Consolidated Half-Year Financial Report at 30 June 2023

This document is a English courtesy translation of the "Relazione Finanziaria Semestrale Consolidata al 30 giugno 2023" of Banco Desio Group, issued for international readers convenience.
In case of any discrepancies or doubts between the English and the Italian versions of the Report, the Italian version prevails.

Consolidated Half-Year Financial Report of the Banco Desio Group at 30 June 2023

Banco di Desio e della Brianza S.p.A.
Registered office: Via Rovagnati, 1 20832 Desio (MB)
Tel. 0362 613.1
segreteriageneralesocietaria@bancodesio.it www.bancodesio.it
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

Summary

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

Board of Directors

Chairperson	Stefano Lado
Chief Executive Officer and General Manager	Alessandro Maria Decio*
Directors	Graziella Bologna* Valentina Maria Carla Casella Paola Bruno Agostino Gavazzi* Tito Gavazzi Alessandra Maraffini Laura Tulli Gerolamo Gavazzi*

** Members of the Executive Committee*

Board of Statutory Auditors

Chairperson	Emiliano Barcaroli
Statutory Auditors	Rodolfo Anghileri Stefania Chiaruttini
Alternate Auditors	Stefano Antonini Silvia Re Erminio Beretta

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.

The Banco Desio Group

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

Fides 100,00%

BDG 60,00%

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.

Introduction

This Consolidated Half-Year Financial Report at 30 June 2023 of the Banco Desio Group, consisting of the *Interim Report on Operations* and the *Condensed Half-Year Financial Statements*, has been prepared pursuant to Article 154-ter of Legislative Decree No. 58/1998 ("Testo Unico della Finanza" - Consolidated Law on Finance), implementing Legislative Decree No. 195 of 6 November 2007 (so-called "Transparency Directive"), including for the determination of half-year profit for the purposes of calculating own funds, and is prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to EC Regulation No. 1606 of 19 July 2002, as more specifically indicated in the chapter "Drafting criteria and accounting standards".

In particular, the Consolidated Half-Year Financial Report is prepared in accordance with IAS 34 - Interim Financial Reporting, as well as the provisions of the Bank of Italy issued in Circular No. 262 of 22 December 2005 and subsequent updates.

The data and ratios included in the *Interim Report on Operations*, where traceable, refer to the Balance Sheet format of the *Condensed half-year financial statements* as well as to the reclassified Income Statement, as per the specific paragraph, which in turn was prepared starting from the Income Statement format of the *Condensed half-year financial statements.*

The balances shown in the financial statements and in the relevant tables for the reporting period include the effects arising from the acquisition of the branches unit from the BPER Group, realised in February 2023, including those arising from the Purchase Price Allocation (PPA) process provisionally determined at the reporting date pursuant to IFRS 3 *Business Combinations.*

The balances shown in the income statement and related tables for the comparative period have been restated for the effects of the transfer of the merchant acquiring business to Worldline Italia, which took place in March 2023, pursuant to IFRS 5 *Non-current assets held for sale and discontinued operations*.

In defining the contents of the commentary notes, account was also taken of the indications of Consob Attention Call No. 3/22 of 19 May 2022, still applicable, containing attention calls to supervised issuers on financial reporting and compliance with the restrictive measures adopted by the European Union against Russia, and the ESMA document "European common enforcement priorities for 2022 annual financial reports" of 28 October 2022, for which reference should be made to the "Accounting policies" section and the "Information on risks and related hedging policies" section of the *Condensed half-year financial statements*".

The specific disclosure dedicated to describing the context in which this financial disclosure has been prepared, characterised by the negative consequences of the conflict between Russia and Ukraine that have been added to those of the Covid-19, as well as the uncertainties and significant risks arising from it, is provided in the section "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" (page 69); the consequences on the economy in general and on economic-financial performance in future years, also deriving from support policies by regulators, remain uncertain in relation to possible evolutions of future scenarios that are beyond the management's control.

This Consolidated Half-Year Financial Report is subject to a limited audit by KPMG S.p.A.

Interim Report on Operations at 30 June 2023

Key figures and ratios

The alternative performance indicators (APIs) presented in this Report have been identified to facilitate understanding of 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 "ESMA 32-51-370 - Questions and answers - 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 outbreak of Covid-19 or the conflict in Ukraine.

Balance sheet values

Amounts in Euro thousands	30.06.2023	31.12.2022	Changes abs.	Changes %
Total assets	19,293,705	17,541,324	1,752,381	10.0%
Financial assets	3,974,921	4,018,411	-43,490	-1.1%
Cash and cash equivalents [1]	1,978,249	879,593	1,098,656	124.9%
Loans with banks [2]	300,181	260,345	39,836	15.3%
Loans to customers[2]	12,109,024	11,480,616	628,409	5.5%
Tangible assets [3]	226,625	220,934	5,691	2.6%
Intangible assets	20,839	19,963	876	4.4%
Non-current assets and groups of assets held for sale	0	1	-1	-100.0%
Payables to banks	3,188,725	3,381,350	-192,625	-5.7%
Payables to customers [4] [5]	12,262,002	11,110,366	1,151,636	10.4%
Securities issued	1,684,659	1,536,151	148,508	9.7%
Equity (including Profit for the period)	1,296,710	1,122,454	174,256	15.5%
Own Funds	1,271,823	1,132,852	138,971	12.3%
Total indirect inflows	19,554,841	17,082,615	2,472,226	14.5%
of which Indirect inflows from ordinary customers	*12,242,868*	*10,135,327*	*2,107,541*	*20.8%*
of which Indirect inflows from institutional customers	*7,311,973*	*6,947,288*	*364,685*	*5.2%*

[1] at 30 June 2023, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.9 million relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits (Euro 765 million at the end of the previous period).

[2] 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.

[3] the balance of the item at 30 June 2023 includes the right of use (RoU Asset) amounting to Euro 60.2 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019.

[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 899 million (Euro 503 million at 31 December 2022).

Banco Desio

Income statement values [6]

Amounts in Euro thousands	30.06.2023	30.06.2022	Changes abs.	%
Operating income	274,003	239,755	34,248	14.3%
of which Net interest income	*168,585*	*131,696*	*36,889*	*28.0%*
Operating expenses	148,840	131,904	16,936	12.8%
Result from operations	125,163	107,851	17,312	16.1%
Charges related to the banking system	6,798	7,263	-465	-6.4%
Current result after taxes	59,159	46,501	12,658	27.2%
Non-recurring result after taxes	134,186	7,617	126,569	n.s.
Profit (loss) for the period	193,345	54,118	139,227	257.3%

[6] *from Reclassified Income Statement.*

Equity, economic and risk ratios

	30.06.2023	31.12.2022	Changes abs.
Equity/Total assets	6.7%	6.4%	0.3%
Equity/Loans to customers	10.7%	9.8%	0.9%
Equity/Payables to customers	10.6%	10.1%	0.5%
Equity/Securities issued	77.0%	73.1%	3.9%
Common Equity Tier1 (CET1)/Risk-weighted assets (Common Equity Tier 1 ratio) [7] [8]	16.5%	14.8%	1.7%
Total Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) [7] [8]	16.5%	14.8%	1.7%
Total Own funds/Risk-weighted assets (Total capital ratio) [7] [8]	16.5%	14.8%	1.7%
Financial assets/Total assets	20.6%	22.9%	-2.3%
Loans with banks/Total assets	1.6%	1.5%	0.1%
Loans to customers/Total assets	62.8%	65.4%	-2.6%
Loans to customers/Direct inflows from customers	86.8%	90.8%	-4.0%
Payables to banks/Total assets	16.5%	19.3%	-2.8%
Payables to customers/Total assets	63.6%	63.3%	0.3%
Securities issued/Total assets	8.7%	8.8%	-0.1%
Direct inflows from customers/Total assets	72.3%	72.1%	0.2%
	30.06.2023	**30.06.2022**	**Changes abs.**
Operating expenses/Operating income (Cost/Income ratio)	54.3%	55.0%	-0.7%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	56.8%	58.0%	-1.2%
Net interest income/Operating income	61.5%	54.9%	6.6%
Result from operations/Operating income	45.7%	45.0%	0.7%
Current result after taxes/Equity - annualised [9] [10]	10.6%	8.7%	1.9%
Profit for the year/Equity [9] (R.O.E.) - annualised [10] [11]	22.7%	7.8%	14.9%
Current result before taxes/Total assets (R.O.A.) - annualised [11]	0.9%	0.8%	0.1%
	30.06.2023	**31.12.2022**	**Changes abs.**
Net bad loans/Loans to customers	0.5%	0.5%	-0.1%
Net non-performing loans/Loans to customers	1.9%	1.7%	0.1%
% Coverage of bad loans	64.6%	67.3%	-2.8%
% Coverage of bad loans before write-offs	65.0%	67.6%	-2.7%
% Total coverage of non-performing loans	44.5%	49.6%	-5.1%
% Coverage of non-performing loans before write-offs	44.7%	49.9%	-5.3%
% Coverage of performing loans	0.87%	0.88%	0.00%

Structure and productivity data

	30.06.2023	31.12.2022	Changes abs.	%
Number of employees	2,403	2,115	288	13.6%
Number of branches	280	232	48	20.7%
Amounts in Euro thousands				
Loans to customers per employee [11]	5,360	5,395	-35	-0.6%
Direct inflows from customers per employee [11]	6,174	5,943	231	3.9%
	30.06.2023	**30.06.2022**	**Changes abs.**	**%**
Operating income per employee [11] - annualised [9]	242	228	14	6.1%
Result from operations per employee [11] - annualised [9]	110	100	10	10.0%

[7] Consolidated equity ratios calculated for Banco Desio. The ratios referred to the prudential supervisory scope of Brianza Unione at 30 June 2023 are: Common Equity Tier1 12.0%; Tier 1 12.8%; Total Capital Ratio 13.9%.
[8] Equity ratios at 30.06.2023 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 16.3%; Tier 1 16.3%; Total capital ratio 16.3%.
[8] net of the result for the period.
[9] the 2022 year-end figure at 30.06.2022 is shown.
[10] the annualised ROE at 30.06.2023 does not consider the annualisation of the Net non-recurring operating result.
[11] based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

Macroeconomic scenario

The macroeconomic framework

International Scenario

The current forecasting scenario is characterised by the uncertainty of the economic recession. Towards the end of 2022, expectations of a recession had strengthened as a result of the sharp rise in interest rates and the consequent expected effects on recovering economic activity. However, contrary to expectations, the economy still showed a good degree of resilience in the first part of this year. First-quarter growth in the US was higher than expected, the Euro Area experienced a technical recession at the turn of the year however smaller than expected, while China showed a recovery after the easing of Covid-related restrictions. In this context, the major central banks have recently signalled the need to proceed further with monetary tightening.

The transmission mechanisms of monetary policy, despite the significant increase in policy interest rates, have not yet exerted their full effect with real rates still remaining at low levels. Moreover, a large share of household debt is at fixed rates and of relatively long duration, so it is affected by rising rates a little and liquidity remains abundant. However, overall inflation is also coming down, helped by factors more directly linked to a recovery of economic normality after a period of great instability. In the US and Euro Area, it is mainly energy and food components that are falling back; in the North American market, automotive-related components are also normalising.

The gradual reduction of central banks' financial statements could, however, have a negative effect on the availability of credit. In addition, fiscal policy in the major countries is already entering restrictive territory, leading to a slowdown in economic growth. Strong contractions in activity, however, usually depend on financial crises (with the exception of the pandemic period); in the current context in which household incomes are supported by good employment performance and, together with the excess savings accumulated during the pandemic, support consumption even in the presence of high inflation, the possibility of a soft landing is real.

The picture for 2024 and 2025 currently foresees low growth, despite a partial recovery in international trade. In this context, short-term rates will remain high for a long time and the slope of the rate curve is only expected to turn positive again between the end of 2024 and the beginning of 2025.

United States

GDP decelerated in Q1 2023 (+0.5% quarter-on-quarter, formerly +0.7% in Q4 2022) despite an unexpectedly high contribution from household consumption (+0.7pp, formerly +0.2pp). The strength of consumption probably also contributed to the acceleration of imports, which, however, was less than the recovery of exports, with foreign trade contributing +0.1pp to cyclical GDP growth. Residential investment contracted further over the previous quarter. However, some indications suggest that their contraction phase may be coming to an end. While the level of real estate prices seems to have reached a substantial stability after about six months of decline, the disinflationary contribution to consumer prices has not yet been transferred to the housing expenditure components. The labour market also provides no indicative cues to anticipate a substantial reduction in inflation. In all this, budgetary policy maintains a slightly restrictive tone. Overall, the mix of restrictive economic policy and buffers especially for households should result in the soft landing expected for the US economy, with GDP expected to grow by 1.5% on average this year.

Japan

Japan's GDP grew by 0.7% in Q1, thanks to a robust contribution from domestic demand (+1.0%), which more than offset the negative contribution from net exports (-0.3%). Investments are the most dynamic expenditure item, while those in construction have remained stagnant. Consumption grew by 0.5%. However, a large part of the growth (+0.4%) came from stockpiling. The foreign sector was negative, with exports falling by 4.2%, heavily penalised by the fall in Chinese demand. The SME indicators saw a small deterioration in June: services were nevertheless well above the expansion threshold, driven by tourism and the almost complete cessation of Covid-19 measures, while manufacturing remained just below the threshold due mainly to the deterioration of strongly declining foreign orders. The divergence of American and European monetary policies from that of Japan led to the devaluation of the Yen and is concomitant with the increase in commodity costs linked to the Russian-Ukrainian war bringing inflation above 2% (the BoJ target). This situation is creating difficulties for importing companies on the one hand, and for households on the other, as there is evidence that companies are increasingly passing on producer price increases to consumers. All this is beginning to put pressure on the central bank, which has so far preferred to intervene in the foreign exchange market rather than change monetary policy, believing, even with the new governor, that the achieved target of 2% is not yet entrenched.

Emerging economies

From the end of 2022, the termination of the zero-Covid strategy effectively freed the Chinese economy from many uncertainties and allowed it to start the year with strong growth (2.1% cyclically) thanks to a smoother recovery in industrial activity and consumption, which strongly affected services in particular. This overlapped with the Chinese New Year period, which traditionally sees strong growth in tourism and related services, creating a particularly positive impact. The effects of the government's choices to ease the pressure on the real estate sector and maintain an expansive monetary policy with liquidity-expanding manoeuvres were immediately felt with a spike in both construction and home sales. These property market peaks, however, were immediately reabsorbed. Retail sales, after a close to 2% month-on-month cue in February, returned to growth at a sub-0.5% pace, and we are seeing unusual growth in household deposits, which seem to be procrastinating on consumption, probably for precautionary reasons as suggested by confidence, which, although recovering, remains at very low levels. Also confirming the rather cold situation on consumption is the inflation figure just above 0 in both April and May. Part of these problems can also be attributed to the high youth unemployment (over 20% in the 16-24 age group), which reverberates not only on direct consumption but also on household consumption. The deterioration of higher-frequency indicators (freight traffic, energy consumption, PMIs) suggests that growth will be weak in this second quarter.

In India, the trend change in GDP in Q1 2023 was +6.1%, accelerating from the last quarter of 2022. The largest contribution came from public spending (+3.4pp), which accompanied private investment (+1.1pp), while consumption (+0.4pp) was positive but more contained. Despite the weakness of international demand, exports held up (+3.7% on the previous year), which together with falling imports resulted in a positive contribution of real net exports (+1.2%). Economic indicators paint a favourable picture for the coming quarters. The inflationary context is developing positively for the time being, with inflation falling to 4.3% in May (4.7% in April). In the geopolitical and economic context of this period, India could be an attractive alternative for the establishment of new industrial plants due to its lower costs and wages, familiarity with English, and an impressive army of university students.

Euro Area

In Q1 2023, the GDP of the Euro Area decreased slightly compared to the previous quarter (-0.1%; as in the previous quarter) and equal to +1% if compared with the same quarter of the previous year. Within the area, in the same quarter, France recorded a cyclical change in GDP of +0.2% (unchanged in the previous quarter; +0.9% per annum). Germany's figure fell for the second consecutive quarter (-0.3%; -0.5% in the previous quarter; -0.5% p.a.).

The industrial production rose slightly in the main European countries in April. Retail sales are still falling. In March 2023, industrial production in the Euro Area increased by 4.1% (+2.1% y/y) compared to the previous month. The data for the main Euro Area countries available for April show the following situation in cyclical terms: in France, production increased by 0.8% (+1.3% p.a.) and in Germany by 0.8% (+1.8% p.a.). Retail sales in April 2023 were unchanged in cyclical terms and decreased by 2.5% in terms of trend. In the same month, sales in Germany increased by 0.5% compared to the previous month (-4.4% p.a.); in France they decreased by 1.3% (-2.7% p.a.). The Euro Area business confidence index was negative and worsening; the consumer confidence index remained very negative.

In the Euro Area, the consumer price index increased in April. In contrast, the "core" component decreased, but remained at higher levels than the overall index. Inflation in the Euro Area in April 2023 rose to +7%, confirming expectations (+6.9% in the previous month, +7.4% twelve months earlier); in addition, inflation for May 2023 rose to +6.1%, confirming expectations (+8.1% twelve months earlier); provisional inflation figures for June 2023 forecast a decline (+5.5%). The growth rate of the "core" component (adjusted for the most volatile components) in May 2023 was +6.9% (+4.6% a year earlier).

Italy

In Q1 2023, Italy's gross domestic product rose by 0.6% year-on-year (-0.1% in the fourth quarter of 2022) and was also positive in terms of trend (+1.9%). Private consumption (+0.30%), public spending (+0.22%) and fixed investments (+0.18%) contributed positively to this economic change. While the contribution of the balance of payments was negative (-0.17%). There was substantially no contribution from stocks. The seasonally adjusted index of industrial production was down by -1.9% in cyclical terms, (-0.6% in May 2023); it was also down in terms of trend (-7%). The monthly seasonally adjusted index shows economic declines in all main industrial sectors: intermediate goods (-2.5%), capital goods (-2.1%), consumer goods (-0.4%), energy goods (-0.4%). Retail sales in April 2023 decreased (-0.2%) compared to the previous month (-2.5% p.a.).

Both confidence indices continued to be negative in May. The unemployment rate fell to 7.8% in October 2023 (7.9% one month earlier, 8.2% twelve months earlier). Youth unemployment (15-24 years) fell to 20.4% in the same month (21.8% the previous month; 25.2% a year earlier). The national consumer price index excluding tobacco decreased to +7.6% in May 2023 (+8.2% in the previous month).

The capital market and the banking system in Italy

Money and financial markets

On 15 June 2023, the ECB Governing Council decided to raise the three key policy interest rates by a further 25 basis points. The central bank added that future Governing Council decisions will ensure that key interest rates are set at levels sufficiently restrictive to achieve a timely return of inflation to the 2% target over the medium term and are kept at these levels as long as necessary. In line with this monetary policy approach, the ECB Governing Council raised the three key interest rates by a further 25 basis points on 27 July 2023.

At its June 2023 meeting, the Federal Reserve decided to suspend the monetary tightening that began in March 2022. The US central bank did not change the reference rate, leaving it in a range between 5% and 5.25%, as widely anticipated by the markets. Most members assume that interest rates may rise above 5.5 % in 2023, implying two further 25 basis point hikes. The reference rate is then expected to fall below 4.5% next year and stabilise at 2.5% in the long term.

In the first ten days of June, the 3-month Euribor was still growing (3.37% vs 3.17% the previous month); the 10-year IRS rate, on the other hand, was 3.02% (unchanged on a monthly basis). On the bond markets, 10-year benchmark rates grew in the USA (3.59% formerly 3.46%) and in the Euro Area; in detail, in Germany the benchmark rate settled at 2.35% (formerly 2.32%), while in Italy it was 4.17% (formerly 4.15%).

International share prices recorded positive trend dynamics on a monthly basis. In detail, the Dow Jones Euro Stoxx rose 0.2% month-on-month (+8.6% y/y), the Standard & Poor's 500 rose 0.7% (+2.6% y/y), the Nikkei 225 rose 6.2% (+12.5% y/y). On the contrary, the main European stock exchange indices showed negative monthly performances; the FTSE Mib was down 1.6% (+12.5% y/y), in France the Cac40 was down 1.1% (+16.2% y/y), in Germany the Dax30 was up 1.2% (-13.9% y/y). With reference to the main banking indices, the indicators showed downward monthly trends: the Italian FTSE Banks fell by 2.1% month-on-month (+40.6% y/y), the Dow Jones Euro Stoxx Banks by 2.8% (+17.7% y/y) and the S&P 500 Banks fell by 2.7% month-on-month (-18% y/y).

Banking markets

With reference to the banking market, in the first half of 2023, the annual trend in inflows from resident customers was down (-2.2%). Within this, short-term deposits intensified the decline (-3.7%, formerly -0.5% at the end of 2022), while bonds increased (+11.9% formerly +0.1% at the end of 2022). The growth of volumes was accompanied by an increase in the cost of total remuneration (0.87%, formerly 0.61% at the end of 2022). On the lending front, the latest available data show weakness in the private sector (-1.3%, formerly +2.0% at the end of 2022) due to the dynamics of construction affected by the increase in mortgage rates and the disposal of part of the tax bonuses put in place by the government; the banking sector is also affected by the dynamics of loans to businesses (-1.9%) despite the resilience of loans to households (+1.4%, supported by consumer credit). The dynamics of credit to the productive sector continue to be influenced by the trend in investments and the business cycle, which, despite public support, remains moderate and fluctuating. In June, lending rates to households and businesses increased (4.12% formerly 2.21% at June 2022). Within these, the rate on loans to households for house purchases stood at 4.24% (formerly 2.05% in June 2022), while loans to businesses stood at 4.90% (formerly 1.44% at June 2022).

Distribution channels

The Banco Desio Group is present in Italy in 11 regions (Lombardy, Piedmont, Veneto, Emilia Romagna, Liguria, Umbria (under the Banca Popolare di Spoleto brand), Lazio, Tuscany, Marche, Abruzzo and Sardinia).

Following the acquisition of the bank branches carried out in February 2023 with the BPER Group, the distribution structure at the reporting date consisted of 280 branches (compared to the previous year-end figure of 232) and 46 financial shops opened under the banner of the subsidiary Fides.

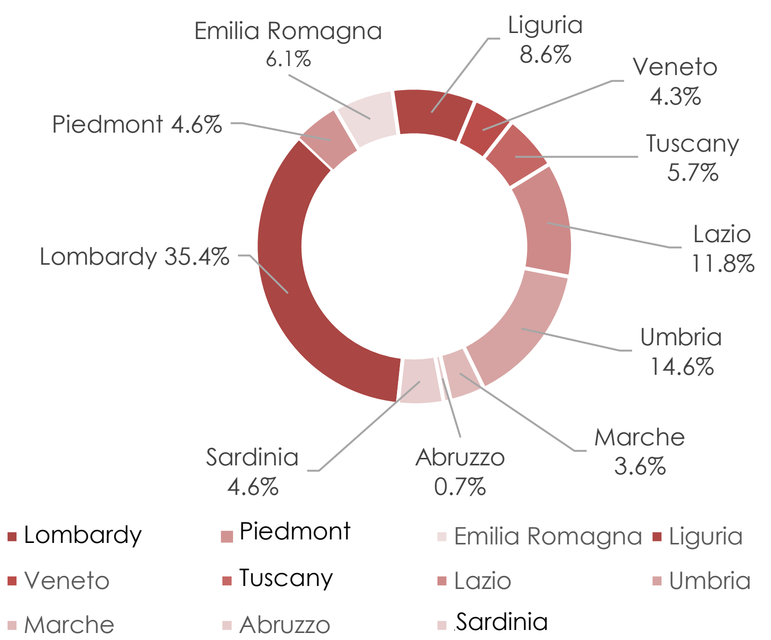
In the current context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage and self-channels in recent years. To respond to customer needs and in line with the latest market trends, the Banco Desio Group, in line with the guidelines outlined in the 2021-2023 Business Plan, has embarked on a balanced omnichannel strategy integrated with the overall service model that takes into account both market characteristics and customer segmentation.

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.

Graph No. 1 - **GROUP DISTRIBUTION NETWORK % BREAKDOWN BY REGIONS OF REFERENCE**



The table below provides a breakdown of the Group's branches with an indication of those with financial advisors and private bankers at the end of the first half of the year, in comparison with the final balance for the year 2022.

Table No. 1 - **BREAKDOWN OF GROUP BRANCHES WITH INDICATION OF PRESENCE OF FINANCIAL ADVISORS AND PRIVATE BANKERS**

Breakdown by region	30.06.2023 Banco Desio Branches	30.06.2023 of which branches with financial advisors	30.06.2023 of which branches with private bankers	31.12.2022 Banco Desio Branches	31.12.2022 of which branches with financial advisors	31.12.2022 of which branches with private bankers
Lombardy	99	8	27	99	28	7
Piedmont	13	3	4	13	3	3
Emilia Romagna	17	3	5	10	3	3
Liguria	24	1	4	5	0	1
Veneto	12	3	2	12	1	3
Tuscany	16	0	2	12	2	0
Lazio	33	1	2	28	2	2
Umbria	41	7	5	41	6	9
Marche	10	6	2	10	2	6
Abruzzo	2	1	0	2	0	1
Sardinia	13	0	0	0	0	0
Total	**280**	**33**	**53**	**232**	**47**	**35**

Significant corporate events during the period

Amendments to the Articles of Association

The Extraordinary Shareholders' Meeting of 27 April 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 held on the same date approved the financial statements at 31 December 2022. The net profit for the 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 was 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" were 8 May and 9 May 2023, respectively.

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., 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:

Directors

Stefano LADO	Chairperson
Alessandro DECIO	CEO and General Manager (E)
Graziella BOLOGNA	(E)
Paola BRUNO	(I)
Valentina CASELLA	(I)
Agostino GAVAZZI	(E)
Gerolamo GAVAZZI	(E)
Tito GAVAZZI	
Alessandra MARAFFINI	(I)
Laura TULLI	(I)

Ulrico DRAGONI (I)* - deceased on 3 May u.s.

Statutory Auditors

Emiliano BARCAROLI	Chairperson (I) *
Rodolfo ANGHILERI	Standing (I)
Stefania CHIARUTTINI	Standing (I)

Stefano ANTONINI Alternate (I) *
Silvia RE Alternate (I)
Erminio BERETTA Alternate (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 No. 231/2001.

The Board of Directors, which met at the end of the Shareholders' Meeting, also resolved on the following composition of the Committees set up within the Board:

Executive Committee

Agostino GAVAZZI (C) (E)
Graziella BOLOGNA (E)
Gerolamo GAVAZZI (E)
Alessandro Maria DECIO (E)
Control and Risk Committee
Paola BRUNO (C) (I)
Alessandra MARAFFINI (I)
Tito GAVAZZI

Sustainability Committee (newly established)

Alessandra MARAFFINI (C) (I)
Valentina CASELLA (I)
Stefano LADO

Appointments Committee

Laura TULLI (C) (I)
Paola BRUNO (I)
Tito GAVAZZI

Remuneration Committee

Valentina CASELLA (C) (I)
Laura TULLI (I)
Stefano LADO

Committee for Transactions with Related Parties and Connected Persons

Valentina CASELLA (C) (I)
Alessandra MARAFFINI (I)
Laura TULLI (I)

The names marked with (C) were appointed chairpersons of the committees.

The curricula of the members are available on the website www.bancodesio.it, section "Home/The Bank/Governance/Meeting".

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 Chairperson Stefano Lado and made public in accordance with the law).

On 9 May 2023, the Board of Directors took note of the death of the independent director Ulrico DRAGONI, elected from the minority list, reserving the right to return to the subject for consequent measures. On 22 June 2023, the Board initiated the statutory and supervisory procedure aimed at replacing the deceased Director with another candidate from the same list.

Acquisition of 48 branches from the BPER Group (Lanternina Transaction)

On 17 February 2023, within the terms set out in the agreement communicated to the market on 3 June 2022, was the "closing" of the purchase transaction (so-called "Lanternina Transaction") by the BPER Group of a business compendium consisting of two business units with a total of 48 bank branches (located in Liguria, Emilia-Romagna, Lazio, Tuscany and Sardinia). The deed of sale took effect on Monday, 20 February 2023.

After intense preparatory work conducted in cooperation between the parties, an important phase of the Banco Desio Group's growth strategy was completed in line with the objectives of the business plan. This operation allows the Bank to further consolidate its vocation as a proximity bank by expanding the territories in which it is present.

For further information, please refer to the specific section "Business combinations involving companies or business units" in this Consolidated half-year report.

Divestiture of the acquiring business unit to Worldline (Aquarius Transaction)

On 28 March 2023, having obtained the necessary authorisations from the competent authorities, Banco Desio and Worldline finalised the strategic agreement, signed and disclosed to the market on 7 November 2022, concerning payment systems, which provides in particular for:

- the transfer to Worldline Italia of Banco Desio's business unit relating to the acquiring activity in the payment systems sector carried out with respect to about 15,000 merchants, for a total of about 19,000 POS (point of sales) and a volume of about Euro 2 billion in transactions;
- a long-term partnership (5+5 years), in which Worldline becomes Banco Desio's exclusive acquiring partner and the latter, maintaining the relationship with its customers, distributes Worldline's acquiring products and services.

The transfer of the business unit took place on 17 March 2023 through a contribution to Worldline Italia, a subsidiary of the French Worldline SA group. Banco Desio then sold the shares received for the contribution to Worldline SA on 28 March 2023. The realisation of the transaction resulted in a capital gain of Euro 100 million recorded under item "290. Profit (Loss) from discontinued operations after taxes" in Banco Desio's income statement. The agreements with Worldline then provide for a price adjustment mechanism based on certain targets that will be evaluated one year from the date of closing.

Exemption from the role of parent company of the Banco Desio Group by Brianza Unione

On 5 September 2022, a request for exemption from the role of parent company of the Banco Desio Group was submitted 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. On 3 March 2023, the Bank of Italy forwarded its decision granting the said application, noting that the role of parent company of the banking group will continue to be performed by Banco Desio, it being understood that under the provisions of the CRR Regulation, the obligation to comply with the requirements set forth in the aforesaid regulation will in any case continue on the basis of the consolidated situation of Brianza Unione.

Capital decision communicated by the Bank of Italy upon conclusion of the periodic supervisory review process ("SREP")

The Bank of Italy ordered with "SREP" measure, communicated to the market on 12 April 2023, that starting from the reporting on own funds at 30 June 2023, the Brianza Unione "CRR" Group should adopt the new capital ratios at consolidated level as follows:

- CET 1 ratio of 7.60%, comprising a binding measure of 5.10% (of which 4.50% against the regulatory minimum requirements and 0.60% against the "SREP" requirements) and the remainder from the capital conservation buffer component;
- Tier 1 ratio of 9.30%, comprising a binding measure of 6.80% (of which 6.00% against the regulatory minimum requirements and 0.80% against the "SREP" requirements) and the remainder from the capital conservation buffer component;
- Total Capital ratio of 11.50%, comprising a binding measure of 9.00% (of which 8.00% against the regulatory minimum requirements and 1.00% against the "SREP" requirements) and the remainder from the capital conservation buffer component.

Recognition for prudential purposes of the AIRB internal credit risk measurement system

On 31 May 2023, it was announced that the Banco Desio Group (CRR Brianza Unione Group) received communication from the Bank of Italy authorising the use, on an individual and consolidated basis, of the internal "pooled" AIRB credit risk measurement system for the "retail" and "corporate" exposure classes. However, the authorisation makes any financial benefit conditional on a series of remedial actions to be completed within the next 18 months.

Participation in the agreement for a systemic solution to the Eurovita affair

On 30 June 2023, at the instigation of the Ministry of Economy and Finance and the Ministry of Enterprise and Made in Italy, as well as with the collaboration of the Supervisory Committee and the Extraordinary Commissioner of Eurovita, an agreement was reached between 25 banks distributing Eurovita policies, including Banco Desio, the five leading Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI) and some of Italy's leading banks (Banco BPM, Banca Monte dei Paschi di Siena, BPER, Credit Agricole, Intesa Sanpaolo and Mediobanca), on an operation aimed at protecting Eurovita policyholders.

IVASS and the Bank of Italy closely followed the definition of the transaction within the framework of their institutional roles and welcomed the agreement.

The spirit of the initiative, shared by all participants, is to achieve the objective of guaranteeing the full protection of investors who have subscribed to Eurovita policies: in this framework, it is in fact envisaged that, at the end of the operation, the entire insurance portfolio of the distributing banks (listed below) will be taken over by the five insurance groups, which will therefore become the new reference companies for current clients. The project also envisages, as an intermediate technical step, the initial transfer of the policies to a newly established insurance company, which will be owned by the five insurance companies mentioned above.

The distributing banks, in addition to updates on the progress of negotiations, will inform clients at a later stage which insurance company will become the new counterparty, and assist them with any needs.

Subordinated Tier 2 Bond issue in the amount of Euro 60 million

On 3 July 2023, Banco di Desio e della Brianza S.p.A. entered into an agreement with its parent financial company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. for the subscription by the latter of a Subordinated Tier 2 10Y non-call 5Y Bond in the amount of Euro 60 million. The issue of the Subordinated Tier 2 Bond by Banco Desio was simultaneous with the issue by Brianza Unione of a private placement bond with the same characteristics, fully subscribed by professional investors.

Both Subordinated Tier 2 Bonds were intended for trading on the ExtraMOT PRO Segment of the ExtraMOT Market managed by Borsa Italiana S.p.A.

The two Subordinated Tier 2 Bond issues are part of the broader context of a transaction designed to determine a Tier 2 liability within the applicable prudential framework under the CRR Regulation.

Since Brianza Unione is a related party of the Bank (parent company), the Transaction qualifies for Banco Desio as a related party transaction of greater significance pursuant to the Regulation adopted by CONSOB with resolution No. 17221 of 12 March 2010, as subsequently amended and supplemented ("RPT Regulation"), Circular 285 of 17 December 2013 of the Bank of Italy and the "Internal Regulation of transactions with connected parties and other related parties" adopted by the Bank. In addition, considering that the Chairperson of the Board of Directors Stefano Lado and the Directors Agostino Gavazzi and Tito Gavazzi are general partners of Brianza Unione, the Transaction falls within the scope of Article 136 of the Consolidated Law on Banking (TUB), concerning transactions with bank representatives. Therefore, the Transaction was defined in compliance with the aforementioned regulations and was unanimously approved by the Board of Directors of Banco Desio - with the exclusion from the vote of the Directors involved in the Transaction - with the favourable vote of all the members of the Board of Statutory Auditors.

For further information on the transaction, reference is made to the information document, drawn up by Banco Desio pursuant to and for the purposes of Article 5 of the RPT Regulation, which has been made available to the public, within the legal terms, at the Banco Desio registered office, on the 1INFO storage platform (at the address www.1info.it), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

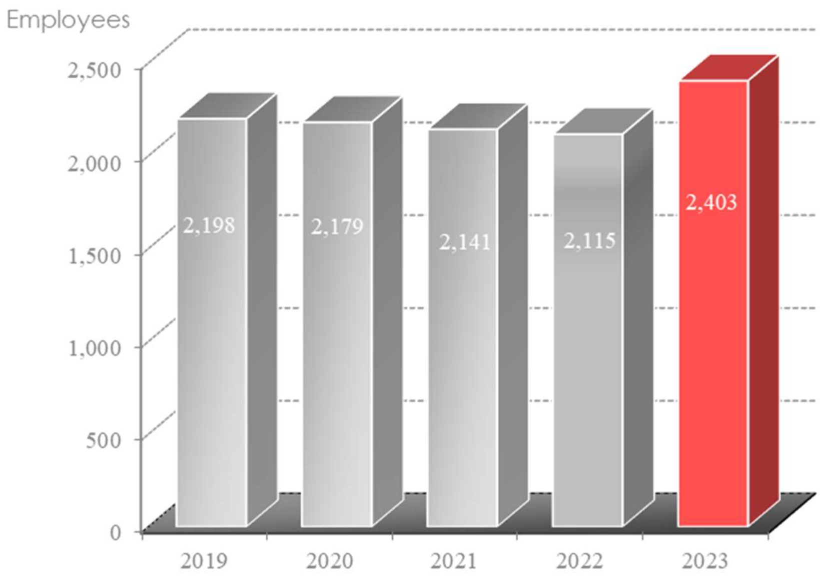
Human resources

At 30 June 2023, the Group employed 2,403 people, an increase of 288 resources compared to the previous year-end figure.

This increase is attributable to the execution, in the half-year in question, of the strategic agreement better described in the previous section "Significant corporate events during the period" with which Banco Desio acquired from the BPER Group two business units with 250 employees and 48 bank branches.

The development of the Group's workforce in recent years is depicted in the following graph.

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



The following tables provide details of the (i) Group's total resource and related dynamics over the reporting period.

Table No. 2 - **BREAKDOWN OF GROUP EMPLOYEES BY QUALIFICATION**

No. Employees	30.06.2023					31.12.2022				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	**1,035**	**43.1%**	**1,368**	**56.9%**	**2,403**	**877**	**41.5%**	**1,238**	**58.5%**	**2,115**
Managers	4	14.3%	24	85.7%	28	4	14.8%	23	85.2%	27
Middle managers	330	29.3%	796	70.7%	1,126	301	29.1%	734	70.9%	1,035
Remaining personnel	701	56.1%	548	43.9%	1,249	572	54.3%	481	45.7%	1,053
External collaborators	**30**	**27.5%**	**79**	**72.5%**	**109**	**17**	**21.0%**	**64**	**79.0%**	**81**
Financial adv isors	6	10.5%	51	89.5%	57	6	10.9%	49	89.1%	55
Other collaborators	24	46.2%	28	53.8%	52	11	42.3%	15	57.7%	26
Total resources	**1,065**	**42.4%**	**1,447**	**57.6%**	**2,512**	**894**	**40.7%**	**1,302**	**59.3%**	**2,196**

Banco Desio

Table No. 3 - **ENTRIES OF GROUP RESOURCES BY QUALIFICATION IN THE HALF-YEAR**

No. Employees	30.06.2023					30.06.2022				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	**171**	**50.6%**	**167**	**49.4%**	**338**	**34**	**53.1%**	**30**	**46.9%**	**64**
Managers	0	0.0%	1	100.0%	1	1	100.0%	0	0.0%	1
Middle managers [(1)]	31	29.2%	75	70.8%	106	12	46.2%	14	53.8%	26
Remaining personnel	140	60.6%	91	39.4%	231	21	56.8%	16	43.2%	37
External collaborators	**17**	**39.5%**	**26**	**60.5%**	**43**	**7**	**41.2%**	**10**	**58.8%**	**17**
Financial advisors	0	0.0%	7	100.0%	7	3	37.5%	5	62.5%	8
Other collaborators	17	47.2%	19	52.8%	36	4	44.4%	5	55.6%	9
Total resources	**188**	**49.3%**	**193**	**50.7%**	**381**	**41**	**50.6%**	**40**	**49.4%**	**81**

(1) This item includes 6 entries for qualification changes (men)

Table No. 4 - **EXITS OF GROUP RESOURCES BY QUALIFICATION IN THE HALF-YEAR**

No. Employees	30.06.2023					30.06.2022				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	**13**	**26.0%**	**37**	**74.0%**	**50**	**12**	**29.3%**	**29**	**70.7%**	**41**
Managers	0	n.s.	0	n.s.	0	1	100.0%	0	0.0%	1
Middle managers	2	13.3%	13	86.7%	15	4	17.4%	19	82.6%	23
Remaining personnel [(1)]	11	31.4%	24	68.6%	35	7	41.2%	10	58.8%	17
External collaborators	**4**	**26.7%**	**11**	**73.3%**	**15**	**0**	**0.0%**	**2**	**100.0%**	**2**
Financial advisors	0	0.0%	5	100.0%	5	0	0.0%	1	100.0%	1
Other collaborators	4	40.0%	6	60.0%	10	0	0.0%	1	100.0%	1
Total resources	**17**	**26.2%**	**48**	**73.8%**	**65**	**12**	**27.9%**	**31**	**72.1%**	**43**

(1) This item includes 6 exits for qualification changes (men)

Table No. 5 - **BREAKDOWN OF GROUP EMPLOYEES BY AREA**

No. Employees	30.06.2023					31.12.2022				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
General Management and operational supp	**294**	**42.9%**	**392**	**57.1%**	**686**	**269**	**42.3%**	**367**	**57.7%**	**636**
Employees	270	42.6%	364	57.4%	634	258	42.3%	352	57.7%	610
Other collaborators	24	46.2%	28	53.8%	52	11	42.3%	15	57.7%	26
Distribution network	**771**	**42.2%**	**1,055**	**57.8%**	**1,826**	**625**	**40.1%**	**935**	**59.9%**	**1,560**
Employees	765	43.2%	1,004	56.8%	1,769	619	41.1%	886	58.9%	1,505
of which Private Bankers	16	20.8%	61	79.2%	77	16	23.2%	53	76.8%	69
Financial advisors	6	10.5%	51	89.5%	57	6	10.9%	49	89.1%	55
Total resources	**1,065**	**42.4%**	**1,396**	**55.6%**	**2,512**	**894**	**40.7%**	**1,302**	**59.3%**	**2,196**

Banco Desio

Operating performance

The collection of savings: customers' assets under administration

Total customer assets under administration at 30 June 2023 amounted to about Euro 33.5 billion, an increase of about Euro 3.8 billion (+12.7%) compared to the balance at year-end 2022, attributable to the performance of indirect (+14.5%) and direct (10.3%) inflows. This change was affected by the positive effect of the acquisition of the business units from the BPER Group.

The composition and balances of the aggregate items with the variances recorded in the period analysed are shown in the table below.

Table No. 6 - **TOTAL INFLOWS FROM CUSTOMERS**

Amounts in Euro thousands	30.06.2023	Incidence %	31.12.2022	Incidence %	Changes Value	Changes %
Payables to customers [1]	12,262,002	36.6%	11,110,366	37.4%	1,151,636	10.4%
Securities issued	1,684,659	5.0%	1,536,151	5.1%	148,508	9.7%
Direct inflows	**13,946,661**	**41.6%**	**12,646,517**	**42.5%**	**1,300,144**	**10.3%**
Inflows from ordinary customers	12,242,868	36.5%	10,135,327	34.1%	2,107,541	20.8%
Inflows from institutional customers	7,311,973	21.9%	6,947,288	23.4%	364,685	5.2%
Indirect inflows	**19,554,841**	**58.4%**	**17,082,615**	**57.5%**	**2,472,226**	**14.5%**
Total inflows from customers	**33,501,502**	**100.0%**	**29,729,132**	**100.0%**	**3,772,370**	**12.7%**

[1] Including inflows repurchase agreements with institutional customers in the amount of Euro 899 million (Euro 503 million at 31December 2022)

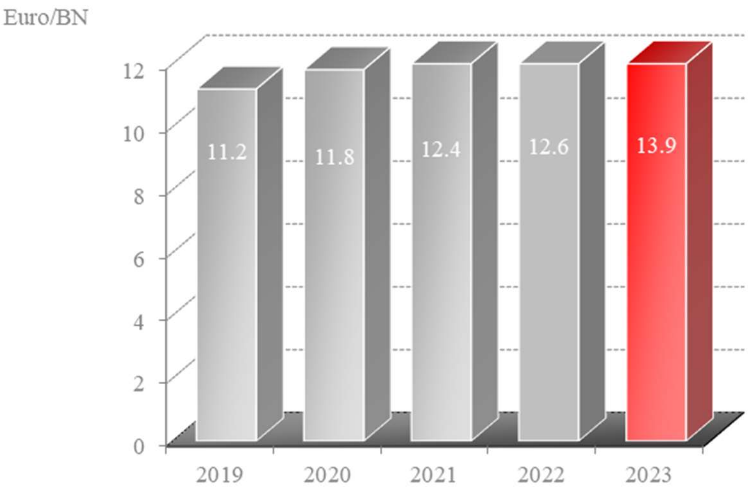
Direct inflows

As mentioned, direct inflows at the end of the first half of 2023 amounted to about Euro 13.9 billion and showed an increase of 10.3%, which resulted from the growth in payables to customers of about Euro 1.2 billion (+10.4%) and in securities issued (+9.7%). The trend in direct inflows over the past few years is represented by the following table and graph.

Table No. 7 - **DIRECT INFLOWS**

Amounts in Euro thousands	30.06.2023	Incidence %	31.12.2022	Incidence %	Changes Value	Changes %
Payables to customers	**12,262,002**	**87.9%**	**11,110,366**	**87.9%**	**1,151,636**	**10.4%**
Current accounts and deposits	*10,936,398*	*78.4%*	*10,380,398*	*82.1%*	*556,000*	*5.4%*
current accounts and demand deposits	*10,347,730*	*74.2%*	*10,058,896*	*79.5%*	*288,834*	*2.9%*
fixed-term deposits and restricted current	*588,668*	*4.2%*	*321,502*	*2.4%*	*267,166*	*83.1%*
Repurchase agreements and securities lending	*898,768*	6.4%	*503,113*	4.0%	395,655	78.6%
Loans and other payables	426,836	3.1%	226,855	1.8%	199,981	88.2%
Securities issued	**1,684,659**	**12.1%**	**1,536,151**	**12.1%**	**148,508**	**9.7%**
bonds and liabilities measured at fair v alue	1,683,003	12.1%	1,531,574	0	151,429	9.9%
certificates of deposit and other securities	1,656	0.0%	4,577	0.0%	-2,921	-63.8%
Direct inflows	**13,946,661**	**100.0%**	**12,646,517**	**100.0%**	**1,300,144**	**10.3%**

Graph No. 3 - **TREND IN DIRECT INFLOWS IN RECENT YEARS**



Indirect inflows

Indirect inflows increased by +14.5% to Euro 19.6 billion at 30 June 2023 compared to the previous year-end balance.

In particular, the trend was attributable to both inflows from institutional customers (+5.2%) and inflows from ordinary customers (+20.8%), the latter due to the performance of the assets under management segment (+15.3%) and assets under administration (+33.3%).

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

Table No. 8 - **INDIRECT INFLOWS**

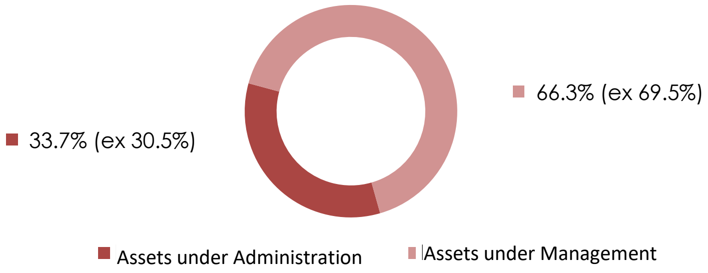
Amounts in Euro thousands	**30.06.2023**	**Incidence %**	**31.12.2022**	**Incidence %**	**Changes Value**	**%**
Assets under Administration	**4,124,448**	**21.1%**	**3,093,362**	**18.1%**	**1,031,086**	**33.3%**
Assets under Management	**8,118,420**	**41.5%**	**7,041,965**	**41.2%**	**1,076,455**	**15.3%**
Asset management	*1,214,752*	*6.2%*	*1,148,834*	*6.7%*	*65,918*	*5.7%*
Mutual funds and Sicav	*3,871,910*	*19.8%*	*3,277,442*	*19.2%*	*594,468*	*18.1%*
Banking-insurance products	*3,031,758*	*15.5%*	*2,615,689*	*15.3%*	*416,069*	*15.9%*
Inflows from ordinary customers	**12,242,868**	**62.6%**	**10,135,327**	**59.3%**	**2,107,541**	**20.8%**
Inflows from institutional customers (1)	**7,311,973**	**37.4%**	**6,947,288**	**40.7%**	**364,685**	**5.2%**
Assets under Administration	*6,640,294*	*34.0%*	*6,254,755*	*36.6%*	*385,539*	*6.2%*
Assets under Management	*671,679*	*3.4%*	*692,533*	*4.1%*	*-20,854*	*-3.0%*
Indirect inflows (1)	**19,554,841**	**100.0%**	**17,082,615**	**100.0%**	**2,472,226**	**14.5%**

(1) Inflows from institutional customers include securities on deposit underlying the Bancassurance segment of ordinary customers amounting to about Euro 2.1 billion (at 31.12.2022 about Euro 2.1 billion).

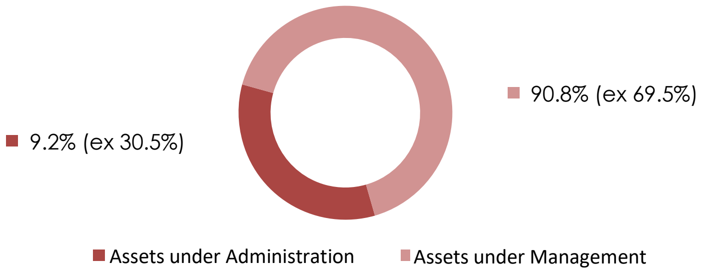
The in-depth investigations conducted on investments held by customers (securities, funds, asset management, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their issuing currency, have not so far revealed any significant risk profiles, it being understood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

The following graph shows the breakdown of indirect inflows from ordinary and institutional customers by segment at 30 June 2023, while the next one focuses on the components of assets under management in the same period, showing how there is an increasing incidence of inflows towards mutual funds and Sicavs.

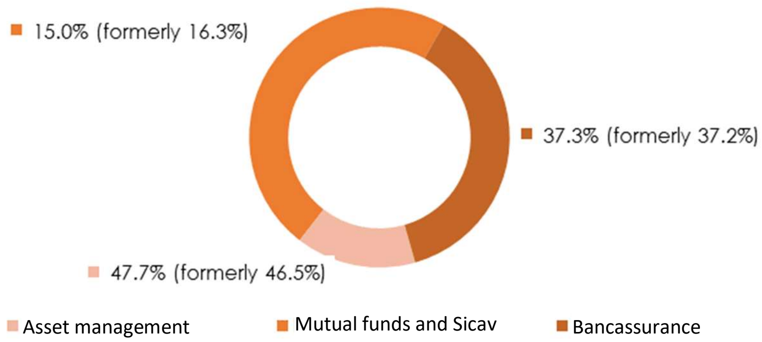
Graph No. 4 - **BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 30.06.2023**



Graph No. 5 - **BREAKDOWN OF INDIRECT INFLOWS FROM INSTITUTIONAL CUSTOMERS BY SEGMENT AT 30.06.2023**



Graph No. 6 - **BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 30.06.2023**



In continuity with 2022, the effects of the geopolitical and health crises that have impacted the world economy and the financial sector in recent years, also manifested in the first half of 2023, marked by high levels of inflation and an increase in interest rates.

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.

With regard to asset management in the first half of 2023, the tightening of lending conditions dictated by monetary policies caused a slowdown in real estate markets and corporate investments. Labour markets have shown resilience. The impact of monetary tightening was mitigated by the excess savings stock and the post-pandemic recovery. A further boost to global growth was generated by the reopening of trade flows to and from China and by a mild winter in Europe, which reduced the need for and price of energy commodities. Despite a reversal in the price trend, the central banks confirm their goal of containing inflation.

As far as asset allocation is concerned, the equity position is kept underweight against the benchmark, as the market is not fully discounting the risks of an economic slowdown resulting from synchronised European and US monetary tightening. The preference for the United States was confirmed; among the sectors, the preference for pharmaceuticals, stable consumption and the technology sector were maintained. Underweights included financials, cyclical consumption and industrials.

The bond positioning is characterised by a duration in line with that of the benchmark. Within the portfolios, preference was given to government bonds, which should benefit most from the end of the monetary authorities' increases, while the riskier component was allocated to investment grade corporate and emerging market bonds.

Loans to customers

The total value of loans to customers at 30 June 2023 amounted to approximately Euro 12.1 billion, up 5.5% compared to the balance at year-end 2022, and included loans arising from the acquisition of business units from the BPER Group valued according to the criteria defined by the provisional purchase price allocation (PPA) process.

The Commercial Department, with the support of the Credit Department, continued to implement initiatives to offer concrete support to the production system and households. Since January 2023, which was also relaunched in July 2023, customers with variable-rate mortgages, with regular payments, were offered the possibility of extending the term of the loan in order to reduce the loan instalment.

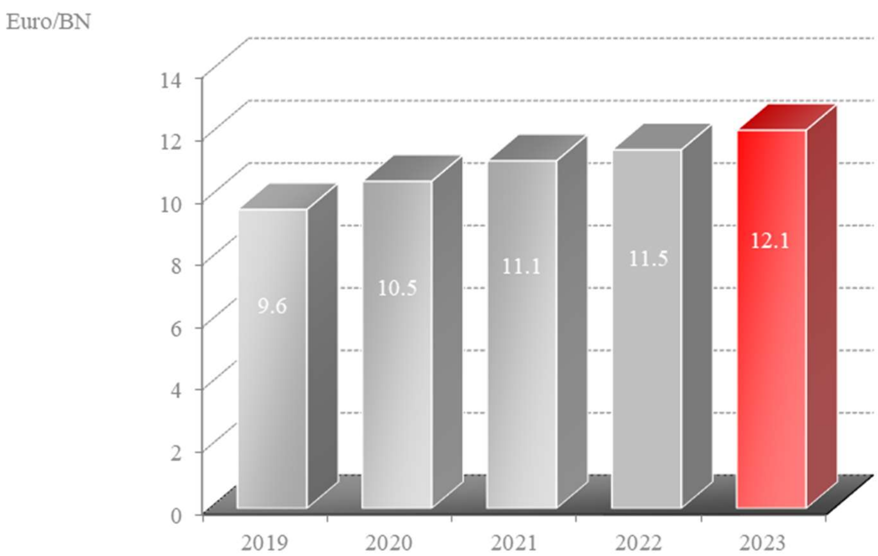
With reference to the possible repercussions on the quality of the loan portfolio deriving from the conflict between Russia and Ukraine, as already mentioned in the disclosure "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" in "Part A" of the Notes, the direct exposure on the part of the Bank and its customers is contained; on the overall portfolio, the Credit Department continued its monitoring activities: the analysis of positions showed an increase, compared to previous half-years, in the deterioration of existing loans - albeit at levels in line with the pre-pandemic period - on which risk containment and management actions were implemented. Monitoring the indirectly most exposed positions is one of the first drivers of attention in order to ensure the best quality of the credit portfolio over time and, at the same time, to identify the best solutions to enable companies to continue their business. In continuity with the actions taken in the Covid context, the Bank adopted the Temporary Crisis Framework (TCF) that will allow SMEs to apply for access to MCC-guaranteed financing to address liquidity needs related to the economic and financial turmoil caused by the ongoing conflict.

With reference to the flooding events that particularly affected the territories of Emilia-Romagna, was the implementation of the provisions of Article 11 of Decree Law No. 61/2023 (so-called Emilia-Romagna Flood Decree) and the Ordinance of the Head of the Civil Protection Department (OCDPC) No. 992 of 8 May 2023 and subsequent integrations.

Loans to customers classified as performing grew by 5.3% compared to the previous year, positively influenced by the entry of the acquired business units; the contribution of consumer lending remained positive.

The graph below shows the overall trend in loans to customers in recent years, which shows a growth rate over the last five years of +6.1%, due to the growth in volumes in the six months under review, partly offset by the contraction in non-performing loans in previous years.

Graph No. 7 - **TREND IN LOANS TO CUSTOMERS IN RECENT YEARS**



The table below details the breakdown of loans to customers by type at 30 June 2023 (compared to 31 December 2022), which shows the growth in medium/long-term mortgages and loans as a result of initiatives to support the production system and households.

Table No. 9 - **LOANS TO CUSTOMERS**

Amounts in Euro thousands	**30.06.2023**	**Incidence %**	**31.12.2022**	**Incidence %**	**Changes Value**	**Changes %**
Mortgages	8,621,173	71.2%	8,070,567	70.4%	550,606	6.8%
fixed rate	*5,118,219*	*42.3%*	*4,717,879*	*41.1%*	*400,340*	*8.5%*
variable rate	*818,460*	*6.8%*	*579,848*	*5.1%*	*238,612*	*41.2%*
mixed rate [(1)]	*2,684,494*	*22.1%*	*2,772,840*	*24.2%*	*-88,346*	*-3.2%*
Current accounts	956,688	7.9%	958,597	8.3%	-1,909	-0.2%
Finance lease	153,729	1.3%	151,027	1.3%	2,702	1.8%
Credit cards, personal loans and salary-backed loans	1,328,906	11.0%	1,216,041	10.6%	112,865	9.3%
Other transactions	1,048,528	8.6%	1,084,384	9.4%	-35,856	-3.3%
Loans to customers	**12,109,024**	**100.0%**	**11,480,616**	**100.0%**	**628,408**	**5.5%**

[(1)] This category of loans includes loans the interest rate of which may change from fixed to variable at maturities and/or conditions set in the contract.

The sub-item "Other transactions" 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).

Within the breakdown of gross loans, including guarantees, the percentage incidence of utilisations attributable to the first customers at the end of the first half of the current year continues to express a high degree of risk fractioning.

Table No. 10 - **CREDIT CONCENTRATION RATIOS ON TOP CUSTOMERS**

Number of customers	**30.06.2023**	**31.12.2022**
Top 10	0.95%	1.09%
Top 20	1.64%	1.85%
Top 30	2.22%	2.51%
Top 50	3.22%	3.62%

The table below summarises the gross and net indicators of credit risk and related coverage levels. In the first half of the year, there were entries of non-performing loans (non-performing UTP and past-due) for about Euro 20 million related to the acquisition of the BPER units, and disposals of unsecured bad loans for about Euro 50 million. The reduction in coverage levels is mainly due to the high coverage rate (over 90%) of assigned receivables.

Table No. 11 - **INDICATORS OF THE RISKINESS OF LOANS TO CUSTOMERS AND RELATED HEDGES**

	30.06.2023					
Amounts in Euro thousands	Gross exposure	Incidence % of total loans	Value adjustments	Coverage ratio	Net exposure	Incidence % of total loans
Bad loans	156,944	1.3%	(101,402)	64.6%	55,542	0.5%
Unlikely to pay	236,583	1.9%	(77,696)	32.8%	158,887	1.3%
Impaired past-due	12,633	0.1%	(1,606)	12.7%	11,027	0.1%
Total impaired	**406,160**	**3.3%**	**(180,704)**	**44.5%**	**225,456**	**1.9%**
Stage 1 exposures	9,912,035	80.0%	(17,854)	0.18%	9,894,181	81.7%
Stage 2 exposures	2,076,373	16.7%	(86,986)	4.19%	1,989,387	16.4%
Performing exposures	**11,988,408**	**96.7%**	**(104,840)**	**0.87%**	**11,883,568**	**98.1%**
Total loans to customers	**12,394,568**	**100.0%**	**(285,544)**	**2.3%**	**12,109,024**	**100.0%**

	31.12.2022					
Amounts in Euro thousands	Gross exposure	Incidence % of total loans	Value adjustments	Coverage ratio	Net exposure	Incidence % of total 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%**

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.

At 30 June 2023, the coverage on non-performing loans net of government guarantees was 48.4% (formerly 53.2 at 31 December 2022).

Table No. 12 - **INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS**

% Coverage of non-performing and performing loans	**30.06.2023**	**31.12.2022**
% Coverage of bad loans	64.61%	67.26%
% Coverage of bad loans before write-offs	64.96%	67.62%
% Total coverage of non-performing loans	44.49%	49.61%
% Coverage of non-performing loans before write-offs	44.71%	49.87%
% Coverage of performing loans	0.87%	0.88%

The securities portfolio, derivatives and the interbank position

The securities portfolio

At 30 June 2023, the Bank's total financial assets amounted to approximately Euro 4.0 billion, substantially in line with the previous year-end figure, as reported in the following table.

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

Table No. 13 - **FINANCIAL ASSETS: COMPOSITION OF THE GROUP'S OWNERSHIP PORTFOLIO**

Amounts in Euro thousands	30.06.2023	Incidence %	31.12.2022	Incidence %	Changes Value	Changes %
Trading portfolio and derivatives (FVTPL)	**184,316**	**4.6%**	**198,919**	**5.0%**	**-14,603**	**-7.3%**
Debt securities	8,628		18,659			
Equity securities	5,733		5,704			
Mutual funds and SICAV	111,575		112,817			
Trading and hedging derivatives	58,380		61,739			
Banking book (FVOCI)	**830,016**	**20.9%**	**842,346**	**21.0%**	**-12,330**	**-1.5%**
Debt securities	816,808		827,845			
Equity securities	13,208		14,501			
Financial assets at amortised cost (AC)	**2,960,589**	**74.5%**	**2,977,146**	**74.0%**	**-16,557**	**-0.6%**
Debt securities (*)	2,960,589		2,977,146			
Financial assets	**3,974,921**	**134.3%**	**4,018,411**	**135.0%**	**-43,490**	**-1.1%**
of which Securities Portfolio	**3,916,541**	**98.5%**	**3,956,672**	**98.5%**	**-40,131**	**-1.0%**

(*) Includes senior securities from the sale of own non-performing loans

The first half of 2023 was characterised by the rapid continuation of the interest rate increase monetary policies already undertaken by the major Central Banks during 2022. In fact, the inflation rate, coinciding with a now global post-Covid-19 reopening, showed a much lower cooling process than the monetary authorities had hoped for; coinciding also with a particularly buoyant labour market in the major advanced economies, which supported a high recovery in spending concentrated especially in the service sector. The bond market therefore suffered from this rate policy, especially in the short end of the curves, while long-term bond prices remained supported by expectations of a future easing of monetary tightening, which led to a marked inversion of the curves. Stock markets were characterised by a half-year of good growth with the exception of China.

There was a gradual slowdown in economic growth, especially in the industrial sector, while personal consumption and economic indicators related to the service sector remained robust.

The investment policy of the Held to Collect ("HTC" - "primary" investment portfolio for the support of the net interest income and the collection of cash flows, with the possibility of selling only in case of need and according to the limits of the relevant Business Model) and Held to Collect and Sell ("HTCS" - Portfolio where securities are held for treasury needs) is characterised by a significant exposure in Italian government securities. The investment process continued in line with the previous year, maintaining a stable duration of the portfolios compared to 31 December 2022: from 2.59 to 2.54 for the HTC portfolio and from 1.87 to 1.73 for the HTCS portfolio.

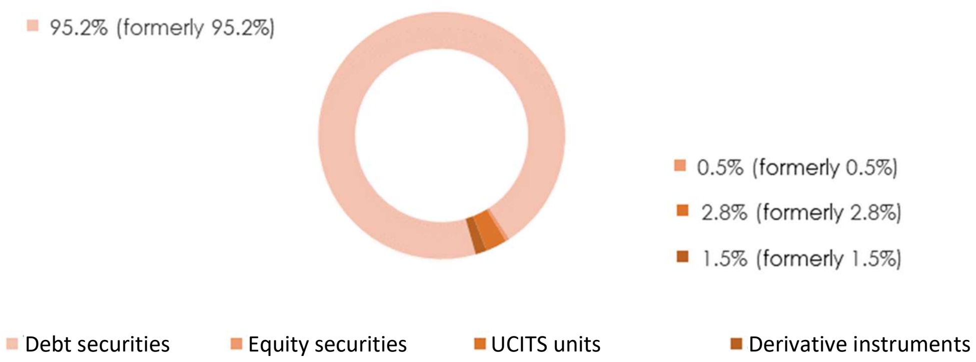
In view of the tensions on the financial markets, the Group was particularly careful with its funding sources. In this regard, the Bank placed 3 bond issues in its network for a total nominal amount of Euro 150 million. In addition, the financing of non-eligible assets in the securities portfolio continued with Long Term Repo transactions for a cash out of about Euro 227 million.

In June, the Group underwrote the new BTP Valore with a maturity of 4 years. The issue was well received by our customers, with a total subscribed amount of Euro 107,095,000.

It should also be noted that, with a view to streamlining processes, in the first half of 2023 the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

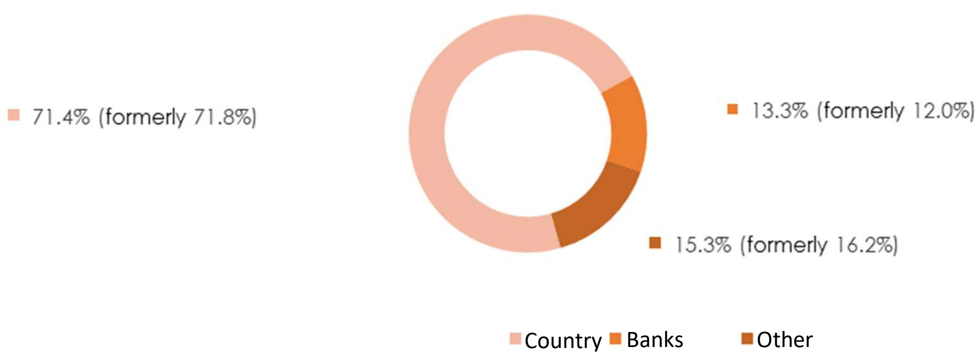
The percentage composition of the portfolio by type of security is depicted in the graph below, which shows that debt securities continue to account for the bulk (95.2%) of the total investment.

Graph No. 8 - **% BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2023 BY SECURITY TYPE**



With reference to the issuers of securities, the overall portfolio at the end of the half-year consisted of 71.4% government securities, 13.3% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 9 - **% BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2023 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 30.06.2023 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. 14 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER**

Amounts in Euro thousands		30.06.2023				31.12.2022			
		Italy	Spain	ted Kingdom	Total	Italy	Spain	ed Kingdom	Total
Financial assets measured at fair value through other comprehensive income	Nominal value	831,000		583	831,583	851,000		564	851,564
	Carrying amount	788,850		566	789,416	798,296		543	798,839
Financial assets measured at amortised cost	Nominal value	2,008,290	65,000		2,073,290	2,048,290	65,000		2,113,290
	Carrying amount	1,977,957	64,162		2,042,119	2,017,013	63,880		2,080,893
Sovereign debt securities	**Nominal value**	**2,839,290**	**65,000**	**583**	**2,904,873**	**2,899,290**	**65,000**	**564**	**2,964,854**
	Carrying amount	**2,766,807**	**64,162**	**566**	**2,831,535**	**2,815,309**	**63,880**	**543**	**2,879,732**

(1) this representation does not include, at 30.06.2023, the investment in HTC securities issued by Invitalia for Euro 3,609 million (Euro 3,519 million at 31.12.2022) and in HTC securities issued by Amco-Ass Mng Co SpA for Euro 2,536 million

Table No. 15 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO, ISSUER AND RESIDUAL MATURITY**

Amounts in Euro thousands		Italy	Spain	Jnited Kingdom	30.06.2023 Nominal value	Carrying amount
Financial assets measured at fair value through other comprehensive income	up to 1 year	240,000	-	583	240,583	241,807
	1 to 3 years	310,000	-	-	310,000	295,491
	3 to 5 years	-	-	-	-	-
	over 5 years	281,000	-	-	281,000	252,118
	Total	831,000	-	583	831,583	789,416
Financial assets measured at amortised cost	up to 1 year	447,500	-	-	447,500	451,960
	1 to 3 years	270,000	-	-	270,000	265,501
	3 to 5 years	324,790	-	-	324,790	318,587
	over 5 years	966,000	65,000	-	1,031,000	1,006,071
	Total	2,008,290	65,000	-	2,073,290	2,042,119
Sovereign debt securities	**up to 1 year**	**687,500**	**-**	**583**	**688,083**	**693,767**
	1 to 3 years	**580,000**	**-**	**-**	**580,000**	**560,992**
	3 to 5 years	**324,790**	**-**	**-**	**324,790**	**318,587**
	over 5 years	**1,247,000**	**65,000**	**-**	**1,312,000**	**1,258,189**
	Total	**2,839,290**	**65,000**	**583**	**2,904,873**	**2,831,535**

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.

Derivative financial instruments

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 by setting up Fair Value Hedge and Macro Fair Value Hedge transactions.

The aggregate of net trading derivatives corresponds to the imbalance between the derivatives included in the financial statements item 20 a) of assets "Financial assets at fair value through profit or loss - held for trading" and 20 of liabilities "Financial liabilities held for trading"; this aggregate consists mainly of derivatives on interest rates, currencies traded with customers and forward currency transactions.

Derivative financial instruments also include derivatives related to the Covered Bond- Desio OBG Programme and the Coppedè self-securitisation transaction put in place by the subsidiary Fides.

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

Table No. 16A - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: CARRYING AMOUNT**

Amounts in Euro thousands	Carrying amount 30.06.2023	31.12.2022	Changes Value	%
Net hedging derivative financial instruments	**55,210**	**59,099**	**-3,889**	**-6.6%**
hedging financial assets	55,594	59,099	-3,505	-5.9%
hedging financial liabilities	-384	0	-384	n.s.
Net trading derivative financial instruments	**-1,421**	**-1,490**	**69**	**-4.6%**
financial assets held for trading	2,786	2,639	147	5.6%
financial liabilities held for trading	-4,207	-4,130	-77	1.9%
Net derivative financial instruments	**53,789**	**57,609**	**-3,820**	**-6.6%**

Table No. 16B - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: NOTIONAL VALUE**

Amounts in Euro thousands	Notional value 30.06.2023	31.12.2022	Changes Value	%
Hedging derivative financial instruments	**905,000**	**855,000**	**50,000**	**5.8%**
hedging financial assets	*835,000*	*855,000*	*-20,000*	*-2.3%*
hedging financial liabilities	*70,000*	*0*	*70,000*	*n.s.*
Trading derivative financial instruments	**287,363**	**203,958**	**83,405**	**40.9%**
hedging financial assets	*139,087*	*97,470*	*41,617*	*42.7%*
hedging financial liabilities	*148,276*	*106,488*	*41,788*	*39.2%*
Total derivative financial instruments	**1,192,363**	**1,058,958**	**133,405**	**12.6%**

Net interbank position

The Group's net interbank position at 30 June 2023 was a debit position of about Euro 2.9 billion, compared to an always debit balance of about Euro 3.1 billion at the end of the previous year.

The table below provides a breakdown of the net interbank position.

Table No. 17 - **GROUP NET INTERBANK POSITION**

Amounts in Euro thousands	30.06.2023	Incidence %	31.12.2022	Incidence %	Changes Value
Loans with central banks	**56,159**	**1.9%**	**83,020**	**2.7%**	**-26,861**
Loans with banks	**244,022**	**8.5%**	**177,325**	**5.7%**	**66,697**
Current accounts and demand deposits	53,316	1.9%	59,187	1.9%	-5,871
Fixed-term deposits	17,617	0.6%	9,390	0.3%	8,227
Loans and other receiv ables	173,089	6.0%	108,748	3.5%	64,341
Payables to central banks	**2,649,604**	**-91.7%**	**3,004,994**	**-96.3%**	**-355,390**
Payables to banks	**539,121**	**-18.7%**	**376,356**	**-12.1%**	**162,765**
Current accounts and demand deposits	44,461	-1.6%	88,136	-2.9%	-43,675
Repurchase agreements and securities lending	494,660	-17.1%	288,220	-9.2%	206,440
Net interbank position	**-2,888,544**	**100.0%**	**-3,121,005**	**100%**	**232,461**

Equity and capital adequacy

Equity attributable to the Parent Company at 30 June 2023, including the profit for the period, totalled Euro 1,296.7 million, compared to Euro 1,122.5 million in 2022. The positive change of Euro 174.3 million is mainly attributable to the positive effect on the profit for the period deriving from (i) the acquisition of the BPER Group's business units and (ii) the sale of the merchant acquiring business unit to Worldline Italia.

The table below shows the reconciliation of the Parent Company's equity and profit for the period with the corresponding values at the consolidated level at 30 June 2023, also explaining the equity and economic effects related to the consolidation of subsidiaries and associates.

Table No. 18 - **RECONCILIATION BETWEEN EQUITY AND NET RESULT OF THE PARENT COMPANY AND CONSOLIDATED FIGURES AT 30.06.2023**

Amounts in Euro thousands	**Equity**	***of which Profit for the period***
Balances of the Parent Company Banco Desio	***1,293,633***	***194,118***
Effect of the consolidation of subsidiaries	3,076	2,063
Effect of equity valuation of associates	1	-26
Dividends for the period	-	-2,810
Consolidated balances of the Banco Desio Group	**1,296,710**	**193,345**

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. Regulation EU 873/2020 subsequently amended the aforementioned transitional provisions of IFRS 9, enabling banks to sterilise the capital impacts associated with the increase in loan impairments recognised in the period 2020 - 2024 in a decreasing manner compared to 1 January 2020 for stage 1 and stage 2 portfolios.

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) 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. This section therefore sets out the results of this calculation, relating to the prudential consolidation perimeter of the company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (the financial parent company).

The Bank of Italy ordered with "SREP" measure, communicated to the market on 12 April 2023, that starting from the reporting on own funds at 30 June 2023, the Brianza Unione "CRR" Group should adopt the new capital ratios at consolidated level as follows:

- **CET 1 ratio of 7.60%**, comprising a binding measure of 5.10% (of which 4.50% against the minimum regulatory requirements and 0.60% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component;
- **Tier 1 ratio of 9.30%**, comprising a binding measure of 6.80% (of which 6.00% against the minimum regulatory requirements and 0.80% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component;

- **Total Capital ratio of 11.50%**, comprising a binding measure of 9.00% (of which 8.00% against the minimum regulatory requirements and 1.00% against the additional requirements determined as a result of the SREP) and the remainder from the capital conservation buffer component.

Consolidated own funds calculated on the financial parent company Brianza Unione amounted to Euro 1,071.6 million at 30 June 2023 (CET1 + AT1 at Euro 987.7 million + T2 at Euro 83.9 million) compared to Euro 989.7 million at the end of the previous year. The Common Equity Tier1 capital ratio was 12.0% (11.0% at 31 December 2022). The Tier1 ratio was 12.8% (11.8% at 31 December 2022), while the Total Capital ratio was 13.9% (12.9% at 31 December 2022). Assuming the issuance of the 60 million PO Subordinated Tier 2 on 30 June 2023, the pro-forma Total Capital ratio at the same date was estimated at 14.7%. The following table shows the "CRR" consolidated prudential requirements of the Brianza Unione Group with and without application of the transitional provisions.

	30.06.2023	
	Application of transitional regime	Fully loaded
OWN FUNDS		
Common Equity Tier 1 (CET1) capital	922,773	
Common Equity Tier 1 (CET1) capital without application of transitional provisions		*912,017*
Tier 1 capital	987,659	
Tier 1 capital without application of transitional provisions		*976,672*
Total own funds	1,071,628	
Total own funds without application of transitional provisions		*1,060,343*
RISK ASSETS		
Risk-weighted assets	7,696,997	
Risk-weighted assets without application of transitional provisions		*7,669,629*
SUPERVISORY RATIOS		
CET 1 capital/Risk-weighted assets (CET1 capital ratio)	11.989%	
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		*11.891%*
Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	12.832%	
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		*12.734%*
Total own funds/Risk-weighted assets (Total capital ratio)	13.923%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		*13.825%*

Consolidated Own Funds calculated on the other hand for the Banco Desio Group, after pay out forecasts, as per dividend policy, amounted to Euro 1,271.8 million at 30 June 2023, entirely attributed to CET1 + AT1, compared to Euro 1,132.9 million at the end of the previous year. The Common Equity Tier1 capital ratio was 16.5% (14.8% at 31 December 2022). The Tier1 ratio was 16.5% (14.8% at 31 December 2022), the Total Capital ratio was also 16.5% (14.8% at 31 December 2022). Assuming the issuance of the 60 million PO Subordinated Tier 2 on 30 June 2023, the pro-forma Total Capital ratio at the same date was estimated at 17.3%. The following table shows the consolidated prudential requirements of the Banco Desio Group with and without application of the transitional provisions.

	30.06.2023	
	Application of transitional regime	Fully loaded
OWN FUNDS		
Common Equity Tier 1 (CET1) capital	1,271,821	
Common Equity Tier 1 (CET1) capital without application of transitional provisions		*1,252,533*
Tier 1 capital	1,271,822	
Tier 1 capital without application of transitional provisions		*1,252,534*
Total own funds	1,271,823	
Total own funds without application of transitional provisions		*1,252,535*
RISK ASSETS		
Risk-weighted assets	7,696,997	
Risk-weighted assets without application of transitional provisions		*7,669,629*
SUPERVISORY RATIOS		
CET 1 capital/Risk-weighted assets (CET1 capital ratio)	16.524%	
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		*16.331%*
Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	16.524%	
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		*16.331%*
Total own funds/Risk-weighted assets (Total capital ratio)	16.524%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		*16.331%*

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

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 *Condensed half-year 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 non-performing 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", 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";
- 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";

- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "190 b) Other administrative expenses" to the item "Banking system expenses";
- provisions and expenses of an extraordinary or "one-off" nature are reclassified under the item "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".

Profit for the period increased by about Euro 139.3 million (+257.3%), mainly benefiting from the positive non-recurring effects of the acquisition of the BPER Group's business units with the recognition of the provisional gross badwill of Euro 53.3 million resulting from the purchase price allocation (PPA) process, and from the sale to Worldline Italia of the merchant acquiring business unit with the recognition of a gross gain of Euro 98.5 million.

Table No. 19 - **RECLASSIFIED INCOME STATEMENT**

Items *Amounts in Euro thousands*		30.06.2023	30.06.2022	Changes Value	 %
10+20	Net interest income	168,585	131,696	36,889	28.0%
70	Dividends and similar income	554	549	5	0.9%
40+50	Net commissions	99,857	97,726	2,131	2.2%
80+90+100+110	Net result of financial assets and liabilities	4,005	8,550	-4,545	-53.2%
230	Other operating income/expenses	1,002	1,234	-232	-18.8%
	Operating income	**274,003**	**239,755**	**34,248**	**14.3%**
190 a	Personnel expenses	-94,611	-85,499	-9,112	10.7%
190 b	Other administrative expenses	-48,976	-41,434	-7,542	18.2%
210+220	Net value adjustments on tangible and intangible assets	-5,253	-4,971	-282	5.7%
	Operating expenses	**-148,840**	**-131,904**	**-16,936**	**12.8%**
	Result from operations	**125,163**	**107,851**	**17,312**	**16.1%**
130a+100a	Cost of credit	-26,740	-27,713	973	-3.5%
130 b	Net value adjustments on own securities	-582	-2,106	1,524	-72.4%
140	Gains/losses from contractual amendments without derecognition	70	-45	115	n.s.
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	417	-49	466	n.s.
200 b	Net allocations to provisions for risks and charges - other	-3,227	-1,066	-2,161	202.7%
	Charges related to the banking system	-6,798	-7,263	465	-6.4%
250	Gains (Losses) on investments	-22	0	-22	n.s.
	Current result before taxes	**88,281**	**69,609**	**18,672**	**26.8%**
300	Income taxes on current operations	-29,122	-23,108	-6,014	26.0%
	Current result after taxes	**59,159**	**46,501**	**12,658**	**27.2%**
260	Net result of fair value measurement of tangible and intangible assets	0	0		
280	Gains (losses) on disposal of investments	0	0		
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues	149,432	8,438	140,994	n.s.
	Non-recurring result before taxes	**149,432**	**8,438**	**140,994**	**n.s.**
	Income taxes on non-recurring items	-15,246	-821	-14,425	n.s.
	Non-recurring result after taxes	**134,186**	**7,617**	**126,569**	**n.s.**
330	**Profit (Loss) for the year**	**193,345**	**54,118**	**139,227**	**257.3%**
340	Profit (Loss) for the period attributable to minority interests	0	0		
350	**Profit (Loss) for the period attributable to the Parent Company**	**193,345**	**54,118**	**139,227**	**257.3%**

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.

Items		From Financial Statements	Reclassifications												Reclassified statement
Amounts in Euro thousands		30.06.2023	Non-performing loans valuation effects	Fides brokerage commission	Commission income	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	Personnel expenses	Income taxes	30.06.2023
10+20	Net interest income	174,559	-2,135	-4,405						0		566			168,585
70	Dividends and similar income	554													554
40+50	Net commissions	93,659		4,405	1,793										99,857
80+90+100 +110	Net result of financial assets and liabilities	-4,418							8,423	0					4,005
230	Other operating income/expenses	70,350				-16,670		616		-53,294					1,002
	Operating income	**334,704**	**-2,135**	**0**	**1,793**	**-16,670**	**0**	**616**	**8,423**	**-53,294**	**0**	**566**	**0**	**0**	**274,003**
190 a	Personnel expenses	-94,589								-10			-12		-94,611
190 b	Other administrative expenses	-68,982				16,670				2,360	6,798	-5,822			-48,976
210+220	Net value adjustments on tangible and intangible assets	-9,893						-616				5,256			-5,253
	Operating expenses	**-173,464**	**0**	**0**	**0**	**16,670**	**0**	**-616**	**0**	**2,350**	**6,798**	**-566**	**-12**	**0**	**-148,840**
	Result from operations	**161,240**	**-2,135**	**0**	**1,793**	**0**	**0**	**0**	**8,423**	**-50,944**	**6,798**	**0**	**-12**	**0**	**125,163**
130a+100a	Cost of credit	-20,578	2,135				577		-8,423	-451					-26,740
130 b	Net value adjustments on own securities	-5					-577								-582
140	Gains/losses from contractual amendments without derecognition	70													70
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	417													417
200 b	Net allocations to provisions for risks and charges - other	-3,678								451					-3,227
	Charges related to the banking system									0	-6,798				-6,798
250	Gains (Losses) on investments	-22													-22
	Current result before taxes	**137,444**	**0**	**0**	**1,793**	**0**	**0**	**0**	**0**	**-50,944**	**0**	**0**	**-12**	**0**	**88,281**
300	Income taxes on current operations	-42,524												13,402	-29,122
															0
	Current result after taxes	**94,920**	**0**	**0**	**1,793**	**0**	**0**	**0**	**0**	**-50,944**	**0**	**0**	**-12**	**13,402**	**59,159**
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues		0				0			149,432	0				149,432
	Non-recurring result before taxes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**149,432**	**0**	**0**	**0**	**0**	**149,432**
	Income taxes on non-recurring items													-15,246	-15,246
	Non-recurring result after taxes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**149,432**	**0**	**0**	**0**	**-15,246**	**134,186**
320	Profit (Loss) from discontinued operations after taxes	98,425			-1,793					-98,488			12	1,844	0
330	**Profit (Loss) for the year**	**193,345**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**193,345**
340	Profit (Loss) for the period attributable to minority interests	0													0
350	**Profit (Loss) for the period attributable to the Parent Company**	**193,345**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**193,345**

Banco Desio

Items		From Financial Statements	Reclassifications										Reclassified statement
Amounts in Euro thousands		30.06.2022	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	30.06.2022
10+20	Net interest income	137,042	-2,027	-3,642							323		131,696
70	Dividends and similar income	549											549
	Gains (Losses) on investments in associates												0
40+50	Net commissions	94,084		3,642									97,726
80+90+100 +110	Net result of financial assets and liabilities	1,654	0					6,896					8,550
230	Other operating income/expenses	25,716			-15,902		720		-9,300				1,234
	Operating income	**259,045**	**-2,027**		**-15,902**	**0**	**720**	**6,896**	**-9,300**	**0**	**323**	**0**	**239,755**
190 a	Personnel expenses	-85,510							11				-85,499
190 b	Other administrative expenses	-60,415			15,902				851	7,263	-5,035		-41,434
210+220	Net value adjustments on tangible and intangible assets	-8,963					-720				4,712		-4,971
	Operating expenses	**-154,888**	**0**		**15,902**	**0**	**-720**	**0**	**862**	**7,263**	**-323**	**0**	**-131,904**
	Result from operations	**104,157**	**-2,027**		**0**	**0**	**0**	**6,896**	**-8,438**	**7,263**	**0**	**0**	**107,851**
130a+100a	Cost of credit	-24,929	2,027			2,000		-6,896	85				-27,713
130 b	Net value adjustments on own securities	-106				-2,000							-2,106
140	Gains/losses from contractual amendments without derecognition	-45											-45
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	-49											-49
200 b	Net allocations to provisions for risks and charges - other	-981							-85				-1,066
	Charges related to the banking system									-7,263			-7,263
	Current result before taxes	**78,047**	**0**	**0**	**0**	**0**	**0**	**0**	**-8,438**	**0**	**0**	**0**	**69,609**
300	Income taxes for the year on current operations	-23,929										821	-23,108
	Current result after taxes	**54,118**	**0**		**0**	**0**	**0**	**0**	**-8,438**	**0**	**0**	**821**	**46,501**
250+280	Net result of fair value measurement of tangible and intangible assets	0											0
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues								8,438	0			8,438
	Non-recurring profit (loss) before taxes	**0**	**0**		**0**	**0**	**0**	**0**	**8,438**	**0**	**0**	**0**	**8,438**
	Income taxes for the year on non-recurring items											-821	-821
	Non-recurring profit (loss) after taxes	**0**	**0**		**0**	**0**	**0**	**0**	**8,438**	**0**	**0**	**-821**	**7,617**
330	**Profit (loss) for the period**	**54,118**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**54,118**
340	Profit (Loss) for the period attributable to minority interests	0											0
350	**Profit (Loss) for the period attributable to the Parent Company**	**54,118**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**54,118**

The main cost and revenue components of the reclassified income statement, which were affected by the non-recurring effects of the extraordinary transactions recognised during the half-year, are analysed below: (i) acquisition of the business units owned by the BPER Group and (ii) sale of the merchant acquiring business unit to Worldline Italia.

Operating income

The core revenue items from operations increased by approximately Euro 34.2 million (+14.3%) compared to the comparison period, amounting to Euro 274.0 million. This performance is mainly attributable to the growth in *net interest income* of Euro 36.9 million (+28.0%), *net commissions* of Euro 2.1 million (+2.2%), partially offset by the reduction in *net income from financial assets and liabilities* of Euro 4.5 million (-53.2%) and *other operating income and expenses* of Euro 0.2 million (-18.8%).

Finally, dividends amounted to Euro 0.6 million, in line with the comparison period.

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 approximately Euro 148.8 million (Euro 131.9 million in the comparison period), showing an increase compared to the comparison period of respectively Euro 9.1 million (+10.7%), Euro 7.5 million (+18.2%) and Euro 0.3 million (+5.7%).

Result from operations

Consequently, *the result from operations* at 30 June 2023 amounted to Euro 125.2 million, an increase over the comparison period (+16.1%).

Current result after taxes

From the *result of operations* of Euro 125.2 million, we arrive at the *current result after taxes* of Euro 59.2 million, an increase of 27.2% compared to that of Euro 46.5 million in the comparison period, mainly due to:

- the *cost of credit* (given by the balance of *Net value adjustments for impairment of financial assets at amortised cost and gains (losses) on sale or repurchase of loans*), amounting to approximately Euro 26.7 million (roughly Euro 27.7 million in the previous period);
- *net value adjustments on securities owned* for Euro 0.6 million (Euro 2.1 million in the comparison period);
- negative *net allocations to provisions for risks and charges* of Euro 2.8 million (negative by Euro 1.1 million in the comparison period);
- *charges related to the banking system* of approximately Euro 6.8 million (Euro 7.3 million in the comparison period);
- *income taxes on current operations* of Euro 29.1 million (formerly Euro 23.1 million).

Non-recurring operating result after taxes

At 30 June 2023, there was a *non-recurring operating profit after taxes* of Euro 134.2 million (positive for Euro 7.6 million in the comparison period). The item essentially consists of:

- the income of Euro 98.5 million, net of the related administrative costs, following the completion of the transfer transaction to Worldline Italia of the merchant acquiring business of Banco Desio (so-called "*Aquarius Transaction*");
- the provisional badwill of Euro 53.3 million resulting from the purchase price allocation (PPA) process relating to the acquisition of 48 bank branches from BPER Banca S.p.A. (formerly Carige S.p.A.) and by Banco di Sardegna S.p.A. with effect from 20 February 2023 (so-called "*Lanternina Transaction*");
- expenses amounting to Euro 2.4 million relating to consultancy and IT migration costs associated with the above-mentioned *Lanternina Transaction*

after the related negative tax effect of Euro 15.2 million.

In the comparison period, the item *Non-recurring operating result after taxes* included:

- the release of Euro 9.3 million of the provision recognised in the 2021 financial statements to reflect the assessment on the non-compensation of the first tranche of certain super-bonus tax credits acquired from third parties and subject to seizure;
- the cost component of Euro 0.9 million for expenses connected to non-recurring transactions.

after the related positive tax effect of Euro 0.8 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).

Result for the period 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 30 June 2023 of Euro 193.3 million.

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 (API) 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.

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

Balance sheet values

Amounts in Euro thousands	30.06.2023	31.12.2022	Changes abs.	%
Total assets	19,263,188	17,512,772	1,750,416	10.0%
Financial assets	3,974,921	4,018,412	-43,491	-1.1%
Cash and cash equivalents [1]	1,978,098	879,414	1,098,684	124.9%
Loans with banks [2]	255,356	216,773	38,584	17.8%
Loans to customers[2]	12,100,241	11,472,208	628,034	5.5%
Tangible assets [3]	223,512	217,639	5,873	2.7%
Intangible assets	13,812	12,925	887	6.9%
Non-current assets and groups of assets held for sale	0	1	-1	-100.0%
Payables to banks	3,188,724	3,381,350	-192,626	-5.7%
Payables to customers [4] [5]	12,265,554	11,113,575	1,151,979	10.4%
Securities issued	1,684,659	1,536,151	148,508	9.7%
Equity (including Profit for the period)	1,293,633	1,118,613	175,020	15.6%
Own Funds	1,278,342	1,138,412	139,930	12.3%
Total indirect inflows	19,554,841	17,082,615	2,472,226	14.5%
of which Indirect inflows from ordinary customers	*12,242,868*	*10,135,327*	*2,107,541*	*20.8%*
of which Indirect inflows from institutional customers	*7,311,973*	*6,947,288*	*364,685*	*5.2%*

[1] At 30 June 2023, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.9 million relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits (Euro 765 million at the end of the previous period)

[2] 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.

[3] the balance of the item at 30 June 2023 includes the right of use (RoU Asset) amounting to Euro 57.5 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019

[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 899 million (Euro 503 million at 31 December 2022)

Income statement values [6]

Amounts in Euro thousands	30.06.2023	30.06.2022	Changes abs.	%
Operating income	264,679	232,324	32,355	13.9%
of which Net interest income	*156,881*	*122,307*	*34,574*	*28.3%*
Operating expenses	143,884	127,562	16,322	12.8%
Result from operations	120,795	104,762	16,033	15.3%
Charges related to the banking system	6,798	7,263	-465	-6.4%
Current result after taxes	59,932	50,621	9,311	18.4%
Non-recurring result after taxes	134,186	7,617	126,569	n.s.
Profit (loss) for the year	194,118	58,238	135,880	233.3%

[6] from reclassified Income Statement

Equity, economic and risk ratios

	30.06.2023	31.12.2022	Changes abs.
Equity/Total assets	6.7%	6.4%	0.3%
Equity/Loans to customers	10.7%	9.8%	0.9%
Equity/Payables to customers	10.5%	10.1%	0.4%
Equity/Securities issued	76.8%	72.8%	4.0%
Common Equity Tier1 (CET1)/Risk-weighted assets (Common Equity Tier 1) [7]	17.9%	15.9%	2.0%
Total Tier 1 capital (T1)/Risk-weighted assets (Tier 1) [7]	17.9%	15.9%	2.0%
Total Own funds/Risk-weighted assets (Total capital ratio) [7]	17.9%	15.9%	2.0%
Financial assets/Total assets	20.6%	22.9%	-2.3%
Loans with banks/Total assets	1.3%	1.2%	0.1%
Loans to customers/Total assets	62.8%	65.5%	-2.7%
Loans to customers/Direct inflows from customers	86.7%	90.7%	-4.0%
Payables to banks/Total assets	16.6%	19.3%	-2.7%
Payables to customers/Total assets	63.7%	63.5%	0.2%
Securities issued/Total assets	8.7%	8.8%	-0.1%
Direct inflows from customers/Total assets	72.4%	72.2%	0.2%
	30.06.2023	**30.06.2022**	**Changes abs.**
Operating expenses/Operating income (Cost/Income ratio)	54.4%	54.9%	-0.5%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	56.9%	58.0%	-1.1%
Net interest income/Operating income	59.3%	52.6%	6.7%
Result from operations/Operating income	45.6%	45.1%	0.5%
Current result after taxes/Equity - annualised [8] [9]	10.5%	9.2%	1.3%
Profit for the year/Equity [7] (R.O.E.) - annualised [9] [10]	22.7%	8.6%	14.1%
Current result before taxes/Total assets (R.O.A.) - annualised [9]	0.9%	0.8%	0.1%
	30.06.2023	**31.12.2022**	**Changes abs.**
Net bad loans/Loans to customers	0.5%	0.5%	0.0%
Net non-performing loans/Loans to customers	1.8%	1.7%	0.1%
% Coverage of bad loans	64.7%	67.4%	-2.7%
% Coverage of bad loans before write-offs	65.1%	67.7%	-2.6%
% Total coverage of non-performing loans	44.9%	50.2%	-5.3%
% Coverage of non-performing loans before write-offs	45.1%	50.4%	-5.3%
% Coverage of performing loans	0.86%	0.88%	-0.02%

Structure and productivity data

	30.06.2023	31.12.2022	Changes abs.	%
Number of employees	2,339	2,056	283	13.8%
Number of branches	280	232	48	20.7%
Amounts in Euro thousands				
Loans to customers per employee [11]	5,506	5,534	-28	-0.5%
Direct inflows from customers per employee [11]	6,348	6,102	246	4.0%
	30.06.2023	**30.06.2022**	**Changes abs.**	**%**
Operating income per employee [11] - annualised [9]	240	228	12	5.3%
Result from operations per employee [11] - annualised [9]	109	100	9	9.0%

[7] capital ratios at 30.06.2023 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 17.7%; Tier 1 17.7%; Total capital ratio 17.7%

[8] net of the result for the period

[9] the 2022 year-end figure at 30.06.2022 is shown

[10] the annualised ROE at 30.06.2023 does not consider the annualisation of the Net non-recurring operating result and dividends of the subsidiaries

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

Profit for the period increased by about Euro 135.9 million (+233.3%), mainly benefiting from the positive non-recurring effects of the acquisition of the BPER Group's business units with the recognition of the provisional gross badwill of Euro 53.3 million resulting from the purchase price allocation (PPA) process, and from the sale to Worldline Italia of the merchant acquiring business unit with the recognition of a gross gain of Euro 98.5 million.

The total value of loans to customers at 30 June 2023 amounted to approximately Euro 12.1 billion, up 5.5% compared to the balance at year-end 2022, and included loans arising from the aforementioned acquisition of business units from the BPER Group valued according to the criteria defined by the provisional purchase price allocation (PPA) process.

Equity at 30 June 2023, including the profit for the period, amounted to Euro 1,293.6 million, compared to Euro 1,118.6 million in 2022. The positive change of Euro 175.0 million is mainly attributable to the positive effect on the profit for the period deriving from (i) the acquisition of the BPER Group's business units and (ii) the sale of the merchant acquiring business unit to Worldline Italia.

The capital calculated according to the supervisory regulations, defined as Own Funds, after the payout forecasts, as per the dividend policy, amounted to Euro 1,278.3 million at 30 June entirely attributed to CET1 + AT1, compared to Euro 1,138.4 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 17.9%. Assuming the issuance of the 60 million PO Subordinated Tier 2 on 30 June 2023, the pro-forma Total Capital ratio at the same date was estimated at 18.7%.

Fides S.p.A.

Balance sheet values

Amounts in Euro thousands	**30.06.2023**	**31.12.2022**	**Changes abs.**	**%**
Total assets	1,219,695	1,138,706	80,989	7.1%
Loans with banks	52,829	49,885	2,944	5.9%
Loans to customers	1,152,995	1,075,574	77,421	7.2%
Tangible assets	3,113	3,295	-182	-5.5%
Intangible assets	1,501	1,512	-11	-0.7%
Payables to banks	1,144,375	1,067,271	77,105	7.2%
of which Payables to group banks	*1,144,375*	*1,067,271*	*77,105*	*7.2%*
Payables to customers	7,407	6,158	1,249	20.3%
Equity (including Profit for the year)	52,190	51,617	574	1.1%
Own Funds	48,992	48,319	673	1.4%

Income statement values [1]

Amounts in Euro thousands	30.06.2023	30.06.2022	Changes abs.	%
Operating income	10,676	8,637	2,039	23.6%
of which Net interest income	*16,073*	*12,995*	*3,078*	23.7%
Operating expenses	-5,016	-4,374	-642	14.7%
Result from operations	5,660	4,263	1,397	32.8%
Current result after taxes	3,307	2,543	764	30.0%
Non-recurring result after taxes	0	0		
Profit for the year	3,307	2,543	764	30.0%

[1] from reclassified Income Statement

Equity, economic and risk ratios

	30.06.2023	31.12.2022	Changes abs.
Equity/Total assets	4.3%	4.5%	-0.2%
Equity/Loans to customers	4.5%	4.8%	-0.3%
Equity/Payables to banks	4.6%	4.8%	-0.2%
Total Own funds/Risk-weighted assets (Total capital ratio)	8.0%	8.6%	-0.6%
Loans to customers/Total assets	94.5%	94.5%	0.0%
Payables to banks/Total assets	93.8%	93.7%	0.1%

	30.06.2023	30.06.2022	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	47.0%	50.6%	-3.6%
Net interest income/Operating income	150.5%	150.5%	0.0%
Result from operations/Operating income	53.0%	49.4%	3.6%
Current result after taxes/Equity [2]	6.8%	5.3%	1.5%
Profit for the year/Equity [2] (R.O.E.)	6.8%	5.3%	1.5%
Current result before taxes/Total assets (R.O.A.)	0.8%	0.4%	0.4%

	30.06.2023	31.12.2022	Changes abs.
Net bad loans/Loans to customers	0.1%	0.1%	0.0%
Net non-performing loans/Loans to customers	0.6%	0.6%	0.0%
% Coverage of bad loans	56.2%	56.2%	0.0%
% Total coverage of non-performing loans	28.4%	25.6%	2.8%
% Coverage of performing loans	0.13%	0.12%	0.1%

[2] net of the result for the year;

Structure and productivity data

	30.06.2023	31.12.2022	Changes abs.	%
Number of employees	64	59	5	8.5%
Amounts in Euro thousands	**30.06.2023**	**31.12.2022**	**Changes abs.**	**%**
Loans to customers per employee [4]	18,748	19,556	-808	-4.1%
Amounts in Euro thousands	**30.06.2023**	**31.12.2022**	**Changes abs.**	**%**
Operating income per employee [4] - annualised [3]	174	342	-168	-49.1%
Result from operations per employee [4] - annualised [3]	92	174	-82	-47.1%

[3] net of the result for the period;

[4] 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. wholly owned the company.

Current profit after taxes at 30 June 2023 amounted to approximately Euro 3.3 million, up compared to the profit of Euro 2.5 million in the comparison period; *operating income* amounted to Euro 10.7 million, up Euro 2.0 million compared to 30 June 2022, operating expenses to Euro 5.0 million (formerly Euro 4.4 million), the *result from operations* to Euro 5.7 million (formerly Euro 4.3 million). *Cost of credit* of about Euro 0.7 million and *taxes* of Euro 1.4 million (formerly Euro 1.2 million) lead to the result for the period.

Loans to customers increased from Euro 1,075.6 million at the end of 2022 to Euro 1,153.0 million at the reporting date, with a positive change of Euro 77.4 million (+7.2%).

Equity at 30 June 2023 including the result for the period amounted to Euro 52.2 million, compared to Euro 51.6 million in 2022 (due to the result of the period partly offset by the distribution of dividends). Regulatory *Own funds* went from Euro 48.3 million at the end of 2022 to Euro 49.0 million.

Other information

Ratings

On 30 March 2023, the international agency Fitch Ratings, following its annual rating review, confirmed all ratings assigned to the Bank.

The Agency's rating reflects the steady improvement in the Bank's fundamentals, particularly in terms of profitability and asset quality combined with solid capitalisation and an adequate funding profile. Over the past two years, the Bank, albeit in a market environment characterised by high volatility, has exceeded the targets of its business plan with an acceleration in its risk-reduction strategy, which has resulted in higher profitability and excess capital that the Bank has been able to deploy for growth. The recent acquisition of 48 branches from the BPER Group broadens the customer base with further benefits on revenue growth, with particular reference to cross-selling opportunities in wealth management and insurance, and on operational efficiency in line with the Bank's strategy.

In summary, the rating assigned by the Agency reflects the Bank's moderate risk profile, improved asset quality indicators, a good level of capitalisation and an adequate level of funding and liquidity.

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 26 April 2023, the update of the sustainability rating by the specialised agency "Standard Ethics" was announced, which updated Banco Desio's SER corporate rating, which is confirmed as "EE– ", in the sustainable grade area, also recognising the improvement of the outlook to "Positive" (for the related press release, refer to the web page: https:// https://www.standardethics.eu/media-en/press-releases/standard-ethics-assigns-positive-outlook-to-banco-desio-brianza/viewdocument/811

Existence of the conditions of Articles 15 and 16 of the "Market Regulation"

The conditions remain, as set forth in Articles 15 and 16 of the "Market Regulation", adopted by Consob resolution No. 20249 of 28 December 2017 referring, in this case, to the company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., holding company of the same Parent Company, as can be inferred from the description of the company, as set forth in the "Annual Report on Corporate Governance and Corporate Structure" of the Parent Company required by Article 123-*bis* of the Consolidated Law on Finance and made available on the website at www.bancodesio.it, in the section "Governance / Corporate Documents / Corporate Governance Report".

Related party transactions

For a description of the procedures regulating Related party transactions (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 of the Parent Company at www.bancodesio.it, in the section "Governance / Corporate Documents / Corporate Governance Report". For further information, reference is made to the specific section of the Condensed consolidated half-year financial statements.

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.

The Extraordinary and Ordinary Shareholders' Meeting of Banco Desio held on 27 April 2023, resolved on an 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 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 "2023 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website.

The Ordinary Shareholders' Meeting of 27 April also 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 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 (Section "The Bank/Governance/Meeting").

For further information, please refer to the specific section "Payment agreements based on own equity instruments" in this Consolidated half-year report.

Outlook and main risks and uncertainties

Based on the results achieved in the reporting period, it is deemed reasonable to assume that positive results will be achieved in the current year, provided that the macroeconomic scenario and/or the Group's reference markets do not show any significant adverse critical events beyond management's control.

Among the main factors of instability that could influence the Group's commercial and funding strategy are the Central Banks' initiatives to counter rising inflation by gradually increasing interest rates. In this context, the Banco Desio Group will continue to carefully monitor and anticipate the expected effects in the wake of the strategy and path of strengthening the renewal and focus of the business model undertaken and outlined in the D23 Business Plan, and the two strategically important transactions were finalised during the half-year of reference, relating to the acquisition of 48 branches from the BPER Group and the sale of the e-money/acquiring unit to Worldline.

The Bank's mission therefore continued 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.

For specific information on the description of the context in which this Report was prepared, with particular reference to the conflict in Ukraine, reference is made to the section "Drafting criteria and accounting standards" below. The disclosure "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak", contained in the Annual financial report at 31 December 2022, to which reference should be made, and this consolidated half-year report, also include a detailed illustration of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions, which are still impacted by the ongoing negative effects of the conflict in Ukraine and the Covid-19 pandemic, and the consequent application solutions adopted by the Group, 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.

In consideration of the Bank's capital solidity, the growing operational management with reference to the main commercial priorities of the strategic plan, the careful management of credit quality and the low NPL ratio confirming its commercial strength and resilience even in a macroeconomic context that is not stable due to the Russian-Ukrainian conflict, the Consolidated half-year financial report at 30 June 2023 was therefore prepared on a going concern basis.

Desio, 3 August 2023

The Board of Directors

Condensed consolidated half-year financial statements at 30 June 2023

FINANCIAL STATEMENTS

Banco Desio

CONSOLIDATED BALANCE SHEET

Asset items	30.06.2023	31.12.2022	Changes absolute	Changes %
10. Cash and cash equivalents	1,978,249	879,593	1,098,656	124.9%
20. Financial assets measured at fair value through profit or loss	128,722	139,820	(11,098)	-7.9%
a) Financial assets held for trading	15,804	25,764	(9,960)	-38.7%
c) Other financial assets mandatorily measured at fair value	112,918	114,056	(1,138)	-1.0%
30. Financial assets measured at fair value through other comprehensive income	830,016	842,346	(12,330)	-1.5%
40. Financial assets measured at amortised cost	15,316,479	14,658,920	657,559	4.5%
a) Loans with banks	729,334	632,089	97,245	15.4%
b) Loans to customers	14,587,145	14,026,831	560,314	4.0%
50. Hedging derivatives	55,594	59,099	(3,505)	-5.9%
60. Value adjustment of financial assets with macro hedges (+/-)	(16,973)	(19,593)	2,620	-13.4%
70. Investments	4,811	4,866	(55)	-1.1%
90. Tangible assets	226,625	220,934	5,691	2.6%
100. Intangible assets	20,839	19,963	876	4.4%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	132,579	157,532	(24,953)	-15.8%
a) current	722	3,640	(2,918)	-80.2%
b) deferred	131,857	153,892	(22,035)	-14.3%
120. Non-current assets and groups of assets held for sale		1	(1)	-100.0%
130. Other assets	616,764	577,843	38,921	6.7%
Total assets	**19,293,705**	**17,541,324**	**1,752,381**	**10.0%**

Liabilities and equity items	30.06.2023	31.12.2022	Changes absolute	Changes %
10. Financial liabilities measured at amortised cost	17,196,836	16,084,575	1,112,261	6.9%
a) Payables to banks	3,188,725	3,381,350	(192,625)	-5.7%
b) Payables to customers	12,323,452	11,167,074	1,156,378	10.4%
c) Securities issued	1,684,659	1,536,151	148,508	9.7%
20. Financial liabilities held for trading	4,207	4,130	77	1.9%
40. Hedging derivatives	384	-	384	0.0%
60. Tax liabilities	13,090	1,619	11,471	708.5%
a) current	12,048	582	11,466	n.s.
b) deferred	1,042	1,037	5	0.5%
70. Liabilities related to assets held for sale	-	11	(11)	-100.0%
80. Other liabilities	710,257	255,468	454,789	178.0%
90. Employee severance indemnity (TFR)	18,745	17,790	955	5.4%
100. Provisions for risks and charges	53,462	55,263	(1,801)	-3.3%
a) commitments and guarantees given	3,388	3,534	(146)	-4.1%
c) other provisions for risks and charges	50,074	51,729	(1,655)	-3.2%
120. Valuation reserves	(7,101)	(13,192)	6,091	-46.2%
150. Reserves	1,023,628	967,345	56,283	5.8%
160. Share premiums	16,145	16,145		
170. Capital	70,693	70,693		
190. Minority interests (+/-)	14	14		
200. Profit (loss) for the year (+/-)	193,345	81,463	111,882	137.3%
Total liabilities and equity	**19,293,705**	**17,541,324**	**1,752,381**	**10.0%**

Banco Desio

CONSOLIDATED INCOME STATEMENT

Items		30.06.2023	30.06.2022	Changes absolute	Changes %
10.	Interest and similar income	275,263	158,376	116,887	73.8%
	of which: interest income calculated using the effective interest rate method	201,568	115,447	86,121	74.6%
20.	Interest and similar expense	(100,704)	(21,334)	(79,370)	372.0%
30.	**Net interest income**	**174,559**	**137,042**	**37,517**	**27.4%**
40.	Commission income	105,185	99,754	5,431	5.4%
50.	Commission expenses	(11,526)	(10,158)	(1,368)	13.5%
60.	**Net commissions**	**93,659**	**89,596**	**4,063**	**4.5%**
70.	Dividends and similar income	554	549	5	0.9%
80.	Net trading result	1,178	1,826	(648)	-35.5%
90.	Net hedging result	1,637	804	833	103.6%
100.	Gains (losses) on sale or repurchase of:	(1,438)	4,530	(5,968)	n.s.
	a) financial assets measured at amortised cost	(2,201)	3,950	(6,151)	n.s.
	b) financial assets measured at fair value through other comprehensive income	486	577	(91)	-15.8%
	c) financial liabilities	277	3	274	n.s.
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(5,795)	(5,506)	(289)	5.2%
	b) other financial assets mandatorily measured at fair value	(5,795)	(5,506)	(289)	5.2%
120.	**Net banking income**	**264,354**	**228,841**	**35,513**	**15.5%**
130.	Net value adjustments/reversals for credit risk related to:	(20,583)	(25,035)	4,452	-17.8%
	a) financial assets measured at amortised cost	(20,578)	(24,929)	4,351	-17.5%
	b) financial assets measured at fair value through other comprehensive income	(5)	(106)	101	-95.3%
140.	Gains/losses from contractual amendments without derecognition	70	(45)	115	n.s.
150.	**Net result from financial operations**	**243,841**	**203,761**	**40,080**	**19.7%**
180.	**Net result from financial and insurance operations**	**243,841**	**203,761**	**40,080**	**19.7%**
190.	Administrative expenses:	(163,571)	(145,889)	(17,682)	12.1%
	a) personnel expenses	(94,589)	(85,474)	(9,115)	10.7%
	b) other administrative expenses	(68,982)	(60,415)	(8,567)	14.2%
200.	Net allocations to provisions for risks and charges	(3,261)	(1,030)	(2,231)	216.6%
	a) commitments for guarantees given	417	(49)	466	n.s.
	b) other net allocations	(3,678)	(981)	(2,697)	274.9%
210.	Net value adjustments/reversals on tangible assets	(8,700)	(7,965)	(735)	9.2%
220.	Net value adjustments/reversals on intangible assets	(1,193)	(998)	(195)	19.5%
230.	Other operating expenses/income	70,350	25,716	44,634	173.6%
240.	**Operating costs**	**(106,375)**	**(130,166)**	**23,791**	**-18.3%**
250.	Gains (Losses) on investments	(22)	-	(22)	n.s.
290.	**Profit (Loss) from current operations before taxes**	**137,444**	**73,595**	**63,849**	**86.8%**
300.	Income taxes for the year on current operations	(42,524)	(22,705)	(19,819)	87.3%
310.	**Profit (Loss) from current operations after taxes**	**94,920**	**50,890**	**44,030**	**86.5%**
320.	Profit (Loss) from discontinued operations after taxes	98,425	3,228	95,197	n.s.
330.	**Profit (Loss) for the year**	**193,345**	**54,118**	**139,227**	**257.3%**
340.	Profit (Loss) for the year attributable to minority interests	-	-	-	-
350.	**Profit (Loss) for the year attributable to the parent company**	**193,345**	**54,118**	**139,227**	**257.3%**

	30.06.2023	30.06.2022
Basic earnings per share (Euro)	1.44	0.40
Diluted earnings per share (Euro)	1.44	0.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	30.06.2023	30.06.2022
10.	**Profit (Loss) for the year**	**193,345**	**54,118**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	(1,074)	1,139
70.	Defined benefit plans	228	1,213
	Other income components net of taxes with reversal to the income statement		
130.	Cash flow hedges	-	203
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	6,937	(20,237)
200.	**Total other income components net of taxes**	**6,091**	**(17,682)**
210.	**Comprehensive income (Item 10+170)**	**199,436**	**36,436**
220.	Consolidated comprehensive income attributable to minority interests	-	-
230.	**Consolidated comprehensive income attributable to the parent company**	**199,436**	**36,436**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30.06.2023

	Balance at 31.12.2022	Changes in opening balances	Balance at 01.01.2023	Allocation of previous year result		Changes in the year									Group equity at 30.06.2023	Minority interests at 30.06.2023
							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	Changes in equity interests	Comprehensive income 30.06.2023		
Capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premiums	16,145		16,145												16,145	
Reserv es:																
a) of profits	945,133		945,133	61,733		1,276									1,008,142	
b) other	22,226		22,226	(6,726)											15,486	14
Valuation reserv es:	(13,192)		(13,192)											6,091	(7,101)	
Equity instruments																
Treasury shares																
Profit (Loss) for the year	81,463		81,463	(55,007)	(26,456)									193,345	193,345	
Group equity	**1,122,454**		**1,122,454**		**(26,456)**	**1,276**								**199,436**	**1,296,710**	
Minority interests	**14**		**14**													**14**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30.06.2022

	Balance at 31.12.2021	Changes in opening balances	Balance at 01.01.2022	Allocation of previous year result		Changes in the year									Group equity at 30.06.2022	Minority interests at 30.06.2022
							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	Changes in equity interests	Comprehensive income 30.06.2022		
Capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premiums	16,145		16,145												16,145	
Reserv es:																
a) of profits	911,513		911,513	34,075		(10)									945,578	
b) other	19,731		19,731	2,485		2									22,214	4
Valuation reserv es:	15,762		15,762											(17,682)	(1,920)	
Equity instruments																
Treasury shares																
Profit (Loss) for the year	54,901		54,901	(36,560)	(18,341)									54,118	54,118	
Group equity	**1,088,741**		**1,088,741**		**(18,341)**	**(8)**								**36,436**	**1,106,828**	
Minority interests	**4**		**4**													**4**

-

CONSOLIDATED CASH FLOW STATEMENT

	30.06.2023	30.06.2022
A. OPERATING ACTIVITIES		
1. Operations	**225,626**	**83,020**
- interest income collected (+)	263,488	151,207
- interest expense paid (-)	(99,258)	(20,882)
- dividends and similar income (+)	554	549
- net commissions (+/-)	93,216	93,200
- personnel expenses (-)	(88,730)	(80,533)
- net premiums collected (+)		
- other insurance income/expenses (+/-)		
- other costs (-)	(72,974)	(59,589)
- other revenues (+)	74,483	22,997
- taxes and duties (-)	(44,368)	(23,929)
- costs/revenues related to discontinued operations net of tax effect (+/-)	99,215	
2. Liquidity generated (absorbed) by financial assets	**(589,575)**	**(532,204)**
- financial assets held for trading	9,807	(16,881)
- financial assets designated at fair value		
- other assets mandatorily measured at fair value	(4,662)	(20,675)
- financial assets measured at fair value through other comprehensive income	22,980	(240,919)
- financial assets measured at amortised cost	(667,126)	(137,464)
- other assets	49,426	(116,265)
3. Liquidity generated (absorbed) by financial liabilities	**1,494,251**	**500,024**
- financial liabilities measured at amortised cost	1,106,272	142,872
- financial liabilities held for trading	77	(301)
- financial liabilities designated at fair value		
- other liabilities	387,902	357,453
Net liquidity generated (absorbed) by operating activities (A)	**1,130,302**	**50,840**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by		
- sales of investments		
- dividends collected on investments		
- sales of tangible assets		
- sales of intangible assets		
- sales of subsidiaries and business units		
2. Liquidity absorbed by	**(6,565)**	**(8,798)**
- purchases of investments	55	(4,865)
- purchases of tangible assets	(4,551)	(3,270)
- purchases of intangible assets	(2,069)	(663)
- purchases of subsidiaries and business units		
Net liquidity generated (absorbed) by investment activities (B)	**(6,565)**	**(8,798)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(26,456)	(18,341)
- sale/purchase of minority control		
Net liquidity generated (absorbed) by financing activities (C)	**(26,456)**	**(18,341)**
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	**1,097,281**	**23,701**

RECONCILIATION

	30.06.2023	30.06.2022
Cash and cash equivalents at the beginning of the year	**879,593**	**84,412**
Total net liquidity generated/absorbed during the year	1,097,281	23,701
Cash and cash equivalents: effect of exchange rate changes	1,375	1,620
Cash and cash equivalents at the end of the year	**1,978,249**	**109,733**

NOTES

DRAFTING CRITERIA AND ACCOUNTING STANDARDS

GENERAL PART

Declaration of compliance with international accounting standards

These condensed consolidated half-year financial statements of the Banco Desio Group, prepared pursuant to Article 154-*ter* of Legislative Decree No. 58/1998 and for the purpose of determining equity, 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 established by EU Regulation No. 1606 of 19 July 2002.

In particular, the content of the condensed half-year financial statements complies with the applicable international accounting standard for interim financial reporting *(IAS 34 - Interim Reporting*), as well as the provisions issued in implementation of Article 9 of Legislative Decree No. 38/2005 including the provisions provided by the Bank of Italy with Circular No. 262 of 22 December 2005.

General preparation criteria

The Condensed consolidated half-year financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes, which include fair value disclosures, details of the main balance sheet and income statement aggregates, information on risks and hedging policies, information on related party transactions and sector information (in addition to the accompanying equity information). The Condensed consolidated half-year financial statements are also accompanied by the Directors' Consolidated Report on Operations.

For the preparation of the financial statements and the contents of the Notes, reference was made to the provisions provided 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. Interpretative and supporting documents on the application of accounting standards issued by regulatory and supervisory bodies and standard setters were also considered, insofar as applicable.

The condensed consolidated half-year 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 period of the Banco Desio Group on a going concern basis, respecting the principle of accrual basis, giving preference to the principle of economic substance over form in the recognition and representation of operating events.

The accounting standards adopted in preparing this document, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenue and costs are concerned, have not changed compared to the ones used in preparing the previous financial statements at 31 December 2022.

The individual financial statements used to prepare these condensed consolidated half-year financial statements are those prepared by the subsidiaries at the same reporting date, 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.

Scope and methods of consolidation

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	100.00
Desio OBG S.r.l. (*)	Conegliano	1	Banco Desio	60.00
Coppedè SPV S.r.l. (*)	Conegliano	4	-	0.00

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

Compared to the situation at 31 December 2022, there is no change in the scope of accounting consolidation.

With reference to the investment in Coppedè SPV S.r.l., it should be noted that the separate asset was established in the last quarter of 2022 through the sale of Fides S.p.A. performing receivables.

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[1] 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.

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;

[1] 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

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

Investments in wholly-owned subsidiaries with significant minority interests

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

Company names	Minority interests %	Dividends distributed to minorities
Desio OBG S.r.l.	40.00	-

Investments with significant 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) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
Desio OBG S.r.l.	65	54	-	-	-	10	-	35	(33)	-	-	-	-	-	-

Significant restrictions

There are no restrictions (e.g. legal, contractual 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.

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 condensed consolidated half-year 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).

Other aspects

Use of estimates and assumptions in preparing the condensed half-year 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 Group will be operating are certainly those represented in the previous disclosure relating to the "Macroeconomic scenario" still conditioned by a high level of inflation that weakens the purchasing power of households, highly restrictive monetary policies, more contained growth prospects with the continuation of the negative effects of the Russia-Ukraine conflict that have been added to those of the Covid-19 epidemic.

As for the Banco Desio Group in particular, on the basis of the analyses conducted to date, there are no direct exposures to the Russian and Ukrainian markets, and customer exposure is rather limited; however, the monitoring of counterparties belonging to sectors potentially susceptible to the Russia-Ukraine conflict, that will ensure careful and timely management of the loan portfolio over time, continued.

Moreover, considering the value generation capacity demonstrated by the Group during the reporting period and the most recent projections of the Italian gross domestic product, a positive operating performance is also expected for the financial year 2023.

The following is a detailed illustration of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions, which are still impacted by the negative effects of the conflict in Ukraine (and the Covid-19 pandemic).

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.

In consideration of the persistence of the underlying reasons, the choices made starting from 2020 for the preparation of the financial reports remain confirmed which, in light of the trend of the economic-health context, have been subject to calibration and refinement from time to time up to the present document.

The Group has analysed the valuation aspects in line with the indications of the various regulators taking 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 accounting and prudential assessments.

Therefore, the Group, in continuity with as was represented in the preparation of the Consolidated Financial Statements at 31 December 2022, deemed it appropriate to keep the macroeconomic forecasts of the models used to estimate the expected losses anchored to the projections for Italy in the period 2022-25 prepared by the experts of the Bank of Italy as part of the coordinated Eurosystem exercise, published on 16 December 2022, which followed the projections for Europe prepared by the experts of the European Central Bank and released on 15 December 2022.

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 impacts of the current 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 the section below "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 reference period, appropriate actions were taken in order to be able to adequately manage the contingent situation linked to the reference macroeconomic context and in any case ensure the correct classification and assessment of recoverability of exposures classified as non-performing with a consequent impact on the cost of credit impaired for the period, taking into account the disposals in the meantime and the maintenance of the expected sales scenarios with which the Bank is continuing to seize 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 the updates introduced in the measurement of expected losses on performing exposures, please refer to the paragraph "Expected losses measurement model on performing exposures" in the section "Information on risks and related hedging policies" below.

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 Group 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 - Information on fair value" below of this Consolidated half-year financial report.

Impairment test of intangible assets with indefinite life (goodwill)

According to 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, at the end of each financial year, the so-called impairment test is performed on the Cash Generating Units (CGUs), which for the Banco Desio Group coincide with the legal entities.

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, 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.

With reference to this Half-year financial report, it was therefore verified whether there were any indications that the CGUs underlying the goodwill might have been impaired, which proved to be negative. In particular, some qualitative and quantitative indicators of impairment were monitored for the CGU, i.e. the legal entity.

The trigger event analysis was carried out in relation to the main assumptions typically considered in year-end impairment tests, which are identified with particular reference to the economic result compared to forecasts, the development of risk-weighted assets (RWA), regulatory ratios (with particular reference to higher capital absorption) and the cost of equity (Ke).

For qualitative and quantitative information on the methods of performing the impairment test, please refer to the sections below "Investments - item 70" and "Intangible assets - item 100" contained in "Part B - Information on the consolidated balance sheet " of this Consolidated half-year financial report.

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.

The analysis of the main assumptions considered in order to verify the possible existence of trigger events that would entail the need to re-perform impairment tests on fully consolidated investments gave a negative result; consequently, also considering that the half-year net result of each of the CGUs/legal entities in question is higher than budget forecasts, it was not necessary to develop updated performance forecasts compared to those considered for the last annual financial statements.

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 this Consolidated half-year financial report.

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 this Consolidated half-year financial report.

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	30.06.2023	31.12.2022	31.12.2022
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	**30.06.2023**	**31.12.2022**	**31.12.2021**
Iboxx Euro Corporate AA discount rate 7-10 years (*)	3.67%	3.42%	0.38%
Inflation rate	5.7% for 2023, 2.7% for 2024, 2.0% from 2025	5.9% for 2023, 2.3% for 2024, 2.0% from 2025	1.20%

(*) 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 this Consolidated half-year financial report.

TLTRO III - "Targeted Longer Term Refinancing Operations"

Total TLTRO III funding outstanding at 30 June 2023 was Euro 2.64 billion (Euro 3.04 billion at 31 December 2022). The position decreased by 13.1% from 31.12.2022 due to the natural maturity of a Euro 400 million loan facility.

The Governing Council of the ECB of 27 October 2022 amended 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 accounting treatment of these transactions is not directly traceable to any IAS/IFRS accounting standards. Accordingly, based on the provisions of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, Banco Desio has established an accounting policy whereby it deemed applicable the provisions of IFRS 9 Financial Instruments (for further details, reference is made to the notes of this consolidated half-year report).

Taking into account the decisions taken by the Governing Council of the ECB in the reference period, Banco Desio recognised interest expense for a total of Euro 42.0 million (against positive interest of Euro 19.0 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 by the Group banks are recognised in the income statement under item "180 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 first half of the year, Banco Desio conducted a comparative analysis of the most widespread rules in the reference banking sector in relation to the sales of financial instruments considered admissible (in addition to the cases already allowed by the same accounting standard of reference) for the operation of "Held to Collect" (or "HTC") portfolios in order to reconsider and make the approach adopted more consistent with current market practices.

Since these are exposures classified as "Financial assets measured at amortised cost", i.e. in the portfolio held with the aim of collecting the contractual cash flows, the accounting standard IFRS 9 *Financial instruments* in fact provides that the transfer thereof take place in compliance with certain thresholds of significance or frequency, near maturity, in the presence of an increase in counterparty credit risk or in the event of the recurrence of exceptional circumstances.

On the basis of the findings, the relative application framework of the accounting standard IFRS9 *Financial Instruments* (Group policy) was revised, updating, in particular, the thresholds of significance and frequency of sales adopted for the HTC business model, which were respectively redefined as 10% and a maximum number of securities subject to possible sale <10% of the total number of securities in the portfolio at the end of the previous annual reporting period with a maximum number of 5 transactions allowed per individual security. No changes were made to the aforementioned HTC business model. Therefore, no portfolio reclassifications were determined.

During the period, 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, losses were realised from the sale of bonds in the HTC portfolio for Euro 1.7 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 209 million took place in compliance with the mentioned turnover thresholds set for the HTC portfolio (turnover at 30 June 2023 of 4% compared to the 10% threshold value).

Option for National Tax Consolidation

The Italian companies of the Banco Desio Group (with the exception of Desio OBG S.r.l., 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.

Comparability of Financial Statements

In accordance with IAS 34, the condensed consolidated half-year financial statements must include, in addition to the financial statements at the reporting date, comparative statements for the following reporting periods:

- the balance sheet at the end of the previous year;
- the income statement, the statement of comprehensive income, the statement of changes in equity, and the cash flow statement for the corresponding interim period of the previous year.

For the comparability of data, please refer to the introduction on the application of the international accounting standards IFRS 3 *Business Combinations* and IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* in this Half-Year Financial Report.

Statutory Audit

These condensed consolidated half-year financial statements are subjected to a limited audit by KPMG S.p.A. in execution of the shareholders' resolution of 23 April 2021 that assigned this company the assignment for the years from 2021 to 2029 included.

PART RELATING TO THE MAIN ITEMS IN 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 mandatorily 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[2] 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

---

[2] 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 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[3], 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

---

[3] 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	214,754	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 15,842 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[4] 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

[4] 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.

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% (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.

During the first half of 2023, the Finance Area conducted a comparative analysis of the most widespread rules in the reference banking sector in relation to the sales of financial instruments considered admissible (in addition to the cases already allowed by the same accounting standard of reference) for the operation of the HTC portfolio in order to reconsider and make the approach adopted more consistent with current market practices.

Based on the findings of the comparative analysis, subject to the approval of the Risk Management Committee of 20 April 2023, a proposal was then made to the Board of Directors of Banco Desio on 27 April 2023, which expressed a favourable opinion, to update the thresholds of significance and frequency of sales adopted for the business model, which were respectively redefined as 10% and a maximum number of securities subject to possible sale <10% of the total number of securities in the portfolio at the end of the previous annual reporting period with a maximum number of 5 transactions allowed per individual security. No changes were made to the aforementioned HTC business model. Therefore, no portfolio reclassifications were determined.

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.

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.

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;
  - o implied volatilities;
  - o 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*).

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.

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

Other information

There is no further information beyond that given above.

Quantitative information

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	30.06.2023 L1	30.06.2023 L2	30.06.2023 L3	31.12.2022 L1	31.12.2022 L2	31.12.2022 L3
1. Financial assets measured at fair value through profit or loss	38,260	3,331	87,131	24,850	21,411	93,559
a) Financial assets held for trading	13,025	1,585	1,194	5,140	19,690	934
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	25,235	1,746	85,937	19,710	1,721	92,625
2. Financial assets measured at fair value through other comprehensive income	816,808	10,000	3,208	800,952	38,186	3,208
3. Hedging derivatives	-	55,594	-	-	59,099	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**855,068**	**68,925**	**90,339**	**825,802**	**118,696**	**96,767**
1. Financial liabilities held for trading	-	3,139	1,068	-	3,278	852
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	384	-	-	-	-
Total	**-**	**3,523**	**1,068**	**-**	**3,278**	**852**

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 (8.91% at 30 June 2023 compared to 9.29% the previous year). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 30 June 2023, 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 for credit risk mitigation (CSA agreement) and compensation with counterparty Eurex.

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	**93,559**	**934**	**-**	**92,625**	**3,208**	**-**	**-**	**-**
2. Increases	**3,284**	**1,180**	**-**	**2,104**	**-**	**-**	**-**	**-**
2.1. Purchases	930	-	-	930	-	-	-	-
2.2. Profits recognised in:	2,354	1,180	-	1,174	-	-	-	-
2.2.1. Income Statement	2,354	1,180	-	1,174	-	-	-	-
- of which gains	2,349	1,180	-	1,169	-	-	-	-
2.2.2. Equity	-	X	X	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	9,712	920	**-**	**8,792**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Reimbursements	32	-	-	32	-	-	-	-
3.3. Losses recognised in:	7,870	920	-	6,950	-	-	-	-
3.3.1. Income Statement	7,870	920	-	6,950	-	-	-	-
- of which losses	7,748	920	-	6,828	-	-	-	-
3.3.2. Equity	-	X	X	-	-	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,810	-	-	1,810	-	-	-	-
4. Closing balance	**87,131**	**1,194**	**-**	**85,937**	**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	**852**	**-**	**-**
2. Increases	**1,068**	**-**	**-**
2.1 Issuances	-	-	-
2.2. Losses recognised in:	1,068	-	-
2.2.1. Income Statement	1,068	-	-
- of which losses	1,068	-	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**852**	**-**	**-**
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	852	-	-
3.3.1. Income Statement	852	-	-
- of which gains	852	-	-
3.3.2. Equity	X	-	-
3.4. Transfer to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**1,068**	**-**	**-**

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	30.06.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	15,316,479	2,538,759	173,277	11,968,611	14,658,920	1,922,475	754,119	11,297,059
2. Tangible assets held for investment purposes	1,788	-	-	2,867	1,805	-	-	2,867
3. Non-current assets and groups of assets held for sale	-	-	-	-	1	-	-	1
Total	**15,318,267**	**2,538,759**	**173,277**	**11,971,478**	**14,660,726**	**1,922,475**	**754,119**	**11,299,927**
1. Financial liabilities measured at amortised cost	17,196,836	-	1,550,269	15,511,512	16,084,575	-	1,493,586	14,553,001
2. Liabilities related to assets held for sale	-	-	-	-	11	-	-	11
Total	**17,196,836**	**-**	**1,550,269**	**15,511,512**	**16,084,586**	**-**	**1,493,586**	**14,553,012**

Key

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

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 is recognised immediately in the Income Statement.

MAIN BALANCE SHEET AND INCOME STATEMENT AGGREGATES

ASSETS

Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	30.06.2023	31.12.2022
a) Cash	67,933	55,363
b) Current accounts and demand deposits with central banks	1,857,000	765,043
c) Current accounts and demand deposits with banks	53,316	59,187
Total	**1,978,249**	**879,593**

In Asset item - 10. "Cash and cash equivalents" - the amount on demand is recorded for Euro 1,857 million (formerly Euro 765 million) relating to the excess liquidity with respect to the commitment to maintain the Obligatory Reserve at the reference date invested in Overnight deposits.

Financial assets measured at fair value throught profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	30.06.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	7,885	-	-	-	17,994	-
1.1 Structured securities	-	-	-	-	876	-
1.2 Other debt securities	7,885	-	-	-	17,118	-
2. Equity securities	4,730	-	-	4,648	-	-
3. UCITS units	403	-	-	482	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**13,018**	**-**	**-**	**5,130**	**17,994**	**-**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	7	1,585	1,194	10	1,696	934
1.1 for trading	7	1,585	1,194	10	1,696	934
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)	**7**	**1,585**	**1,194**	**10**	**1,696**	**934**
Total (A+B)	**13,025**	**1,585**	**1,194**	**5,140**	**19,690**	**934**

Key

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

Item 20 "Financial assets held for trading" consists of cash assets held for trading purposes and the positive value of derivative contracts held for trading purposes.

Specifically, the amount shown under item "B. Derivative Instruments" refers mainly to the fair value of derivative financial instruments that are discontinued, for which the hedging relationship was ceased, and to the fair value of swap and outright contracts that are subject to natural hedges.

The criteria adopted for the classification of financial instruments into the three levels of the "fair value hierarchy" are set out in the section "Information on fair value".

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	30.06.2023	31.12.2022
A. On-balance sheet assets		
1. Debt securities	**7,885**	**17,994**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	7,885	13,372
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	4,622
2. Equity securities	**4,730**	**4,648**
a) Banks	-	686
b) Other financial companies	1,003	746
of which: insurance companies	-	-
c) Non-financial companies	3,727	3,216
d) Other issuers	-	-
3. UCITS units	**403**	**482**
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)	**13,018**	**23,124**
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	2,786	2,640
Total (B)	**2,786**	**2,640**
Total (A+B)	**15,804**	**25,764**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Values	30.06.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**743**	**-**	**-**	**665**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	743	-	-	665	-
2. Equity securities	**-**	**1,003**	**-**	**-**	**1,056**	**-**
3. UCITS units	**25,235**	**-**	**85,937**	**19,710**	**-**	**92,625**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**25,235**	**1,746**	**85,937**	**19,710**	**1,721**	**92,625**

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

The item "'Financial assets mandatorily measured at fair value" mainly includes units of UCITS not intended for trading purposes; these instruments by their nature do not pass the SPPI test (solely payments of principal and interests) required by IFRS 9 "Financial Instruments".

In particular, item "3. UCITS units" 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.

It is also noted that item "3. UCITS units" includes at the reference date units for Euro 7,206 thousand relative to the following funds subscribed by Banco Desio:

- Planetarium Fund - Anthilia White,
- Planetarium Fund - Anthilia Yellow,
- Anthilia Gap.

The sub-item "Equity securities" includes the value of the investment acquired in Yolo Group during the previous year.

Banco Desio

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

Items/Values	30.06.2023	31.12.2022
1. Equity securities	**1,003**	**1,056**
of which: banks	-	-
of which: other financial companies	1,003	1,056
of which: non-financial companies	-	-
2. Debt securities	**743**	**665**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	743	665
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**111,172**	**112,335**
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	**112,918**	**114,056**

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	30.06.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**816,808**	**-**	**-**	**799,659**	**28,186**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	816,808	-	-	799,659	28,186	-
2. Equity securities	**-**	**10,000**	**3,208**	**1,293**	**10,000**	**3,208**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**816,808**	**10,000**	**3,208**	**800,952**	**38,186**	**3,208**

Key

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

Item "30. Financial assets measured at fair value through other comprehensive income" includes:

- 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	30.06.2023	31.12.2022
1. Debt securities	**816,808**	**827,845**
a) Central banks	-	-
b) Public administrations	789,416	798,840
c) Banks	26,625	28,239
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	767	766
2. Equity securities	**13,208**	**14,501**
a) Banks	10,000	10,000
b) Other issuers:	3,208	4,501
- other financial companies	2,224	3,406
of which: insurance companies	-	-
- non-financial companies	984	1,095
- 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	**830,016**	**842,346**

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		817,136	817,136	-	-	-	328	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**30.06.2023**	**817,136**	**817,136**	**-**	**-**	**-**	**328**	**-**	**-**	**-**	**-**
Total	**31.12.2022**	**828,168**	**828,168**	**-**	**-**	**-**	**323**	**-**	**-**	**-**	**-**

Banco Desio

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	30.06.2023						31.12.2022					
	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	**56,159**	**-**	**-**	**-**	**-**	**56,159**	**83,020**	**-**	**-**	**-**	**-**	**83,020**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	56,159	-	-	X	X	X	83,020	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans with banks	**673,175**	**-**	**-**	**454,100**	**5,386**	**192,506**	**549,069**	**-**	**-**	**-**	**403,013**	**119,958**
1. Loans	190,706	-	-	-	-	190,706	118,138	-	-	-	-	118,158
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	17,617	-	-	X	X	X	9,390	-	-	X	X	X
1.3. Other loans:	173,089	-	-	X	X	X	108,748	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
– Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	173,089	-	-	X	X	X	108,748	-	-	X	X	X
2. Debt securities	482,469	-	-	454,100	5,386	1,800	430,931	-	-	-	403,013	1,800
2.1 Structured securities	3,754	-	-	3,326	-	-	5,709	-	-	-	5,223	-
2.2 Other debt securities	478,715	-	-	450,774	5,386	1,800	425,222	-	-	-	397,790	1,800
Total	**729,334**	**-**	**-**	**454,100**	**5,386**	**248,665**	**632,089**	**-**	**-**	**-**	**403,013**	**202,978**

Key

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

The balance of the item "A. 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 obligatory reserve amounted to Euro 111.4 million at 30 June (Euro 104.7 million commitment at December 2022).

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 1,857 million (Euro 765 million at the end of the previous period) relating to cash in excess of the obligatory 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	30.06.2023						31.12.2022					
	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	**11,880,161**	**221,876**	**6,987**	**-**	**-**	**11,643,575**	**11,278,985**	**194,167**	**7,464**	**-**	**-**	**11,008,366**
1. Current accounts	940,962	15,237	489	X	X	X	943,142	15,360	95	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	8,427,010	187,835	6,328	X	X	X	7,899,701	163,627	7,240	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,320,608	8,295	3	X	X	X	1,208,434	7,602	5	X	X	X
5. Loans for leases	148,541	5,188	-	X	X	X	146,292	4,735	-	X	X	X
6. Factoring	100,931	226	-	X	X	X	93,614	180	-	X	X	X
7. Other loans	942,109	5,095	167	X	X	X	987,802	2,663	124	X	X	X
2. Debt securities	**2,478,121**	**-**	**-**	**2,084,659**	**167,891**	**76,371**	**2,546,215**	**-**	**-**	**1,922,475**	**351,106**	**85,715**
1. Structured securities	1,976	-	-	-	2,016	-	1,972	-	-	-	2,012	-
2. Other debt securities	2,476,145	-	-	2,084,659	165,875	76,371	2,544,243	-	-	1,922,475	349,094	85,715
Total	**14,358,282**	**221,876**	**6,987**	**2,084,659**	**167,891**	**11,719,946**	**13,825,200**	**194,167**	**7,464**	**1,922,475**	**351,106**	**11,094,081**

Key

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

Gross loans totalled Euro 12,394,568 thousand (formerly Euro 11,776,695 thousand at the end of last year), of which Euro 11,988,408 thousand (formerly Euro 11,382,971 thousand) related to performing loans and Euro 406,160 thousand (formerly Euro 393,724 thousand) to non-performing loans.

Total value adjustments related to the same loans amounted to Euro 285,544 thousand (formerly Euro 296,079 thousand), of which Euro 180,704 thousand (formerly Euro 195,341 thousand) related to non-performing loans and Euro 104,840 thousand (formerly Euro 100,738 thousand) to performing loans.

With regard to the determination of credit losses, reference is made to as set forth in the paragraph "Risks, uncertainties and impacts of the Russian-Ukrainian conflict and the Covid-19 outbreak" and in the paragraph "Expected losses measurement model on performing exposures" contained in "Part E -- Information on risks and related hedging policies" of the Banco Desio Group's consolidated half-year financial report.

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 30 June 2023, these receivables amounted to Euro 1,561,998 thousand (formerly Euro 1,663,082 thousand).

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 2,789,724 thousand (Euro 2,964,359 thousand at the end of the previous year).

On the other hand, the sub-item "Other loans" includes financing transactions other than those indicated in the other 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 30 June 2023 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. Considering the current context of the credit market, with particular reference to non-performing loans, this fair value may not represent the eventual exit price in consideration of a certain margin of uncertainty in any case 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 134,268 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	30.06.2023			31.12.2022		
	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	**2,478,121**	**-**	**-**	**2,546,215**	**-**	**-**
a) Public administrations	2,048,264	-	-	2,084,411	-	-
b) Other financial companies	363,405	-	-	398,569	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	66,452	-	-	63,235	-	-
2. Loans to:	**11,880,161**	**221,876**	**6,987**	**11,278,985**	**194,167**	**7,464**
a) Public administrations	256,622	303	232	184,541	258	18
b) Other financial companies	247,814	691	-	214,417	1,091	-
of which: insurance companies	6,487	-	-	6,780	-	-
c) Non-financial companies	5,827,446	136,141	2,925	5,939,923	116,131	3,111
d) Households	5,548,279	84,741	3,830	4,940,104	76,687	4,335
Total	**14,358,282**	**221,876**	**6,987**	**13,825,200**	**194,167**	**7,464**

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		2,967,392	2,967,392	-	-	-	6,802	-	-	-	-
Loans		10,159,170	57,601	2,072,864	400,160	9,511	18,126	86,883	178,283	2,524	**1,545**
Total	**30.06.2023**	**13,126,562**	**3,024,993**	**2,072,864**	**400,160**	**9,511**	**24,928**	**86,883**	**178,283**	**2,524**	**1,545**
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**

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. 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.

Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and level

	30.06.2023				31.12.2022			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value	-	55,594	-	835,000	-	59,099	-	855,000
2) Cash Flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash Flows	-	-	-	-	-	-	-	-
Total	**-**	**55,594**	**-**	**835,000**	**-**	**59,099**	**-**	**855,000**

Key

NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

In order to respond to a series of exogenous shocks, the European Central Bank implemented a restrictive monetary policy by raising interest rates as of 2022. In this context of rising rates, Banco Desio has put in place a consistent strategy to hedge its assets.

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 order to carry out "hedge accounting" according to an approach defined as Dynamic Macro Fair Value Hedge.

It should also be noted that, with a view to streamlining processes, in the first half of 2023 the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

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	30.06.2023	31.12.2022
1. Positive adjustment	**1,129**	**1,159**
1.1 of specific portfolios:	1,129	1,159
a) financial assets measured at amortised cost	1,129	1,159
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustment	**(18,102)**	**(20,752)**
2.1 of specific portfolios:	(18,102)	(20,752)
a) financial assets measured at amortised cost	(18,102)	(20,752)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**(16,973)**	**(19,593)**

The adjustment of the value of financial assets subject to macro hedging refers mainly to fair value adjustments of the loan portfolios identified as hedged deriving from Group macro hedging relationships.

The item also includes the positive differentials still to be amortised on the loan portfolios (previously identified as hedged by Group micro hedges) already discontinued in previous years.

Investments - Item 70

The balance of the item refers to the investment in the company Anthilia Capital Management SGR S.p.A.

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.		4,811	-	29
	Total	**4,811**	**-**	**29**

Banco Desio

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	3,974	4,972	1,555	2,145	4,350	X	X	(175)	(173)	-	(173)	-	(173)

Trigger event analysis for impairment testing of investments (associates)

According to 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, at the end of each financial year, the so-called impairment test is performed on investments.

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, is to ascertain that the carrying amount of each investments 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.

With reference to 30 June 2023, it was therefore verified whether there were any indications that the investments in the company under significant influence might have suffered an impairment loss, which resulted in a positive outcome for the investment in Anthilia Capital Management SGR S.p.A. (Anthilia SGR). In particular, some qualitative and quantitative indicators of impairment were monitored for the aforementioned legal entity.

The trigger event analysis was carried out in relation to the main assumptions typically considered in year-end impairment tests, which are identified with particular reference to the economic result compared to forecasts, the development of risk-weighted assets (RWA), regulatory ratios (with particular reference to higher capital absorption) and the cost of equity (Ke).

In the case of Anthilia SGR, in addition to the exogenous factor linked to the increase in Ke (to a greater extent than the threshold set in policy), it emerged that the result for the period was lower than expected, again to a greater extent than the threshold set in policy for trigger event analysis.

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 time horizon for the impairment test of the associate Anthilia SGR contemplates the forecasts of the results of the 2023-2025 three-year plan (updated in March 2023) as well as the further development of this plan, by the Management of Banco Desio, with prudent projections of future results up to and including a 5-year explicit forecast period, consistent with the approach used for the impairment test at year-end.

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	Ke	g	Plan flows	Capital ratio
Anthilia Capital Partners SGR S.p.A.	DDM	Company Plan 2023-25 extended to 2027	7.0%	11.49%	1.50%	Net Flows	10.37%

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 the investment equal to the carrying amount.

Legal entity	Decrease in % of Future Net Results (NR)	Increase in bps of the discount rate of future cash flows (FCFE)
Anthilia Capital Partners SGR S.p.A.	16.01%	174

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. As already recalled, following the subscription and release of this capital increase, Banco Desio holds a 15% stake in the SGR's share capital. Moreover, 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.

Banco Desio

Tangible assets - Item 90

9.1 Tangible assets for functional use: breakdown of assets measured at cost

Assets/Values	30.06.2023	31.12.2022
1. Owned assets	**164,640**	**163,529**
a) land	52,977	52,553
b) buildings	93,318	92,959
c) furniture	3,528	3,744
d) electronic equipment	5,122	5,044
e) other	9,695	9,229
2. Rights of use acquired through leases	**60,197**	**55,600**
a) land	2,697	-
b) buildings	56,813	55,077
c) furniture	-	-
d) electronic equipment	-	-
e) other	687	523
Total	**224,837**	**219,129**

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: 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.

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.

The balance shown in the table includes the effect of the acquisition of the branches business unit realised in February 2023 with the BPER Group.

9.2 Tangible assets held for investment purposes: breakdown of assets measured at cost

Assets/Values	30.06.2023				31.12.2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**1,788**	**-**	**-**	**2,867**	**1,805**	**-**	**-**	**2,867**
a) land	723	-	-	1,127	723	-	-	1,127
b) buildings	1,065	-	-	1,740	1,082	-	-	1,740
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,788**	**-**	**-**	**2,867**	**1,805**	**-**	**-**	**2,867**

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.

Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

Assets/Values	30.06.2023		31.12.2022	
	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	**5,517**	**-**	**4,641**	**-**
of which: software	4,016	-	3,129	-
A.2.1 Assets measured at cost:	**5,517**	**-**	**4,641**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	5,517	-	4,641	-
A.2.2 Assets measured at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**5,517**	**15,322**	**4,641**	**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.

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.

Trigger event analysis for impairment testing of goodwill

According to 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, at the end of each financial year, the so-called impairment test is performed on the Cash Generating Units (CGUs), which for the Banco Desio Group coincide with the legal entities.

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, 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.

With reference to 30 June 2023, it was therefore verified whether there were any indications that the CGUs underlying the goodwill might have been impaired, which proved to be negative. In particular, some qualitative and quantitative indicators of impairment were monitored for the CGU, i.e. the legal entity.

The trigger event analysis was carried out in relation to the main assumptions typically considered in year-end impairment tests, which are identified with particular reference to the economic result compared to forecasts, the development of risk-weighted assets (RWA), regulatory ratios (with particular reference to higher capital absorption) and the cost of equity (Ke).

As a result of this analysis, no trigger events were found that would lead to the re-performing the impairment test.

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. In particular, it should be noted that they refer for an amount of Euro 79,775 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.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	30.06.2023	31.12.2022
A) balancing item in income statement:				
Tax-deductible goodwill	2,848	577	3,425	3,710
Impairment of loans to customers deductible on a straight-line basis	83,080	11,681	94,761	111,654
Lump-sum provision for bad debts	305	-	305	305
Statutory depreciation of tangible assets	343	-	343	343
Provision for commitment guarantees and country risk	857	-	857	972
Provision for personnel expenses	4,213	691	4,904	5,899
Provision for lawsuits	2,665	-	2,665	2,612
Provision for revocation	493	100	593	649
Provision for miscellaneous charges	3,504	474	3,978	4,316
Tax allocation for employee severance indemnity	4	-	4	4
Other	4,652	931	5,583	5,573
Total A	**102,964**	**14,454**	**117,418**	**136,037**
B) balancing item in equity:				
Tax allocation for employee severance indemnity	721	-	721	721
Impairment of securities classified at FVOCI	11,342	2,298	13,640	17,052
Other	65	13	78	82
Total B	**12,128**	**2,311**	**14,439**	**17,855**
Total (A+B)	**115,092**	**16,765**	**131,857**	**153,892**

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	30.06.2023	31.12.2022
A) balancing item in income statement:				
Tax depreciation of tangible assets	-	13	13	13
Tax amortisation of goodwill	24	5	29	23
Other	746	5	751	752
Total A	**770**	**23**	**793**	**788**
B) balancing item in equity				
Tax allocation for employee severance indemnity	4	-	4	4
Revaluation of securities classified at FVOCI	153	31	184	168
Revaluation of investments	-	-	-	16
Revaluation of artistic heritage	51	10	61	61
Total B	**208**	**41**	**249**	**249**
Total (A+B)	**978**	**64**	**1,042**	**1,037**

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" in the previous year of Euro 1 thousand referred to fixed assets included in the transfer of the Banco Desio merchant acquiring business to Worldline Italia.

The balance of the item "Liabilities related to assets held for sale" of the previous year, amounting to Euro 11 thousand, also referred to the liability related to the provision for employee severance indemnity of the business unit being transferred to Worldline Italia.

Other assets - Item 130

13.1 Other assets: breakdown

	30.06.2023	31.12.2022
Tax credits		
- principal share	431,345	431,090
- interest share		
Receivables from tax authorities for advances paid	28,177	32,531
Withholding taxes incurred		
Negotiated cheques to be settled	27,124	15,045
Security deposits		
Invoices issued for collection	5,115	2,929
Debtors for third-party securities and coupons to be collected	108	
Stocks of printers and stationery		
Items being processed and in transit with branches	54,377	26,846
Currency deviations on portfolio transactions		
Investments supplementary staff liquidation provision		
Leasehold improvements	6,800	7,426
Accrued and deferred assets	24,114	23,986
Other items	39,604	37,990
Total	**616,764**	**577,843**

The item "Tax credits - principal share" mainly refers:

- for Euro 421,046 thousand (Euro 421,321 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 1,122 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake;
- for Euro 7,189 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2016 Central Italy earthquake.

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments made for law obligations 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 24,227 thousand (formerly Euro 24,958 thousand);
- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 3,702 thousand, pursuant to Article 2, paragraph 5 of Decree Law No. 133 of 30 November 2013 (formerly Euro 6,768 thousand);
- the credit for substitute tax on medium/long-term loans in the amount of Euro 247 thousand (formerly Euro 805 thousand);

Among "Items being processed and in transit with branches", the most significant items are those relating to cheques in process amounting to Euro 1,013 thousand (formerly Euro 1,181 thousand), those relating to F24 proxies accepted and to be debited on the due date amounting to Euro 27,386 thousand (formerly Euro 9,035 thousand), and those relating to the recovery of the commission for making funds available from customers amounting to Euro 7,751 thousand (formerly Euro 7,197 thousand). This item includes items relating to transactions that generally settle in the first few days of the following 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 19,788 thousand (formerly Euro 16,498 thousand), 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 5,501 thousand from financial advisors for the portion paid as entry bonus and not yet accrued (Euro 5,842 thousand at the end of the previous year);

- invoices to be issued for Euro 813 thousand (formerly Euro 5,230 thousand).

LIABILITIES

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	30.06.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	**2,649,604**	X	X	X	**3,004,994**	X	X	X
2. Payables to banks	**539,121**	X	X	X	**376,356**	X	X	X
2.1 Current accounts and demand deposits	44,461	X	X	X	88,136	X	X	X
2.2 Fixed-term deposits	-	X	X	X	-	X	X	X
2.3 Loans	494,660	X	X	X	288,220	X	X	X
2.3.1 Repurchase agreements	494,660	X	X	X	288,220	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	**3,188,725**	**-**	**-**	**3,186,404**	**3,381,350**	**-**	**-**	**3,381,350**

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" operations. Against this loan, the Bank granted collateralised loans to the ECB itself (through the A.Ba.Co. procedure).

Total TLTRO III loans outstanding at 30 June 2023 amounted to Euro 2.6 billion (formerly Euro 3.0 billion); the reduction compared to the previous year is attributable to the repayment due to reaching maturity of a loan facility.

At 30 June 2023, the item interest expense includes amounts accrued during the year for Euro 42.0 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 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	30.06.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	10,347,730	X	X	X	10,058,896	X	X	X
2. Fixed-term deposits	588,668	X	X	X	321,502	X	X	X
3. Loans	1,230,929	X	X	X	690,496	X	X	X
3.1 Repurchase agreements	898,768	X	X	X	503,113	X	X	X
3.2 Other	332,161	X	X	X	187,383	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	61,450	X	X	X	53,709	X	X	X
6. Other payables	94,675	X	X	X	42,471	X	X	X
Total	**12,323,452**	**-**	**-**	**12,323,452**	**11,167,074**	**-**	**-**	**11,167,074**

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; also recognised is the loan facility granted during the reporting period by Cassa Depositi e Prestiti for Euro 100 million.

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" include: cashier's cheques in the amount of Euro 41,722 thousand, cashier's drafts in the amount of Euro 540 thousand (at the end of the previous year, cashier's cheques were Euro 35,743 thousand and cashier's drafts Euro 540 thousand) and also includes the liability for the margining component at the reference date on derivatives in Clearing as the NPV of the outstanding derivatives portfolio changes in the amount of Euro 47,818 thousand.

1.3 Financial liabilities measured at amortised cost: breakdown of issued securities by type

Type of securities/Values	30.06.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	1,683,003	-	1,550,269	-	1,531,574	-	1,493,586	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,683,003	-	1,550,269	-	1,531,574	-	1,493,586	-
2. other securities	1,656	-	-	1,656	4,577	-	-	4,577
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	1,656	-	-	1,656	4,577	-	-	4,577
Total	**1,684,659**	**-**	**1,550,269**	**1,656**	**1,536,151**	**-**	**1,493,586**	**4,577**

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 1,177 million issued.

Sub-item "A.2.2 Other securities: other" consists exclusively of short-term certificates of deposit and their accrued interest.

It should be noted that Banco Desio did not issue any subordinated bonds during the first half of the year.

Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	30.06.2023					31.12.2022				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet										
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	-	-	3,139	1,068	-	-	-	3,278	852	-
1.1 For trading	X	-	3,139	1,068	X	X	-	3,278	852	X
1.2 Related to the fair value	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	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**3,139**	**1,068**	**X**	**X**	**-**	**3,278**	**852**	**X**
Total (A+B)	**X**	**-**	**3,139**	**1,068**	**X**	**X**	**-**	**3,278**	**852**	**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" essentially refers to the negative fair value of derivative financial instruments discontinued in previous years, for which the hedging relationship was ceased, and to the fair value of swap and outright contracts that are subject to natural hedges.

Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and levels

	Fair value 30.06.2023 L1	Fair value 30.06.2023 L2	Fair value 30.06.2023 L3	NV 30.06.2023	Fair value 31.12.2022 L1	Fair value 31.12.2022 L2	Fair value 31.12.2022 L3	NV 31.12.2022
A. Financial derivatives	**-**	**384**	**-**	**70,000**	**-**	**-**	**-**	**-**
1) Fair value	-	384	-	70,000	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**384**	**-**	**70,000**	**-**	**-**	**-**	**-**

Key

NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

This item includes the negative fair value of two hedging derivatives. It should be noted that these derivative instruments are also part of the Clearing service subscribed by the Bank in the first half of 2023.

Other liabilities - Item 80

8.1 Other liabilities: breakdown

	30.06.2023	31.12.2022
Payables to tax authorities	69	492
Amounts to be paid to the tax authorities on behalf of Third Parties	124,302	34,522
Social security contributions to be reimbursed	3,932	6,154
Shareholders dividend account	25	18
Suppliers	22,716	27,519
Amounts available to customers	16,905	11,695
Interests and amounts to be credited		
Payments against provision on bills	255	74
Advance payments on overdue receivables	566	455
Items being processed and in transit with branches	54,166	20,737
Currency deviations on portfolio transactions	316,426	23,661
Payables to employees	3,038	5,052
Sundry creditors	147,230	112,128
Accrued and deferred liabilities	20,627	12,961
Total	**710,257**	**255,468**

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 2,803 thousand (Euro 343 thousand at the end of the previous year);
- M.A.V., R.A.V., slips and SDD provisions in the amount of Euro 883 thousand (Euro 592 thousand at the end of the previous year);
- items related to securities transactions subsequently settled in the amount of Euro 2,290 thousand (Euro 8,043 thousand at the end of the previous year);
- collections related to factoring transactions from customers in the amount of Euro 7,154 thousand (Euro 5,918 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 costs totalling Euro 2,079 thousand (Euro 3,830 thousand at the end of the previous year) and the valuation of holidays and leave not taken totalling Euro 767 thousand (Euro 474 thousand at the end of the previous year).

The main items that make up the item "Sundry creditors" primarily concern: transfers to be settled in the Clearing House in favour of current account holders of other banks for a total of Euro 119,232 thousand (Euro 94,089 thousand at the end of last year), sundry creditors for currency negotiation transactions in the amount of Euro 2,149 thousand (Euro 886 thousand last year), creditors for bills withdrawn in the amount of Euro 6,837 thousand (Euro 1,697 thousand last year), sums collected for pending litigation in the amount of Euro 5,089 thousand (Euro 5,074 thousand last year).

Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	30.06.2023	31.12.2022
1. Provisions for credit risk related to commitments and financial guarantees given	3,388	3,534
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	50,074	51,729
4.1 legal and tax disputes	12,902	12,026
4.2 personnel expenses	25,176	17,981
4.3 other	11,996	21,722
Total	**53,462**	**55,263**

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 "4.1 legal disputes" includes allocations set aside to cover expected losses on disputes, of which Euro 11,052 thousand for lawsuits (Euro 9,896 thousand at year-end) and Euro 1,850 thousand for bankruptcy revocatory actions (formerly Euro 2,130 thousand).

The item "4.2 personnel expenses" mainly includes the estimated liabilities for the bonus system for Euro 15,183 thousand (Euro 14,528 thousand last year), seniority bonuses and additional holidays for Euro 3,027 thousand (Euro 2,994 thousand last year) and redundancy costs of Euro 1,138 thousand (Euro 459 thousand last year). For further details on the bonus system, and in particular on payment agreements based on own equity instruments (phantom shares), reference is made to the section "Information on payment agreements based on own equity instruments" of this financial report.

The item "4.3 other" includes provisions for other operational risks and provisions set aside for contractually established incentives for financial advisors upon the accrual of certain conditions.

Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Capital" and "Treasury shares": breakdown

	30.06.2023	31.12.2022
A. Capital	**70,693**	**70,693**
A.1 Ordinary shares	70,693	70,693
A.2 Savings shares	-	-
A.3 Privileged shares	-	-
A.4 Other shares	-	-
B. Treasury shares	**-**	**-**
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Privileged shares	-	-
B.4 Other shares	-	-
Total	**70,693**	**70,693**

The fully subscribed and paid-up share capital of Banco Desio Brianza consists of 134,363,049 ordinary shares with no nominal value.

No Group company holds or held any treasury shares during the half-year.

Equity attributable to minority interests – Item 190

14.1 Detail of item 210 "Equity attributable to minority interests"

Company names	30.06.2023	31.12.2022
Investments in consolidated companies with significant minority interests	**4**	**4**
Desio OBG S.r.l.	4	4
Other investments	10	10
Coppedè SPV Srl	10	10
Total	**14**	**14**

INCOME STATEMENT

Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	30.06.2023	30.06.2022
1. Financial assets measured at fair value through profit or loss:	**355**	**-**	**-**	**355**	**406**
1.1 Financial assets held for trading	285	-	-	285	349
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	70	-	-	70	57
2. Financial assets measured at fair value through other comprehensive income	**7,985**	**-**	**X**	**7,985**	**1,251**
3. Financial assets measured at amortised cost:	**32,193**	**223,526**	**-**	**255,719**	**131,862**
3.1 Loans with banks	6,196	22,255	X	28,451	2,985
3.2 Loans to customers	25,997	201,271	X	227,268	128,877
4. Hedging derivatives	**X**	**X**	**1,829**	**1,829**	**-**
5. Other assets	**X**	**X**	**9,354**	**9,354**	**3,663**
6. Financial liabilities	**X**	**X**	**X**	**21**	**21,194**
Total	**40,533**	**223,526**	**11,183**	**275,263**	**158,376**
of which: interest income on impaired financial assets	-	3,754	-	3,754	75
of which: interest income on finance lease	X	3,539	X	3,539	1,160

Interest on "Financial assets at amortised cost" is stated net of default interest on impaired assets accrued and not collected in the reference period, because they are only shown in the financial statements once they have been collected. Overall, interest of this kind accrued at the end of June amounted to Euro 3,213 thousand (Euro 1,560 thousand in June last year).

On the other hand, interest on arrears referring to previous years and collected in the year totalled Euro 754 thousand (Euro 245 thousand in June last year).

Item "3.2 Loans to customers" was positively impacted by the trend in interest rates that affected loans to customers; it should also be noted that the balance of this item at 30 June 2023 includes the release of the time value component of impaired financial assets amounting to Euro 3,052 thousand (formerly Euro 2,691 thousand) and negative interest adjustments on non-performing loans amounting to approximately Euro 917 thousand (formerly Euro 664 thousand).

Item "5. Other assets" includes interest for Euro 9,002 thousand 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 interest income on repurchase agreements; at 30 June 2022, this item included interest accrued on TLTRO III loans obtained from the Eurosystem and recognised at the effective interest rate according to the amortised cost method.

1.3 Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other transactions	30.06.2023	30.06.2022
1. Financial liabilities measured at amortised cost	(91,445)	(8,850)	X	(100,295)	(15,402)
1.1 Payables to central banks	(42,045)	X	X	(42,045)	-
1.2 Payables to banks	(8,317)	X	X	(8,317)	(427)
1.3 Payables to customers	(41,083)	X	X	(41,083)	(8,989)
1.4 Securities outstanding	X	(8,850)	X	(8,850)	(5,986)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(239)	(239)	(247)
5. Hedging derivatives	X	X	-	-	(1,036)
6. Financial assets	X	X	X	(170)	(4,649)
Total	**(91,445)**	**(8,850)**	**(239)**	**(100,704)**	**(21,334)**
of which: interest expense on lease payables	(555)	X	X	(555)	(311)

1.5 Differentials relating to hedging transactions

Items	30.06.2023	30.06.2022
A. Positive differentials relating to hedging transactions	10,470	-
B. Negative differentials relating to hedging transactions	(8,641)	(1,036)
C. Balance (A-B)	**1,829**	**(1,036)**

The item mainly includes the interest differential relating to derivatives used to hedge the interest rate risk of financial assets classified in the held to collect portfolio (fair value hedge type).

Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	30.06.2023	30.06.2022
a) Financial instruments	10,179	9,510
1. Placement of securities	1,888	1,632
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	1,888	1,632
2. Receiving and sending orders and execution of orders on behalf of customers	3,033	2,684
2.1 Receiving and sending orders for one or more financial instruments	3,033	2,684
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	5,258	5,194
of which: trading on own account	-	-
of which: individual portfolio management	5,258	5,194
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	963	865
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	963	865
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary business	-	-
i) Payment services	54,364	48,478
1. Current accounts	39,823	36,978
2. Credit cards	1,166	672
3. Debit cards and other payment cards	2,977	2,275
4. Bank transfers and other payment orders	6,221	4,592
5. Other fees related to payment services	4,177	3,961
j) Distribution of third-party services	29,602	30,972
1. Collective portfolio management	17,097	16,756
2. Insurance products	11,982	13,053
3. Other products	523	1,163
of which: individual portfolio management	165	180
k) Structured finance	-	-
l) Servicing activities for securitisation transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	1,263	1,190
of which: credit derivatives	-	-
o) Financing transactions	3,438	3,757
of which: for factoring transactions	1,134	1,013
p) Currency trading	793	576
q) Goods	-	-
r) Other commission income	4,583	4,406
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**105,185**	**99,754**

Commissions relating to "j.3) Distribution of third-party services - other products" are mainly attributable to commissions received for the distribution of personal loans.

Commissions relating to sub-item "o) financing transactions" include not only commissions for factoring transactions, but also commissions income for salary-backed loans and loans with payment authority for Euro 2,305 thousand (formerly Euro 2,744 thousand at the end of the previous year).

The item "r) Other commission income" includes internet banking service fees for Euro 1,028 thousand (formerly Euro 974 thousand), recovery of expenses on the collection of mortgage instalments for Euro 865 thousand (formerly Euro 804 thousand) and commissions for business promotion contracts for Euro 823 thousand (formerly Euro 933 thousand).

2.2 Commission expenses: breakdown

Services/Values	30.06.2023	30.06.2022
a) Financial instruments	(220)	(144)
of which: trading of financial instruments	(220)	(144)
of which: placement of financial instruments	-	-
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	(706)	(720)
e) Collection and payment services	(1,035)	(984)
of which: credit cards, debit cards and other payment cards	(292)	(256)
f) Servicing activities for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(451)	(95)
of which: credit derivatives	-	-
i) Off-premises offer of financial instruments, products and services	(8,535)	(7,921)
j) Currency trading	-	-
m) Other commission expenses	(579)	(294)
Total	**(11,526)**	**(10,158)**

The item "Off-premises offer of financial instruments, products and services" shows the balance of commission expenses related to charges connected to the network of financial advisors and agents in financial activities.

"Other commission expenses" mainly refer to commissions for payment and e-money services provided by third-party counterparties in the amount of Euro 267 thousand (formerly Euro 175 thousand).

Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	30.06.2023		30.06.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	101	-	91	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	453	-	458	-
D. Investments	-	-	-	-
Total	**554**	**-**	**549**	**-**

The table shows the amount of 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".

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	**104**	**1,596**	**(430)**	**(265)**	**1,005**
1.1 Debt securities	35	819	(198)	(158)	498
1.2 Equity securities	66	682	(227)	(107)	414
1.3 UCITS units	3	53	(5)	-	51
1.4 Loans	-	-	-	-	-
1.5 Other	-	42	-	-	42
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**	**1,412**
4. Derivative instruments	**193**	**7,646**	**(198)**	**(8,956)**	**(1,239)**
4.1 Financial derivatives:	193	7,646	(198)	(8,956)	(1,239)
- On debt securities and interest rates	193	4,035	(195)	(4,052)	(19)
- On equity securities and stock indices	-	3,611	(3)	(4,904)	(1,296)
- On currencies and gold	X	X	X	X	76
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**297**	**9,242**	**(628)**	**(9,221)**	**1,178**

Item "1. Financial assets held for trading" shows the economic result attributable to financial assets held for trading and derivative financial instruments for which the hedging relationship was terminated (the Bank/Group does not enter into transactions in derivative financial instruments for trading purposes).

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.

Item "4. Derivative Instruments" shows the economic result for the period, which is mainly attributable to derivatives discontinued in previous years, for which the hedging relationship was ceased, and swap and outright contracts that are subject to natural hedges.

Net hedging result - Item 90

5.1 Net hedging result: breakdown

Income components/Values	30.06.2023	30.06.2022
A. Income related to:		
A.1 Fair value hedging derivatives	520	8,906
A.2 Hedged financial assets (fair value)	8,433	-
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)	**8,953**	**8,906**
B. Expenses related to:		
B.1 Fair value hedging derivatives	(7,316)	(6,448)
B.2 Hedged financial assets (fair value)	-	(1,651)
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)	**(7,316)**	**(8,102)**
C. Net hedging result (A - B)	**1,637**	**804**
of which: hedging result on net positions	**-**	**-**

The item mainly shows the net result deriving from the hedging of the interest rate risk of financial assets classified in the held to collect portfolio (fair value hedge type). 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.

Gains (Losses) on sale/repurchase - Item 100

6.1 Gains (Losses) on sale/repurchase: breakdown

Items/Income components	30.06.2023			30.06.2022		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	1,980	(4,181)	(2,201)	9,572	(5,622)	3,950
1.1 Loans with banks	179	-	179	375	-	375
1.2 Loans to customers	1,801	(4,181)	(2,380)	9,197	(5,622)	3,575
2. Financial assets measured at fair value through other comprehensive income	630	(144)	486	662	(85)	577
2.1 Debt securities	630	(144)	486	662	(85)	577
2.2 Loans	-	-	-	-	-	-
Total assets	**2,610**	**(4,325)**	**(1,715)**	**10,234**	**(5,707)**	**4,527**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	277	-	277	3	-	3
Total liabilities	**277**	**-**	**277**	**3**	**-**	**3**

This item in the financial statements 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 economic effects from 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.

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	**1,532**	**5**	**(7,332)**	**-**	**(5,795)**
1.1 Debt securities	10	-	-	-	10
1.2 Equity securities	-	-	(53)	-	(53)
1.3 UCITS units	1,522	5	(7,279)	-	(5,752)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**1,532**	**5**	**(7,332)**	**-**	**(5,795)**

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 the standard. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

Banco Desio

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)				30.06.2023	30.06.2022
	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	**(94)**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**(88)**	**(718)**
- Loans	(94)	-	-	-	-	-	-	-	-	-	(94)	(209)
- Debt securities	-	-	-	-	-	-	6	-	-	-	6	(509)
B. Loans to customers	**(4,228)**	**(22)**	**(492)**	**(33,937)**	**-**	**-**	**5,673**	**20**	**12,496**	**-**	**(20,490)**	**(24,211)**
- Loans	(3,645)	(22)	(492)	(33,937)	-	-	5,673	20	12,496	-	(19,907)	(22,720)
- Debt securities	(583)	-	-	-	-	-	-	-	-	-	(583)	(1,491)
Total	**(4,322)**	**(22)**	**(492)**	**(33,937)**	**-**	**-**	**5,679**	**20**	**12,496**	**-**	**(20,578)**	**(24,929)**

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 cash flows, refer to:

- Bad loans of Euro 11,821 thousand (Euro 10,656 thousand in June 2022);
- Unlikely to pay of Euro 20,984 thousand (Euro 19,177 thousand in June 2022);
- Past-due exposures of Euro 1,132 thousand (Euro 624 thousand in June 2022).

"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 284 thousand (Euro 86 thousand in June 2022)
- collections of loans previously written-down for Euro 6,196 thousand (Euro 5,751 thousand in June 2022)
- valuation reversals for Euro 6,016 thousand (Euro 4,720 thousand in June 2022).

Value adjustments on loans and debt securities are determined by applying the models for determining expected credit losses adopted by the Group in application of the accounting standard "IFRS9 Financial Instruments".

For further information on the expected losses recognised at 30 June 2023, please refer to the section "Implications of the Russian-Ukrainian conflict and the Covid-19 outbreak" of this Half-Year Financial Report included in the section "Drafting criteria and accounting standards".

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)				30.06.2023	30.06.2022
	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	(46)	-	-	-	-	-	41	-	-	-	(5)	(106)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
– To customers	-	-	-	-	-	-	-	-	-	-	-	-
– With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(46)	-	-	-	-	-	41	-	-	-	(5)	(106)

This item includes value adjustments arising from the application of models to determine the expected loss on the "held-to-collect & sell" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

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.

Banco Desio

Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expenses/Values	30.06.2023	30.06.2022
1) Employees	(92,094)	(83,632)
a) wages and salaries	(62,125)	(57,009)
b) social security contributions	(16,634)	(15,175)
c) employee severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(351)	(61)
f) allocations to the provision for severance benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) contributions to external supplementary pension funds:	(5,435)	(5,110)
- defined contribution	(5,435)	(5,110)
- defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(7,549)	(6,277)
2) Other personnel in activity	(967)	(514)
3) Directors and Statutory Auditors	(1,528)	(1,328)
4) Retired personnel	-	-
Total	**(94,589)**	**(85,474)**

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 balance shown in the table includes the provisional effect of the Purchase Price Allocation (PPA) resulting from the acquisition of the branches business unit realised in February 2023 with the BPER Group.

12.4 Other employee benefits

	30.06.2023	30.06.2022
Appropriation for miscellaneous charges	(4,193)	(4,542)
Assistance fund contribution	(1,194)	(928)
Education and training expenses	(754)	(271)
Building fees for employee use	(41)	(41)
Exit incentives	10	(11)
Other	(1,377)	(484)
Total	**(7,549)**	**(6,277)**

The item "Appropriation for miscellaneous charges" mainly includes the provision for the employee bonus scheme.

The main components of the item "Other" include charges related to the provision of personnel catering services (ticket restaurant) in the amount of Euro 1,258 thousand (Euro 1,193 thousand in June 2022) and those related to insurance premiums in the amount of Euro 124 thousand (formerly Euro 135 thousand).

12.5 Other administrative expenses: breakdown

	30.06.2023	30.06.2022
Indirect taxes and duties:		
-Stamp duties	(15,460)	(13,743)
-Other	(2,040)	(2,695)
Other expenses:		
-IT expenses	(12,501)	(10,098)
-Lease of buildings/assets	(1,178)	(1,097)
-Building, furniture and equipment maintenance	(4,448)	(4,308)
-Postal and telegraph	(794)	(619)
-Telephony and data transmission	(2,780)	(2,519)
-Electricity, heating, water	(3,617)	(2,904)
-Cleaning services	(1,203)	(1,661)
-Printers, stationery and consumables	(436)	(231)
-Transport costs	(708)	(614)
-Travel expenses	(1,909)	(474)
-Surveillance and security	(849)	(792)
-Advertising	(587)	(495)
-Information and records	(1,288)	(880)
-Insurance premiums	(732)	(699)
-Legal fees	(1,595)	(1,359)
-Professional consultancy fees	(5,766)	(4,231)
-Various contributions and donations	(130)	(43)
-Miscellaneous expenses	(10,961)	(10,953)
Total	**(68,982)**	**(60,415)**

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 "Travel expenses" includes expenses incurred and reimbursed to employees for travel expenses, list and mileage reimbursements in the amount of Euro 1,909 thousand (Euro 474 thousand in June 2022).

The item "Miscellaneous expenses" includes the ordinary and extraordinary contribution to the resolution fund (SRM) for Euro 6,798 thousand (formerly Euro 7,263 thousand in June 2022), expenses for the registration of mortgages, injunctions and assignment of receivables for Euro 196 thousand (formerly Euro 153 thousand), membership contributions for Euro 527 thousand (formerly Euro 576 thousand) and subscriptions to newspapers and magazines for Euro 79 thousand (formerly Euro 108 thousand).

Net allocations to provisions for risks and charges – Item 200

13.3 Net allocations to provisions for other risks and charges: breakdown

	Allocations	Uses	30.06.2023	30.06.2022
Commitments for guarantees given	(219)	636	417	(49)
Charges for legal disputes	(5,313)	1,606	(3,707)	(1,027)
Other	(503)	532	29	46
Total	**(6,035)**	**2,774**	**(3,261)**	**(1,030)**

The item commitments for guarantees given represents the allocation to/use of 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.

The item "other" includes allocations to cover other operational risks.

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				
A.1 For functional use	(8,683)	-	-	(8,683)
- Owned	(3,427)	-	-	(3,427)
- Rights of use acquired through leases	(5,256)	-	-	(5,256)
A.2 Held for investment purposes	(17)	-	-	(17)
- Owned	(17)	-	-	(17)
- Rights of use acquired through leases	-	-	-	-
A.3 Inventories	X	-	-	-
Total	**(8,700)**	**-**	**-**	**(8,700)**

Value adjustments refer exclusively to depreciation calculated on the basis of the useful life of 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.

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	(900)	-	-	(900)
A.1 Owned	(1,193)	-	-	(1,193)
- Generated internally by the company	-	-	-	-
- Other	(1,193)	-	-	(1,193)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(1,193)**	**-**	**-**	**(1,193)**

Value adjustments refer exclusively to amortisation calculated on the basis of the useful life of intangible assets.

Other operating income and expenses - Item 230

16.1 Other operating expenses: breakdown

	30.06.2023	30.06.2022
Depreciation of leasehold improvements	(637)	(725)
Losses on realisation of tangible assets	(10)	(1)
Charges on non-banking services	(1,391)	(160)
Total	**(2,038)**	**(886)**

The item "Charges on non-banking services" includes charges for settlements on customer complaints for Euro 86 thousand.

16.2 Other operating income: breakdown

	30.06.2023	30.06.2022
Recovery of taxes from third parties	16,142	15,191
Recovery of charges on current accounts and deposits	1,078	1,144
Rent and fees receivable	27	22
Other expense recoveries	1,037	835
Profits on realisation of tangible assets		
Other	54,104	9,410
Total	**72,388**	**26,602**

The item "Recovery of charges on current accounts and deposits" includes recoveries for fast processing fees of Euro 452 thousand (Euro 496 thousand at the end of the comparison period) and other recoveries for miscellaneous customer communications for Euro 638 thousand (formerly Euro 498 thousand).

The item "Other expense recoveries" includes, in particular, recoveries related to legal expenses on bad loans in the amount of Euro 254 thousand (formerly Euro 333 thousand), recoveries of mortgage claim appraisal expenses for Euro 66 thousand (formerly Euro 42 thousand), recovery of sundry expenses on lease files for Euro 157 thousand (formerly Euro 50 thousand).

With reference to the item "Other", the main component refers to the recognition of the provisional badwill of Euro 53.3 million resulting from the purchase price allocation (PPA) process related to the acquisition of the 48 bank branches from BPER Banca S.p.A. (formerly Carige S.p.A.) and by Banco di Sardegna S.p.A. with effect from 20 February 2023 (so-called "Lanternina Transaction").

Gains (losses) on investments - Item 250

17.1 Gains (losses) on investments: breakdown

Income component/Values	30.06.2023	30.06.2022
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	(22)	
1. Write-downs	(22)	
2. Impairment		
3. Losses on sale		
4. Other expenses		
Net Result	**(22)**	**-**
Total	**(22)**	**-**

Item "2) B.1 Write-downs" shows the economic result for the period of the associate Anthilia Capital Partners SGR S.p.A. against the valuation of the investment using the equity method.

Banco Desio

Income taxes for the year on current operations - Item 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	30.06.2023	30.06.2022
1. Current taxes (-)	(23,916)	(11,626)
2. Changes in current taxes of previous years (+/-)	-	1,456
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 (+/-)	(18,603)	(12,489)
5. Change in deferred tax liabilities (+/-)	(5)	(46)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(42,524)**	**(22,705)**

The increase in item "1. Current taxes" compared to the comparison period is substantially due to the increase in profit and the consequent increase in the IRES and IRAP tax bases.

The increase in item "4. "Change in deferred tax assets" is mainly due to deferred tax assets cancelled as a result of the deduction of write-downs and losses on loans to customers in accordance with the reabsorption plan provided for by Decree Law No. 83 of 2015 as amended by Law No. 145 of 2018 and Law No. 160 of 2019 and subsequently by Article 42 of Decree Law No. 17 of 2022.

Profit/Loss from discontinued operations after taxes - Item 320

Income components/Sectors	30.06.2023	30.06.2022
1. Income	101,805	4,488
2. Expenses	(1,536)	(36)
3. Result of valuations of groups of assets and related liabilities	-	-
4. Realised gains (losses)	-	-
5. Taxes and duties	(1,844)	(1,224)
Profit (loss)	**98,425**	**3,228**

The income from the business unit transferred to Worldline Italia relates to the gain on the assignment of the security and commission income. The charges essentially refer to personnel costs and expenses for professional services.

Income components/Sectors	30.06.2023	30.06.2022
1. Current taxation (-)	(1,844)	(1,224)
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (+/-)	-	-
Profit (loss)	**(1,844)**	**(1,224)**

Earnings per share

	30.06.2023		30.06.2022	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Group net profit attributable to the different share classes (Euro thousand)	193,345	-	54,118	-
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)	**1.44**	**-**	**0.40**	**-**
Diluted earnings per share (Euro)	**1.44**	**-**	**0.40**	**-**

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.1.1 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	55,542	158,887	11,023	64,435	15,026,592	15,316,479
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	816,808	816,808
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	743	743
5. Financial assets held for sale	-	-	-	-	-	-
Total 30.06.2023	**55,542**	**158,887**	**11,023**	**64,435**	**15,844,143**	**16,134,030**
Total 31.12.2022	**59,771**	**131,931**	**6,681**	**54,665**	**15,234,392**	**15,487,430**

A.1.2 Breakdown of credit exposures 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	406,160	(180,704)	225,456	1,545	15,202,936	(111,913)	15,091,023	15,316,479
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	817,104	(296)	816,808	816,808
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	743	743
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 30.06.2023	**406,160**	**(180,704)**	**225,456**	**1,545**	**16,020,040**	**(112,209)**	**15,908,574**	**16,134,030**
Total 31.12.2022	**393,724**	**(195,341)**	**198,383**	**1,882**	**15,395,827**	**(107,445)**	**15,289,047**	**15,487,430**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	10,671
2. Hedging derivatives	-	-	55,594
Total 30.06.2023	**-**	**-**	**66,265**
Total 31.12.2022	**-**	**-**	**79,733**

SECTION 2 - PRUDENTIAL CONSOLIDATION RISKS

1.1 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.

With reference to the possible repercussions on the quality of the loan portfolio resulting from the conflict between Russia and Ukraine, internal monitoring analyses continued in order to intercept in advance customers who, due to their sector or direct dependence, could be subject to potential negative repercussions. 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 ongoing monitoring process of the application framework of the IFRS 9 accounting standard, in consideration of the reference context still conditioned by elements of uncertainty, including the emergency relating to the war between Russia and Ukraine that occurred in 2022 and the effects of the pandemic 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 procyclical 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 accounting and prudential assessments.

Therefore, taking into account the elements of uncertainty described above and still present in the current market context, the Group has decided not to update the macroeconomic forecasts of the models used to estimate expected losses and to maintain the projections for Italy in the period 2022-24 elaborated by Bank of Italy experts as part of the coordinated exercise of the Eurosystem, published on 16 December 2022 and the projections for Europe elaborated by European Central Bank experts, published on 15 December 2022 and residually those developed 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 matrix of 2020 has 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.

Lastly, considering the persistence of uncertainty in the current economic context, also influenced by the ongoing war, and its related economic effects, the mix of probabilities of occurrence was kept unchanged by placing side by side the "base" scenario considered most probable (with probability of 55%), a "negative" alternative scenario (with a 35% probability) and a "positive" one (with a 10% probability).

As already mentioned in the previous paragraph "Methods for measuring expected losses", for the preparation of the financial report at 30 June 2023, the macroeconomic parameters and basic assumptions used in the forward-looking conditioning models (so-called satellite models, calibrated and refined from time to time) remained unchanged with respect to those considered for 31 December 2022, as the latter are deemed to be cautious for estimating expected losses in the current context characterised by volatility in the updates of expectations in 2023 concerning the same macroeconomic parameters. The Bank will therefore undertake a comprehensive review of the assumptions underlying the calculation of the collective for the purposes of the annual financial report.

With reference to the minimum and maximum values ("range of values") considered in the models, please refer to "Part E. Information on risks and related hedging policies" of the consolidated financial statements at 31 December 2022.

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 (list that was unchanged compared to 31 December 2022).

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 3.1 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 first half 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 to be formalised possibly in the second half of the year, 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 a perimeter 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 confirmed a level of 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

Credit Quality

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	**1,910,410**	**1,910,410**	-	-	-	**94**	**94**	-	-	-	**1,910,316**	-
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	1,910,410	1,910,410	-	-	-	94	94	-	-	-	1,910,316	-
A.2 OTHER	**765,316**	**757,431**	-	-	-	**1,472**	**1,472**	-	-	-	-	-
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	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	765,316	757,431	-	-	-	1,472	1,472	-	-	-	763,844	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**2,675,726**	**2,667,841**	**-**	**-**	**-**	**1,566**	**1,566**	**-**	**-**	**-**	**2,674,160**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES						-	-	-	-	-	-	
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	569,426	28,826	-	X	-	2	2	-	X	-	569,424	-
TOTAL (B)	**569,426**	**28,826**	**-**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**569,424**	**-**
TOTAL (A+B)	**3,245,152**	**2,694,667**	**-**	**-**	**-**	**1,568**	**1,568**	**-**	**-**	**-**	**3,243,584**	**-**

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	**156,944**	**X**	**-**	**155,747**	**1,197**	**101,402**	**X**	**-**	**100,941**	**461**	**55,542**	**1,545**
- of which: forborne exposures	18,279	X	-	17,890	389	9,444	X	-	9,292	152	8,835	-
b) Unlikely to pay	**236,584**	**X**	**-**	**231,850**	**4,734**	**77,697**	**X**	**-**	**75,745**	**1,952**	**158,887**	**-**
- of which: forborne exposures	99,879	X	-	98,054	1,825	32,645	X	-	31,871	774	67,234	-
c) Impaired past-due exposures	**12,629**	**X**	**-**	**12,562**	**67**	**1,606**	**X**	**-**	**1,597**	**9**	**11,023**	**-**
- of which: forborne exposures	2,958	X	-	2,954	4	541	X	-	540	1	2,417	-
d) Non-impaired past-due exposures	**66,864**	**21,426**	**45,434**	**X**	**4**	**2,429**	**77**	**2,351**	**X**	**1**	**64,435**	**-**
- of which: forborne exposures	5,567	-	5,567	X	-	509	-	509	X	-	5,058	-
e) Other non-impaired exposures	**15,205,523**	**13,174,532**	**2,028,228**	**X**	**3,506**	**108,339**	**23,704**	**84,533**	**X**	**102**	**15,097,184**	**-**
- of which: forborne exposures	96,247	502	95,275	X	470	8,846	-	8,808	X	38	87,401	-
TOTAL (A)	**15,678,544**	**13,195,958**	**2,073,662**	**400,159**	**9,508**	**291,473**	**23,781**	**86,884**	**178,283**	**2,525**	**15,387,071**	**1,545**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	15,803	X	-	15,803	-	1,980	X	-	1,980	-	13,823	-
b) Non-impaired	4,619,153	3,400,737	274,561	X	-	1,406	507	899	X	-	4,617,747	-
TOTAL (B)	**4,634,956**	**3,400,737**	**274,561**	**15,803**	**-**	**3,386**	**507**	**899**	**1,980**	**-**	**4,631,570**	**-**
TOTAL (A+B)	**20,313,500**	**16,596,695**	**2,348,223**	**415,962**	**9,508**	**294,859**	**24,288**	**87,783**	**180,263**	**2,525**	**20,018,641**	**1,545**

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	**65,812**	**359,760**	**3,219,056**	**959,629**	**227,607**	**81,373**	**10,695,860**	**15,609,097**
- First stage	60,845	336,167	3,105,412	811,228	145,481	40,516	8,850,084	13,149,733
- Second stage	4,967	23,593	113,627	148,401	82,126	37,362	1,649,505	2,059,581
- Third stage	-	-	13	-	-	3,495	386,762	390,270
- Purchased or originated impaired	-	-	4	-	-	-	9,509	9,513
B. Financial assets measured at fair value through other comprehensive income	**566**	**-**	**781,754**	**15,527**	**-**	**-**	**19,289**	**817,136**
- First stage	566	-	781,754	15,527	-	-	19,289	817,136
- 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)	**66,378**	**359,760**	**4,000,810**	**975,156**	**227,607**	**81,373**	**10,715,149**	**16,426,233**
D. Commitments to disburse funds and financial guarantees given	**61,011**	**212,011**	**420,498**	**304,630**	**46,983**	**9,446**	**2,694,968**	**3,749,547**
- First stage	58,193	196,605	398,088	281,358	38,160	8,304	2,478,594	3,459,302
- Second stage	2,818	15,406	22,410	23,727	8,823	1,048	200,784	274,561
- Third stage	-	-	-	-	-	94	15,590	15,684
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**61,011**	**212,011**	**420,498**	**304,630**	**46,983**	**9,446**	**2,694,968**	**3,749,547**
Total (A+B+C+D)	**127,389**	**571,771**	**4,421,308**	**1,279,786**	**274,590**	**90,819**	**13,410,117**	**20,175.80**

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 (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	66.25%	26.80%	5.07%	1.88%	100%
Off-balance sheet exposures	77.76%	16.46%	3.52%	2.26%	100%

Large exposures

With reference to the supervisory regulations in force, the situation at 30 June 2023 was as follows:

Description	*Nominal Amount*	*Weighted Amount*	*Number of positions*
Large exposures	9,518,437	463,870	10

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 Crédit Agricole for liquidity deposited as part of the covered bond transaction, for debt securities included in the proprietary portfolio and derivative instruments;
- exposures with BNP Paribas related to debt securities, long term repos and derivative instruments;
- repurchase agreements with Cassa di Compensazione e Garanzia;
- exposures with Intesa Sanpaolo mainly related to debt securities, long term repos and derivative instruments;
- exposures with Standard Chartered Bank mainly related to repo transactions.

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 information in this section refers only to the Group's banking business, given the absence of assets held by Fides.

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. During the first half of the year, a methodological revision of the VaR indicator was carried out, resulting in a change in the scope of application and risk limits. The methodology is based on historical simulation: the portfolio's VaR is estimated on the basis of the historical series of changes in the returns of the individual financial instruments comprising the portfolio, where the daily changes in returns are analysed over a historical time horizon of 1 year. The new indicator, with a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg info-provider.

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

Quantitative information

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 30.06.2023 amounted to Euro 168 thousand.

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 Department. 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

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 2022 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.

At the date of this half-year report, the Bank has implemented Fair Value hedging transactions with a macro-hedge approach to manage the interest rate risk of the banking book (for further details, refer to the Section "Accounting hedging policies" below).

It should also be noted that, with a view to streamlining processes, in the first half of 2023 the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

1.2.3. EXCHANGE RATE RISK

Qualitative information

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; exchange rate trading is managed by the Finance Area of the Parent Company.

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. Therefore, transactions involving exchange rate risk are managed through appropriate hedging strategies.

Quantitative information

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 ACCOUNTING HEDGING POLICIES

1.3.2 Hedge Accounting

Qualitative information

A. Fair value hedging

The Group has put in place fair value hedging transactions with 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.

1.4. 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.

The Group's liquidity at 30 June 2023 is largely under control with an LCR indicator of 199.10%.

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 – structured process for assessing potential operational risks aimed at having an overall view of operational risk events represented by company macro-process;
- 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 Department, 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.

In line with the relevant regulations, the results of the Loss Data Collection process are communicated via a COREP flow to the Bank of Italy.

With regard to the management and monitoring of outsourcing risk, a risk assessment methodology connected to third parties was defined and implemented, integrated into 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 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 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 Bank's positioning in the cyber security field, 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 have emerged in connection with the ongoing state of war between Russia and Ukraine, the repercussions still present from the Covid-19 health emergency, and in compliance with the joint call by 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 with particular focus on phishing attacks;
- ✓ strengthened the security regulatory framework with the drafting of a set of documents inspired by international best practices in Information Security (ISO27001);
- ✓ enhanced vulnerability management topics with the definition of processes for managing and assessing vulnerabilities in information systems;
- ✓ strengthened monitoring and control systems for the main outsourcers (primarily Cedacri) in order to assess their performance and services in time;
- ✓ revised the Fraud Management processes with a view to collecting evidence of online banking transactions and related reporting to the Legal and control functions.

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.), and electricity supply 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	15	Euro 10.2 million	Euro 1.9 million
Other lawsuits	889	Euro 134.7 million	Euro 9.8 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 for the discussion of evidence at which the following was reserved;
- 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, having specified the conclusions at the hearing of 28 March 2023, remitted the case for decision;

- 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 remitted for decision. The Court of Monza dismissed the counterparty's claims in its first instance judgement. The parties are now considering whether to settle the position amicably (the Bank waiving legal fees, the counterparty waiving its appeal);
- 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 proceeded to appeal the first instance judgement, which is considered unfounded in fact and in law, the enforceability of which was suspended in the meantime by the Court of Appeal;
- 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). The first hearing is called for 25 September 2023;

- 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. In the first instance judgement, the Banco was ordered to pay the amount of Euro 939,349 and is appealing against the judgement as unfounded in fact and law;
- 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). The Court of Appeal of Perugia ordered a court expert (CTU) to verify the prerequisites for compensation of damages, in which the court expert gave impetus to an attempt at 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 at the hearing for the admission of evidence reserved the position and the parties are talking to find a settlement.

Quantitative information

The number of prejudicial events recorded by the Group at 30 June 2023 amounted to 632 events. The result of the process of collecting prejudicial events is summarised in the table below:

Event Type	**% Events**	**% gross loss on total**	**% net loss on 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	0.16%	4.63%	4.64%	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	5.22%	5.04%	5.05%	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	0.00%	0.00%	0.00%	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)	24.68%	48.41%	48.46%	0.00%
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	0.16%	0.28%	0.28%	0.00%
BUSINESS INTERRUPTION AND SYSTEM FAILURES Losses resulting from the blocking of computer systems or line connections	0.00%	0.00%	0.00%	0.00%
ORDER EXECUTION, PRODUCT DELIVERY AND PROCESS MANAGEMENT	69.78%	41.64%	41.57%	0.26%
TOTAL Banco Desio e della Brianza Group	**100.00%**	**100.00%**	**100.0%**	**0.1%**

The gross operating loss amounted to Euro 1,883 thousand on which provisions of Euro 1,122 thousand were made during the reporting period. During the reporting period, there were no recoveries on events recognised and accounted for, so the net loss is equal to the gross loss.

BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

Section 1 - Transactions realised during the year

1.1. Business combinations

On 17 February 2023, having obtained the necessary authorisations from the competent authorities, the strategic agreement was executed whereby Banco Desio acquired from the BPER Group the business complex, consisting of two business units comprising a total of 48 former BPER Banca (formerly Carige) and former Banco di Sardegna bank branches, referred to in the Agreements signed by Banco Desio with the counterparties as from 3 June 2022 (the Lanternina Transaction). The definitive transfer agreement provided for the transfer of the business units with legal effect on 20 February 2023.

The Lanternina Transaction 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 acquisition qualifies as a business combination to be accounted for under International Financial Reporting Standard (IFRS) 3 *Business Combinations*, having met the conditions required by the same standard for the identification of an acquired business.

The total consideration agreed for the sale and purchase of the business units amounted to Euro 3.3 million, substantially referring to the branch owned by BPER Banca (the consideration paid for the branch owned by Banco di Sardegna was set at Euro 1), and was paid by Banco Desio entirely in cash on the effective date of the branch transfer. The net asset imbalance of the entire business complex was determined to be Euro 78.6 million.

For the purpose of preparing this Half-Year Financial Report, a provisional Purchase Price Allocation (PPA) was made (in accordance with IFRS 3 Business Combinations), which resulted in a "gain from a bargain purchase", or badwill. Considering this result, albeit provisional, the same PPA took into account the agreements reached in the meantime with the counterparty on 30 June 2023, in which an adjustment was recognised on the basis of the gross banking product actually acquired.

With reference to the measurement period within which to obtain the information necessary to perform the fair value measurement of the acquiree's identifiable assets and liabilities and to terminate the PPA process, IFRS 3 requires this period to end as soon as the acquirer has received and identified all the necessary information in existence at the acquisition date or has determined that more information cannot be obtained to perform the measurements of the acquired items. In any case, the evaluation period may not extend beyond one year from the date of acquisition.

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 said standard 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[5]:

- 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) and equipment necessary for the provision of banking services.

[5] As required by IFRS 3 B7

- 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"[6].
- 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 the Consolidated Financial Statements at 31 December 2022, to which reference should be made for details.

According to IFRS 3, the business combination should be recognised on the date on which the acquirer actually obtains control over the acquired assets; specifically, the acquisition date has been identified with the legal effectiveness of the transfer of the branches (as resulting from the transfer agreement). In fact, at 20 February 2023, the preliminary IT migrations had already been completed in relation to the branches acquired from BPER Banca (formerly Carige) and Banco di Sardegna.

Presented below are the balance sheet values of the branches acquired on 20 February 2023 and the related adjustments for the fair value measurement of the assets acquired and liabilities assumed as part of the Purchase Price Allocation process or PPA.

[6] 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.

Euro/000

	Asset items	BPER Branch	BDS Branch	Total Op. Lanternina Transaction	Fair Value differences	Acquisition FV
10.	Cash and cash equivalents	7,690	1,156	8,846	0	8,846
40.	Financial assets measured at amortised cost	1,104,135	220,112	1,324,247	-22,251	1,301,996
80.	Tangible assets	2,801	104	2,905	4,047	6,952
	a) owned assets	2,801	104	2,905	-115	2,790
	b) rights of use acquired through leases	0	0	0	4,162	4,162
120.	Other assets	23,822	4,673	28,495	-5	28,490
	Total assets	**1,138,448**	**226,045**	**1,364,493**	**-18,209**	**1,346,284**

	Liabilities	BPER Branch	BDS Branch	Total Op. Lanternina Transaction	Fair Value differences	Acquisition FV
10.	Financial liabilities measured at amortised cost	1,077,113	203,817	1,280,930	4,162	1,285,092
80.	Other liabilities	1,594	168	1,762	0	1,762
90.	Employee severance indemnity (TFR)	1,553	199	1,752	-121	1,631
100.	Provisions for risks and charges	990	415	1,405	-202	1,203
	Total liabilities	**1,081,250**	**204,599**	**1,285,849**	**3,839**	**1,289,688**

AT the date of approval of this Half-Year Financial Report, acquired asset balances were provisionally determined and measured at fair value with the support of accredited external advisors. More specifically:

- Performing loans: the portfolio under evaluation is attributable to medium- and long-term operations. Since there is no active market for this type of instrument, the Bank adopted an internal valuation model that, in accordance with IFRS 13 Fair Value Measurement, was able to replicate the price charged in a regular market sale transaction. The currently prevailing market methodology for this valuation is the Discounted Cash Flow (DCF) method, in which cash flows are discounted at an appropriate discount rate that incorporates an estimate of the main risk factors. More specifically, future cash flows were determined by considering capital and interest flows, representative of the contractual plan of the individual relationships.

  The discount rate applied was obtained as the sum of three components: (i) the level of risk-free interest rates, observed on the various tenors of the curve, (ii) the cost of funding, corresponding to the remuneration curve of Banco Desio's cost of liquidity and (iii) the level of the average credit spread, determined on the basis of the probability of default (PD) and loss given default (LGD) class and the average residual financial duration of the individual transaction. The credit spread considered both the expected loss component, starting from the PD and LGD levels derived from the application of Banco Desio's models, and the unexpected loss component, starting from the regulatory capital of the positions acquired and the cost of capital estimated internally by Banco Desio.

  Overall, mark-to-model performing loans amounted to approximately Euro 924.5 million. The valuation process resulted in an overall fair value lower than the relevant carrying amount by a total of Euro 24.7 million (Euro 11.4 million relating to the BPER Branch and Euro 13.0 million relating to the Banco di Sardegna Branch). With regard to short-term transactions (understood as transactions on demand or with a residual duration of less than 12 months), the carrying amount acquired at the reference date was considered a reasonable approximation of fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is not very significant even in the presence of changes in reference market rates.

- Non-performing loans: since there is no active market for this type of instrument, also in this case the determination of fair value assumes to replicate the price that would be received in a regular market transaction, thus defining a valuation framework as homogeneous as possible with the situations actually found on the market.

  In this regard, the preliminary analyses carried out at the date of preparation of this Quarterly Financial Report led to the conclusion that the carrying amount acquired at the reporting date can be considered a reasonable approximation of fair value in accordance with IFRS 13, taking into account that the acquired impaired portfolio is overall small and consists of Euro 10.8 million UTP and Euro 3.0 million Past Due.

- Tangible assets: preliminary activities were performed to verify the reliability of the fair value measurements of the properties acquired, based on on-site appraisals carried out by the independent expert used by Banco Desio. The results of these assets at the date of preparation of this Half-Year Financial Report led to the conclusion that the carrying amount acquired at the reporting date could be considered a reasonable approximation of fair value in accordance with IFRS 13, taking into account that the real estate portfolio acquired for a total of Euro 2.1 million consists of six former Carige branches. Further appraisal activities conducted led to an estimated adjustment on other tangible assets acquired (office equipment) totalling Euro 0.1 million.
- Right of use and lease liabilities: for the acquired lease liabilities (relating to real estate assets) the valuation methodology of Banco Desio at 20 February 2023 was applied, as required by paragraphs 28A and 28B of IFRS 3. This revaluation led to the recognition of Euro 4.2 million on "Tangible assets" for rights of use and, speculatively, on "Payables to customers" for lease payables (Euro 2.4 million relating to the BPER Branch and Euro 1.8 million relating to the Banco di Sardegna Branch).
- Intangible Assets: at the date of preparation of this Half-Year Financial Report, the Bank has undertaken preliminary analyses aimed at identifying any intangible assets originating from client relationships, not already recognised in the financial statements of the transferor. Based on the preliminary analyses conducted, it emerged that there would seem to be the preconditions for enhancing the value of both the direct inflows component (core deposits) and the indirect inflows component acquired. The necessary in-depth studies are still in progress to identify all the information required for the most appropriate valuation of these intangible assets, which are currently maintained without an explicit value.
- 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 complex, as well as the fair value valuation of the contingent liabilities associated with them, as well as the fair value measurement of the legal risks associated with the disputes rooted in the acquired subsidiaries led, at the date of preparation of this Quarterly Financial Report, to the non-estimation of contingent liabilities.
- Tax effects: for the purposes of preparing this Half-Year Financial Report, the economic result of the aggregation (framed as the acquisition of a company branch) was given fiscal relevance for the purposes of direct IRES taxes for the period. The resulting current tax burden was represented within item 270. Income taxes for the period on current operations" totalling Euro 14.1 million.

Depending on the choices made, the difference between the assets acquired on 20 February 2023 and the acquisition cost is shown below, so as to identify the provisional result of the PPA process.

Euro/000

Determination of badwill	BPER Branch	BDS Branch	Total Op. Lanternina Transaction	
Assets at carrying amounts at 20 February 2023	**57,198**	**21,446**	**78,644**	(a)
Fair value adjustment effects of individual accounting items	**-9,484**	**-12,564**	**-22,048**	(b)
- of which loans to customers	-9,486	-12,486	-21,972	
- of which tangible assets owned	-103	-12	-115	
- of which employee severance indemnity	105	16	121	
- of which other provisions for risks and charges	0	-77	-77	
- of which other accounting items	0	-5	-5	
Assets at fair value at 20 February 2023	**47,714**	**8,882**	**56,596**	(c)=(a)+(b)
Acquisition cost	**3,302**	**0**	**3,302**	(d)
- of which sale consideration	6,722	0	6,722	
- of which compensation for non-transfer of acquiring/monetary bra	-2,500	0	-2,500	
- of which price adjustment per gross banking product	-920	0	-920	
Badwill at the date of acquisition resulting from the provisional PPA	**44,412**	**8,882**	**53,294**	(e)=(c)-(d)

During the period under review, starting from the date of acquisition, the effects pertaining to the period related to the amortisation of differences between fair value and carrying amounts arising at the time of the PPA were also recorded in the income statement; these differences mainly refer to book items at amortised cost (e.g. loans to customers); the impact on the income statement at 30 June 2023 was positive in the amount of Euro 2.1 million, gross of the related tax effect.

RELATED PARTY TRANSACTIONS

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 Remuneration Policy and amounts paid" at 31 December 2022 prepared pursuant to Article 123-ter TUF and published on the website at www.bancodesio.it.

2.Information on related party transactions

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 at the time 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[7];

b) on any other individual related party transactions, 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 modification or development of the related party transactions described in the last annual report that have had a significant effect on the financial position or on the results of the Group; in the reference period, there are no transactions worthy of note.

Related party transactions 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 30 June 2023 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, the Associate and other Related Parties pursuant to Article 53 of the Consolidated Law on Banking and/or Article 2391-bis of the Italian Civil Code (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking in accordance

[7] with regard to the materiality index of the value of related party transactions, the Internal Procedure refers to a materiality threshold of Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital recorded at the date of adoption of the Procedure itself).

with the regulations, including internal regulations in force), highlighting in particular the balances of current accounts and securities portfolios at the end of the half-year.

Parent Company

At the end of the half-year, accounts payable (to customers) to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. amounted to a total of Euro 230.0 million, of which Euro 224.9 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 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".

Associate

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 as described in the Notes of this report under "Equity Investments - Item 70".

Transactions with Officers and with parties related to them

With regard to the entrustment transactions approved in the first half of 2023 pursuant to art. 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree transposing Directive 2013/36/EU, 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 33 positions outstanding at 30 June 2023 was about Euro 14.9 million and the related utilisations totalled about Euro 7.0 million.

With regard to the inflows relationships held directly with the Officers, as well as with related parties, it should also be noted that the total balances at 30 June 2023 amounted to approximately Euro 164.7 million in amounts due to customers (including approximately Euro 140.2 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.

The details of the aforementioned entrustment and inflows relationships referred to in this paragraph are set out in the following table:

	Balances at 30.06.2023 (in Euro/million)
Entrustment transactions:	
Amount granted	14.9
Amount used	7.0
Collection transactions:	
Amount of current accounts and savings deposits (a)	24.5
Amount of securities portfolios (b)	140.2
Total (a+b)	164.7

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.

PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Banco Desio

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

1.1 Remuneration linked to incentive systems: share-based compensation plans

Banco di Desio e della Brianza S.p.A., in its capacity as Parent Company, prepares the annual Report on the remuneration policy and amounts paid pursuant to the current provisions on remuneration and incentive policies and practices of the Bank of Italy (Circular No. 285/2013, 37th update of 24 November 2021, Part One, Title IV, Chapter 2 "Remuneration and incentive policies and practices"), art. 123-ter of Legislative Decree 58/1998 ("Consolidated Law on Finance" or "TUF") and subsequent amendments, and of art. 84-quater of Consob Resolution No. 11971/1999, as amended ("Issuers' Regulation").

The remuneration policy ("Policy") represents an important management lever, for the purposes of attracting, motivating and retaining management and personnel and of directing their conduct towards a logic of containment of the risks assumed by the intermediary (including legal and reputational risks) and of protection and customer loyalty, with a view to correct conduct and management of conflicts of interest. It is also instrumental in the pursuit of sustainable success, which is embodied in the creation of long-term value for the benefit of shareholders while taking into account the interests of all stakeholders relevant to the Group.

The 2023 Policy defines the guidelines of the Group's personnel remuneration and incentive systems with the aim of fostering the pursuit of long-term strategies, objectives and results, consistent with the general framework of governance and risk management policies while respecting liquidity and capitalisation levels. With reference to ESG (Environmental, Social, Governance) factors, the 2023 Policy, continuing the path begun in previous years, further strengthens the correlation between the variable remuneration of management and personnel and the strategic actions inherent to environmental issues and human resources management aspects (so-called Direct impacts).

In accordance with the 2023 Policy, the Group's employee remuneration provides for a variable component (incentive) linked to the annual incentive system (Short Term Incentive), the recognition of which is subject to the simultaneous positive verification of predefined access conditions (gates) consisting of capital adequacy, liquidity adequacy and profitability indicators. After the gates have been checked, however in advance of any disbursements, the amount of economic resources actually available is determined on the basis of the economic results achieved, defined and monitored, consistent with the Group's Risk Appetite Framework.

The incentive for key personnel[8] identified in the year 2023 is paid over six or five years, divided into an up-front portion and five or four annual deferred portions subject to the positive verification of future conditions. The up-front portion regardless of the beneficiary is equal to:

- 60% of the recognised incentive in cases where the individual annual variable remuneration is less than Euro 435 thousand;
- 40% of the recognised incentive, in cases where the annual individual variable remuneration is equal to or greater than Euro 435 thousand.

The value of Euro 435 thousand represents a particularly high level of variable remuneration for the Group, determined in accordance with the criterion established by the Bank of Italy's Supervisory Provisions[9].

[8] Subjects whose professional activities have, or may have, a significant impact on the Group's risk profile.

[9] Ref. Part One, Title IV, Chapter 2, Section III, Paragraph 2: "A particularly high amount of variable remuneration is defined as the lower of: i) 25% of the average total remuneration of Italian high earners, as resulting from the most recent report published by the EBA; ii) 10 times the average total remuneration of the bank's employees"

Of the up-front portion of the incentive, 50% is recognised in "Banco Desio phantom shares[10]" representing ordinary shares of Banco Desio. Deferred portions consist of:

- five deferred annual portions over the five-year period following the year in which the up-front portion is accrued, for 55% in Banco Desio phantom shares, for key senior personnel[11] if the amount of the annual individual variable remuneration recognised is equal to or greater than Euro 435 thousand;
- four deferred annual portions in the four-year period following the year in which the up-front portion accrues, 50% in Banco Desio phantom shares, for the key personnel not indicated in the previous point.

As provided for in the Bank of Italy's Supervisory Provisions, in cases where the individual annual variable remuneration is less than or equal to the materiality threshold of Euro 50 thousand and at the same time less than or equal to one-third of the total annual individual remuneration, the relevant amount recognised is paid in cash and in a lump sum.

In order to align interests between management and shareholders (and support the 2024-2026 Strategic Plan) by remunerating the Group's strategic resources based on medium to long-term value creation, the Group introduced the Long Term Incentive (LTI) plan correlated to the performance to be achieved in the three-year period 2024-2026.

The "LTI 2024-2026" Plan is intended for approximately 40 managerial roles of the Group - including the CEO/GM - selected on the basis of the level of the position among Key and non-Key Personnel, including the Territorial and Wealth Area Managers, and additional resources identified among the heads of areas and offices of business, organisation and risk functions, considered fundamental for their respective skills for the implementation and success of the 2024-2026 Strategic Plan, being adopted in the current year, with the right to identify additional resources, if necessary, due to organisational changes or with a view to attraction and retention (the "Recipients"). The incentive related to the LTI Plan (LTI incentive) provides for the assignment of "Banco Desio phantom shares" that will take place at the end of the performance period, in 2027, following the verification of the achievement of results in the Vesting period.

For the Short-Term Incentive and Long-Term Incentive Plans, there is a one-year retention period for vested shares (up-front and deferred), which begins at the time of vesting; actual recognition to the beneficiary occurs at the end of this period.

Both the up-front portion and deferred portions are subject to malus and claw-back mechanisms, as set out in the Policy.

In addition to the remuneration plans based on Banco di Desio phantom shares, relating to the 2023 Short Term Incentive Plan and the 2024-2026 Long Term Incentive Plan, the Ordinary Shareholders' Meeting of Banco di Desio e della Brianza S.p.A. held on 27 April 2023 approved:

- the remuneration policy for the financial year 2023 contained in Section I of the "2023 Report on the remuneration policy and amounts paid in 2022" and
- the report on the amounts paid in the year 2022 contained in Section II of the same "2023 Report on the remuneration policy and amounts paid in 2022".

For more detailed information, refer to the contents of the documents "2023 Report on the remuneration policy and amounts paid in 2022" and "Information document relating to the Plan "2023 incentive system" based on

[10] Unit representative of the value of an ordinary share of Banco Desio that is converted into cash through the payment of the Bonus, according to the price thereof in a given time frame (simple arithmetic average of the official prices of the Banco Desio ordinary share, recorded in the four weeks preceding the date of the Meeting that approves the Group's results for the year preceding the payment).

[11] Key senior personnel is defined as the members with executive profiles of the Parent Company's Management Body, the members of the senior management of the Parent Company and Fides and the heads of the main business lines of the Parent Company.

the assignment of phantom shares" and "Information document relating to the long-term incentive plan "LTI 2024-2026" based on the assignment of phantom shares", published on the corporate website at www.bancodesio.it.

1.2 Share-based compensation plans from previous years

On 23 March 2023, the Board of Directors of Banco Desio acknowledged the vesting, in the year 2023, of the equity component of the deferred short-term incentive shares, referred to the "2022 incentive system" Plan based on the assignment of Banco Desio phantom shares currently in force and approved on the basis of the previous shareholders' resolution.

For further details on the terms and conditions for the allocation of shares under the above Plan, please refer to the related "Information Document on the "2022 Incentive System" Plan based on the allocation of phantom shares", published on the corporate website at www.bancodesio.it.

1.3 Representation of share-based compensation plans

The remuneration components for key personnel described above (STI 2022, STI 2023 and LTI 2024-2026), which envisage payment based on Banco Desio phantom shares, are configured as "cash settled" group plans in accordance with the provisions of accounting standard IFRS 2 *Share-based payments*.

These share-based payments are recognised (a) in the consolidated financial statements of the Parent Company in the balance sheet liability item "Provisions for risks and charges" with balancing entry in the income statement under the item "Personnel expenses" and (b) in the separate financial statements of the Parent Company in the balance sheet liability item "Provisions for risks and charges" with balancing entry (i) in the income statement under the item "Personnel expenses" for the key personnel of the Parent Company itself and (ii) in the balance sheet assets under the item "Investments" for the key personnel of the subsidiaries.

Subsidiaries, on the other hand, account for the cost for the period in their separate financial statements under the income statement item "Personnel expenses" as balancing entry of the item "Reserves" in equity.

B. QUANTITATIVE INFORMATION

2. Other information

With reference to the resolution passed by the Board of Directors of Banco Desio on 23 March 2023 in relation to the share-based compensation plan approved by the ordinary Shareholders' Meeting of 2022, a total of 149,068 Banco Desio phantom shares were assigned to 11 beneficiaries, of which (i) 89,440 related to the upfront portion and (ii) 59,628 related to the deferred portions in the following two years, the vesting of which remains subject to the positive verification of future consolidated conditions as well as the absence of misconduct. It should be noted that the Parent Company recognised 137,590 Banco Desio phantom shares to its 10 beneficiaries, of which 82,554 related to the up-front portion and 55,036 related to the deferred portions as specified above.

2.1 Economic Impacts

With regard to share-based incentive systems for key personnel, in the first half of 2023, the Group allocated Euro 0.9 million related essentially to the Parent Company's 2023 Phantom Share Plan.

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 on the basis of 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 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]	328,312	10,677	(4,214)	334,775
Structural costs [2]	(168,590)	(5,016)	141	(173,465)
Allocations and adjustments [3]	(23,101)	(759)	16	(23,844)
Gains (Losses) on investments valued at equity	-		(22)	(22)
Gains (Losses) on disposal of investments			-	
Profit (Loss) from current operations before taxes	**136,621**	**4,902**	**(4,079)**	**137,444**

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2022
Financial assets	3,974,922	-		3,974,922
Loans with banks [4]	202,190	44,696	(21)	246,865
Loans to customers [4]	12,100,396	1,152,995	(1,144,367)	12,109,024
Payables to banks	3,188,725	1,144,375	(1,144,375)	3,188,725
Payables to customers	12,324,159	7,407	(8,114)	12,323,452
Securities issued	1,684,659			1,684,659
Indirect inflows, administered and managed	**19,554,841**			**19,554,841**

Income statement figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2021
Margin on financial and insurance operations [1]	257,114	8,637	(6,751)	259,000
Structural costs [2]	(150,594)	(4,374)	80	(154,888)
Allocations and adjustments [3]	(25,577)	(496)	8	(26,065)
Gains (Losses) on investments valued at equity	-	-	-	-
Gains (Losses) on disposal of investments	-	-	-	-
Profit (Loss) from current operations before taxes	**80,943**	**3,767**	**(6,663)**	**78,047**

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2021
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**

[1] including other operating expenses/income and gains/losses from contractual amendments without derecognition;

[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.

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

CERTIFICATION OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ART. *81-TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned Alessandro Maria Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, 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 effective application of the administrative and accounting procedures as the basis for preparation of the condensed consolidated half-year financial statements, in the first half of 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements at 30 June 2023 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 condensed consolidated half-year 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 interim report on operations includes a reliable analysis of references to important events that occurred in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information regarding related party transactions.

Desio, 3 August 2023

The CEO	The Financial Reporting Manager
Alessandro Decio	*Mauro Walter Colombo*

AUDITOR’S REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banco Desio Group, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2023. The parent's directors of Banco Desio e della Brianza S.p.A. are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Banco Desio Group
Report on review of condensed interim consolidated financial statements
30 June 2023

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banco Desio Group as at and for the six months ended 30 June 2023 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 4 August 2023

KPMG S.p.A.

(Signed on the original)

Alessandro Nespoli
Director of Audit

ATTACHMENT

QUARTERLY DEVELOPMENT OF THE CONSOLIDATED INCOME STATEMENT

Items	Q2 2023	Q1 2023	Q2 2022	Q1 2022
10. Interest and similar income	151,750	123,513	80,623	77,753
20. Interest and similar expense	(58,064)	(42,640)	(11,152)	(10,182)
30. Net interest income	**93,686**	**80,873**	**69,471**	**67,571**
40. Commission income	53,892	51,293	51,914	47,840
50. Commission expenses	(5,828)	(5,698)	(5,304)	(4,854)
60. Net commissions	**48,064**	**45,595**	**46,610**	**42,986**
70. Dividends and similar income	85	469	86	463
80. Net trading result	595	583	(176)	2,002
90. Net hedging result	1,693	(56)	804	-
100. Gains (losses) on sale or repurchase of:	(2,349)	911	(2,236)	6,766
a) financial assets measured at amortised cost	(2,862)	661	(2,237)	6,187
b) financial assets measured at fair value through other comprehensive income	412	74	-	577
c) financial liabilities	101	176	1	2
110. Net result of other financial assets and liabilities measured at fair value through profit or loss	(4,493)	(1,302)	(3,427)	(2,079)
b) other financial assets mandatorily measured at fair value	(4,493)	(1,302)	(3,427)	(2,079)
120. Net banking income	**137,281**	**127,073**	**111,132**	**117,709**
130. Net value adjustments/reversals for credit risk related to:	(9,509)	(11,074)	(15,416)	(9,619)
a) financial assets measured at amortised cost	(9,500)	(11,078)	(15,345)	(9,584)
b) financial assets measured at fair value through other comprehensive income	(9)	4	(71)	(35)
140. Gains/losses from contractual amendments without derecognition	48	22	(42)	(3)
150. Net result from financial operations	**127,820**	**116,021**	**95,674**	**108,087**
180. Net result from financial and insurance operations	**127,820**	**116,021**	**95,674**	**108,087**
190. Administrative expenses:	(80,730)	(82,841)	(69,998)	(75,891)
a) personnel expenses	(49,081)	(45,508)	(42,708)	(42,766)
b) other administrative expenses	(31,649)	(37,333)	(27,290)	(33,125)
200. Net allocations to provisions for risks and charges	(1,514)	(1,747)	(878)	(152)
a) commitments for guarantees given	980	(563)	(141)	92
b) other net allocations	(2,494)	(1,184)	(737)	(244)
210. Net value adjustments/reversals on tangible assets	(4,491)	(4,209)	(3,212)	(4,753)
220. Net value adjustments/reversals on intangible assets	(638)	(555)	(493)	(505)
230. Other operating expenses/income	11,717	58,633	8,003	17,713
240. Operating costs	**(75,656)**	**(30,719)**	**(66,578)**	**(63,588)**
260. Net result of fair value measurement of tangible and intangible assets	-	-	-	-
290. Profit (Loss) from current operations before taxes	**52,152**	**85,292**	**29,096**	**44,499**
300. Income taxes for the year on current operations	(17,034)	(25,490)	(9,706)	(12,999)
310. Profit (Loss) from current operations after taxes	**35,118**	**59,802**	**19,390**	**31,500**
320. Profit (Loss) from discontinued operations after taxes	(259)	98,684	1,795	1,433
330. Profit (Loss) for the year	**34,859**	**158,486**	**21,185**	**32,933**
340. Profit (Loss) for the year attributable to minority interests	-	-	-	-
350. Profit (Loss) for the year attributable to the parent company	**34,859**	**158,486**	**21,185**	**32,933**