the current credit market context, with particular reference to non-performing loans, this fair value (Level 2 and 3), determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser;
- payables and certificates of deposit issued by Group banks are stated at their carrying amount, which is a reasonable approximation of fair value (Level 3);
- for bonds issued by Group banks, fair value is calculated using the discounted cash flow method, applying a credit spread (Level 2);
- tangible assets held for investment purposes: fair value is determined on the basis of an estimate made using a series of information sources relating to the real estate market and making the appropriate

adjustments/increases in relation to parameters such as location, size, age, intended use of the premises and extraordinary maintenance, as well as by comparison with the estimate made by independent external experts (*Level 3*).

A.4.2 Valuation processes and sensitivities

The measurement techniques and inputs selected are used on a constant basis over time, unless circumstances arise that make it necessary to replace or modify them, such as: the development of new markets, the availability and/or unavailability of new information, or improvements in the measurement techniques themselves.

the process of evaluating financial instruments consists of the steps summarised below:

- for each asset class, market parameters and the manner in which these data are to be incorporated and utilised are identified;
- the market parameters used are checked both with regard to their integrity and in the way they are used;
- the methodologies used for valuations are compared with market practices in order to identify possible developments and define changes to valuations.

With reference to the financial instruments subject to fair value measurement on a recurring basis classified in Level 3, the sensitivity analysis is not provided due to their nature and, in any case, the irrelevance of the data except as indicated below.

A.4.3 Fair value hierarchy

With regard to financial assets and liabilities measured at fair value on a recurring basis, the classification based on the above hierarchy of levels reflects the significance of the inputs used in the valuations.

The loss of active market qualification for an asset or liability results in a change in the measurement technique and inputs used, causing the fair value to be ranked lower in the hierarchy.

The chosen measurement technique is used consistently over time, unless circumstances arise that make it necessary to replace it with another more significant one, such as the development of new markets, the availability of new information, or changes in market conditions. This implies that an asset or liability valued at different times may be classified at a different level of the hierarchy.

The application of the principles adopted for the determination of levels takes place monthly.

A.4.4 Other information

During the year under review, the process of classifying the fair value of loans was simplified for prudential purposes (exposing all loans to customers as L3), considering the parameter relating to PD not observable on an active market, hence the substantial difficulty of unambiguously demonstrating its relevance among the various parameters considered in determining fair value. The comparative figure has therefore also been restated.

Banco Desio

Quantitative information

A.4.5.1 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2022 L1	31.12.2022 L2	31.12.2022 L3	31.12.20211 L1	31.12.20211 L2	31.12.20211 L3
1. Financial assets measured at fair value through profit or loss	24,850	21,411	93,559	23,197	4,493	57,856
a) Financial assets held for trading	5,140	19,690	934	6,932	3,610	493
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	19,710	1,721	92,625	16,265	883	57,363
2. Financial assets measured at fair value through other comprehensive income	800,953	38,186	3,208	562,347	27,681	3,334
3. Hedging derivatives	-	59,099	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	825,803	118,696	96,767	585,544	32,174	61,190
1. Financial liabilities held for trading	-	3,278	852	-	5,461	441
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	365	-
Total	-	3,278	852	-	5,826	441

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

Investments measured on the basis of unobservable parameters (level 3) constitute a limited portion of all Assets measured at fair value (9.3% at 31 December 2022 compared to 9.0% the previous year). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 31 December 2022, the impact of the application of the Credit Value Adjustment and the Debit Value Adjustment on the balance sheet values was not calculated as all derivative contracts in place are backed by collateralisation agreements with counterparties to mitigate credit risk (CSA agreements).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	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 measured at fair value				
1. Opening balance	**57,856**	**493**	**-**	**57,363**	**3,334**	**-**	**-**	**-**
2. Increases	**46,188**	**934**	**-**	**45,254**	**0**	**-**	**-**	**-**
2.1. Purchases	44,768	14	-	44,754	-	-	-	-
2.2. Profits recognised in:	1,420	920	-	500	0	-	-	-
2.2.1. Income Statement	1,420	920	-	500	-	-	-	-
- of which gains	1,406	920	-	486	-	-	-	-
2.2.2. Equity	-	X	X	-	0	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**10,485**	**493**	**-**	**9,992**	**126**	**-**	**-**	**-**
3.1. Sales	72	-	-	72	0	-	-	-
3.2. Reimbursements	-	-	-	-	90	-	-	-
3.3. Losses recognised in:	8,922	493	-	8,429	30	-	-	-
3.3.1. Income Statement	8,922	493	-	8,429	-	-	-	-
- of which losses	8,922	493	-	8,429	-	-	-	-
3.3.2. Equity	-	X	X	-	30	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,491	-	-	1,491	6	-	-	-
4. Closing balance	**93,559**	**934**	**-**	**92,625**	**3,208**	**-**	**-**	**-**

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A.4.5.3 Annual changes in 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	**852**	**-**	**-**
2.1 Issuances	-	-	-
2.2. Losses recognised in:	852	-	-
2.2.1. Income Statement	852	-	-
- of which losses	852	-	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**441**	**-**	**-**
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	441	-	-
3.3.1. Income Statement	441	-	-
- of which gains	441	-	-
3.3.2. Equity	X	-	-
3.4. Transfer to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**852**	**-**	**-**

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2022				31.12.2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	14,607,118	1,922,475	754,119	11,177,026	16,270,180	2,271,870	791,597	13,444,213
2. Tangible assets held for investment purposes	1,805			2,867	2,502			2,823
3. Non-current assets and groups of assets held for sale	1			1	13,080			13,080
Total	**14,608,924**	**1,922,475**	**754,119**	**11,179,894**	**16,285,762**	**2,271,870**	**791,597**	**13,460,116**
1. Financial liabilities measured at amortised cost	16,084,785		1,493,586	14,553,211	16,314,213		1,513,377	14,798,919
2. Liabilities related to assets held for sale	11			11				
Total	**16,084,796**	**-**	**1,493,586**	**14,553,222**	**16,314,213**	**-**	**1,513,377**	**14,798,919**

Key

CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 INFORMATION ON THE *"DAY ONE PROFIT/LOSS"*

IFRS9 - Financial Instruments requires that the initial recognition value of a financial instrument is equal to its fair value, which is usually the transaction price (i.e. the amount disbursed for financial assets and the amount received for financial liabilities). This statement is verified for transactions in instruments listed in an active market. If the market for such a financial instrument is not active, the fair value of the instrument must be determined using measurement techniques. If there is a difference (so-called "day one profit/loss") between the transaction price and the amount determined at initial recognition through the use of measurement techniques, and this difference is not immediately recognised in the income statement, it is necessary to provide the disclosures required by paragraph 28 of IFRS 7 indicating the accounting policies adopted to recognise the differences thus determined in the Income Statement, subsequent to the initial recognition of the instrument.

In relation to the operations performed and on the basis of the internal measurement methods currently in use, the fair value of financial instruments at initial recognition generally coincides with the transaction price. However, if a difference has been recognised between the transaction price and the amount determined through the use of measurement techniques, this difference has been recognised immediately in the Income Statement.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2022	31.12.2021
a) Cash	55,362	52,903
b) Current accounts and demand deposits with central banks	765,043	-
c) Current accounts and demand deposits with banks	59,009	31,392
Total	**879,414**	**84,295**

In Asset item 10. "Cash and cash equivalents" - the amount on demand of Euro 765 million was recognised in respect of cash in excess of the commitment to maintain the compulsory reserve at the reporting date invested in overnight deposits and previously held entirely in the Compulsory reserve account and recognised under item 40.a) "Loans with banks".

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	-	17,994	-	-	3,600	-
1.1 Structured securities	-	876	-	-	-	-
1.2 Other debt securities	-	17,118	-	-	3,600	-
2. Equity securities	4,648	-	-	4,668	-	-
3. UCITS units	482	-	-	2,151	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**5,130**	**17,994**	**-**	**6,819**	**3,600**	**-**
B. Derivative instruments						
1. Financial derivatives	10	1,696	934	113	10	493
1.1 for trading	10	1,696	934	113	10	493
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**10**	**1,696**	**934**	**113**	**10**	**493**
Total (A+B)	**5,140**	**19,690**	**934**	**6,932**	**3,610**	**493**

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

Item 20 "Financial assets held for trading" comprises:
c) on-balance sheet assets held for trading purposes;
d) the positive value of derivative contracts put in place for trading purposes.

The criteria adopted for the classification of financial instruments into the three levels of the "fair value hierarchy" are set out in Section "A.4 Fair value disclosures" of Part A "Accounting Policies" of the Notes to the Financial Statements above

All financial instruments recorded under financial assets held for trading are valued at their fair value.

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Values	31.12.2022	31.12.2021
A. On-balance sheet assets		
1. Debt securities	**17,994**	**3,600**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	13,372	3,600
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	4,622	-
2. Equity securities	**4,648**	**4,668**
a) Banks	686	541
b) Other financial companies	746	1,209
of which: insurance companies	-	-
c) Non-financial companies	3,216	2,918
d) Other issuers	-	-
3. UCITS units	**482**	**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)	**23,124**	**10,419**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central counterparties	-	-
b) Other	2,640	616
Total (B)	**2,640**	**616**
Total (A+B)	**25,764**	**11,035**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**665**	**-**	**-**	**883**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	665	-	-	883	-
2. Equity securities	**-**	**1,056**	**-**	**-**	**-**	**-**
3. UCITS units	**19,710**	**-**	**92,625**	**16,265**	**-**	**57,363**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**19,710**	**1,721**	**92,625**	**16,265**	**883**	**57,363**

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

The item "Financial assets mandatorily measured at fair value" mainly comprises units of UCITS not held for trading purposes. These instruments, by their nature, do not pass the SPPI test (solely payments of principal and interest) required by IFRS9 "Financial Instruments". This item includes units of closed-end funds subscribed as a result of sales of non-performing loans to the funds themselves; the fair value of fund units (level 3) is determined by applying the bank's policies for this type of financial instrument.

In particular, during 2022, sales of receivables for a nominal value of Euro 67,884 thousand were completed with subscription of Closed-end Fund units for Euro 35,006 thousand, valued in accordance with the Group's fair value policies.

In addition, subscriptions in the open-end Planetarium Fund - Anthilia White and Planetarium Fund - Anthilia Yellow for a countervalue of Euro 7,000 thousand should be noted.

The sub-item "Equity securities" includes the value of the investment acquired in Yolo Group, which is further disclosed in Section 7 - Investments.

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

	31.12.2022	31.12.2021
1. Equity securities	**1,056**	**-**
of which: banks	-	-
of which: other financial companies	1,056	-
of which: non-financial companies	-	-
2. Debt securities	**665**	**883**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	665	883
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**112,335**	**73,628**
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	**114,056**	**74,511**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Values	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**799,659**	**28,186**	**-**	**562,178**	**17,681**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	799,659	28,186	-	562,178	17,681	-
2. Equity securities	**1,294**	**10,000**	**3,208**	**169**	**10,000**	**3,334**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**800,953**	**38,186**	**3,208**	**562,347**	**27,681**	**3,334**

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

The item "Financial assets measured at fair value through other comprehensive income" include:

- the bond portfolio not held for trading purposes and not held with the exclusive intention of collecting contractual cash flows;
- shares in non-subsidiaries and non-associates for which there was adoption of the so-called "FVOCI option".

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Values	31.12.2022	31.12.2021
1. Debt securities	**827,845**	**579,859**
a) Central banks	-	-
b) Public administrations	798,840	561,060
c) Banks	28,239	18,799
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	766	-
2. Equity securities	**14,502**	**13,503**
a) Banks	10,000	10,000
b) Other issuers:	4,502	3,503
- other financial companies	3,406	2,224
of which: insurance companies	-	-
- non-financial companies	1,096	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	**842,347**	**593,362**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total value adjustments

		Gross amount					Total value adjustments				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Total partial write-offs
Debt securities		828,168	828,168	-	-	-	323	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**31.12.2022**	**828,168**	**828,168**	**-**	**-**	**-**	**323**	**-**	**-**	**-**	**-**
Total	**31.12.2021**	**580,022**	**580,022**	**-**	**-**	**-**	**163**	**-**	**-**	**-**	**-**

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: composition by type of loans with banks

Type of transactions/Values	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans with Central Banks	**83,020**	**-**	**-**	**-**	**-**	**83,020**	**1,921,557**	**-**	**-**	**-**	**-**	**1,921,557**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	83,020	-	-	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. Loans with banks	**505,675**	**-**	**-**	**-**	**403,013**	**76,545**	**523,692**	**-**	**-**	**-**	**365,651**	**163,850**
1. Loans	74,745	-	-	-	-	74,745	162,050	-	-	-	-	162,050
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	9,390	-	-	X	X	X	53,209	-	-	X	X	X
1.3. Other loans:	65,355	-	-	X	X	X	108,841	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
– Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	65,355	-	-	X	X	X	108,841	-	-	X	X	X
2. Debt securities	430,930	-	-	-	403,013	1,800	361,642	-	-	-	365,651	1,800
2.1 Structured securities	5,709	-	-	-	5,223	-	3,974	-	-	-	4,007	-
2.2 Other debt securities	425,221	-	-	-	397,790	1,800	357,668	-	-	-	361,644	1,800
Total	**588,695**	**-**	**-**	**-**	**403,013**	**159,565**	**2,445,249**	**-**	**-**	**-**	**365,651**	**2,085,407**

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

The balance of the item "Loans with Central Banks" includes the amount of the Compulsory reserve with the Bank of Italy. The punctual balance, within the framework of compliance with the average maintenance level required by the regulations, may deviate, even with significant variations, in relation to the Bank's contingent treasury needs.

The Bank's commitment to maintain the Compulsory reserve amounted to Euro 104.7 million at 31 December (Euro 103.9 million at December 2021).

The balances of item "B. Loans with banks" are shown net of value adjustments resulting from the application of models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Loans with banks do not include any loans that can be classified as impaired assets.

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

On the other hand, this item of the financial statements does not show the amount on demand of Euro 765 million relating to cash in excess of the Compulsory reserve at the reporting date as it is invested in overnight deposits and therefore reported under item 10. "Cash and cash equivalents".

The segmentation into stages is done in accordance with the following requirements of the accounting standard "IFRS 9 Financial Instruments" in force since 1 January 2018:

d) stage 1 for exposures with performance in line with expectations;
e) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
f) stage 3 for non-performing exposures.

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

Type of transactions/ Values	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**11,277,374**	**187,370**	**7,464**	**-**	**-**	**10,931,746**	**10,838,026**	**220,143**	**9,598**	**-**	**-**	**11,283,330**
1.1. Current accounts	1,976,880	15,360	95	X	X	X	1,772,859	42,010	161	X	**X**	X
1.2. Reverse repurchase agreements	30,022	-	-	X	X	X	-	-	-	X	**X**	X
1.3. Mortgages	7,899,701	163,627	7,240	X	X	X	7,943,255	169,031	9,284	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	142,440	865	5	X	X	X	66,970	410	12	X	X	X
1.5 Loans for leases	146,292	4,735	-	X	X	X	151,439	5,146	-	X	X	X
1.6. Factoring	93,614	180	-	X	X	X	76,935	107	-	X	X	X
1.7. Other loans	988,425	2,603	124	X	X	X	826,568	3,439	141	X	X	X
2. Debt securities	**2,546,215**	**-**	**-**	**1,922,475**	**351,106**	**85,715**	**2,757,165**	**-**	**-**	**2,271,870**	**425,946**	**75,476**
1. Structured securities	1,972	-	-	-	2,012	-	-	-	-	-	-	-
2. Other debt securities	2,544,243	-	-	1,922,475	349,094	85,715	2,757,165	-	-	2,271,870	425,946	75,476
Total	**13,823,589**	**187,370**	**7,464**	**1,922,475**	**351,106**	**11,017,461**	**13,595,191**	**220,143**	**9,598**	**2,271,870**	**425,946**	**11,358,806**

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

The composition of loans to customers by type at 31 December 2022 reflects the initiatives undertaken by the Bank to offer concrete support to the production system and households.

Gross loans totalled Euro 11,764,818 thousand (formerly Euro 11,408,964 thousand at the end of last year), of which Euro 11,380,226 thousand (formerly Euro 10,943,969 thousand) related to performing loans and Euro 384,592 thousand (formerly Euro 464,995 thousand) to non-performing loans.

Total value adjustments related to the same loans amounted to Euro 292,610 thousand (formerly Euro 341,197 thousand), of which Euro 193,005 thousand (formerly Euro 238,905 thousand) related to non-performing loans and Euro 99,605 thousand (formerly Euro 102,292 thousand) to performing loans.

With regard to the credit assessment processes please refer to the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in Section 5 - Other aspects of Part A of the Consolidated financial statements.

The table also includes the amounts of transferred receivables that were not written off and constituted eligible assets for the Guaranteed Bank Bonds (G-Bonds) issue programme; at 31 December 2022, these receivables amounted to Euro 1,663,082 thousand (Euro 1,491,336 thousand at 31 December 2021).

It is also noted that the sub-item "Mortgages" includes the amount of mortgages collateralised with the European Central Bank (through the A.Ba.Co. procedure) for Euro 2,964,359 thousand (Euro 3,177,848 thousand at 31 December 2021).

On the other hand, the sub-item "Other loans" includes financing transactions other than those indicated in the previous sub-items (e.g. bullet loans, advances on invoices and bills subject to collection, import/export advances and other miscellaneous items).

Receivables from companies belonging to the Banco Desio Group amounted to Euro 1,067,153 thousand, all referring to the subsidiary Fides S.p.A.

This item also includes interest counted at 31 December 2022 and due on 1 March of the year subsequent to the year in which it accrued following the application of the rules for the computation of interest in banking transactions defined in Decree No. 343/2016 of the MEF, implementing Article 120 paragraph 2 of the Consolidated Law on Banking (T.U.B.).

The item "of which purchased or originated impaired" includes those financing lines originated as part of "forbearances" made on non-performing loans.

The fair value of loans is calculated for performing positions over the short term using a measurement technique that involves discounting expected cash flows considering the credit risk of the relationship, while for non-performing and short-term performing positions the carrying amount is considered a reasonable approximation of fair value. Taking into account the current credit market context, with particular reference to non-performing loans, this fair value, determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser.

Item "2. Debt securities" includes securities held under 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 value adjustments resulting from the application of the new models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments". Included in this portfolio are Euro 148,714 thousand of senior securities issued by the securitisation vehicle "2Worlds s.r.l." following the sale of non-performing loans through recourse to the "GACS" scheme in 2018.

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

Type of transactions/Values	31.12.2022			31.12.2021		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**2,546,215**	**-**	**-**	**2,757,165**	**-**	**-**
a) Public administrations	2,084,411	-	-	2,250,151	-	-
b) Other financial companies	398,569	-	-	453,277	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	63,235	-	-	53,737	-	-
2. Loans to:	**11,277,374**	**187,370**	**7,464**	**10,838,026**	**220,143**	**9,598**
a) Public administrations	184,519	251	18	114,997	177	15
b) Other financial companies	1,279,813	1,091	-	1,068,541	2,067	-
of which: insurance companies	5,157	-	-	4,904	-	-
c) Non-financial companies	5,938,939	116,082	3,111	5,994,291	131,061	4,513
d) Households	3,874,103	69,946	4,335	3,660,197	86,838	5,070
Total	**13,823,589**	**187,370**	**7,464**	**13,595,191**	**220,143**	**9,598**

4.4 Financial assets measured at amortised cost: gross amount and total value adjustments

		Gross amount					Total value adjustments				Total partial write-offs
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		2,983,371	2,983,371	-	-	-	6,226	-	-	-	**-**
Loans		9,401,223	59,479	2,133,581	377,868	10,070	13,491	86,175	190,497	2,606	**1,882**
Total	**31.12.2022**	**12,384,594**	**3,042,850**	**2,133,581**	**377,868**	**10,070**	**19,717**	**86,175**	**190,497**	**2,606**	**1,882**
Total	**31.12.2021**	**14,330,662**	**3,120,874**	**1,814,632**	**455,362**	**13,406**	**20,402**	**84,452**	**235,219**	**3,808**	**6,371**

The table provides the breakdown of exposures measured at amortised cost (both to banks and customers) and the related value adjustments in the three stages with increasing levels of credit risk (due to changes over time) provided for in IFRS 9 "Financial Instruments". In particular, the segmentation into stages takes place according to the following requirements:

j) stage 1 for exposures with performance in line with expectations;
k) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
l) stage 3 for non-performing exposures.

The stage allocation is relevant for the application of the impairment calculation model based on expected losses, determined on the basis of past events, current conditions and reasonable and "supportable" future forecasts (current model based on incurred but unrecorded losses). In particular, the expected loss calculation model is characterised by the following aspects:

- expected loss calculation horizon of one year (stage 1) or lifetime (stages 2 and 3);

- inclusion of forward-looking components, i.e. expected changes in the macroeconomic scenario, in the impairment calculation model.

With reference to debt securities only, the so-called "low credit risk exemption", under which exposures are identified as low credit risk exposures and therefore to be considered in stage 1 if, at each reporting date, they are rated investment grade or better (or similar quality), regardless of whether or not the rating has deteriorated since the time of purchase of the security.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross amount and total value adjustments

	Gross amount					Total value adjustments				
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Total partial write-offs*
1. Forborne loans in compliance with GL	2,321	-	5,197	1,134	-	5	561	335	0	0
2. Loans subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	0	0
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	0	0
4. New loans	1,668,508	-	443,072	38,201	1,018	1,799	3,753	6,634	179	0
Total	**1,670,829**	**-**	**448,269**	**39,335**	**1,018**	**1,804**	**4,314**	**6,969**	**179**	**-**
Total	**2,114,707**	**-**	**847,479**	**46,562**	**1,855**	**2,964**	**50,846**	**13,369**	**285**	**0**

The stage 2 exposures shown in the table are affected by the management overlay with respect to both the staging allocation and the calculation of the expected model loss described in more detail in "Part E - Information on risks and related hedging policies".

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and level

	31.12.2022				31.12.2021			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		**59,099**		**855,000**	**-**	**-**	**-**	**-**
1) Fair value	-	39,088	-	605,000	-	-	-	-
2) Cash Flows	-	20,011	-	250,000	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash Flows	-	-	-	-	-	-	-	-
Total	**-**	**59,099**	**-**	**855,000**	**-**	**-**	**-**	**-**

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

The global economic and political context has been under severe stress over the past two years, ultimately caused by the recent war events.

In order to respond to a series of exogenous shocks, the European Central Bank implemented a restrictive monetary policy by raising interest rates in 2022.

In this context of rising rates, Banco Desio has put in place a strategy to hedge its assets.

In particular, the item includes:

- the fair value of derivative financial instruments put in place to hedge the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge);
- the fair value of derivative financial instruments put in place to hedge fluctuations in market rates, in relation to fixed-rate mortgages with performing credit status concluded with customers; in the last quarter of the year, in fact, five derivative contracts of the Plain Vanilla Interest Rate Swap type with a total nominal value of Euro 250 million were stipulated in order to carry out "hedge accounting" according to an approach defined as Dynamic Macro Fair Value Hedge.

For further information, please refer to paragraph "A.4 - Information on fair value" in the Notes to the Financial Statements Part A - Accounting policies.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (carrying amount)

Transactions/Type of hedge	Fair Value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	X	-	X	X
2. Financial assets measured at amortised cost	39,088	-	-	X	-	X	20,011	X	X
3. Portfolio	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	39,088	-	-	-	-	-	20,011	-	-
Financial liabilities	-	-	-	X	-	X	-	X	X
Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	X
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 6 - Value adjustments of financial assets with macro hedge - Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Value adjustment of hedged assets/Values	31.12.2022	31.12.2021
1. Positive adjustment	**380**	**502**
1.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	380	502
2. Negative adjustment	**(19,973)**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	(19,973)	-
Total	**(19,593)**	**502**

The value adjustment of financial assets with macro hedge refers mainly to changes in fair value, between the date the hedging relationships were entered into and the date of 31 December 2022 of the portfolios, of the mortgage portfolios identified as hedged.

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Section 7 - Investments - Item 70

7.1 Investments: information on shareholdings

Company names	Registered office	Operational office	Investment %	Availability of votes %
A. Exclusively controlled companies				
Fides S.p.A.	Rome	Rome	100.000	100.000
Desio OBG S.r.l	Conegliano	Conegliano	60.000	60.000
C. Companies subject to significant influence				
Anthilia Capital Partners SGR S.p.A.	Milan	Milan	15.000	15.000

7.2 Significant investments: carrying amount, fair value and dividends received

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to Table 10.2 of the Consolidated Financial Statements of the Banco Desio Group.

7.3 Significant investments: accounting information

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to Table 10.3 of the Consolidated Financial Statements of the Banco Desio Group.

The impairment test on investments

In accordance with the provisions of IAS 36 and taking into account the indications recalled by the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test performed on the investments held at the reporting date is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each investment does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is higher.

As illustrated in the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Section 4 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the performance forecasts updated by management (from the 2021 - 2023 Business Plan) for the five-year period 2023 - 2027 on the basis of the results achieved in the meantime during the year, the 2023 budget approved by the Board of Directors on 15 December 2022, as well as the most recent market forecasts available.

In particular, pursuant to the aforementioned IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable value of investments was determined, where no fair value was available from transactions concerning the target subject to impairment or from market transactions concerning similar targets, by reference to value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

The impairment test was consequently performed on the basis of the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of the investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe referable to the year 2023 of the aforementioned 2021-2023 Business Plan is considered, as well as the further development of this plan, prepared by Management and approved by the Board of Directors on 7 February 2023, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity (Ke).

Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value of the Investment, determined, at the date of recognition, according to the procedure outlined above, is then compared with the carrying amount of the specific Investment, with the sole objective of verifying any impairment.

b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

Legal entity	Model	Database	CAGR RWA	Ke	g	Plan flows	Capital ratios
Fides S.p.A.	DDM	2023 Budget extended to 2027 (*)	8.4%	10.37%	2.06%	Net Results	Tier1 4.88% (**)

(*) 5-year forecasts, approved by the Board of Directors on 9 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) Allocated target capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum (current) CET1 levels at Group level CRR Brianza

The impairment test performed did not reveal the need to proceed with any write-downs for the aforementioned investment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions necessary to make the recoverable amount of investments equal to their carrying amount.

Investments	Decrease in % of Future Net Results (NR)	Increase in bps of the discount rate of future cash flows (FCFE)
Fides S.p.A.	60.22%	Over 1,000

7.4 Non-significant investments: accounting information

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to Table 10.4 of the Consolidated Financial Statements of the Banco Desio Group.

7.5 Investments: changes in the year

	Total 31.12.2022	Total 31.12.2021
A. Opening balance	**42,200**	**42,200**
B. Increases	**4,865**	**-**
B.1 Purchases	4,865	-
- of which business combinations	-	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	**47,065**	**42,200**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Under item "B. Increases", the amount of Euro 4,865 thousand refers to the recognition of the investment in Anthilia Capital Management SGR S.p.A., which, in consideration of the contents of the partnership agreements entered into (investment agreement, commercial framework agreement, shareholders' agreements), is of a strategic nature.

LIST OF INVESTMENTS AND SIGNIFICANT INVESTMENTS

List of controlling investments (Item 100. Investments)

(amounts in Euro)

Investments	*Number of shares or units*	*% investment*	*Nominal value investment*	*Carrying amount*
Subsidiaries				
Fides S.p.A.	35,000,000	100.000	35,000,000	42,193,729
Desio OBG S.r.l.	1	60.000	6,000	6,000
Associates				
Anthilia Capital Partners SGR S.p.A.	947,902	15.000	947,902	4,864,550
Total Item 100. Investments				**47,064,279**

List of investments (Item 20. Financial assets measured at fair value through profit or loss)

(amounts in Euro)

Investments	*Number of shares or units*	*% investment*	*Nominal value investment*	*Carrying amount*
Yolo Group S.p.A.	264,000	3.017	-	1,056,000
Total				**1,056,000**

List of investments (Item 30. Financial assets measured at fair value through other comprehensive income)

(amounts in Euro)

Investments	*Number of shares or units*	*% investment*	*Nominal value investment*	*Carrying amount*
Nexi S.p.A.	160,437	0.012	-	1,181,779
Bank of Italy	400	0.133	10,000,000	10,000,000
S.W.I.F.T.	*17*	*0.016*	*2,125*	*38,226*
Sviluppo Como - ComoNExt Spa	*150,000*	*1.542*	*150,000*	*150,000*
Unione Fiduciaria	*15,050*	*1.394*	*82,775*	*485,212*
Bancomat S.p.A.	*29,150*	*0.691*	*145,750*	*145,749*
Gepafin S.p.A.	*113,848*	*10.728*	*683,088*	*1,593,417*
CBI S.C.P.A.	*5,720*	*1.243*	*11,440*	*11,440*
Baires Produzioni S.r.l	*-*	*-*	*-*	*120,000*
Total				**13,725,823**

7.8 Significant restrictions

There are no significant restrictions (e.g. legal, contractual and regulatory restrictions) on the Parent Company's ability to access or utilise the Group's assets and settle its liabilities, such as, specifically, restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or restrictions on the transfer of funds in the form of dividends, loans or advances granted to (or by) other Group companies.

Section 8 - Tangible assets - Item 80

8.1 Tangible assets for functional use: breakdown of assets measured at cost

Assets/Values	31.12.2022	31.12.2021
1. Owned assets	**163,105**	**165,035**
a) land	52,553	52,553
b) buildings	92,959	95,846
c) furniture	3,454	3,680
d) electronic equipment	4,968	4,284
e) other	9,171	8,672
2. Rights of use acquired through leases	**52,729**	**50,481**
a) land	-	-
b) buildings	52,241	49,795
c) furniture	-	-
d) electronic equipment	-	-
e) other	488	686
Total	**215,834**	**215,516**
of which: obtained through enforcement of guarantees received	-	-

The measurement criterion used for land and buildings is the revalued value at 1 January 2004 on first-time application of IAS. When fully operational, the criterion adopted is cost; this criterion is also adopted for all other tangible assets.

The estimated useful life for the main categories of assets is established as follows:

- buildings: 50 years,
- office furniture, furnishings and various equipment, armoured counters and compasses, alarm systems: 10 years,
- terminals and PCs, mixed-use vehicles: 4 years.

Within the individual types of assets, where necessary, certain types are identified to which further specified useful lives are attributed.

Depreciation is calculated on a straight-line basis for all classes of tangible assets, except for land and works of art, which are not depreciated.

The table is shown net of fixed assets in the amount of Euro 1 thousand included in the transfer of Banco Desio's merchant acquiring business to Worldline Italia, reclassified pursuant to IFRS 5 under "Non-current assets and groups of assets held for sale.

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Item "2. Rights of use acquired through leases" includes, in application of IFRS16 "Leases" effective from 1 January 2019, assets consisting of the rights of use that are the subject of lease agreements (so-called "Right of Use Assets" or "RoU Assets"), calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

8.2 Tangible assets held for investment purposes: breakdown of assets measured at cost

Assets/Values	31.12.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**1,805**	**-**	**-**	**2,867**	**2,502**	**-**	**-**	**2,823**
a) land	723	-	-	1,127	1,052	-	-	1,187
b) buildings	1,082	-	-	1,740	1,450	-	-	1,636
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,805**	**-**	**-**	**2,867**	**2,502**	**-**	**-**	**2,823**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-	-	-

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

Commitments for purchases of tangible assets (IAS 16/74.c)

Note that at the end of the reporting period, there were no commitments for the purchase of tangible assets, other than those included in the Lanternina Transaction, for which reference is made to the information contained in "Part G - Business combination involving companies or business units" of the Notes.

8.3 Tangible assets for functional use: breakdown of revalued assets

At the reporting dates, the Bank held no revalued tangible assets for functional use.

8.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

At the reporting date, the Bank had no tangible assets held for investment purposes measured at fair value.

8.6 Tangible assets for functional use: changes in the year

Assets/Values	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**52,553**	**217,987**	**39,582**	**30,708**	**58,306**	**399,136**
A.1 Total net impairment	-	(72,346)	(35,902)	(26,424)	(48,948)	(183,620)
A.2 Net opening balances	**52,553**	**145,641**	**3,680**	**4,284**	**9,358**	**215,516**
B. Increases:	**-**	**12,038**	**355**	**3,892**	**2,497**	**18,782**
B.1 Purchases	-	2,345	203	2,210	2,402	7,160
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	9,693	152	1,682	95	11,622
C. Decreases:	**-**	**12,480**	**580**	**3,209**	**2,195**	**18,464**
C.1 Sales	-	-	153	1,686	113	1,952
C.2 Depreciation	-	11,639	427	1,522	2,074	15,662
C.3 Impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	1	-	1
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for sale	-	-	-	1	-	1
C.7 Other changes	-	841	-	-	8	849
D. Net closing balance	**52,553**	**145,199**	**3,455**	**4,967**	**9,660**	**215,834**
D.1 Total net impairment	-	(83,985)	(36,178)	(26,264)	(50,928)	(197,355)
D.2 Gross closing balance	**52,553**	**229,184**	**39,633**	**31,231**	**60,588**	**413,189**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Items A.1 and D.1 - "Total net impairment" show the amounts for total depreciation.

Items "B.7 Other changes", "C.1 Sales" and "C.7 Other changes" include:

- the effects of disposals and sales of tangible assets during the year; in particular, item "B.7 Other changes" includes the discharge of the accumulated depreciation of these disposed assets and item "C.7 Other changes" includes the discharge of the portion of historical cost already depreciated of the same assets. As a result of the aforementioned disposals, realised losses totalling Euro 23 thousand were recognised in the income statement under item 200 "Other operating income/expenses";
- the incremental or decremental effects of Lease Modifications during the year on the values of RoU Assets recognised in the financial statements in application of IFRS 16.

It should also be noted that item "C.7 Other changes" includes the effect of the non-repayable contribution, in the amount of Euro 564 thousand, that the Bank received in December 2022 from the Superintendence for Architectural Heritage of Umbria for the restoration of palazzo Pianciani located in Spoleto.
The amount has been deducted from the carrying amount of the property with a consequent adjustment of future depreciation allowances.

8.7 Tangible assets held for investment purposes: changes in the year

Assets/Values	Total	
	Land	Buildings
A. Gross opening balance	**1,052**	**1,450**
B. Increases	**-**	**198**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Positive changes in fair value	-	-
B.4 Reversals	-	-
B.5 Positive exchange rate differences	-	-
B.6 Reclassified from assets for functional use	-	-
B.7 Other changes	-	198
C. Decreases	**329**	**566**
C.1 Sales	329	522
C.2 Depreciation	-	44
C.3 Negative changes in fair value	-	-
C.4 Impairment	-	-
C.5 Negative exchange rate differences	-	-
C.6 Reclassified to:	-	-
a) properties for functional use	-	-
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**723**	**1,082**
E. Measurement at fair value	**1,127**	**1,740**

8.9 Commitments to purchase tangible assets

It should be noted that there were no commitments for the purchase of tangible assets at year-end.

OWNED PROPERTIES (excluding real estate under financial lease)

Location of the property		area in sqm office use	Net carrying amount (Euro thousands)
ALBINO	Viale Libertà 23/25	332	609
ARCORE	Via Casati, 7	362	482
BAREGGIO	Via Falcone, 14	200	241
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	720
BOLOGNA	Porta Santo Stefano,3	1,223	8,050
BOLOGNA SANTA VIOLA	Via Della Ferriera, 4	200	913
BOVISIO MASCIAGO	Via Garibaldi, 8	382	366
BRESCIA	Via Verdi, 1	720	2,689
BRIOSCO	Via Trieste, 14	430	356
BRUGHERIO	Viale Lombardia,216/218	425	1,108
BUSTO ARSIZIO	Via Volta, 1	456	896
CADORAGO	Via Mameli, 5	187	258
CANTU'	Via Manzoni, 41	1,749	1,932
CARATE BRIANZA	Via Azimonti, 2	773	843
CARUGATE	Via XX Settembre, 8	574	546
CARUGO	Via Cavour, 2	252	329
CASTELLANZA	Corso Matteotti, 18	337	364
CESANO MADERNO	Corso Roma, 15	692	759
CHIAVARI	Piazza Matteotti	68	904
CINISELLO BALSAMO	Via Frova, 1	729	791
CINISELLO BALSAMO	Piazza Gramsci	26	13
COLOGNO MONZESE	Via Cavallotti, 10	128	41
COMO	Via Garibaldi, corner of Via Varese	548	2,059
CUSANO MILANINO	Viale Matteotti, 39	522	597
DESIO	Piazza Conciliazione, 1	1,694	1,811
DESIO	Via Rovagnati, 1	20,032	25,608
DESIO	Via Volta, 96	238	512
GARBAGNATE	Via Varese, 1	400	1,034
GIUSSANO	Via Addolorata, 5	728	806
LECCO	Via Volta, corner of Via Montello	615	1,523
LEGNANO	Corso Italia, 8	1,545	2,338
LISSONE	Via San Carlo, 23	583	1,142
MEDA	Via Indipendenza, 60	678	694
MILAN	Via della Posta, 8	1,912	7,228
MILAN	Via Foppa, 5	223	714
MILAN	Via Menotti	825	2,702
MILAN	Via Moscova, 30/32	668	4,796
MILAN	Via Trau', 3	422	1,837
MILAN	Piazza De Angeli, 7/9	385	1,935
MISINTO	Piazza Mosca, 3	330	320
MODENA	Via Saragozza, 130	720	3,747
MONZA	Via Rota, 66	330	483
MONZA	Piazza S. Paolo, 5	496	3,311

Location of the property		area in sqm office use	Net carrying amount (Euro thousands)
NOVA MILANESE	Piazza Marconi, 5	526	588
NOVATE MILANESE	Via Matteotti, 7	462	591
ORIGGIO	Largo Croce, 6	574	663
PADUA	Via Matteotti, 26	550	3,114
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	574
PIACENZA	Via Vittorio Veneto,67/a	486	1,259
REGGIO EMILIA	Via Terrachini,1	713	2,324
RENATE	Piazza don Zanzi, 2	429	557
RHO	Via Martiri Libertà, 3	410	651
RUBIERA	Via Emilia Ovest, 7	310	1,225
SARONNO	Via Rimembranze, 42	530	670
SEGRATE	Via Cassanese, 200	170	257
SEREGNO	Via Trabattoni, 40	1,233	1,857
SESTO SAN GIOVANNI	Piazza Oldrini	377	777
SEVESO	Via Manzoni, 9	382	920
SOVICO	Via Frette, 10	673	929
TURIN	Via Filadelfia 136	370	1,549
VAREDO	Via Umberto I°, 123	501	453
VEDUGGIO	Via Vittorio Veneto, 51	257	208
VERANO BRIANZA	Via Preda, 17	322	336
VERANO BRIANZA	Via Furlanelli, 3	790	612
VIGEVANO	Via Decembrio, 21	655	1,810
VIMERCATE	Via Milano 6	338	836
AMELIA	Via Orvieto, 14	204	136
ASSISI	Piazza Santa Chiara, 19	464	637
BEVAGNA	Corso Matteotti, 36/38	103	129
CASCIA	Piazza G. Garibaldi, 1	372	179
CORCIANO	Via Gramsci, 2	290	177
EMPOLI	Via Busoni, 83/97	578	1,408
FOLIGNO	Via Cesare Battisti, 2	2,280	1,701
NORCIA	Corso Sertorio, 5	259	342
PERUGIA	C.so Vannucci, 30	901	1,729
PERUGIA	Via delle Marche, 26	113	112
PERUGIA	Via Tagliapietra,3	518	442
PERUGIA	Via Settevalli, 175	521	1,366
ROMA PRATI FISCALI	Via Val Maggia, 135	197	1,771
SCHEGGINO	Piazza del Mercato, 1	170	127
SPOLETO	Piazza Pianciani	8,423	17,674
SPOLETO	Via G. Marconi, 220	189	127
SPOLETO	Via Nursina, 1	815	1,063
SPOLETO	Viale Trento e Trieste	3,793	2,253
TERNI	Corso del Popolo, 45	1,895	2,355
TERNI	Via del Rivo, 104/F	180	176
TREVI	Piazza Garibaldi, 7	703	442
Sub total		**79,395**	**145,513**

Properties held for investment purposes

MEDA parking space	Via Indipendenza, 60	15	6
MILAN	1st floor Via Trau', 3	205	967
MONZA	Corso Milano, 47	453	755
FOLIGNO	Via Velino, 2	168	77
Sub total		**841**	**1,805**
Total		**80,236**	**147,318**

Statement of revaluations on assets recorded in the financial statements
(pursuant to Article 10 of Law No. 72 of 19/3/1983)

(amounts in Euro)

	Monetary revaluations			**Economic revaluations**		
	Law 576/75	Law 72/83	Law 413/91	Merger deficit	Revaluations Voluntary	**TOTAL**
DESIO, Via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO, P.zza Gramsci			1,173			1,173
CUSANO M.NO, Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU', Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE, Via XX Settembre			355		4,132	4,487
MILAN, Via della Posta			189,958		51,645	241,603
NOVATE M.SE, Via Matteotti			22,022	170,257		192,279
GIUSSANO, Via dell'Addolorata			26,067			26,067
MEDA, Via Indipendenza			51,616			51,616
MONZA, Corso Milano			227,521			227,521
BOVISIO, Via Garibaldi			26,357			26,357
PALAZZOLO M.SE, Via Monte Sabotino			24,339			24,339
LEGNANO, Corso Italia			176,676			176,676
SOVICO, Piazza Frette			62,703			62,703
Totals	**10,170**	**985,736**	**7,858,976**	**1,491,970**	**68,702**	**10,415,554**

Section 9 - Intangible Assets - Item 90

9.1 Intangible assets: breakdown by type of asset

Assets/Values	31.12.2022		31.12.2021	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill		**9,796**		**9,796**
A.2 Other intangible assets	**3,129**	**-**	**2,659**	**-**
of which: software	3,129	-	2,659	-
A.2.1 Assets measured at cost:	**3,129**	**-**	**2,659**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	3,129	-	2,659	-
A.2.2 Assets measured at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,129**	**9,796**	**2,659**	**9,796**

The Bank's intangible assets are measured at cost.

Goodwill recorded in the financial statements, as it has indefinite useful life, is not subject to systematic amortisation but is subject to an impairment test at least once a year and in particular for the purpose of preparing the financial statements or whenever circumstances arise that lead to the expectation of a reduction in value (see section below "Analysis of trigger events for goodwill impairment tests").
Other intangible assets are amortised on a straight-line basis over their useful life, which for premises vacancy allowances is estimated to be equal to the duration of the lease agreement, for machine-related software is 4 years, and for application software is 4 or 5 years, depending on the useful life further specified within the asset class.

The Goodwill Impairment Test

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on the Cash Generating Units (CGUs) is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

As illustrated in the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Section 4 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the updated performance forecasts developed by management (from the 2021 - 2023 Business Plan) for the five-year period 2023 - 2027 on the basis of the results achieved in the meantime during the year, the 2023 budget approved by the Board of Directors on 15 December 2022, as well as the most recent market forecasts available.

In particular, pursuant to IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable amount of CGUs was determined by reference to their value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

Consistently with what was done for the previous year's financial statements, the CGUs were identified with the individual legal entities, taking into account the fact that the Banking Group envisages a unitary strategic guidance and coordination activity by the Parent Company aimed at achieving development and profitability objectives at the level of each legal entity, and that as a result, there is an autonomous reporting of results (through management reporting systems) that sees the CGU coincide with the legal entity and, therefore, all management reporting, as well as budgeting activities, analyses, monitors and makes equity and profitability estimates according to this approach.

The impairment test was therefore conducted directly on the legal entity Banco di Desio e della Brianza Spa based on the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of goodwill belonging to the specific legal entity, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe referable to the year 2023 of the aforementioned 2021-2023 Business Plan is considered, as well as the further development of this plan, prepared by Management and approved by the Board of Directors on 7 February 2023, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the shorter time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity (Ke).

Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value of the CGU, determined at the date of recognition, based on the procedure outlined above, after deducting book equity, is then compared to the carrying amount of the specific goodwill belonging to the CGU in question, with the exclusive objective of verifying any impairment.

b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

CGU	Model	Database	CAGR RWA	Ke	g	Plan flows	Capital ratio
Banco di Desio e della Brianza S.p.A.	DDM	2023 Budget extended to 2027 (*)	2.4%	10.37%	2.06%	Net Results	Tier1 10.93 (**)

(*) 5-year forecasts, approved by the Board of Directors on 9 February 2023, which were developed by the management taking into account the results achieved in the financial year and the 2023 budget as well as the most recent market forecasts available

(**) Allocated target capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum (current) CET1 levels at Group level CRR Brianza

The impairment test performed did not reveal any need for goodwill impairment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions required to render the recoverable amount of the CGU less the equity allocated to it equal to the carrying amount of goodwill.

CGU	Decrease in % of Future Net Results (NR)	Increase in p.p. of the discount rate for future cash flows (FCFE)
Banco di Desio e della Brianza S.p.A.	32.21%	Over 1,000

9.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**11,940**	**-**	**-**	**22,059**	**-**	**33,999**
A.1 Total net impairment	(2,144)	-	-	(19,400)	-	(21,544)
A.2 Net opening balances	**9,796**	**-**	**-**	**2,659**	**-**	**12,455**
B. Increases	**-**	**-**	**-**	**2,020**	**-**	**2,020**
B.1 Purchases	-	-	-	2,020	-	2,020
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Reversals	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**1,550**	**-**	**1,550**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	1,550	-	1,550
- Amortisation	X	-	-	1,550	-	1,550
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	**-**	**-**	**-**	**-**	**-**	**-**
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**9,796**	**-**	**-**	**3,129**	**-**	**12,925**
D.1 Total net value adjustments	(2,144)	-	-	(20,949)	-	(23,093)
E. Gross closing balance	**11,940**	-	-	**24,078**	**-**	**36,018**
F. Measurement at cost	-	-	-	-	-	-

Key
DEF: definite duration
INDEF: indefinite duration

9.3 Other information

It should be noted that there were no commitments for the purchase of intangible assets at year-end.

Section 10 - Tax assets and tax liabilities - Item 100 of Assets and item 60 of Liabilities

10.1 Deferred tax assets: breakdown

	IRES	IRAP	31.12.2022	31.12.2021
A) balancing item in income statement:				
Tax losses				185
Tax-deductible goodwill	3,085	625	3,710	4,482
Impairment of loans to customers deductible on a straight-line basis	97,885	13,667	111,552	128,753
Lump-sum provision for bad debts	305		305	305
Impairment of loans to customers outstanding at 31.12.1994				
Statutory depreciation of tangible assets	333		333	282
Provision for commitment guarantees and country risk	972		972	1,116
Provision for personnel expenses	4,881	817	5,698	5,702
Provision for lawsuits	2,599		2,599	2,623
Provision for revocation	540	109	649	274
Provision for miscellaneous charges	1,970	303	2,273	1,564
Tax allocation for employee severance indemnity				
Other overheads deductible in the following year				
Other	4,629	937	5,566	4,928
Total A	**117,199**	**16,458**	**133,657**	**150,214**
B) balancing item in equity:				
Tax-deductible goodwill				91
Cash flow hedges				1,301
Tax allocation for employee severance indemnity	721		721	1,109
Impairment of securities classified at FVOCI	14,179	2,872	17,051	1,279
Tax-deductible goodwill	68	15	83	-
Total B	**14,968**	**2,887**	**17,855**	**3,780**
Total (A+B)	**132,167**	**19,345**	**151,512**	**153,994**

Probability test on advance taxation

In relation to the deferred tax assets described above, it should be noted that they refer for an amount of Euro 95,183 thousand to taxes pursuant to Law No. 214/2011, which has given certainty to the recovery of the same, making the probability test envisaged by IAS 12 Income Taxes automatically fulfilled.

In this regard, it should be noted that the Parent Company Banco di Desio e della Brianza S.p.A. is not required to pay the annual guarantee fee for the convertibility of deferred tax assets pursuant to Law No. 214/2011 into tax credits, introduced by Article 11 of Decree Law No. 59/2016, as the taxable base, calculated in accordance with the regulatory provisions, is negative.
Additional deferred tax assets in the amount of Euro 56,329 thousand, which do not fall within the scope of Law No. 214/2011, were recognised in consideration of the probability of their recovery, as it is expected that sufficient taxable income may become available in the future to recover the asset. In particular, an analysis was performed on deferred tax assets by type and timing of reabsorption, as well as the bank's future profitability and related taxable income on the basis of the economic-financial forecasts updated

by management for the five-year period 2023-27 for the purpose of performing the impairment test on goodwill, to which reference should be made. The analysis showed that future taxable income is such that the aforementioned deferred tax assets can be recovered.

10.2 Deferred tax liabilities: breakdown

	IRES	IRAP	31.12.2022	31.12.2021
A) balancing item in income statement:				
Tax depreciation of properties				
Tax depreciation of tangible assets		13	13	13
Tax amortisation of goodwill	19	4	23	12
Tax amortisation on deferred charges (software)				
Provision for taxation pursuant to Article 106(3)				
Other	746	6	752	650
Total A	**765**	**23**	**788**	**675**
B) balancing item in equity				
Cash flow hedges				1,201
Revaluation of securities classified at FVOCI	140	28	168	24
Revaluation of artistic heritage	51	10	61	61
Revaluation of investments	16		16	
Total B	**207**	**38**	**245**	**1,286**
Total (A+B)	**972**	**61**	**1,033**	**1,961**

10.3 Changes in deferred tax assets (balancing item in income statement)

	31.12.2022	31.12.2021
1. Opening balance	**150,215**	**181,650**
2. Increases	**11,385**	**9,515**
2.1 Deferred tax assets recognised in the year	11,216	9,383
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reversals	-	-
d) other	11,216	9,383
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	169	132
3. Decreases	**27,943**	**40,951**
3.1 Deferred tax assets derecognised in the year	27,347	29,110
a) reversals	27,347	29,110
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases:	596	11,841
a) transformation into tax credits of which as per Law 214/2011	346	11,841
b) other	250	-
4. Closing balance	**133,657**	**150,214**

Deferred tax assets recognised during the year mainly refer:

- for Euro 9,598 thousand to allocations to provisions for risks and charges and non-deductible personnel-related provisions;
- for Euro 1,368 thousand to non-deductible allocations to provisions for lawsuits and bankruptcy revocatory actions;
- for Euro 71 thousand to allocations to the provision for non-deductible tax disputes.

Item "2.3 Other increases" refers to the allocation of deferred tax assets as a result of the recalculation made when filing the 2021 tax return.

Deferred tax assets derecognised during the year are essentially due:

- for Euro 14,004 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 3,036 thousand to the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9;
- for Euro 8,867 thousand to the utilisation of taxed funds;
- for Euro 604 thousand to the utilisation of the ACE (Aid to Economic Growth) benefit not utilised in previous years.

Item "3.3 Other decreases" refers:

- for Euro 346 thousand to the credit related to the 2021 tax losses, which was converted into a tax credit pursuant to Article 2, paragraph 56-bis, of Decree Law No. 225/2010, from the date of submission of the tax return;
- for Euro 250 thousand to the reversal of deferred tax assets due to the recalculation made when filing the 2021 tax return.

10.3 bis Changes in deferred tax assets as per Law 214/2011

	31.12.2022	31.12.2021
1. Opening balance	**109,789**	**142,469**
2. Increases	**-**	**-**
- of which business combinations	-	-
3. Decreases	**14,606**	**32,680**
3.1 Reversals	14,260	20,839
3.2 Transformation into tax credits	346	11,841
a) resulting from losses for the year	-	-
b) resulting from tax losses	346	11,841
3.3 Other decreases	-	-
4. Closing balance	**95,183**	**109,789**

The item “3.1 Reversals” refers:

- for Euro 14,004 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 256 thousand to the amortisation of goodwill previously redeemed.

The item “3.2 Transformation into tax credits” refers to the credit related to the 2021 tax losses, transformed into a tax credit pursuant to Article 2, paragraph 56-bis, of Decree Law No. 225/2010, from the date of submission of the tax return.

10.4 Changes in deferred tax liabilities (balancing item in income statement)

	31.12.2022	31.12.2021
1. Opening balance	**675**	**9,722**
2. Increases	**113**	**703**
2.1 Deferred tax liabilities recognised in the year	113	703
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	113	703
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**9,750**
3.1 Deferred tax liabilities derecognised in the year	-	9,658
a) reversals	-	9,658
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	92
4. Closing balance	**788**	**675**

Deferred tax liabilities recognised in the year mainly refer to employee severance indemnity.

10.5 Changes in deferred tax assets (balancing item in equity)

	31.12.2022	31.12.2021
1. Opening balance	**3,779**	**2,563**
2. Increases	**15,920**	**1,258**
2.1 Deferred tax liabilities recognised in the year	15,920	1,258
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	15,920	1,258
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,845**	**41**
3.1 Deferred tax liabilities derecognised in the year	1,845	41
a) reversals	1,845	41
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**17,854**	**3,780**

Deferred tax assets recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax assets derecognised during the year mainly relate:

- for Euro 1,301 thousand to the change in the cash flow hedge reserve;
- for Euro 388 thousand to the valuation of the actuarial reserve for employee severance indemnity.

10.6 Changes in deferred tax liabilities (balancing item in equity)

	31.12.2022	31.12.2021
1. Opening balance	**1,285**	**3,768**
2. Increases	**173**	**364**
2.1 Deferred tax liabilities recognised in the year	173	364
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	173	364
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,213**	**2,846**
3.1 Deferred tax liabilities derecognised in the year	1,213	2,846
a) reversals	1,213	2,846
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**245**	**1,286**

Deferred tax liabilities recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).
Deferred tax liabilities derecognised during the year mainly relate to the change in the cash flow hedge reserve.

10.7 Other information

Current tax assets

Items	31.12.2022	31.12.2021
Ires	-	13,982
Irap	3,637	-
Total	**3,637**	**13,982**

Current tax liabilities

Items	31.12.2022	31.12.2021
Ires	44	-
Irap	-	1,809
Total	**44**	**1,809**

Section 11 - Non-current assets and groups of assets held for sale and related liabilities - Item 110 of Assets and Item 70 of Liabilities

The balance of "Non-current assets and groups of assets held for sale" amounting to Euro 1 thousand refers to fixed assets included in the transfer of Banco Desio's merchant acquiring business to Worldline Italia. for further information, please refer to the information contained in the paragraph "Strategic agreement with Worldline Italia on e-money/acquiring" included in the "Significant corporate events" section of the Report on Operations.
In the previous year, this item included non-performing loans, in the amount of Euro 13,080 thousand, measured at the realisation price resulting from the sale agreements already signed and finalised at the date of approval of the financial statements at 31 December 2021.

The balance of the item "Liabilities related to assets held for sale", amounting to Euro 11 thousand, also refers to the liability related to the provision for employee severance indemnity of the business unit being transferred to Worldline Italia.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31.12.2022	31.12.2021
Tax credits		
- principal share	431,080	151,199
- interest share		
Receivables from tax authorities for advances paid	32,185	36,019
Withholding taxes incurred		
Negotiated cheques to be settled	15,045	15,502
Security deposits		
Invoices issued for collection	2,929	320
Debtors for third-party securities and coupons to be collected		
Stocks of printers and stationery		
Items being processed and in transit with branches	26,846	22,796
Currency deviations on portfolio transactions		
Investments supplementary staff liquidation provision		19
Leasehold improvements	6,940	7,258
Accrued and deferred assets	18,858	18,057
Other items	37,905	36,535
Total	**571,788**	**287,705**

The item "Tax credits" mainly refers:

- for Euro 421,321 thousand (Euro 147,166 thousand at the end of the previous year) to ecobonus/sismabonus tax credits acquired pursuant to Article 121 of Decree Law 34/2020 and recognised at amortised cost as indicated in Part A - A.2 Part relating to the main items of the financial statements, to which reference should be made;
- for Euro 1,456 thousand, to the credit related to the Revenue Agency's claim for the higher IRAP paid for the 2014 tax year in relation to the business unit contributed to the then subsidiary (now merged) Banca Popolare di Spoleto S.p.A.

- for Euro 1,127 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake (Euro 1,127 thousand at the end of the previous year);
- for Euro 4,062 thousand, to the credit related to the management of loans disbursed for the reconstruction after the earthquake in Central Italy in 2016 (Euro 2,215 thousand at the end of the previous year).

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments have been made than the debt that will result from the specific declarations; in detail, they concern:

- the receivable for stamp duty paid virtually in the amount of Euro 24,612 thousand (Euro 24,154 thousand at the end of the previous year);
- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 6,768 thousand, pursuant to Article 2, paragraph 5 of Decree Law No. 133 of 30 November 2013, (Euro 10,101 thousand at the end of the previous year).

Among the "Items being processed and in transit with branches", the most significant items are those relating
to cheques being processed in the amount of Euro 1,181 thousand (Euro 1,587 thousand at the end of the previous year), that relating to F24 proxies accepted and that will be debited on the due date in the amount of Euro 9,035 thousand (Euro 1,706 thousand at the end of the previous year) and that relating to the recovery of the commission for making funds available from customers in the amount of Euro 7,197 thousand (Euro 6,849 thousand at the end of the previous year). This item includes items relating to transactions that generally settle in the first few days of the following half-year.

"Leasehold improvements" are subject to annual depreciation in relation to the remaining term of the lease.

The item "Accrued and deferred assets" includes those items that cannot be attributed to specific asset items; the main component of this item is deferred assets on administrative expenses.

The main items under "Other Items" include:

- receivables pending collection relating to other items in the amount of Euro 16,498 thousand (Euro 20,068 thousand at the end of the previous year), mainly due to receivables for stamp duty on account statements, receivables for services debited to customers on a quarterly basis, and interbank income;
- receivables of Euro 5,842 thousand from financial advisors for the portion paid as entry bonus and not yet accrued (Euro 4,984 thousand at the end of the previous year);
- invoices to be issued for Euro 5,230 thousand (Euro 4,948 thousand at the end of the previous year).

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LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

Type of transactions/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	**3,004,994**	X	X	X	**3,805,889**	X	X	X
2. Payables to banks	**376,356**	X	X	X	**9,806**	X	X	X
2.1 Current accounts and demand deposits	88,136	X	X	X	56	X	X	X
2.2 Fixed-term deposits	-	X	X	X	9,750	X	X	X
2.3 Loans	288,220	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	288,220	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 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**3,381,350**	**-**	**-**	**3,381,350**	**3,815,695**	**-**	**-**	**3,815,695**

Key
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

The item "Payables to central banks" represents the balance of the financing line granted to the Bank by the European Central Bank in the context of the "TLTRO II" operation. Against this loan, the Bank granted collateralised loans to the ECB itself (through the A.Ba.Co. procedure).

In December 2022, in relation to the liquidity position, a partial early repayment of Euro 0.8 billion was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1.2 billion, thus bringing the total outstanding TLTRO III loans to Euro 3.05 billion.

At 31 December 2022, accrued interest income of Euro 17.4 million was also recognised under interest income for the year, which together with the accrued interest income already recognised in the previous year of Euro 39.1 million, net of repayments made, brings the total accrued interest income negative to Euro 40.0 million.

"Current accounts and demand deposits" include the balances of collateral deposits held with Banco Desio by bank counterparties of OTC derivatives.

The item "Repurchase agreements" includes Long-Term Repo contracts on part of the portfolio's assets (eligible and non-eligible) entered into during the year with leading market counterparties in order to optimise funding activities.

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

Type of transactions/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	10,065,243	X	X	X	10,125,728	X	X	X
2. Fixed-term deposits	321,502	X	X	X	434,619	X	X	X
3. Loans	690,496	X	X	X	324,775	X	X	X
3.1 Repurchase agreements	503,113	X	X	X	207,735	X	X	X
3.2 Other	187,383	X	X	X	117,040	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	53,709	X	X	X	51,565	X	X	X
6. Other payables	36,334	X	X	X	39,566	X	X	X
31.12.2022	**11,167,284**	**-**	**-**	**11,167,284**	**10,976,253**	**-**	**-**	**10,976,253**

Key
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

Item "3.2 Loans: Other" represents the amount of outstanding loans with Cassa Depositi e Prestiti, which "balances" the amount of loans to customers granted for reconstruction following the 2009 earthquakes in Abruzzo.

Item "5. Lease payables" are recognised, in application of IFRS16, liabilities associated with lease liabilities, consisting of the present value of payments still to be paid to the lessor at the measurement date.

The main items under item "6. Other payables" relate to: bank drafts in the amount of Euro 35,743 thousand and drawing cheques in the amount of Euro 540 thousand (at the end of the previous year, bank drafts in the amount of Euro 38,894 thousand and drawing cheques in the amount of Euro 540 thousand).

Payables to companies belonging to the Banco Desio Group amounted to Euro 6,368 thousand, all referring to the subsidiary Fides S.p.A. (Euro 1,485 thousand at the end of the previous year).

1.3 Financial liabilities measured at amortised cost: breakdown of issued securities by type

Type of securities/Values	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	1,531,574	-	1,493,586	-	1,515,294	-	1,513,377	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,531,574	-	1,493,586	-	1,515,294	-	1,513,377	-
2. other securities	4,577	-	-	4,577	6,971	-	-	6,971
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	4,577	-	-	4,577	6,971	-	-	6,971
Total	**1,536,151**	**-**	**1,493,586**	**4,577**	**1,522,265**	**-**	**1,513,377**	**6,971**

Key

CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

This item includes inflows represented by securities, which include bonds and certificates of deposit, whose carrying amount is determined using the amortised cost method (or at fair value if the security is hedged), thus including accrued amounts. Total inflows are shown net of repurchased securities.

The item "A.1.2 Bonds: other" includes the Guaranteed Bank Bonds (G-Bonds) totalling Euro 1,075 million issued.

Sub-item "A.2.2 Other securities: other" consists exclusively of short-term certificates of deposit and their accrued interest.

1.4 Breakdown of payables/subordinated securities

Bonds	Issue date	Maturity date	Currency	Rate	31.12.2022	31.12.2021
ISIN Code IT0005107880	28.05.2015	28.05.2022	Euro	TV	-	80,027
Total					**-**	**80,027**

No subordinated bonds were issued by Banco Desio during the period.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	31.12.2022					31.12.2021				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables 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. Derivative instruments										
1. Financial derivatives	-	-	3,278	852	0	-	-	5,461	440	-
1.1 For trading	X	-	3,278	852	X	X	-	5,461	440	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	0	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**3,278**	**852**	**X**	**X**	**-**	**5,461**	**440**	**X**
Total (A+B)	**X**	**-**	**3,278**	**852**	**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 changes in value due to changes in the issuer's creditworthiness since the issue date*

Item 20 "Financial liabilities held for trading" includes the negative value of derivative contracts entered into for trading purposes.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and hierarchical levels

	Fair value	31.12.2022		NV	Fair value	31.12.2021		NV
	L1	L2	L3	31.12.2022	L1	L2	L3	31.12.2021
A. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**80,000**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	365	-	80,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**80,000**

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

At 31 December of the previous year, the item included the fair value of derivative financial instruments used to hedge subordinated bonds issued by the Bank (cash flow hedge), which were extinguished during the year.

Section 6 - Tax liabilities - Item 60

The breakdown of and changes in the year in tax liabilities are provided in Section 10 of Assets together with information on deferred tax assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Payables to tax authorities	401	767
Amounts to be paid to the tax authorities on behalf of Third Parties	33,996	33,854
Social security contributions to be reimbursed	5,981	6,240
Shareholders dividend account	18	16
Suppliers	26,845	17,100
Amounts available to customers	11,695	13,580
Interests and amounts to be credited		
Payments against provision on bills	74	58
Advance payments on overdue receivables	455	43
Items being processed and in transit with branches	20,737	9,761
Currency deviations on portfolio transactions	23,661	137,428
Payables to employees	4,304	7,439
Sundry creditors	108,056	79,306
Accrued and deferred liabilities	1,684	2,473
Total	**237,907**	**308,065**

The item "Amounts to be paid to the tax authorities on behalf of third parties" mainly includes items relating to F24 proxies to be paid on behalf of customers and amounts to be paid to the tax authorities relating to withholdings made by the Bank.

"Items being processed and in transit with branches" are items that generally find their final settlement in the first few days of the following period. The main among these items are those relating to:

- transfers in process totalling Euro 343 thousand (Euro 1,677 thousand at the end of the previous year),
- M.A.V., R.A.V., slips and SDD provisions in the amount of Euro 592 thousand (Euro 1,121 thousand at the end of the previous year),
- items related to securities transactions subsequently settled in the amount of Euro 8,043 (Euro 277 thousand at the end of the previous year),
- collections related to factoring transactions from customers in the amount of Euro 5,918 thousand (Euro 3,302 thousand at the end of the previous year).

The amount of the item "Currency deviations on portfolio transactions" is the result of offsetting illiquid debit and illiquid credit items against different types of transactions involving both customer and correspondent bank accounts.

The item "Payables to employees" includes payables related to employee leaving incentives totalling Euro 3,830 thousand (Euro 6,686 thousand at the end of the previous year) and the valuation of holidays and leave not taken totalling Euro 474 thousand (Euro 753 thousand at the end of the previous year).

The main items that make up the item "Sundry creditors" concern outgoing transfers to be settled in the Clearing House in favour of current account holders of other banks for a total of Euro 94,089 thousand (Euro 64,527 thousand at the end of last year), sundry creditors for currency negotiation transactions in the amount of Euro 886 thousand (Euro 824 thousand last year), creditors for bills withdrawn in the amount of Euro 1,697 thousand (Euro 3,807 thousand last year), sums collected for pending litigation in the amount of Euro 5,074 thousand (Euro 5,080 thousand last year).

Section 9 - Employee severance indemnity (TFR) - Item 90

9.1 Employee severance indemnity: changes in the year

	31.12.2022	31.12.2021
A. Opening balance	**21,701**	**24,482**
B. Increases	**77**	**-**
B.1 Allocation for the year	77	-
B.2 Other changes		-
C. Decreases	**(4,223)**	**(2,781)**
C.1 Payments made	(2,694)	(2,776)
C.2 Other changes	(1,529)	(5)
D. Closing balance	**17,555**	**21,701**
Total	**17,555**	**21,701**

In application of international accounting standards, the provision for employee severance indemnity is classified as a defined-benefit fund, therefore subject to actuarial valuation, the assumptions used for which are explained in the following section.

Provisions for the year do not include amounts directly paid by the Bank, according to the choices expressed by employees, to supplementary pension schemes or to the treasury Fund managed directly by INPS. The cost of these choices, which for the year amounted to Euro 10,285 thousand, is recognised Personnel expenses in sub-item "g) contributions to external supplementary pension funds".

The items "B.2 Other changes" and "C.2 Other changes" relate to the effect (positive or negative) of the discounting of the statutory provision for employee severance indemnity.

The debt accrued at the end of the financial year according to civil law for existing Bank personnel amounted to Euro 18,658 thousand.

The table is shown net of the employee severance indemnity of Euro 11 thousand related to the employees of the business unit being transferred to Worldline Italia, reclassified in accordance with IFRS 5 to "Liabilities related to groups of assets held for sale".

9.2 Other information

The actuarial assumptions used by the independent actuary to determine the liabilities at the reporting date are as follows:

Demographic assumptions

- for death probabilities those determined by the General Accounting Office of the State called RG48, broken down by gender;
- for disability probabilities, broken down by gender, adopted in the INPS model for projections to 2010. These probabilities were constructed starting from the breakdown by age and gender of the pensions in force on 1 January 1987 with effect from 1984, 1985, 1986 relating to the personnel of the credit business unit;
- for the period of retirement for the generic asset, it was assumed that the first of the retirement requirements valid for the Compulsory General Insurance will be reached;

- for the probability of exit from work due to causes other than death, on the basis of internal statistics provided by the Group, annual frequencies of 2.50% were considered; account was also taken of the Group's redundancy plan;
- a year-by-year value of 4.00% was assumed for the probability of anticipation.

Economic and financial assumptions

The technical evaluations were carried out on the basis of the following assumptions:
- technical annual discount rate 3.42%
- annual inflation rate 5.9% for 2023, 2.3% for 2024, 2.0% from 2025
- annual rate of total salary increase 6.9% for 2023, 3.3% for 2024, 3.0% from 2025
- annual rate of increase of employee severance indemnity 5.9% for 2023, 3.2% for 2024, 3.0% from 2025

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index at the latest available date was taken as the reference for the valuation of this parameter.

The following table represents the sensitivity analysis of the liability recognised when the economic-financial assumptions change:

	Positive change of parameter *(+)	Negative change of parameter *(-)
Annual discount rate (+/- 0.25%)	17,304	17,834
Annual inflation rate (+/- 0.25%)	17,719	17,414
Annual turnover rate (+/- 2.00%)	17,642	17,481

*Values expressed in Euro thousands.

Section 10 - Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	31.12.2022	31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees given	3,534	4,058
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	45,161	39,020
4.1 legal and tax disputes	11,977	10,670
4.2 personnel expenses	17,981	18,150
4.3 other	15,203	10,200
Total	**48,695**	**43,078**

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Item "1. Provisions for credit risk related to commitments and financial guarantees given" include the provision for risks determined by applying the expected loss calculation models defined in the first-time adoption of "IFRS 9 Financial Instruments".

The sub-item "legal disputes" includes allocations set aside to cover expected losses on disputes, of which Euro 9,896 thousand for lawsuits (Euro 9,841 thousand at year-end) and Euro 2,081 thousand for bankruptcy revocatory actions (formerly Euro 829 thousand).

The item "personnel expenses" mainly includes the estimated liabilities for redundancy costs in the amount of Euro 459 thousand (Euro 4,067 thousand last year), the bonus system in the amount of Euro 14,528 thousand (Euro 10,236 thousand last year), seniority bonuses and additional holidays in the amount of Euro 2,994 thousand (Euro 3,828 thousand last year).

The item "other" includes provisions for other operational risks and provisions set aside for contractually established incentives for financial advisors upon the accrual of certain conditions.

10.2 Provisions for risks and charges: changes in the year

	Other provisions for risks and charges	Total
A. Opening balance	**39,020**	**39,020**
B. Increases	**25,219**	**25,219**
B.1 Allocation for the year	25,219	25,219
B.2 Changes due to the passage of time	-	-
B.3 Discount rate changes	-	-
B.4 Other changes	-	-
C. Decreases	**19,078**	**19,078**
C.1 Used in the year	14,600	14,600
C.2 Discount rate changes	16	16
C.3 Other changes	4,462	4,462
D. Closing balance	**45,161**	**45,161**

With reference to "Other provisions", the following main allocations are included under item "B.1 Allocation for the year":

- to the provision for bonus system in the amount of Euro 13,819 thousand,
- for other operational risks, including allocations related to indemnities to be paid to financial advisors, in the amount of Euro 6,334 thousand,
- for charges for legal disputes and bankruptcy revocatory actions in the amount of Euro 4,984 thousand.

Item "C.1 Used in the year" represents the direct utilisations of provisions for risks and charges, made against agreements and settlements finalised during the period, rather than upon the occurrence of the conditions required for the disbursement of provisions to personnel. In particular, utilisations mainly related to disbursements for legal disputes and bankruptcy revocatory actions in the amount of Euro 3,661 thousand, for disbursements related to the bonus system in the amount of Euro 9,527 thousand, and for operational risks in the amount of Euro 1,311 thousand.

The item "C.2 Discount rate changes" records the amount of changes recorded as a result of the change in the legal interest rate.

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Impaired purchased or originated	Total
Commitments to disburse funds	367	542	-	-	909
Financial guarantees given	148	538	1,939	-	2,625
Total	**515**	**1,080**	**1,939**	**-**	**3,534**

10.5 Defined-benefit company pension funds

At the reporting dates, the item is not present.

10.6 Provisions for risks and charges: other provisions

	31.12.2022	31.12.2021
Legal disputes	11,977	10,670
Other operational risks	15,203	10,200
Solidarity fund	459	4,067
Seniority bonus and additional leave	2,994	3,828
Other personnel provisions	14,528	10,255
Total	**45,161**	**39,020**

Section 11 - Redeemable shares - Item 120

In Banco Desio there is no such type of share.

Section 12 - Company equity - Items 110,130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Treasury shares": breakdown

	31.12.2022	31.12.2021
A. Capital	**70,693**	**70,693**
A.1 Ordinary shares	70,693	70,693
A.2 Savings shares		
A.3 Privileged shares		
B. Treasury shares		
B.1 Ordinary shares		
B.2 Savings shares		
B.3 Privileged shares		
Total	**70,693**	**70,693**

The fully subscribed and paid-up share capital of Banco di Desio e della Brianza consists of 134,363,049 ordinary shares with no nominal value.

12.2 Capital - Number of shares: changes in the year

	Ordinary	Other
A. Shares at the beginning of the year	**134,363,049**	
- fully paid-up	134,363,049	
- not fully paid-up		
A.1 Treasury shares (-)		
A.2 Shares outstanding: opening balance	**134,363,049**	
B. Increases		
B.1 New issues		
- payment		
- business combinations		
- conversion of bonds		
- warrants exercised		
- other		
- free of charge		
- employees		
- directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Derecognition		
C.2 Purchase of treasury shares		
C.3 Disposal of businesses		
C.4 Other changes		
D. Shares outstanding: closing balance	**134,363,049**	
D.1 Treasury shares (+)		
D.2 Shares at the end of the year	134,363,049	
- fully paid-up	134,363,049	
- not fully paid-up		

12.3 Share capital: other information

There is no further information in addition to that already provided in the previous paragraphs.

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12.4 Profit reserves: other information

In accordance with Article 2427, paragraph 1, No. 7 bis of the Italian Civil Code, the following is a summary of the equity items broken down according to their origin and indicating the possibility of their utilisation and distribution, as well as their utilisation in the three previous financial years.

	31.12.2022	Possibility of use		Portion available	Utilisations last three financial years	
					Loss coverage	Other uses
Share Capital	70,693					
Share premiums	16,145	A,B,C	(1)	16,145		
Legal reserve	110,431	A,B	(2)			
Statutory reserve	634,307	A,B,C		634,307		
Reserves for intercompany transactions	8,313	A,B	(3)			
Valuation reserves:						
- financial assets measured at fair value through other comprehensive income	(33,620)		(4)			
- tangible assets	123					
- actuarial valuation of employee severance indemnity	(2,799)		(4)			
- special revaluation laws	22,369	A,B	(5)			
- revaluation reserve Law 413/1991	697	A,B,C		697		
- cash flow hedges	-		(4)			
Reserves for transition to IAS	219,402		(6)			
FTA IFRS 9 Reserves	18,972		(6)			
Charity reserve	68		(7)			212
Other	3,266	A,B,C		3,266		
Total	**1,030,423**			**654,415**		**212**

Key: A = for capital increase B = for loss coverage C = for distribution to shareholders
(1) The share premium reserve, pursuant to Article 2431 of the Italian Civil Code, is considered non-distributable to the extent necessary to supplement the Legal Reserve to the legal minimum (one-fifth of the share capital)
(2) Can only be used for capital increases for the portion exceeding one-fifth of the share capital
(3) Reserve arising from the transfer of the Business Unit and the sale of the Milan Branch to the subsidiary BPS resulting from the application of OPI 1.
(4) Reserve not available pursuant to Article 6 of Legislative Decree No. 38/2005
(5) Reserve set up upon first application of the IAS/IFRS, due to the valuation at "presumed cost" of tangible assets; according to the provisions of the "IAS decree"
(6) The reserves for IAS/IFRS application follow the provisions of Article 7 of Legislative Decree No. 38/2005
(7) Reserve for contributions for socio-cultural purposes as set forth in the Articles of Association

12.5 Equity instruments: breakdown and changes in the year

In Banco Desio there are no types of this kind.

12.6 Other information

No further information is reported beyond that already provided in this Section.

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal value on commitments and financial guarantees given				31.12.2022	31.12.2021
	First stage	Second stage	Third stage	Impaired purchased or originated		
1. Commitments to disburse funds	**2,884,863**	**209,624**	**7,895**	**-**	**3,102,382**	**3,131,610**
a) Central banks	-	-	-	-	-	-
b) Public administrations	56,987	-	-	-	56,987	49,980
c) Banks	7,284	-	-	-	7,284	7,866
d) Other financial companies	154,396	585	-	-	154,981	154,314
e) Non-financial companies	2,481,664	196,349	7,503	-	2,685,516	2,710,594
f) Households	184,532	12,690	392	-	197,614	208,856
2. Financial guarantees given	**31,841**	**4,821**	**432**	**-**	**37,094**	**53,209**
a) Central banks	-			-		-
b) Public administrations	-			-	-	-
c) Banks	32	-	-	-	32	32
d) Other financial companies	2,801	-	-	-	2,801	2,618
e) Non-financial companies	25,144	4,481	379	-	30,004	42,770
f) Households	3,864	340	53	-	4,257	5,472

2. Other commitments and other guarantees given

	Nominal value 31.12.2022	Nominal value 31.12.2021
1. Other guarantees given	**219,801**	**233,033**
of which: impaired	2,883	2,922
a) Central banks	-	-
b) Public administrations	48	48
c) Banks	5,773	5,741
d) Other financial companies	1,871	1,878
e) Non-financial companies	195,420	207,198
f) Households	16,689	18,168
2. Other commitments		
of which: impaired	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets pledged to secure own liabilities and commitments

Portfolios	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	149,677	207,543
3. Financial assets measured at amortised cost	6,152,993	6,321,364
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

Item "3. Financial assets measured at amortised cost" are represented by the loans sold to Società Veicolo Desio OBG Srl constituting eligible assets for the programme for the issue of Guaranteed Bank Bonds (OBG), the loans collateralised with the ECB through the A.Ba.Co procedure.

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4. Management and intermediation for third parties

Type of services	31.12.2022
1. Execution of orders on behalf of customers	**-**
a) purchases	-
1. settled	-
2. not settled	-
b) sales	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**1,637,950**
3. Custody and administration of securities	**25,093,941**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): other	10,358,511
1. securities issued by the reporting bank	454,971
2. other securities	9,930,540
c) third-party securities deposited with third parties	10,368,861
d) own securities deposited with third parties	4,339,569
4. Other transactions	**-**

5. Financial assets subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in the	Net amount of financial assets reported in	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
				Financial instruments (d)	Cash deposits placed as		
						31.12.2022	31.12.2021
1. Derivatives	60,750	-	60,750	-	56,506	4,244	10
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31.12.2022	**60,750**	**-**	**60,750**	**-**	**56,506**	**4,244**	**-**
Total 31.12.2021	**10**	**-**	**10**	**-**	**-**		**10**

6. Financial liabilities subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits placed as collateral (e)	31.12.2022	31.12.2021
1. Derivatives		253	-	253	-	192	61	(204)
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2022**	**253**	**-**	**253**	**-**	**192**	**61**	
Total	**31.12.2021**	**5,826**	**-**	**5,826**	**5,020**	**1,010**		**(204)**

Tables 5 and 6 show the positive fair values (Table 5 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and negative fair values (Table 6 column (a) "Gross amount of financial liabilities" and (c) "Net amount of financial liabilities reported in the financial statements") of derivatives for which Credit Support Annex Agreements (ISDA) are in place. These agreements, while not meeting all the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, provide for mechanisms to mitigate the risk of counterparty default by exchanging collateral on time deposits and allow for the offsetting of credit and debit positions relating to financial and credit derivatives upon the occurrence of certain events such as counterparty default. In line with the provisions of IFRS 7 and the latest provisions on the rules for the preparation of bank financial statements, the following was taken into account when completing the tables:

- the effects of potential offsetting of the countervalues of the financial statements of financial assets and liabilities, indicated in column (d) "Financial Instruments";
- the effects of the potential offsetting of exposures with cash collateral, indicated in column (e) "Cash deposits received as collateral".

These effects are recognised for counterparties with which a netting framework agreement is in place up to the amount reported in column (c) "Net amount of financial assets reported in the financial statements".

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss:	**750**	**-**	**-**	**750**	**377**
1.1 Financial assets held for trading	736	-	-	736	262
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets obligatorily measured at fair value	14	-	-	14	115
2. Financial assets measured at fair value through other comprehensive income	**4,279**	**-**	**X**	**4,279**	**755**
3. Financial assets measured at amortised cost:	**42,264**	**219,781**	**-**	**262,045**	**220,223**
3.1 Loans with banks	7,235	7,797	X	15,032	4,714
3.2 Loans to customers	35,029	211,984	X	247,013	215,509
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**9,220**	**9,220**	**1,071**
6. Financial liabilities	**X**	**X**	**X**	**20,254**	**37,450**
Total	**47,293**	**219,781**	**9,220**	**296,548**	**259,876**
of which: interest income on impaired financial assets	-	135	-	135	1,993
of which: interest income on finance lease	X	2,997	X	2,997	2,210

Interest on "Financial assets at amortised cost" is shown net of interest on arrears accrued and not collected in the reporting period on impaired assets, because it is only recognised in the financial statements when collected. Overall, interest of this kind accrued at year-end amounted to Euro 2,354 thousand (Euro 1,105 thousand last year).
On the other hand, interest on arrears referring to previous years and collected in the year totalled Euro 362 thousand (Euro 344 thousand last year).
This item includes interest paid on loans from the subsidiary Fides S.p.A. totalling Euro 13,568 thousand (Euro 14,633 thousand last year).

Item "5. Other assets" consists of revenues related to Eco and Sismabonus tax credits recognised by the Bank following their assignment by customers, the remuneration for which is recognised in interest income over the recovery period of the credits.

Item "6. Financial liabilities" include negative interest expense accrued on TLTRO III loans obtained from the Eurosystem and recognised at the effective interest rate according to the amortised cost method in the amount of Euro 17,384 thousand (formerly Euro 35,695 thousand), as well as interest income on inflows repurchase agreements for Euro 2,870 thousand (formerly Euro 1,756 thousand).

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

Items	31.12.2022	31.12.2021
Interest income on financial assets in foreign currency	1,046	368

1.2.2 Interest income on financial lease transactions

Total interest income recognised as income for the year, included in the item "Loans to customers - loans", amounted to Euro 2,993 thousand (Euro 2,210 thousand last year); of this amount, Euro 2,803 thousand related to index-linked agreements, of which Euro 126 thousand related to leaseback agreements (in 2021, Euro 1,951 thousand related to index-linked agreements, of which Euro 90 thousand related to leaseback agreements).

Financial profits accruing in subsequent years amounted to Euro 14,928 thousand, of which Euro 1,310 thousand on leaseback agreements (last year: Euro 18,922 thousand and Euro 1,646 thousand respectively).

1.3 Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other transactions	31.12.2022	31.12.2021
1. Financial liabilities measured at amortised cost	(16,038)	(13,326)	X	(29,364)	(19,460)
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	(968)	X	X	(968)	(647)
1.3 Payables to customers	(15,070)	X	X	(15,070)	(5,865)
1.4 Securities outstanding	X	(13,326)	X	(13,326)	(12,948)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(314)	(314)	(322)
5. Hedging derivatives	X	X	(4,822)	(4,822)	(1,084)
6. Financial assets	X	X	X	(5,366)	(8,265)
Total	**(16,038)**	**(13,326)**	**(5,136)**	**(39,866)**	**(29,131)**
of which: interest expense on lease payables	(693)	X	X	(693)	(702)

Item "6. Financial assets" mainly include interest expenses on the Bank of Italy reserve account in the amount of Euro 4,754 thousand, interest expenses on securities in the held-to-collect & sell portfolio in the amount of Euro 341 thousand.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on liabilities in foreign currency

Items	31.12.2022	31.12.2021
Interest expense on financial liabilities in foreign currency	(236)	(143)

1.4.2 Interest expense on financial lease transactions

Banco Desio has no finance lease contracts in place that generate interest expense.

1.5 Differentials relating to hedging transactions

Items	31.12.2022	31.12.2021
A. Positive differentials relating to hedging transactions	1,258	-
B. Negative differentials relating to hedging transactions	(6,080)	(1,084)
C. Balance (A-B)	**(4,822)**	**(1,084)**

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Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	31.12.2022	31.12.2021
a) Financial instruments	18,167	19,641
1. Placement of securities	2,695	3,651
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	2,695	3,651
2. Receiving and sending orders and execution of orders on behalf of customers	4,952	5,450
2.1 Receiving and sending orders for one or more financial instruments	4,952	5,450
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	10,520	10,540
of which: trading on own account	-	-
of which: individual portfolio management	10,520	9,963
b) Corporate Finance	-	-
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	-	-
d) Compensation and settlement	-	-
e) Custody and administration	1,734	1,693
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	1,734	1,693
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary business	-	-
h) Payment services	103,834	103,462
1. Current accounts	78,576	78,104
2. Credit cards	2,430	4,203
3. Debit cards and other payment cards	4,928	4,682
4. Bank transfers and other payment orders	9,812	8,514
5. Other fees related to payment services	8,088	7,959
i) Distribution of third-party services	65,153	67,736
1. Collective portfolio management	31,654	33,807
2. Insurance products	28,597	27,367
3. Other products	4,902	6,562
of which: individual portfolio management	352	380
j) Structured finance	-	-
k) Servicing activities for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	2,348	2,329
of which: credit derivatives	-	-
n) Financing operations	2,130	1,533
of which: for factoring transactions	2,130	1,533
o) Currency trading	1,216	1,029
p) Goods	-	-
q) Other commission income	8,863	8,092
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**203,445**	**205,515**

The table is shown net of the amount of Euro 9,543 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item “Profit/loss from discontinued operations after taxes”. With reference to the year of comparison, again in accordance with IFRS 5, the value for the same business unit reclassified under “Profit/Loss from discontinued operations after taxes” was Euro 8,702 thousand.

Commissions recognised by the subsidiary Fides S.p.A. amounted to Euro 2,749 thousand (Euro 1,851 thousand last year) and those recognised by the associate Anthilia amounted to Euro 32 thousand.

Commissions for “distribution of third-party services - other products” refer to consumer credit for Euro 3,653 thousand (Euro 5,652 thousand in the comparison period).

The item for “other commission income” includes fees for the internet banking service in the amount of Euro 1,956 thousand (Euro 1,933 thousand last year) and recovery of expenses on mortgage instalment collections in the amount of Euro 1,609 thousand (Euro 1,475 thousand last year).

2.2 Commission income: distribution channels of products and services

Channels/Values	31.12.2022	31.12.2021
a) at own branches:	78,368	81,351
1. portfolio management	10,520	9,963
2. placement of securities	2,695	3,651
3. third-party services and products	65,153	67,737
b) off-premises offer:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

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2.3 Commission expenses: breakdown

Services/Values	31.12.2022	31.12.2021
a) Financial instruments	(269)	(267)
of which: trading of financial instruments	(267)	(267)
of which: placement of financial instruments	(2)	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
d) Compensation and settlement	-	-
c) Custody and administration	(1,143)	(1,458)
d) Collection and payment services	(2,005)	(2,081)
of which: credit cards, debit cards and other payment cards	(526)	(660)
e) Servicing activities for securitisation transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(642)	(107)
of which: credit derivatives	-	-
h) Off-premises offer of financial instruments, products and services	(3,916)	(3,363)
i) Currency trading	-	-
j) Other commission expenses	(855)	(817)
Total	**(8,830)**	**(8,093)**

The item "Other commission expenses" includes commissions paid for introducing customers and providing loans to them in the amount of Euro 149 thousand (Euro 109 thousand last year).

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2022		31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	143	0	236	0
B. Other financial assets obligatorily measured at fair value	0	0	0	0
C. Financial assets measured at fair value through other comprehensive income	458	0	454	0
D. Investments	5,499	0	2,204	0
Total	**6,100**	**0**	**2,894**	**0**

The table shows not only the amount of dividends received from subsidiaries, but also dividends on minority interests classified as "*Financial assets measured at fair value through other comprehensive income*" and dividends on equity securities classified as "Financial assets held for trading".

Dividends received on investments, under item "D. Investments", refer to the subsidiary Fides S.p.A.

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Section 4 - Net trading result - Item 80

4.1 Net trading result: breakdown

Transactions/Income components	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**103**	**1,114**	**(4,184)**	**(147)**	**(3,114)**
1.1 Debt securities	-	63	(3,501)	(1)	(3,439)
1.2 Equity securities	103	477	(609)	(146)	(175)
1.3 UCITS units	-	503	(74)	-	429
1.4 Loans	-	-	-	-	-
1.5 Other	-	71	-	-	71
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**2,981**
4. Derivative instruments	**5,483**	**10,463**	**(1,661)**	**(9,663)**	**4,670**
4.1 Financial derivatives:	5,483	10,463	(1,661)	(9,663)	4,670
- On debt securities and interest rates	5,483	4,284	(1,653)	(3,943)	4,171
- On equity securities and stock indices	-	6,179	(8)	(5,720)	451
- On currencies and gold	X	X	X	X	48
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**5,586**	**11,577**	**(5,845)**	**(9,810)**	**4,537**

Item "1. Financial assets held for trading" and "4. Derivative instruments" shows the economic result attributable to financial assets held for trading.

Item "3 Financial assets and liabilities: exchange rate differences" shows the positive (or negative) balance of changes in the value of financial assets and liabilities denominated in foreign currencies, other than those held for trading purposes.

Section 5 - Net hedging result - Item 90

5.1 Net hedging result: breakdown

Income components/Values	31.12.2022	31.12.2021
A. Income related to:		
A.1 Fair value hedging derivatives	60,156	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	**60,156**	**-**
B. Expenses related to:		
B.1 Fair value hedging derivatives	-	-
B.2 Hedged financial assets (fair value)	(60,645)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging financial derivatives	(3)	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	**(60,648)**	**-**
C. Net hedging result (A - B)	**(492)**	**-**
of which: hedging result on net positions	-	-

The item mainly includes the net result deriving from both the hedging of the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge type hedging) and the hedging of market rate fluctuations in relation to fixed-rate mortgages with performing credit status (Macro Fair Value Hedge type hedging).

The various sub-items show the income components arising from the valuation process of both the hedged assets and liabilities and the related hedging derivatives.

Section 6 - Gains (Losses) on sale/repurchase - Item 100

6.1 Gains (Losses) on sale/repurchase: breakdown

Items/Income components	31.12.2022			31.12.2021		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	13,788	(17,780)	(3,992)	4,179	(15,493)	(11,314)
1.1 Loans with banks	375	-	375	-	-	-
1.2 Loans to customers	13,413	(17,780)	(4,367)	4,179	(15,493)	(11,314)
2. Financial assets measured at fair value through other comprehensive income	692	(97)	595	4,855	(458)	4,397
2.1 Debt securities	692	(97)	595	4,855	(458)	4,397
2.2 Loans	-	-	-	-	-	-
Total assets	**14,480**	**(17,877)**	**(3,397)**	**9,034**	**(15,951)**	**(6,917)**
Financial liabilities measured at amortised cost						
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	18	-	18	11	(320)	(309)
Total liabilities	**18**	**-**	**18**	**11**	**(320)**	**(309)**

This item includes the economic result from the sale of financial assets not included among those held for trading and among those measured at fair value through profit or loss, as well as the result from the repurchase of own securities.

Item "1.2 Loans to customers" also includes the results of the sale of non-performing loans.

Item "2. Financial assets measured at fair value through other comprehensive income" represents the economic effect of sales during the year, including the release of the related valuation reserves before the tax effect.

With reference to financial liabilities, under item "3. Securities issued" shows the result of gains/losses from the repurchase of own bonds.

Banco Desio

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**629**	**14**	**(10,172)**	**(916)**	**(10,445)**
1.1 Debt securities	14	-	(187)	-	(173)
1.2 Equity securities	61	-	-	-	61
1.3 UCITS units	554	14	(9,985)	(916)	(10,333)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**1**
Total	**629**	**14**	**(10,172)**	**(916)**	**(10,444)**

This item consists of the result of financial instruments that are mandatorily measured at fair value through profit or loss, even if not held for trading, due to the failure to pass the SPPI (Solely payments of principal and interests) test required by IFRS 9 Financial Instruments. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

Banco Desio

Section 8 - Net value adjustments/reversals for credit risk - Item 130

8.1 Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				31.12.2022	31.12.2021
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans with banks	**(785)**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**(785)**	**(99)**
- Loans	(98)	-	-	-	-	-	-	-	-	-	(98)	(26)
- Debt securities	(687)	-	-	-	-	-	-	-	-	-	(687)	(73)
B. Loans to customers	**(2,127)**	**(1,700)**	**(1,124)**	**(56,022)**	**-**	**-**	**4,040**	-	**16,249**	**-**	**(40,684)**	**(85,371)**
- Loans	-	(1,700)	(1,124)	(56,022)	-	-	4,040	-	16,249	-	(38,557)	(84,257)
- Debt securities	(2,127)	-	-	-	-	-	-	-	-	-	(2,127)	(1,114)
Total	**(2,912)**	**(1,700)**	**(1,124)**	**(56,022)**	**-**	**-**	**4,040**	-	**16,249**	**-**	**(41,469)**	**(85,470)**

This item includes value adjustments and reversals recorded for the credit risk of assets measured at amortised cost (portfolio loans with banks and to customers including debt securities).

With reference to "Value adjustments", the figure in the "Write-offs" column records losses on the definitive derecognition of loans classified as bad loans.

The "Value Adjustments - Third Stage", determined by the analytical assessment of the probability of recovery on non-performing loans and the discounting of expected cash flows, refer to:

- bad loans of Euro 24,972 thousand (formerly 22,948)
- unlikely to pay of Euro 30,492 thousand (formerly 42,007)
- past-due exposures of Euro 558 thousand (formerly 207)

"Value adjustments - First and Second Stages" are determined on the amount of the performing loan portfolio.

The "Reversals - Third Stage" refer to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 164 thousand (formerly Euro 717 thousand)
- collections of loans previously written-down for Euro 8,666 thousand (formerly Euro 8,141 thousand)
- valuation reversals for Euro 7,419 thousand (formerly Euro 7,264 thousand).

Value adjustments on loans and debt securities are determined by applying the models for determining expected credit losses adopted by the Bank in application of the accounting standard "IFRS9 Financial Instruments".

8.1a Net value adjustments for credit risk related to loans measured at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income components	Net value adjustments							
	First stage	Second stage	Third stage		Purchased or originated impaired		31.12.2022	31.12.2021
			Write-offs	Other	Write-offs	Other		
1. Forborne loans in compliance with GL	73	47,870	-	10,388	-	57	**58,388**	**(45,839)**
2. Loans subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	**-**	**-**
3. Loans subject to other forbearance measures	-	-	-	-	-	-	**-**	**-**
4. New loans	817	(1,338)	-	(3,988)	-	49	**(4,460)**	**(3,506)**
Total 31.12.2022	**890**	**46,532**	**-**	**6,400**	**-**	**106**	**53,928**	
Total 31.12.2021	**1,063**	**(38,869)**		**(11,403)**		**(136)**	**(49,345)**	**(49,345)**

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

Transactions/Income components	Value adjustments (1)						Reversals (2)				31.12.2022	31.12.2021
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**(193)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(160)**	**9**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– to customers	-	-	-	-	-	-	-	-	-	-	-	-
– With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(193)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(160)**	**9**

This item includes value adjustments and reversals arising from the application of the new models to determine the expected loss on the "held-to-collect & sell" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

9.1 Gains (losses) from contractual amendments: breakdown

This item includes the adjustment made to the carrying amounts of loans to customers that undergo changes in contractual cash flows without giving rise to derecognition in accordance with paragraph 5.4.3 and Appendix A of IFRS9.

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Values	31.12.2022	31.12.2021
1) Employees	(167,906)	(167,086)
a) wages and salaries	(111,961)	(111,980)
b) social security contributions	(29,388)	(30,049)
c) employee severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(391)	(178)
f) allocations to the provision for severance benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) contributions to external supplementary pension funds:	(10,285)	(10,582)
- defined contribution	(10,285)	(10,582)
- defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(15,881)	(14,297)
2) Other personnel in activity	(1,082)	(715)
3) Directors and Statutory Auditors	(2,590)	(2,661)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	69	27
6) Reimbursement of expenses for seconded third-party employees at the company	-	-
Total	**(171,509)**	**(170,435)**

Item "1.g - contributions to external supplementary pension funds: defined contribution" includes the portion of employee severance indemnity paid to the Treasury Fund and supplementary pension funds.

Details of item "1.i) - other employee benefits" are provided in Table 10.4 below.

The table is shown net of the amount of Euro 71 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value for the same business unit reclassified under "Profit/Loss from discontinued operations after taxes" was Euro 69 thousand.

10.2 Average number of employees by category

	31.12.2022	31.12.2021
1) Employees	**2,070**	**2,104**
a) managers	28	31
b) middle managers	1,014	1,023
c) remaining employees	1,028	1,050
2) Other personnel	**12**	**11**

10.4 Other employee benefits

	31.12.2022	31.12.2021
Appropriation for miscellaneous charges	(11,083)	(9,911)
Assistance fund contribution	(2,292)	(2,280)
Education and training expenses	(623)	(687)
Building fees for employee use	(71)	(102)
Exit incentives	(305)	990
Other	(1,507)	(2,307)
Total	**(15,881)**	**(14,297)**

The main components of the item "Other" include charges related to the provision of personnel catering services (ticket restaurant) in the amount of Euro 2,190 thousand (formerly Euro 2,184 thousand), expenses related to insurance premiums in the amount of Euro 271 thousand (formerly Euro 314 thousand) and those related to the effect of the actuarial valuation on the liability related to seniority bonuses and additional holidays in the amount of Euro 834 thousand.

10.5 Other administrative expenses: breakdown

	31.12.2022	31.12.2021
Indirect taxes and duties:		
-Stamp duties	(26,062)	(27,791)
-Other	(5,033)	(6,159)
Other expenses:		
-IT expenses	(20,331)	(18,704)
-Lease of buildings/assets	(1,870)	(2,054)
-Property, furniture and equipment maintenance	(8,749)	(9,141)
-Postal and telegraph	(1,115)	(1,269)
-Telephony and data transmission	(4,972)	(5,248)
-Electricity, heating, water	(6,216)	(3,075)
-Cleaning services	(2,961)	(3,238)
-Printers, stationery and cons.	(356)	(670)
-Transport costs	(1,020)	(880)
-Surveillance and security	(1,426)	(1,574)
-Advertising	(1,536)	(1,288)
-Information and records	(1,752)	(2,455)
-Insurance premiums	(1,457)	(1,309)
-Legal fees	(2,807)	(2,791)
-Professional consultancy fees	(12,995)	(8,142)
-Various contributions and donations	(254)	(196)
-Miscellaneous expenses	(25,576)	(25,330)
Total	**(126,488)**	**(121,314)**

The item "Lease of buildings/assets" includes charges for lease/rental contracts not included in the scope of IFRS 16 and, in particular, related to software.

The item "Miscellaneous expenses" includes contributions paid during the year to the National Resolution Fund and the Deposit Guarantee Scheme totalling Euro 18,119 thousand (formerly Euro 17,943 thousand), of which:

- Euro 7,263 thousand referred to the ordinary contribution to the Resolution Fund (SRM) for the year (formerly Euro 9,008 thousand). The balance at 31 December 2021 includes the extraordinary contribution to the Resolution Fund (SRM) of Euro 2,213 thousand.

- Euro 10,856 thousand (formerly Euro 8,935 thousand) referred to the contribution to the Deposit Guarantee Scheme (DGS), of which Euro 3,638 thousand as additional contribution.

Also included under the same item "Miscellaneous expenses" are reimbursements to employees for travel expenses, list and mileage reimbursements of Euro 1,009 thousand (formerly Euro 792 thousand), costs for membership contributions of Euro 1,142 thousand (formerly Euro 1,140 thousand).

The item "Professional consultancy fees" includes fees paid to lawyers and consulting firms that supported the Bank in the "Lanternina project" during 2022 amounting to Euro 5.3 million.

Also included are fees paid to the network to which the auditing firm KPMG S.p.A. belongs for services rendered to the Bank, as summarised below according to the different types of services rendered.

Type of services	Service provider	Fees (Euro thousands)
Audit	KPMG S.p.A.	349.7
Certification services	KPMG S.p.A.	129.1
Other services:		
- Risk Management methodological support	KPMG Advisory S.p.A.	502.8
Total		**981.6**

The fees shown are net of expenses, the CONSOB contribution (where due) and VAT.

Section 11 – Net allocations to provisions for risks and charges – Item 170

11.1 Net allocations to provisions for other risks and charges: breakdown

	Allocations	**Uses**	**31.12.2022**	**31.12.2021**
Commitments for guarantees given	(977)	1,430	453	889
Charges for legal disputes	(8,401)	3,467	(4,933)	(4,310)
Other	(3,849)	3,831	(19)	(986)
Total			**(4,499)**	**(4,407)**

The item "Commitments for guarantees given" represents the net allocation to the provision for risks determined by applying the expected loss calculation models defined in application of the accounting standard "IFRS9 Financial Instruments".

The item charges for legal disputes includes allocations set up during the year to cover expected losses in connection with lawsuits and bankruptcy revocatory actions.

Other allocations include allocations to cover other operational risks.

Section 12 - Net value adjustments/reversals on tangible assets - Item 180

12.1. Net value adjustments on tangible assets: breakdown

Assets/Income component	Depreciation (a)	Impairment (b)	Reversals (c)	Net result (a + b - c)
A. Tangible assets				
1 For functional use	(15,662)	-	-	(15,662)
- Owned	(6,471)	-	-	(6,471)
- Rights of use acquired through leases	(9,191)	-	-	(9,191)
2 Held for investment purposes	(44)	-	-	(44)
- Owned	(44)	-	-	(44)
- Rights of use acquired through leases	-	-	-	-
3 Inventories	X	-	-	-
Total	**(15,706)**	**-**	**-**	**(15,706)**

Value adjustments on owned properties refer exclusively to depreciation calculated on the basis of the useful life of the assets.

The item "Rights of use acquired through leases" includes the depreciation of assets consisting of the right of use that is the subject of the lease agreements (so-called "Right of Use Asset" or "RoU Asset") recognised in accordance with IFRS16 "Leases" effective 1 January 2019 and calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

Details, by asset category, of the impact on the income statement of adjustments on tangible assets are shown under item "C.2 Depreciation" in table "9.5 and 9.6 Changes in the year" in Section 9 of Assets in the Balance Sheet.

Section 13 - Net value adjustments/reversals on intangible assets - Item 190

13.1 Net value adjustments on intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment (b)	Reversals (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	(1,549)	-	-	(1,549)
- Generated internally by the company	-	-	-	-
- Other	(1,549)	-	-	(1,549)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(1,549)**	**-**	**-**	**(1,549)**

Value adjustments refer exclusively to amortisation calculated on the basis of the useful life of intangible assets.

Section 14 - Other operating income and expenses - Item 200

14.1 Other operating expenses: breakdown

	31.12.2022	31.12.2021
Depreciation of leasehold improvements	(1,395)	(1,411)
Losses on realisation of tangible assets	(23)	(125)
Charges on non-banking services	(3,493)	(9,644)
Total	**(4,911)**	**(11,180)**

The item "Charges on non-banking services" includes Euro 3.2 million as a higher precautionary charge recognised in connection with a package of tax credits acquired from a financial intermediary and subject to seizure. The balance of the item in the comparison period included Euro 9.3 million in allocations for the same package of purchased tax credits. For further details, please refer to the information contained in the Report on Operations.

14.2 Other operating income: breakdown

	31.12.2022	31.12.2021
Recovery of taxes from third parties	28,426	30,956
Recovery of charges on current accounts and deposits	2,234	2,206
Rent and fees receivable	43	45
Other expense recoveries	1,914	1,871
Profits on realisation of tangible assets	104	22
Other	783	946
Total	**33,504**	**36,044**

The item "Recovery of taxes from third parties" mainly includes recoveries of stamp duty on current accounts, deposit accounts and other customer investments totalling Euro 25,540 thousand (formerly Euro 27,072 thousand) and recoveries of substitute tax totalling Euro 2,889 thousand (formerly Euro 3,889 thousand).

The item "Recovery of charges on current accounts and deposits" includes recoveries for fast processing fees of Euro 935 thousand (formerly Euro 822 thousand) and other recoveries for miscellaneous customer communications for Euro 990 thousand (formerly Euro 1,145 thousand).

The item "Other expense recoveries" includes, in particular, legal expenses on bad loans in the amount of Euro 713 thousand (formerly Euro 1,014 thousand), recoveries related to sundry loan investigation expenses in the amount of Euro 464 thousand (formerly Euro 170 thousand), and recovery of sundry expenses on lease files in the amount of Euro 281 thousand (formerly Euro 312 thousand).

Section 16 - Result of fair value measurement of tangible and intangible assets - Item 230

At 31 December 2021, the item included the negative change related to the category of works of art as a result of the updated valuation of valuable artistic assets (governed by IAS 16 “Property, Plant and Equipment”).

Section 17 - Value adjustments on goodwill - Item 240

The results of the impairment tests on goodwill recognised in the financial statements did not lead to the recognition of any value adjustments.

With regard to the methodology adopted to perform the tests, please refer to the comment in “Section 10 - Intangible assets” of the Balance Sheet Assets.

Section 18 - Gains/Losses on disposal of investments - Item 250

18.1 Gains (losses) on disposal of investments: breakdown

Income component/Values	31.12.2022	31.12.2021
A. Properties	(54)	-
- Gains on sale	-	-
- Losses on sale	(54)	-
B. Other assets	-	-
- Gains on sale	-	-
- Losses on sale	-	-
Net result	**(54)**	**-**

The balance of the item amounting to Euro 54 thousand refers to losses arising from the sale of investment properties by the Bank.

Section 19 - Income taxes for the year on current operations - Item 270

19.1 Income taxes for the year on current operations: breakdown

Income components/Values	31.12.2022	31.12.2021
1. Current taxes (-)	(18,691)	1,159
2. Changes in current taxes of previous years (+/-)	1,468	224
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(16,130)	(18,384)
5. Change in deferred tax liabilities (+/-)	(112)	8,954
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(33,465)**	**(8,047)**

The table is shown net of the amount of Euro 2,605 thousand related to current taxation referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value for the same business unit reclassified under "Profit/Loss from discontinued operations after taxes" was Euro 2,855 thousand.

The increase in item "1. Current taxes" compared to the comparison period is substantially due to the increase in profit for the period compared to the comparison period and the consequent increase in the IRES and IRAP tax bases.
The balance of item "2. Changes in current taxes of previous years" refers to the amount recognised following a refund application submitted to the Revenue Agency in relation to IRAP, tax year 2014, with reference to the business unit transferred by the Parent Company to the former subsidiary BPS.

More specifically, it should be noted that taxation in the comparison period benefited from the realignment pursuant to Article 110 of Decree Law No. 104/2020, of the tax values to the higher statutory values of buildings and goodwill. The positive effect on the result for the comparison period was Euro 9,365 thousand, due to the difference between:

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

19.2 Reconciliation of theoretical tax charge and actual tax charge in the financial statements

	IRES		IRAP	
Pre-tax result	124,259		124,259	
Costs not deductible for IRAP			25,280	
Revenues not taxable for IRAP			(16,438)	
Sub Total	124,259		133,101	
Theoretical tax expense 24% Ires - 3.5% Ires surtax - 5.57% Irap		**(34,171)**		**(7,414)**
Temporary differences taxable in subsequent years	(401)		(35)	
Temporary differences deductible in subsequent years	35,732		24,953	
Reversal of temporary differences from previous years	(88,471)		(54,170)	
Differences that will not be reversed in subsequent years	(12,639)		(10,251)	
Taxable amount	58,480		93,598	
Current taxes for the year 24% Ires - 3.5% Ires surtax - 5.57% Irap		**(16,082)**		**(5,214)**

The total of "Current taxes for the year" in this table, equal to Euro 21,296 thousand, is equal to the sum of what is indicated under item "1. Current taxes" in Table 19.1 and under item "5. Taxes and duties" in Table 20.1.

The difference between the theoretical tax burden and current taxes is mainly due to:

- the recovery of write-downs on receivables from previous years, pursuant to Article 16, paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9.

Section 20 - Profit/Loss from discontinued operations after taxes - Item 290

20.1 Profit (loss) from discontinued operations after taxes: breakdown

Income components/Sectors	31.12.2022	31.12.2021
1. Income	9,543	8,702
2. Expenses	(71)	(69)
3. Result of valuations of groups of assets and related liabilities	-	-
4. Realised gains (losses)	-	-
5. Taxes and duties	(2,605)	(2,855)
Profit (loss)	**6,867**	**5,778**

The income from the business unit transferred to Worldline Italia is entirely related to commission income. The expenses relate mainly to personnel costs.

20.2 Details of income taxes on discontinued operations

	31.12.2022	31.12.2021
1. Current taxation (-)	(2,605)	(2,855)
2. Changes in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (-/+)		
4. Income tax for the year (-1 +/-2 +/-3)	**(2,605)**	**(2,855)**

Section 22 - Earnings per share

22.1 Average number of diluted capital ordinary shares

Please refer to the corresponding section of the Consolidated financial statements for information on Earnings per Share.

22.2 Other information

No further information.

PART D - COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**88,189**	**52,415**
	Other income components without reversal to the income statement		
20.	**Equity securities measured at fair value through other comprehensive income:**	**1,479**	**(50,963)**
	a) change in fair value	1,479	(50,963)
	b) reclassified to other components of equity		
50.	**Tangible assets**		(57)
70.	**Defined benefit plans**	**1,411**	**3**
100.	**Income taxes relating to other income components without reversal to the income statement**	**(459)**	**3,662**
	Other income components with reversal to the income statement		
130.	**Cash flow hedges:**	**303**	**1,090**
	a) changes in fair value	303	
	b) reversal to income statement		1,090
150.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income:**	**(47,273)**	**(5,544)**
	a) changes in fair value	(47,695)	(3,796)
	b) reversal to income statement	218	(1,748)
	- credit risk adjustments	160	(10)
	- realised gains/losses	58	(1,738)
	c) other changes	204	-
180.	**Income taxes relating to other income components with reversal to the income statement**	**15,533**	**1,472**
190.	**Total other income components**	**(29,006)**	**(50,337)**
200.	**Comprehensive income (Item 10+190)**	**59,183**	**2,078**

The negative change in item 20 "Equity securities measured at fair value through other comprehensive income" compared to last year is due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; the following were recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, amounting to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks. This system is integrated into the organisational and corporate governance structures adopted by the Group.

The guidelines of the system are defined in internal regulations. Detailed operational and informative provisions on the controls implemented, at the various levels, on corporate processes are contained in the specific function regulations and internal procedures.

Under the organisational model adopted by the Group, the Risk Management function reports directly to the Chief Executive Officer and participates in the risk management process aimed at identifying, measuring, assessing, monitoring, preventing and mitigating as well as communicating the risks assumed or that may be assumed in the course of business. This function also performs the activity vis-à-vis the subsidiaries, in accordance with the relevant Service Agreements.

At least once a year, the Board of Directors approves the Group's "Risk Appetite Framework (RAF)" and "Corporate Risk Management Policy", which define the risk appetite, tolerance thresholds, limits as well as risk monitoring rules and methodologies. Within the framework of these documents, specific risk indicators with the relevant attention thresholds are provided for at the level of each legal entity, identifying the functions responsible for the specific control mechanisms and providing for dedicated information flows. The internal capital adequacy process (ICAAP) and the liquidity risk management and governance system (ILAAP) are also part of the Group's risk management system.

SECTION 1 – CREDIT RISK

Qualitative information

1. *General Aspects*

The bank's lending activities are developed in line with the management guidelines of the Business Plan and targeted at local economies mainly in the retail, small business and small-medium enterprise markets. To a lesser extent, lending is aimed at the corporate market.

In the activities aimed at private customers, small businesses (artisans, producer households, professionals), SMEs and corporates, and customers with financial company characteristics, the products essentially related to: loans and deposits, financial, banking and payment services, documentary credit, lease, factoring, financial, insurance and asset management products, and debit and credit cards.

Commercial policy is pursued mainly through the branch network on the basis of credit policies oriented towards supporting local economies. Particular attention is paid to maintaining the relationships established with customers and developing them both in the geographical areas where the bank is traditionally present and in the new markets of establishment with the aim of acquiring new market shares and facilitating growth in business volume. The subsidiary Fides S.p.A., active in the provision of loans to private customers in the technical forms of salary-backed, advances on severance pay and personal loans, also makes use of agents outside the parent company's sales network in the placement of its products. The bank also operates by adhering to the agreements stipulated between the Italian Banking Association, Trade associations and Entrepreneurial associations with the stipulation of Conventions aimed at providing credit support to companies with a view to safeguarding asset quality.

2. *Credit risk management policies*

2.1. Organisational aspects

Factors that generate credit risk relate to the possibility that an unexpected change in the creditworthiness of a counterparty, with respect to which exposure exists, generates a corresponding unexpected change in the value of the credit position. Therefore, not only the possibility of a counterparty's insolvency, but also the mere deterioration of creditworthiness must be considered a manifestation of credit risk.

The Group's organisational structure ensures an adequate process for monitoring and managing credit risk, with a logic of separation between business and control functions. The Parent Company's Board of Directors is exclusively responsible for determining guidelines affecting the general management of the bank's business, as well as, within this framework, decisions concerning strategic lines and operations and industrial and financial plans, and those concerning, again at the level of strategic supervision, the Internal Control and Risk Management System in accordance with the Prudential Supervisory Provisions in force from time to time. In line with the provisions of Bank of Italy Circular 285/2013, the Parent Company assigned the Risk Management Department the task of verifying and supervising the monitoring and credit recovery activities carried out by the competent corporate functions, envisaging the power to intervene, where necessary, on the classification of anomalous credit and the allocation of provisions.

2.2 Management, measurement and control systems

The credit risk management, measurement and control systems are developed in an organisational context that involves the entire credit process cycle, from the initial investigation phase to the periodic review and the final revocation and recovery phase.

In the credit investigation stages, the bank carries out both internal and external investigations on the customer to be entrusted, and arrives at the final decision to grant credit by also considering all the information relating to the economic subject, which is the result of direct knowledge of the customer and the economic context of operation.

In the credit disbursement process, the Group operates by having as its guiding principle both the spreading of risk among a multiplicity of customers operating in different business sectors and market segments, and the adequacy of the credit line in relation to the borrower's autonomous creditworthiness, the technical form of utilisation and the collateral that can be acquired.

The analysis and monitoring of credit risk is carried out with the support of specific operating procedures. The purpose of a timely monitoring system is to detect, as early as possible, signs of deteriorating exposures in order to take effective corrective action. To this end, credit exposures are monitored by means of the performance analysis of reports and the risk centre through dedicated procedures. This examination makes it possible to identify customers with anomalies in the conduct of the relationship as opposed to those with a regular pattern.

All credit transactions carried out by the Bank as a result of the health emergency were appropriately coded in order to be able to govern and monitor the action on a daily basis.

In relation to the negative impact of the Covid-19-related health emergency, monitoring activities continued for customers (both individuals and companies) on medium- and long-term loans that resumed normal repayment schedules during the year.

With reference to the possible repercussions on the quality of the loan portfolio resulting from the conflict between Russia and Ukraine, an assessment was conducted on the direct credit risk impacts at portfolio level. In addition, an internal monitoring analysis was initiated in order to intercept, at an early stage, customers who, due to their sector or direct dependency, could be potentially negatively affected. In order to assess the hypotheses for the evolution of the macroeconomic scenario, the sectoral impact estimates and tools to cope with both the most acute phase of the crisis and the new scenario were examined in depth.

As part of its corporate risk management policies, the Bank has established a system of operational limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, when thresholds are exceeded, the Risk Management function activates internal procedures to intervene in order to maintain a level of risk appetite consistent with what is defined in the RAF and risk management policies.

For risk management purposes, the Group uses an internal rating system capable of classifying each counterparty into risk classes with homogeneous probability of default. The classification of performing counterparties subject to valuation is on a scale of 1 to 10. Non-performing loans (exposures past-due and/or overdrawn, 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 regulatory rules for the Standardised Approach, using ratings provided by authorised external ECAI for certain counterparties.

2.3 Methods for measuring expected losses

The general approach defined by IFRS 9 Financial Instruments to estimate impairment is based on a process designed to provide evidence of deterioration in the credit quality of a financial instrument at the reporting date compared to the date of initial recognition. The regulatory guidance on the allocation of receivables to the various "stages" provided by the Standard ("staging" or "stage allocation") requires, in fact, that significant changes in credit risk be identified with reference to the change in creditworthiness from the initial recognition of the counterparty, the expected life of the financial asset, and other forward-looking information that may affect credit risk.

Consistent with IFRS 9, performing loans are therefore divided into two different categories:

- Stage 1: assets with no significant credit risk deterioration are classified in this bucket. For this Stage, the calculation of the expected one-year loss on a collective basis is envisaged;
- Stage 2: in this bucket are classified assets with a significant deterioration in credit quality between the reporting date and initial recognition. For this bucket, the expected loss must be calculated from a lifetime perspective, i.e. over the entire life of the instrument, on a collective basis.

As part of the process of ongoing monitoring of the application framework of IFRS 9, in consideration of the reference context still conditioned by the pandemic emergency, to which the emergency relating to the war conflict between Russia and Ukraine was added in 2022, it should be noted that in preparing this financial report, the Group took into account the indications contained in the documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical assumptions in the models used to estimate expected credit losses during the health emergency and the need to ensure that the risks to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential valuations.

Therefore, the Group has updated the macroeconomic forecasts of the models used to estimate expected losses to the projections for Italy in the period 2022-24 prepared by the experts of the Bank of Italy as part of the Eurosystem coordinated exercise, published on 16 December 2022, to the projections for Europe prepared by the experts of the European Central Bank, published on 15 December 2022, and residually to those prepared 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 fall in international trade and foreign demand, the downsizing of international tourism flows, the effects of uncertainty and confidence on the propensity of businesses to invest, etc.

Estimating the expected credit loss - Stage 1 and Stage 2

The Expected Credit Loss (ECL) calculation model for measuring the impairment of non-impaired instruments, differentiated according to whether the exposure is classified as a Stage 1 or Stage 2 exposure, is based on the following formula:

$$ECL = \sum_{t=1}^{T} PDt\,´\,EADt\,´\,LGDt\,´\,(1+r)^{-t}$$

where:

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

The models used to estimate these parameters are derived from the corresponding parameters developed under the most recent regulatory guidelines, making specific adjustments to take into account the different requirements and purposes of the IFRS 9 impairment model compared to the regulatory model.

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

- removal of elements provided for regulatory purposes only, such as the down-turn component considered in the regulatory LGD calculation to account for the adverse business cycle, the margins of conservatism provided for PD, LGD and EAD, and the add-on of indirect costs with the aim of avoiding a double-counting effect on the income statement;
- inclusion of current business cycle conditions (Point-in-Time risk measures) in place of a Through The Cycle (TTC) measurement required for regulatory purposes;
- introduction of forward-looking information concerning the future dynamics of macroeconomic factors (forward looking risk) considered potentially capable of influencing the debtor's situation;
- extension of the risk parameters to a multi-year perspective, taking into account the duration of the credit exposure to be assessed (lifetime).

The following provides more detailed information on how the Group determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to how forward-looking factors were included.

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

Estimating the PD parameter

The PD parameters were appropriately calibrated, using satellite models, to reflect default rates under current (PiT) and forward-looking conditions. These parameters must be estimated not only with reference to the twelve-month horizon following the reporting date, but also in future years, in order to allow for the calculation of lifetime provisions.

For the Group, lifetime PD curves were created by multiplying 12-month rating migration matrices by segments and conditional on prospective macroeconomic scenarios, using a Markovian approach. Each rating class assigned to counterparties by internal models is associated with the corresponding lifetime PD curve. Below are the main methodological steps used to estimate the PD lifetime parameter:

- creating historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, based on the average of these matrices, obtaining 3-year migration matrices for each risk segment. It should be noted that in order to reduce the default rate bias resulting from support policies, the migration matrices of 2020 and 2021 have been deducted of the counterparties benefiting from moratoria;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned by selected macroeconomic scenarios,

using satellite models (Merton method) capable of expressing the sensitivity of PD measures to changes in key economic quantities. These satellite models are differentiated by Business and Private segments and use segment-specific variables;

- obtaining the cumulative PD per rating class and scenario by means of a matrix product (Markov chain techniques) of the future Pit migration matrices for the first three years, as calculated above, while from the fourth year onwards, use is made of the 1-yr TTC matrix assumed constant in each period *t*, obtained by deconditioning the individual annual migration matrices observed over the last five years using the Merton-Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

Please refer to the following section "Inclusion of forward-looking factors" for further details on how the PD parameter was created.

Estimating the LGD parameter

LGD values are assumed to be equal to the recovery rates calculated over the business cycle (TTC), appropriately adjusted to remove certain elements of conservatism represented by indirect costs and the adverse business cycle component (the so-called "down turn" component in addition to the previously mentioned margins of conservatism).

Estimating the EAD

For cash exposures, the EAD parameter is, at each future payment date, the outstanding debt based on the amortisation schedule plus any unpaid and/or past-due instalments.

For off-balance sheet exposures, which are represented by guarantees and irrevocable or revocable commitments to disburse funds, the EAD is equal to the nominal value weighted by a credit conversion factor (CCF), determined in accordance with internal models and using the standard 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 resulting from different macroeconomic scenarios. In detail, the multiple possible alternative macroeconomic scenarios were reduced to a limited number of three scenarios (positive, basic and negative), which constitute the input of the so-called "satellite models". The use of the latter models makes it possible to define, by means of statistical regression techniques, the relationship between a limited number of significant macroeconomic variables, taken as a reference, and the decay rates of the various segments. The result of these estimates is used to create stress factors, known as "delta scores", broken down by scenario and risk segments. These "delta scores" are applied using the Merton method to the average Point in Time (PiT) matrix per risk segment, represented by the most recent three years of available internal rating migration data, in order to obtain three future matrices stressed on the basis of macroeconomic forecasts. From the fourth year onwards, reference was made to the long-term matrix to calculate the PD curves.

Next, the creation of the PD curves for each of the 3 scenarios is done by applying the Markov chain statistical procedure (product of the annual matrices described above). The cumulative PiT and lifetime PD curves are finally generated as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

In view of the fact that the final figures for the two-year period 2020-21 have probably not yet fully reflected their effects either on the default classifications or on the deterioration of the performing portfolio, it was deemed appropriate to maintain in the determination of the expected default rates, albeit in a reduced form compared to the previous year, the so-called "Cliff Effect" i.e. the disproportionate amplification of the effects that would derive from the substantial and simultaneous drop - starting from the end of 2021 - of the support mechanisms for the economy adopted to cope with the pandemic (i.e. SACE guarantees to corporate loans, moratoria on SME loans and mortgages, measures on expiring tax balances and recovery, a freeze on redundancies and access to the funded redundancy fund).

The adjustment was then applied by calculating - from the projections obtained through the application of the satellite model and for each rating system - the distance between the estimated 2020 default rate (TD) and the observed one in the same year, and the distance between the 2021 TD and the observed one in the same year. Next, the portion of latent defaults for which the support measures granted were deemed insufficient to mitigate the pandemic effect from Covid-19 was identified, spreading it over the three projection years asymmetrically (developing a greater effect on the first projection year).

Moreover, the current satellite models for the corporate and private segments, although characterised by prudence in estimating "conventional" scenarios, have certain limitations when applied to hyper-inflationary scenarios as an increase in inflation corresponds to a reduction in expected forward-looking riskiness.

This assessment, which is consistent with an inflation dynamic aligned with the monetary policy target dynamic, is not well suited to capture a hyper-inflationary scenario as it is expected to reduce risk instead of increasing it.

For this reason, the projection models were re-estimated by excluding the variables considered unsuitable for the hyper-inflationary context, such as Inflation Europe, Euribor 3m, Italian residential property values.

Finally, given the persistent uncertainty regarding the future evolution of the COVID-19 pandemic, the ongoing war context, and the relative economic effects of the same, the mix of probabilities of occurrence was calibrated by placing alongside the "base" scenario considered most probable (with a probability of 55%), an alternative "negative" scenario (with a probability of 35%) and a "positive" scenario (with a probability of 10%).

The following tables provide evidence of the minimum and maximum values ("range of values") referred to the macroeconomic parameters considered in the forward-looking conditioning models (so-called satellite models, time by time subject to calibration and refinement), for the scenarios considered most probable to influence the expected losses of performing credit exposures and the relative probabilities of occurrence considered at 31 December 2022, 2021 and 2020:

Financial Statements 31 December 2022	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	0.40	3.80	0.40	3.80	-0.48	3.43
10-year Bund - BTP spread	1.80	2.57	2.04	2.58	2.62	2.69
Probability of occurrence	**10%**		**55%**		**35%**	

Financial Statements 31 December 2021	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	2.24	6.44	2.50	6.20	1.43	5.96
Inflation Europe	2.10	3.40	1.80	3.20	1.40	3.10
Euribor 3m	-0.47	-0.50	-0.50	-0.50	-0.54	-0.50
Residential property values Italy	1.43	2.50	1.39	1.73	0.36	1.38
10-year Bund - BTP spread	0.91	1.03	0.91	1.03	1.28	2.14
Probability of occurrence	**0%**		**55%**		**45%**	

Financial Statements 31 December 2020	**Positive Scenario**		**Base Scenario**		**Negative Scenario**	
Macroeconomic Indicators	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
GDP Italy	-8.9	6.1	-9.0	3.8	-9.2	1.4
Unemployment Italy	8.9	9.8	9.2	10.4	9.6	11.3
Residential property values	292.2	324.2	288.2	294.7	270.3	283.0
Unemployment Europe	7.5	8.8	8.0	9.3	8.1	10.3
Probability of occurrence	**0%/5%**		**70%**		**25%/30%**	

Post-model adjustments

Considering the fact that at the reporting date the latent riskiness of a cluster of exposures may not be fully reflected in the IFRS9 expected loss measurement models both in terms of staging allocation and application of the expected loss due to the particular situation that government support measures continue to determine on the liquidity of companies and the ordinary levers for monitoring loans (past-due amounts, financial tension, etc.), the Bank deemed it appropriate to continue to adopt a prudent approach, consistent with as requested by Esma in its document "European common enforcement priorities for 2021 annual financial reports" in assessing the longer-term impacts related to Covid-19, defining post-model adjustments (management overlay) that take into account the transition to stage 2:

- moratoria on loans still outstanding at 30 September 2021, mainly consisting of legislative moratoria pursuant to Article 56 of the Liquidity Decree to be further extended during the year,
- updating the Bank's sector attractiveness analyses based on Prometeia sector studies, focusing on ratings equal to or worse than the median class (rating 5),
- mortgages granted to private customers belonging to the mass market segment to which the analysis of the Bank's Lending and Commercial Departments is directed (worsening of the instalment from June to December greater than Euro 50).

With particular reference to the sectors considered less attractive, the same Ateco codes used as drivers for the specific risk monitoring and containment actions within credit policies, as detailed below, were taken into account.

Code	Sector	Grouping
1	Agriculture	LOW
2	Agriculture	LOW
3	Agriculture	LOW
13	Textiles and Clothing	LOW
14	Textiles and Clothing	LOW
15	Textiles and Clothing	LOW
24	Metallurgy	LOW
25	Metallurgy	LOW
29	Automotive	LOW
35	Production and Supply of Electricity, Gas	LOW
41	Construction	LOW
42	Construction	LOW
43	Construction	LOW
45	Automotive	LOW
47	Retail Trade	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, Sporting Activities and Travel Agencies	LOW
80	Business Services	LOW
81	Business Services	LOW
82	Business Services	LOW
90	Recreational, Sporting Activities and Travel Agencies	LOW
91	Recreational, Sporting Activities and Travel Agencies	LOW
92	Recreational, Sporting Activities and Travel Agencies	LOW
93	Recreational, Sporting Activities and Travel Agencies	LOW

Within the stage 2 positions, specific higher-risk clusters were identified for corporate loans to which increasing minimum coverage was applied.

For the definition of the minimum coverage levels to be applied on the various clusters identified, in a range between 4.8% and 13%, the average coverage levels expressed by the model on different risk bands were taken as a reference.

Sensitivity analysis of expected losses

As represented in the section "Use of estimates and assumptions in preparing the financial statements" contained in Part A - "Accounting policies", the determination of impairment losses on loans involves significant elements of judgement, with particular reference to the model used to measure losses and the relative risk parameters, the triggers considered expressive of significant credit deterioration, and the selection of macroeconomic scenarios.

In particular, the inclusion of forward-looking factors turns out to be a particularly complex exercise, as it requires the formulation of macroeconomic forecasts, the selection of scenarios and their relative probabilities 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 under assessment, as illustrated in the previous paragraph.

In order to assess how forward-looking factors may influence expected losses, it is deemed reasonable to perform a sensitivity analysis in the context of different scenarios based on consistent forecasts in the evolution of different macroeconomic factors. The countless interrelationships between individual macroeconomic factors are, in fact, such that a sensitivity analysis of expected losses based on a single macroeconomic factor is not very significant.

The Group therefore deemed it reasonable to perform a sensitivity analysis considering a 70% probability of occurrence of the negative scenario, which would result in a further increase in value adjustments on the performing portfolio of about Euro 2.3 million gross.

2.4 Credit risk mitigation techniques

In the development of the operational process leading to the granting of credit, even in the presence of positive evaluations of the necessary requirements, the Group acquires whenever possible collateral and/or personal guarantees aimed at risk mitigation.

The collateral represented by mortgages, mainly referring to the technical form of mortgages (particularly on residential properties), appears predominant over all loans. Still at significant levels, there are also public guarantees such as guarantees and counter-guarantees issued by the Guarantee Fund for SMEs pursuant to Law No. 662/96, SACE or the European Investment Fund, as well as pledged guarantees on securities and/or money.

The guarantees received are drafted on contractual outlines, in line with industry standards and legal guidelines, approved by the competent corporate functions. The guarantee management process, in line with the requirements of the supervisory regulations, includes monitoring activities and specific checks aimed at verifying eligibility.

Public guarantees such as guarantees and counter-guarantees issued by the Guarantee Fund for SMEs pursuant to Law No. 662/96 and by SACE were modelled in the calculation of the expected loss (ECL); an expected loss reflecting the risk of a public counterparty was also determined on the guaranteed portion of the exposure. A similar approach was adopted for financial guarantees eligible for prudential purposes.

3. *Impaired credit exposures*

3.1 Management strategies and policies

The current regulatory framework provides for the classification of impaired financial assets according to their critical status. In particular, there are three categories: "bad loans", "unlikely to pay" and "impaired past-due and/or overdrawn exposures".

- Bad loans: exposure to a party in a state of insolvency (even if not judicially adjudicated) or in substantially similar situations, irrespective of the loss projections made by the intermediary.
- Unlikely to pay: exposures for which the intermediary considers it unlikely that the borrower will perform in full without recourse to actions such as the enforcement of collateral, irrespective of the presence of amounts past-due and/or overdrawn.
- Impaired past-due and/or overdrawn exposures: exposures, other than those classified as bad loans or unlikely to pay, that are past-due and/or overdrawn continuously for more than 90 days.

There is also a type of "forborne exposures", referring to exposures subject to renegotiation and/or refinancing due to financial difficulties (manifest or about to manifest) of the client. Such exposures may constitute a subset of both non-performing loans (forborne exposures on impaired positions) and performing loans (forborne exposures on performing positions). The management of these exposures, in compliance with regulatory requirements with respect to timing and classification methods, is assisted through specific work processes and IT tools.

The Group has a policy that regulates the criteria and methods for the application of value adjustments which, depending on the type of non-performing loan, the original technical form and the type of collateral supporting it, establish the minimum percentages to be applied in determining loss forecasts. The management of the Parent Company's impaired exposures is delegated to a specific organisational unit, the NPL Area, which is responsible for identifying strategies to maximise recovery on individual positions and for defining the value adjustments to be applied to them. Only "impaired past-due/overdrawn" exposures subject to a lump-sum write-down and with a high probability of reclassification among "performing" exposures are managed by the function delegated to the monitoring of credit performance, which eventually classifies them among "unlikely to pay", transferring their management to the NPL Area.

The loss forecast represents the summary of several elements derived from different assessments (internal and external) of the capital adequacy of the principal debtor and any guarantors, and, in the case of UTP, also takes into account the drivers used in defining the LGD parameter. The monitoring of loss forecasts is constant and related to the development of the individual position. The Risk Management function periodically monitors compliance with the doubtful outcome percentages envisaged by the policy for the management of non-performing loans, reporting any deviations to the competent functions for realignment interventions, and supervises the recovery activities of non-performing loans, whether managed directly by the functions in charge or through specialised external operators.

The time element inherent in the discounting of non-performing loans is determined by specific valuations, made for individual types of assets, prepared on the basis of information on individual court cases and updated periodically.

Consistent with the objectives of reducing the bank's stock of non-performing loans indicated in the business plan and in the NPL Management Plan, and with a view to maximising recoveries, the competent corporate functions define the best strategy for managing impaired exposures, which, on the basis of the subjective characteristics of the individual counterparty/exposure and internal policies may be identified in a review of contractual terms (forbearance), in the assignment to an internal recovery unit rather than to a specialised third-party operator, in the identification of the possibility of assigning the credit to third parties (at the level of individual exposure or within a complex of positions with homogeneous characteristics). In particular, during the course of the year, proactive monitoring of exposures continued, favouring the return and recovery of unlikely to pay (UTP) exposures, and also evaluating hypotheses of disposal to third parties for exposures where the intervention of investors could be an improvement over the bank's ordinary risk containment actions. With regard to bad loans, credit recovery action was taken favouring outright solutions, where convenient, and also proceeding with the assignment of certain perimeters of mainly unsecured loans.

In execution of its capital management strategy, the Bank completed a programme of NPL disposals, particularly significant in recent years, with reference to both loans classified as bad loans and loans classified as UTP. The additional divestment transactions finalised in the first six months led to a further reduction in the NPL Ratio (gross non-performing loans/gross loans ratio) to 3.3%, confirming a level in line with the best in the Italian banking scene.

The action of containing the stock of UTP is achieved through two actions:

3. prevention of incoming flows to UTP;
4. effective management of the impaired portfolio aimed at maintaining good recovery and/or return to performing status, together with a policy of targeted disposals aimed at optimising their countervalue.

Since corporate counterparties represent a significant share, in terms of volume, the focus is more on reducing transfers to UTP for this type of loan.

The operating methods and tools in use at Banco Desio, through which positions presenting credit anomalies and critical factors are identified and managed, are regulated and formalised in internal documentation. In particular, the monitoring activity is strongly focused on the trend analysis of individual risk positions intercepted on the basis of periodic and punctual checks, on the basis of systematic reports produced by the internal IT procedure (Credit Quality Manager) and detected by the Monitoring Dashboard. The latter tool, in addition to periodically photographing and monitoring the trend in anomalies, provides, for the purposes of control and possible intervention, an evaluation of individual branches, attributing to each one a ranking, calculated on the basis of risk indicators.

This reporting tool, also used to support the Parent Company's Top Management and Network, makes it possible to interpret, process and historicise data from various certified sources, in order to detect the credit quality of the Parent Company itself, the Territorial Areas, and the Branches.

3.2 Write-offs

Impaired exposures for which there is no possibility of recovery (either total or partial) are subject to write-off in accordance with the policies in force at the time, approved by the Group's Board of Directors. Among the strategies identified for the containment of non-performing loans, a management approach based on "single name" disposals was also envisaged for unlikely to pay, with particular reference to loans managed with a view to liquidation or total return (gone concern).

With reference to the indicators used to assess recovery expectations, the Group has adopted specific policies for the analytical assessment of non-performing loans that envisage specific adjustment percentages, distinguishing the presence and type of underlying guarantees (real or personal), the submission of customers to a specific procedure (blank agreements; liquidation agreements; continuing agreements; over-indebtedness crisis; pursuant to Articles 67 and 182 of the Bankruptcy Law).

3.3 Purchased or originated impaired financial assets

As indicated by the accounting standard "IFRS 9 - Financial Instruments", in some cases, a financial asset is considered impaired upon initial recognition because the credit risk is very high and, in the case of purchase, it is acquired at a significant discount (compared to the initial disbursement value). In the event that the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and

Business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as 'Purchased or Originated Credit Impaired Assets' (in short, "POCI") and are subject to special treatment. Specifically, value adjustments equal to the lifetime Expected Credit Loss (ECL) are recognised against them from the date of initial recognition and throughout their life. In light of the foregoing, POCI financial assets are initially recognised as impaired assets, subject to the possibility of being subsequently moved to performing loans, in which case an expected loss equal to the lifetime ECL will continue to be recognised. A "POCI" financial asset is therefore qualified as such in the signalling and expected loss calculation (ECL) processes.

4. Financial assets subject to trade renegotiations and forborne exposures

In the face of the debtor's credit difficulties, exposures may be subject to modifications of 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 behind the debtor's credit difficulties, the changes may act in the short term (temporary suspension of the payment of the principal of a loan or extension of a maturity) or in the long term (extension of the term of a loan, revision of the interest rate) and lead to the classification of the exposure (both performing and impaired) as "forborne". Forborne exposures are subject to specific grading provisions, as set forth in the EBA ITS 2013-35 transposed into the Group's lending policies; if the forbearance measures are applied to performing exposures, they are taken into account in the process of assigning the internal management rating and are included in the group of stage 2 exposures. All exposures classified as forborne are included in specific monitoring processes by the relevant corporate functions.

Specifically, these functions, through the support of appropriate IT procedures, monitor the effectiveness of the measures granted, detecting improvements or deteriorations in the client's financial situation after the concession. If, at the end of the monitoring period, the position meets all the criteria laid down in the relevant regulations, it is no longer considered a forborne loan; conversely, it continues to be a forborne exposure.

The commercial network may, if it sees fit, revise the terms applied to customer exposures even in the absence of financial difficulties, within the scope of the autonomy in force at the time.

In that case, the exposure does not fall within the category of forborne exposures.

Quantitative information

A Credit Quality

A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolios/quality		Bad loans	Unlikely to pay	Impaired past-due	Non-impaired past-due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost		58,966	128,744	3,877	34,660	14,380,871	14,607,118
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	827,845	827,845
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	665	665
5. Financial assets held for sale		-	-	-	-	-	-
Total	**31.12.2022**	**58,966**	**128,744**	**3,877**	**34,660**	**15,209,381**	**15,435,628**
Total	**31.12.2021**	**96,286**	**141,345**	**1,538**	**39,845**	**16,584,988**	**16,864,002**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolios/quality		Impaired				Non-impaired			Total (net exposure)
		Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost		384,592	(193,005)	191,587	1,882	14,521,520	(105,989)	14,415,531	14,607,118
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	828,168	(323)	827,845	827,845
3. Financial assets designated at fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	X	X	665	665
5. Financial assets held for sale		-	-	-	-	-	-	-	-
Total	**31.12.2022**	**384,592**	**(193,005)**	**191,587**	**1,882**	**15,349,688**	**(106,312)**	**15,244,041**	**15,435,628**
Total	**31.12.2021**	**489,510**	**(250,341)**	**239,169**	**6,371**	**16,729,087**	**(105,137)**	**16,624,833**	**16,864,002**

Portfolios/quality		Assets with evident poor credit quality		Other assets
		Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	20,634
2. Hedging derivatives		-	-	59,099
Total	**31.12.2022**	**-**	**-**	**79,733**
Total	**31.12.2021**	**-**	**-**	**4,216**

A.1.3 Breakdown of financial assets by maturity bands (carrying amounts)

Portfolios/risk stages		First stage			Second stage			Third stage			Purchased or originated impaired		
		From 1 day to 30 days	More than 30 days up to 90	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 .	Over 90 days
1. Financial assets measured at amortised cost		7,848	7	5	20,797	5,718	147	11,015	23,557	94,658	423	529	1,304
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**31.12.2022**	**7,848**	**7**	**5**	**20,797**	**5,718**	**147**	**11,015**	**23,557**	**94,658**	**423**	**529**	**1,304**
Total	**31.12.2021**	**19,571**	**-**	**-**	**13,771**	**5,446**	**1,056**	**13,820**	**13,511**	**138,155**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend of total value adjustments and total - Part 1

Reasons/risk stages	Total value adjustments											
	First stage assets						Second stage assets					
	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Total opening adjustments	**28**	**20,402**	**163**	**-**	**-**	**20,593**	**-**	**84,452**	**-**	**-**	**-**	**84,452**
Increases in purchased or originated financial assets	39	11,833	33	-	-	11,905	-	3,270	-	-	-	3,270
Derecognition other than write-offs	(3)	(5,484)	-	-	-	(5,487)	-	(849)	-	-	-	(849)
Net value adjustments/reversals for credit risk (+/-)	49	(7,035)	127	-	-	(6,859)	-	(698)	-	-	-	(698)
Contractual amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**113**	**19,716**	**323**	**-**	**-**	**20,152**	**-**	**86,175**	**-**	**-**	**-**	**86,175**
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations (Part 2)

Reasons/risk stages	Total value adjustments											Total allocations for commitments to disburse funds and financial guarantees given				Tot.
		Third stage assets					Purchased or originated impaired financial assets									
	Demand loans with banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Purchased or originated impaired commitments to	
Total opening adjustments	-	**235,219**	**0**	**11,435**	**246,654**		**3,808**	**0**	**0**	**3,686**	**122**	**1,420**	**574**	**2,064**	**-**	**359,565**
Increases in purchased or originated financial assets	-	572	-	-	572	-	X	X	X	X	X	938	1,247	6,738	-	24,670
Derecognition other than write-offs	-	(503)	-	-	(503)	-	(1)	-	-	(1)	(1)	(877)	(1,245)	(6,779)	-	(15,741)
Net value adjustments/reversals for credit risk	-	(39,153)	-	-	(39,153)	-	(1,129)	-	-	(1,107)	(23)	(966)	506	(86)	-	(48,385)
Contractual amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Write-offs not recognised directly in the income statement	-	(5,638)	-	-	(5,638)	-	(72)	-	-	(72)	-	-	-	-	-	(5,710)
Other changes	-	-	-	(11,435)	(11,435)	-	-	-	-	-	-	-	-	-	-	(11,435)
Total closing adjustments	-	**190,497**	-	**-**	**190,497**	**-**	**2,606**	**-**	**-**	**2,506**	**98**	**515**	**1,082**	**1,937**	**-**	**302,964**
Recoveries from collection on financial assets subject to write-offs	-	3,872	-	-	3,872	-	17	-	-	17	-	-	-	-	-	3,889
Write-offs recognised directly in the income statement	-	(4,362)	-	-	(4,362)	-	(5)	-	-	(5)	-	-	-	-	-	(4,367)

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)

Portfolios/risk stages		Gross amounts/nominal value					
		Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
		From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost		1,055,795	443,062	59,886	10,916	38,618	844
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given		196,237	60,187	650	490	4,097	155
Total	**31.12.2022**	**1,252,032**	**503,249**	**60,536**	**11,406**	**42,715**	**999**
Total	**31.12.2021**	**856,064**	**952,846**	**62,504**	**3,517**	**22,629**	**1,261**

Banco Desio

A.1.5a Loans subject to Covid-19 support measures: transfers between credit risk stages (gross amounts)

Portfolios/risk stages	Gross amounts					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Loans measured at amortised cost	**272,710**	**88,706**	**12,021**	**47**	**17,928**	**25**
A.1 forborne in compliance with GL	175	1,907	835		248	-
A.2 subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new loans	272,535	86,799	11,186	47	17,680	25
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 forborne in compliance with GL	-	-	-	-	-	-
B.2 subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31.12.2022	**272,710**	**88,706**	**12,021**	**47**	**17,928**	**25**
Total 31.12.2021	**320,114**	**-**	**12,975**	**176**	**5,097**	**63**

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net amounts

Type of exposures/values	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 On demand	**824,165**	**824,165**	**-**	**-**	**-**	**113**	**113**	**-**	**-**	**-**	**824,052**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-
b) Non-impaired	824,165	824,165	-	X	-	113	113	-	X	-	824,052	-
A.2 OTHER	**631,691**	**618,319**	**-**	**-**	**-**	**1,385**	**1,385**	**-**	**-**	**-**	**630,306**	**-**
a) Bad loans	-	X	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-	-	-	-	-	-
c) Impaired past-due exposures	-	X	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-	-	-	-	-	-
d) Non-impaired past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	631,691	618,319	-	X	-	1,385	1,385	-	X	-	630,306	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**1,455,856**	**1,442,484**	**-**	**-**	**-**	**1,498**	**1,498**	**-**	**-**	**-**	**1,454,358**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES						-	-	-	-	-		
a) Impaired	-	X	-	-	-	-	-	-	-	-	-	-
b) Non-impaired	395,534	13,089	-	X	-	3	3	-	X	-	395,531	-
TOTAL (B)	**395,534**	**13,089**	**-**	**-**	**-**	**3**	**3**	**-**	**-**	**-**	**395,531**	**-**
TOTAL (A+B)	**1,851,390**	**1,455,573**	**-**	**-**	**-**	**1,501**	**1,501**	**-**	**-**	**-**	**1,849,889**	**-**

“On-balance sheet credit exposures” include all on-balance sheet financial assets claimed from banks, regardless of the accounting allocation portfolio.

“Off-balance sheet credit exposures” include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

A.1.7 Prudential consolidation - On- and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposures/values	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	**180,751**	**X**	**-**	**178,975**	**1,776**	**121,785**	**X**	**-**	**121,040**	**745**	**58,966**	**1,882**
- of which: forborne exposures	21,995	X	-	21,458	537	11,526	X	-	11,343	183	10,469	-
b) Unlikely to pay	**199,353**	**X**	**-**	**194,405**	**4,948**	**70,609**	**X**	**-**	**68,847**	**1,762**	**128,744**	**-**
- of which: forborne exposures	85,632	X	-	83,078	2,554	30,611	X	-	29,680	931	55,021	-
c) Impaired past-due exposures	**4,488**	**X**	**-**	**4,488**	**-**	**611**	**X**	**-**	**611**	**-**	**3,877**	**-**
- of which: forborne exposures	920	X	-	920	-	155	X	-	155	-	765	-
d) Non-impaired past-due exposures	**36,497**	**7,902**	**28,441**	**X**	**154**	**1,837**	**41**	**1,778**	**X**	**18**	**34,660**	**-**
- of which: forborne exposures	3,916	-	3,763	X	153	440	-	422	X	18	3,476	-
e) Other non-impaired exposures	**14,700,159**	**12,586,540**	**2,105,140**	**X**	**3,192**	**103,090**	**18,612**	**84,397**	**X**	**81**	**14,597,069**	**-**
- of which: forborne exposures	133,121	-	132,946	X	175	11,913	-	11,905	X	8	121,208	-
TOTAL (A)	**15,121,248**	**12,594,442**	**2,133,581**	**377,868**	**10,070**	**297,932**	**18,653**	**86,175**	**190,498**	**2,606**	**14,823,316**	**1,882**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	11,213	X	-	11,213	-	1,937	X	-	1,937	-	9,276	-
b) Non-impaired	3,837,823	3,098,122	236,854	X	-	1,594	512	1,082	X	-	3,836,229	-
TOTAL (B)	**3,849,036**	**3,098,122**	**236,854**	**11,213**	**-**	**3,531**	**512**	**1,082**	**1,937**	**-**	**3,845,505**	**-**
TOTAL (A+B)	18,970,284	15,692,564	2,370,435	389,081	10,070	301,463	19,165	87,257	192,435	2,606	18,668,821	1,882

“On-balance sheet credit exposures” include all on-balance sheet financial assets claimed from customers, regardless of the accounting allocation portfolio.

“Off-balance sheet credit exposures” include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

A.1.7a On-balance sheet credit exposures to customers subject to Covid-19 support measures: gross and net amounts

	Gross exposure					Total value adjustments and allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. BAD LOANS	-	-	-	-	-	-	-	-	-	-	-	-
A) Forborne in compliance with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY	**39,112**	**-**	**-**	**38,603**	**509**	**7,052**	**-**	**-**	**6,877**	**175**	**32,060**	**-**
A) Forborne in compliance with GL	1,133	-	-	1,133	-	335	-	-	335	-	798	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	37,979	-	-	37,470	509	6,717	-	-	6,542	175	31,262	-
C. IMPAIRED PAST-DUE LOANS	**731**	**-**	**-**	**731**	**-**	**92**	**-**	**-**	**92**	**-**	**639**	**-**
A) Forborne in compliance with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	731	-	-	731	-	92	-	-	92	-	639	-
D. PERFORMING LOANS	**6,023**	**1,635**	**4,388**	**-**	**-**	**75**	**3**	**72**	**-**	**-**	**5,948**	**-**
A) Forborne in compliance with GL	41	-	41	-	-	5	-	5	-	-	36	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	5,982	1,635	4,347	-	-	70	3	67	-	-	5,912	-
E. OTHER PERFORMING LOANS	**2,113,584**	**1,669,194**	**443,881**	**-**	**509**	**6,046**	**1,800**	**4,242**	**-**	**4**	**2,107,538**	**-**
A) Forborne in compliance with GL	7,477	2,321	5,156	-	-	560	5	555	-	-	6,917	-
b) Subject to outstanding moratoria measures no longer in compliance with GL and not evaluated as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	2,106,107	1,666,873	438,725	-	509	5,486	1,795	3,687	-	4	2,100,621	-
TOTAL (A+B+C+D+E)	**2,159,450**	**1,670,829**	**448,269**	**39,334**	**1,018**	**13,265**	**1,803**	**4,314**	**6,969**	**179**	**2,146,185**	**-**

A.1.8 On-balance sheet credit exposures to banks: trend in gross impaired exposures

Not present at the reporting date.

A.1.8 bis On-balance sheet credit exposures to banks: trend in forborne gross exposures broken down by credit quality

Not present at the reporting date.

A.1.9 On-balance sheet credit exposures to customers: trend in gross impaired exposures

Reasons/Categories	Bad loans	Unlikely to pay	Impaired past-due
A. Opening gross exposure	**259,290**	**228,456**	**1,764**
- of which: exposures transferred not derecognised	-	10,050	165
B. Increases	**48,344**	**127,669**	**26,885**
B.1 reclassified from non-impaired exposures	1	104,594	22,164
B.2 reclassified from purchased or originated impaired financial assets	-	613	218
B.3 reclassified from other impaired exposure categories	46,840	3,933	1,395
B.4 contractual amendments without derecognition	-	-	-
B.5 other increases	1,503	18,529	3,108
C. Decreases	**126,883**	**156,772**	**24,161**
C.1 reclassified to non-impaired exposures	5	14,336	15,233
C.2 write-offs	5,590	-	-
C.3 collections	20,558	50,584	4,995
C.4 proceeds from sale	20,855	22,291	-
C.5 losses on sale	79,875	21,326	-
C.6 reclassified to other impaired exposure categories	-	48,235	3,933
C.7 contractual amendments without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	**180,751**	**199,353**	**4,488**
- of which: exposures transferred not derecognised	-	-	-

A.1.9bis On-balance sheet credit exposures to customers: trend in forborne gross exposures broken down by credit quality

Reasons/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**145,013**	**203,690**
- of which: exposures transferred not derecognised	6,327	30,220
B. Increases	**39,734**	**48,373**
B.1 reclassified from non-impaired non-forborne exposures	1,748	29,587
B.2 reclassified from non-impaired forborne exposures	32,316	X
B.3 reclassified from impaired forborne exposures	X	10,015
B.4 reclassified from impaired non-forborne exposures		22
B.5 other increases	5,670	8,749
C. Decreases	**76,200**	**115,026**
C.1 reclassified to non-impaired non-forborne exposures	X	50,071
C.2 reclassified to non-impaired forborne exposures	10,015	X
C.3 reclassified to impaired forborne exposures	X	32,316
C.4 write-offs	990	-
C.5 collections	13,162	26,586
C.6 proceeds from sale	13,057	8
C.7 losses on sale	16,877	-
C.8 other decreases	22,099	6,045
D. Closing gross exposure	**108,547**	**137,037**
- of which: exposures transferred not derecognised	-	-

A.1.10 Impaired on-balance sheet credit exposures to banks: trend in total value adjustments

Not present at the reporting date.

A.1.11 Impaired on-balance sheet credit exposures to customers: trend in total value adjustments

Reasons/Categories	Bad loans		Unlikely to pay		Impaired past-due	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**163,003**	**14,690**	**87,111**	**43,517**	**226**	**46**
- of which: exposures transferred not derecognised			2,295	1,571	22	
B. Increases	**65,643**	**11,917**	**37,159**	**11,902**	**634**	**165**
B.1 value adjustments from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	42,730	3,111	31,313	10,622	563	148
B.3 losses on sale	11,775	1,357	5,822	1,273	-	-
B.4 reclassified from other categories of impaired exposures	10,974	7,449	24	7	71	17
B.5 contractual amendments without derecognition	-	-	-	-	-	-
B.6 other increases	164	-	-	-	-	-
C. Decreases	**106,861**	**15,081**	**53,661**	**24,808**	**249**	**56**
C.1 reversals from valuation	2,278	350	9,650	6,409	113	11
C.2 reversals from collection	4,805	1,549	3,871	2,117	99	37
C.3 gains on sale	2,538	592	1,959	912	-	-
C.4 write-offs	5,590	990	-	-	-	-
C.5 reclassified to other categories of impaired exposures	-	-	11,033	7,465	37	8
C.6 contractual amendments without derecognition	-	-	-	-	-	-
C.7 other decreases	91,650	11,600	27,148	7,905	-	-
D. Total closing adjustments	**121,785**	**11,526**	**70,609**	**30,611**	**611**	**155**
- of which: exposures transferred not derecognised	-	-	-	-	-	-

A.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external and internal rating classes

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**68,326**	**295,311**	**3,220,046**	**969,156**	**254,643**	**104,768**	**9,993,863**	**14,906,113**
- First stage	63,999	277,699	3,108,487	837,775	178,591	53,183	7,864,860	12,384,594
- Second stage	4,327	17,612	111,463	129,257	76,052	50,273	1,744,598	2,133,582
- Third stage	-	-	93	2,124	-	1,312	374,339	377,868
- Purchased or originated impaired	-	-	3	-	-	-	10,066	10,069
B. Financial assets measured at fair value through other comprehensive income	**1,364**	**-**	**809,721**	**17,083**	**-**	**-**	**-**	**828,168**
- First stage	1,364	-	809,721	17,083	-	-	-	**828,168**
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**69,690**	**295,311**	**4,029,767**	**986,239**	**254,643**	**104,768**	**9,993,863**	**15,734,281**
D. Commitments to disburse funds and financial guarantees given	**45,224**	**167,546**	**348,851**	**261,647**	**44,930**	**15,191**	**2,475,888**	**3,359,277**
- First stage	44,078	164,025	317,397	252,522	42,857	7,371	2,282,964	3,111,214
- Second stage	1,146	3,521	31,454	9,075	2,073	6,910	182,675	236,854
- Third stage	-	-	-	50	-	910	10,249	11,209
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**45,224**	**167,546**	**348,851**	**261,647**	**44,930**	**15,191**	**2,475,888**	**3,359,277**
Total (A+B+C+D)	**114,914**	**462,857**	**4,378,618**	**1,247,886**	**299,573**	**119,959**	**12,469,751**	**19,093,558**

The assignment of external ratings refers to positions in the Group's own securities portfolio and to financing positions for which the Cerved External Credit Assessment Institution (ECAI) has assigned a credit risk rating.

Below is a reconciliation table between the rating classes indicated in Table A.2.1 and those provided by the ECAI Moody's and Mode Finance, the agencies to which the Group refers to determine its external ratings.

Creditworthiness classes	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 and below	EC1+ and below

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

The Bank does not use internal rating models to determine capital requirements.

The Bank uses, for management purposes, a rating model geared towards the assessment of Private Consumer and Business customers (Retail, Corporate and Financial and Institutional companies)

The following table shows the weight of each rating class in relation to total exposures for performing exposures belonging to the aforementioned exposure segments.

Exposures	Internal rating classes				
	1 to 4	5 to 6	7 to 10	Financial and Institutional	Total
On-balance sheet exposures	67.23%	25.40%	5.44%	1.93%	100%
Off-balance sheet exposures	79.78%	14.55%	3.58%	2.09%	100%

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 Secured on- and off-balance sheet credit exposures to banks

Not present at the reporting date.

A.3.2 Secured on- and off-balance sheet credit exposures to customers
(Part 1)

			Collaterals (1)				Personal guarantees (2)	
							Derivatives on loans	
								Other derivatives
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Finance lease	Securities	Other collaterals	CLN	Central counterparties
1. Secured on-balance sheet credit exposures:	8,466,734	8,223,692	4,389,165	84,868	266,018	130,745	-	-
1.1. fully secured	6,780,957	6,554,016	4,386,515	84,868	208,171	125,639	-	-
- of which impaired	303,477	158,459	117,307	4,392	461	2,313	-	-
1.2. partially secured	1,685,777	1,669,676	2,650	-	57,847	5,106	-	-
- of which impaired	33,895	23,278	12	-	54	772	-	-
2. Secured off-balance sheet credit exposures:	794,492	793,630	3,852	-	59,398	56,882	-	-
2.1. fully secured	671,991	671,205	3,852	-	38,139	49,265	-	-
- of which impaired	3,745	3,438	39	-	35	344	-	-
2.2. partially secured	122,501	122,425	-	-	21,259	7,617	-	-
- of which impaired	101	77	-	-	31	5	-	-

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A.3.2 Secured on- and off-balance sheet credit exposures to customers
(Part 2)

	Personal guarantees (2)							Total (1)+(2)
	Derivatives on loans			Unsecured loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Secured on-balance sheet credit exposures:	-	-	-	2,189,656	31	24,770	834,470	7,919,723
1.1. fully secured	-	-	-	1,001,189	31	21,822	723,277	6,551,512
- of which impaired	-	-	-	20,834	-	207	12,909	158,423
1.2. partially secured	-	-	-	1,188,467	-	2,948	111,193	1,368,211
- of which impaired	-	-	-	19,274	-	12	349	20,473
2. Secured off-balance sheet credit exposures:	-	-	-	1,782	698	10,089	614,742	747,443
2.1. fully secured	-	-	-	730	10	9,870	569,235	671,101
- of which impaired	-	-	-	9	-	-	3,011	3,438
2.2. partially secured	-	-	-	1,052	688	219	45,507	76,342
- of which impaired	-	-	-	5	-	-	7	48

B Breakdown and concentration of credit exposures

B.1 breakdown by sector of on- and off-balance sheet credit exposures to customers (carrying amount)

(Part 1)

Exposures/Counterparties		Public Administrations		Financial companies		Financial companies (of which: insurance companies)	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	986	10,689	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	92	136	-	-
- of which: forborne exposures		-	-	18	16	-	-
A.3 Impaired past-due exposures		251	38	14	2	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Non-impaired exposures		3,067,787	654	1,679,048	6,079	5,157	-
- of which: forborne exposures		-	-	1,780	188	-	-
Total A		**3,068,038**	**692**	**1,680,140**	**16,906**	**5,157**	**-**
B. Off-balance sheet credit exposures							
B.1 Impaired exposures		-	-	-	-	-	-
B.2 Non-impaired exposures		57,036	-	159,537	140	-	-
Total B		**57,036**	**-**	**159,537**	**140**	**-**	**-**
Total (A+B)	**31.12.2022**	**3,125,074**	**692**	**1,839,677**	**17,046**	**5,157**	**-**
Total (A+B)	**31.12.2021**	**2,976,720**	**876**	**1,684,491**	**14,779**	**4,904**	**1**

B.1 breakdown by sector of on- and off-balance sheet credit exposures to customers (carrying amount)

(Part 2)

Exposures/Counterparties		Non-financial companies		Households	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures					
A.1 Bad loans		35,482	92,963	22,498	18,133
- of which: forborne exposures		4,929	7,819	5,540	3,707
A.2 Unlikely to pay		81,168	48,537	47,484	21,936
- of which: forborne exposures		30,624	19,107	24,379	11,488
A.3 Impaired past-due exposures		1,517	259	2,095	312
- of which: forborne exposures		444	93	320	63
A.4 Non-impaired exposures		6,008,587	64,338	3,876,307	33,855
- of which: forborne exposures		79,153	8,412	43,750	3,754
Total A		**6,126,754**	**206,097**	**3,948,384**	**74,236**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures		8,781	1,865	495	72
B.2 Non-impaired exposures		2,899,464	1,222	217,761	232
Total B		**2,908,245**	**3,087**	**218,256**	**304**
Total (A+B)	**31.12.2022**	**9,034,999**	**209,184**	**4,166,640**	**74,540**
Total (A+B)	**31.12.2021**	**9,159,623**	**258,469**	**3,985,322**	**84,816**

B.2 Breakdown by territory of on- and off-balance credit sheet exposures to customers (Part 1)

Exposures/Geographical areas		Italy		Other European countries		America
		Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. On-balance sheet credit exposures						
A.1 Bad loans		58,941	(121,743)	25	(42)	-
A.2 Unlikely to pay		128,451	(70,403)	293	(206)	-
A.3 Impaired past-due exposures		3,877	(611)	-	-	-
A.4 Non-impaired exposures		14,486,739	(104,545)	142,810	(194)	1,774
Total (A)		**14,678,008**	**(297,302)**	**143,128**	**(442)**	**1,774**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		9,276	(1,937)	-	-	-
B.2 Non-impaired exposures		3,307,708	(1,592)	25,608	-	477
Total (B)		**3,316,984**	**(3,529)**	**25,608**	**-**	**477**
Total (A+B)	**31.12.2022**	**17,994,992**	**(300,831)**	**168,736**	**(442)**	**2,251**
Total (A+B)	**31.12.2021**	**17,629,796**	**(358,564)**	**158,641**	**(355)**	**17,228**

B.2 Breakdown by territory of on- and off-balance credit sheet exposures to customers (Part 2)

Exposures/Geographical areas		America	Asia		Rest of the world	
		Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Non-impaired exposures		(1)	374	(1)	32	-
Total (A)		**(1)**	**374**	**(1)**	**32**	**-**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		-	-	-		-
B.2 Non-impaired exposures		-	-	-	5	-
Total (B)		**-**	**-**	**-**	**5**	**-**
Total (A+B)	**31.12.2022**	**(1)**	**374**	**(1)**	**37**	**-**
Total (A+B)	**31.12.2021**	**(20)**	**427**	**(1)**	**64**	**-**

B.3 Breakdown by territory of on- and off-balance sheet credit exposures to banks (Part 1)

Exposures/Geographical areas		Italy		Other European countries		America
		Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Non-impaired exposures		1,351,970	(1,398)	98,595	(93)	2,682
Total (A)		**1,351,970**	**(1,398)**	**98,595**	**(93)**	**2,682**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		-	-	-	-	-
B.2 Non-impaired exposures		17,746	(2)	54,165	-	-
Total (B)		**17,746**	**(2)**	**54,165**	**-**	**-**
Total (A+B)	**31.12.2022**	**1,369,716**	**(1,400)**	**152,760**	**(93)**	**2,682**
Total (A+B)	**31.12.2021**	**2,384,523**	**(568)**	**93,770**	**(28)**	**-**

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B.3 Breakdown by territory of on- and off-balance sheet credit exposures to banks (Part 2)

Exposures/Geographical areas		America	Asia		Rest of the world	
		Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Non-impaired exposures		(6)	160	-	951	(1)
Total (A)		**(6)**	**160**	**-**	**951**	**(1)**
B. Off-balance sheet credit exposures						
B.1 Impaired exposures		-	-	-	-	-
B.2 Non-impaired exposures		-	2,500	-	-	-
Total (B)		**-**	**2,500**	**-**	**-**	**-**
Total (A+B)	**31.12.2022**	**(6)**	**2,660**	**-**	**951**	**(1)**
Total (A+B)	**31.12.2021**	**-**	**2,000**	**-**	**1,118**	**-**

B.4 Large exposures

With reference to the supervisory regulations in force, the situation at 31 December 2022 was as follows:

Description	Amount (carrying amount)	Amount (weighted amount)	Number
Large exposures	8,883,708	313,481	9

The positions recorded refer to:

- bank's tax assets and Italian government bonds,
- Group companies,
- participation in the capital of the Bank of Italy,
- subscription of junior and mezzanine securities and provision of financing to the vehicle company of the NPL securitisation transaction through GACS,
- guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996,
- guarantees provided by SACE,
- exposures with Crédit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio,
- exposures with Banco Santander mainly related to debt securities and long term repos,
- repurchase agreements with Cassa di Compensazione e Garanzia.

C. Securitisation transactions

Qualitative information

In the course of 2018, a securitisation transaction was carried out with recourse to the procedure for the release by the Italian State of the guarantee on the securitisation of bad loans on senior securities pursuant to Decree Law No. 18/2016 ("GACS") aimed at deconsolidating Banco Desio Group loans for a gross countervalue of Euro 1.0 billion (the "Transaction").

The Transaction was structured in order to realise the significant transfer of credit risk associated with the securitised receivables ("SRT") pursuant to Articles 243 et seq. of Regulation (EU) No. 575/2013; the reference bad loans portfolio, transferred on 12 June 2018 to the special purpose vehicle "2Worlds s.r.l." ("SPV" or "Vehicle") specifically set up, is composed of mortgage or unsecured loan contracts granted by Banco di Desio e della Brianza and Banca Popolare di Spoleto in favour of "secured" customers, i.e. with transactions secured by mortgages, and "unsecured", i.e. with transactions without collateral.

On 25 June 2018, the SPV therefore issued the following classes of Asset-Backed Securities (ABS):

- senior securities amounting to Euro 288.5 million, corresponding to 28.8% of the Gross Book Value (GBV) at the date of identification of the loans on 31 December 2020, which were rated "BBB Low" and "BBB" respectively by DBRS Ratings Ltd and Scope Ratings GmbH;
- mezzanine securities in the amount of Euro 30.2 million, which were rated "B Low" and "B" by DBRS Ratings Ltd and Scope Ratings GmbH, respectively;
- junior securities in the amount of Euro 9.0 million, unrated.

On 11 July 2018, the Banco Desio Group accepted the final binding agreement for the sale of 95% of the mezzanine and junior securities, which was finalised on 23 July 2018 through the settlement of the transaction itself and thus the deconsolidation of the transferred bad loans.

On 3 October 2018, the Banco Desio Group received formal notice that the Minister of the Economy and Finance, by order of 5 September 2018, granted the State guarantee on the senior securities issued by the Vehicle with effect as of the date of adoption of the aforementioned order as the conditions had already been verified provided for by Decree Law No. 18/2016.

In 2020, the Bank subscribed to a security (Asset-Backed Security or "ABS") for Euro 50 million, issued by Lumen SPV S.r.l. (special purpose vehicle or "SPV"), having as underlying assets medium- to long-term loans granted by Credimi S.p.A. ("Originator") to SMEs and assisted by a guarantee from Medio Credito Centrale (MCC) as provided for by Decree Law No. 23 of 8 April 2020 (so-called Liquidity Decree Law). During 2021, another Lumen issue with underlying loans of the same type was subscribed for a further Euro 50 million.

The objectives of the initiative are:

1. obtain an expected return consistent with the risk profile of the transaction with underlying loans secured by Medio Credito Centrale;
2. increase the customer base with a target in line with commercial and credit policies (geography, company size and expected portfolio loss);
3. start operating on fintech channels (co-branded portal) that allow customers a completely online, simple and fast user experience.

During the 2020 financial year, the Bank also made, with a view to diversifying its securities portfolio and in search of an attractive yield, an investment of Euro 5 million in senior notes issued by the special purpose vehicle Viveracqua maturing in 2034 with 6 underlying bond issues of companies operating in the water sector. Also with a view to diversifying its securities portfolio during 2021, investments were made in senior tranches of third-party securitisations as follows:

- Euro 30 million referred to a standardised transparent simple senior issue ("STS") of Kripton SPV with underlying loans to SMEs secured by Medio Credito Centrale: at 31 December 2022, the transaction is still in the ramp-up phase and payments of about Euro 28.1 million have been made;
- Euro 15 million referred to a senior issue of the P2P vehicle Lendit with underlying consumer credit loans to private individuals; at 31 December 2022, the transaction is still in the ramp-up phase and payments of about Euro 6.7 million have been made.

In December 2021, Banco Desio also participated in a multi-originator securitisation of bad loans with a GACS state guarantee carried out by the Cassa Centrale Banca team (Buonconsiglio 4). In particular, on 15 December, the Bank finalised the sale without recourse in the form of a securitisation, carried out pursuant to Law 130/1999 (the "Transaction"), of a portfolio of non-performing loans ("NPL") with a total gross book value ("GBV") of Euro 22.9 million, in favour of the Special Purpose Vehicle "Buonconsiglio 4 S.r.l." ("SPV" or "Vehicle").

In order to comply with the retention obligation under (i) Article 405, paragraph 1, of EU Regulation 575/2013 ("CRR"), (ii) Article 51, paragraph 1, of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) Article 254 of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation"), the Group has decided to maintain a net economic interest of the nominal value of each Junior (approximately 7%) and Mezzanine (approximately 6%) tranche transferred to third-party investors, in addition to maintaining 100% of the Senior tranche, pursuant to Article 405, paragraph 1(a) of the CRR. The consideration for the sale, amounting to Euro 4.59 million (gross of the collections of Euro 90 thousand relating to the period 1 August 2021 - 1 December 2021, as provided for by the GACS Decree of 3 August 2016, Article 2, paragraph 1(a), was recognised through the subscription by BDB of ABS securities ("Notes") issued by the SPV on 14 December 2021, against the NPLs acquired pro-rata by each transferring bank. On 15 December 2021, Banco di Desio e della Brianza signed the final binding agreement for the sale by the Originator banks of approximately 94% of the Mezzanine securities and 93% of the Junior securities formulated by a third-party institutional investor for a pro-rata consideration of Euro 202,322, collecting the consideration on the scheduled settlement date of the securities transaction, i.e. 17 December 2021.

Quantitative information

C.1 Exposures deriving from the main "own" securitisation transactions broken down by type of securitised assets and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURES	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals
A. Fully derecognised from the financial statements	152,424	34	664		1	
- *financial assets measured at amortised cost*	*152,424*	*34*				
B. Partially derecognised from the financial statements						
C. Not derecognised from the financial statements						

The exposure in the financial statements represents:

- the value of senior securities at amortised cost (including upfront costs incurred and accrued interest and net of expected credit loss - ECL);
- the fair value of mezzanine and junior securities held, which are recognised as financial assets mandatorily measured at fair value.

C.2 Exposures deriving from the main "third-party" securitisation transactions broken down by type of securitised assets and by type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals	Carrying amount	Value adjustments/reversals

Loans to customers	128,102	4,330

E. Disposal transactions

C. Financial assets sold and fully derecognised

Qualitative information

In continuity with the strategy of proactive management of non-performing loans and in keeping with the guidelines issued by the European Central Bank, 8 transactions were finalised during the year for the sale of loan portfolios consisting of mortgage and unsecured loans classified as bad loans and unlikely to pay for a gross book value (GBV) of Euro 67.9 million to closed-end investment funds against the investment in units of the funds themselves for a countervalue of Euro 35.0 million.

As emerges from the analysis of the quantitative information reported in the following paragraph, the structure of each of the transactions is such as to have allowed Banco Desio to meet the requirements of IFRS 10 Consolidated Financial Statements concerning the absence of the conditions required for the exercise of control over the relevant investment fund (and therefore the exclusion of the latter from the Banco Desio Group's scope of consolidation). Similarly, the requirements of IFRS 9 Financial Instruments for the substantial transfer of the rights to receive the cash flows from the individual assets transferred and the risks and rewards associated with them are met. This resulted in the total deconsolidation in accounting terms of the same transferred loans for all transactions, also taking into account that no guarantees other than the usual ones on the existence of the loan were granted in favour of each Fund.

In any case, specific periodic reporting has been provided for in the agreements of the transactions (side letters) in order to allow the subscribers of the units adequate mechanisms for feedback of the assets underlying the net asset value of each closed-end fund.

Quantitative information

Against the aforementioned disposals, which were multioriginator in nature due to the presence of disposals of non-performing loans to the same fund by a plurality of investors (including ten banks and an operator specialised in the management of non-performing loans), fund units were subscribed in 2022 for:

- Euro 14.1 million in the Keystone fund,
- Euro 6.6 million in the PEG UTP Manag DT fund,
- Euro 4.9 million in the UTP Italia Credit fund,
- Euro 4.4 million in the Efesto fund,
- Euro 4.0 million in the P-G CR Manag Uno fund,
- Euro 0.9 million in the Illimity CR fund.

Due to the pre-existing value adjustments at 31 December 2021 on loans to be sold in 2022, net losses from the sale of financial assets at amortised cost of approximately Euro 4.8 million were recorded.

As a result of the aforementioned multioriginator disposals, due to the presence of disposals of non-performing loans by a plurality of investors, at 31 December 2022, Banco Desio held the following investments in closed-end UCI of non-performing loans, with the resulting % of total units issued (based on each fund's latest available situation):

1. 14,037,666.00 units of the Keystone Fund, corresponding to 9.3% of the total units issued;
2. 10,337,131.457 units of the Efesto fund, corresponding to 2.6% of the total units issued;
3. 7,767,036 units of the Clessidra fund, corresponding to 3.0% of the total units issued;

4. 5,684,155.00 units of the Illimity CR fund, corresponding to 2.8% of the total units issued;
5. 4,946,851.00 units of the UTP Italia Credit fund, corresponding to 5.5% of the total units issued;
6. 244 units of the Vic2 fund, corresponding to 29.2% of the total units issued;
7. 159 units of the Vir1 fund, corresponding to 11.1% of the total units issued;
8. 139.00 units of the PEG UTP MANAG DT PT fund, corresponding to 19.85% of the total units issued;
9. 87.00 units of the P-G CR Manag Uno fund, corresponding to 14.14% of the total units issued;
10. 34.1845 units of the Back2Bonis fund, corresponding to 2.1% of the total units issued.

Taking into account the participation in each of the funds with respect to the plurality of investors involved, the conditions required by IFRS 10 for the exercise of control over the relevant fund are absent in all cases, as are the conditions required by IFRS 9 for the derecognition of the loans transferred due to the changed characteristics of the asset recognised in the balance sheet in place of the loans originated by the Bank (in terms of the number, characteristics and nominal value of the loans) and derecognised as a result of the transactions. To reach these conclusions, the following were evaluated:

- the absence of elements that could identify the ability to direct or control the variable returns of the funds, to which the Bank as unit holder is exposed;
- the number of debtors, the segment to which they belong, the presence of collateral, the timing of recovery and the type of financing: these qualitative factors point to a very strong diversification effect, produced by the presence of different debtors with non-homogeneous characteristics among the various contributing entities, which also corresponds to a different recovery strategy adopted by the Funds compared to that which would have been adopted by the individual member banks;
- in the case of larger contributions relative to the total assets of the funds, the conclusions of a quantitative test articulated by calculating the ratio between the variability of cash flows relative to the loan portfolio of individual member banks and the variability of cash flows relative to the total loan portfolio held by the Fund.

The units of closed-end investment funds subscribed, classified among the instruments obligatorily measured at fair value through profit or loss, are valued in accordance with the methods set forth in the Fair Value Policy for the type of asset on the basis of internally developed methodologies; this fair value (level 3) updated in line with the adoption of the fair value models identified resulted in an adjustment to the last available NAV totalling Euro 8.3 million, equal to over 11% of the investment valued at the NAV communicated by the manager.

D. Covered bond transactions

Covered bond transactions in which the originator bank and the lending bank are the same must be reported in this section.

During 2017, the "Covered Bond - Desio OBG" programme was launched with the aim of obtaining Group benefits in terms of funding (diversification of funding, reduction of the related cost, and extension of the maturities of funding sources). This Programme, which is multi-seller in nature, involves:

- Banco di Desio e della Brianza (Parent Company) in the role of (1) originator bank, (2) financing bank, and (3) covered bond issuing bank;
- Desio OBG S.r.l. (Vehicle or SPV), as a vehicle company specifically set up for the sale of eligible assets by Banco Desio, a 60% subsidiary of the Parent Company;
- BNP Paribas, as the requested swap counterparty in view of the exposure to the possible risk generated by the mismatch between the fixed rate of the covered bond and the rate mix of the sold portfolio.

On 12 January 2021, a Private Placement issue was carried out of covered bonds maturing in 2031 in the amount of Euro 100 million at a mid-swap level of +34 bps (security with 0% coupon and issue price 98.493%).

More specifically, the "Covered Bond - Desio OBG" programme is characterised by:

1. non-recourse, non-revolving transfers of a portfolio of residential mortgage loans;
2. disbursement to the vehicle by Banco Desio of a subordinated loan;
3. issues by Banco di Desio e della Brianza of Euro 575 million (issued in 2017) and Euro 500 million (issued in 2019) of covered bonds to institutional investors with a 7-year maturity, as well as Euro 100 million (issued in 2021) with a 10-year maturity;
4. a liability swap on the covered bond issued entered by the vehicle, for a notional amount of Euro 300 million (on the 2017 issue) and for a notional amount of Euro 200 million (on the 2019 issue) with a BNP Paribas counterparty;
5. the conclusion by Banco di Desio e della Brianza of a back-swap, for the same notional amount of Euro with the same counterparty, mirroring the previous one.

The main features of the transaction are summarised below:

a) *Vehicle name: Desio OBG S.r.l.*

b) *Type of underlying loans*: Residential mortgages;

c) *Value of loans transferred:* a total of Euro 2,555 million;

d) *Amount of the subordinated loan:* a total of Euro 1,721 million at 31 December 2021;

e) *Nominal value of covered bonds issued:* Euro 1,175 million;

f) *Rate of the covered bonds issued:* fixed rate of 0.875% (2017 issue), 0.375% (2019 issue) and 0% with issue price 98.493% (2021 issue).

At 31 December 2022, the portfolio of loans transferred by the Bank had a carrying amount of approximately Euro 1,663 million.

F. Models for measuring credit risk

The Bank does not use internal portfolio models to measure credit risk exposure.

SECTION 2 – MARKET RISK

2.1 Interest rate risk and price risk - Supervisory trading book

Qualitative information

C. General Aspects

Unexpected changes in market rates, in the presence of differences in the maturity and timing of interest rates on assets and liabilities, lead to a change in the net interest flow and thus in the net interest income. Moreover, such unexpected fluctuations expose the Bank to changes in the economic value of assets and liabilities.

The Bank has adopted a strategy to consolidate a return in line with the budget while ensuring a low risk profile through a low portfolio duration.

D. Interest rate risk and price risk management processes and measurement methods

In exercising its powers of management and coordination, the Board of Directors issued specific provisions on controls.

The trading activities of the Finance Area are subject to operating limits as set out in the "Risk Policy" and in the texts of internal regulations; in order to contain market risk, specific limits are set on consistency, sensitivity (duration), profitability (stop loss) and Value at Risk (VaR). A specific reporting system is the tool to provide the organisational units involved with adequate information.

The monitoring of indicators and operating limits is carried out, as a first-level control, on an ongoing basis by the Finance Area, while the Risk Management Department performs second-level monitoring, activating any escalation procedures in the event of overruns in accordance with 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 in summary form and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and a specific confidence level under normal market conditions. This methodology has the advantage of allowing the aggregation of positions taken relating to risk factors of a heterogeneous nature; it also provides a summary number that, being a monetary expression, is easily used by the organisational structure concerned. The VaR model uses the Monte Carlo simulation technique where, given the appropriate assumptions and correlations, it estimates, by calculating a series of possible revaluations, the value of the portfolio and, given the vector of expected portfolio returns, determines the desired percentile of the distribution. The model uses a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg infoprovider.

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

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Euro

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
A. On-balance sheet assets	**-**	**864**	**-**	**-**	**8,228**	**8,637**	**-**	**-**
1.1 Debt securities	-	864	-	-	8,228	8,637	-	-
- with early redemption option	-	864	-	-	5,159	3,709	-	-
- other	-	-	-	-	3,069	4,928	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	24	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	24	-	-	-
3.2 Without underlying securities		-	-	-	-	-	-	-
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other		-	-	-	-	-	-	-
+ Long positions	-	103,040	3,717	7,990	16,894	4,098	-	-
+ Short positions	-	94,789	3,877	8,308	20,001	8,744	4,815	-

Banco Desio

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Other currencies

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
A. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	69,691	1,860	5,502	-	-	-	-
+ Short positions	-	64,840	1,860	5,502	-	-	-	-

2. Supervisory trading book: breakdown of exposures in equity securities and stock indices for the main countries of the listing market

Type of transaction/Listing index	Listed			Unlisted
	Italy	United States	Other	
A. Equity securities				
long positions	3,123		1,525	
short positions				
B. Purchase/sale transactions not yet settled in equity securities				
long positions				
short positions				
C. Other derivatives on equity securities				
long positions	24			
short positions			4,761	
D. Share index derivatives				
long positions				
short positions				

3. Supervisory trading book: internal models and other methodologies for sensitivity analysis

The monitoring carried out up to the third quarter on the supervisory trading book shows a structure with low market risks. The Monte Carlo simulation VaR as at 31.12.2022 amounted to Euro 190 thousand, equal to 0.85% of the trading book.

2.2 Interest rate risk and price risk - Banking book

<u>**Qualitative information**</u>

B. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk is measured by the risk management function. The activity is carried out for the Bank, which covers almost the entire banking book. All of the commercial activity related to the transformation of maturities of assets and liabilities in the financial statements, the securities portfolio, treasury operations and the respective hedging derivatives are monitored using Asset and Liability Management (A.L.M.) methodologies through the ERMAS5 application.

The static analysis, currently in place, makes it possible to measure the impacts produced by changes in the interest rate structure expressed in terms of both the change in the economic value of assets and the net interest income. The results of the banking book for financial statements purposes are presented here, excluding from the analysis financial instruments in the supervisory trading book.

The variability of the net interest income, determined by positive and negative changes in rates over a 365-day time horizon, is estimated using the Gap Analysis. Changes in the economic value of assets and liabilities are analysed by applying sensitivity analysis approaches.

Analyses are also performed by considering non-parallel shifts in the yield curve and the application of behavioural models of demand deposits. In the simulation analysis, it is possible to predict specific scenarios of changes in market rates.

The global economic and political context has been under severe stress over the past two years, ultimately caused by the recent war events.

As mentioned above, the European Central Bank, in order to respond to a series of exogenous shocks, implemented a restrictive monetary policy by raising interest rates in 2022.

In this context of rising rates, Banco Desio has implemented a hedging strategy for its assets, through the subscription of hedging derivatives (for more details see "Section 5 - Hedging derivatives - Item 50 of the Notes to the Financial Statements".

Quantitative information

1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities - Euro

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**2,785,441**	**5,355,659**	**1,280,703**	**560,529**	**3,163,975**	**1,942,688**	**1,089,589**	**-**
1.1 Debt securities	807	711,528	932,485	169,745	1,005,008	950,109	34,612	-
- with early redemption option	807	153,287	3,215	699	175,813	54,412	-	-
- other	-	558,241	929,270	169,046	829,195	895,697	34,612	-
1.2 Loans with banks	838,662	83,020	-	-	-	1,511	-	-
1.3 Loans to customers	1,945,972	4,561,111	348,218	390,784	2,158,967	991,068	1,054,977	-
- current account	1,386,569	599,367	635	970	4,711	464	20	-
- other loans	559,403	3,961,744	347,583	389,814	2,154,256	990,604	1,054,957	-
- with early redemption option	152,723	3,304,198	292,104	384,166	2,101,436	974,422	1,054,795	-
- other	406,680	657,546	55,479	5,648	52,820	16,182	162	-
2. On-balance sheet liabilities	**8,835,343**	**1,845,807**	**450,977**	**1,269,194**	**3,297,921**	**158,546**	**106,481**	**-**
2.1 Payables to customers	8,748,946	1,838,894	58,999	67,467	170,201	57,929	106,481	-
- current account	8,633,470	1,316,108	40,260	41,121	107,822	-	-	-
- other payables	115,476	522,786	18,739	26,346	62,379	57,929	106,481	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	115,476	522,786	18,739	26,346	62,379	57,929	106,481	-
2.2 Payables to banks	85,987	-	391,978	1,181,948	1,719,288	-	-	-
- current account	78,570	-	-	-	-	-	-	-
- other payables	7,417	-	391,978	1,181,948	1,719,288	-	-	-
2.3 Debt securities	410	6,913	-	19,779	1,408,432	100,617	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	410	6,913	-	19,779	1,408,432	100,617	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	101	840	3,342	32,514	33,100	37,211	-
+ Short positions	-	106,284	824	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	690,000	165,000	-	-	-	-	-
+ Short positions	-	-	-	-	-	585,000	270,000	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	**-**
+ Long positions	161,434	-	-	-	-	-	-	-
+ Short positions	161,434	-	-	-	-	-	-	-

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1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities - Other currencies

Type/Residual maturity	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**9,073**	**70,420**	**438**	**30**	**782**	**299**	**60**	**-**
1.1 Debt securities	-	820	-	-	543	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	820	-	-	543	-	-	-
1.2 Loans with banks	8,851	49,773	-	-	-	-	-	-
1.3 Loans to customers	222	19,827	438	30	239	299	60	-
- current account	-	-	-	-	-	-	-	-
- other loans	222	19,827	438	30	239	299	60	-
- with early redemption option	30	-	30	30	239	299	60	-
- other	192	19,827	408	-	-	-	-	-
2. On-balance sheet liabilities	**84,233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Payables to customers	82,083	-	-	-	-	-	-	-
- current account	82,083	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	2,149	-	-	-	-	-	-	-
- current account	2,149	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book - internal models and other methodologies for sensitivity analysis

The Bank's management and strategic approach is aimed at considering the volatility of net interest income and the overall economic value of own funds.

The risk exposure is not critical, remaining within the limit defined in the prudential supervisory regulations. The breakdown of items in the financial statements in terms of maturity date and repricing, however, shows some peculiarities arising from the current market context, which continues to record an increase in demand and short-term inflows; all this has led to a physiological decrease in the average duration of liabilities, while assets have not undergone any substantial changes in terms of average duration.

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

With the aim of refining these analyses by taking into account the actual repricing speed of items with no contractual maturity, the adoption of a behavioural estimation model for demand items was approved to replace the model in Annex C of Circular No. 285. The model was validated by the Group's Internal Validation function and used for the first time already for 2020 ICAAP reporting purposes.

With regard to the analysis of the impact on economic value, the methodology used is based on the integration of the results of the management model that represents balance sheet items in terms of volumes and repricing buckets, including the results of the behavioural model of demand items, to which the coefficients provided for by Circular 285 are applied as an approximation of sensitivity.
In this simplified revaluation approach, the impact of rate hikes would decrease the economic value of the banking book, while a decrease in rates would produce an increase.

In 2022, the Bank put in place Fair Value hedging transactions with a micro-hedge and macro-hedge approach to manage the interest rate risk of the banking book (for more details see the following "Section 3. Derivative instruments and related hedging policies").

2.3 EXCHANGE RATE RISK

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

The Bank is exposed to exchange rate risk as a result of its trading activities on foreign exchange markets and its investment and fund-raising activities with instruments denominated in a currency other than the domestic currency.

Exposure to exchange rate risk is marginal; exchange rate trading is managed by the Finance Area.

Exchange rate risk is managed through operational limits both by currency area and by concentration on each individual currency. In addition, daily and annual operational stop/loss limits are set.

B. Exchange rate risk hedging activities

The Bank's primary objective is to prudently manage exchange rate risk, always taking into account the possibility of seizing market opportunities, and therefore transactions involving exchange rate risk are managed through appropriate hedging strategies.

Quantitative information

Items	US Dollar	Pound sterling	Swiss Franc	Yuan	Other currencies
A. Financial assets	**65,765**	**5,680**	**2,677**	**698**	**6,431**
A.1 Debt securities		543			820
A.2 Equity securities	148				
A.3 Loans with banks	47,867	3,972	1,444	17	5,326
A.4 Loans to customers	17,750	1,165	1,233	681	285
A.5 Other financial assets					
B. Other assets	**524**	**264**	**229**		**320**
C. Financial liabilities	**71,248**	**4,931**	**2,752**	**8**	**5,293**
C.1 Payables to banks					2,150
C.2 Payables to customers	71,248	4,931	2,752	8	3,143
C.3 Debt securities					
C.4 Other financial liabilities					
D. Other liabilities	**421**	**404**			
E. Financial derivatives					
- Options					
+ Long positions					
+ Short positions					
- Other derivatives					
+ Long positions	67,275	5,252	620	2,922	984
+ Short positions	61,751	5,215	518	3,601	1,117
Total assets	**133,564**	**11,196**	**3,526**	**3,620**	**7,735**
Total liabilities	**133,420**	**10,550**	**3,270**	**3,609**	**6,410**
Imbalance (+/-)	**144**	**646**	**256**	**11**	**1,325**

2. Internal models and other methodologies for sensitivity analysis

The exchange rate risk profile assumed by the Bank is insignificant, considering the currency exposure of the items present and the related hedges implemented through derivative financial instruments.

Banco Desio

SECTION 3. DERIVATIVE INSTRUMENTS AND RELATED HEDGING POLICIES

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional values

Underlying assets/Types of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	26,762	37,115	-	-	-	17,259	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	26,762	37,115	-	-	-	17,259	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	-	-	24	-	-	-	113	-
a) Options	-	-	24	-	-	-	113	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	9,754	130,303	-	-	-	264,942	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	9,754	130,303	-	-	-	264,942	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**36,516**	**167,442**	**-**	**-**	**-**	**282,314**	**-**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	31.12.2022				31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	24	-	-	-	113	-
b) Interest rate swaps	-	1,652	1	-	-	-	10	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	133	830	-	-	-	494	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,785**	**855**	**-**	**-**	**-**	**617**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	153	3,079	-	-	-	5,461	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	227	671	-	-	-	441	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**380**	**3,750**	**-**	**-**	**-**	**5,902**	**-**

A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates				
- notional value	X	11,793	-	25,322
- positive fair value	X	-	-	1
- negative fair value	X	1,427	-	1,652
2) Equity securities and stock indices				
- notional value	X	-	24	-
- positive fair value	X	-	24	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	59,504	50,434	20,365
- positive fair value	X	441	-	389
- negative fair value	X	111	199	361
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional value	-	26,762	-	-
- positive fair value	-	1,652	-	-
- negative fair value	-	153	-	-
2) Equity securities and stock indices	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-			
- notional value	-	9,754	-	-
- positive fair value	-	133	-	-
- negative fair value	-	227	-	-
4) Goods	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional values

Underlying/Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		9,325	36,895	17,657	63,877
A.2 Financial derivatives on equity securities and stock indices			24	-	24
A.3 Financial derivatives on currencies and gold		140,057	-	-	140,057
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31.12.2022**	**149,382**	**36,919**	**17,657**	**203,958**
Total	**31.12.2021**	**265,774**	**5,390**	**11,150**	**282,314**

3.2 Accounting hedges

Qualitative information

A. Fair value hedging

The Bank has put in place fair value hedging transactions with a micro-hedge and macro-hedge approach to manage the interest rate risk of the banking book.

B. Cash flow hedging

With a view to reducing exposure to adverse changes in expected cash flows, the Bank carries out cash flow hedging; the objective is to stabilise the cash flows of the hedged instrument with the flows of the hedging instrument.

D. Hedging instruments

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

E. Hedged items

To date, the hedged instruments relate to the following categories:

- liabilities (bonds issued) through specific micro-hedges
- fixed-rate loans (bonds) through specific micro-hedges
- fixed-rate loans (financing) through macro-hedges

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

The Bank has set up a model capable of managing hedge accounting in line with the reference regulations dictated by international accounting standards. The methodology used to perform the effectiveness tests is the Dollar Offset Method (hedge ratio) on a cumulative basis.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional values

Underlying assets/ Types of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	855,000	-	-	-	-	80,000	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	855,000	-	-	-	-	80,000	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**855,000**	**-**	**-**	**-**	**-**	**80,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	31.12.2022				31.12.2021				31.12.2022	31.12.2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counter parties	Without central counterparties			Central counterpart ies	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	59,099	-	-	-	-	-	-	59,099	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**59,099**	**-**	**-**	**-**	**-**	**-**	**-**	**59,099**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	365	-	-	365
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**365**	**-**	**-**	**365**

A.3 OTC hedging financial derivatives - notional values, positive and negative gross fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional value	-	855,000	-	-
- positive fair value	-	59,099	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying/Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		-	-	855,000	855,000
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31.12.2022**	**-**	**-**	**855,000**	**855,000**
Total	**31.12.2021**	**80,000**	**-**	**-**	**80,000**

3.3 Other information on trading and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparties	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	893,555	-	25,322
- positive net fair value	-	60,751	-	1
- negative net fair value	-	1,580	-	1,652
2) Equity securities and stock indices				
- notional value	-	-	24	-
- positive net fair value	-	-	24	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	69,258	50,434	20,365
- positive net fair value	-	574	-	389
- negative net fair value	-	338	199	361
4) Goods				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. Credit derivatives				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

SECTION 4 - LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is managed through the Finance Area with the aim of verifying the Group's ability to meet its liquidity needs by avoiding situations of excessive and/or insufficient availability, with the consequent need to invest and/or raise funds at unfavourable rates compared to market rates.

Periodic monitoring and reporting on liquidity risk is the responsibility of the Risk Management function in accordance with the risk tolerance threshold determined in the Liquidity Risk Management Policy. Treasury activities consist of the procurement and allocation of available liquidity through the interbank market, open market operations, repurchase agreements and derivatives.

The objective of operational liquidity management is to ensure the Group's ability to meet expected or unforeseen cash payment commitments in a "going concern" context over a short-term time horizon not exceeding 3 months. The scope of the daily operating liquidity report refers to items with a high level of volatility and a strong impact on the monetary base. The monitoring and control of compliance with operational limits is carried out through the acquisition of information from collection and payment transactions, the management of accounts for services and the trading of financial instruments in proprietary portfolios.

The calculation of counterbalancing capacity makes it possible to supplement the report with all free assets that can be readily used either to be eligible for refinancing with the ECB or to be demobilised. In addition to the application of the haircuts determined by the ECB for eligible securities and A.Ba.Co. financing, appropriate discount factors (broken down by security type, rating, currency) are also prepared for all securities that are not eligible but are nevertheless considered negotiable, appropriately positioned in time intervals.

Further support for liquidity risk management comes from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between medium- to long-term liabilities and assets.

Operations are measured with Asset and Liability Management (A.L.M.) methodologies by means of the ERMAS5 application, which, by developing all the cash flows of operations, makes it possible to assess and manage any liquidity needs of the bank generated by the imbalance of inflows and outflows in the different periods.

The analysis of overall structural liquidity is developed on a monthly basis using the Gap Liquidity Analysis technique, i.e. the imbalances per settlement date of capital flows in the predefined time horizon are highlighted.

In order to assess the impact of adverse events on risk exposure, stress tests are conducted at the consolidated level. Specifically, the events considered are:

- outflow of payable accounts on demand defined as "non-core";
- lack of inflow of contractual items (mortgages, leases, personal loans) and "on demand" due to the increase in non-performing loans;
- impairment of the proprietary securities portfolio (Held to collect and sell "HTCS" and Held to collect "HTC");
- repurchase of bonds issued;
- use of available margins on revocable credit lines (call risk).

For the purposes of the analysis, three types of scenarios are considered:

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

The simulation horizon for all simulated scenarios is 1 month, the period in which the Bank will have to cope with the crisis before initiating structural measures.

In relation to funding policy, the Group's funding strategy, given the current financial economic situation, is directed towards a stabilisation of short-term inflows from ordinary customers, favouring retail customers over wholesale customers, and a greater recourse to medium/long-term structural funding operations, securitisations, securities lending and derivative transactions.

In particular, in light of the new and less favourable conditions related to the TLTRO operations already in place with the Central Bank, the Bank has entered into Long Term Repo contracts with leading market counterparties on part of the portfolio assets (eligible and not), planning to increase recourse to this source of funding.

In December 2022, in connection with the liquidity position, a partial early repayment of Euro 800 million was made from the TLTRO III loan maturing in June 2023 in the amount of Euro 1,200 million. Therefore, at 31 December 2022, the total position related to the TLTRO III financing amounts to Euro 3,045 million.

The Group's liquidity at 31 December 2022 is largely under control with an LCR indicator of 152.43%.

Quantitative information

1. Breakdown by contractual residual maturity of financial assets and liabilities

EURO

Items/Time bands	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite maturity
A. On-balance sheet assets	**2,239,536**	**23,768**	**206,925**	**242,972**	**911,895**	**667,674**	**1,361,385**	**5,528,339**	**4,685,414**	**82,956**
A.1 Government securities	-	-	1,619	-	23,489	114,700	489,324	1,089,790	1,272,000	-
A.2 Other debt securities	9,398	2	598	11,458	29,056	25,225	30,190	430,060	422,575	-
A.3 UCITS units	112,669	-	-	-	-	-	-	-	-	-
A.4 Loans	2,117,469	23,766	204,708	231,514	859,350	527,749	841,871	4,008,489	2,990,839	82,956
- Banks	73,765	85	-	-	-	-	-	-	1,514	82,956
- Customers	2,043,704	23,681	204,708	231,514	859,350	527,749	841,871	4,008,489	2,989,325	-
B. On-balance sheet liabilities	**10,131,574**	**519,627**	**2,027**	**16,306**	**49,811**	**462,574**	**1,296,685**	**3,309,364**	**266,163**	**-**
B.1 Deposits and current accounts	10,092,502	16,482	2,027	15,615	41,761	53,068	59,238	110,096	-	-
- Banks	85,987	-	-	-	-	-	-	-	-	-
- Customers	10,006,515	16,482	2,027	15,615	41,761	53,068	59,238	110,096	-	-
B.2 Debt securities	399	-	-	687	7,853	1,138	26,719	1,406,532	101,893	-
B.3 Other liabilities	38,673	503,145	-	4	197	408,368	1,210,728	1,792,736	164,270	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital exchange										
- Long positions	-	3,660	1,530	53,982	5,158	1,909	5,623	-	-	-
- Short positions	-	9,761	1,308	53,469	4,611	1,904	5,604	24	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	1,653	-	-	-	29	436	1,922	-	-	-
- Short positions	3,232	97	-	103	1,049	836	518	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	7,050	-	-	-	8,668	2,037	20	18,200	125,458	-
- Short positions	161,434	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Banco Desio

1. Breakdown by contractual residual maturity of financial assets and liabilities
OTHER CURRENCIES

Items/Time bands	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite maturity
A. On-balance sheet assets	**9,246**	**48,689**	**5,679**	**7,500**	**8,848**	**448**	**35**	**795**	**346**	**-**
A.1 Government securities	-	-	-	-	-	-	-	564	-	-
A.2 Other debt securities	-	-	-	-	848	-	-	-	-	-
A.3 UCITS units	148	-	-	-	-	-	-	-	-	-
A.4 Loans	9,098	48,689	5,679	7,500	8,000	448	35	231	346	-
- Banks	8,870	48,689	1,219	-	-	-	-	-	-	-
- Customers	228	-	4,460	7,500	8,000	448	35	231	346	-
B. On-balance sheet liabilities	**84,234**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	84,234	-	-	-	1	-	-	-	-	-
- Banks	2,149	-	-	-	-	-	-	-	-	-
- Customers	82,084	-	-	-	1	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital exchange										
- Long positions	-	9,878	1,267	53,972	4,574	1,860	5,502	-	-	-
- Short positions	-	3,745	1,502	54,448	5,146	1,860	5,502	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISK

Qualitative information

A. General aspects, management processes and measurement methods for operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, human resources and systems, or from exogenous events, including legal risk (see EU Regulation 575/2013).

Banco Desio e della Brianza uses the above definition of operational risk within its approved and formalised Operational Risk Management Model.

In this context, a specific operational risk management macro-process (defined as ORM Framework) was defined, which consists of the following steps:

- Identification: detection, collection and classification of information on operational risks;
- Assessment: evaluation in economic terms of the detected operational risks related to the company's operations;
- Monitoring and reporting: structured collection and organisation of results in order to monitor the development of operational risk exposure;
- Mitigation and control: risk transfer and improvement of business processes.

The following operational processes have been formalised to support the operational risk management model:

- Loss Data Collection - structured process for the collection of operational losses manifested within the Bank;
- Risk Self Assessment - a structured process for assessing potential operational risks aimed at obtaining an overall view of risk events in terms of potential and worst-case impact;
- Determination of the TSA capital requirement - the Banco Desio Group calculates the capital requirement using the "Traditional Standardised Approach" method. In order to comply with the relevant regulatory requirements, the Group has adopted an operational process and methodology for allocating the Relevant Indicator to the 8 business lines envisaged by the regulations, and has set up a specific internal IT procedure.

The Risk Management function, within the framework of what is defined in the internal regulations, structured an adequate monitoring and reporting activity on operational risks, integrating it with the dictates of the supervisory regulations on the subject of coordination between control functions. With regard to the detrimental events collected in the Database of Corporate Operational Losses (DBPOA), a reporting system was implemented to provide all the information concerning these events: number of events, amount of gross losses and any recoveries.

With regard to the management and monitoring of Outsourcing risk, a third-party risk assessment methodology has been defined and implemented that is specific to the broader Operational Risk Assessment process.

Information security and data protection are priorities of Banco Desio e della Brianza, which attaches central importance to risk management strategies by continuously adopting measures that comply with current privacy provisions, security regulations and the main industry standards, with the aim of guaranteeing the protection of information systems from events that could have a negative impact on Banco Desio e della Brianza and the rights of those concerned.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by Banco Desio e della Brianza.

With reference to the main operational and organisational safeguards currently in place to ensure data security and protection, it should be noted that Banco Desio e della Brianza has:

- ✓ an ICT Risk Assessment process aimed at identifying and measuring exposure to cyber risk. This process includes the assessment of risks arising from the bank's information system acquired in full-outsourcing from Cedacri S.p.a;
- ✓ a system of key risk indicators to continuously monitor exposure to the main cyber threats in terms of data security, including: events involving the violation of corporate information security rules and practices (i.e. computer fraud, attacks through the Internet and malfunctions and disruptions), fraudulent attempts targeting virtual banking channels, and potential malware phenomena detected on e-mail or web vectors;
- ✓ an assessment process of third parties and the organisational and technological safeguards they put in place to ensure, among other aspects, IT security and business continuity within the scope of the services provided both at the contractualisation stage and throughout the entire life cycle of the relationship;
- ✓ a DPIA (Data Protection Impact Assessment) process, aimed at assessing the necessity and proportionality of privacy processing, evaluating and managing any risks to the rights and freedoms of data subjects, and establishing the need to implement mitigation measures in the face of any shortcomings found in the existence and effectiveness of adequate physical, organisational and technological safeguards;
- ✓ internal training on data protection regulations and how to process and protect data;
- ✓ anti-fraud procedures being progressively strengthened with respect to the evolving dynamics of cyber-attack techniques;
- ✓ security incident management procedures;
- ✓ threat alerting systems also through the use of SOC (Security Operation Centre) services by specialised operators. A service incorporating an advanced computer application with an intrusion detection system was also recently acquired (so-called Intrusion Detection System) and a component that makes use of machine learning techniques to group devices on the network into groups (clusters) that are homogeneous in terms of behaviour and support the detection of anomalous phenomena and generate alerts;
- ✓ a daily monitoring service of ICT security performance by means of a rating system (external evaluation by a specialised operator used worldwide).

With reference to the main lines of evolution envisaged, it should be noted that the Bank worked to strengthen its first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Bank's cyber security posture, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

Finally, in order to increase the internal control over the main IT outsourcer, a specific monitoring dashboard was developed that produces a concise and independent assessment of the adequacy of the service provided by the supplier. This dashboard is available to both line and control functions.

Logical Security Management

In response to the extraordinary needs that arose in connection with the Covid-19 emergency, the ongoing war between Russia and Ukraine, and in compliance with the joint call of Consob, Bank of Italy, IVASS, FIU of 7 March 2022, the Group has:

- strengthened security measures against cyber attacks with the definition of a specific investment plan;
- reviewed the policy rules 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-based systems for the protection of mobile users and Internet surfing:
- revised antispam policies by activating domain configurations and monitoring them;
- enhanced corporate e-mail protection systems in light of increasingly sophisticated channel attacks;

- planned a specific training programme for all Banco Desio internal users on cyber security;
- defined and regulated a formal change management process that the ICT Area has adopted for all evolutionary interventions in release;
- developed monitoring and control systems for the main outsourcers (primarily Cedacri) in order to assess their performance and services in time;
- reviewed the organisational structure and processes of Fraud Management;
- strengthened the instrumentation and procedures to protect against DDoS (Distributed Denial of Service) attacks, also based on the experience gained in dealing with and overcoming the attacks that occurred during the year.

Business Continuity Management

In particular, business continuity management ensured the business continuity of critical and systemic processes through the identification of business continuity resources and the possibility of smart working, providing all identified personnel with laptop and smartphone devices. Tests were also carried out to ensure 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 delivery systems. This crisis response methodology is also applied by the subsidiary Fides.

Actions have been intensified since 2020 to cope with the impacts of the Covid-19 pandemic:

- optimised the telephone order entry service for financial investment services by adopting new technological solutions;
- purchased notebooks as new workstations for the Headquarters and the Network in order to increase mobility;
- implemented the Group's business continuity resource mobility model for Fides;
- enhanced infrastructure and network support to support increasing mobility.

In order to guard against the risk of offences being committed pursuant to Legislative Decree No. 231/2001 "Regulations on the administrative liability of legal persons, companies and associations, including those without legal personality", the Group Companies have adopted a prevention organisational model. Supervision of the effective implementation of these models has been delegated to a specific internal body.

As far as legal risk is concerned, the individual company departments, in their relations with customers, operate with standard contractual schemes, which are in any case assessed in advance by the relevant company departments. Thus, it should be noted that most of the lawsuits pending at year-end are included in the context of disputes concerning usury and anatocism claims and early repayment.

Risks related to pending litigation

Banco Desio e della Brianza, as part of its operations, has been involved in legal proceedings in the presence of which, where deemed appropriate by the competent corporate functions, specific loss provisions are assessed. The following table summarises the litigation in progress at the end of the reporting period with the relevant provisions:

	Number	***Claim***	***Allocated provisions***
Lawsuits for revocation	18	Euro 12.3 million	Euro 2.08 million
Other lawsuits	465	Euro 137.5 million	Euro 9.02 million

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Disclosure "1.5. Operational Risks" in "Section 2 - Prudential consolidation risks" contained in "Part E - Information on risks and related hedging policies" of the Consolidated Notes to the Financial Statements describes the main disputes, with claim exceeding Euro 1 million, outstanding at the reporting date.

Quantitative information

The number of prejudicial events recorded by Banco Desio e della Brianza at 31 December 2022 amounted to 1,280 events. The result of the process of collecting prejudicial events is summarised in the table below:

Event Type	% Events	% of total	% 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 internal member of the bank	0.23%	2.1%	2.1%	0.00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetrated by third parties	2.42%	2.9%	3.0%	0.00%
LABOUR AGREEMENT AND WORKPLACE SAFETY Losses due to actions in breach of labour laws and agreements, health and safety in the workplace, and compensation for accidents or incidents of discrimination	0.23%	3.3%	3.3%	0.00%
RELATIONAL ACTIVITY RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses due to failure (unintentional or negligent) to perform professional commitments made with clients (including fiduciary and adequate investment information requirements)	9.06%	55.2%	55.2%	0.30%
DAMAGE TO ASSETS This category includes events of natural origin or due to actions by external parties that cause damage to the bank's tangible assets	0.39%	0.6%	0.4%	25.22%
BUSINESS INTERRUPTION AND SYSTEM FAILURES Losses resulting from the blocking of computer systems or line connections	0.17%	0.0%	0.0%	0.00%
ORDER EXECUTION, PRODUCT DELIVERY AND PROCESS MANAGEMENT	87.50%	35.9%	36.0%	0.27%
TOTAL Banco Desio e della Brianza	100.00%	100.00%	100.0%	0.4%

The gross operating loss amounted to Euro 3,003 thousand, on which, during the reporting period, provisions of Euro 2,039 thousand and recoveries of Euro 12 thousand were made; consequently, the net operating loss amounted to Euro 2,991 thousand.

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PART F - INFORMATION ON EQUITY

Section 1 - Company equity

A. Qualitative information

The Board of Directors has always paid primary attention to the bank's equity capital, aware both of its function as a factor in preserving the confidence of external lenders, as it can be used to absorb any losses, and of the importance of the same in its management for purely operational and business development purposes. A good level of capitalisation makes it possible to face corporate development with the necessary margins of autonomy and preserve the stability of the Bank.

The notion of accounting equity used by the Bank is the algebraic sum of the following balance sheet liability items: Capital, Valuation reserves, Reserves, Share premium and Profit for the year.

It is therefore the policy of the Board of Directors to give a high priority to equity in order to make the best use of it in the expansion of the bank's business, and to optimise the return for shareholders while maintaining a prudent risk profile. With regard to the latter, it should be recalled that the main component of the minimum regulatory capital requirements relates to credit risk against a loan portfolio split across its "core" sector consisting of local businesses and households.

Equity at 31 December 2022, including the net profit for the period, increased to a total of Euro 1,118.6 million, compared to Euro 1,078.2 million in the 2021 financial year.

B. Quantitative information

B.1 Equity: breakdown

Items/Values	31.12.2022	31.12.2021
1. Capital	70,693	70,693
2. Share premiums	16,145	16,145
3. Reserves	956,816	923,195
- of profits	945,134	911,513
a) legal	110,431	105,190
b) extraordinary	634,307	605,473
d) other	200,396	200,850
- other	11,682	11,682
6. Valuation reserves:	(13,230)	15,776
- Equity securities measured at fair value through other comprehensive income	551	(856)
- Financial assets measured at fair value through other comprehensive income	(34,171)	(2,531)
- Tangible assets	123	123
- Cash flow hedges	-	(203)
- Actuarial gains (losses) on defined-benefit pension plans	(2,799)	(3,823)
- Special revaluation laws	23,066	23,066
7. Profit (loss) for the year	88,189	52,415
Total	**1,118,613**	**1,078,224**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	31.12.2022		31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	341	34,512	48	2,579
2. Equity securities	1,094	543	22	878
3. Loans				
Total	**1,435**	**35,055**	**70**	**3,457**

The negative change in item 20 "Equity securities designated at fair value through other comprehensive income" in the previous year is due to the sale of the investment in Cedacri S.p.A. finalised on 3 June 2021 for a countervalue of Euro 114.7 million; during 2021, the following were recorded due to the realisation event, i) the reversal of the valuation reserve existing at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million before the related tax effect) and ii) the positive result achieved with respect to the initial recognition value, equal to Euro 97.5 million (Euro 104.8 million before the related tax effect), in a specific retained earnings reserve.

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balance	**(2,531)**	**(856)**	
2. Positive changes	**604**	**1,449**	
2.1 Increases in fair value	297	1,094	
2.2 Value adjustments for credit risk	107		
2.3 Transfer to income statement of negative reserves from disposals	42		
2.4 Transfers to other equity components (equity securities)		355	
2.5 Other changes	158		
3. Negative changes	**(32,244)**	**(42)**	
3.1 Reductions in fair value	(32,220)	(21)	
3.2 Reversals for credit risk			
3.3 Transfer to income statement of positive reserves from	(2)		
2.4 Transfers to other equity components (equity securities)			
3.4 Other changes	(22)	(21)	
4. Closing balance	**(34,171)**	**551**	

B.4 Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserves relating to defined-benefit plans recorded a positive effect of Euro 1 million during the year (net of the related tax effect of Euro 0.4 million), resulting from the change in the discounting of the provision for employee severance indemnity determined for statutory purposes.

Section 2 - Own funds and regulatory capital ratios

As provided for in the 7th Update of Circular 262 “Banks’ financial statements: formats and rules for preparation”, reference is made to the public disclosure (“Pillar 3”) provided at the consolidated level by the Bank.

PART G - BUSINESS COMBINATIONS INVOLVING BUSINESSES OR BUSINESS UNITS

Section 2 - Transactions realised after the end of the year

2.1 Business combination transactions

On 17 February 2023, the final contract was signed for the purchase of a business compendium consisting of two business units from the BPER Group. The transfer to Banco Desio of the business units owned by BPER Banca S.p.A. (formerly Carige S.p.A.) and Banco di Sardegna S.p.A. took legal effect as of 20 February 2023.

For further details on the composition of the business compendium acquired, provided in advance with respect to the definition of the accounting situations as at the date of execution, as well as on the related integration into BPER Banca, please refer to as already disclosed to the market in the press release of 3 June 2022 and referred to in the Report on Operations in paragraph 3.2 - Significant corporate events, with reference to the "Agreement with the BPER Group for the acquisition of 48 branches (Lanternina Transaction)".

Accounting treatment of the transaction

The transaction described qualifies as a business combination for the purposes of IFRS 3, having satisfied the conditions required by IFRS 3 for the identification of an acquired "business".

More specifically, the agreements (initial and supplementary) signed in 2022 and, most recently, in February 2023, between Banco Desio and BPER Banca, the provisions of which were confirmed by the final agreements of 17 February 2023, already highlighted how the object of the agreements themselves was the transfer of a perimeter of banking "Branches", defined as a set of rights, obligations and legal relations relating to (or connected with): (i) contracts entered into with the relevant customers, (ii) employment relationships relating to employees working at the branches, (iii) leases and utility contracts relating to them, and (iv) ownership of (or rights in rem or beneficial interest in) movable and immovable tangible assets used by the branch. With respect to the characteristics of the acquired compendium, it is therefore possible to identify[17]:

- Production factors: contracts with customers (and consequent loans, direct and indirect inflows), employees (as an "organised workforce with the necessary skills, knowledge or experience") and premises (owned or leased properties) necessary for the provision of banking services.
- Processes: all those connected with the provision of banking services to customers (i.e. processes such as: credit disbursement, credit monitoring, provision of payment services, provision of financial and investment services), as well as the development of the same (acceptance process). These processes are considered "substantial" within the meaning of IFRS 3 because, since the business unit is already "in production" at the date of aggregation, it is performed by employees who already have the necessary skills, knowledge or experience in banking (also understood as customer relations) and who cannot be replaced without significant cost, effort or delay to the ability to continue to generate "output from banking"[18].

[17] As required by IFRS 3 B7

[18] IFRS 3 B12C: Where a set of activities and assets has an output at the date of acquisition, the acquired process (or group of processes) is considered substantial if, applied to one or more acquired inputs:
c) it is crucial to the ability to continue generating output and the acquired inputs include an organised workforce with the necessary skills, knowledge or experience to carry out that process (or group of processes); or
d) it contributes significantly to the ability to continue to generate output and:
   i) it is considered unique or scarce; or
   ii) it cannot be replaced without significant cost, effort or delay to the ability to continue generating output

- Output: understood as the ability to generate revenue not only in the form of interest, but also of commissions from banking services provided to customers.

It is therefore pointed out that the so-called "concentration test" provided for in paragraph B7A and B7B of IFRS 3 (as in force from 1 January 2020), indicated as optional, was not applied as the qualitative analysis above on the components of the compendium transferred showed sufficient evidence to conclude that what was acquired represented a business.

Having qualified the transaction as a business combination, the Acquisition method envisaged by IFRS 3 therefore applies, as better described in Part A.2 of the Notes, to which reference should be made for details.

The acquisition (initial recognition at fair value of the asset balances pertaining to the acquired business) must be recognised on the date on which the acquirer effectively obtains control over the acquired assets, identified in the situation at hand with the legal effectiveness of the transfer (as resulting from the deed of transfer) and the preliminary IT migration, i.e. 20 February 2023.

At the date of approval of these financial statements, the balance sheet balances acquired have not yet been definitively determined, although the categories of transferred assets and liabilities have been identified and, consequently, the methods of fair value valuation have been defined, also with the support of accredited external consultants. More specifically:

- Performing and non-performing loans: the fair value determination model provides for the discounting of expected gross cash flows, appropriately adjusted to take into account expected losses and related operating costs (recovery costs for non-performing positions), based on an appropriate discount rate (determined on the basis of Banco Desio's average cost of funding for performing loans). In determining the parameters required by the model, maximum use is made of observable market information.
- Tangible assets: activities are underway to verify the reliability of the fair value valuations of the properties acquired, based on appraisals with physical inspection of the property carried out by the independent expert used by Banco Desio.
- Right of use and lease liabilities: for the acquired lease liabilities (mainly on real estate assets) the valuation methodology of Banco Desio at the date of the business combination is expected to be applied, as required by paragraphs 28A and 28B of IFRS 3 by valuing:
  - the lease liability at the present value of the remaining lease payments due (as defined in IFRS 16), as if the acquired lease were a new lease for Banco Desio at the acquisition date;
  - the asset consisting of the right of use at the same amount as the lease liability, adjusted to reflect favourable or unfavourable lease terms relative to market terms.
- Intangible assets: analyses are currently underway to identify any intangible assets originating from so-called client relationships, not already recognised in the transferor's financial statements. From the preliminary analyses conducted, it emerged that there would seem to be a case for valorising the component related to the so-called core deposits as the benefit of the lower cost of inflows acquired compared to alternative sources of funding (so-called mark-down) would be positive. Analyses are also still underway on the characteristics of the indirect inflows relationships acquired, in order to identify any remuneration conditions implicit in them.
- Direct inflows: the characteristics of the direct inflows acquired (substantially represented by demand or short-term items) allow its fair value to be considered substantially equal to its carrying amount.
- Contingent liabilities: the recognition of any risks implicit in the acquired compendium, as well as the fair value valuation of the contingent liabilities associated with them, was undertaken, as well as the fair value measurement of the legal risks associated with the disputes rooted in the acquired subsidiaries.

- Deferred taxation: the tax effects related to fair value measurements in the Purchase Price Allocation (PPA) will be determined in application of the tax regulations in place at the date of the combination.

As required by paragraph B66 of IFRS 3, it should be noted that, at the date of approval of these financial statements, part of the information required by paragraph B64 of IFRS 3 was not provided, as it was not available. With specific reference to the business unit acquired on 20 February 2023, this unavailability is in any case consistent with contractual provisions that contemplate a period of time, not yet completed at the date of approval of these financial statements, necessary to prepare the accounting situation of the business unit acquired. Consequently, the impacts of the fair value measurement of the assets and liabilities acquired are not available and will be provided within the financial document that will contain the disclosure (including provisional) on the PPA.

PART H - TRANSACTIONS WITH RELATED PARTIES

1 - Information on the remuneration of key managers

For information on the remuneration of those who have the power and responsibility, directly or indirectly, for the planning, management and control of the Bank's activities, a definition that includes directors, members of the control bodies and key managers, please refer to the "Report on the Group's Remuneration Policies" at 31 December 2022 prepared pursuant to Article 123-ter TUF and published on the website at www.bancodesio.it.

2 - Information on transactions with related parties

The Internal Procedure ("Internal Regulation") for the management of transactions with related parties and parties included in the scope of application of Article 136 TUB, adopted in compliance with Consob Regulation No. 17221/2010 as updated by Resolution No. 21624/2020, and supplemented in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest in respect of parties connected with the Bank or the Banking Group pursuant to Article 53 of the Consolidated Law on Banking and most recently supplemented in compliance with the 35th update of Bank of Italy Circular No. 285 and related enactment in implementation of the EU Directive so-called CRD5, is described in the Annual Corporate Governance Report at 31 December 2022. The Procedure itself is published, in compliance with the aforementioned Regulation, on the website at www.bancodesio.it, section "the Bank/Governance/Corporate Documents/Related Parties".

Whereas, pursuant to article 5 of Consob Regulation No. 17221/2010 and Article 154-ter of the Consolidated Law on Finance referred to therein, periodic information must be provided:

a) on individual "major" transactions concluded during the reporting period, meaning those transactions which, even cumulatively, exceed the thresholds laid down in Annex 3 of the aforementioned Regulation[19];

b) on any other individual transactions with related parties, as defined pursuant to Article 2427, paragraph 2, of the Italian Civil Code, concluded during the reporting period, which have materially affected the financial position or results of the Bank;

c) on any changes or developments in related party transactions described in the last annual report that had a material effect on the Bank's financial position or results,

in the reference year, no noteworthy transactions were reported.

* * *

Transactions with related parties are generally governed by market-equivalent or standard conditions and are in any case justified in the interest of the group to which they belong. The comparison with market-equivalent or standard conditions is indicated in the periodic reporting to the Corporate Bodies of the transactions carried out.

In this context, there were no transactions outstanding at 31 December 2022 that presented particular risk profiles with respect to those assessed in the context of ordinary banking operations and related financial activities or that in any case presented atypical/unusual profiles worthy of note.

The following paragraphs summarise - in a prudential logic of unitary management of potential conflicts of interest - the relationships in place with the Parent company, subsidiaries and associates, as well as with other related parties pursuant to Article 53 TUB and/or Article 2391-bis of the Italian Civil Code. (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking (TUB) in accordance with the

[19] With regard to the materiality index of the value of transactions with related parties, the Internal Regulation refers to a materiality threshold of Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital calculated for Banco Desio at the date of adoption of the Procedure itself)

regulations, including internal regulations in force), highlighting in particular the balances of current accounts and securities portfolios at year-end.

I - Parent Company

At year-end, accounts payable (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A. amounted to a total of Euro 209.7 million, of which Euro 206.6 million, relating to securities portfolios.

It should be noted that at the end of 2018, an unsecured bullet loan transaction was put in place with said Company for a duration of five years for a total amount of Euro 5 million aimed at replacing the similar credit line expiring with another bank. It is hereby confirmed that this transaction - falling within the scope of application of Article 136 of the Consolidated Law on Banking by virtue of the offices held by certain Officers - was carried out at market conditions (moreover, within the list of conditions in force for Related Parties as per the specific framework resolution) and falls within the ordinary credit activity.

With the same Company, the service agreement was renewed, regulating the reciprocal rights and obligations inherent to the accounting and reporting activities delegated to Banco di Desio e della Brianza S.p.A. in relation to prudential consolidation pursuant to Articles 11 and 99 of EU Regulation No. 575/2013 (CRR). The fees in favour of the latter are small in amount and were in any case determined using the same methodology as the similar agreements with the Subsidiaries. It should be noted that this transaction also falls within the scope of application of Article 136 of the Consolidated Law on Banking by virtue of the offices held by certain Officers, as set forth in the following paragraph "Transactions with Officers and with parties related to them".

II - Subsidiaries

The following is a summary of the significant transactions with subsidiaries approved by the Board of Directors during the year, within the framework of the aforementioned Procedure.

Counterparty	Transaction Type	Economic amounts/conditions (Euro)
Fides S.p.A.	Overdraft for ordinary current account overdraft	Total increase from Euro 910,046,500 to Euro 1,045,046,500

The amount of assets/liabilities, as well as guarantees/commitments and income/expenses, arising from relations with the aforementioned companies is shown in Paragraph 8.4 of the Report on Operations under the heading "subsidiaries".

III - Associates

On 29 June 2022, after obtaining the necessary legal authorisations, the Partnership Agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed. By virtue of the size of the investment held in the aforementioned company - equal to 15% of the SGR share capital - and of the contents of the partnership agreements entered into (investment agreement, commercial framework agreement, shareholders' agreements), there is currently an associated investment with the aforementioned company.

The Bank is also one of the main investors in the new "Anthilia GAP - Special Situation Fund". The investment transaction (up to a maximum amount of Euro 23,000,000) in the aforementioned alternative investment fund was submitted to the Committee for Transactions with Related and Connected Parties for its prior opinion in consideration of the "non-ordinary" nature of the transaction.

For the sake of completeness, we report subscriptions for a countervalue of Euro 7,000,000 in the open-end Planetarium Fund - Anthilia White and Planetarium Fund - Anthilia Yellow.

For further details, please refer to the description in the Report on Operations at 31 December 2022.

IV - Transactions with Officers and with parties related to them [20]

With regard to the entrustment transactions approved in 2022 pursuant to Article 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree implementing Directive 2013/36/EU, the so-called CRD IV) and/or Article 2391-bis of the Italian Civil Code (comprising parties treated pursuant to Article 136 of the Consolidated Law on Banking, in compliance with the regulations, including internal regulations in force), it should be noted that these were mainly ordinary credit disbursement transactions to Bank Officers and/or parties related to them (meaning directors, statutory auditors and key managers in the Bank and in subsidiaries). These ties did not affect the application of the normal criteria for assessing creditworthiness. The total amount granted on the 31 positions outstanding at 31 December 2022 was about Euro 15.9 million and the related utilisations totalled about Euro 7.9 million.

With regard to the inflows relationships held by the Bank directly with the Officers, as well as with related parties, it should also be noted that the total balances at 31 December 2022 amounted to approximately Euro 137.0 million in amounts due to customers (including approximately Euro 118.0 million in securities portfolios).

Transactions and balances relating to the parent company and the subsidiary and associates referred to in paragraphs I, II and III above are excluded from the above calculations.

The details of the aforementioned entrustment and inflows relationships referred to in this paragraph are set out in the following table:

	Balances at 31.12.2022 (in Euro/millions)
Entrustment transactions:	
Amount granted	15.9
Amount used	7.9
Collection transactions:	
Amount of current accounts and savings deposits (a)	19.9
Amount of securities portfolios (b)	118.0
Total (a+b)	137.9

In accordance with Consob Resolution No. 15519 of 27 July 2006, it should be noted that the overall impact of the balances, indicated in the previous paragraphs, from an equity, financial and economic perspective, is substantially marginal.

V - Other transactions

As for other significant transactions with Officers and related parties, the economic conditions applied to corporate officers and related parties were updated in line with market trends.

[20] Related parties within the meaning of Article 53 of the Consolidated Law on Banking (including parties treated in accordance with Article 136 of the Consolidated Law on Banking) and/or Article 2391-bis of the Italian Civil Code (other than the Parent Company and subsidiaries/associates)

PART I – Payment agreements based on own equity instruments

Information on incentive plans ("Phantom shares")

The Extraordinary and Ordinary Shareholders' Meeting of Banco Desio held on 14 April 2022, resolved on an annual incentive plan called the "2022 Incentive System", drawn up in accordance with article 114-bis, paragraph 1, of the Consolidated Law on Finance, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager and the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, and the assignment to the Board of Directors, with the right to sub-delegate, of all powers necessary for the actual implementation of the "2022 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website.

For more detailed information, please refer to the documents *2021 Report on Remuneration Policy and Amounts Paid* and *Information Document on the "2022 Incentive System" Plan based on the assignment of phantom shares*, published on the corporate website at www.bancodesio.it.

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

Qualitative information

As required by IFRS 16 "Leases" Banco Desio assesses for contracts that confer the right to control the use of an identified asset (ref. IFRS 16.B9 and paragraphs B13-B20) for a certain period of time, over the period of use, if both of the following requirements are met:

a) The right to obtain substantially all economic benefits from the use of the identified asset, as described in paragraphs B21-B23;

b) The right to direct the use of the identified asset, as described in paragraphs B24-B30.

Consequently, when a lease is identified and the asset is made available for use by the lessee, the Bank recognises:

– a liability consisting of lease payments due (i.e. Lease Liability). This liability is initially recognised at the present value of future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate;

– an asset consisting of the right of use (i.e. RoU Asset). This asset is initially recognised as the sum of lease liability, initial direct costs, payments made on or before the effective date of the contract net of lease incentives received, and decommissioning costs.

These assets are recognised separately according to the type of assets identified, which in Banco Desio are represented exclusively by properties and cars.

The Bank has adopted some of the practical expedients and recognition exemptions provided for in IFRS16 "Leases":

– contracts with a value of the underlying asset of less than or equal to Euro 5,000 at the date of initial application are excluded (so-called low value assets);

– contracts with a total lease term of less than or equal to 12 months are excluded (so-called short-term assets);

– initial direct costs are excluded from the valuation of the RoU Asset at the date of initial application.

The estimated decommissioning costs are not taken into account for the purpose of determining the RoU Asset, as these costs are only to be considered at the effective date of the lease agreement.

With reference to the lease term, Banco Desio has decided to consider only the first renewal period as reasonably certain for new contracts, unless there are contractual clauses that prohibit this, or, facts or circumstances that lead to additional renewals being considered or to the end of the lease contract. For contracts existing at the FTA date, a renewal period was added if the contract was in the first contractual period (i.e. the first renewal period had not yet expired), or if the contract was in a renewal period subsequent to the first one but the deadline for notice of termination had expired.

With reference to the rate for discounting future lease payments, Banco Desio has decided to use a single interest rate curve for Banco di Desio e della Brianza as the incremental borrowing rate, also considering a floor of 0% for maturities where rates are negative. This curve is based on a risk free rate (i.e. market interest rate) and a financing spread (i.e. tenant credit risk), and is amortising. Typically, the lease agreement does not provide for a single payment at maturity, but rather for a periodic payment of the lease instalments throughout the term of the contract, leading to a decreasing trend in the residual debt.

Quantitative information

With reference to the assets and liabilities related to lease agreements outstanding at 31 December 2022, the following balances are shown:

- a “RoU Asset” of Euro 52.2 million relating to properties and Euro 0.5 million relating to cars;
- a “Lease Liability” of Euro 53.2 million relating to properties and Euro 0.5 million relating to cars.

During the year, charges of Euro 9,884 thousand were recognised in connection with lease agreements, of which Euro 693 thousand was recognised under “Interest expense” and Euro 9,191 thousand under “Net value adjustments on tangible assets” as depreciation of the right of use.

Specifically, the depreciation recognised in the income statement refers to:

- Euro 386 thousand for cars,
- Euro 8,805 thousand for properties.

The total costs for the year referring to lease agreements and not covered by IFRS 16 (so-called low-value assets and short-term assets) amounted to Euro 1,870 thousand.

With reference to the “Lease liability” recognised at 31 December 2022, amounting to a total of Euro 53,709 thousand, a breakdown of the liabilities by residual maturity date is provided below:

- Euro 9,045 thousand within 12 months;
- Euro 15,664 thousand from 1 to 3 years;
- Euro 12,069 thousand from 3 to 5 years;
- Euro 16,931 thousand over 5 years.

SECTION 2 - LESSOR

Qualitative information

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

Quantitative information

The following is a reconciliation between the gross investment in the lease and the present value of the minimum lease payments and unsecured residual values due to the lessor.

	31.12.2022				31.12.2021			
Type of transaction	Gross investment	Deferred profit	Net investment	Unsecured residual value (redemption)	Gross investment	Deferred profit	Net investment	Unsecured residual value (redemption)
Finance lease	165,852	14,928	150,924	30,649	175,045	18,922	156,123	36,155
- of which agreements with leaseback	8,914	1,310	7,604	2,485	10,557	1,646	8,911	2,773
Total	**165,852**	**14,928**	**150,924**	**30,649**	**175,045**	**18,922**	**156,123**	**36,155**

	31.12.2022			31.12.2021		
Reference period	Gross investment	Deferred profit	Net Investment	Gross investment	Deferred profit	Net investment
- Within one year	4,302	89	4,213	6,431	160	6,271
- Within one and two years	7,695	289	7,406	8,269	368	7,901
- Within two and three years	17,603	569	17,034	11,337	599	10,738
- Within three and four years	39,322	2,528	36,794	22,855	983	21,872
- Within four and five years	41,169	3,161	38,008	38,670	3,341	35,329
- Over five years	55,761	8,292	47,459	87,483	13,471	74,012
Total	**165,852**	**14,928**	**150,924**	**175,045**	**18,922**	**156,123**

The net investment corresponds exclusively to the maturing principal for agreements active on the closing date of the financial year.

Total interest income recognised as income for the year, included in the item "Loans to customers - loans", amounted to Euro 2,993 thousand (Euro 2,210 thousand last year); of this amount, Euro 2,803 thousand related to index-linked agreements, of which Euro 126 thousand related to leaseback agreements (in 2021,

Euro 1,951 thousand related to index-linked agreements, of which Euro 90 thousand related to leaseback agreements).
Financial profits accruing in subsequent years amounted to Euro 14,928 thousand, of which Euro 1,310 thousand on leaseback agreements (last year: Euro 18,922 thousand and Euro 1,646 thousand respectively).

Certification of the Separate Financial Statements pursuant to Article 154-bis of Legislative Decree 58/98

Banco Desio

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Alessandro Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, also taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements for 2022.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 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 Organisations of the Treadway Commission, which represents a generally accepted reference framework at an international level.
3. It is also certified that:

   3.1 the separate financial statements:

      a. are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

      b. correspond to the information contained in the accounting ledgers and records;

      c. provide a true and fair representation of the equity, economic and financial situation of the Company in question.

   3.2 the report on operations contains a reliable analysis of the trend and results of operations, together with a description of the main risks and uncertainties to which the Bank is exposed.

Desio, 2 March 2023

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

Report of the Independent Auditors to the Financial Statements

Banco Desio

KPMG

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Banco di Desio e della Brianza S.p.A. (the "bank"), which comprise the balance sheet as at 31 December 2022, the income statement and the statements of comprehensive income, statement of changes in shareholders' equity and cash flows statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Banco di Desio e della Brianza S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost".

Notes to the separate financial statements "Part B - Information on the balance sheet - Assets": section 4 "Financial assets at amortised cost".

Notes to the separate financial statements "Part C - Information on the income statement": section 8.1 "Net adjustments for credit risk relating to financial assets at amortised cost: breakdown".

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 1 "Credit risk".

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €14,018 million at 31 December 2022, accounting for 80% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €41 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. The complexity of the directors' estimation process has been influenced as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency. These uncertainties have worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies. This required the directors to revisit the valuation processes and methods.	Our audit procedures included: • gaining an understanding of the bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; • analysing the significant changes in the loan and receivable categories and in the related

Key audit matter	Audit procedures addressing the key audit matter
For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets at amortised cost.

Classification and measurement of financial assets at fair value levels 2 and 3

Notes to the separate financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss", A.2.2 "Financial assets measured at fair value through other comprehensive income", A.2.4 "Hedging transactions", and A.4 "Information on fair value".

Notes to the separate financial statements - "Part B – Information on the balance sheet - Assets": sections 2 "Financial assets at fair value through profit or loss ", 3 "Financial assets at fair value through other comprehensive income" and 5 "Hedging derivatives".

Notes to the separate financial statements "Part C - Information on the income statement": sections 4 "Net trading income", 5 "Net hedging result" and 7 "Net result of other financial assets and liabilities at fair value through profit or loss".

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 2 "Market risk" and 3 "Derivative instruments and related hedging policies".

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the bank's core activities. The separate financial statements at 31 December 2022 include financial assets at fair value totalling €1,041 million. A portion thereof, equal to €215 million, is made up of financial assets at fair value without a quoted price on an active market. The bank's directors have classified them in levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement in relation to the complexity of the models and parameters used. The complexity of the directors' estimation process has been influenced as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency. These uncertainties have worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies. For the above reasons, we believe that the classification and measurement of financial assets at fair value levels 2 and 2 are a key audit matter.	Our audit procedures included: • gaining an understanding of the bank's processes and IT environment in relation to the trading, classification and measurement of financial instruments; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, also in the light of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic; • checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level; • for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the parameters used by the directors for their measurement, also in the light of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19

Key audit matter	Audit procedures addressing the key audit matter
	pandemic; we carried out these procedures with the assistance of experts of the KPMG network; • analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about financial instruments and related fair value levels.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or safeguards applied..

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 23 April 2020, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The bank's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 23 March 2023

KPMG S.p.A.

(signed on the original)

Alessandro Nespoli
Director of Audit

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF BANCO DI DESIO E DELLA BRIANZA SPA FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

Shareholders,

pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998, we hereby present this Report to inform you of the supervisory and control activities carried out during the financial year ended with the financial statements as at 31 December 2022, financial statements that are presented to you together with the Report on Operations and information documents that adequately illustrate the performance of Banco di Desio della Brianza S.p.A. (hereinafter also referred to as "the Bank") and its subsidiaries, with the balance sheet, income statement, financial data and results achieved.

It should be noted that this financial year was still partially affected by the "Covid-19" epidemiological emergency and, despite a context of progressive easing of the phenomenon, the Board of Statutory Auditors, also in its capacity as Supervisory Board, continued to pay special attention to the related issues, receiving information and updates from the various corporate Structures (see page 3 et seq.).

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 23 April 2020 and its term of office will come to end with the Shareholders' Meeting called to approve the financial statements as at 31 December 2022.
With regard to the audit of the accounts and financial statements, we would like to remind you that this task was carried out by the auditing firm KPMG S.p.A. (hereinafter also referred to as "KPMG" or "Independent Auditors"), whose engagement for the legal audit pursuant to Legislative Decree No. 58/1998 and Legislative Decree No. 39/2010, for the financial years 2021-2029, had been conferred, upon the reasoned proposal of the Board of Statutory Auditors, by the Ordinary Shareholders' Meeting of 23 April 2020.

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The Board of Statutory Auditors performed its institutional duties in accordance with the provisions of the Italian Civil Code, Legislative Decrees No. 385/1993 (Consolidated Law on Banking), No. 58/1998 (Consolidated Law on Finance) and No. 39/2010, the Articles of Association and the rules issued by public authorities exercising supervisory and control activities, also taking into consideration the provisions of the Corporate Governance Code for Listed Companies, as well as the principles of conduct recommended by the National Institute of Chartered Accountants and Accounting Experts.
In giving you an account of the performance, up to the date of preparation of this Report, of the institutional activities for which we are responsible, we point out that we have:

- attended the Shareholders' Meetings, the meetings of the Board of Directors and the Executive Committee as well as the Board Committees (i.e. Control, Risk and Sustainability Committee, Related and Connected Party Transactions Committee, Appointments Committee and Remuneration Committee) and obtained, in compliance with the provisions of the law and the Articles of Association, exhaustive information on the activities carried out and on the most significant transactions performed by the Bank and its subsidiaries;
- obtained the information necessary to assess compliance with the law and the Articles of Association, compliance with the principles of proper administration as well as the functionality and adequacy of the Bank's organisational structure and the internal control and administrative-accounting systems,

through direct investigations and the collection of data and information from the Heads of the main corporate functions concerned as well as from the Independent Auditors;

- carried out our audits on the internal control and risk management system, availing ourselves of the assiduous presence in our works of the Financial Reporting Manager, the Heads of the Internal Audit and Risk Management Departments and the Heads of the Compliance, Anti-Money Laundering and Internal Validation Offices, who thus ensured the necessary exchange of information on how their respective institutional control tasks were carried out, as well as on the results of their respective activities;
- carried out the necessary checks on the adequacy of the instructions given to the subsidiaries, also pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998;
- verified compliance with the laws and regulations concerning the process of drawing up, the approach and the financial statements for the financial year 2022, as well as compliance with the laws and regulations in force and consistency with the resolutions adopted by the Board of Directors;
- noted that Law No. 238/2021 (European Law 2019-2020) has, inter alia, amended Article 154-ter of Legislative Decree No. 58/98 by inserting two new paragraphs effective as of 1 February 2022. In particular, the new paragraph 1.1 indicates that the Directors shall see to the application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission ("ESEF Regulation" - European Single Electronic Format) on technical standards relating to the specification of the single electronic disclosure format (ESEF) of the annual financial reports to be published by issuers in accordance with paragraph 1 of the same article, while the new paragraph 1.2 defines the responsibilities of the statutory auditor;
- carried out supervisory activities in the various profiles provided for in Article 19 of Legislative Decree No. 39/2010 as the Internal Control and Auditing Committee;
- received on 23 March 2023 from the Independent Auditors the additional report pursuant to Article 11 of Regulation (EU) No. 537/2014, which the Board of Statutory Auditors shall at the same time forward to the Chairman of the Board of Directors without any observations;
- received on 23 March 2023 from the Independent Auditors, pursuant to Article 6, paragraph 2, letter a) of Regulation (EU) No. 537/2014, confirmation of its independence as well as an indication of the fees for any non-audit services provided to the Bank by the same or by entities belonging to its network, after discussion with the same on the risks relating to its independence as well as on the measures taken to limit such risks, also limiting non-audit engagements; on the issue of independence, the Board of Statutory Auditors has also previously obtained an opinion from the Compliance Office;
- monitored the concrete implementation of the corporate governance rules set forth in the current edition of the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. The Recommendations formulated by the Chairman of the Corporate Governance Committee in a letter dated 25 January 2023 were brought to the attention of the Chairman of the Board of Directors as well as the Chief Executive Officer and the Chairman of the Board of Statutory Auditors by the Bank's Corporate Affairs Department. We have reviewed the contents of the letter dated 15 February 2023 and noted that the Recommendations have been taken into account in the Report on Corporate Governance and Ownership Structure, where a summary table has also been prepared as an annex. The Recommendations were also considered in the self-assessment. We also took into account that, on 31 January 2020, the new Corporate Governance Code was issued, whose substantial changes follow four fundamental guidelines: sustainability, engagement, proportionality, simplification. The companies that adopted the Code applied it from the first financial year beginning after 31 December 2020, informing the market in the Corporate Governance Report to be published in 2023; we recall that on 19 November 2020, the Board of Directors had resolved to adopt the new Code in full:

- within the scope of the recommendations applicable to "non-large" and "concentrated ownership" companies[1];
- in compliance with the Supervisory Provisions applicable to listed banks insofar as they are equated to "larger banks" pursuant to Circular No. 285, as of 1 January 2021, notwithstanding that the recommendations relating to independence criteria will have to be applied at the same time as the independence requirements set forth in the aforementioned MEF Regulation pursuant to Article 26 of the Consolidated Law on Banking in order to ensure the consistency of the system at the time of the next renewal of corporate offices;

- monitored compliance with the Internal Regulation on Transactions with "Connected Parties" of transactions carried out directly or through subsidiaries, pursuant to Consob Regulation No. 17221 of 12 March 2010, as amended, and the Supervisory Provisions issued by the Bank of Italy pursuant to Article 53 of the Consolidated Law on Banking, as well as compliance with the Regulation and the Provisions on compliance with Article 136 of the Consolidated Law on Banking;
- ascertained, on the basis of the declarations made by the individual Directors and the collective assessments made by the Board of Directors, that the criteria and procedures adopted by the latter to assess the independence of its members were correctly applied.

****

The functions of Supervisory Board pursuant to Legislative Decree No. 231/2001 ("SB") are assigned by the Articles of Association (Article 26) to the Board of Statutory Auditors.

We therefore deem it appropriate to report to you, on the basis of this assignment of tasks, the main activities carried out during the 16 meetings held in the 2022 financial year by the Supervisory Board.

We supervised the operation of and compliance with the Organisational and Management Model adopted pursuant to Legislative Decree No. 231/2001 ("OMM 231") and reported to the Board of Directors on a half-yearly basis on the monitoring and verification activities performed and their results.

During the course of 2022, the SB received the required six-monthly reports from all the Functions involved, from which it emerged that the OMM was being complied with and was adequate, and no reports of violations thereof were found. For reports from the whistleblowing system, please refer to the relevant section.

It is worth mentioning the activities to update the OMM 231 carried out in the year 2021 following regulatory and organisational changes and the assessment, which, through an in-depth analysis of all risks and focusing on the offences at greatest risk of being committed in the company's business, led to the streamlining and simplification of the model itself. The updated Model therefore presents a reorganisation of protocols by "risks" and not by "functions" (including the risks inherent in emergency legislation also under the AML profile) also pursuing greater uniformity of conduct between Functions, especially in relations with the Authorities. There has also been a general streamlining of the six-monthly information flows for verifying compliance with the OMM 231 that company departments send to the SB.

Among the issues related to the Covid-19 emergency, in particular, the Board of Statutory Auditors, also in its capacity as SB, has on several occasions examined the operations on tax credits and examined in depth the internal processes adopted for their acquisition and management, also in relation to the problems that have emerged as a result of the events, including legal, that have largely affected the banking system.

[1] The respective definitions are given: "**large company**" means a company whose capitalisation exceeded Euro 1 billion on the last trading day of each of the three preceding calendar years; "**concentrated ownership company**" means a company in which one or more shareholders participating in a shareholders' voting agreement hold, directly or indirectly (through subsidiaries, trustees or third parties), a majority of the votes exercisable at the ordinary shareholders' meeting.

It should be recalled that on 21 September of this year, the Supreme Court of Cassation rejected the appeal filed by Banco Desio to obtain the release from seizure, ordered by the Court of Naples, of the Euro 46.5 million tax credit purchased by a financial intermediary (the discussion took place in conjunction with the discussion of the appeal filed by other banking and financial intermediaries also involved in the same matter). The ruling arrived in the context of a purely precautionary judgement.
At the end of October, Banco Desio became aware of the reasons adopted by the Court of Cassation, from which no adequate examination of Banco Desio's specific position in the transaction emerged, and indeed as a bona fide third party at the time it purchased the tax credits from a financial intermediary.
Following the necessary investigations, the most appropriate action was taken to protect their rights. To date, the Bank is waiting to receive updates on the conclusion of the investigations launched by the Naples Public Prosecutor's Office, aimed at ascertaining (among other things) the existence or otherwise of the aforementioned tax credit, in order to be granted access to the relevant preliminary documentation collected to assess its content.
In consideration of the lengthening of the terms that can reasonably be hypothesised for using the credit, conditioned by the definition of the legal proceedings under way, the Directors deemed it appropriate to prudentially revise the forecasts for the recovery of the seized tax credits, in terms of expected cash flows with a discounting time horizon of 8 years (the legal advisors indicated a "term that could range between 8 and 10 years maximum"), cautiously considering the allocation of an additional charge compared to the previous year of Euro 3.2 million recognised in the income statement in "Other operating charges/income". Provisions made from time to time are specifically monitored by the Board.

In this regard, the Board of Statutory Auditors has, on several occasions, reminded the Functions to closely monitor the entire sector of the sale of tax credits from both the primary and secondary markets, also for the purposes of identifying the associated risks, and recommended adopting "reinforced" internal procedures and controls (anti-money laundering and anti-fraud) in view of the risks of various kinds potentially inherent in this specific operation.

The Board also drew the attention of the FACs (in a coordinated manner and, first and foremost, by the Anti-Money Laundering Office) to the specific monitoring of customers who, with the support of the Bank, requested access to PNRR (national recovery and resilience plan) funds (where cases of use of funds to the detriment of both the State and the European Union might emerge).

The Board also continued to focus the attention of the Bank's structures on monitoring the loans and moratoria granted under the Liquidity Decree and the status of repayments.

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We provide below the specific details required by Consob Communication No. 1025564 of 6 April 2001 and subsequent updates.

Transactions of greatest economic, financial and capital significance
Through our participation in the meetings of the Board of Directors, the Executive Committee and the Board Committees, we obtained adequate information on the activities carried out and on the transactions of greatest economic, financial and capital significance carried out during the financial year 2022, of which we have provided extensive information in the Report on Operations.
On the basis of the information received and as a result of the analyses conducted, it emerged that the initiatives and transactions of greatest economic, financial and capital significance that concerned the

Bank consisted essentially of the following:

Agreement with the BPER Group for the acquisition of 48 branches (Lanternina Transaction)
On 3 June 2022 Banco Desio signed an agreement with BPER Banca S.p.A. ("BPER") for the acquisition of two Business Units consisting of a total of 48 bank branches located in Liguria, Emilia Romagna, Lazio, Tuscany and Sardinia (the "Business Units" or, more briefly, the "Units"). The acquisition of the Business Units, which was finalised on 17 February 2023 with effect from Monday 20 February 2023, 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, affluent and wealth management. The transaction, in the absence of constraints on distribution agreements, fully enhances Banco Desio's business model.
The acquisition of the Business Units will allow the customers of the same access to the recognised service quality of Banco Desio and will offer an opportunity for stability and professional growth to the employees of the Business Units.
Achieving the estimated cost and revenue synergies will allow for operational and commercial efficiencies with a positive contribution to the operating margin by 2024.

Execution of partnership agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A.
On 29 June 2022, the Partnership Agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed, after obtaining the necessary legal authorisations.
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 subscribed to the reserved capital increase that was specifically approved by the SGR for a total of Euro 4.6 million. Following the release of this capital increase, Banco Desio holds a 15% stake in the share capital of the SGR, which, in consideration of the overall Partnership Agreements, constitutes an interest in an associate.
In addition, in accordance with the provisions of the aforementioned Investment Agreement, 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's achievement of certain business objectives at 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR resolved a paid capital increase for a total of Euro 20 million (capital and premium) also reserved for subscription to Banco Desio. As a result of the possible conversion of the Warrants, Banco Desio will be able to increase its investment, thus attesting its investment to a stake equal to 30% of the share capital of the SGR.
Furthermore, Banco Desio and Anthilia Holding S.r.l. signed a shareholders' agreement concerning Banco Desio's rights and obligations in relation to the corporate governance of the SGR and the transfer of its investment; all in the broader context of the commercial partnership governed by a specific commercial framework agreement.

Request for exemption from the role of parent company of the Banco Desio Group by Brianza Unione
On 5 September 2022, Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. ("Brianza Unione") submitted a request for exemption from the role of parent company of the Banco Desio Group pursuant to the provisions of the Consolidated Law on Banking concerning banking groups and the register of banking groups, as amended by Legislative Decree No. 182/2021, as well as the Supervisory Provisions issued with the 39th update of the Bank of Italy Circular No. 285 in implementation of Article 21-bis of EU Directive 2013/36 (the "CRD"), as amended in turn by EU Directive 2019/878 (the "CRD5"), the provisions of which entered into force on 14 July 2022. To this end, the Extraordinary Shareholders' Meeting of Brianza

Unione approved, on 21 April and 26 October of last year, certain statutory changes required by the aforementioned regulations. The authorisation process had a favourable outcome on 3 March 2023. Therefore, the composition of the banking group will remain unchanged (it being understood that under the provisions of the CRR Regulation, the obligation to comply with the requirements of the aforementioned regulation on the basis of the consolidated situation of Brianza Unione will continue)

Strategic agreement with Worldline Italia on e-money/acquiring

On 7 November, Banco Desio announced that it had signed a strategic partnership with Worldline Merchant Services Italia S.p.A. ("Worldline Italia"), a company of the French group Worldline SA ("Worldline"), among the European leaders and fourth worldwide in the offer of payment and transactional services, for the development of its merchant acquiring business (the "Transaction").

The agreement makes provision for the transfer to Worldline Italia of Banco Desio's merchant acquiring business to which more than 15,000 merchants refer for a total of about 19,000 POS (point of sales), which in 2022 generated transactions for a volume of about Euro 1.8 billion. The agreed consideration is Euro 100 million with an adjustment mechanism based on certain targets that will be assessed one year from the closing date.

As part of the Transaction, Banco Desio and Worldline Italia signed a 5+5 year commercial agreement for the distribution through Banco Desio's network of Worldline's payment products and services to merchants. The Transaction will allow Banco Desio to maintain an economic exposure to the business itself for the entire duration of the agreement.

The Transaction is part of Banco Desio's strategic plan to enhance its merchant acquiring assets, which prompted it to select Worldline Italia as the best counterparty to offer its merchant customers transactional and digital services, from point-of-sale payments to e-commerce and mobile payments.

The closing is expected in early 2023 and is subject to obtaining the necessary legal authorisations.

Coppedè securitisation

The subsidiary Fides concluded its first securitisation transaction, carried out pursuant to Law No. 130 of 30 April 1999 (the "Securitisation Law"), involving the sale, for consideration and without recourse to the vehicle company Coppedè SPV Srl, specifically incorporated pursuant to the Securitisation Law, of a portfolio of financial receivables arising from loans granted by the Company to its customers repayable on the basis of deduction at source and/or salary and/or pension backed arrangement (the "Portfolio" and the "Receivables").

As part of the transaction, Fides plays the role of Servicer performing the collection of assigned receivables and cash and payment services pursuant to Article 2, paragraphs 3, 6 and 6-bis of Law 130.

Fides complies with the retention obligations set forth in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 through the option referred to in paragraph 3 (d) (first loss) having fully subscribed to the Junior security from which it follows that all risks and rewards of the same assigned receivables remain with the originator itself. The transaction is therefore carried out without derecognition of the receivables that have been retained in Fides' financial statements (through the consolidation of the "below the line" of the SPV).

The transaction, which is part of the Group's funding plan, is aimed at establishing a potential liquidity reserve, having generated the availability of eligible securities that can be used both for refinancing with the European Central Bank and as collateral for other funding transactions through the Parent Company.

Atypical and/or unusual transactions, intra-group or with related parties/connected parties

There were no atypical and/or unusual transactions during 2022.

Intra-group transactions and other transactions of an ordinary nature with related parties/connected

parties, pursuant to Article 2391-bis of the Italian Civil Code and Article 53 of the Consolidated Law on Banking, as well as transactions with bank representatives pursuant to Article 136 of the Consolidated Law on Banking, have always been specifically analysed by the Related Party Transactions Committee and the Board of Directors.
In the Report on Operations and in the Notes to the Financial Statements, the Board of Directors has adequately reported and illustrated, describing their characteristics, the main transactions with third parties, intra-group and related parties, whose compliance with the law and internal regulations in force from time to time has been verified.
As for the above transactions, having examined their legitimacy and reasonableness within the Related Party Transactions Committee, we can certify that they are based on correct economic, financial and accounting principles.
However, no transactions of this kind occurred during 2022 that are considered noteworthy.

Supervisory Authority Inspection Activities
Following the anti-money laundering inspection carried out in 2021, the Board of Statutory Auditors continued to constantly follow the activities related to the Bank of Italy's inspection aimed at assessing compliance with anti-money laundering regulations, monitoring, in particular for the aspects within its competence, the gradual progress status of the action plan prepared to strengthen the controls.
The Board noted that the Bank is proceeding substantially in line with the plan, and the activities conducted so far have mainly concerned procedural aspects partly in preparation for the review of processes, as well as the related updating of internal regulations.
Among other things, the Board focused on initiatives related to the release of the "transaction monitoring" platform, as a solution that facilitates the identification and assessment of positions from an anti-money laundering perspective, accompanied by the provision of targeted training initiatives aimed at the Network.

In general, the Board continued to recommend that the structures keep a close eye on the risk profiles under the anti-money laundering regulations, as well as on loans provided with a state guarantee under the Liquidity Decree - which were monitored during the inspection - also with respect to operations falling under the Superbonus/Ecobonus regulation.

Other activities of the Supervisory Authorities
During the course of 2022, the Board of Statutory Auditors examined the communications received from the Supervisory Authority and the related answers prepared by the relevant Functions, in particular the FACs.

In the context of the Supervisory Authority's requests concerning the governance and organisation of the internal control system, which was followed by an overall assessment of the Group's internal control structure carried out with the contribution of a leading consulting firm, the Board of Statutory Auditors is strongly committed to monitoring the implementation of the action plan that followed (see page 22 et seq.).

The Board of Statutory Auditors was interested in the Srep letter received on 10 January 2023 and in the Bank's consequent position statement on 15 February 2023, and - in consideration of the project aimed at authorising the use of AIRB internal models - the Board of Statutory Auditors was also involved, to the extent of its competence, in the validation process of the same (including the Chairman of the Board of Statutory Auditors' interactions with the inspection team that audited the Bank from 7 November 2022 to 20 January

2023).

Lastly, it should be noted that the Board of Statutory Auditors - supported by the Budget and Sustainability Area in cooperation with the Corporate Affairs Area - submitted to Consob a periodic questionnaire promoted at European level to help the authorities understand the way in which the Audit Committees operate in relation to the tasks envisaged by the newly introduced rules, as well as the practical difficulties encountered in performing their tasks.

Complaints pursuant to Article 2408 of the Italian Civil Code

Please note that during the financial year 2022, we were not the recipient of any complaints pursuant to Article 2408 of the Italian Civil Code.

As reported during the Shareholders' Meeting held on 14 April 2022, a number of questions were received, among others, from shareholder Nicola Tempesta, whose answers were made available on the Bank's website in accordance with Consob Communication No. 3/2020, as well as attached to the same meeting minutes.

Similarly to other questions put forward by the same person in previous Shareholders' Meetings, the Corporate Bodies decided, for the sake of maximum transparency, to provide an answer in the Shareholders' Meeting, even though the shareholder's questions appeared to be connected to personal initiatives, including legal, undertaken vis-à-vis the Bank and were therefore outside the perimeter of the Control Body's competence in relation to the purposes of the aforementioned Article 2408 of the Italian Civil Code.

Other notifications - statements - complaints

For the sake of completeness, we would like to inform you that all complaints received by the Bank during 2022_from customers (a total of 464, of which 35 related to investment services) were duly examined by the Complaints Office, which took the necessary steps; of these complaints, 351 were rejected, 102 were upheld and 11 were still being dealt with as at 31 December 2022. As at 21/3/2023, 104 complaints had been upheld and 360 rejected.

In addition, 26 requests for information received from the Bank of Italy in respect of complaints submitted by customers to the same Supervisory Authority were duly dealt with.

Independent Auditors' Reports as required by law

On 23 March 2023, the Independent Auditors issued the reports required by Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014, with reference to both the separate financial statements and the consolidated financial statements for the year ended 31 December 2022, without any exceptions, remarks or requests for information, also including the opinion on the conformity and consistency of the Report on Operations required by Article 14, paragraph 2, letter e), of the same Legislative Decree.

Assignment of additional engagements to the Independent Auditors and other connected parties and related costs

The following engagements were conferred for non-audit services after the Board of Statutory Auditors' assessment of independence.

i. Audit-related engagements:
   - in May 2022, KPMG S.p.A. was appointed to issue the certification ("reasonable assurance" in accordance with ISAE 3000 Revised) on the safeguarding of Banco Desio's customers' assets pursuant to the Bank of Italy regulation of 5 December 2019, the fees for which were set at Euro

30,000 + VAT for the verification of the descriptive document for each of the financial years from 2021 to 2029;

- in September 2022, KPMG S.p.A. was appointed for the Pool Audit activity (in accordance with ISRS 4400 - International Standard on Related Services No. 4400 applicable to "agreed upon procedures" work) relating to the securitisation carried out by the subsidiary Fides S.p.A., the fees for which were set at Euro 20,000 + VAT for the audits necessary to ensure the compliance of the transaction with the requirements defined in Article 22 (2) of Regulation (EU) 2402/2017 (STS criteria) and the EBA Final STS Guidelines;

ii. Non-audit-related engagements

We recall that in November 2020, KPMG Advisory S.p.A. was entrusted with the task of providing methodological assistance in the process aimed at obtaining the authorisation to use the AIRB internal systems through the performance of benchmarking and regulatory compliance verification activities relating to the project for the adaptation of internal models. The reasons for conferring such an extensive engagement lay (i) in the fact that KPMG Advisory S.p.A. itself was a consultant to the IT outsourcer, (ii) as well as the need to complete the project in a short time and, in general, with specific technical knowledge. The following fees were determined:

- Euro 510,000 + VAT for the first phase (November 2020 - July 2021 period);
- Euro 210,000 + VAT for the second phase, which can be activated at the request of the Bank only if necessary and on a pay-per-use basis (period from September 2021 onwards).

In November 2021, KPMG Advisory S.p.A. was conferred an extension to the aforementioned engagement, structured in two components, whose fees were set at a total of Euro 390,000 + VAT as follows.

- Component 1: covers a period of about 5 months between November 2021 and April 2022 for a total amount of Euro 150,000 + VAT and is mainly focused on detailed benchmarking on RWA management and monitoring practices, in order to identify the Bank's positioning with respect to players already authorised to use AIRB models;
- Component 2: covers the period from November 2021 onwards, planned on a pay-per-use basis in relation to the company's needs and the evolution of the project for a minimum amount of Euro 100,000 + VAT, and a maximum of Euro 240,000 + VAT.

iii. Audit engagements

For the sake of completeness, with reference instead to audit services, it should be noted that in November 2022, a request was submitted by KPMG S.p.A. for certain amendments to the contractual terms and conditions for the performance of the engagement of the statutory audit of the accounts of Banco di Desio e della Brianza S.p.A. envisaged in the engagement letter of 11 December 2020, as amended by the supplementary letter of 9 March 2022 (relating to the preparation of the annual financial report in accordance with the provisions of Delegated Regulation (EU) 2019/815, the "ESEF Regulation"), in relation to the increased commitments resulting from:

a) the specific one-off audit activities to be carried out with reference to the financial statements as at 31 December 2023 that are necessary in view of the Bank's acquisition and integration of a business unit consisting of 40 branches of BPER Banca S.p.A. (formerly Banca Carige S.p.A.) and 8 branches of Banco di Sardegna S.p.A.;
b) the consequent audit activities of a recurring nature to be performed always with reference to Banco Desio's financial statements for the financial years ending 31 December 2023 to 31 December 2029 that are necessary in consideration of the same acquisition and integration of the business unit.

The request, which was formalised on 13 December 2022, estimates (i) a greater commitment for activities sub a) for 1,500 hours, equal to Euro 95,000 (net of ISTAT revaluation, Consob contribution and VAT) for the financial year 2023 only and (ii) a greater commitment for activities sub b) for 415 hours, equal to Euro 22,000 (net of ISTAT revaluation, Consob contribution and VAT) for each financial year from 2023 to 2029 and is the subject of the reasoned proposal of the Board of Statutory Auditors to the Shareholders' Meeting called for 27 April 2023. This supplement request is based on a professional mix (hours and hourly rates) consistent with that of the original audit engagement. The Board of Statutory Auditors examined and verified the supporting reasons as well as the provisions and assumptions underlying the request, assessing it to be, on the whole, adequate in relation to the additional activities resulting from the regulatory changes concerning the preparation of the Annual Financial Report.

On 16 January 2023, the Board of Statutory Auditors therefore approved the aforementioned reasoned proposal for the integration of the Independent Auditors' fee to be submitted to the Shareholders' Meeting in compliance with Article 13, paragraph 1, of Legislative Decree No. 39/2010.

More generally, the engagements conferred on the Independent Auditors and its network are subject to specific monitoring by the Board of Statutory Auditors, with the support of the Financial Reporting Manager Function, in accordance with Regulation (EU) No. 537/2014 and the Group's "Rules for the selection of the Independent Auditors and for the assignment of other non-audit engagements to the Independent Auditors and its network". The last half-yearly report produced by the Function with reference to 31 December 2022 was examined by the Board on 7 February 2023 without any remarks.

In this context, we also verified compliance with the engagement limit pursuant to Article 4, paragraph 2 of Regulation (EU) No. 537/2014 whereby fees for non-audit services (other than audit-related services prescribed by national or EU legislation/regulation) provided to public interest entities must not exceed 70% of the average fees paid in the last three consecutive financial years for the statutory audit. This rule does not apply to the reference date of 31 December 2022, as this is the second year of the audit engagement.

We also assessed the adequacy of the non-audit services provided in the light of the criteria set out in Regulation (EU) No. 537/2014, as provided for in Article 5 of the Regulation.

During the year, therefore, no critical aspects emerged with regard to the independence of the Independent Auditors, even though the Board of Statutory Auditors - we remind you - has expressed as a general guideline that consultancy assignments to the Independent Auditors' network should be limited.

In this regard, we would like to point out that, having taken note of the transparency report prepared by the same, we obtained the "Annual Confirmation of Independence" from the Independent Auditors, dated 23 March 2023 pursuant to the aforementioned Article 6, paragraph 2, letter a) of Regulation (EU) No. 537/2014 and pursuant to paragraph 17 of ISA Italia 260.

Relations with the Independent Auditors and possible observations

During the year 2022, we met periodically with the managers of KPMG S.p.A. in accordance with the provisions of Article 150, paragraph 3, of Legislative Decree No. 58/1998 in order to exchange mutual information. The Independent Auditors did not point out any acts or facts deemed reprehensible or irregularities that required the formulation of specific reports pursuant to Article 155, paragraph 2, of Legislative Decree No. 58/1998.

Opinions issued by the Board of Statutory Auditors

During the financial year 2022, we issued opinions, also pursuant to the law and regulations, at special joint meetings mainly on the following topics:

- Report on the Internal Capital Adequacy Assessment Process (ICAAP) and the Liquidity Risk Governance and Management System (ILAAP) as at 31 December 2022;
- Updates to the Bank of Italy in relation to SALs (progress reports) related to the AML inspection;

- AIRB application for "permission to use AIRB internal models for prudential purposes for the corporate and retail exposure classes".

On several occasions, we have expressed our favourable opinion, also in the context of the relevant Committees, on the update/adoption of certain Company Regulations, insofar as relevant, also in our capacity as SB:

- the adoption of the Regulation of the newly established Control Functions Coordination Committee ("CCFC");
- the updating of the Risk Management Committee Regulation and the Parent Company's Regulation on the Coordination of Controls and Information Flows (the latter aligned with the establishment of the CCFC);
- the updating of the Group Internal Regulation for Corporate Information in accordance with new regulations and the guidelines of the European and national supervisory authorities.

We also expressed our opinion in all those cases where we deemed it appropriate or where we were requested to do so by a board committee or the Board of Directors.
In particular, also taking into account our constant participation in the Control, Risk and Sustainability Committee, as well as the joint meetings held with the same Committee, we have, among other things, monitored, for the aspects falling within our competence, the reports of the Internal Audit function concerning incidents of incorrect operational/administrative management occurring at the branches.

Frequency and number of meetings of the Board of Directors, the Board Committees and the Board of Statutory Auditors
In order to acquire the instrumental information for the performance of its supervisory duties, we acknowledge that, almost always in its entirety, the Board of Statutory Auditors has:

- attended the Shareholders' Meetings held on 14 April 2022 (Extraordinary and Ordinary Shareholders' Meetings);
- attended 18 meetings of the Board of Directors and 13 meetings of the Executive Committee held during the financial year 2022;
- carried out 56 joint and individual activities[2]. This figure includes 16 activities as Supervisory Board 231;
- attended 17 meetings of the Control, Risk and Sustainability Committee, 10 meetings of the Remuneration Committee, 10 meetings of the Appointments Committee and 8 meetings of the Related and Connected Party Transactions Committee.

Respect for the principles of proper administration
We have acquired knowledge and supervised, to the extent of our competence, the observance of the principles of proper administration through our participation in the meetings of the Board of Directors and at numerous meetings with executives and structure managers.
We believe that the governance tools and processes adopted by the Bank constitute a valid safeguard for compliance with the principles of proper administration in operational practice. In particular, with regard to the decision-making processes of the Board of Directors, we ensured that the transactions deliberated and implemented by the Directors complied with the aforesaid rules and principles of economic rationality and were not manifestly imprudent or risky, in conflict of interest with the Bank, in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity

[2] Among other things, 12 individual audits at branches were reported.

of the assets.

Adequacy of the organisational structure
We acquired knowledge and carefully monitored the main developments in the organisation and the organisational methods and supervised the adequacy of the organisational structure with respect to the Bank's strategic objectives. We have no particular observations to report in this regard. The organisational structure, which will also be subject to routine maintenance during 2022, appears adequate in view of the Bank's corporate purpose, characteristics and size.

Adequacy of the Internal Control and Risk Management System
The Bank has adopted an Internal Control and Risk Management System aimed at identifying, measuring, managing and monitoring on an ongoing basis the risks to which it is or could be exposed, in order to ensure the achievement of effectiveness and efficiency of business processes through constant monitoring of the processes carried out in compliance with legal and supervisory provisions on internal controls.
In this context, the Board of Directors defines the nature and level of risk compatible with the strategic objectives of the issuer, including in its assessments all risks that may be relevant in view of the medium to long-term sustainability of the Bank's business.
This system is characterised by an articulated structure involving all company levels, with specific duties reserved to the Board of Directors, the Board of Statutory Auditors, the Chief Executive Officer and General Manager and the person in charge of internal controls, identified in the person of the pro-tempore Head of the Internal Audit Department. This Department reports directly to the Board of Directors. We recall that the Risk Management (to which the Internal Validation Office reports), Compliance and Anti-Money Laundering functions report to the Chief Executive Officer. The structure of the verification and reporting activities carried out by the Internal Audit Department is consistent with the specific recommendations of the Corporate Governance Code, as well as with the Supervisory Provisions. The Parent Company carries out the internal audit, risk management, compliance and anti-money laundering functions for Fides S.p.A. under an outsourcing arrangement.
The Board of Statutory Auditors regularly analysed the activities carried out by the Branches through the inspections supported by the Internal Audit Department (which were also carried out remotely, consistent with the security measures dictated by the albeit mitigated "Covid-19" epidemic emergency). These audits mainly focused on credit and anti-money laundering issues.
On the occasion of each inspection visit, the alignment to the "remediation" requirements resulting from the previous inspection by the Board itself and/or the Internal Audit Department was also analysed, using sample extractions. The Board has, among other things, recommended in general terms the careful management of anomalous credit exposures, with a view to recovering - where possible - the sums owed to the Bank, also inviting the Managers of the Branches being examined to critically assess the advisability of maintaining the relationships.
As part of the special focus on anti-money laundering issues, including those related to the "Liquidity Decree" (in particular, use of funds), the Board of Statutory Auditors continued to raise the awareness of all structures involved in the continuous monitoring of the positions highlighted by the applications in use, recalling the importance of the timely recognition and monitoring of subjects and situations potentially at risk, as well as the importance of the use of specific training by network personnel.

The issues in question were also mentioned at meetings of the Control, Risk and Sustainability Committee and the Board of Directors in general regarding the revision of operational and control processes.

The Board called for a strengthening of the control structures, especially with regard to the Branches, also in light of their increase as a result of the Lanternina Transaction, and undertook to monitor their effectiveness.

The Board placed particular emphasis on the need to maximise the effectiveness of coordination between FACs in general.
In particular, we highlight the General Assessment on the Group's Internal Control System (ICS), at the request of the Bank of Italy - which the Board met with in September - carried out with the contribution of a leading consulting firm, at the end of which an action plan was defined, whose implementation is monitored as mentioned by the Board of Statutory Auditors.
Among the strengthening measures resulting from the Assessment, the establishment of the Control Functions Coordination Committee (CCFC) is worth mentioning from a "corporate governance" point of view.

The Board of Directors established a Control, Risk and Sustainability Committee whose meetings are attended by the Board of Statutory Auditors: it currently consists of 1 non-executive Director and 2 independent Directors, including the Chairman of the Committee. The Board of Statutory Auditors and the Control, Risk and Sustainability Committee are responsible, within their respective scopes and taking into account the provisions of Legislative Decree No. 39/2010, for assessing the effectiveness and efficiency of the control services established by virtue of the resolutions of the Board of Directors. Moreover, it is now standard practice for the Control, Risk and Sustainability Committee to participate in the joint meetings of the Boards of Statutory Auditors with the Independent Auditors, at least during the preparation of the annual and half-yearly accounting reports.
The Annual Report on Corporate Governance and Ownership Structure describes the Guidelines of the Group's Internal Control and Risk Management System, consistent with the Articles of Association and regulatory provisions.
All Group companies share - without prejudice to the specific operational characteristics of each type of company - the risk measurement and management models defined at a general level by the Parent Company, including also the socio-environmental risks (pursuant to Legislative Decree No. 254/2016) arising from the company's activity, from the products/services offered as well as from the supply and subcontracting chains.
The Parent Company outlines the reference model of integrated risk management and the internal control system as the central element of the coordination activity between the control functions and between these and the Corporate Bodies, overseeing its implementation also at the Subsidiaries.
The Parent Company assesses how to centralise, including partially, the internal control functions/activities of the Subsidiaries, ensuring the presence of local supervision and control figures.
In compliance with the provisions of the Bank of Italy contained in Circular No. 285 of 17 December 2013 (Title IV, Chapter 3 "The Internal Control System"), the Bank prepared the "Parent Company's Regulation on the Coordination of Controls and Information Flows", last updated in January 2023. The Regulation defines the tasks and responsibilities of the control bodies and functions within the Banco Desio Group (in particular, the procedures, coordination occasions, organisational reporting and related links between the aforesaid corporate functions, as well as the tasks and responsibilities of the control functions, the main controls carried out by each function, and the information flows between the various functions). It should be noted that the Parent Company, within the framework of its management and coordination of the Group, organically regulated by the "Group Regulation" adopted at the time, exercises: a) strategic control over the evolution of the various areas of activity in which the Group operates and the risks affecting the portfolio of activities exercised; b) management control aimed at ensuring the maintenance

of economic, financial and capital equilibrium conditions both of individual companies and of the Group as a whole; c) technical-operational control aimed at assessing the various risk profiles contributed to the Group by individual subsidiaries.

As part of its institutional role, the Board of Statutory Auditors is called upon, pursuant to the provisions of the Bank of Italy with Circular 285 of 17 December 2013, to supervise the adequacy and compliance with the requirements established by the regulations of the internal capital adequacy assessment process (ICAAP) and of the internal liquidity adequacy assessment process (ILAAP) and, in general, of the risk management and control system. At special meetings, with the assistance of the Chief Risk Officer, we positively assessed the functionality and adequacy of the process itself, as well as its compliance with the requirements of the regulations.

In line with the provisions of the Bank of Italy Circular No. 285 of 17 December 2013 (Title IV, Chapter 3 "The Internal Control System") we acknowledge the update of the document outlining the Risk Appetite Framework (RAF) that defines - in line with the business model and strategic plan - the risk appetite, tolerance thresholds, risk limits and reference policies necessary to define and mitigate risks.

Among the risk profiles increasingly being monitored by the Board of Statutory Auditors is that of ICT risks, which is dealt with in special reports by the Risk Management Department and also in a dedicated induction session. Further insights are planned for this year.

The internal control and risk management system also includes the aforementioned OMM 231, aimed at preventing the commission of offences that may entail the Bank's liability.

On the basis of the information acquired, we acknowledge the Board of Directors' assessment of the adequacy and effectiveness of the internal control and risk management system with respect to the Bank's characteristics and risk profile, as expressed in the Annual Report on Corporate Governance and Ownership Structure.

Whistleblowing system

It should be noted that since 1 January 2016, the Banco Desio Group has defined an internal system for reporting violations ("whistleblowing"), ensuring confidentiality, governed by a specific Regulation, with the aim of preventing detrimental effects arising from any irregularities relating to compliance with external regulations and to promote an increasingly stronger development of the culture of legality. Reports may be made by Group personnel or persons treated as such. The Head of the System draws up an annual summary report on the proper functioning of the system, which is brought to the attention of the Board of Directors of the respective company.

During the course of 2018, it became necessary to update the aforementioned Regulation also following the issuance of Law No. 179 of 30 November 2017 concerning provisions for the protection of the authors of reports of crimes or irregularities of which they have become aware in the context of a public or private employment relationship. This resulted in a reorganisation and further segmentation of internal reporting channels. In addition to a general channel, already in place, known as general whistleblowing, concerning banking activities[3], a specific channel has been introduced in the area of anti-money laundering, known as anti-money laundering whistleblowing, and one for whistleblowing in the area of "231", known as Supervisory Board ("SB") whistleblowing; the latter reports relate exclusively to breaches of the OMM pursuant to Legislative Decree No. 231/2001 and do not replace the existing methods and

[3] Banking also includes the areas of "intermediaries" and "issuers" regulated by Consob (MIFID, MAR).

channels for the transmission of the usual mandatory reports/information to the SB. The Chief Auditing Officer, as the person in charge of the internal whistleblowing system, receives and evaluates all whistleblowing reports generated, except those referring to his/her own position and to the Corporate Bodies (Board of Directors and Board of Statutory Auditors, as well as the Supervisory Board). He/she also receives and assesses anti-money laundering reports, involving the Anti-Money Laundering Officer, except also those referring to his/her own position and to the Corporate Bodies listed above. At the end of the assessment phase, the Head of the System immediately transmits an information flow concerning the report and the outcome of the assessment thereof to the Chairman of the Board of Directors. The Chairman of the Parent Company's Supervisory Board receives whistleblowing reports from the Supervisory Board (with the exception of those relating to the Supervisory Board itself) and assesses them collectively with the members of the Board. In the case of reports concerning Subsidiaries, the activities of the Parent Company Bodies, which involve the Subsidiary Bodies to the extent of their competence or possible cooperation, remain unaffected. The process of handling reports provides for specific reporting methods and channels ensuring that the persons responsible for receiving, examining and assessing reports are not hierarchically or functionally subordinate to any reported person, are not themselves the alleged perpetrators of violations, and do not have a potential interest in the report such as to compromise their impartiality and independence of judgment. The channels have been defined in such a way as to avoid reports to persons who might be in situations of conflict of interest with respect to the reporting person, the subject of the report or any persons involved in the report. The internal whistleblowing system guarantees in all cases the confidentiality and protection of the personal data of the reporting person and of any reported person.
In 2021, the Whistleblowing Regulation was updated to incorporate the updated Code of Ethics, stipulating that reports concerning potential violations of the Code must also be channelled through the internal reporting system "General Whistleblowing" overseen by the Chief Auditing Officer.
This March, the Council of Ministers approved the implementing decree transposing EU Directive 1937/2019 on whistleblowing. The Chief Auditing Officer initiated an assessment to identify any regulatory/procedural gaps to be filled.
Following the above updates, specific training initiatives were implemented for all Group Personnel.

During 2022, 2 reports were made to the Chief Auditing Officer; no violations were found as a result of the investigations conducted, and it was therefore decided not to take any action in this regard.

No reports were made to the SB.

Code of Ethics

The Board of Directors' resolution of 17 December 2020 approved the update to the above-mentioned Code of Ethics, with particular reference, as mentioned, to the rules of a commercial nature and the regulation of relations with shareholders.

Adequacy of the administrative-accounting system

We have acquired knowledge of and supervised, to the extent of our competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent management events, by obtaining information from the Financial Reporting Manager, from the heads of functions, from the Independent Auditors and from the examination of company documents; in this regard, we have no particular observations to report.
The administrative accounting system is outsourced to Cedacri S.p.A. for the IT system.

With reference to the accounting information contained in the financial statements as at 31 December 2022, we acknowledge that on 2 March 2023, the certification pursuant to Article 81-ter of the current Consob Regulation No. 11971 of 14 May 1999 was provided without remarks. The Financial Reporting Manager, during the periodic meetings with the Board of Statutory Auditors aimed at exchanging information and supervision as provided for by Article 19 of Legislative Decree No. 39/2010, did not report any significant deficiencies in the operating and control processes that, due to their importance, could affect the assessment of the adequacy and effective application of the administrative-accounting procedures put in place to ensure a correct representation of management events, in compliance with current international accounting standards. At the conclusion of his control activities, the Financial Reporting Manager expressed an opinion on the adequacy and effective application of the administrative and accounting procedures governing the preparation of the financial statements.
We are in a position to state that the Bank's administrative and accounting system is reliable and adequate to correctly represent management events.

Instructions issued to Subsidiaries (Article 114, paragraph 2 of Legislative Decree No. 58/98)
The Parent Company's relations with Subsidiaries have always been illustrated at meetings of the Parent Company's Board of Directors. Where necessary, we obtained comprehensive answers to requests for further information. The system of management, coordination and control implemented by the Bank in the performance of its functions of guidance and strategic direction of the entire Group, also pursuant to Article 61 of the Consolidated Law on Banking and Article 2497 of the Italian Civil Code, is adequate and functional.
The Board of Statutory Auditors took note of the instructions issued by the Parent Company to the Subsidiaries pursuant to Article 114, paragraph 2 of the Consolidated Law on Finance and deemed them adequate to fulfil the disclosure obligations prescribed by law. In this regard, it should be noted that the Parent Company regulates, with special procedures periodically maintained, the information flows directed to it by Subsidiaries. To this end, the Banco Desio Group's Management and Coordination Regulation were last updated on 12 December 2019.

Relations with the corresponding boards of Subsidiaries
As part of our control coordination activities, we exchanged information with the Board of Statutory Auditors of the Subsidiary Fides S.p.A.[4] also holding several joint meetings with the same, without receiving evidence of significant facts to be included in this Report.

Corporate Governance Code
In addition to what is indicated in the introductory section of this Report, with regard to corporate governance rules, we would like to remind you that the Bank complies with the Corporate Governance Code for Listed Companies, as set forth in the Annual Report on Corporate Governance and Ownership Structure, made available on the Bank's website, prepared pursuant to Article 123-bis of Legislative Decree No. 58/1998, as amended and supplemented. This Annual Report on Corporate Governance and Ownership Structure illustrates the ways and means by which the principles and application criteria of the Code have been effectively applied, as well as the non-adoption or partial adoption or application of some of the Code's recommendations, in which case providing the relative reasons.
Among other things, the Code gives the Board of Directors a new role in the promotion of sustainability strategies and dialogue with the market and relevant stakeholders, particularly shareholders.

[4] It is recalled that the "special purpose vehicle" Desio OBG S.r.l. (also a Subsidiary) has not established a Board of Statutory Auditors as the legal requirements are not met.

We then reviewed the information provided by the Chairman to the Board of Directors and the Control Body on the development and significant contents of the dialogue held with all Shareholders in implementation of the Shareholders' Engagement Policy adopted by the Bank.
Within the framework of the Code's recommendations, the Board of Statutory Auditors verified, among other things, that the Board of Directors used correct criteria for assessing the independence of Directors.
The Board of Statutory Auditors verified the existence of the independence requirement for each of its members.
The Board of Statutory Auditors monitored the implementation of the aforementioned Board resolution of 19 November 2020 by which the Bank adopted the Code.

Self-assessment and training of the Board of Statutory Auditors
In accordance with the provisions of the aforementioned Bank of Italy Circular No. 285/2013, the Body with control functions is also called upon to perform a self-assessment on its own composition and functioning, based on criteria and methods consistent with its own characteristics. We have therefore carried out our self-assessment with reference to the financial year 2022 and prepared the appropriate Report.
The self-assessment exercise concluded with an assessment of the adequacy of the Board's composition, which was deemed suitable to deal with the issues and responsibilities required of a listed bank, as well as a judgement of the adequacy of the professional skills present in the Board as a whole, considering both the dissemination and quality of skills.

The self-assessment also touched upon the training aspect, also from a forward-looking perspective; in this regard, it should be noted that in 2022, the Statutory Auditors carried out an intense induction activity by participating in the 7 sessions organised jointly with the Board of Directors as well as in a session specifically reserved for the Supervisory Board 231.

All the aspects outlined in the self-assessment will in any case continue to be monitored as the regulatory environment of the financial sector and/or the Banco Desio Group's scope of operations evolve.

Organisation and Corporate Governance
During the financial year 2022, there were no significant changes in the overall corporate governance structure of the Bank and the Group.
All information on these structures can be found in the Annual Report on Corporate Governance and Ownership Structure, which we have carefully reviewed and to which we refer in its entirety, also with regard to the management of corporate information, conflicts of interest, etc.

During the year, an institutional meeting of Top Management with the Bank's major shareholders was held (mentioned in the aforementioned Report), which was also attended by the Chairman of the Board of Statutory Auditors.

Remuneration and incentive policies
During 2022, we positively verified the ways in which the remuneration policies applied by the Bank in the financial year 2022 complied with legal and regulatory requirements, also making use of the results of the audits carried out, to the extent of their respective responsibilities, by the Internal Control Functions.
We have reviewed the Annual Report on Group Remuneration and Incentive Policies, approved by the Board of Directors on 23 March 2023 and prepared in accordance with applicable regulations on remuneration and incentive policies and practices in banks and banking groups.

The Report presents the policies and procedures adopted by the Group on remuneration for the financial year 2023 and gives an account of the application during 2022 of the policies approved in the previous year.

The Board of Statutory Auditors has repeatedly recommended that remuneration at the network level should be linked not only to the achievement of budget targets, but also to punctual compliance with company regulations.

Non-financial statement (Sustainability Report)

Within the scope of the functions assigned to us by the regulations, we supervised compliance with the legal regulations concerning the preparation of the consolidated non-financial statement required by Legislative Decree No. 254/2016.

Recalling that the Bank has also conferred for the financial years 2021 to 2029 to the same KPMG S.p.A. the engagement provided for by Article 3, paragraph 10, of Legislative Decree No. 254/2016 and by Article 5 of the Consob Regulation implementing the Decree (adopted by Resolution No. 20267 of 18 January 2018), we acknowledge that we met with the managers of KPMG S.p.A. also for the purpose of an exchange of information with reference to both the drafting process and the contents of the Consolidated non-financial statement. No comments were formulated in this regard.

During the meeting of the Board of Statutory Auditors on 28 February 2023 (jointly with the Control, Risk and Sustainability Committee, the Financial Reporting Manager and the Independent Auditors), we were presented by the Financial Reporting Manager Function with the draft of the "Consolidated non-financial statement in compliance with Legislative Decree No. 254/2016 - 2022 Sustainability Report", which was then approved by the Board of Directors of the Bank on 2 March 2023 as a separate document from the Report on Operations accompanying the consolidated financial statements as at the same reference date of 31 December 2022.

In the certification issued by KPMG S.p.A. on 23 March 2023 pursuant to Article 3, paragraph 10, of Legislative Decree No. 254/2016 and in the statement made within the audit report to the consolidated financial statements pursuant to Article 4 of the Consob Regulation implementing the aforementioned Decree, the Independent Auditors also did not make any observations.

The Board of Statutory Auditors has no remarks to make concerning the consolidated non-financial statement called the 2022 Sustainability Report of the Banco Desio Group, which, in light of the common law provisions on shareholders' meeting competence (Article 2364, paragraph 1, No. 5, of the Italian Civil Code), is not subject to approval by the Shareholders' Meeting.

Diversity policies

We hereby inform you that the Report on Corporate Governance and Ownership Structure, pursuant to Article 123-bis, paragraph 2, letter d-bis) of the Consolidated Law on Finance, added by Article 10 of Legislative Decree No. 254/2016, contains the required information on the diversity policies applied by the Banco Desio Group in relation to the composition of the administration, management and control bodies with regard to aspects such as age, gender composition and educational and professional background, as well as a description of the objectives, implementation methods and results of such policies.

The practices adopted by the Banco Desio Group are consistent not only with the legal provisions on gender quotas (Articles 147-ter and 148 of the Consolidated Law on Finance), but also with the Supervisory Provisions on the composition of Corporate Bodies, which provide for "an adequate degree of diversification in terms of, inter alia, skills, experience, age, gender, and international projection". Among other things, this aspect is analysed as part of the self-assessment process, taking into account the operational and dimensional complexity of the company.

The aforementioned practices, also at the instigation of the Board of Statutory Auditors, have been formalised in a specific Policy approved by the Board of Directors on 28 February 2019 (recently updated in 2021) also in line with the aforementioned indications of the Italian Corporate Governance Committee and the regulatory framework on the subject.

Concluding assessments of supervisory activities and possible proposals pursuant to Article 153, paragraph 2 of Legislative Decree No. 58/98

As a result of the supervisory activity carried out, as described above, no omissions, reprehensible facts or irregularities worthy of mention here have emerged. We do not believe that the prerequisites exist that make it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree No. 58/1998.

We can therefore confirm the suitability:

– of the Governance System and the related Internal Control and Risk Management System, the fundamentals of which are outlined in the Annual Corporate Governance Report pursuant to Article 123-bis of the Consolidated Law on Finance;
– of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), the development and updating of which is subject to verification in accordance with specific supervisory provisions;
– of organisational and control measures in the area of anti-money laundering, in line with legal and supervisory provisions;
– of the Regulation on Information Flows inherent to Corporate Bodies and internal control functions and the annexed Control Coordination Document, drawn up in compliance with the Supervisory Provisions on Corporate Governance and on the Internal Control System, Information Systems and Business Continuity;
– of the control activities carried out by the relevant functions and, in particular, by the Internal Audit Department, the Risk Management Department, the Compliance Office, the Anti-Money Laundering Office and the Financial Reporting Manager, including through the periodic assessment of institutional reports;
– of procedures for handling complaints received from Group customers, including those relating to investment services;
– of the activities carried out in the field of Privacy (Law No. 196/2003 as amended by Legislative Decree No. 101/2018 and Regulation (EU) No. 679/2016);
– of the existing Occupational Health and Safety safeguards pursuant to Legislative Decree No. 81/2008;
– of the Internal Whistleblowing System Regulation pursuant to Bank of Italy Circular No. 285/2013 and Law No. 179/2017.

We can therefore conclude that through our activities during the year we were able to ascertain:

- compliance with the Law and the Articles of Association;
- the adequacy of the administrative accounting system;
- the adequacy of the organisational and internal control structure;
- the application of the principles of proper administration;
- the concrete implementation of corporate governance rules;
- the adequacy of the instructions given to the Subsidiaries;
- the adequacy of supervisory controls over related party transactions;
- the preparation of financial statement reporting in compliance with both the IFRS international accounting standards and the provisions of the Bank of Italy (Circular No. 262 of 22 December 2005

and subsequent updates), in consideration also of the specific communications sent on the subject by the Bank of Italy.

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Separate financial statements as at 31 December 2022

We have examined the draft financial statements for the financial year ended 31 December 2022, which were made available to us in accordance with the law, and on which we report as follows.

The financial statements for the year ended 31 December 2022 have been prepared in accordance with the IAS/IFRS in force at the reporting date, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) and endorsed by the European Commission, as well as with the compilation rules established by the Bank of Italy in Circular No. 262 "Banks' Financial Statements: formats and compilation rules" of 22 December 2005 and subsequent updates.

The Report on Operations adequately comments on and illustrates the performance of the financial year and provides information on the outlook for the future. The same Report fulfils, among other things, the disclosure requirement of Article 123-bis of the Consolidated Law on Finance on the subject of ownership structure, with relevant reference to the related Annual Report on Corporate Governance and Ownership Structure.

The Independent Auditors KPMG S.p.A., as already mentioned, expressed its professional opinion on the financial statements by issuing, on 23 March 2023, its report drawn up in accordance with Article 14 of Legislative Decree No. 39/ 2010 and Article 10 of Regulation (EU) No. 537/14, which does not contain any remarks, exceptions or requests for information.

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Consolidated financial statements as at 31 December 2022

We have also examined the consolidated financial statements for the year ended 31 December 2022, which are presented to you by the Directors. They have been prepared in accordance with legal provisions and the Report on Operations includes an illustration of the Bank's performance and that, in summary, of its subsidiaries, as well as the Group's structure, as required by Article 25 et seq. of Legislative Decree No. 127/91, as amended.

The following subsidiaries are consolidated on a line-by-line basis:

- Fides S.p.A. 100% owned;
- Desio OBG S.r.l. 60% owned.

Also included in the scope of consolidation is the securitisation vehicle Coppedè SPV S.r.l. insofar as through Fides S.p.A., pursuant to IFRS 10 *Consolidated Financial Statements*, the Banco Desio Group has a position of substantial control of the SPV itself, even though there is no equity interest in it.

The responsibility for preparing the consolidated financial statements lies with the administrative body of the Bank, as provided for in Article 29 of Legislative Decree No. 127/91, as amended, and it is the duty of the Independent Auditors to express a professional opinion on them, based on their audit. This opinion was issued by KPMG S.p.A. on 23 March 2023 and does not contain any remarks, exceptions or requests for information.

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Shareholders,

we conclude our Report on the control activities carried out by giving a positive opinion on your Bank's activities, its organisation, its internal control and risk management system, and its compliance with the law and the Articles of Association.

We therefore express a favourable opinion on the approval of the financial statements for the year ended 31 December 2022 submitted to you by the Board of Directors.

In view of the fact that the proposal for the distribution of dividends contained in the Report on Operations to the financial statements complies with the provisions:

- of Article 28 of the Articles of Association;
- of dividend distribution policies, approved by the Board of Directors on 13 May 2014;

we express a favourable opinion on the allocation of the net profit for the year 2022, amounting to Euro 88,189,252.14 as follows:

10% to be allocated to the ordinary reserve:	*Euro 8,818,925.00*
10% to be allocated to the statutory reserve	*Euro 8,818,925.00*

To shareholders:

Euro 0.1969 for each of the 134,363,049 ordinary shares equal to Euro 26,456,084.35.

Charity Reserve	*Euro 80,000.00*
Further allocation to the statutory reserve	*Euro 44,015,317.79*

Desio, 23 March 2023

The Statutory Auditors
Emiliano Barcaroli - Chairman
Rodolfo Anghileri
Stefania Chiaruttini

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

The Extraordinary and Ordinary Shareholders' Meeting of Banco di Desio e della Brianza S.p.A. met at the registered office in first call on 27 April 2023 and passed the following resolutions.

Amendments to the Articles of Association

The Extraordinary Shareholders' Meeting approved the amendment of Article 2 of the Articles of Association, in compliance with the 39th update of Bank of Italy Circular no. 285, inserting the clarification that the Bank, as the Banking parent company, is granted "the powers and the resources necessary to ensure compliance with the rules governing banking activities on a consolidated basis".

This amendment to the articles of association is of a formal nature, since it acknowledges a factual situation and it does not provide for the shareholders to exercise their right of withdrawal.

Approval of the financial statements and allocation of the 2022 result

The Ordinary Shareholders' Meeting approved the financial statements as at 31 December 2022. The net profit for the financial year amounted to Euro 88,189,252.14. In this context, the Shareholders' Meeting approved the distribution to shareholders of a dividend, amounting to Euro 0.1969 for each of the 134,363,049 ordinary shares. In accordance with the Stock Exchange calendar, the dividend will be paid on 10 May 2023, against the ex-dividend of coupon 32, while the "ex-dividend" date, for the purposes of share prices, and the "record date"[1] will be 8 May and 9 May 2023, respectively.

The Ordinary Shareholders' Meeting was also presented the consolidated financial statements and the consolidated non-financial statement (so-called "sustainability report") of the Banco Desio Group as at 31 December 2022, prepared in accordance with Legislative Decree 254/2016.

The individual financial statements and the consolidated financial statements were audited by KPMG S.p.A., which issued an unqualified opinion, as well as an opinion on the consistency and conformity of the report on operations with the law and the financial statements. With reference to the "sustainability report", the Auditor issued a limited assurance engagement opinion in accordance with the applicable provisions.

On this occasion, the Shareholders' Meeting was informed of the update of the sustainability rating by the specialised agency "Standard Ethics" which, on 26 April 2023, updated Banco Desio's Corporate SER rating to "EE-", in the sustainable grade area, also recognising the improvement of the outlook to "Positive".

Annual report on remuneration policy and remuneration paid

The Ordinary Shareholders' Meeting also approved the Annual Report on remuneration policy and remuneration paid, prepared in compliance with the relevant supervisory provisions.

Annual incentive plan called "2023 Incentive System", based on the assignment of "Phantom Shares", intended for the Chief Executive Officer and General Manager, as well as for the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries

The Ordinary Shareholders' Meeting approved the annual incentive plan called the "2023 Incentive System", drawn up in accordance with article 114-bis, paragraph 1, of the Consolidated Law on Finance, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer, the General Manager and the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries, pursuant to Article 2359 of the Italian Civil Code, and the assignment to the Board of Directors, with the

[1] Date of entitlement to dividend payment as per article 83-terdecies TUF of Legislative Decree no. 91/2012

right to sub-delegate, of all the powers necessary for the actual implementation of the "2023 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website www.bancodesio.it ("La Banca/Governance/Assemblea" section).

New Long-Term Personnel Incentive Plan called "LTI 2024-2026", based on the assignment of "Phantom Shares", intended for the Chief Executive Officer, the General Manager and other managerial roles of the Group, selected according to the level of the position among the most relevant and non-relevant personnel

The Ordinary Shareholders' Meeting approved the new long-term personnel incentive plan called "LTI 2024-2026", drafted also pursuant to Article 114-bis of the Consolidated Law on Finance, based on the assignment of "Phantom Shares", intended for the Chief Executive Officer, the General Manager and other managerial roles of the Group, selected according to of the level of the position among the most relevant and non-relevant personnel. The Ordinary Shareholders' Meeting also resolved to grant the Board of Directors, with the power to sub-delegate, all the powers necessary for the concrete implementation of the aforementioned Plan, to be exercised in accordance with the provisions of the relevant information document published on the institutional website www.bancodesio.it ("La Banca/Governance/Assemblea" section).

Appointment of the Board of Directors and of the Board of Statutory Auditors

The Ordinary Shareholders' Meeting then proceeded, after determining in 11 the number of Directors for the 2023-2025 three-year period, to appoint, by list voting, the Board of Directors and the Board of Statutory Auditors, in compliance with the gender balance pursuant to Law no. 160 of 27 December 2019.

The majority list was submitted by Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.a., which holds 50.41% of the share capital, while the minority list was submitted by Fondazione Cassa di Risparmio Terni e Narni, which holds 4.46% of the share capital.

The majority list for the appointment of the Board of Directors obtained favourable votes equal to 85.565845% of the ordinary shares represented and for the appointment of the Board of Statutory Auditors, it obtained favourable votes equal to 85.565843% of the ordinary shares represented.

These bodies - after the resolutions of the Board at the end of the meeting - are composed as follows:

<u>Directors</u>

Stefano LADO	Chairman
Alessandro DECIO	Chief Executive Officer and General Manager[2] (E)
Graziella BOLOGNA	(E)
Paola BRUNO	(I)
Valentina CASELLA	(I)
Ulrico DRAGONI	(I)*
Agostino GAVAZZI	(E)
Gerolamo GAVAZZI	(E)
Tito GAVAZZI	
Alessandra MARAFFINI	(I)
Laura TULLI	(I)

<u>Auditors</u>

Emiliano BARCAROLI	Chairman	(I) *

[2] The office of General Manager goes on in continuity within the employment relationship in place since 2020

Rodolfo ANGHILERI	Standing Auditor	(I)
Stefania CHIARUTTINI	Standing Auditor	(I)
Stefano ANTONINI	Alternate Auditor	(I) *
Silvia RE	Alternate Auditor	(I)
Erminio BERETTA	Alternate Auditor	(I)

* Minority list

The names marked with (E) are identified as Executive Directors within the meaning of the applicable provisions.

The names marked with (I) meet the independence requirements pursuant to the applicable provisions.

The Board of Statutory Auditors is assigned the function of Supervisory Board 231 pursuant to Legislative Decree 231/2001.

The curricula of the members are available on the website www.bancodesio.it, "Home/La Banca/Governance/Assemblea" section.

As of the date of their appointment, none of the aforementioned members of the Board of Directors and of the Board of Statutory Auditors held significant shareholdings in the company's share capital within the meaning of Article 120 T.U.F. (without prejudice to the significant shareholding declared at the time by the Chairman Stefano Lado and made public in accordance with the law).

Integration of the remuneration of the auditing company KPMG S.p.A. entrusted with the statutory audit for the 2021-2029 period

Lastly, the Ordinary Shareholders' Meeting, upon the reasoned proposal of the Board of Statutory Auditors, approved the integration of the remuneration to be paid to the auditing company KPMG S.p.A. for the statutory audit assignment, conferred for the 2021-2029 period, in relation to the performance of additional audit activities[3].

[3] Additional audit activities related: (i) to the impacts resulting from the application of Delegated Regulation (EU) 2019/815 (so-called ESEF Regulation) and (ii) to the acquisition of the business units consisting of 40 branches owned by BPER Banca S.p.A. (formerly of Banca Carige S.p.A.) and of 8 branches of Banco di Sardegna S.p.A. effective as of 20 February 2023